

NORTHGATE SCHOOL DISTRICT
Financial Statements
June 30, 2021

NORTHGATE SCHOOL DISTRICT

Table of Contents

June 30, 2021

Independent Auditor's Report	1
Management's Discussion & Analysis	4
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position (Deficit)	14
Statement of Activities	16
Fund Financial Statements	
Balance Sheet – Governmental Funds	17
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position (Deficit)	18
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Net Position – Proprietary Funds	22
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	23
Statement of Cash Flows – Proprietary Funds	24
Statement of Net Position – Fiduciary Funds	25
Statement of Changes in Net Position – Fiduciary Funds	26
Notes to Financial Statements	27
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – General Fund – Budget and Actual	65
Schedule of the School District's Proportionate Share of the Net Pension Liability – Public School Employees' Retirement System	70

NORTHGATE SCHOOL DISTRICT

Table of Contents

June 30, 2021

Schedule of the School District's Pension Contributions – Public School Employees' Retirement System	71
Schedule of Changes in the School District's Total Pension Liability and Related Ratios – Retirement Incentives Pension	72
Schedule of the School District's Proportionate Share of the Net OPEB Liability – Public School Employees' Retirement System	73
Schedule of the School District's OPEB Contributions – Public School Employees' Retirement System	74
Schedule of Changes in the School District's Total OPEB Liability and Related Ratios – School Plan	75
Notes to Required Supplementary Information	76
Single Audit	
Schedule of Expenditures of Federal Awards	79
Notes to Schedule of Expenditures of Federal Awards	81
Summary Schedule of Prior Audit Findings	82
Independent Auditor's Report of Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	83
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	85
Schedule Findings and Questioned Costs	87
Corrective Action Plan	89



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, 2021, and the related notes to the financial statements, which collectively comprise 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,

Northgate School District
Independent Auditor's Report

2021, 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

Change in Accounting Principle

As described in Note 1 to the financial statements, Northgate School District adopted new accounting guidance, GASB Statement No. 84, *Fiduciary Activities*. Our opinions are not modified with respect to that matter.

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 relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards 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 January 14, 2022, 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

Northgate School District
Independent Auditor's Report

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.

Myers, Patsy & Associates, LLC

Carnegie, Pennsylvania
January 14, 2022

The Management's Discussion and Analysis (MD&A) of 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, 2021. 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 Governmental Accounting Standards Board (GASB) in their Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. Certain comparative information between the current 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 the School District as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

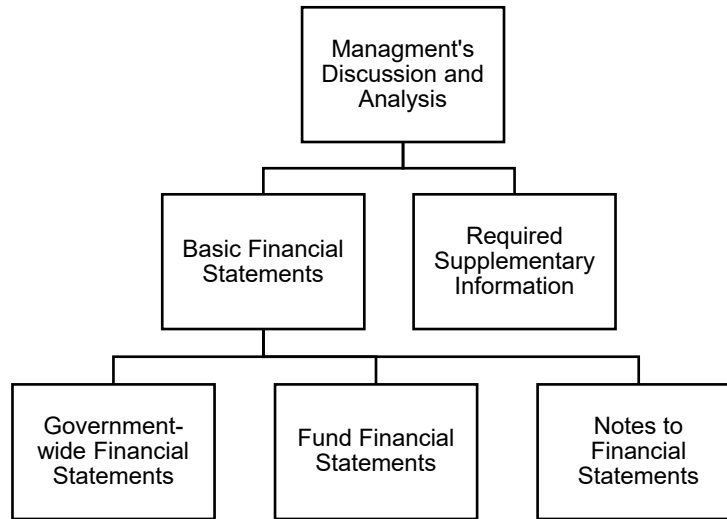
The first two statements are government-wide financial statements - the statement of net position and the statement of activities. These provide both long-term and short-term information about the School District's overall financial status.

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 the 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, 2021

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



The table below summarizes the major features of the School District's financial statements, including the portion of the School District's activities 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	Fund Statements		
		Governmental	Proprietary	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 service	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
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

NORTHGATE SCHOOL DISTRICT
Management's Discussion & Analysis
June 30, 2021

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 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 more detailed information about the most significant funds, not the School District as a whole. Some funds are required by state law and bond requirements.

The school district has three kinds of funds:

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. The School District reports the following governmental funds:

- General Fund
- Capital Reserve Fund
- Student Activity Fund

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 portion of funding through user charges. When the School District charges customers for services it provides—whether to outside customers or 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. The School District reports one proprietary fund, the food service fund.

Fiduciary funds

The School District is the trustee, or fiduciary, for assets that belong to others. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the government-wide financial statements because the School District cannot use these assets to finance its operations. The School District reports one fiduciary fund, the scholarship fund.

Notes to the Financial Statements

The notes provide disclosures and additional information that are essential to a full understanding of the financial information presented in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also provides certain required supplementary information.

NORTHGATE SCHOOL DISTRICT
Management's Discussion & Analysis
June 30, 2021

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 changes in long-term debt and capital projects.

	2021			2020		
	Governmental Activities	Business-Type Activities	Totals	Governmental Activities	Business-Type Activities	Totals
Current assets	\$ 18,259,303	\$ 278,974	\$ 18,538,277	\$ 15,243,586	\$ 298,978	\$ 15,542,564
Noncurrent assets	7,443,470	44,037	7,487,507	7,233,719	49,127	7,282,846
Total assets	<u>25,702,773</u>	<u>323,011</u>	<u>26,025,784</u>	<u>22,477,305</u>	<u>348,105</u>	<u>22,825,410</u>
Deferred outflows	7,164,895	-	7,164,895	5,963,110	-	5,963,110
Current liabilities	3,749,075	40,510	3,789,585	2,983,952	23,392	3,007,344
Noncurrent liabilities	48,281,311	-	48,281,311	43,435,241	-	43,435,241
Total liabilities	<u>52,030,386</u>	<u>40,510</u>	<u>52,070,896</u>	<u>46,419,193</u>	<u>23,392</u>	<u>46,442,585</u>
Deferred inflows	2,480,701	-	2,480,701	3,164,790	-	3,164,790
Net position (deficit)						
Net invest. in cap. assets	4,537,105	44,037	4,581,142	6,004,216	49,127	6,053,343
Restricted	197,485	-	197,485	179,687	-	179,687
Unrestricted	(26,378,009)	238,464	(26,139,545)	(27,327,471)	275,586	(27,051,885)
Total Net Position (Deficit)	<u>\$ (21,643,419)</u>	<u>\$ 282,501</u>	<u>\$ (21,360,918)</u>	<u>\$ (21,143,568)</u>	<u>\$ 324,713</u>	<u>\$ (20,818,855)</u>

The School District's total net deficit was \$(21,360,918) at June 30, 2021 and a total net deficit of \$(20,818,855) at June 30, 2020.

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 the state and federal government, inventories, and prepaid expenses.

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, 2021

	2021			2020		
	Governmental Activities	Business- type Activities	Totals	Governmental Activities	Business- type Activities	Totals
Revenues						
Program revenues						
Charges for services	\$ 46,411	\$ 13,764	\$ 60,175	\$ 27,181	\$ 193,974	\$ 221,155
Operating grants & contrib.	5,166,858	369,196	5,536,054	4,650,673	337,741	4,988,414
Capital grants & contrib.	163,738	-	163,738	385,029	31,044	416,073
General revenues						
Property taxes	12,052,374	-	12,052,374	12,077,078	-	12,077,078
Other taxes	2,028,394	-	2,028,394	1,995,229	-	1,995,229
Grants, subsidies & contrib.	4,834,769	-	4,834,769	4,834,689	-	4,834,689
Other	151,361	(31,044)	120,317	187,023	-	187,023
Total revenues	24,443,905	351,916	24,795,821	24,156,902	562,759	24,719,661
Expenses						
Instruction	16,291,986	-	16,291,986	17,052,806	-	17,052,806
Instructional support	2,446,692	-	2,446,692	2,263,843	-	2,263,843
Administration & financial	2,876,971	-	2,876,971	3,111,482	-	3,111,482
Operations & maintenance	2,546,021	-	2,546,021	2,601,748	-	2,601,748
Pupil transportation	310,517	-	310,517	492,469	-	492,469
Student activities	436,202	-	436,202	433,292	-	433,292
Community services	20,749	-	20,749	75,590	-	75,590
Interest on debt	35,704	-	35,704	117,526	-	117,526
Food service	-	394,128	394,128	-	514,169	514,169
Total expenses	24,964,842	394,128	25,358,970	26,148,756	514,169	26,662,925
Increase (decrease) in net position	(520,937)	(42,212)	(563,149)	(1,991,854)	48,590	(1,943,264)
Net position (deficit) - beginning*	(21,122,482)	324,713	(20,797,769)	(19,151,714)	276,123	(18,875,591)
Net position (deficit) - ending	\$ (21,643,419)	\$ 282,501	\$ (21,360,918)	\$ (21,143,568)	\$ 324,713	\$ (20,818,855)

* Restated for change in accounting principle effective July 1, 2020

Net position for governmental activities as of July 1, 2020 was restated for the implementation of GASB Statement No. 84, *Fiduciary Activities*. The school district's student activity fund was reclassified as a special revenue fund and was previously recorded as an agency fund that was excluded from the government-wide financial reporting. The financial statements for 2020 were not restated. The effect of the change in accounting principle does not significantly impact the comparability of the information provided above. Please refer to Note 1, pages 37-38, for additional information about the change in accounting principle.

The School District's largest functions are instruction, instructional support, administration and financial support, and operations 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 comparative analysis.

NORTHGATE SCHOOL DISTRICT
Management's Discussion & Analysis
June 30, 2021

Functions/Programs	2021		2020	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 16,291,986	\$ 12,505,336	\$ 17,052,806	\$ 13,402,857
Instructional support	2,446,692	1,841,640	2,263,843	1,891,385
Administrative & financial	2,876,971	2,585,407	3,111,482	2,822,358
Operations & maintenance	2,546,021	2,162,681	2,601,748	2,165,074
Pupil transportation	310,517	166,587	492,469	348,309
Student activities	436,202	385,405	433,292	388,019
Community services	20,749	19,810	75,590	57,328
Interest on long-term debt	35,704	(79,031)	117,526	10,543
Total governmental activities	<u>\$ 24,964,842</u>	<u>19,587,835</u>	<u>\$ 26,148,756</u>	<u>21,085,873</u>
Less: unrestricted grants, subsidies		<u>(4,834,769)</u>		<u>(4,834,689)</u>
Total needs from local taxes and other revenues		<u>\$ 14,753,066</u>		<u>\$ 16,251,184</u>

Decreases in the net cost of services were primarily affected by circumstances related to the COVID-19 pandemic.

