

North Allegheny School District

Single Audit

June 30, 2023

MaherDuessel

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NORTH ALLEGHENY SCHOOL DISTRICT

YEAR ENDED JUNE 30, 2023

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Independent Auditor's Report

**Board of Directors
North Allegheny School District**

Report on the Audit of the Financial Statements

Opinions

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 the North Allegheny School District (School District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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 the School District, as of June 30, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2023 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 the School District's internal control over financial reporting and compliance.

Mahe Duessel

Pittsburgh, Pennsylvania
December 15, 2023



NORTH ALLEGHENY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Required Supplementary Information

June 30, 2023

Our Management's Discussion and Analysis of North Allegheny School District's (School District) financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2023. Please review in conjunction with the School District's financial statements that begin on page 1.

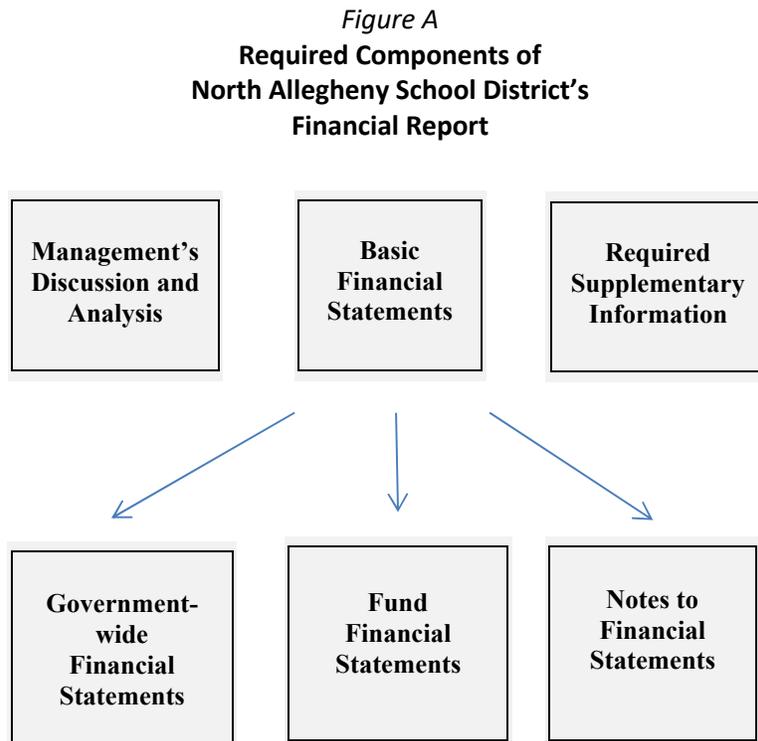
The Management's Discussion and Analysis is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *"Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments."* The intent of this Management's Discussion and Analysis is to look at the School District's financial performance as a whole.

Though the intent of GASB Statement No. 34 is to produce documentation that mirrors for-profit institutions, the fact remains that the School District is not a for-profit institution. The School District is not in business to make a profit. The mission of the School District is to educate children and prepare all students for success in a changing world. The reader should be aware of differences in financial statement reporting between a for-profit company and an institution such as the School District.

USING THE FINANCIAL STATEMENT REPORT

This Financial Statement Report consists of the Management's Discussion and Analysis (this section), the Basic Financial Statements, the Required Supplementary Information, and Supplementary Information. The Basic Financial Statements include the Government-Wide Financial Statements, Fund Financial Statements, and Notes to Financial Statements. The Statement of Net Position and Statement of Activities, on pages 1-2, provide information about the activities of the School District as a whole and present a long-term view of the School District's finances. Fund Financial Statements, which start on page 3, provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term, as well as what remains for future spending. The Fund Financial Statements also look at the School District's most significant funds with all other governmental funds presented in total in one column. For the School District, the General Fund is the most significant major fund. Lastly, the financial statements include notes that explain some of the information in the financial statements and provide more detailed data.

Figure A shows how the required parts of the Financial Section are arranged and relate to one another:



OVERVIEW OF FINANCIAL STATEMENTS

Government-Wide Financial Statements

The Government-Wide Financial 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 School District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The Government-Wide Financial Statements report the School District's net position and how it has changed. Net position, the difference between the School District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, is one way to measure the School District's "book value" position.

Over time, increases or decreases in the School District's net position are an indication of whether its "book value" is increasing or decreasing.

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

In the Statement of Net Position and the Statement of Activities, the School District is divided into two distinct kinds of activities:

- **Governmental Activities** – Most of the School District’s basic services are included here, such as instructional services, support services, operation of plant and maintenance services, student transportation services, and administration. Property taxes, state and federal subsidies, and grants finance most of these activities.
- **Business-Type Activities** – The School District operates a food service operation and charges fees to staff, students, and visitors to help it cover the costs of the food service operation.

REPORTING THE SCHOOL DISTRICT’S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Fund Financial Statements, which begin on page 3, provide detailed information about the most significant funds – not the School District as a whole. Some funds are required by state law and by bond requirements.

- **Governmental Funds** – Most of the School District’s activities are reported in Governmental Funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The Governmental Funds Financial Statements provide a detailed short-term view of the School District’s operations and the services it provides. The Governmental Funds information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District’s programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and Governmental Funds is reflected in reconciliations on pages 4 and 6.
- **Proprietary Fund** – This Proprietary Fund is used to account for the School District’s activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. The Food Service Fund is the School District’s only Proprietary Fund and uses the same basis of accounting as Business-Type Activities; therefore, these statements will essentially match.

FINANCIAL HIGHLIGHTS

Each year the building of the School District’s budget in the fall begins a challenging process for the Administration and the Board of Directors. As in previous years, the realization that there would be increases in several expenditure groups, make the balancing of academic needs and fiscal responsibility a difficult and thoughtful process. Measures to utilize every efficiency and economy that would not diminish programs for students was identified and implemented.

Actual results for the fiscal year were more favorable than projected due to a number of factors. As a result of the positive results, the fund balance of the General Fund increased by approximately \$3.5 million from the previous year compared to approximately no change in budget. Overall, net revenues and expenditures yielded a positive operating impact in the amount of \$3,481,425, which was a positive variance to budget by \$3.5 million. Excluding the impact of Athletics, which had net unfavorable operations of approximately \$33 thousand, Local revenue had a total positive variance to budget in the amount of \$3.0 million. This was primarily due to more earned interest earnings of \$2.4 million received compared to the budgeted amount as a result of the aggressive interest rate hikes by the Federal Reserve during the fiscal year. State revenue had a positive variance to budget of approximately \$1.0 million driven by additional Basic Ed Funding received in the fiscal year versus the budget. Federal revenue had a negative variance to budget of approximately \$113 thousand related primarily to the deferral of CARES/ESSER Funding that will be received in future year but initially budgeted in 2022-2023 partially offset by additional ACCESS funds received vs budget. The expenditure variances, excluding the Athletics fund and financed purchases, to budget was unfavorable \$416 thousand. This was the result of additional capital transfers of \$3.0 million. Excluding the additional prefunded capital transfers, expenditures were favorable to budget by \$2.6 million, which was driven by lower support services costs and related retirement and medical benefits, partially offset by higher current real estate tax refunds driven by the update Common Level Ratio at the County level and related 3rd party appeals of assessed property values. The School District ended with a fund balance in the General Fund of approximately \$25.5 million.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Statements of Net Position

The School District's total net position was approximately negative \$199 million at June 30, 2023.

Table 1
Condensed Statements of Net Position
Fiscal Years Ended June 30,

	2023			2022		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current assets	\$ 74,179,209	\$ 1,963,929	\$ 76,143,138	\$ 67,258,354	\$ 1,787,501	\$ 69,045,855
Other assets	2,035,397	57,871	2,093,268	2,306,279	72,717	2,378,996
Capital assets	156,360,885	879,440	157,240,325	166,189,354	871,622	167,060,976
Total Assets	232,575,491	2,901,240	235,476,731	235,753,987	2,731,840	238,485,827
Deferred Outflows of Resources	47,285,838	-	47,285,838	53,790,064	-	53,790,064
Current liabilities	26,076,435	251,664	26,328,099	26,042,702	199,372	26,242,074
Long-term liabilities:						
Due within one year	12,398,042	-	12,398,042	12,910,141	-	12,910,141
Due after one year	423,565,921	-	423,565,921	426,958,672	-	426,958,672
Total Liabilities	462,040,398	251,664	462,292,062	465,911,515	199,372	466,110,887
Deferred Inflows of Resources	(19,157,539)	-	(19,157,539)	42,963,343	-	42,963,343
Net investment in capital assets	27,069,236	879,440	27,948,676	21,649,112	871,622	22,520,734
Unrestricted	(228,405,844)	1,770,136	(226,635,708)	(240,979,919)	1,660,846	(239,319,073)
Total Net Position	\$(201,336,608)	\$ 2,649,576	\$(198,687,032)	\$(219,330,807)	\$ 2,532,468	\$(216,798,339)

The majority of current assets (approximately 79.4%) as of June 30, 2023 are made up of unrestricted and restricted cash and cash equivalents of approximately \$45.5 million and \$15.0 million, respectively.

Approximately \$27.9 million of the School District's net position is invested in capital assets (buildings, land, and equipment). The School District's buildings include seven (7) elementary schools; three (3) middle schools; an intermediate school which houses 9th and 10th graders; and the senior high school which houses 11th and 12th graders. In addition, the School District has a center for student and community use and a transportation building which houses the employees of the facilities and transportation departments. In total, the School District has sixteen buildings situated on approximately 328 acres of real estate.

The majority of current liabilities are from accounts payable and other current liabilities and accrued salaries and benefits.

Non-current liabilities consist of the following basic components: long-term debt associated with renovations of the School District's buildings, the compensated absence liability, the School District's portion of the Public School Employees' Retirement System (PSERS) unfunded liability, and liabilities related to the swap transactions discussed in Note 13 to the financial statements.

Statement of Activities

The results of this year's operations as a whole are reported in the Statement of Activities on page 2. All expenses are reported in the first column. Specific charges, grants, revenues, and subsidies that directly relate to specific expense categories are represented to determine the final amount of the School District's activities that are supported by other general revenues.

These financial statements offer a view of the financial condition of the School District on a consolidated basis. For example, investment earnings (Statement of Activities, page 2) not only include interest earnings in the General Fund, but also interest earnings in capital related funds as well.

Table 2 takes the information from the Statement of Activities and rearranges it slightly so an individual can review total revenues for the year. The School District has prepared financial statements with a comparative analysis of government-wide data to fiscal year 2022.

Table 2
Changes in Net Position
Fiscal Years Ended June 30,

	2023			2022		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues						
Program revenues:						
Charges for services	\$ 616,962	\$ 2,702,441	\$ 3,319,403	\$ 803,460	\$ 952,357	\$ 1,755,817
Operating grants and contributions	30,664,471	1,552,805	32,217,276	30,280,714	3,796,783	34,077,497
General revenues:						
Property taxes	124,700,308	-	124,700,308	118,774,132	-	118,774,132
Other taxes	20,827,119	-	20,827,119	19,921,065	-	19,921,065
Grants, subsidies and contributions, unrestricted	14,497,302	-	14,497,302	12,610,352	-	12,610,352
Investment earnings	3,100,406	13,769	3,114,175	56,484	2,106	58,590
Gain on sale of asset	19,128	-	19,128	147,228	-	147,228
Investment gain (loss) on derivatives	1,915,784	-	1,915,784	3,381,991	-	3,381,991
Miscellaneous	-	-	-	207,990	-	207,990
Total Revenues	196,341,480	4,269,015	200,610,495	186,183,416	4,751,246	190,934,662
Expenses						
Instructional services	104,029,264	-	104,029,264	103,792,576	-	103,792,576
Support services	57,152,320	-	57,152,320	54,213,112	-	54,213,112
Non-instructional services	4,746,731	-	4,746,731	4,339,107	-	4,339,107
Facilities	2,376,728	-	2,376,728	3,288,335	-	3,288,335
Unallocated depreciation expense	4,681,956	-	4,681,956	4,688,683	-	4,688,683
Interest on long-term debt	5,360,282	-	5,360,282	5,736,646	-	5,736,646
Food services	-	4,151,907	4,151,907	-	3,671,932	3,671,932
Total Expenses	178,347,281	4,151,907	182,499,188	176,058,459	3,671,932	179,730,391
Change in Net Position	\$ 17,994,199	\$ 117,108	\$ 18,111,307	\$ 10,124,957	\$ 1,079,314	\$ 11,204,271

Governmental Activities

Table 3 shows the School District's functions/programs, as well as each program's net cost (total cost less revenues generated by the activities). This table also shows the net costs offset by the other unrestricted grants, subsidies, and contributions to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

Table 3
Governmental Activities
Fiscal Years Ended June 30,

Functions/Programs	2023		2022	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instructional services	\$ 104,029,264	\$ 83,588,286	\$ 103,792,576	\$ 84,329,826
Support services	57,152,320	48,319,369	54,213,112	45,592,389
Non-instructional services	4,746,731	3,376,400	4,339,107	3,134,478
Facilities	2,376,728	2,376,728	3,288,335	3,220,420
Unallocated expenses - excluding direct expenses reported as a function above:				
Depreciation expense	4,681,956	4,681,956	4,688,683	4,688,683
Interest on long-term debt	5,360,282	4,723,109	5,736,646	4,008,489
Total Governmental Activities	\$ 178,347,281	147,065,848	\$ 176,058,459	144,974,285
Less:				
Unrestricted grants, subsidies, and contributions		14,497,302		12,610,352
Total Needs from Local Taxes and Other Revenues		\$ 132,568,546		\$ 132,363,933

The dependence upon tax revenues for governmental activities is apparent and consistent with School District funding in the Commonwealth of Pennsylvania. The community, as a whole, is the primary support for the School District's students.

Business-Type Activity

The only Business-Type Activity of the School District is the food service operations. This program had revenues of \$4.27 million and \$4.75 million for the fiscal years 2023 and 2022, respectively. Food service expenses were \$4.15 million and \$3.67 million for the fiscal years 2023 and 2022, respectively. The contracted food service vendor guarantees a profit from their services. A profit (loss) of approximately \$117 thousand and \$1.08 million was realized for the fiscal years 2023 and 2022, respectively. Without depreciation, the food service operations would have had a profit (loss) of approximately \$257 thousand and \$1.18 million for fiscal years 2023 and 2022, respectively. The Statement of Revenues, Expenses, and Changes in Fund Net Position on page 8 for this Proprietary Fund will further detail the actual results of operations.