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

Functions/Programs	2021		2020	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Food service	<u>\$ 394,128</u>	<u>\$ 42,212</u>	<u>\$ 514,169</u>	<u>\$ (48,590)</u>

School District Funds

General Fund Budget

	Budget Revenues 2020-2021	Actual Revenues 2020-2021	Variance
	Local	\$ 13,561,497	\$ 15,108,464
State	9,080,458	8,835,277	(245,181)
Federal	919,258	1,031,572	112,314

Local revenues exceeded the budget due to the fact that the School District experienced a higher collection of current and delinquent real estate taxes than anticipated. 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, 2021

	Budget Expenditures 2020-2021	Actual Expenditures 2020-2021	Variance
Instruction	\$ 15,676,781	\$ 15,337,511	\$ 339,270
Support services	8,437,998	7,806,102	631,896
Noninstructional	553,350	445,465	107,885
Facilities	775,072	502,527	272,545
Debt service	755,625	778,418	(22,793)

Budget surpluses were realized across functions relating to various impacts on school operations due to COVID-19. The most significant item was transportation costs, which are included with support services. The transportation budget was \$656,887 and actual costs for the year were \$309,829, a net variance of \$347,058. This surplus is the result of reduced transportation costs as a result of at-home and hybrid learning schedules that occurred at various times during the school year. The budget for facility improvements exceeded actual expenditures by \$272,545 due to outstanding construction commitments of \$314,105 for the replacement of sidewalks and curbs at all buildings.

Capital Assets and Debt Administration

Capital Assets

Capital assets, net of accumulated depreciation

	June 30, 2021	June 30, 2020
Governmental activities		
Land	\$ 821,234	\$ 821,234
Site improvements	157,279	175,701
Buildings and improvements	4,824,274	4,756,368
Furniture and equipment	1,640,683	1,480,416
	<u>\$ 7,443,470</u>	<u>\$ 7,233,719</u>
Business-type activities		
Buildings and improvements	\$ -	\$ -
Furniture and equipment	44,037	49,127
	<u>\$ 44,037</u>	<u>\$ 49,127</u>

During the 2020-2021 school year, the School District completed various security upgrades at its three school building entrances, replaced the interior exit signs at Avalon Elementary School, and began a project to replace the sidewalks and curbs at its three schools. Total capital additions for governmental activities were \$869,456, and depreciation expense was \$642,568 for the year ended June 30, 2021.

Debt Administration

As of July 1, 2020, the School District had total outstanding debt of \$1,602,512, which included the School District's share for \$350,400 of the A. W. Beattie Career Center bonds and \$20,263 in compensated absences and retirement incentives. During 2020-2021, the School District made principal payments of \$32,640 towards the A. W. Beattie Career Center bonds and made principal and interest payments of \$700,000 on the 1997 capital appreciation bonds. During 2020-2021, the School District also issued general obligation notes from a direct borrowing with an aggregate principal amount of \$2,339,000, to

NORTHGATE SCHOOL DISTRICT
Management's Discussion & Analysis
June 30, 2021

finance capital improvements. This resulted in an increase in the total outstanding debt at June 30, 2021, of \$3,227,816.

Outstanding Debt

	June 30, 2021	June 30, 2020
General obligation bonds		
Series of 2016	\$ 317,760	\$ 350,400
Capital appreciation, Series B of 1997	533,125	1,205,817
Unamortized bond premium	23,003	26,032
Notes payable - direct borrowing	2,339,000	-
Compensated absences	14,928	20,263
	\$ 3,227,816	\$ 1,602,512

Additional detailed information regarding the School District's debt is included in Notes 8 and 9 to the financial statements.

Financial Highlights

The School District's general fund balance was \$10,041,131 at fiscal year-end June 30, 2021, and \$7,565,797 at fiscal year-end June 30, 2020, which is an increase of \$2,475,334. The School District reported \$2,339,000 in other financing sources from the issuance of general obligation notes. The notes were issued to finance the cost of capital improvements already incurred in a prior year. The remaining net increase in fund balance for the year was \$136,334. An increase in real estate taxes accounted for most of the remaining overall increase in general fund local revenues over the prior year by \$125,987.

During the year ended June 30, 2021, revenues from federal sources increased by \$469,726 while state subsidies decreased by \$151,088. The School District received various federal awards under the CARES Act. CARES Act programs will carry forward to support associated costs into the next fiscal year. Increases in revenues from federal and state sources for program subsidies were offset by related expenditures for those programs.

A construction project at A.W. Beattie Career Center required a bond issue by the nine participating school districts during the 2009 fiscal year. The School District's share of the cost was \$668,480 over 20 years. During the 2017 fiscal year, the bond was refinanced with the School District's share of the cost at \$472,480. A principal payment of \$32,640 was paid during the current fiscal year, and the ending balance was \$317,760.

Expenditures were 5% under the budgeted amount. Significant budget surpluses are due to capital projects relating to outstanding contract commitments at June 30, 2021, and reduced costs for transportation relating to periods of remote learning during the school year.

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, or 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 School District.

The School District's business-type activities net position decreased \$42,212, including \$5,090 of depreciation expense and \$31,044 in transfers out to the general fund. This decrease was partly a result of the adoption of the USDA's National School Lunch Program Seamless Summer Option (SSO), which provides free breakfast and lunch to all students. In 2020-2021, the School District implemented a program to provide free meals to all students in response to the COVID-19 pandemic.

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 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 significant 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 Fund when possible. In addition, the Board has budgeted additional monies in a capital projects line item in the general operating budget.

The 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" existing programs and must be used to "supplement" them, 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 email at Chris.Ursu@northgatesd.net.

NORTHGATE SCHOOL DISTRICT

Statement of Net Position (Deficit)

June 30, 2021

	Governmental Activities	Business-type Activities	Totals
Assets			
Current Assets			
Cash and cash equivalents	\$ 4,030,013	\$ 259,878	\$ 4,289,891
Investments	7,642,244	-	7,642,244
Taxes receivable, net	5,004,015	-	5,004,015
Internal balances	65,201	(65,201)	-
Due from other governments	1,268,391	36,655	1,305,046
Other receivables	-	22,627	22,627
Inventories	222,661	25,015	247,676
Prepaid expenses	26,778	-	26,778
Total current assets	18,259,303	278,974	18,538,277
Noncurrent assets			
Land	821,234	-	821,234
Site improvements, net	157,279	-	157,279
Buildings and building improvements, net	4,824,274	-	4,824,274
Furniture and equipment, net	1,640,683	44,037	1,684,720
Total noncurrent assets	7,443,470	44,037	7,487,507
Total assets	25,702,773	323,011	26,025,784
Deferred outflows of resources			
Related to PSERS pension	6,001,395	-	6,001,395
Related to retirement incentives pension	51,638	-	51,638
Related to PSERS OPEB	248,099	-	248,099
Related to School District OPEB	863,763	-	863,763
Total deferred outflows of resources	7,164,895	-	7,164,895
Liabilities			
Current Liabilities			
Due to other governments	302,139	-	302,139
Accounts payable	206,492	34,631	241,123
Accrued salaries, benefits and withholdings	2,603,439	-	2,603,439
Accrued interest	2,281	-	2,281
Unearned revenues	67,359	5,879	73,238
Current portion of long-term debt	567,365	-	567,365
Total current liabilities	3,749,075	40,510	3,789,585

(Continued)

NORTHGATE SCHOOL DISTRICT

Statement of Net Position (Deficit)

June 30, 2021

	Governmental Activities	Business-type Activities	Totals
<i>(Continued)</i>			
Noncurrent liabilities			
Bonds payable, net	2,645,523	-	2,645,523
Compensated absences	14,928	-	14,928
Net pension liabilities	36,717,221	-	36,717,221
Net OPEB liabilities	8,903,639	-	8,903,639
Total noncurrent liabilities	48,281,311	-	48,281,311
Total liabilities	52,030,386	40,510	52,070,896
Deferred inflows of resources			
Related to PSERS pension	1,614,000	-	1,614,000
Related to retirement incentives pension	11,417	-	11,417
Related to PSERS OPEB	81,000	-	81,000
Related to School District OPEB	774,284	-	774,284
Total deferred inflows of resources	2,480,701	-	2,480,701
Net position (deficit)			
Net investment in capital assets	4,537,105	44,037	4,581,142
Restricted	197,485	-	197,485
Unrestricted	(26,378,009)	238,464	(26,139,545)
Total net position (deficit)	\$ (21,643,419)	\$ 282,501	\$ (21,360,918)

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

NORTHGATE SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position (Deficit)		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Governmental activities:							
Instruction	\$ 16,291,986	\$ -	\$ 3,786,650	\$ -	\$ (12,505,336)	\$ -	\$ (12,505,336)
Instructional support	2,446,692	-	605,052	-	(1,841,640)	-	(1,841,640)
Administrative and financial	2,876,971	-	291,564	-	(2,585,407)	-	(2,585,407)
Operations and maintenance	2,546,021	31,309	303,028	49,003	(2,162,681)	-	(2,162,681)
Pupil transportation	310,517	-	143,930	-	(166,587)	-	(166,587)
Student activities	436,202	15,102	35,695	-	(385,405)	-	(385,405)
Community services	20,749	-	939	-	(19,810)	-	(19,810)
Interest on long-term debt	35,704	-	-	114,735	79,031	-	79,031
Total governmental activities	<u>24,964,842</u>	<u>46,411</u>	<u>5,166,858</u>	<u>163,738</u>	<u>(19,587,835)</u>	<u>-</u>	<u>(19,587,835)</u>
Business-type activities:							
Food service	<u>394,128</u>	<u>13,764</u>	<u>369,196</u>	<u>-</u>	<u>-</u>	<u>(11,168)</u>	<u>(11,168)</u>
Total primary government	<u>\$ 25,358,970</u>	<u>\$ 60,175</u>	<u>\$ 5,536,054</u>	<u>\$ 163,738</u>	<u>(19,587,835)</u>	<u>(11,168)</u>	<u>(19,599,003)</u>
General revenues:							
Taxes:							
Property taxes, net					12,052,374	-	12,052,374
Earned income tax					1,675,925	-	1,675,925
Other taxes levied for general purposes					352,469	-	352,469
Grants, subsidies, and contributions, not restricted					4,834,769	-	4,834,769
Net investment earnings					(9,835)	-	(9,835)
Miscellaneous income					130,152	-	130,152
Transfers					31,044	(31,044)	-
Total general revenues					<u>19,066,898</u>	<u>(31,044)</u>	<u>19,035,854</u>
Change in net position					(520,937)	(42,212)	(563,149)
Net position (deficit) - beginning (restated)					<u>(21,122,482)</u>	<u>324,713</u>	<u>(20,797,769)</u>
Net position (deficit) - ending					<u>\$ (21,643,419)</u>	<u>\$ 282,501</u>	<u>\$ (21,360,918)</u>

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

NORTHGATE SCHOOL DISTRICT

Balance Sheet

Governmental Funds

June 30, 2021

	General Fund	Capital Reserve Fund	Nonmajor Fund	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 4,012,434	\$ -	\$ 17,579	\$ 4,030,013
Investments	7,462,338	179,906	-	7,642,244
Taxes receivable, net	5,004,015	-	-	5,004,015
Due from other funds	65,201	-	-	65,201
Due from other governments	1,268,391	-	-	1,268,391
Prepaid items	26,778	-	-	26,778
Total assets	<u>\$ 17,839,157</u>	<u>\$ 179,906</u>	<u>\$ 17,579</u>	<u>\$ 18,036,642</u>
Liabilities, deferred inflows of resources, and fund balance				
Liabilities				
Due to other governments	\$ 302,139	\$ -	\$ -	\$ 302,139
Accounts payable	206,493	-	-	206,493
Accrued salaries, benefits and withholdings	2,603,439	-	-	2,603,439
Unearned revenues	67,359	-	-	67,359
Total Liabilities	<u>3,179,430</u>	<u>-</u>	<u>-</u>	<u>3,179,430</u>
Deferred inflows of resources				
Unavailable revenues - property taxes	4,618,596	-	-	4,618,596
Fund balance				
Nonspendable	26,778	-	-	26,778
Restricted	-	179,906	17,579	197,485
Assigned	8,151,733	-	-	8,151,733
Unassigned	1,862,620	-	-	1,862,620
Total fund balance	<u>10,041,131</u>	<u>179,906</u>	<u>17,579</u>	<u>10,238,616</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 17,839,157</u>	<u>\$ 179,906</u>	<u>\$ 17,579</u>	<u>\$ 18,036,642</u>

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

NORTHGATE SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position (Deficit)
June 30, 2021

Total fund balances - governmental funds \$ 10,238,616

Amounts reported for governmental activities in the statement of net position (deficit) 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 \$21,257,981, and the accumulated depreciation is \$13,814,511. 7,443,470

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. 4,618,596

The governmental funds follow the purchase method of inventory; therefore, no inventory is reflected on the balance sheet. However, the statement of net position (deficit) uses the consumption method of inventory. 222,661

Deferred outflows and inflows of resources for pension and OPEB are applicable to future periods, and, therefore, are not reported in the governmental funds. 4,684,194

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 and notes payable	\$ (3,189,884)	
Unamortized bond premiums	(23,003)	
Accrued interest on the bonds	(2,281)	
Net pension liability	(36,717,221)	
Net OPEB liability	(8,903,639)	
Compensated absences	<u>(14,928)</u>	<u>(48,850,956)</u>

Total net deficit - governmental activities \$ (21,643,419)

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

NORTHGATE SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

	General Fund	Capital Projects Fund	Nonmajor Fund	Totals
Revenues				
Local sources	\$ 15,108,464	\$ 219	\$ 13,653	\$ 15,122,336
State sources	8,835,277	-	-	8,835,277
Federal sources	1,031,572	-	-	1,031,572
Total revenues	<u>24,975,313</u>	<u>219</u>	<u>13,653</u>	<u>24,989,185</u>
Expenditures				
Instruction	15,337,511	-	-	15,337,511
Support services	7,806,102	-	-	7,806,102
Noninstructional services	445,465	-	17,160	462,625
Capital outlay	502,527	-	-	502,527
Debt service	744,405	-	-	744,405
Refunds of prior year's receipts	34,013	-	-	34,013
Total expenditures	<u>24,870,023</u>	<u>-</u>	<u>17,160</u>	<u>24,887,183</u>
Excess (deficiency) of revenues over expenditures	<u>105,290</u>	<u>219</u>	<u>(3,507)</u>	<u>102,002</u>
Other financing sources				
Issuance of debt	2,339,000	-	-	2,339,000
Transfers in	31,044	-	-	31,044
Total other financing sources	<u>2,370,044</u>	<u>-</u>	<u>-</u>	<u>2,370,044</u>
Net change in fund balances	2,475,334	219	(3,507)	2,472,046
Fund balance - July 1, 2020 (restated)	<u>7,565,797</u>	<u>179,687</u>	<u>21,086</u>	<u>7,766,570</u>
Fund balance - June 30, 2021	<u>\$ 10,041,131</u>	<u>\$ 179,906</u>	<u>\$ 17,579</u>	<u>\$ 10,238,616</u>

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

NORTHGATE SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2021

Total net change in fund balances - governmental funds \$ 2,472,046

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	\$ (642,568)	
Capital outlays	<u>869,457</u>	226,889

Net book value of capital disposals is recorded as a loss on the statement of activities. (17,138)

Because some property taxes will not be collected for several months after the School District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. (525,176)

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. 123,702

The issuance of long-term obligations provides current financial resources to governmental funds, but increases long-term liabilities in the statement of activities. (2,339,000)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 732,640

(Continued)

NORTHGATE SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2021

(Continued)

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	\$	340	
Amortization of premiums on bonds		3,029	
Accretion of interest on the School District's capital appreciation bonds		<u>(27,308)</u>	(23,939)

In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures 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.

5,335

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	\$	3,578,896	
Cost of pension benefits earned		(4,288,807)	
OPEB benefit payments		175,481	
Cost of OPEB benefits earned		<u>(641,866)</u>	<u>(1,176,296)</u>

Change in net deficit of governmental activities			\$ <u>(520,937)</u>
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The accompanying notes are an integral part of the financial statements.

NORTHGATE SCHOOL DISTRICT
Statement of Net Position
Proprietary Funds
June 30, 2021

	Food Service Fund
Assets	
Cash and cash equivalents	\$ 259,878
Due from other governments	36,655
Other receivables	22,627
Inventories	25,015
Machinery and equipment, net	44,037
Total assets	\$ 388,212
Liabilities and net position	
Liabilities	
Due to other funds	\$ 65,201
Accounts payable	34,631
Unearned revenues	5,879
Total Liabilities	105,711
Net Position	
Net investment in capital assets	44,037
Unrestricted	238,464
Total Net Position	282,501
Total liabilities and net position	\$ 388,212

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

NORTHGATE SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2021

	Food Service Fund
Operating revenues	
Food service revenue	\$ 13,764
Operating expenses	
Purchased property service	809
Other purchased service	355,867
Supplies	32,210
Depreciation	5,090
Other operating expenditures	152
Total operating expenses	394,128
Operating loss	(380,364)
Nonoperating revenues	
State sources	13,342
Federal sources	355,854
Total nonoperating revenues	369,196
Loss before transfers out	(11,168)
Transfers out	(31,044)
Change in net position	(42,212)
Net position - July 1, 2020	324,713
Net position - June 30, 2021	\$ 282,501

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

NORTHGATE SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2021

	Food Service Fund
Cash flows from operating activities	
Cash received from users	\$ 13,978
Cash payments to suppliers for goods and services	(311,585)
Cash payments for other operating expenses	(152)
Net cash used for operating activities	(297,759)
Cash flows from noncapital financing activities	
State sources	12,616
Federal sources	308,158
Net cash provided by noncapital financing activities	320,774
Cash flows from capital and related financing activities	
Change in contributed capital	(31,044)
Net decrease in cash and cash equivalents	(8,029)
Cash and cash equivalents, beginning of year	267,907
Cash and cash equivalents, end of year	\$ 259,878
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (380,364)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and net amortization	5,090
Donated commodities	29,077
(Increase) Decrease in accounts receivable	2,889
(Increase) Decrease in inventories	8
Increase (Decrease) in accounts payable	19,793
Increase (Decrease) in advances from other funds	28,423
Increase (Decrease) in unearned revenue	(2,675)
Total adjustments	82,605
Cash provided by (used for) operating activities	\$ (297,759)
Schedule of noncash investing, capital, and financing activities	
During the year ended June 30, 2021, the School District received USDA donated commodities.	\$ 29,077

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

NORTHGATE SCHOOL DISTRICT
Statement of Net Position
Fiduciary Funds
June 30, 2021

	Private Purpose Trust Fund
Assets	
Investments	<u>\$ 159,726</u>
Liabilities	
Other current liabilities	<u> -</u>
Net position	
Held in trust for scholarships	<u>\$ 159,726</u>

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

NORTHGATE SCHOOL DISTRICT
Statement of Changes in Net Position
Fiduciary Funds
Year Ended June 30, 2021

	Private Purpose Trust Fund
Additions	
Interest	\$ <u>195</u>
Deductions	
Scholarships Awarded	<u>-</u>
Change in net position	195
Net position - July 1, 2020	<u>159,531</u>
Net position - June 30, 2021	<u><u>\$ 159,726</u></u>

The accompanying notes are an integral part of the 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 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 the possible inclusion of related entities within its reporting entity are financial accountability and the nature and significance of the relationship. Upon review of these 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 (Center). The Center is not considered part of the reporting entity, as the School District is not financially accountable for the Center.

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 the 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, and 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 District may not be deposited into this fund. No transfers out of this fund are allowable for any purpose.

Nonmajor Funds

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.

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 in 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 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.

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, 2021, with revenues totaling \$23,561,213 and expenditures totaling \$26,198,826. The budget was balanced with the prior year's 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 comparison 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 the 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 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, 2021, 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., 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 any one 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.

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.

NORTHGATE SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2021

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, 2021 is \$222,661, and the inventory for business-type activities at June 30, 2021 is \$25,015.

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 Estimated Lives	Business-Type Activities Estimated Lives
Description		
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.

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, 2021. Compensated absences for governmental activities at June 30, 2021 is \$14,928.

Retirement Incentives

The School District measured and recognized a pension liability in accordance with provisions of Governmental Accounting Standards Board (GASB) Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*. The plan is accounted for on a pay-as-you-go basis. The guidance in this statement rests on the assumption that benefits 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 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 \$7,164,895 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 \$2,480,701 in governmental activities as deferred inflows of resources related to pension and OPEB. The School District also had \$4,618,596 of deferred inflows of resources from unavailable property tax revenue reported on the balance sheet as of June 30, 2021.

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 the 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

NORTHGATE SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2021

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 borrowings 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, 2021, 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 School District experiences an excess of expenditures over revenues for a given fiscal year, the fund balance shall be consumed in the following order:

1. Restricted fund balance to the extent that expenditures related to the restriction contributed to the excess of expenditures over revenues.
2. 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.
3. Assigned fund balance to the extent that expenditures related to the assignment contributed to the excess of expenditures and revenues.
4. 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 costs. 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.

Newly Adopted Pronouncements

The requirements of the following Governmental Accounting Standards Board (GASB) Statements were adopted for the year ended June 30, 2021:

GASB Statement No. 84, *Fiduciary Activities*, improves 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 post-employment benefit arrangements that are fiduciary activities. As a result of this implementation, the student activity fund is now reported as a nonmajor special revenue fund in the governmental fund financial statements. Opening equity balances were restated as follows:

NORTHGATE SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2021

	Total Governmental Fund Balance	Governmental Activities - Net Deficit
Ending balance at June 30, 2020, as previously stated	\$ 7,745,484	\$ (21,143,568)
Implementation of GASB 84	21,086	21,086
Beginning balance at July 1, 2021	\$ 7,766,570	\$ (21,122,482)

GASB Statement No. 90, *Majority Equity Interests*, improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves 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. Implementation of this standard had no material effect on the financial statements.

Pending Pronouncements

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 costs 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 has issued other statements that will become effective in future years, including Statement Nos. 91 (Conduit Debt Obligations), 92 (Omnibus 2020), 94 (Public-Private and Public-Public Partnerships and Availability Payment Arrangements), 96 (Subscription-Based Information Technology Arrangements), and 97 (Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans). Management has not yet determined the impact of these statements on the financial statements.