THE SCHOOL DISTRICT'S FUNDS

The General Fund, which accounts for the School District's operations, represents the School District's most significant major fund. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds on page 5 is summarized in **Table 4**.

Table 4
Summary of Governmental Change in Fund Balance
Fiscal Years ended June 30,

	2023			2022		
	General Fund	Other	Total	General Fund	Other	Total
		Governmental Funds	Governmental Funds		Governmental Funds	Governmental Funds
Beginning Fund Balance	\$ 22,056,635	\$ 17,451,529	\$ 39,508,164	\$ 21,316,117	\$ 17,509,263	\$ 38,825,380
Net Change in Fund Balance	3,481,425	4,377,474	7,858,899	740,518	(57,734)	682,784
Ending Fund Balance	<u>\$ 25,538,060</u>	<u>\$ 21,829,003</u>	<u>\$ 47,367,063</u>	<u>\$ 22,056,635</u>	<u>\$ 17,451,529</u>	<u>\$ 39,508,164</u>

Included in the Other Governmental Funds in the above chart are the 2019 Elementary Fund, Capital Reserve Fund, and Technology Fund.

For fiscal year 2023, overall, there was an increase in fund balance across all of the School District's funds in the amount of \$7.9 million. This was mainly due to the overall net surplus in the general fund of \$3.5 million and the investment into Capital Funds.

General Fund Budgeting Highlights

The School District's budget is prepared according to the Commonwealth of Pennsylvania law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. During the fiscal year, the Board of Directors authorized revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the School District. The budgeting systems are designed to tightly control budgets by controllers responsible for their individual areas.

The fund balance of the General Fund increased by approximately \$3.5 million compared to no change in the budgeted amount because of positive variances to budget for fiscal year 2023.

In total, the School District received approximately \$3.9 million in additional revenue than originally budgeted excluding athletics. This is mainly attributable to higher interest earnings related to federal interest rates and additional State funding awarded after the 2022-23 budget was adopted.

Expenditures for the current fiscal year were budgeted at \$190.9 million, while actual expenditures were \$191.3 million, a \$416 thousand (0.2%) variance to budget excluding athletics and capital leases. The variance was driven by additional Capital transfers and current real estate refunds offset by savings realized due to lower support services costs and related benefits.

Overall, the School District's General Fund actual revenues were higher than expenditures and other financing sources and uses (net) by \$3,481,425, as displayed on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds, thus increasing the fund balance of the School District.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The School District is invested in a broad range of capital assets, including land, site improvements, buildings, equipment, and vehicles. During fiscal year 2023, the School District's capital assets decreased by approximately \$9.83 million, mainly due to capital additions of approximately \$5 million during the year related to new vehicles, equipment, and other miscellaneous construction and renovation projects throughout the School District, offset by asset disposals and the annual depreciation.

Table 5
Governmental Activities
Fiscal Years Ended June 30,
Capital Assets - Net of Depreciation (If Applicable)

	2023	2022
Land	\$ 406,906	\$ 406,906
Site improvements	7,280,911	7,995,064
Buildings and improvements	128,176,720	134,722,904
Machinery, equipment, and furniture	12,098,008	14,287,031
Text and library books	2,281,856	2,903,567
Vehicles	4,425,510	4,972,559
Construction in progress	1,690,974	901,323
	<u>\$ 156,360,885</u>	<u>\$ 166,189,354</u>

Debt Administration

As of June 30, 2023, the School District had total outstanding bond principal of \$138.0 million, a decrease of \$10.1 million over bonds principal outstanding of \$148.1 million at June 30, 2022. Other obligations include accrued vacation pay and sick leave for specific employees of the School District, and amounts recorded as liabilities relating to the swap transactions, and the School District's net pension liability. More detailed information about long-term liabilities is included in Notes 5 - 8 to the financial statements.

Table 6
Long-Term Liabilities
Fiscal Years Ended June 30,

	2023	2022
General obligation and revenue bonds	\$ 131,020,000	\$ 140,525,000
Unamortized discounts and premiums, net	7,050,377	7,620,162
Swaption borrowing (2004)	1,203,090	1,513,824
Swaption borrowing (2012)	-	36,820
OPEB liability	36,238,816	46,237,045
Net pension liability	247,946,000	228,152,000
Embedded derivative instrument	562,371	2,116,510
General Obligation Note, 2008	1,878,058	2,151,208
Financed purchases	6,148,089	7,714,310
Accumulated employee benefits	3,917,162	3,801,934
	<u>\$ 435,963,963</u>	<u>\$ 439,868,813</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The School District continues to hold double 'A' (AA) bond rating by Standard & Poor's (S&P), a New York municipal rating agency. There are only a small number of School Districts in Pennsylvania that hold this rating. To have a double 'A' (AA) bond rating will enable the School District to realize savings in insurance costs and debt service payments on any up-coming bond issues. The double 'A' (AA) rating reflects the School District's stable outlook and creditworthiness. In the last review, S&P cites "... extremely strong wealth due to the district's residential nature within the Pittsburgh MSA; very strong income indicators with a very diverse tax base; good financial management; and strong reserves" as factors that contribute to this rating.

Excluding fund transfers, the expenditure budget for the 2023-2024 fiscal year is \$4.4 million more than the budget for 2022-2023. This is driven by an increase in contractual salaries and respective PSERS contributions, coupled with a scheduled large text book purchase in the 2023-2024 school year. The School District is required to contribute, by state law, to the employee retirement program and has been budgeted at an employer contribution rate of 34.00%. While this cost is shared with the Commonwealth of Pennsylvania, retirement expense accounts for approximately 15.5% of the budget. Health insurance costs have historically increased each year for the School District. Based on premiums and claims, the School District anticipates these costs to slightly increase in the 2023-2024 budget vs the 2022-2023. If the historical trend continues after the 2023-2024 fiscal year, we would expect these to continue to increase in future budgets. This is a fiscal reality that has affected every business and organization in western Pennsylvania. Overall budgeted revenues are expected to increase in 2023-2024 vs. 2022-2023 budgeted amount driven by additional budgeted revenue from local sources including Earned Income and Real Estate Growth, coupled with additional expected interest earnings.

The School District has committed itself to financial excellence for many years. The School District ranks the 6th lowest millage among the comparable suburban school districts in Allegheny County. In addition, the School District's system of financial planning, budgeting, and internal financial controls are well regarded as represented in an "unqualified opinion" from the School District's auditors in the past several years. The School District plans to continue its sound fiscal management to meet the challenges of the future.

CONTACTING THE SCHOOL DISTRICT FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors, and creditors with a general overview of the School District's finances and to show the Board of Directors accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact Kermit J. Houser, Director of Finance/Treasurer, at North Allegheny School District, 200 Hillvue Lane, Pittsburgh, PA 15237.



NORTH ALLEGHENY SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2023

Assets	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents	\$ 43,690,384	\$ 1,825,559	\$ 45,515,943
Restricted cash, cash equivalents, and investments for capital additions	14,956,944	-	14,956,944
Property taxes receivable, net of allowance for uncollectibles	802,085	-	802,085
Earned income taxes receivable	3,709,979	-	3,709,979
Intergovernmental receivable	9,565,401	138,839	9,704,240
Other receivables	1,450,483	-	1,450,483
Prepaid expense	3,464	-	3,464
Inventory	157,339	57,871	215,210
Net investment in joint venture	1,878,058	-	1,878,058
Capital assets:			
Non-depreciable	2,097,880	-	2,097,880
Depreciable	154,263,005	879,440	155,142,445
Total Assets	232,575,491	2,901,240	235,476,731
Deferred Outflows of Resources			
Pension	41,475,503	-	41,475,503
OPEB	5,810,335	-	5,810,335
Total Deferred Outflows of Resources	47,285,838	-	47,285,838
Liabilities			
Accounts payable and other current liabilities	2,616,428	91,850	2,708,278
Tax refunds payable	600,000	-	600,000
Accrued salaries and benefits	22,058,438	-	22,058,438
Accrued interest payable	676,869	-	676,869
Unearned revenue	124,700	159,814	284,514
Non-current liabilities:			
Due within one year	12,398,042	-	12,398,042
Due in more than one year	423,565,921	-	423,565,921
Total Liabilities	462,040,398	251,664	462,292,062
Deferred Inflows of Resources			
Deferred gain on refunding	30,127	-	30,127
Pension	6,351,000	-	6,351,000
OPEB	12,776,412	-	12,776,412
Total Deferred Inflows of Resources	19,157,539	-	19,157,539
Net Position			
Net investment in capital assets	27,069,236	879,440	27,948,676
Unrestricted	(228,405,844)	1,770,136	(226,635,708)
Total Net Position	\$ (201,336,608)	\$ 2,649,576	\$ (198,687,032)

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

NORTH ALLEGHENY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

Functions/Programs	Program Revenues				Net (Expense) Revenue and Change in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instructional services	\$ 104,029,264	\$ -	\$ 20,440,978	\$ -	\$ (83,588,286)	\$ -	\$ (83,588,286)
Support services	57,152,320	32,890	8,800,061	-	(48,319,369)	-	(48,319,369)
Non-instructional service	4,746,731	584,072	786,259	-	(3,376,400)	-	(3,376,400)
Facilities	2,376,728	-	-	-	(2,376,728)	-	(2,376,728)
Unallocated expenses - excluding direct expenses reported as a function above:							
Depreciation expense	4,681,956	-	-	-	(4,681,956)	-	(4,681,956)
Interest on long-term debt	5,360,282	-	637,173	-	(4,723,109)	-	(4,723,109)
Total governmental activities	178,347,281	616,962	30,664,471	-	(147,065,848)	-	(147,065,848)
Business-Type Activities:							
Food services	4,151,907	2,702,441	1,552,805	-	-	103,339	103,339
Total Primary Government	\$ 182,499,188	\$ 3,319,403	\$ 32,217,276	\$ -	(147,065,848)	103,339	(146,962,509)
General revenues:							
Taxes:							
Property taxes, levied for general purposes, net of uncollectibles					124,700,308	-	124,700,308
Earned income taxes					18,938,935	-	18,938,935
Other taxes levied for general purposes					1,888,184	-	1,888,184
Grants, subsidies, and contributions not restricted to specific programs					14,497,302	-	14,497,302
Investment income					3,100,406	13,769	3,114,175
Gain on sale of asset					19,128	-	19,128
Investment gain (loss) on derivative instruments, net					1,915,784	-	1,915,784
Total general revenues and investment gain on derivative instruments					165,060,047	13,769	165,073,816
Change in Net Position					17,994,199	117,108	18,111,307
Net Position:							
Beginning of year					(219,330,807)	2,532,468	(216,798,339)
End of year					\$ (201,336,608)	\$ 2,649,576	\$ (198,687,032)

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

NORTH ALLEGHENY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2023

	General Fund	2019 Elementary Fund	Other Governmental Funds	Total
Assets				
Cash and cash equivalents	\$ 39,348,578	\$ -	\$ 4,341,806	\$ 43,690,384
Restricted cash, cash equivalents, and investments for capital additions	-	9,018,946	5,937,998	14,956,944
Property taxes receivable, net of allowance for uncollectibles	802,085	-	-	802,085
Earned income taxes receivable	3,709,979	-	-	3,709,979
Intergovernmental receivable	8,906,629	-	-	8,906,629
Other receivables	1,427,651	-	-	1,427,651
Due from other funds	23,301	-	3,000,000	3,023,301
Prepaid expense	3,464	-	-	3,464
Inventory	157,339	-	-	157,339
Total Assets	\$ 54,379,026	\$ 9,018,946	\$ 13,279,804	\$ 76,677,776
Liabilities, Deferred Inflows of Resources, and Fund Balance				
Liabilities:				
Accounts payable and other current liabilities	\$ 2,146,681	\$ 394,705	\$ 75,042	\$ 2,616,428
Tax refunds payable	600,000	-	-	600,000
Accrued salaries and benefits	22,058,438	-	-	22,058,438
Due to other funds	3,000,000	-	-	3,000,000
Unearned revenues	124,700	-	-	124,700
Total Liabilities	27,929,819	394,705	75,042	28,399,566
Deferred Inflows of Resources:				
Unavailable revenue - taxes	911,147	-	-	911,147
Fund Balance:				
Nonspendable:				
Inventory and prepaid	160,803	-	-	160,803
Restricted for:				
Capital projects	-	8,624,241	-	8,624,241
Committed for:				
Future debt issuance and swaption costs	1,211,443	-	-	1,211,443
Assigned:				
Appropriation of fund balance - PSERS	4,184,774	-	-	4,184,774
Debt service	2,850,000	-	-	2,850,000
Text books	1,500,000	-	-	1,500,000
Athletics	317,277	-	-	317,277
Capital projects	-	-	9,859,657	9,859,657
Technology	-	-	3,345,105	3,345,105
Unassigned	15,313,763	-	-	15,313,763
Total Fund Balance	25,538,060	8,624,241	13,204,762	47,367,063
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 54,379,026	\$ 9,018,946	\$ 13,279,804	\$ 76,677,776

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

NORTH ALLEGHENY SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

JUNE 30, 2023

Total Fund Balance - Governmental Funds \$ 47,367,063

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds. 156,360,885

Property taxes receivable will be collected next year, but are not considered available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred inflows in the funds. 911,147

Governmental funds report the effect of refunding gains and losses when debt is first issued, whereas these amounts are deferred and amortized in the statement of net position. (30,127)

Accrued interest payable is not due and payable in the current period and, therefore, is not reported as a liability in the funds. (676,869)

State subsidy related to debt payments is accrued in the statement of net position, as the related debt has already been incurred and is not reported as a receivable in the funds. 658,772

The net investment in joint venture does not represent a financial asset that would be recorded as an asset in the governmental funds. 1,878,058

The actuarially accrued other post-employment benefit (OPEB) liability, net pension liability, and the related deferred inflows and outflows of resources for the School District's employees are not recorded on the fund financial statements. (256,026,390)