Note 2 – 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, \$273,743 was covered by federal depository insurance and \$4,540,459 was collateralized by the School District's depositories in accordance with Act 72.

Investments

As of June 30, 2021, the School District had the following investments:

	Fair Value (Level 1)	Standard & Poor's Rating
Pennsylvania Local Government Investment Trust	\$ 7,713,942	AAAm
Pennsylvania School District Liquid Asset Fund	88,028	AAAm
Total	\$ 7,801,970	

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 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 weekly by Standard & Poor's, which has rated PSDLAF AAAM, the highest rating available for a money market fund.

NORTHGATE SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2021

Note 3 – 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 2020-2021 is as follows:

- July 1, 2020 - tax levy date
- Through August 31, 2020 - 2% discount period
- Through October 31, 2020 - face payment period
- Beginning November 1, 2020 - 10% penalty period

The School District tax rate for all purposes in 2020-2021 was 25.500 mills (\$25.50 per \$1,000 assessed valuation).

The amounts shown as delinquent real estate taxes receivable have not been recorded as revenue on the fund statements. These taxes are, however, recorded as unavailable revenue on the balance sheet until they are received. The amounts reported for this receivable are net of the estimated uncollectible amount of \$1,154,574 and are reported on the balance sheet in the amount of \$4,784,012 along with other taxes receivable of \$220,003.

Note 4 – Due from Other Governments

Amounts due from other governments represent receivables for revenues earned by the School District. At June 30, 2021, the following amounts are due from other governmental units:

	Governmental Funds	Enterprise Fund	Total
Federal (through State)	\$ 139,783	\$ 35,286	\$ 175,069
Federal (through local sources)	160,334	-	160,334
State	912,658	1,369	914,027
Local	55,616	-	55,616
Total	\$ 1,268,391	\$ 36,655	\$ 1,305,046

Note 5 – Interfund Balances and Transfers

Interfund Receivables and Payables

Interfund balances at June 30, 2021 consisted of the following fund receivables and payables:

	Interfund Receivables	Interfund Payables
General fund	\$ 65,201	\$ -
Food service fund	-	65,201
Total	\$ 65,201	\$ 65,201

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

Interfund Transfers

During the fiscal year ended June 30, 2021, the food service fund transferred \$31,044 to the general fund as a reimbursement for the capital assets that were contributed to the food service fund during the fiscal year ended June 30, 2020.

Note 6 – Fund Balance

Fund balances in the School District’s general fund total \$10,041,131, consisting of \$26,778 nonspendable, \$8,151,733 assigned for future capital projects, and \$1,862,620 that is unassigned. In addition, \$179,906 is restricted for capital projects in the capital reserve fund and \$17,579 is restricted for student clubs in the nonmajor fund.

NORTHGATE SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2021

Note 7 – Capital Assets

Capital asset activity for the year ended June 30, 2021, 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	12,715,543	454,689	-	13,170,232
Equipment	5,545,792	414,768	38,088	5,922,472
Totals at historical cost	<u>20,426,613</u>	<u>869,457</u>	<u>38,088</u>	<u>21,257,982</u>
Less accumulated depreciation for:				
Site improvements	1,168,343	18,422	-	1,186,765
Buildings	7,959,175	386,783	-	8,345,958
Equipment	4,065,376	237,363	20,950	4,281,789
Total accumulated depreciation	<u>13,192,894</u>	<u>642,568</u>	<u>20,950</u>	<u>13,814,512</u>
Governmental activities capital assets, net	<u>\$ 7,233,719</u>	<u>\$ 226,889</u>	<u>\$ 17,138</u>	<u>\$ 7,443,470</u>
Business-type activities				
Depreciable assets:				
Buildings	\$ 376,509	\$ -	\$ -	\$ 376,509
Equipment	315,065	-	44,267	270,798
Totals at historical cost	<u>691,574</u>	<u>-</u>	<u>44,267</u>	<u>647,307</u>
Less accumulated depreciation for:				
Buildings	376,509	-	-	376,509
Equipment	265,938	5,090	44,267	226,761
Total accumulated depreciation	<u>642,447</u>	<u>5,090</u>	<u>44,267</u>	<u>603,270</u>
Business-type activities capital assets, net	<u>\$ 49,127</u>	<u>\$ (5,090)</u>	<u>\$ -</u>	<u>\$ 44,037</u>

Depreciation was charged to functions as follows:

Governmental activities	
Instruction	\$ 161,887
Instructional student support	94,350
Admin. & financial support	4,431
Operation & maintenance	359,323
Pupil transportation	688
Central services	12,213
Student activities	9,676
	<u>\$ 642,568</u>

NORTHGATE SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2021

Business-type activities	
Food service	<u><u>\$ 5,090</u></u>

Note 8 – General Long-Term Debt

Changes in the School District’s long-term obligations during the fiscal year ended June 30, 2021, were as follows:

	Beginning Balance	Additions/ Accretion	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable	\$ 1,556,217	\$ 27,308	\$ 732,640	\$ 850,885	\$ 567,365
Bond premiums, net	<u>26,032</u>	<u>-</u>	<u>3,029</u>	<u>23,003</u>	<u>-</u>
Bond payable, net	1,582,249	27,308	735,669	873,888	567,365
Notes payable - direct borrowings	-	2,339,000	-	2,339,000	-
Compensated absences	20,263	2,840	8,175	14,928	-
Net pension liability - PSERS	34,572,000	5,107,654	3,439,654	36,240,000	-
Pension liability - Ret. Incentives	424,472	67,395	14,646	477,221	-
Net OPEB liability - PSERS	1,572,000	105,000	87,000	1,590,000	-
OPEB liability - School plan	<u>5,990,217</u>	<u>1,405,822</u>	<u>82,400</u>	<u>7,313,639</u>	<u>-</u>
Total long-term liabilities	<u><u>\$ 44,161,201</u></u>	<u><u>\$ 9,055,019</u></u>	<u><u>\$ 4,367,544</u></u>	<u><u>\$ 48,848,676</u></u>	<u><u>\$ 567,365</u></u>

Note 9 – General Obligation Bonds and Notes

The School District had the following general obligation bonds and notes payable from direct borrowings outstanding at June 30, 2021:

	Amount
General obligation bonds	
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%.	\$ 317,760
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%.	<u>533,125</u>
Total	<u><u>\$ 850,885</u></u>

NORTHGATE SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2021

Notes from direct borrowings	Amount
2021 Series A general obligation note, issuance amount of \$726,200, due in annual installments, beginning September 1, 2022 through September 1, 2024, interest at 1.07%.	\$ 726,200
2021 Series B general obligation note, issuance amount of \$754,600, due in annual installments, beginning September 1, 2025 through September 1, 2027, interest at 1.51%.	754,600
2021 Series C general obligation note, issuance amount of \$858,200, due in annual installments, beginning September 1, 2028 through September 1, 2030, interest at 1.89%.	<u>858,200</u>
Total	<u><u>\$ 2,339,000</u></u>

Debt service payments on general obligation bonds and notes payable from direct borrowings are made by the general fund.

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2021, including interest payments, are as follows:

<u>General Obligation Bonds, Series of 2016</u>			
Year ending	Principal	Interest	Totals
<u>June 30,</u>			
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	41,280	3,152	44,432
2027-2029	<u>128,800</u>	<u>4,254</u>	<u>133,054</u>
	<u><u>\$ 317,760</u></u>	<u><u>\$ 36,886</u></u>	<u><u>\$ 354,646</u></u>

The annual requirements to amortize all general obligation capital appreciation bonds outstanding as of June 30, 2021, including interest payments, are as follows:

<u>General Obligation Refunding Bonds, Series of 1997</u>			
Year Ending	Maturity Value	Initial Stated Value	Accreted Value
<u>June 30</u>			
2022	<u>\$ 560,000</u>	<u>\$ 81,956</u>	<u>\$ 533,125</u>

General obligation bonds as of July 1, 2020 have been increased by \$27,308 to include accumulated accretion of the School District's capital appreciation bonds. Annual accretion is recognized as interest in the statement of activities.

NORTHGATE SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2021

The annual requirements to amortize all general obligation notes payable from direct borrowings outstanding as of June 30, 2021, including interest payments, are as follows:

<u>Notes Payable from Direct Borrowings, Series of 2021</u>			
Year ending June 30,	Principal	Interest	Total
2022	\$ -	\$ 24,376	\$ 24,376
2023	239,400	34,104	273,504
2024	242,100	31,528	273,628
2025	244,700	28,924	273,624
2026	247,700	25,744	273,444
2027-2031	1,365,100	65,251	1,430,351
	<u>\$ 2,339,000</u>	<u>\$ 209,927</u>	<u>\$ 2,548,927</u>

Note 10 – PSERS 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 additions to/deductions from PSERS’ 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 PSERS 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 the 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 the 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 PSERS 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 PSERS 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 PSERS 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 PSERS 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 the fiscal year ended June 30, 2021, was 33.51% 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 \$3,559,395 for the year ended June 30, 2021.

NORTHGATE SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2021

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

At June 30, 2021, the School District reported a liability of \$36,240,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by rolling forward PSERS's total pension liability as of June 30, 2019 to June 30, 2020. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2021, the School District's proportion was 0.0736%, which was a decrease of 0.0003% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the School District recognized pension expense of \$4,222,000. At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 95,000	\$ 869,000
Changes in assumptions	-	-
Net difference between projected and actual investment earnings	1,593,000	-
Changes in proportions	754,000	745,000
Contributions subsequent to the measurement date	3,559,395	-
	\$ 6,001,395	\$ 1,614,000

\$3,559,395 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. 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,	Amount
2022	\$ 209,000
2023	(290,000)
2024	436,000
2025	473,000
	\$ 828,000

Actuarial Assumptions

The total pension liability at June 30, 2020 was determined by rolling forward the System's total pension liability as of June 30, 2019 to June 30, 2020 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%.

NORTHGATE SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2021

- Salary growth – Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth, 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, 2020, valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2015.

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

The pension plan’s policy in regard to 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	15.0%	5.2%
Private equity	15.0%	7.2%
Fixed income	36.0%	1.1%
Commodities	8.0%	1.8%
Absolute return	10.0%	2.5%
Infrastructure/MLPs	6.0%	5.7%
Real estate	10.0%	5.5%
Risk parity	8.0%	3.3%
Cash	6.0%	-1.0%
Financing (LIBOR)	-14.0%	-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, 2020.

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.

NORTHGATE SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2021

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:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
School District's proportionate share of the net pension liability	\$ 44,836,000	\$ 36,240,000	\$ 28,957,000

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.

Act 5 Defined Contribution Plan

On June 12, 2017, the Commonwealth of Pennsylvania Act 5 of 2017 (Act 5) was signed into law. This legislation establishes a new hybrid defined benefit/defined contribution (DC) retirement benefit applicable to all school employees who become new members of PSERS on July 1, 2019, and thereafter. The three new plan design options under Act 5 include two hybrid benefits consisting of defined benefit and defined contribution components, and a stand-alone defined contribution plan. A stand-alone defined benefit plan is no longer available to new members.

The two new hybrid membership classes created by Act 5 are Membership Class T-G (Class T-G) and Membership Class T-H (Class T-H). The separate defined contribution membership class created by Act 5 is Membership Class DC (Class DC).

For Act 5 members, all new members automatically become Class T-G members. New members, however, have a one-time opportunity to elect Class T-H or Class DC within 90 days of receiving written notification from PSERS. Failure to elect Class T-H or Class DC at the time of original eligibility will make the member ineligible for Class T-H or Class DC forever. Member contribution rates are summarized in the table below:

	Defined Benefit (DB) Contribution Rate	DC Contribution Rate	Total Contribution Rate
Membership class			
T-G	5.50% base rate with shared risk provision	2.75%	8.25%
T-H	4.50% base rate with shared risk provision	3.00%	7.50%
DC	N/A	7.50%	7.50%

The actuarially-calculated employer contribution rate for Act 5 members was 0.18% of covered payroll for the year ended June 30, 2021. This is an average employer contribution rate, as the actual rate varies by employer-based on Class T-G, Class T-H, and Class DC only memberships.

NORTHGATE SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2021

For the year ended June 30, 2021, the School District did not have any Class T-H or Class DC members. All of the School District's Act 5 members were in Class T-G. Covered payroll for these Act 5 members was \$502,728, and contributions from the School District were \$19,119 for the year ended June 30, 2021.

Hybrid Defined Benefit/Defined Contribution Plan

To qualify for normal retirement, Class T-G and Class T-H members must work until age 67 with a minimum of 3 years of credited service. Class T-G may also qualify for normal retirement by attaining a total combination of age and service that is equal to or greater than 97 with a minimum of 35 years of credited service.

Regular retirement benefits are 1.25% and 1.00% of the member's final average salary for any 5 years of service (as defined in the Code), multiplied by the number of years of credited service, for Class T-G and Class T-H members, respectively. For both Class T-G and Class T-H members, the right to a defined benefit is vested after 10 years.

Participants are eligible for disability retirement benefits after the 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. Members over the normal retirement age may apply for disability benefits.

For Class T-G and Class T-H members, death benefits are payable upon the death of an active member who has reached age 67 with at least three years of credited service or who has at least ten years of credited service. Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

Act 5 also enhanced the shared risk program for T-E and T-F members and added T-G and T-H members to the program. The "shared risk" provision could cause the Class T-G contribution rate to fluctuate between 5.5% and 8.5% and the Class T-H contribution rate to fluctuate between 4.5% and 7.5% in future years.

Defined Contribution Plan

PSERS DC Plan is a defined contribution plan for which the benefit payments to members and contribution provisions by employers are specified in the Code.

Under the PSERS DC Plan, the retirement benefit is based on the amount of contributions in the account and any investment performance, less expenses. DC member contributions and employer contributions, and any investment earnings are available for members to withdraw when a member terminates employment or retires. DC account balances can grow based on investment earnings, however, DC account balances are not guaranteed against loss in declining investment markets.

Death benefits are payable upon the death of an active member. Members who have at least three eligibility points in the DC plan receive participant and employer contributions with any investment gains, while participants with less than three eligibility points in the DC plan receive member contributions and any investment gains. There is no disability benefit with the PSERS DC Plan. Each eligibility point is earned the first day a contribution is made to the plan on behalf of a participant in a school year (July 1 – June 30). Only one eligibility point may be credited in a school year.

Members are always 100% vested in their own mandatory before-tax, after-tax, and rollover contributions in the DC plan. Members who have at least three eligibility points become vested and eligible for employer DC contributions made on their behalf. Participants with fewer than three eligibility points are not eligible for employer contributions.

Class DC participants with 24 ½ or more eligibility points who have terminated school service, who are Medicare eligible, and who received all or a part of their distributions; and Class DC participants with 15 or more eligibility points who terminate school service on or after attaining age 67, and receive all or a part of their distributions are entitled to receive premium assistance benefits.

Members hired after July 1, 2019 have a portion of each member and employer contribution to the system set aside for the DC plan. Member and employer rates are set by statute. A member may elect to make additional voluntary post-tax member contributions.

Note 11 – School District Retirement Incentive Plan

Plan Description

The School District provides retirement incentives for certain employees through a single-employer defined benefit pension 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 on 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 three years. The first benefit is calculated based on the member’s 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.

Teachers

Upon retirement through PSERS with at least ten years of service with the School District, 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:

Years of service	<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 at least ten years of service with the School District, 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:

NORTHGATE SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2021

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

Custodial

Upon retirement through PSERS, each custodian 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	<u>-</u>
	<u><u>160</u></u>

Actuarial Assumptions

Cost Method	Entry age normal
Discount Rate	1.86% - Based on S&P Municipal Bond 20-Year High-Grade Rate Index at July 1, 2020.
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.

Changes of Assumptions

The discount rate changed from 3.36% to 1.86%. The trend assumption was updated.

NORTHGATE SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2021

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

The pension liability is calculated as follows:

	Total Pension Liability
Balance at June 30, 2020	\$ 424,472
Changes for the year	
Service cost	22,268
Interest	14,744
Changes of assumptions	30,383
Benefit payments	(14,646)
Net change	52,749
Balance at June 30, 2021	\$ 477,221

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

The following is the total OPEB liability to the School 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 0.86%	Discount Rate 1.86%	1% Increase 2.86%
Total pension liability	\$ 496,913	\$ 477,221	\$ 457,035

For the year ended June 30, 2021, the School District recognized pension expense of \$38,599, comprised of the following:

Service cost	\$ 22,268
Interest on total pension liability	14,744
Amortization of deferred outflows	2,722
Amortization of deferred inflows	(1,135)
Total pension expense	\$ 38,599

At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

NORTHGATE SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2021

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 2,657	\$ -
Changes in assumptions	29,480	11,417
Contributions subsequent to the measurement date	19,501	-
	\$ 51,638	\$ 11,417

The amounts reported as deferred outflows of resources and deferred inflows of resources related to the School District's pension will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2022	\$ 1,587
2023	1,587
2024	1,587
2025	1,587
2026	1,587
Thereafter	12,785
	\$ 20,720

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 additions to/deductions from PSERS' fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Health Insurance Premium Assistance Program

Health Insurance Premium Assistance Program

PSERS provides Premium Assistance, which is a governmental cost-sharing, multiple-employer other post-employment 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, 2020, there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

Retirees of PSERS 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 PSERS 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, 2020, there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions

The School District's contractually required contribution rate for the fiscal year ended June 30, 2021 was 0.84% 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 \$87,099 for the year ended June 30, 2021.

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

At June 30, 2021, the School District reported a liability of \$1,590,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, 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, 2019 to June 30, 2020. 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, 2021, the School District's proportion was 0.0736%, which was a decrease of 0.0003% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the School District recognized OPEB expense of \$94,000. At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

NORTHGATE SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2021

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 15,000	\$ -
Changes in assumptions	65,000	35,000
Net difference between projected and actual investment earnings	3,000	-
Changes in proportions	78,000	46,000
Contributions subsequent to the measurement date	87,099	-
	\$ 248,099	\$ 81,000

\$87,099 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, 2022. 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,	Amount
2022	\$ 18,000
2023	18,000
2024	17,000
2025	20,000
2026	1,000
Thereafter	6,000
	\$ 80,000

Actuarial Assumptions

The total OPEB liability as of June 30, 2020 was determined by rolling forward the System's total OPEB liability as of June 30, 2019 to June 30, 2020 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, merit, or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience, and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate Pre age 65 at 50%.
 - Eligible retirees will elect to participate Post age 65 at 70%.

NORTHGATE SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2021

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 following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2018 determined the employer contribution rate for the fiscal year 2020.
- 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	50.3%	-1.0%
US Core fixed income	46.5%	-0.1%
Non-US developed fixed	3.2%	-0.1%
	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, 2020.

Discount Rate

The discount rate used to measure the Total OPEB Liability was 2.66%. Under the plan's funding policy, contributions are structured for short-term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount

NORTHGATE SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2021

rate of 2.66%, which represents the S&P 20-year Municipal Bond Rate at June 30, 2020, 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, 2020, 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, 2020, 93,693 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2020, 688 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, 2020, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if the health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease	Current Healthcare Cost Trend	1% Increase
System net OPEB liability	\$ 1,590,000	\$ 1,590,000	\$ 1,590,000

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 2.66%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.66%) or 1-percentage-point higher (3.66%) than the current rate:

	1% Decrease 1.66%	Current Discount Rate 2.66%	1% Increase 3.66%
School District's proportionate share of the net OPEB liability	\$ 1,813,000	\$ 1,590,000	\$ 1,406,000

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

Administrators and Teachers – Retired Before June 30, 2002

Eligibility	This group of beneficiaries have already retired and remain eligible to receive benefits until covered under Medicare.
Coverage	<p>The member pays the full premium for vision benefits. If the member has 30 or more years of PSERS service, the School District pays the full premium for medical, prescription drug, and dental benefits for the member and spouse, less the \$100 PSERS supplement (if applicable). If the member has coverage for any other eligible dependent, 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.</p> <p>If the member does not meet the requirements for the School District subsidy but requirements are met for the Act 110/43 benefit, the member and dependents may continue coverage by paying the full premiums.</p> <p>Upon the death of the member, the spouse and any eligible dependents may continue similar coverage as described above.</p>

Administrators and Teachers – Retired After July 1, 2002

Eligibility	<p>Subsidized: Must be at the maximum step of the salary schedule and either 30 years of PSERS service or attained age 55.</p> <p>Unsubsidized: Act 110/43</p>
Coverage	<p>The member pays the full premium for vision benefits. If the member meets subsidized eligibility, the School District pays the full premium for medical, prescription drug, and dental benefits 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.</p> <p>If the member does not meet the requirements for the School District subsidy but requirements are met for the Act 110/43 benefit, the member and dependents may continue coverage by paying the full premiums as determined for the purpose of COBRA.</p> <p>Upon the death of the member, the spouse and any eligible dependents may continue similar coverage as described above.</p>

Administrative Clerical, Secretaries, and Teacher Assistants

Eligibility	<p>Subsidized: Age 60 with 20 years of PSERS service until.</p> <p>Unsubsidized: Act 110/43</p>
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NORTHGATE SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2021

Coverage The member pays the full premium for vision benefits. If the member meets subsidized eligibility, the School 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.

If the member does not meet the requirements for the School District subsidy but requirements are met for the Act 110/43 benefit, the member and dependents may continue coverage by paying the full premiums.

Upon the death of the member, the spouse and any eligible dependents may continue similar coverage as described above.

Act 110/43 – Current Superintendent, Custodians, and Unsubsidized Administrators and Teachers

Eligibility All employees are eligible for this benefit upon retirement with 30 years of PSERS service or upon superannuation retirement.

Coverage Retired employees are allowed to continue coverage for themselves and their 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.