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

Bonds payable, net	\$	(138,070,377)	
Derivative instrument		(562,371)	
Note payable		(1,878,058)	
Swap loan		(1,203,090)	
Financed purchases		(6,148,089)	
Compensated absences		(3,917,162)	
			(151,779,147)

Total Net Position - Governmental Activities \$ (201,336,608)

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

NORTH ALLEGHENY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2023

	General Fund	2019 Elementary Fund	Other Governmental Funds	Total
Revenues:				
Local sources	\$ 151,435,370	\$ 328,796	\$ 540,638	\$ 152,304,804
State sources	41,852,000	-	-	41,852,000
Federal sources	1,974,501	-	-	1,974,501
Total revenues	195,261,871	328,796	540,638	196,131,305
Expenditures:				
Current:				
Instruction	107,070,836	-	54,820	107,125,656
Support services	55,817,256	302,397	1,313,078	57,432,731
Operation of non-instructional services	4,814,364	74,928	-	4,889,292
Facilities acquisition, construction, and improvement services	15,834	1,246,737	-	1,262,571
Debt service:				
Principal	12,237,610	-	-	12,237,610
Interest	5,895,183	-	-	5,895,183
Total expenditures	185,851,083	1,624,062	1,367,898	188,843,043
Excess (Deficiency) of Revenues Over Expenditures	9,410,788	(1,295,266)	(827,260)	7,288,262
Other Financing Sources (Uses):				
Transfer in	-	-	6,500,000	6,500,000
Transfer out	(6,500,000)	-	-	(6,500,000)
Proceeds from financed purchases	1,166,389	-	-	1,166,389
Proceeds from sale of assets	154,597	-	-	154,597
Refund of prior year (receipts) expenditures	(750,349)	-	-	(750,349)
Total other financing sources (uses)	(5,929,363)	-	6,500,000	570,637
Net Change in Fund Balance	3,481,425	(1,295,266)	5,672,740	7,858,899
Fund Balance:				
Beginning of year	22,056,635	9,919,507	7,532,022	39,508,164
End of year	\$ 25,538,060	\$ 8,624,241	\$ 13,204,762	\$ 47,367,063

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

NORTH ALLEGHENY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

Net Change in Fund Balance - Governmental Funds \$ 7,858,899

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of some of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount is the net effect of these items in the current period:

	\$	4,212,599	
Capital asset additions			
Less: depreciation expense		(13,905,599)	(9,693,000)

Capital assets used in governmental activities are not current financial resources and therefore, are not reported as assets in governmental funds. The net effect of the gain on sale and loss on the disposal of the assets is shown here. (135,469)

The actuarially accrued other postemployment benefits (OPEB) obligation, and net pension liability for the School District's employees and retirees are not recorded on the fund financial statements. The value of this obligation changed by this amount during the year. 7,531,479

Some taxes and state grants will not be collected for several months after the School District's year-end; they are not considered "available" revenues in the governmental funds. Unearned revenues changed by this amount during the year. (974,388)

The issuance of long-term obligations (e.g., bonds, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and refunding gains and losses when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term obligations and related items. 11,627,711

Interest on long-term obligations 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, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest accrued in the statement of activities over the amount due is shown here. 4,879

Investment income and loss related to derivative instruments is recognized as revenue within the statement of activities. This amount represents the change in the investment in derivative instruments during the year. 1,889,316

In the statement of activities, certain operating expenses, specifically accumulated employee benefits (vacations, sick days, and early retirement) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used. (115,228)

Change in Net Position of Governmental Activities \$ 17,994,199

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

NORTH ALLEGHENY SCHOOL DISTRICT

STATEMENT OF NET POSITION PROPRIETARY FUND

JUNE 30, 2023

	<u>Enterprise Fund Food Service</u>
Assets	
<hr/>	
Current assets:	
Cash and cash equivalents	\$ 1,825,559
Intergovernmental receivable	138,839
Inventory	57,871
Total current assets	<u>2,022,269</u>
Non-current assets:	
Machinery and equipment	3,376,017
Less: accumulated depreciation	<u>(2,496,577)</u>
Total non-current assets	<u>879,440</u>
Total Assets	<u><u>\$ 2,901,709</u></u>
<hr/>	
Liabilities and Net Position	
<hr/>	
Liabilities:	
Accounts payable	\$ 91,850
Due to General Fund	469
Unearned revenue	<u>159,814</u>
Total Liabilities	<u>252,133</u>
Net Position:	
Net investment in capital assets	879,440
Unrestricted	<u>1,770,136</u>
Total Net Position	<u>2,649,576</u>
Total Liabilities and Net Position	<u><u>\$ 2,901,709</u></u>

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

NORTH ALLEGHENY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUND

YEAR ENDED JUNE 30, 2023

	Enterprise Fund Food Service
Operating Revenue:	
<hr/>	
Sale of food	\$ 2,702,441
	<hr/>
Operating Expenses:	
<hr/>	
Supplies	321,513
Depreciation	139,835
Other purchased services	3,690,559
	<hr/>
Total operating expenses	4,151,907
	<hr/>
Net Operating Loss	(1,449,466)
	<hr/>
Non-operating Revenues:	
<hr/>	
State subsidies	192,391
Federal revenues:	
Subsidies	1,092,864
Donated commodities	267,550
Earnings on investments	13,769
	<hr/>
Total non-operating revenues	1,566,574
	<hr/>
Change in Net Position	117,108
	<hr/>
Net Position:	
<hr/>	
Beginning of year	2,532,468
	<hr/>
End of year	\$ 2,649,576
	<hr/> <hr/>

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

NORTH ALLEGHENY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS PROPRIETARY FUND

YEAR ENDED JUNE 30, 2023

	Food Service Fund
Cash Flows From Operating Activities:	
Receipts from users	\$ 2,719,493
Payments to suppliers for goods and services	(3,693,967)
Net cash provided by (used in) operating activities	(974,474)
Cash Flows From Non-Capital Financing Activities:	
Grants and subsidies received:	
State	175,945
Federal	1,417,913
Net cash provided by (used in) non-capital financing activities	1,593,858
Cash Flows From Capital and Related Financing Activities:	
Purchase of capital assets	(147,653)
Cash Flows From Investing Activities:	
Earnings on investments	13,769
Net Increase (Decrease) in Cash and Cash Equivalents	485,500
Cash and Cash Equivalents:	
Beginning of year	1,340,059
End of year	\$ 1,825,559
Reconciliation of Net Operating Loss to Net Cash Provided by (Used in) Operating Activities:	
Net operating loss	\$ (1,449,466)
Adjustments to reconcile net operating loss to net cash provided by (used in) operating activities:	
Depreciation expense	139,835
Donated commodities	267,550
Change in:	
Inventory	14,846
Unearned revenue	17,052
Due to General Fund	469
Accounts payable	35,240
Total adjustments	474,992
Net cash provided by (used in) operating activities	\$ (974,474)
Non-Cash Financing Transaction:	
The School District received donated commodities of \$267,550 from the U.S. Department of Agriculture.	

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

NORTH ALLEGHENY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2023

	Custodial Funds
<hr/>	
Assets	
<hr/>	
Cash and cash equivalents	\$ 758,678
	<hr/>
<hr/>	
Liabilities	
<hr/>	
Due to other funds	22,832
	<hr/>
<hr/>	
Net Position	
<hr/>	
Restricted for:	
Student activities	\$ 735,846
	<hr/> <hr/>

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

NORTH ALLEGHENY SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2023

	Custodial Funds
Additions:	
<hr/>	
Student Funds	\$ 1,289,799
	<hr/>
Deductions:	
<hr/>	
Student Programs	1,265,158
	<hr/>
Change in Net Position	24,641
Net Position:	
<hr/>	
Beginning of year	711,205
	<hr/>
End of year	\$ 735,846
	<hr/> <hr/>

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

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

1. Summary of Significant Accounting Policies

The financial statements are prepared in accordance with the accounting system and procedures prescribed for school districts by the Commonwealth of Pennsylvania, Department of Education, which conforms to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity

North Allegheny School District (School District) is a public school system operating under the authority of the Pennsylvania School Code of 1949 and is governed by an elected nine-member Board of Directors (Board). The criteria set forth by the Governmental Accounting Standards Board (GASB) are followed by the School District to determine which governmental organizations should be included or excluded from the reporting entity. Criteria for inclusion of any entity (component unit) into a primary governmental unit's financial statements include but are not limited to legal standing, fiscal dependency, imposition of will, financial benefit or burden, and appointment of a voting majority of the governing Board. The School District presently has no component units that meet the above criteria.

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function self-finances or draws from the general revenues of the School District.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements

The School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The fiduciary fund is reported by type. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate "fund types" as follows:

Governmental Funds:

The School District presents the following major governmental funds:

General Fund

The General Fund is the general operating fund of the School District which is utilized to account for all revenues and expenditures except those accounted for in another fund. For financial reporting purposes, the Athletic Fund and Grants Fund, separate accounting funds, are presented as part of the General Fund.

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

2019 Elementary Fund

The 2019 Elementary Fund is utilized to account for the expenditures and financial resources to be used for the expansion of Franklin Elementary School and the renovation of McKnight Elementary School. The expenditures in this fund are being funded by proceeds from the Series 2019 Bonds.

Additionally, the School District reports the following other governmental funds as capital project funds:

Capital Reserve Fund

The Capital Reserve Fund is utilized to account for financial resources to be used for the acquisition, construction, or repair of major capital facilities and equipment.

Technology Fund

The Technology Fund is utilized to account for financial resources and investments in district wide network infrastructure, and the acquisition and repair of other technical equipment, systems, and platforms.

Proprietary Fund:

Enterprise Fund (Food Service Fund)

The Food Service Fund is authorized under Section 504 of the Public School Code of 1949 to account for all revenues and expenses pertaining to cafeteria operations and is presented as a major fund. The Food Service Fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises where the stated intent is that the costs of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges and government subsidies.

Fiduciary Fund:

Custodial Fund

The Student Activities Fund is used to account for assets held by the School District in a trustee capacity or as agent for individuals or private organizations.

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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 District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for earned income taxes, for which the period is within 90 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures including payments under lease agreements, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Real estate taxes, earned income taxes, rents, fees, and state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual as revenue of the current fiscal period. Real estate tax revenue for interim assessments is recognized when collected. All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the statement of net position. Fund equity (i.e., net total position) is segregated into unrestricted net position and net investment in capital assets. The operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total position.

Operating revenues and expenses of the proprietary fund consists of those revenues and expenses that result from the ongoing principal operations of the School District. Operating revenues consist primarily of user charges. Non-operating revenues and expenses consist

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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of those revenues and expenses that are related to financing and investing types of activities.

The proprietary fund follows the accrual basis of accounting, in which revenues are recorded when earned and expenses as incurred.

Deferred inflows are reported on the governmental funds statements when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the School District before it has a legal claim to them, as when intergovernmental funds are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the School District has a legal claim to the resources, the liability for unearned revenue is removed and the revenue is recognized.

Budgets and Budgetary Accounting

The Board approves, prior to the beginning of each fiscal year, an annual budget on the modified accrual basis for the General Fund, as required by state law.

The School District follows these procedures for establishment of their annual budget:

1. Prior to May of the preceding fiscal year, the School District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. At least 20 days prior to the date set for budget adoption, the budget is made available for public inspection.
3. A meeting of the Board is then called for the purpose of adopting the proposed budget. This meeting may only be held after 10 days of public notification.
4. Prior to July 1, the budget is legally enacted through passage of a resolution by the Board.
5. The budget must be filed with the Commonwealth of Pennsylvania, Department of Education by July 15 of the fiscal year or within 30 days of adoption.

The Public School Code allows the Board to authorize budget transfer amendments between functions and objects during the year. The budget data reflected in the required

NORTH ALLEGHENY SCHOOL DISTRICT

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supplementary information includes the effect of such approved budget transfer amendments and, for comparative purposes; the actual results have also been presented. The level of budgetary control is at the object level within each function and fund. Function is defined as a program area such as instructional services, and object is defined as the nature of the expenditure such as salaries or supplies.

Annual appropriations lapse at year-end. No supplemental appropriations were required during the current fiscal year.

Budgetary control for other governmental funds is maintained through enforcement of the related grant provisions or through provisions of various debt agreements.

Cash and Investments

For purposes of the statement of cash flows, 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 and pooled funds investments subject to daily withdrawal to be cash equivalents.

Investments are stated at fair value, which approximates market.

Receivables and Payables

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

Property tax receivables are shown net of an allowance for uncollectible amounts. Property taxes are levied as of July 1 on property values assessed as of the same date. The billings are considered past due on November 1, and penalties and interest are assessed.

Amounts due from other governments represent receivables for state and federal funding, the majority of which is passed through the Pennsylvania Department of Education.

Prepays

Any expenses paid prior to the related services rendered will be recorded as a prepaid expense.

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Capital Assets

General capital assets 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.

All capital assets are capitalized at cost, donated capital assets are recorded at their fair market values at the time of donation, and intangible right-to-use leased assets are recorded at the present value of future lease payments. The School District maintains a capitalization threshold of \$5,000. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

All reported capital assets except for land and construction in progress are depreciated. Depreciation is computed using the straight-line method, over the following useful lives:

Site improvements	15 years
Buldings and improvements	20-50 years
Machinery, equipment, and furniture	3-15 years
Vehicles	15 years
Text and library books	5-20 years

Compensated Absences

The School District accrues for certain accumulated employee benefits, such as unpaid vacation, sick pay, and retirement lump sum payments. The amount of the accrual is based on the vacation, sick, and retirement lump-sum payments, which are expected to be paid to employees upon their termination or retirement from the School District. The entire accumulated employee benefits liability is reported on the government-wide financial statements.

For governmental funds, the current portion of unpaid accumulated employee benefits is the amount of early retirement and severance pay expected to be paid using expendable available resources within the next fiscal year.

NORTH ALLEGHENY SCHOOL DISTRICT

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Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations, including payments under lease agreements, are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium and discount.

The excess/deficiency of the reacquisition price over the net carrying amount of refunded debt is recorded as a deferred charge/gain on refunding in the governmental activities. The deferred charge/gain on refunding is reported as a component of deferred inflows, and is amortized using the straight-line method, which approximates the effective interest method over the shorter of the term of the refunding or refunded bonds.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses.