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

Actuarial Assumptions

Cost Method Entry age normal

Discount Rate 1.86% - Based on S&P Municipal Bond 20-Year High-Grade Rate Index at July 1, 2020.

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 5.5% in 2020 through 2023. Rates gradually decrease from 5.4% in 2024 to 4.0% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

NORTHGATE SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2021

Changes of Assumptions

The discount rate changed from 3.36% to 1.86%. The trend assumption was updated.

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

The OPEB liability is calculated as follows:

	Total OPEB Liability
Balance at June 30, 2020	\$ 5,990,217
Changes for the year	
Service cost	348,472
Interest	211,480
Changes of assumptions	845,870
Benefit payments	(82,400)
Net change	1,323,422
Balance at June 30, 2021	\$ 7,313,639

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

The following is the total OPEB liability to the School 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 0.86%	Discount Rate 1.86%	1% Increase 2.86%
Total OPEB Liability	\$ 7,882,465	\$ 7,313,639	\$ 6,768,397

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

The following is the total OPEB liability to the School 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:

	1% Decrease	Healthcare Cost Trend	1% Increase
Total OPEB Liability	\$ 6,321,529	\$ 7,313,639	\$ 8,489,289

For the year ended June 30, 2021, the School District recognized OPEB expense of \$549,487, comprised of the following:

NORTHGATE SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2021

Service cost	\$ 348,472
Interest on total OPEB liability	211,480
Amortization of deferred outflows	70,489
Amortization of deferred inflows	<u>(80,954)</u>
Total OPEB expense	<u>\$ 549,487</u>

At June 30, 2021, 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	\$ -	\$ 474,044
Changes in assumptions	775,381	300,240
Contributions subsequent to the measurement date	<u>88,382</u>	<u>-</u>
	<u>\$ 863,763</u>	<u>\$ 774,284</u>

\$88,382 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2022. 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,	Amount
2022	\$ (10,465)
2023	(10,465)
2024	(10,465)
2025	(10,465)
2026	(10,465)
Thereafter	<u>53,422</u>
	<u>\$ 1,097</u>

Note 14 – 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 financial obligation to the Center for the year ended June 30, 2021 is \$638,019, which has been reported in the School District's general fund.

Note 15 – 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, 2021, such net residual net assets were \$63,689,030 for the Consortium as a whole, of which a share of the residual net assets of \$443,496 was attributable to the School District. The agreement permits members to withdraw from the Consortium under specified terms. In such an 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, 2021, are available by calling the School District business office.

Note 16 – 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 17 – Commitments and Contingencies

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, 2021.

Construction Commitment

The general fund had uncompleted construction contracts at June 30, 2021, of approximately \$314,105 for facility improvements.

**Required
Supplementary Information**

NORTHGATE SCHOOL DISTRICT
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local sources				
Taxes				
Current real estate tax	\$ 10,751,967	\$ 10,751,967	\$ 11,100,797	\$ 348,830
Public utility realty tax	13,440	13,440	-	(13,440)
Current per capita taxes - sec. 679	19,065	19,065	20,845	1,780
Per capita taxes	19,065	19,065	20,845	1,780
Local services taxes	11,595	11,595	11,003	(592)
Earned income taxes	1,349,673	1,349,673	1,675,925	326,252
Real estate transfer taxes	115,622	115,622	256,156	140,534
Delinquencies on taxes	863,446	863,446	1,554,386	690,940
Earnings on investments	43,509	43,509	7,084	(36,425)
Other local revenues				
Revenue from student activities	24,480	24,480	1,448	(23,032)
Revenue from local gov't sources	-	-	3,887	3,887
Federal revenues from IU sources	249,730	249,730	294,629	44,899
Rentals	22,100	22,100	31,309	9,209
Contributions & donations from private sources	54,990	54,990	67,249	12,259
Miscellaneous revenue	7,655	7,655	4,057	(3,598)
Refunds	15,160	15,160	58,844	43,684
Total local sources	13,561,497	13,561,497	15,108,464	1,546,967
State sources				
Basic instructional & oper. subsidies				
Basic instructional subsidy	4,549,683	4,549,683	4,533,882	(15,801)
Tuition for orphans subsidy	12,890	12,890	13,123	233
Special education funds for school-aged pupils	953,254	953,254	953,218	(36)
Pre-K Counts	166,250	166,250	166,250	-
Subsidies for noneducational programs				
Transportation subsidy	103,188	103,188	143,930	40,742
Rentals & sinking fund payments	106,983	106,983	114,735	7,752
Health services	19,257	19,257	18,617	(640)
State property tax reduction	697,657	697,657	697,657	-
Safe schools	225,074	225,074	49,003	(176,071)
Other state grants	201,103	201,103	236,103	35,000
State retirement revenue	2,045,119	2,045,119	1,908,759	(136,360)
Total state sources	9,080,458	9,080,458	8,835,277	(245,181)
Federal sources				
Restricted grants-in-aid from the federal government through the commonwealth				
IDEA Part B	-	-	5,000	5,000
Title I	377,836	377,836	385,168	7,332
Title II	55,000	55,000	52,940	(2,060)
Title III	2,384	2,384	-	(2,384)
Title IV	29,888	29,888	29,549	(339)
CARES Act funding				
ESSER	308,367	308,367	216,213	(92,154)

NORTHGATE SCHOOL DISTRICT
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
GEER	-	-	34,757	34,757
ESSER II	-	-	64,870	64,870
ARP ESSER III	-	-	1,100	1,100
Other CARES Act Funding	-	-	200,625	200,625
Medical assistance - ACCESS	145,783	145,783	25,000	(120,783)
Medical assistance - administrative	-	-	16,350	16,350
Total federal sources	<u>919,258</u>	<u>919,258</u>	<u>1,031,572</u>	<u>112,314</u>
Total revenues	<u>23,561,213</u>	<u>23,561,213</u>	<u>24,975,313</u>	<u>1,414,100</u>
Other financing sources				
Enterprise fund transfers	-	31,044	31,044	-
Other extended-term financing proceeds	-	-	2,339,000	2,339,000
Total other financing sources	<u>-</u>	<u>31,044</u>	<u>2,370,044</u>	<u>2,339,000</u>
Total revenues and other financing sources	<u>23,561,213</u>	<u>23,592,257</u>	<u>27,345,357</u>	<u>3,753,100</u>
Expenditures				
Instruction				
Regular programs				
Personal services				
Salaries	5,330,798	5,330,798	5,570,407	(239,609)
Employee benefits	3,313,665	3,313,665	3,488,644	(174,979)
Purchased prof. & tech. services	188,251	188,251	188,832	(581)
Purchased property services	425	425	-	425
Other purchased services	940,890	940,890	1,191,868	(250,978)
Supplies	173,842	173,842	134,001	39,841
Other objects	786	786	-	786
Total regular programs	<u>9,948,657</u>	<u>9,948,657</u>	<u>10,573,752</u>	<u>(625,095)</u>
Special programs				
Personal services				
Salaries	1,481,216	1,481,216	1,444,599	36,617
Employee benefits	835,006	835,006	818,841	16,165
Purchased prof. & tech. services	113,719	113,719	91,937	21,782
Other purchased services	1,315,216	1,315,216	964,804	350,412
Supplies	36,331	36,331	63,653	(27,322)
Total special programs	<u>3,781,488</u>	<u>3,781,488</u>	<u>3,383,834</u>	<u>397,654</u>
Vocational education programs				
Personal services				
Salaries	189,824	189,824	189,824	-
Employee benefits	119,973	119,973	120,095	(122)
Other purchased services	638,019	638,019	638,019	-
Total vocational education programs	<u>947,816</u>	<u>947,816</u>	<u>947,938</u>	<u>(122)</u>
Other instructional programs				
Personal services				
Salaries	323,681	323,681	3,874	319,807
Employee benefits	202,718	202,718	1,649	201,069

NORTHGATE SCHOOL DISTRICT
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Purchased prof. & tech. services	210,600	210,600	183,066	27,534
Other purchased services	10,021	10,021	3,937	6,084
Supplies	2,550	2,550	1,200	1,350
Total other instructional programs	<u>749,570</u>	<u>749,570</u>	<u>193,726</u>	<u>555,844</u>
Nonpublic school programs				
Other purchased services	-	-	11,662	(11,662)
Higher education programs				
Other purchased services	<u>54,990</u>	<u>54,990</u>	<u>34,285</u>	<u>20,705</u>
Pre-kindergarten				
Personal services				
Salaries	114,465	114,465	115,608	(1,143)
Employee benefits	68,386	68,386	68,952	(566)
Purchased prof. & tech. services	1,609	1,609	-	1,609
Other purchased services	1,500	1,500	7,754	(6,254)
Supplies	8,300	8,300	-	8,300
Total pre-kindergarten	<u>194,260</u>	<u>194,260</u>	<u>192,314</u>	<u>1,946</u>
Total instruction	<u>15,676,781</u>	<u>15,676,781</u>	<u>15,337,511</u>	<u>339,270</u>
Support services				
Pupil personnel				
Personal services				
Salaries	595,576	595,576	613,688	(18,112)
Employee benefits	392,166	392,166	379,158	13,008
Purchased prof. & tech. services	90,825	90,825	75,694	15,131
Other purchased services	5,235	5,235	-	5,235
Supplies	11,874	11,874	6,899	4,975
Total pupil personnel	<u>1,095,676</u>	<u>1,095,676</u>	<u>1,075,439</u>	<u>20,237</u>
Instructional staff				
Personal services				
Salaries	437,782	437,782	439,659	(1,877)
Employee benefits	270,882	270,882	271,088	(206)
Purchased prof. & tech. services	22,550	22,550	12,457	10,093
Purchased property services	4,125	4,125	3,902	223
Other purchased services	3,464	3,464	648	2,816
Supplies	178,259	178,259	192,346	(14,087)
Property	41,000	41,000	111,773	(70,773)
Other objects	66	66	-	66
Total instructional staff	<u>958,128</u>	<u>958,128</u>	<u>1,031,873</u>	<u>(73,745)</u>
Administration				
Personal services				
Salaries	1,069,876	1,069,876	1,069,794	82
Employee benefits	614,026	614,026	686,850	(72,824)
Purchased prof. & tech. services	226,989	226,989	176,743	50,246
Other purchased services	53,497	53,497	42,389	11,108