In both the fund and government-wide financial statements, issue costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures and expenses, respectively.

Deferred Inflows and Outflows of Resources Related to Pensions and Other Post-Employment Benefits (OPEBs)

In conjunction with pension and OPEB accounting requirements, differences between expected and actual experience, changes in assumptions, the effect of the change in the School District's proportion, the net difference between expected and actual investment earnings, and payments made to the plans subsequent to the measurement date are recorded as a deferred inflow or outflow of resources related to pensions or OPEBs on the government-wide financial statements. These amounts are determined based on actuarial valuations performed for each plan. Notes 6 through 8 present additional information about the School District's pension and OPEB plans.

NORTH ALLEGHENY SCHOOL DISTRICT

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Postemployment Benefits

In the government-wide financial statements, long-term liabilities related to postemployment benefits, including pensions, health insurance, and life insurance, are calculated based on actuarial valuations as described in Notes 6 through 8.

Inventory

Textbooks, library books, and other educational supplies are recorded as instructional expenditures of the General Fund when purchased in the fund statements and recorded as capital assets in the government-wide financial statements.

Transportation inventory is accounted for under the consumption method. Inventories of repair parts and supplies are carried and expended within the General Fund at average cost.

Inventories of the Food Service Fund are also carried and expended at average cost.

Adoption of Accounting Pronouncements

The following GASB Statements were adopted for the year ended June 30, 2023: Statement Nos. 91 (Conduit Debt Obligations), 94 (Public-Private and Public-Public Partnerships and Availability Payment Arrangements), 96 (Subscription-Based Information Technology Arrangements), and 99 (Omnibus 2022 – related to GASB 87, GASB 94 and GASB 96). These statements had no significant impact on the School District's financial statements for the year ended June 30, 2023.

Pending Pronouncements

GASB has issued statements that will become effective in future years, including Statement Nos. 99 (Omnibus 2022 – related to GASB 53), 100 (Accounting Changes and Error Corrections) and 101 (Compensated Absences). Management has not yet determined the impact of these statements on the financial statements.

Fund Balance

In the fund financial statements, governmental funds report fund balance in categories based on the level of restriction placed upon the funds. These levels are as follows:

NORTH ALLEGHENY SCHOOL DISTRICT

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- Nonspendable – This category represents funds that are not in spendable form and consists of inventory and prepaids.
- Restricted – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending that are legally enforceable by outside parties. This category includes funds that are restricted for capital expenditures under a bond indenture.
- Committed – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending imposed by the Board. Such commitment is made via a Board resolution and must be made prior to the end of the fiscal year. Removal of this commitment requires a Board resolution.
- Assigned – This category represents intentions of the Board to use the funds for specific purposes. The Board has delegated the authority to assign amounts to be used for specific purposes to the Assistant Director of Finance/Treasurer of the School District.
- Unassigned – This category includes the residual classification for the School District’s General Fund and includes all spendable amounts not contained in other classifications.

The School District’s policy is to use funds in the order of the most restrictive to the least restrictive. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Net Position

The government-wide and proprietary funds financial statements are required to report three components of net position:

Net Investment in Capital Assets - This component of net position consists of capital assets net of accumulated depreciation and is 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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. If there are significant unspent related debt proceeds or

NORTH ALLEGHENY SCHOOL DISTRICT

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deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount is not included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflow of resources is included in the same net position component (restricted or unrestricted) as the unspent amount.

Restricted - This component of net position consists of constraints placed on net position use through external restrictions.

Unrestricted - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

2. Cash and Cash Equivalents

Under Section 440.1 of the Public School Code for 1949, as amended, the School District is permitted to invest funds consistent with sound business practices in the following types of investments:

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, 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.

Deposits in savings accounts, time deposits, or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so

NORTH ALLEGHENY SCHOOL DISTRICT

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insured and, for any amounts above the insured maximum, provided that approved collateral, as provided by law, is pledged by the depository.

In March 2016, Act 10 was passed, which expanded the scope of investment options available to school districts, including repurchase agreements, commercial paper, negotiable certificates of deposit, and bankers' acceptances. The School District elected to maintain its current investment policy due to the additional risk and oversight associated with the expanded investment options under Act 10.

The deposit and investment policy of the School District adheres to state statutes and prudent business practices. Deposits of the governmental funds are either maintained in demand deposits or savings accounts, certificates of deposit, or cash equivalents. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the School District.

The following is a description of the School District's deposit and investment risks:

Credit Risk - The risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The majority of the School District's investments is held in U.S. Government Obligations and is therefore not exposed to this type of risk. Investments in PLGIT, PSDLAF, PNC, and Federated Investors (described below) have received a AAA rating from Standard & Poor's.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a formal deposit policy for custodial credit risk. As of June 30, 2023, \$14,823,959 of the School District's bank balance of \$15,374,599 was exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name. These deposits have carrying amounts of \$14,679,753 as of June 30, 2023.

Investments

PLGIT and PSDLAF were established as common law trusts organized under laws of the Commonwealth of Pennsylvania. Shares of the funds are offered to certain Pennsylvania school districts, intermediate units, area vocational-technical schools, and municipalities. The purpose of these funds is to enable such governmental units to pool their available funds for investment in instruments authorized by Section 440.1 of the Pennsylvania Public

NORTH ALLEGHENY SCHOOL DISTRICT

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School Code of 1949, as amended. Federated Investors Money Market Funds and the Money Market Mutual Funds are pooled investment funds, which invest in U.S. Government Agency Obligations with an average maturity of 90 days or less. Investments in these funds cannot be classified because they are not evidenced by securities that exist in physical or book entry form. The fair value of the School District's position in the external investment pools is the same as the value of the pool shares. All investments in an external investment pool that is not SEC-registered are subject to oversight by the Commonwealth of Pennsylvania. Pooled investments are short-term in nature and are included in cash and cash equivalents on the statement of net position and balance sheet. The School District can withdraw funds from most of its external investment pools without restriction. However, certain limitations can be placed on withdrawals from a few of its pooled accounts, including a provision that only permits withdrawals on a certain day of the week and restrictions related to the redemption of certificates of deposit.

The School District's investments included bank balances at June 30, 2023 of:

	<u>Fair Value</u>
Pooled investment funds:	
PLGIT	\$ 4,463,445
PSDLAF	1,327,567
Federated Investors - Money Market Fund	124,201
Money Market Mutual Funds	<u>40,154,688</u>
	<u>\$ 46,069,901</u>

As of June 30, 2023, the carrying amount of the School District's investments included on the statement of net position and balance sheet was \$45,793,135, and all investments have a maturity of less than one year.

As further described in Note 12, the School District also has a derivative instrument that is accounted for as an investment. Investment risks related to this investment are described in Note 12.

Fiduciary Fund

The School District maintains bank accounts for the various student activities funds. The balance of these accounts is reflected in the statement of fiduciary net position. The carrying amount of deposits for the student activities funds was \$730,206 and the bank balance was \$759,742. Of the bank balance, \$0 was covered by federal depository

NORTH ALLEGHENY SCHOOL DISTRICT

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insurance. The remaining balance of \$759,742 was collateralized in accordance with Act 72 of the Pennsylvania state legislature. Furthermore, the School District held investments in PLGIT for the student activities funds. The total bank and book balance of these investments at year-end was \$28,472. These investments are included as cash and cash equivalents on the statement of fiduciary net position.

3. Property Taxes Receivable

Based upon assessed valuations provided by Allegheny County, the School District bills and collects its property taxes through tax collectors for each constituent municipality. The schedule for property taxes levied for the fiscal year ended June 30, 2023 is as follows:

July 1, 2022 - tax date

July 1, 2022 - August 31, 2022 – 2% discount period

September 1, 2022 - October 31, 2022 – face payment period

November 1, 2022 - Collection – 10% penalty period

Property taxes were levied at the rate of 19.7400 mills in fiscal year 2022 - 2023 based on assessed values provided by Allegheny County. The assessed valuation was approximately \$6.2 billion for the 2022 - 2023 levy. The property taxes receivable amount is net of an uncollectible allowance of approximately \$1.5 million.

NORTH ALLEGHENY SCHOOL DISTRICT

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YEAR ENDED JUNE 30, 2023

4. Capital Assets

Capital asset activity for the year ended June 30, 2023 was as follows:

	Beginning Balance at June 30, 2022	Increases	Decreases	Ending Balance at June 30, 2023
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 406,906	\$ -	\$ -	\$ 406,906
Construction in progress	901,323	1,812,007	(1,022,356)	1,690,974
Total capital assets, not being depreciated	<u>1,308,229</u>	<u>1,812,007</u>	<u>(1,022,356)</u>	<u>2,097,880</u>
Capital assets, being depreciated:				
Site improvements	18,822,505	271,602	-	19,094,107
Building and improvements	273,595,712	316,731	-	273,912,443
Machinery, equipment, and furniture	40,708,437	2,626,308	(3,250,000)	40,084,745
Text and library books	15,194,674	144,817	(135,469)	15,204,022
Vehicles	12,699,100	63,490	(31,392)	12,731,198
Total capital assets, being depreciated	<u>361,020,428</u>	<u>3,422,948</u>	<u>(3,416,861)</u>	<u>361,026,515</u>
Less: accumulated depreciation for:				
Site improvements	(10,827,441)	(985,755)	-	(11,813,196)
Building and improvements	(138,872,808)	(6,862,915)	-	(145,735,723)
Machinery, equipment, and furniture	(26,421,406)	(4,815,331)	3,250,000	(27,986,737)
Text and library books	(12,291,107)	(631,059)	-	(12,922,166)
Vehicles	(7,726,541)	(610,539)	31,392	(8,305,688)
Total accumulated depreciation	<u>(196,139,303)</u>	<u>(13,905,599)</u>	<u>3,281,392</u>	<u>(206,763,510)</u>
Capital assets being depreciated, net	<u>164,881,125</u>	<u>(10,482,651)</u>	<u>(135,469)</u>	<u>154,263,005</u>
Governmental activities capital assets, net	<u>\$ 166,189,354</u>	<u>\$ (8,670,644)</u>	<u>\$ (1,157,825)</u>	<u>\$ 156,360,885</u>

Included above in the statement of net position is equipment of approximately \$13,321,000 that was capitalized under leasing arrangements.

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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	Beginning Balance at June 30, 2022	Increases	Decreases	Ending Balance at June 30, 2023
Business-Type Activities:				
Capital assets:				
Machinery and equipment	\$ 3,228,364	\$ 147,653	\$ -	\$ 3,376,017
Less: accumulated depreciation for:				
Machinery and equipment	(2,356,742)	(139,835)	-	(2,496,577)
Business-type activities capital assets, net	\$ 871,622	\$ 7,818	\$ -	\$ 879,440

Depreciation expense was charged to functions/programs of the School District as follows:

Governmental Activities:

Instructional services:	
Regular instruction	\$ 2,858,860
Special instruction	917
Vocational instruction	14,045
Support services	136,529
Administration:	
Operation of plant and maintenance services	1,939,131
Student transportation services	268,375
Central	796,579
Non-instructional services:	
Student activities	64,131
Facilities acquisition, construction, and improvement services	3,145,076
Unallocated building depreciation	4,681,955
	\$ 13,905,598

Business-type Activities:

Food service	\$ 139,835
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NORTH ALLEGHENY SCHOOL DISTRICT

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YEAR ENDED JUNE 30, 2023

5. Long-Term Obligations

Changes in Long-Term Obligations

Changes in the School District's long-term obligations during fiscal year 2023 were as follows:

	Beginning Balance at July 1, 2022	Additions	Amortization, Retirements, and Refunding	Ending Balance at June 30, 2023	Amounts Due Within One Year
General obligation bonds:					
Series 2015, net of unamortized premium	\$ 34,095,000 1,585,739	\$ - -	\$ (295,000) (144,158)	\$ 33,800,000 1,441,581	\$ 5,000 -
Series 2019, net of unamortized premium	59,160,000 5,701,488	- -	(310,000) (259,159)	58,850,000 5,442,329	325,000 -
Series 2019A, net of unamortized premium	7,820,000 332,935	- -	(90,000) (166,468)	7,730,000 166,467	7,730,000 -
Revenue bonds:					
Series B of 2011	8,765,000	-	(8,765,000)	-	-
Series 2014	30,685,000	-	(45,000)	30,640,000	810,000
	<u>148,145,162</u>	<u>-</u>	<u>(10,074,785)</u>	<u>138,070,377</u>	<u>8,870,000</u>
Swap borrowing (2004)	1,513,824	-	(310,734)	1,203,090	293,970
Swap borrowing (2012)	36,820	-	(36,820)	-	-
OPEB liability	46,237,045	-	(9,998,229)	36,238,816	-
Net pension liability	228,152,000	19,794,000	-	247,946,000	-
Embedded derivative instruments	2,116,510	-	(1,554,139)	562,371	-
General obligation note payable	2,151,208	-	(273,150)	1,878,058	286,504
Financed purchase obligations	7,714,310	1,166,389	(2,732,610)	6,148,089	2,485,873
Accumulated employee benefits	3,801,934	115,228	-	3,917,162	461,695
	<u>\$ 439,868,813</u>	<u>\$ 21,075,617</u>	<u>\$ (24,980,467)</u>	<u>\$ 435,963,963</u>	<u>\$ 12,398,042</u>

General obligation and revenue bonds and notes are described below; other long-term obligations noted above are detailed further in Notes 7, 8, and 12.

Revenue Bonds, Series B of 2011

In November 2011, the School District issued \$10,220,000 of Variable Rate Demand Revenue Bonds, Series B of 2011 (Series B 2011 Bonds) with various maturity dates through November 1, 2022, to current refund \$10,220,000 of outstanding Series A of 2002 Bonds. The variable interest rate is based upon SIFMA; however, the interest payments in the future maturities schedule below were calculated using the synthetic fixed rate as described in Note 12.

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

Series B 2011 Bonds are subject to redemption prior to maturity, at the option of the School District, in whole at any time or in part on any interest payment date, at a redemption price of 100% of the principal amount, together with interest accrued to the redemption date.