NORTHGATE SCHOOL DISTRICT
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Supplies	57,247	57,247	33,949	23,298
Other objects	15,050	15,050	77,697	(62,647)
Total administration	<u>2,036,685</u>	<u>2,036,685</u>	<u>2,087,422</u>	<u>(50,737)</u>
Pupil health				
Personal services				
Salaries	180,307	180,307	176,159	4,148
Employee benefits	97,966	97,966	92,622	5,344
Purchased prof. & tech. services	5,065	5,065	451	4,614
Supplies	16,132	16,132	8,885	7,247
Total pupil health	<u>299,470</u>	<u>299,470</u>	<u>278,117</u>	<u>21,353</u>
Business				
Personal services				
Salaries	209,560	209,560	206,836	2,724
Employee benefits	143,943	143,943	136,050	7,893
Purchased prof. & tech. services	1,452	1,452	1,115	337
Purchased property services	72,389	72,389	76,879	(4,490)
Other purchased services	2,916	2,916	-	2,916
Supplies	104,790	57,789	48,838	8,951
Other objects	8,915	8,915	10,244	(1,329)
Total business	<u>543,965</u>	<u>496,964</u>	<u>479,962</u>	<u>17,002</u>
Operation & maintenance of plant svcs.				
Personal services				
Salaries	791,927	791,927	643,588	148,339
Employee benefits	559,448	559,448	483,060	76,388
Purchased prof. & tech. services	73,861	73,861	54,721	19,140
Purchased property services	256,662	245,662	312,253	(66,591)
Other purchased services	59,148	59,148	59,034	114
Supplies	649,154	696,154	613,889	82,265
Property	56,000	56,000	1,741	54,259
Other objects	16,173	16,173	21,273	(5,100)
Total oper. & maint. of plant svcs.	<u>2,462,373</u>	<u>2,498,373</u>	<u>2,189,559</u>	<u>308,814</u>
Student transportation services				
Other purchased services	<u>656,888</u>	<u>656,888</u>	<u>309,829</u>	<u>347,059</u>
Central				
Personal services				
Salaries	57,739	57,739	57,739	-
Employee benefits	70,792	70,792	49,422	21,370
Purchased prof. & tech. services	136,649	136,649	136,205	444
Purchased property services	9,240	9,240	276	8,964
Other purchased services	47,300	47,300	45,731	1,569
Supplies	49,870	49,870	51,349	(1,479)
Total central	<u>371,590</u>	<u>371,590</u>	<u>340,722</u>	<u>30,868</u>

NORTHGATE SCHOOL DISTRICT
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Other				
Other purchased services	13,223	13,223	13,179	44
Total support services	<u>8,437,998</u>	<u>8,426,997</u>	<u>7,806,102</u>	<u>620,895</u>
Operation of noninstructional services				
Student activities				
Personal services				
Salaries	184,200	184,200	167,349	16,851
Employee benefits	78,407	78,407	70,042	8,365
Purchased prof. & tech. services	40,900	19,900	33,946	(14,046)
Purchased property services	8,500	8,500	11,039	(2,539)
Other purchased services	75,281	72,780	60,384	12,396
Supplies	67,800	78,800	44,588	34,212
Property	15,400	38,900	37,629	1,271
Other objects	430	430	-	430
Total student activities	<u>470,918</u>	<u>481,917</u>	<u>424,977</u>	<u>56,940</u>
Community services				
Personal services				
Salaries	48,474	48,474	5,982	42,492
Employee benefits	16,488	16,488	1,857	14,631
Purchased prof. & tech. services	12,370	12,370	-	12,370
Supplies	100	100	-	100
Total community services	<u>77,432</u>	<u>77,432</u>	<u>7,839</u>	<u>69,593</u>
Scholarships and awards				
Other objects	5,000	5,000	12,649	(7,649)
Total oper. of noninstructional svcs.	<u>553,350</u>	<u>564,349</u>	<u>445,465</u>	<u>118,884</u>
Facilities acquisition, construction and improvement services				
Purchased property services	775,072	775,072	502,527	272,545
Debt service				
Interest	598,393	598,393	598,393	-
Refunds of prior year's receipts	11,220	11,220	34,013	(22,793)
Redemption of principal	146,012	146,012	146,012	-
Total debt service	<u>755,625</u>	<u>755,625</u>	<u>778,418</u>	<u>(22,793)</u>
Total expenditures	<u>26,198,826</u>	<u>26,198,824</u>	<u>24,870,023</u>	<u>1,328,801</u>
Revenues & other financing sources over (under) expenditures	(2,637,613)	(2,606,567)	2,475,334	5,081,901
Fund balance - July 1, 2020	<u>7,676,958</u>	<u>7,676,958</u>	<u>7,565,797</u>	<u>(111,161)</u>
Fund balance - June 30, 2021	<u>\$ 5,039,345</u>	<u>\$ 5,070,391</u>	<u>\$ 10,041,131</u>	<u>\$ 4,970,740</u>

See accompanying notes to required supplementary information

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

Year ending June 30 ²	School District's proportion of the net pension liability	School District's proportionate share of the net pension liability	School District's covered payroll	School District's proportionate share of the net pension liability as a percentage of its covered payroll	PSERS' plan fiduciary net position as a percentage of PSERS' total pension liability
2021	0.0736%	\$ 36,240,000	\$ 10,310,713	351.48%	54.32%
2020	0.0739%	\$ 34,572,000	\$ 10,186,121	339.40%	55.66%
2019	0.0766%	\$ 36,772,000	\$ 10,315,856	356.46%	54.00%
2018	0.0724%	\$ 35,757,000	\$ 9,642,680	370.82%	51.84%
2017	0.0695%	\$ 34,442,000	\$ 9,005,802	382.44%	50.14%
2016	0.0682%	\$ 29,541,000	\$ 8,773,224	336.72%	54.36%
2015	0.0682%	\$ 26,994,000	\$ 8,698,500	310.33%	57.24%

See notes to required supplementary information.

Notes:

1. 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.

2. The amounts presented for each fiscal year were determined as of the measurement date, which is June 30 of the immediately preceding fiscal year.

NORTHGATE SCHOOL DISTRICT
Schedule of School District's Pension Contributions
Public School Employees' Retirement System
Last 10 Fiscal Years ¹

Year ending June 30 ²	(A) Contractually required contributions	(B) School District contributions recognized by the pension plan	Difference (A - B)	School District's covered payroll	Contributions recognized by the pension plan as a percentage of covered payroll
2021	\$ 3,559,395	\$ 3,559,395	\$ -	\$ 10,621,889	33.51%
2020	\$ 3,439,654	\$ 3,439,654	\$ -	\$ 10,310,713	33.36%
2019	\$ 3,320,675	\$ 3,320,675	\$ -	\$ 10,186,121	32.64%
2018	\$ 3,274,253	\$ 3,274,253	\$ -	\$ 10,315,856	31.74%
2017	\$ 2,815,663	\$ 2,815,663	\$ -	\$ 9,642,680	29.20%
2016	\$ 2,251,451	\$ 2,251,451	\$ -	\$ 9,005,802	25.00%
2015	\$ 1,798,511	\$ 1,798,511	\$ -	\$ 8,773,224	20.50%
2014	\$ 1,391,760	\$ 1,391,760	\$ -	\$ 8,698,500	16.00%

See notes to required supplementary information.

Notes:

1. 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.

2. Trend information for the year ended June 30, 2021 is estimated based on information available to the School District. Amounts are updated when actual information is made available by PSERS.

NORTHGATE SCHOOL DISTRICT
Schedule of Changes in the School District's Total Pension Liability and Related Ratios
Retirement Incentives Pension
Last 10 Fiscal Years¹

	2021	2020	2019	2018
Total pension liability - beginning of year	\$ 424,472	\$ 276,756	\$ 272,707	\$ 217,639
Service cost	22,268	16,295	15,258	13,447
Interest	14,744	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	30,383	(7,838)	1,866	(6,913)
Benefit payments	<u>(14,646)</u>	<u>(20,903)</u>	<u>(21,720)</u>	<u>(15,487)</u>
Net change in total pension liability	<u>52,749</u>	<u>147,716</u>	<u>4,049</u>	<u>55,068</u>
Total pension liability - end of year	<u>\$ 477,221</u>	<u>\$ 424,472</u>	<u>\$ 276,756</u>	<u>\$ 272,707</u>
Covered-employee payroll	<u>\$ 9,997,970</u>	<u>\$ 9,997,970</u>	<u>\$ 9,663,643</u>	<u>\$ 9,663,643</u>
Total pension liability as a percentage of covered payroll	<u>4.77%</u>	<u>4.25%</u>	<u>2.86%</u>	<u>2.82%</u>

See notes to required supplementary information.

Notes:

1. 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 the School District's Proportionate Share of the Net OPEB Liability
Public School Employees' Retirement System
Last 10 Fiscal Years¹

Year ending June 30 ²	School District's proportion of the net OPEB liability	School District's proportionate share of the net OPEB liability	School District's covered payroll	School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	PSERS' plan fiduciary net position as a percentage of PSERS' total OPEB liability
2021	0.0736%	\$ 1,590,000	\$ 10,335,574	15.38%	5.69%
2020	0.0739%	\$ 1,572,000	\$ 10,186,121	15.43%	5.56%
2019	0.0766%	\$ 1,597,000	\$ 10,315,856	15.48%	5.56%
2018	0.0724%	\$ 1,475,000	\$ 9,642,680	15.30%	5.73%

See notes to required supplementary information.

Notes:

1. 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.

2. The amounts presented for each fiscal year were determined as of the measurement date, which is June 30 of the immediately preceding fiscal year.

NORTHGATE SCHOOL DISTRICT
Schedule of School District's OPEB Contributions
Public School Employees' Retirement System
Last 10 Fiscal Years ¹

Year ending June 30 ²	(A) Contractually required contributions	(B) School District contributions recognized by the OPEB plan	Difference (A - B)	School District's covered payroll	Contributions recognized by the OPEB plan as a percentage of covered payroll
2021	\$ 82,471	\$ 82,471	\$ -	\$ 10,057,468	0.82%
2020	\$ 86,819	\$ 86,819	\$ -	\$ 10,335,574	0.84%
2019	\$ 84,545	\$ 84,545	\$ -	\$ 10,186,121	0.83%
2018	\$ 85,622	\$ 85,622	\$ -	\$ 10,315,856	0.83%
2017	\$ 80,034	\$ 80,034	\$ -	\$ 9,642,680	0.83%

See notes to required supplementary information.

Notes:

1. 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.

2. Trend information for the year ended June 30, 2021 is estimated based on information available to the School District. Amounts are updated when actual information is made available by PSERS.

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

	2021	2020	2019	2018
Total OPEB liability - beginning of year	\$ 5,990,217	\$ 5,609,727	\$ 5,337,378	\$ 1,841,735
Service cost	348,472	337,845	320,427	94,868
Interest	211,480	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	845,870	(189,731)	(2,584)	(210,288)
Benefit payments	(82,400)	(136,645)	(218,872)	(254,614)
Net change in total OPEB liability	<u>1,323,422</u>	<u>380,490</u>	<u>272,349</u>	<u>3,495,643</u>
Total OPEB liability - end of year	<u>\$ 7,313,639</u>	<u>\$ 5,990,217</u>	<u>\$ 5,609,727</u>	<u>\$ 5,337,378</u>
Covered-employee payroll	<u>\$ 9,997,970</u>	<u>\$ 9,997,970</u>	<u>\$ 9,663,643</u>	<u>\$ 9,663,643</u>
Net OPEB liability as a percentage of covered payroll	<u>73.15%</u>	<u>59.91%</u>	<u>58.05%</u>	<u>55.23%</u>

See notes to required supplementary information.

Notes:

¹ This schedules 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 budget amounts presented in the accompanying required supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions to the annual budget during the year).