Revenue Bonds, Series 2014

On May 1, 2014, the School District issued \$31,080,000 of Variable Rate Demand Revenue Bonds, Series 2014 (Series 2014 Bonds) with various maturity dates through May 1, 2027, to current refund \$31,080,000 of outstanding Series C of 2004 Bonds. The School District was required to issue these bonds in conjunction with the 2014 Swaption agreement, as described further in Note 12. The variable interest rate is based upon SIFMA; however, the interest payments in the future maturities schedule below were calculated using the synthetic fixed rate as described in Note 12.

Series 2014 Bonds are subject to redemption prior to maturity, at the option of the School District, in whole at any time or in part on any interest payment date, at a redemption price of 100% of the principal amount, together with interest accrued to the redemption date.

Revenue Bonds

If the School District fails or refuses to make adequate provision in its budget for any fiscal year for the debt service payable in respect of the Bonds, any registered owner of any Bond may bring suit in the Court of Common Pleas of Allegheny County. Upon a finding of such failure or neglect, the Court, by writ of mandamus, may require the School District to pay into the Sinking Fund the first tax moneys or other available revenues or moneys thereafter received in such fiscal year by the School District until the sum on deposit in the Sinking Fund shall equal the moneys that should have been budgeted or appropriated to pay debt service on the Bonds. In addition, if the School District fails or neglects to pay or cause to be paid the interest or principal on any of the Bonds, as the same becomes due and payable, and such failure shall continue for thirty (30) days, the thereof shall, any registered owner of any Bond may, subject to any appropriate priorities created under the Local Government Unit Debt Act, have the right to recover the amount due in an action in assumpsit in the Court of Common Pleas of Allegheny County. The judgment recovered shall have an appropriate priority upon the moneys next coming into the treasury of the School District.

General Obligation Bonds, Series 2015

On August 19, 2015, the School District issued \$34,770,000 of General Obligation Bonds, Series 2015 (Series 2015 Bonds) with interest rates of 2.0%-5.0%, and various maturity

NORTH ALLEGHENY SCHOOL DISTRICT

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dates through May 1, 2033. The proceeds of the Bonds were used to fund renovations and improvements to multiple School District facilities.

Series 2015 Bonds which mature on and after May 1, 2026 are subject to redemption prior to maturity, at the option of the School District, as a whole or in part on or after May 1, 2025, upon payment of the redemption price of 100% of the principal amount, together with interest accrued to the date fixed for redemption.

General Obligation Bond, Series 2019

In June 2019, the School District issued \$59,740,000 of General Obligation Bonds, Series 2019 (Series 2019 Bonds) with interest rates of 3.0% - 5.0%, and various maturity dates through May 1, 2044. The proceeds of the Bonds were primarily used to fund the expansion of Franklin Elementary School and the renovation of McKnight Elementary School.

Series 2019 Bonds which mature on and after May 1, 2030 are subject to redemption prior to maturity, at the option of the School District, as a whole or in part on or after May 1, 2029, upon payment of the redemption price of 100% of the principal amount, together with interest accrued to the date fixed for redemption.

General Obligation Bond, Series A of 2019

In October 2019, the School District issued \$8,045,000 of General Obligation Bonds, Series A of 2019 (Series A 2019 Bonds) with interest rates of 3.0% - 4.0%, and various maturity dates through May 1, 2024, to current refund \$8,670,000 of outstanding General Obligation Bonds, Series of 2012 Bonds. Series 2019A Bonds are not subject to optional or mandatory redemption prior to their stated maturity dates.

General Obligation Note

In July 2008, the School District issued a \$5,072,092 General Obligation Note (Note) to fund payments to the A.W. Beattie Career Center as further described in Note 9. In July 2016, the Note was refinanced in conjunction with the refinancing of the A.W. Beattie Bonds discussed in Note 9 below. Interest rates range from 0.50% to 2.25%, and principal and interest payments are scheduled through October 2028. The note can be paid in full on October 15th of each year until its final maturity in 2028.

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Financed Purchase

The School District entered into various agreements for financing the acquisition of technology, computers, buses, and other vehicles. These obligations are financed purchases. Payments under these financed purchases were approximately \$2.7 million during the fiscal year.

Future Maturities

The future scheduled maturities of General Obligation Bonds and Revenue Bonds are as follows for each fiscal year ending June 30:

<u>Fiscal Year Ending June 30,</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Total Payment</u>
2024	\$ 8,870,000	\$ 5,669,813	\$ 14,539,813
2025	10,385,000	5,301,725	15,686,725
2026	10,775,000	4,761,675	15,536,675
2027	10,110,000	4,197,013	14,307,013
2028	7,785,000	3,672,013	11,457,013
2029-2033	33,810,000	14,244,862	48,054,862
2034-2038	28,230,000	7,489,400	35,719,400
2039-2043	18,045,000	2,628,800	20,673,800
2044	3,010,000	120,400	3,130,400
	<u>\$ 131,020,000</u>	<u>\$ 48,085,701</u>	<u>\$ 179,105,701</u>

The future scheduled maturities of the General Obligation Note are as follows for each fiscal year ending June 30:

<u>Fiscal Year Ending June 30,</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Total Payment</u>
2024	\$ 286,504	\$ 49,264	\$ 335,768
2025	301,072	34,575	335,647
2026	313,212	23,916	337,128
2027	319,282	17,591	336,873
2028	325,352	10,941	336,293
2029	332,636	3,742	336,378
	<u>\$ 1,878,058</u>	<u>\$ 140,029</u>	<u>\$ 2,018,087</u>

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The future scheduled maturities of the Financed Purchases are as follows for each fiscal year ending June 30:

<u>Fiscal Year Ending June 30,</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Total Payment</u>
2024	\$ 2,485,873	\$ 149,343	\$ 2,635,216
2025	1,804,151	100,272	1,904,423
2026	1,261,537	51,592	1,313,129
2027	444,375	14,731	459,106
2028	152,153	4,185	156,338
	<u>\$ 6,148,089</u>	<u>\$ 320,123</u>	<u>\$ 6,468,212</u>

6. Public School Employees' Retirement System (PSERS)

Plan Description

PSERS administers a governmental cost-sharing, multi-employer defined benefit pension plan (Pension Plan) and a governmental cost-sharing, multi-employer defined benefit Health Insurance Premium Assistance Program (Premium Assistance), an OPEB plan, to public school employees of the Commonwealth of Pennsylvania. In addition, PSERS administers the Health Options Program (HOP) for its retirees. The HOP is a PSERS sponsored voluntary health insurance program for the sole benefit of PSERS retirees, spouses of retirees, and survivor annuitants and their dependents who participate in the HOP. The HOP is funded exclusively by the premiums paid by participants for the benefit coverage they elect. PSERS issues a publicly available financial report that can be obtained at www.psers.pa.gov.

Employees eligible for PSERS benefits 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.

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Retirees who participate in the HOP or a Commonwealth public school employer-sponsored health insurance program are eligible for Premium Assistance 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

For Class DC members (as defined below) to become eligible for Premium Assistance, they must satisfy the following criteria:

- Attain Medicare eligibility with 24 ½ or more eligibility points, or
- Have 15 or more eligibility points and terminated after age 67, and
- Have received all or part of their distributions.

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions or OPEBs, pension expense, 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 (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Detailed information about PSERS' fiduciary net position related to pension and OPEBs is available in the PSERS Annual Comprehensive Financial Report, which can be found on the PSERS website at www.psers.pa.gov.

The net pension liability and the net OPEB liability are recorded as governmental activities expected to be paid from the General Fund.

Benefits Provided – Pension Plan

Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one 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 through June 30, 2019. Act 120 created two new membership classes: Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F).

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To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of three 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 T-F members, the right to benefits is vested after ten years of service.

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

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

Act 5 of 2017 (Act 5) eliminated the stand-alone defined benefit plan, introduced a hybrid benefit, and introduced a separate defined contribution plan for individuals who become new members on or after July 1, 2019. Act 5 created two new hybrid membership classes, Membership Class T-G (Class T-G) and Membership Class T-H (Class T-H) and the separate defined contribution membership class, Membership Class DC (Class DC). To qualify for normal retirement, Class T-G and Class T-H members must work until age 67 with a minimum of three years of credited service. Class T-G members 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.

Benefits Provided – Premium Assistance

Effective January 1, 2002, under the provisions of Act 9 of 2001, participating eligible annuitants are entitled to receive Premium Assistance payments equal to the lesser of \$100

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per month or their eligible out-of-pocket monthly health insurance premium. As of June 30, 2021, there were no assumed future benefit increases to participating eligible retirees.

Member Contributions:

The following illustrates the member's contribution as a percent of the member's qualifying compensation:

Active members who joined PSERS prior to July 22, 1983:

Membership Class T-C	5.25%
Membership Class T-D	6.50%

Members who joined PSERS on or after July 22, 1983, and who were active or inactive as of July 1, 2001:

Membership Class T-C	6.25%
Membership Class T-D	7.50%

Members who joined PSERS after June 30, 2001, and before July 1, 2011:

Membership Class T-D	7.50%
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Members who joined PSERS after June 30, 2011 and before June 30, 2019:

Membership Class T-E*	8.00%
Membership Class T-F*	10.80%

Members who joined PSERS on or after July 1, 2019:

Membership Class T-G (hybrid)**	9.00% (combined rate)
Membership Class T-H (hybrid)**	8.25% (combined rate)
Defined Contribution only	7.50%

* Includes shared risk provision of +0.50% as of July 1, 2021.

** Includes shared risk provision of +0.75% as of July 1, 2021.

Employer Contributions:

The School District's contractually required PSERS contribution rate for the fiscal year ended June 30, 2023 was 35.26% 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

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accrued liability. This rate is composed of a 34.31% rate for the Pension Plan, a 0.75% rate for the Premium Assistance, and a 0.20% rate for Act 5 Defined Contribution.

The combined rate for the fiscal year ended June 30, 2023 was an increase from the fiscal year ended June 30, 2022 combined rate of 34.94 %. The combined contribution rate will decrease to 34.00% in fiscal year 2024 and is projected to grow to 38.35% by fiscal year 2031.

The School District remits contributions to PSERS on a quarterly basis. Approximately \$11.1 million is owed to PSERS as of June 30, 2023, which represents the School District's required contribution for the end-of-year payroll. The School District's contributions which were recognized by PSERS for the year ended June 30, 2023 were as follows:

Pension Plan	\$ 29,068,503
Act 5 Defined Contribution	169,446
Premium Assistance	<u>635,423</u>
Total	<u>\$ 29,873,372</u>

In accordance with Act 29, the Commonwealth of Pennsylvania (Commonwealth) reimburses school districts for approximately one-half of contributions made to PSERS. The School District recorded reimbursements from the Commonwealth approximating \$14.9 million during the current year. Because the Commonwealth payments are received as a reimbursement, and are not made directly to PSERS, they do not qualify as a special funding situation.

Proportionate Share

The School District's proportion of PSERS' net pension liability was calculated utilizing the School District's one-year reported contributions as it relates to PSERS' total one-year reported contributions. This method was changed beginning with PSERS' fiscal year ended June 30, 2020. In prior years, the proportion of PSERS' net pension liability was calculated utilizing the School District's one-year reported covered payroll as it related to PSERS' total one-year reported covered payroll. At June 30, 2022 (measurement date), the School District's proportion was 0.5577%, which was an increase of 0.0020% from its proportion measured as of June 30, 2021.

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The School District's proportion of PSERS' net OPEB liability continues to be calculated utilizing the School District's one-year reported covered payroll as it relates to PSERS' total one-year reported covered payroll. At June 30, 2022 (measurement date), the School District's proportion was 0.5569%, which was an increase of 0.0020% from its proportion measured as of June 30, 2021.

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

At June 30, 2023, the School District reported a liability of \$247.946 million for its proportionate share of PSERS' net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by rolling forward PSERS' total pension liability as of June 30, 2021 to June 30, 2022.

For the year ended June 30, 2023, the School District recognized pension expense of \$21.228 million.

At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between projected and actual earnings on pension plan investments	\$ 112,000	\$ 2,145,000
Changes in assumptions	7,404,000	-
Differences between expected and actual experience	-	4,206,000
Changes in proportion	4,891,000	-
School District contributions subsequent to the measurement date	29,068,503	-
Total	<u>\$ 41,475,503</u>	<u>\$ 6,351,000</u>

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\$29,068,503 reported as deferred outflows of resources resulting from the School District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Measurement Date</u> Year Ending June 30,	<u>Reporting Date</u> Year Ending June 30,	<u>Amortization</u> Amount
2023	2024	\$ 3,953,000
2024	2025	2,462,000
2025	2026	(6,230,000)
2026	2027	5,871,000
	Total	<u>\$ 6,056,000</u>

Actuarial Assumptions

The actuarial valuation used for the June 30, 2022 measurement date contained the following methods and assumptions:

- Actuarial valuation date – June 30, 2021
- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 7.00%, includes inflation at 2.50%
- Salary growth – Effective average of 4.50%, comprised of 2.50% for inflation and 2.00% for real wage growth and merit or seniority increases
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale
- Experience study – July 1, 2015 through June 30, 2020

Changes in Assumptions

There were no changes in assumptions affecting the June 30, 2022 measurement date.

Changes in Benefit Terms

There were no changes in benefit terms affecting the June 30, 2022 measurement date.

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Pension Plan Investments

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 PSERS 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.

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public entity	28.0%	5.3%
Private equity	12.0%	8.0%
Fixed income	33.0%	2.3%
Commodities	9.0%	2.3%
Absolute return	6.0%	3.5%
Infrastructure/MLPs	9.0%	5.4%
Real estate	11.0%	4.6%
Cash	3.0%	0.5%
Leverage	-11.0%	0.5%
	<u>100%</u>	

For PSERS' year ended June 30, 2022, the annual money-weighted rate of return on the pension plan investments, net of pension plan investment expenses, was 2.40%.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that the contributions from plan members will be made at the current contribution rate and that the contributions from employers will be made at contractually required rates, actuarially determined. Based on

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those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the School District's proportionate share of PSERS' net pension liability calculated using the discount rates described above, as well as what the School District's proportionate share of PSERS' net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of PSERS' net pension liability	\$ 320,702,000	\$ 247,946,000	\$ 186,605,000

8. Net OPEB Liability, OPEB Expense, and Deferred Outflows and Inflows of Resources Related to OPEB

The School District maintains two separate OPEB plans – the Premium Assistance previously described in Note 6 and the School District's retiree plan (retiree plan) described below. At June 30, 2023, the School District reported a net OPEB liability composed of the following:

School District's proportionate share of PSERS' net OPEB liability	\$ 10,251,000
School District's total OPEB liability for its retiree plan	<u>25,987,816</u>
Net OPEB liability	<u>\$ 36,238,816</u>

PSERS' net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate PSERS' net OPEB liability was determined by rolling forward PSERS' total OPEB liability as of June 30, 2021 to June 30, 2022. The School District's retiree plan's total OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the

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retiree plan's total OPEB liability was determined by rolling forward the retiree plan's total OPEB liability as of June 30, 2022 to June 30, 2023.

For the year ended June 30, 2023, the School District recognized OPEB expense as follows:

OPEB expense related to PSERS		
Premium Assistance	\$	447,501
OPEB expense related to School District's retiree plan		
		1,667,781
Total OPEB expense	\$	2,115,282

At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Outflows of Resources:	PSERS Premium Assistance	School District's Retiree Plan	Total Deferred Outflows of Resources
Differences between expected and actual experience	\$ 94,000	\$ -	\$ 94,000
Changes in assumptions	1,138,000	2,253,009	3,391,009
Net difference between projected and actual earnings on OPEB plan investments	28,000	-	28,000
Changes in proportion	491,000	-	491,000
School District contributions subsequent to the measurement date	635,423	1,170,903	1,806,326
Total	\$ 2,386,423	\$ 3,423,912	\$ 5,810,335

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Deferred Inflows of Resources:	PSERS Premium Assistance	School District's Retiree Plan	Total Deferred Inflows of Resources
Differences between expected and actual experience	\$ 55,000	\$ 2,668,902	\$ 2,723,902
Changes in assumptions	2,421,000	7,631,510	10,052,510
Net difference between projected and actual earnings on OPEB plan investments	-	-	-
Changes in proportion	-	-	-
Total	\$ 2,476,000	\$ 10,300,412	\$ 12,776,412

\$1,806,326 reported as deferred outflows of resources resulting from the School District's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024. 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 Ending June 30,	PSERS Premium Assistance	School District's Retiree Plan
2024	\$ (115,000)	\$ (1,562,849)
2025	(34,000)	(1,666,505)
2026	(126,000)	(1,097,989)
2027	(186,000)	(978,479)
2028	(263,000)	(1,448,644)
Thereafter	(1,000)	(1,292,937)
Total	\$ (725,000)	\$ (8,047,403)

Additional Required Disclosures for PSERS Premium Assistance

Actuarial Assumptions

The actuarial valuation used for the June 30, 2022 measurement date contained the following methods and assumptions:

- Actuarial valuation date – June 30, 2021
- Actuarial cost method – Entry Age Normal – level % of pay

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- Investment return – 4.09% - S&P 20-year Municipal Bond Rate
- Salary increases – Effective average of 4.50%, comprised of 2.50% for inflation and 2.00% for real wage growth and 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 a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale
- Experience study – July 1, 2015 through June 30, 2020
- Participation rate –
 - Eligible retirees will elect to participate pre-age 65 at 50%
 - Eligible retirees will elect to participate post-age 65 at 70%

Changes in Assumptions

The discount rate increased from 2.18% to 4.09% for the June 30, 2022 measurement date.

Changes in Benefit Terms

There were no changes in benefit terms affecting the June 30, 2022 measurement date.

OPEB Plan Investments

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.

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The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS Board. Employer contribution rates are established to provide reserves in the Health Insurance Account that are sufficient for the payment of the Premium Assistance for each succeeding year. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	100.0%	0.5%
	<u>100.0%</u>	

For PSERS' year ended June 30, 2022, the annual money-weighted rate of return on the Premium Assistance plan investments, net of plan investment expenses, was 0.35%.

Discount Rate

The discount rate used to measure the total OPEB liability was 4.09%. Under the Premium Assistance plan's funding policy, contributions are structured for short-term funding of the Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of the 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 the Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments; therefore, the plan is considered a "pay-as-you-go" plan. A discount rate of 4.09%, which represents the S&P 20-year Municipal Bond Rate at June 30, 2022, was applied to all projected benefit payments to measure the total OPEB liability. The discount rate used to measure the Total OPEB liability increased from 2.18% as of June 30, 2021 to 4.09% as of June 30, 2022.

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

The following presents the School District's proportionate share of PSERS' net OPEB liability calculated using the discount rates described above, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount

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rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	1% Decrease (3.09%)	Current Discount Rate (4.09%)	1% Increase (5.09%)
School District's proportionate share of PSERS' net OPEB liability	\$ 11,593,000	\$ 10,251,000	\$ 9,129,000

Sensitivity of the School District's Proportionate Share of PSERS' Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

Healthcare cost trend rates were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2022, 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. 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 the healthcare cost trends as depicted below.

The following presents the School District's proportionate share of PSERS' net OPEB liability calculated using current healthcare cost trend rates as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	1% Decrease	Current Trend	1% Increase
School District's proportionate share of PSERS' net OPEB liability	\$ 10,250,000	\$ 10,251,000	\$ 10,252,000

Additional Required Disclosures for the School District's OPEB Plan

Plan Description

The School District administers a single-employer defined benefit healthcare plan to provide additional postemployment benefits to eligible retirees (retiree plan). The School District has not accumulated assets for the retiree plan in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75; benefits are paid on a pay-as-you-go basis.

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The School District may be responsible for a portion of the cost as set by the contract agreement in force at the time of retirement. The School District pays the premium for these benefits; however, the retiree must reimburse the School District for a portion, or all, of the costs in some cases.

Benefits Provided

The benefit limits and employee and employer contributions are established through employee contracts and past practices. Details of the benefits provided are as follows:

Administrative and Confidential Employees

Any administrator or confidential employee who fully retires under the PSERS system may opt to continue medical, dental, and vision benefit coverages for the earlier of ten years and Medicare eligibility. The School District pays the premium for these benefits; however, the retiree must reimburse the School District as follows:

Premium Sharing: The member, spouse, and dependents each pay 13.9% of the premiums for medical, prescription drug, dental, and vision for a maximum of 10 years or until the member reaches Medicare eligibility. Upon the member reaching Medicare eligibility, he or she may elect Medicare supplement coverage by paying the full premium, and dental coverage for the family by paying the full premium. Upon the spouse reaching Medicare eligibility, he or she may elect Medicare supplement coverage by paying the full premium, or remain on the group plan at the same subsidy level provided that the School District retiree is not eligible for Medicare.

In addition, for administrative employees, the School District will pay the full premium for a life insurance policy on the member's life only for an amount of up to 3 times salary at retirement until the member reaches age 65 and \$10,000 afterwards. The School District also provides retired confidential employees an individual life insurance policy of \$10,000 entirely at the School District's expense.

Professional Employees

Professional employees who retire from the School District at the highest step of the salary column with at least 10 years of service are entitled to receive medical, dental, and vision benefits for the earlier of ten years and until Medicare eligibility. The School District is responsible for a portion of the cost as set by the contract agreement in force at the time of

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retirement. The School District pays the premium for these benefits; however, the retiree must reimburse the School District as follows:

Premium Sharing: For professionals with a retirement date prior to June 1, 2015, the member, spouse, and dependents must pay the remaining monthly premium for the current benefit plan year after the School District contributes the 1994 plan year premium for medical, prescription drug, dental, and vision plus an additional \$200 until the member reaches Medicare eligibility. For professionals with a retirement date after June 1, 2015, the member, spouse, and dependents must pay 35% of the monthly premium for the current benefit plan year after the School District contributes 65% of the premium for medical, prescription drug, dental, and vision for a maximum of 10 years or until the member reaches Medicare eligibility. Upon the member reaching Medicare eligibility, he or she may elect Medicare supplement coverage by paying the full premium, and dental coverage for the family by paying the full premium. Upon the spouse reaching Medicare eligibility, he or she may elect Medicare supplement coverage by paying the full premium, or remain on the group plan at the same subsidy level provided that the School District retiree is not eligible for Medicare.

In addition, the School District also provides retired professional employees an individual life insurance policy of \$2,000 entirely at the School District's expense.

Bus Driver Employees

The School District does not provide post-retirement medical, dental, or vision coverage to bus drivers upon retirement. However, eligible retirees may receive coverage under the medical, dental, and visions plans, as extended to active members of their bargaining units, until the retiree reaches Medicare eligibility provided the retiree pays the full monthly premium for such coverages.

In addition, the School District also provides retired bus driver employees an individual life insurance policy of \$1,500 entirely at the School District's expense.

Garage Mechanic Employees

Garage Mechanic employees who retire from the School District after the age of 60 with at least 25 years of service or retire through PSERS are entitled to receive medical, dental, and vision benefits under the following stipulations:

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

Premium Sharing: If the member retires at or after age 60 with at least 25 years with the School District, the School District will contribute 50% of premiums for medical, prescription drug, dental, and vision for the member, spouse, and dependents for the earlier of three years and member Medicare eligibility. The member must pay the remaining premiums. After three years, the member, spouse, and dependents may continue dental coverage by paying full premiums, and upon the member reaching Medicare eligibility, he or she may elect Medicare supplement coverage by paying the full premium, and dental coverage for the family by paying the full premium. Upon the spouse reaching Medicare eligibility, he or she may elect Medicare supplement coverage by paying the full premium or remain on the group plan at the same subsidy level, provided that the School District retiree is not eligible for Medicare and is within the three-year eligibility window.

In addition, the School District also provides retired garage mechanics an individual life insurance policy of \$1,500 entirely at the School District's expense.

Paraprofessional Employees

Paraprofessional employees who retire from the School District after the age of 60 with at least 10 years of service or retire through PSERS are entitled to receive medical, dental, and vision benefits under the following stipulations:

Premium Sharing: If the member retires at or after age 60 with at least 10 years with the School District, the School District will contribute 50% of premiums for medical, prescription drug, dental, and vision for the member, spouse, and dependents for the earlier of three years and member Medicare eligibility. The member must pay the remaining premiums. After three years, the member, spouse, and dependents may continue dental coverage by paying full premiums, and upon the member reaching Medicare eligibility, he or she may elect Medicare supplement coverage by paying the full premium, and dental coverage for the family by paying the full premium. Upon the spouse reaching Medicare eligibility, he or she may elect Medicare supplement coverage by paying the full premium or remain on the group plan at the same subsidy level, provided that the School District retiree is not eligible for Medicare and is within the three-year eligibility window.

In addition, the School District also provides retired paraprofessionals an individual life insurance policy of \$1,500 entirely at the School District's expense.

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

Custodians and Maintenance Employees

The School District does not provide post-retirement medical, dental, or vision coverage to custodians and maintenance employees upon retirement. However, eligible retirees may receive coverage under the medical, dental, and visions plans, as extended to active members of their bargaining units, until the retiree reaches Medicare eligibility provided the retiree pays the full monthly premium for such coverages.

In addition, the School District also provides retired custodians and maintenance staff an individual life insurance policy of \$1,500 entirely at the School District's expense.

At June 30, 2022, the date of the most recent actuarial valuation, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefit payments	966
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>1,195</u>
	<u><u>2,161</u></u>

Contributions

For the year ended June 30, 2023, the School District contributed \$729,000 and retirees contributed \$370,000 to the retiree plan.

Actuarial Assumptions

The total OPEB liability was determined as of June 30, 2023, using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – entry age normal
- Asset valuation method – market value
- Participation rate – 100% of administrators and confidentials, 80% of professionals, paraprofessionals, maintenance, and garage employees eligible for a subsidy, and 30% of employees not eligible for subsidy are assumed to elect health coverage. 100% assumed to elect life insurance coverage. Spouses of employees other than administrators and confidentials are assumed to cease all health coverage upon attainment of age 65.

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

- Mortality rates – assumptions using the PubT-2010 Mortality Tables for Teachers and PubG-2010 for all other employees, Scale MP-2021.

Changes in Assumptions

The discount rate increased from 2.28% to 4.06%.

Changes in Benefits

There were no changes in benefit terms affecting the actuarial valuation used for the June 30, 2022 measurement date.

Changes in the Total OPEB Liability

The changes in the total OPEB liability for the School District's retiree plan for the year ended June 30, 2023 were as follows:

Total OPEB liability, July 1, 2022	\$	33,085,045
Changes for the year:		
Service cost		2,436,516
Interest on the total OPEB liability		794,116
Changes of benefit terms		-
Differences between expected and actual experience		(1,473,710)
Changes of assumptions		(7,576,861)
Benefit payments		(1,277,290)
		<hr/>
Total OPEB liability, June 30, 2023	\$	<u>25,987,816</u>

Discount Rate

The discount rate used to measure the June 30, 2023, total OPEB liability was 4.06%, based on S&P Municipal Bond 20-year high grade rate index at July 1, 2022.

Sensitivity of the School District's Total OPEB Liability to Changes in the Discount Rate

The following presents the School District's total OPEB liability calculated using the discount rate described above, as well as what the School District's total OPEB liability would be if it

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	1% Decrease (3.06%)	Current Discount Rate (4.06%)	1% Increase (5.06%)
School District's total OPEB liability	\$ 28,176,985	\$ 25,987,816	\$ 23,963,256

Sensitivity of the School District's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

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

	1% Decrease	Current Trend	1% Increase
School District's total OPEB liability	\$ 23,345,424	\$ 25,987,816	\$ 29,087,935

9. Joint Venture

The School District is a participant with eight other member school districts in a joint venture for the operation of the A.W. Beattie Career Center (Center). The Center was created for the operation of certain vocational and alternative educational programs for the benefit of the member school districts. On dissolution of the Center, its net position will be distributed to the member school districts based upon the total payments made by each member school district since July 1, 1990, divided by the total payments of all member school districts since that time. The Center is governed by an eighteen-member Joint Committee composed of two appointees from each member school district.

In July 2016, the Center issued revenue bonds of \$14,765,000 for the purpose of refinancing the July 2008 bonds. The July 2008 bonds were originally issued to fund capital improvements to the Center. The repayment of the principal and interest on these bonds was funded proportionately by the member school districts, with the scheduled payments to be made to the Center based upon general obligation notes issued by each member school district establishing yearly amounts to be paid to the Center.