The School District's 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.
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Note 3 – Pension Information: Retirement Incentives Plan

Plan assets

No assets are accumulated in a trust that meets all of the following criteria of GASBS No. 73 to pay benefits.

NORTHGATE SCHOOL DISTRICT
Notes to Required Supplementary Information
June 30, 2021

Changes in benefit terms

June 30, 2021 Teacher benefit payments based on years of service were adjusted as follows:

Years of service	<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, 2021 The discount rate was decreased to 1.86% from 3.36%.
- June 30, 2020 The discount rate was increased to 3.36% from 2.98%.
- June 30, 2019 The discount rate was decreased to 2.98% from 3.13%.

Note 3 – OPEB Information: PSERS Premium Assistance Plan

Changes of benefit terms

None.

Changes of assumptions

- June 30, 2020 The discount rate decreased from 2.79% to 2.66%.
- June 30, 2019 The discount rate decreased from 2.98% to 2.79%.
- 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 to pay benefits.

Changes in benefit terms

June 30, 2020 Administrators and teachers must also reach the highest step of the salary schedule to receive subsidized coverage and either has attained age 55, or 30 years of PSERS service.

Changes of assumptions

June 30, 2021 The discount rate was decreased to 1.86% from 3.36%.

June 30, 2020 The discount rate was increased to 3.36% from 2.98%.

June 30, 2019 The discount rate was decreased to 2.98% from 3.13%.

Single Audit

NORTHGATE SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Grantor Pass-through Grantor Project Title	Source Code	Federal Assistance Listing (AL) Number	Pass-through Grantor Number	Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue 07/01/20	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue 06/30/21	Pass Through to Sub- recipients
U.S. Department of Agriculture											
Child Nutrition Cluster											
Passed through the Pennsylvania Department of Education											
School Breakfast Program	I	10.553	N/A	07/01/20-06/30/21	\$ N/A	\$ 95,910	\$ -	\$ 107,775	\$ 107,775	\$ 11,865	\$ -
COVID-19 School Breakfast Program	I	10.553	N/A	07/01/20-06/30/21	N/A	11,686	-	11,686	11,686	-	-
COVID-19 School Breakfast Program	I	10.553	N/A	07/01/19-06/30/20	N/A	<u>6,432</u>	<u>6,432</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total AL # 10.553						<u>114,028</u>	<u>6,432</u>	<u>119,461</u>	<u>119,461</u>	<u>11,865</u>	<u>-</u>
National School Lunch Program	I	10.555	N/A	07/01/20-06/30/21	N/A	165,359	-	188,780	188,780	23,421	-
COVID-19 National School Lunch Program	I	10.555	N/A	07/01/20-06/30/21	N/A	18,536	-	18,536	18,536	-	-
COVID-19 National School Lunch Program	I	10.555	N/A	07/01/19-06/30/20	N/A	10,234	10,234	-	-	-	-
Passed through the Pennsylvania Department of Agriculture											
National School Lunch Program	I	10.555	2-04-02-687	07/01/20-06/30/21	41,781	<u>29,077</u>	<u>-</u>	<u>29,077</u>	<u>29,077</u>	<u>-</u>	<u>-</u>
Total AL # 10.555						<u>223,206</u>	<u>10,234</u>	<u>236,393</u>	<u>236,393</u>	<u>23,421</u>	<u>-</u>
Total Child Nutrition Cluster						<u>337,234</u>	<u>16,666</u>	<u>355,854</u>	<u>355,854</u>	<u>35,286</u>	<u>-</u>
U.S. Department of Treasury											
Passed through the Pennsylvania Department of Education											
COVID-19 Pre-K Counts	I	20.019	161-190060	03/01/20-11/30/20	5,434	5,434	-	5,434	5,434	-	-
Passed through the Pennsylvania Commission on Crime and Delinquency											
COVID-19 School Safety	I	20.019	34058	03/01/20-10/30/20	164,204	<u>164,204</u>	<u>-</u>	<u>164,204</u>	<u>164,204</u>	<u>-</u>	<u>-</u>
Total AL # 21.019						<u>169,638</u>	<u>-</u>	<u>169,638</u>	<u>169,638</u>	<u>-</u>	<u>-</u>
U.S. Department of Education											
Passed through the Pennsylvania Department of Education											
Title I	I	84.010	013-210303	07/01/20-9/30/21	385,168	<u>359,521</u>	<u>-</u>	<u>385,168</u>	<u>385,168</u>	<u>25,647</u>	<u>-</u>
Title II Improving Teacher Quality	I	84.367	020-210303	07/01/20-9/30/21	52,940	51,912	-	52,940	52,940	1,028	-
Title II Improving Teacher Quality	I	84.367	020-200303	07/01/19-9/30/20	54,464	<u>7,206</u>	<u>7,206</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total AL # 84.367						<u>59,118</u>	<u>7,206</u>	<u>52,940</u>	<u>52,940</u>	<u>1,028</u>	<u>-</u>

(Continued)

NORTHGATE SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Grantor Pass-through Grantor Project Title	Source Code	Federal Assistance Listing (AL) Number	Pass-through Grantor Number	Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue 07/01/20	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue 06/30/21	Pass Through to Sub- recipients
<i>(Continued)</i>											
Student Support and Academic Enrichment Program	I	84.424	144-210303	07/01/20-9/30/21	29,549	7,880	-	29,549	29,549	21,669	-
Student Support and Academic Enrichment Program	I	84.424	144-200303	07/01/19-9/30/20	29,888	3,985	3,985	-	-	-	-
Total AL # 84.424						11,865	3,985	29,549	29,549	21,669	-
COVID-19 aTSI-GEER	I	84.425C	254-200303	03/13/20-09/30/22	34,757	27,440	-	34,757	34,757	7,317	-
COVID-19 ESSER	I	84.425D	200-200303	03/13/20-09/30/21	320,019	151,588	-	216,213	216,213	64,625	-
COVID-19 ESSER II	I	84.425D	200-210303	03/13/20-09/30/23	1,422,306	132,228	-	64,870	64,870	(67,358)	-
COVID-19 ARP - ESSER III	I	84.425U	223-210303	03/13/20-09/30/24	2,876,914	-	-	1,100	1,100	1,100	-
Passed through the Pennsylvania Commission on Crime and Delinquency											
COVID-19 ESSERSchool Health and Safety	I	84.425D	34976	03/13/20-09/30/22	30,987	29,859	-	30,987	30,987	1,128	-
Total AL # 84.425						341,115	-	347,927	347,927	6,812	-
Passed through Allegheny Intermediate Unit English Language Acquisition	I	84.365	010-200603	07/01/20-9/30/21	2,138	-	-	2,138	2,138	2,138	-
Special Education Cluster Special Education-Preschool	I	84.173	131-19-0-003	07/01/20-06/30/21	3,570	3,570	-	3,570	3,570	-	-
Special Education-IDEA	I	84.027	062-21-0-003	07/01/20-09/30/21	251,300	90,966	-	251,300	251,300	160,334	-
Special Education-IDEA	I	84.027	062-20-0-003	07/01/19-09/30/20	235,898	235,898	235,898	-	-	-	-
Passed through the Pennsylvania Department of Education											
COVID-19 SECIM	I	84.027	252-200303	07/01/20-09/30/21	5,000	5,000	-	5,000	5,000	-	-
Passed through IU13											
Special Education-PaTTAN	I	84.027	062-21-0-0033	07/01/20-09/30/21	20,000	15,291	-	15,291	15,291	-	-
Special Education-PaTTAN	I	84.027	062-21-0-0033	07/01/20-09/30/21	8,000	8,000	-	8,000	8,000	-	-
Special Education-PaTTAN	I	84.027	062-20-0-0033	07/01/19-06/30/20	20,000	12,806	12,806	-	-	-	-
Total AL # 84.027						367,961	248,704	279,591	279,591	160,334	-
Total Special Education Cluster						371,531	248,704	283,161	283,161	160,334	-
Total U.S. Department of Education						1,143,150	259,895	1,100,883	1,100,883	217,628	-
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	07/01/20-06/30/21	N/A	9,999	8,779	16,350	16,350	15,130	-
Total Federal Financial Assistance						\$ 1,660,021	\$ 285,340	\$ 1,642,725	\$ 1,642,725	\$ 268,044	\$ -

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

NORTHGATE SCHOOL DISTRICT
Notes to Schedule of Expenditures of Federal Awards
June 30, 2021

Note 1 – Summary of Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (schedule) includes the federal award activity of the School District under programs of the federal government for the year ended June 30, 2021. 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 the 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 “1” indicates funds received indirectly.

Note 4 – Reconciliation with Subsidy Confirmation

Amount Received Per Schedule	\$ 1,660,021
Add: State Funding on Confirmation	214,269
Less: PA Executive Offices	(194,063)
Less: Passed through IUs	(366,531)
Less: Donated Commodities	(29,077)
Less: Medical Assistance	(9,999)
Per Subsidy Confirmation	<u>\$ 1,274,620</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, 2021 for all federal programs.

Significant Deficiency

2020-001 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 of fixed assets.

Recommendation

The School District does not have sufficient employee resources to ensure adequate segregation of duties over internal controls for fixed assets. 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.

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, 2021, and the related notes to the financial statements, which collectively comprise Northgate School District's basic financial statements, and have issued our report thereon dated January 14, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 Northgate School District's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 2021-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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

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

have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

M. J. Patsy & Associates, LLC

Carnegie, Pennsylvania
January 14, 2022

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 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 Northgate School District's major federal programs for the year ended June 30, 2021. 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 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 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 Northgate School District's compliance.

Opinion on Each Major Federal Program

In our opinion, 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, 2021.

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

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

planning and performing our audit of compliance, we considered 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 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.

Mgus, Patsy & Associates, LLC

Carnegie, Pennsylvania
January 14, 2022

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>
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Title I	84.010
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Education Stabilization Fund	84.425
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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 2021-001

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 of 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 internal controls for safeguarding fixed assets. The fixed asset clerk submits purchase requests, receives incoming material, issues equipment to the floor, and records related transactions, including deleting transactions in the software 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:

The School District agrees with the finding and intends to implement a schedule of inventories of capital assets on a regular basis. See the School District's Corrective Action Plan included in this report package.

Section 3 – Findings and Questioned Costs for Federal Awards

None.



NORTHGATE SCHOOL DISTRICT

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

Corrective Action Plan for Findings in June 30, 2021 Audit Report

Name and Title of Person Responsible for Corrective Action:

Christopher Ursu, Director of Finance & Operations

Corrective Action Planned:

Finding 2021-001:

Periodic spot checks of fixed assets will be included in the business office master schedule, to be carried out both at regular intervals and unannounced times. The goal will be to complete at least two spot checks of assets throughout the district per year. Logs will be maintained to record results and actions taken.

Note: One spot check was conducted in the 2020-21 year which focused on assets in the middle/high school cafeteria.

Anticipated Completion Date:

The anticipated completion date for the first regularly scheduled spot check is February 8, 2022.



Signature

1-6-2022

Date