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

As described in Note 5, in July 2008 the School District issued a general obligation note to fund their proportionate share of the Center’s debt issuance. The School District’s share of the capital improvements to the Center is reported as a net investment in joint venture on the government-wide financial statements of the School District. The note was refinanced in conjunction with the refinanced Bonds discussed in the paragraph above.

The School District is obligated to remit its proportionate share of the Center’s budget based on its percentage of proportional enrollment for the operational, alternative high school, and substitute service budgets and proportional assessed value for the administrative budget. The School District’s combined proportionate share of funding for the year ended June 30, 2023 was \$850,167 for operations and \$336,405 for debt service.

Other than for the capital project described above, the School District’s proportionate share of capital assets of the Center has not been determined, and excess operating results are retained by the Center for future periods. Accordingly, the School District’s net investment and share of operating results are not included in the School District’s financial statements. The most recent available Center unassigned governmental fund type fund balance at June 30, 2022 is \$3,038,721 unassigned fund balance. Complete financial statements of the Center can be obtained from the Center’s administrative offices.

10. Interfund Receivables, Payables, and Transfers

Interfund receivable and payable balances at June 30, 2023, as well as interfund transfers for the year ended June 30, 2023, are summarized below:

	Interfund Receivable	Interfund Payable	Transfers In	Transfers Out
Major Fund:				
General Fund	\$ 23,301	\$ 3,000,000	\$ -	\$ 6,500,000
2019 Elementary Fund	-	-	-	-
Other governmental funds	3,000,000	-	6,500,000	-
Enterprise fund	-	469	-	-
Fiduciary fund	-	22,832	-	-
	\$ 3,023,301	\$ 3,023,301	\$ 6,500,000	\$ 6,500,000
Total				

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

Transactions between funds which are not expected to be repaid are accounted for as transfers. In those cases, when repayment is expected within the next fiscal year, the transactions are accounted for through the various due from and due to accounts.

Transfers are used to move unrestricted General Fund revenues to finance various capital projects.

11. Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District provides medical insurance coverage under either traditional indemnity insurance contracts, point of service medical plans, and Health Maintenance Organization plans. The School District continues to carry commercial insurance for all other risks of loss. There has been no reduction in insurance coverage from the previous year, nor have amounts of settlements exceeded coverage levels in the past three years.

12. Swaps

During fiscal year 2005, as a synthetic refunding of its outstanding Series D of 1997 Bonds, Series A of 2001, Series A of 2002, and Series C of 2004 Bonds, the School District entered into four swaption contracts that provided the School District up-front payments totaling approximately \$5.5 million. The swaptions give the counterparty the option to make the School District enter into pay-fixed, receive-variable interest rate swaps as described further below. Because the options were exercised, the School District makes net swap payments as required by the terms of the contracts, that is, receiving a variable rate as noted above for the term of the swap from the counterparty and making a fixed rate payment to the counterparty. Below are the details of the swap transactions that remain in effect for the current fiscal year.

2012B Swap

In December 2004, as a synthetic refunding of its Series A of 2002 Bonds, the School District received a payment of \$727,400, representing the present-value, risk-adjusted savings of a refunding as of November 1, 2011, without issuing refunding bonds. The swaption gave the counterparty the option to make the School District enter into a pay-fixed, receive-variable interest rate swap.

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

On November 1, 2011 the option was exercised, and the School District current refunded the existing Series A of 2002 Bonds and issued the Series B 2011 Bonds. The intention of the 2011B swap was to effectively change the School District's variable interest rate on the Refunding Bonds to a synthetic fixed rate of 5.05%. This rate was amended to 4.465% in October 2011, which terminated this previously ineffective hedge. A new derivative instrument (the "2012B Swap") was created, based upon the amended synthetic rate.

Per the agreement, the School District receives interest at the variable rate of 68% of one month LIBOR while paying a fixed rate of 4.465%. The interest payments are calculated based on a notional amount of \$10,220,000, which reduces beginning on November 1, 2021 so that the notional amount approximates the principal outstanding on the Series B 2011 Bonds. The swap expired on November 1, 2022 consistent with the last principal payment on the Series B 2011 Bonds.

2014 Swap

In December 2004, as a synthetic refunding of its Series C of 2004 Bonds, the School District received a payment of \$2,203,250, representing the present-value, risk-adjusted savings of a refunding as of May 1, 2014, without issuing refunding bonds. The swaption gave the counterparty the option to make the School District enter into a pay-fixed, receive-variable interest rate swap.

On May 1, 2014, the option was exercised, and the School District current refunded the existing Series C of 2004 Bonds and issued Variable Rate Refunding Bonds (Series 2014A Bonds). The intention of the swap was to effectively change the School District's variable interest rate on the 2014A Bonds to a synthetic fixed rate of 5.25%. The 2014 Swap is considered to be an ineffective hedge as of year-end.

Per the agreement, the School District receives interest at the variable rate of 68% of one month LIBOR while paying a fixed rate of 5.25%. LIBOR was replaced by Secured Overnight Financing Rate (SOFR) after June 30, 2023. The interest payments are calculated based on a notional amount which reduces so that it approximates the principal outstanding on the 2014A Bonds. The swap expires on May 1, 2027 consistent with the last principal payment on the 2014A Bonds.

Fair Value of Embedded Derivative Instruments

The mark to market value is calculated using a combination of the present value of the potential net cash flows between the two parties, calculated using relevant mid-market

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

data inputs and based on the assumption of no unusual market conditions or forced liquidation, and an option pricing model.

Below are the changes in fair value of the swaps during the year:

<u>Swap</u>	<u>Effective Hedge</u>	<u>June 30, 2022 Fair Value</u>	<u>Current year value change</u>	<u>June 30, 2023 Fair Value</u>
2012B swap	Yes	<u>\$ (12,377)</u>	<u>\$ 12,377</u>	<u>\$ -</u>
2014 swap	No	<u>\$ (2,104,133)</u>	<u>\$ 1,541,762</u>	<u>\$ (562,371)</u>

As the 2012B swap was considered an effective hedge, the aggregate change in fair market value during the year is reported as a change to deferred outflows on the statement of net position, with no impact to the current year statement of activities. The 2014 swap is considered an ineffective hedging derivative, whereby the change in fair market value will be considered a derivative investment gain or loss recognized in the statement of activities each year.

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

The School District has the recurring fair value measurement as of June 30, 2023 for the swap value noted above. The swap is valued using significant other observable inputs (Level 2 inputs).

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

Swap Borrowings

A portion of the upfront cash payment received by the School District at the time the original swaptions were entered into is considered to be a borrowing at the rates described below. In addition, when the School District terminated the original 2008, 2011A, and 2011B swaps in October 2011 (replaced by the 2012, 2012A, and 2012B swaps), those derivative instruments had an aggregate fair value of (\$5,057,415). In order to establish the new derivative instruments, the School District effectively received additional loans from the counterparty in this amount. As of June 30, 2023, these borrowings had outstanding balances as detailed below:

Loan	Estimated borrowing rate	Balance of swap borrowing June 30, 2022	Additions	Repayments	Balance of swap borrowing June 30, 2023
Original loans:					
2012B swap	4.02%	\$ 29,802	\$ -	\$ (29,802)	\$ -
2014 swap	4.56%	1,484,022	-	(280,932)	1,203,090
New loans in 2012:					
2012B swap	4.47%	36,820	-	(36,820)	-
		<u>\$ 1,550,644</u>	<u>\$ -</u>	<u>\$ (347,554)</u>	<u>\$ 1,203,090</u>

Estimated future payments on the above swap borrowings are as follows:

Fiscal Year Ending June 30,	Total Principal	Total Interest
2024	\$ 293,970	\$ 49,902
2025	307,612	36,260
2026	321,887	21,985
2027	279,621	6,939
	<u>\$ 1,203,090</u>	<u>\$ 115,086</u>

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

Risks

Through the use of derivative instruments such as swaps and interest rate swaps, the School District is exposed to a variety of risks, including credit risk, interest rate risk, termination risk, market-access risk, basis risk, and liquidity/remarketing risk.

- Credit risk is the risk that the counterparty will not fulfill its obligations. As of June 30, 2023, the 2014 swap had a negative fair market value to the School District and, as such, the School District had no credit risk exposure related to these transactions. In the event that the counterparty's rating is downgraded to a certain level (and based on the fair value of the swap at the time of the downgrade) the counterparty would be required to post collateral to support its obligations under the swap.
- Interest rate risk is the risk that changes in interest rates will adversely affect the fair values of the School District's financial instruments or the School District's cash flows.
- Basis risk is the risk that arises when variable interest rates on a derivative and an associated bond or other interest-paying financial instrument are based on different indexes. The School District is subject to basis risk if the interest index on the variable rate arm of the swap is based on 10 years USD-ISDA Swap Rate and the variable interest rate on the Refunding Bonds is based on a different index, such as a tax-exempt index like the Securities Industry and Financial Markets Association (SIFMA). Although expected to correlate, the relationships between different indexes vary and that variance could adversely affect the School District's calculated payments, and, as a result, cost savings or synthetic interest rates may not be realized.
- Termination risk is the risk that a derivative's unscheduled end will affect the School District's asset/liability strategy or will present the School District with potentially significant unscheduled termination payments to the counterparty. The counterparty to the transaction does not have the ability to voluntarily terminate the swap; however, the School District is exposed to termination risk in the event that the counterparty defaults.
- Liquidity/Remarketing risk is the risk that if the remarketing of the variable rate debt failed, the liquidity provider would step in and own those bonds that had been tendered but failed to be remarketed. At that point, the bonds would be considered "bank bonds" and the School District would have to pay the bank rate on such bonds

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

and pay off the bonds in a much shorter period of time. This bank rate is sometimes much higher than the prime rate. Additionally, there is risk that the liquidity provider is unable to perform this service and the bonds would then need to be repurchased by the School District.

13. Contingencies

Real Estate Tax Appeals

There is an ongoing appeal process through which a taxpayer may contest the assessed value of their property. This process could result in reductions in tax revenues and refunds of taxes previously collected. The School District has recorded an estimated liability for real estate tax refunds in the amount of approximately \$600,000 as of June 30, 2023.

Litigation

The School District is involved in claims and lawsuits incidental to its operations. In the opinion of the administration, the ultimate resolution of these matters will not have a material adverse effect on the financial position of the School District.

Government Grants

Certain grants require the fulfillment of conditions and compliance with applicable laws and regulations set forth in the grant agreements. Failure to fulfill the conditions or maintaining compliance with the aforementioned laws and regulations could result in the return of the funds to the grantors. Although this is a possibility, the School District deems the contingency remote.

Bus Purchases

The School District has a commitment to purchase six school buses for a total cost of \$797,304. Subsequent to year-end the School district entered into commitments for additional buses of \$1,191,160 and \$1,488,950.

REQUIRED SUPPLEMENTARY INFORMATION

NORTH ALLEGHENY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND

YEAR ENDED JUNE 30, 2023

Revenues:	Budget		Actual
	Original	Final	
Local sources:			
Real estate taxes - current	\$ 125,798,766	\$ 125,798,766	\$ 125,378,332
Public utility realty tax	122,000	122,000	131,200
Payments in lieu of current taxes	1,500	1,500	1,495
Current per capita taxes	180,000	180,000	181,002
Current Act 511 taxes - flat rate assessment	180,000	180,000	181,002
Delinquent taxes - all levies	1,437,000	1,437,000	1,392,884
Current Act 511 tax - proportional assessment	18,236,300	18,235,300	18,938,935
Special Education - Grants to State	1,229,500	1,229,500	1,213,277
Tuition	-	-	240,457
Earnings from investments	96,697	96,697	2,512,534 ^{1,2}
Rental of facilities	125,000	125,000	77,717
Athletic revenues	-	-	582,246 ¹
Miscellaneous revenue	465,000	465,000	604,289 ²
Total local sources	147,871,763	147,870,763	151,435,370
State sources:			
Basic instructional subsidy	10,585,939	10,585,939	11,664,444
Special education	4,331,055	4,331,055	4,282,403
Transportation	2,200,000	2,200,000	2,474,205
Rental reimbursement	1,705,485	1,705,485	1,683,886
Medical, dental, and nurses services	165,000	165,000	158,914
State property tax reduction	2,832,858	2,832,858	2,832,858
Safe schools	-	-	89,295
Tuition for orphans and children placed in private homes	-	-	30,805
Social Security reimbursements	3,255,000	3,255,000	3,110,887
Retirement reimbursements	15,178,500	15,178,500	14,942,545
Ready to Learn block grant	581,758	581,758	581,758
Miscellaneous revenue	-	-	-
Total state sources	40,835,595	40,835,595	41,852,000
Federal sources:			
Title I - Grants to Local Educational Agencies	183,378	183,378	177,117
Title III - Language Instruction LEP/Immigrant Students	5,100	5,100	1,237
Title II - Improving Teacher Quality State Grants	102,952	102,952	96,839
Title IV - Student Support and Academic Enrichment Program	13,309	13,309	9,240
CARES/ESSER Funding	800,000	800,000	473,179
Medical assistance reimbursement	958,000	958,000	1,216,889
Total federal sources	2,062,739	2,062,739	1,974,501
Total revenues	190,770,097	190,769,097	195,261,871

(Continued)

¹ Athletic Fund revenues and expenses were budgeted separately, but for financial reporting purposes are included in the General Fund.

² Grant Fund revenues and expenses were budgeted separately, but for financial reporting purposes are included in the General Fund.

See accompanying notes to required supplementary information.

NORTH ALLEGHENY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND (Continued)

YEAR ENDED JUNE 30, 2023

Expenditures:	Budget		Actual
	Original	Final	
Instruction:			
Regular programs	81,909,492	81,909,658	81,145,291 ^{2,3}
Special programs	25,079,789	25,079,289	24,704,729
Vocational education programs	1,186,406	1,186,406	1,186,572
Other instructional programs	45,043	45,043	34,244
Total instruction	108,220,730	108,220,396	107,070,836
Support services:			
Pupil personnel	6,719,147	6,718,647	6,483,114
Instructional staff	4,931,270	4,930,795	4,551,266
Administration	11,510,099	11,511,299	10,301,258
Pupil health	1,937,166	1,937,690	1,969,138
Business	2,039,830	2,039,830	1,944,046
Operation and maintenance of plant services	13,094,613	13,091,613	14,180,979 ²
Student transportation services	10,361,904	10,361,904	11,327,137 ³
Central	5,997,929	5,999,941	4,888,430 ²
Other support services	169,000	169,000	171,888
Total support services	56,760,958	56,760,719	55,817,256
Operation of non-instructional services:			
Student activities	3,988,565	3,989,138	4,736,599 ¹
Community services	41,957	41,957	77,765 ¹
Total operation of non-instructional services	4,030,522	4,031,095	4,814,364
Facilities acquisition, construction, and improvement services			
	70,500	70,500	15,834
Debt service:			
Principal	12,237,607	12,237,607	12,237,610
Interest	5,975,138	5,975,138	5,895,183
Total debt service	18,212,745	18,212,745	18,132,793
Total expenditures	187,295,455	187,295,455	185,851,083
Excess (Deficiency) of Revenues Over Expenditures	3,474,642	3,473,642	9,410,788
Other Financing Sources (Uses):			
Transfer in	-	-	-
Transfer out	(3,500,000)	(3,500,000)	(6,500,000)
Proceeds from financed purchases	-	-	1,166,389 ³
Proceeds from sale of assets	125,000	125,000	154,597
Insurance recoveries	-	-	-
Refund of prior years receipts	(100,000)	(100,000)	(750,349)
Total other financing sources (uses)	(3,475,000)	(3,475,000)	(5,929,363)
Net Change in Fund Balance	(358)	(1,358)	3,481,425
Fund Balance:			
Beginning of year	21,452,872	21,452,872	22,056,635
End of year	\$ 21,452,514	\$ 21,451,514	\$ 25,538,060

(Concluded)

¹ Athletic Fund revenues and expenses were budgeted separately, but for financial reporting purposes are included in the General Fund.

Actual expenses of \$624,049 are included in the above student activities and community services expense line items.

² Grant Fund revenues and expenses were budgeted separately, but for financial reporting purposes are included in the General Fund.

³ Actual expenses for financed purchases are included in the above regular programs, and student transportation services expense line item.

Note: During the year ended June 30, 2023, expenditures exceeded appropriations in various categories noted above. These overages were funded by available fund balance and excess revenues in the current year.

See accompanying notes to required supplementary information.

NORTH ALLEGHENY SCHOOL DISTRICT

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE
OF PSERS' NET PENSION LIABILITY

Last 10 Fiscal Years¹

	2023	2022	2021	2020	2019	2018	2017	2016	2015
School District's proportion of PSERS' net pension liability	0.5577%	0.5557%	0.5445%	0.5319%	0.5266%	0.5111%	0.5094%	0.5047%	0.4874%
School District's proportionate share of PSERS' net pension liability	\$ 247,946,000	\$ 228,152,000	\$ 268,106,000	\$ 248,837,000	\$ 252,794,000	\$ 252,424,000	\$ 252,442,000	\$ 218,612,000	\$ 192,916,000
School District's covered payroll	\$ 81,888,252	\$ 78,654,472	\$ 76,364,723	\$ 75,358,490	\$ 70,918,353	\$ 68,042,977	\$ 65,970,049	\$ 64,939,246	\$ 62,199,314
School District's proportionate share of PSERS' net pension liability as a percentage of its covered payroll	302.7858%	290.0687%	351.0862%	330.2043%	356.4578%	370.9773%	382.6615%	336.6408%	310.1578%
PSERS' plan fiduciary net position as a percentage of PSERS' total pension liability	61.3400%	63.6700%	54.3200%	55.6600%	54.0000%	51.8400%	50.1400%	54.3600%	57.2382%

¹ The amounts presented for each fiscal year were determined as of the measurement date, which is June 30 of the immediately preceding fiscal year. This schedule is intended to illustrate 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.

SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS TO THE PSERS' PENSION PLAN

Last 10 Fiscal Years²

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contributions recognized by PSERS	\$ 29,068,503	\$ 27,893,068	\$ 26,674,523	\$ 24,448,394	\$ 23,705,601	\$ 22,060,013	\$ 20,105,773	\$ 16,570,924	\$ 14,083,000
School District's covered payroll	\$ 83,360,839	\$ 82,000,616	\$ 78,654,472	\$ 76,296,940	\$ 73,362,014	\$ 70,919,914	\$ 68,037,962	\$ 65,967,573	\$ 62,199,314
Contributions as a percentage of covered payroll	34.8707%	34.0157%	33.9135%	32.0437%	32.3132%	31.1055%	29.5508%	25.1198%	22.6417%

² The amounts presented for each fiscal year were determined as of the fiscal year-end date. This schedule is intended to illustrate 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.

See accompanying notes to required supplementary information.

NORTH ALLEGHENY SCHOOL DISTRICT

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE
OF PSERS' NET OPEB LIABILITY

Last 10 Fiscal Years¹

	<u>2023</u>		<u>2022</u>		<u>2021</u>		<u>2020</u>		<u>2019</u>		<u>2018</u>
School District's proportion of PSERS' net OPEB liability	0.5569%		0.5549%		0.5441%		0.5319%		0.5266%		0.5111%
School District's proportionate share of PSERS' net OPEB liability	\$ 10,251,000	\$	\$ 13,152,000	\$	\$ 11,756,000	\$	\$ 11,313,000	\$	\$ 10,979,000	\$	\$ 10,413,000
School District's covered payroll	\$ 81,888,257	\$	\$ 78,663,396	\$	\$ 76,364,723	\$	\$ 73,358,490	\$	\$ 70,918,353	\$	\$ 68,042,977
School District's proportionate share of PSERS' net OPEB liability as a percentage of its covered payroll	12.5183%		16.7193%		15.3945%		15.4215%		15.4812%		15.3036%
PSERS' plan fiduciary net position as a percentage of PSERS' total OPEB liability	6.8600%		5.3000%		5.6900%		5.5600%		5.5600%		5.7300%

¹The amounts presented for each fiscal year were determined as of the measurement date, which is June 30 of the immediately preceding fiscal year. This schedule is intended to illustrate 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.

SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS TO THE PSERS' PREMIUM ASSISTANCE

Last 10 Fiscal Years²

	<u>2023</u>		<u>2022</u>		<u>2021</u>		<u>2020</u>		<u>2019</u>		<u>2018</u>
Contributions recognized by PSERS	\$ 635,423	\$	\$ 656,501	\$	\$ 652,734	\$	\$ 615,607	\$	\$ 603,547	\$	\$ 576,869
School District's covered payroll	\$ 83,360,839	\$	\$ 82,000,616	\$	\$ 78,654,472	\$	\$ 76,296,940	\$	\$ 73,362,014	\$	\$ 70,919,914
Contributions as a percentage of covered payroll	0.7623%		0.8006%		0.8299%		0.8069%		0.8227%		0.8134%

²The amounts presented for each fiscal year were determined as of the fiscal year-end date. This schedule is intended to illustrate 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.

See accompanying notes to required supplementary information.

NORTH ALLEGHENY SCHOOL DISTRICT

SCHEDULE OF THE SCHOOL DISTRICT'S TOTAL OPEB LIABILITY FOR ITS RETIREE PLAN

Last 10 Fiscal Years¹

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability:						
Service cost	\$ 2,436,516	\$ 2,404,658	\$ 1,911,649	\$ 1,882,019	\$ 2,023,863	\$ 1,916,659
Interest	794,116	634,627	967,412	833,733	956,101	715,472
Changes of benefit terms	-	-	(168,535)	-	(24,322)	-
Differences between actual and expected experience	(1,473,710)	-	(443,419)	-	(4,033,186)	-
Changes of assumptions	(7,576,861)	(1,089,941)	3,734,575	(836,569)	53,605	725,552
Benefit payments	(1,277,290)	(1,264,146)	(1,052,162)	(1,144,371)	(1,708,603)	(1,585,810)
Net Changes in Total OPEB Liability	(7,097,229)	685,198	4,949,520	734,812	(2,732,542)	1,771,873
Total OPEB Liability - Beginning	33,085,045	32,399,847	27,450,327	26,715,515	29,448,057	27,676,184
Total OPEB Liability - Ending	<u>\$ 25,987,816</u>	<u>\$ 33,085,045</u>	<u>\$ 32,399,847</u>	<u>\$ 27,450,327</u>	<u>\$ 26,715,515</u>	<u>\$ 29,448,057</u>
Covered Payroll	<u>\$ 78,274,950</u>	<u>\$ 75,642,643</u>	<u>\$ 75,642,643</u>	<u>\$ 70,731,816</u>	<u>\$ 70,731,816</u>	<u>\$ 68,081,801</u>
Total OPEB Liability as a Percentage of Covered Payroll	33.20%	43.74%	42.83%	38.81%	37.77%	43.25%

¹ The amounts presented for each fiscal year were determined as of the measurement date. This schedule is intended to illustrate 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.

See accompanying notes to required supplementary information.

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2022

1. Budgetary Data

The North Allegheny School District (School District) prepares its budget for the General Fund on the budgetary basis of accounting. This basis is consistent with the basis of accounting used in presenting the General Fund in the basic financial statements, except that: (1) any new financed purchases are omitted from expenditures and omitted from proceeds from financed purchases, (2) the Athletic Fund and Grants Fund are reported as part of the General Fund but are budgeted separately from the General Fund each year, and (3) entries related to debt refunding are omitted so that all that is left in other financing sources related to the debt refunding are the cash proceeds from the issuance of the bonds.

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2022

2. Factors and Trends Used in the Actuarial Assumptions Used Under GASB Statement No. 68 for the PSERS Pension Plan

Actuarial Valuation Date/ Measurement Date	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
School District Fiscal Year In Which NPL is Recorded	6/30/23	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Discount Rate	7.00%	7.00%	7.25%	7.25%	7.25%	7.25%	7.25%	7.50%	7.50%
Salary Increases	4.50%	4.50%	5.00%	5.00%	5.00%	5.00%	5.00%	5.50%	5.50%
Mortality	50% PubT-2010 and 50% PubG-2010	50% PubT-2010 and 50% PubG-2010	RP-2014, Scale MP-2015	RP-2014, Scale MP-2015	RP-2014, Scale MP-2015	RP-2014, Scale MP-2015	RP-2014, Scale MP-2015	RP-2000	RP-2000
Changes in Benefits	None	None	None	A new hybrid defined benefit/defined contribution plan is applicable for new PSERS members on July 1, 2019 and thereafter	None	Vested Class T-E and T-F members can withdraw their accumulated contributions and interest	None	None	None
Actuarially Calculated Contribution Rate from Actuarial Date Shown Above	33.09%	34.31%	33.99%	33.51%	33.36%	32.60%	31.74%	29.20%	25.00%
School District Fiscal Year in Which Actuarially Calculated Contribution Rate Is Applied	6/30/2024	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2022

3. Factors and Trends Used in Actuarial Assumptions Used Under GASB Statement No. 75 for the PSERS Premium Assistance (OPEBs)

Actuarial Valuation Date/ Measurement Date	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017
School District Fiscal Year In Which NOL is Recorded	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018
Discount Rate	4.09%	2.18%	2.66%	2.79%	2.98%	3.13%
Salary Increases	4.50%	4.50%	5.00%	5.00%	5.00%	5.00%
Mortality	50% PubT-2010 and 50% PubG- 2010	50% PubT-2010 and 50% PubG- 2010	RP-2014, Scale MP-2015	RP-2014, Scale MP-2015	RP-2014, Scale MP-2015	RP-2014, Scale MP-2015
Changes in Benefits	None	None	None	None	None	None
Actuarially Calculated Contribution Rate from Actuarial Date Shown Above	0.64%	0.75%	0.80%	0.82%	0.84%	0.83%
School District Fiscal Year in Which Actuarially Calculated Contribution Rate Is Applied	6/30/2024	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2022

4. Factors and Trends in Actuarial Assumptions Used Under GASB Statement No. 75 for the Retiree OPEB Plan

The retiree plan is not administered through a trust and assets are not accumulated in a trust to pay related benefits.

Actuarial Date	7/1/2022	7/1/2020	7/1/2020	7/1/2018	7/1/2018	7/1/2017
Measurement Date	7/1/2022	7/1/2021	7/1/2020	7/1/2019	7/1/2018	7/1/2017
School District Fiscal Year	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018
Discount Rate	4.06%	2.28%	1.86%	3.36%	2.98%	3.13%
Salary Increases	4.00% - 6.75%	3.50% - 6.25%	3.50% - 6.25%	3.50% - 6.25%	3.50% - 6.25%	3.50% - 6.25%
Mortality	PubT-2010 and PubG-2010	50% PubT-2010 and 50% PubG-2010	RP-2014, Scale MP-2015	RP-2014, Scale MP-2015	RP-2014, Scale MP-2015	RP-2014, Scale MP-2015
Assumed Healthcare Trend Rates	6.00%	5.50%	5.50%	5.50%	5.50%	6.00%
Changes in Benefits	None	None	Maintenance employees retiring after June 30, 2021 will no longer be eligible for subsidized benefits	None	Administrators and Confidentials must now pay 13.5% of the premium to continue coverage	RP-2014, Scale MP-2015

SUPPLEMENTARY INFORMATION

NORTH ALLEGHENY SCHOOL DISTRICT

COMBINING BALANCE SHEET OTHER GOVERNMENTAL FUNDS

JUNE 30, 2023

	Capital Project Funds		Other Governmental Funds Total
Assets	Technology Fund	Reserve Fund	
Cash and cash equivalents	\$ 3,420,147	\$ 6,859,657	\$ 10,279,804
Due from other funds	-	3,000,000	3,000,000
Total Assets	\$ 3,420,147	\$ 9,859,657	\$ 13,279,804
Liabilities and Fund Balance			
Liabilities:			
Accounts payable and other current liabilities	\$ 75,042	\$ -	\$ 75,042
Total Liabilities	75,042	-	75,042
Fund Balance:			
Restricted	-	-	-
Assigned	3,345,105	9,859,657	13,204,762
Unassigned	-	-	-
Total Fund Balance	3,345,105	9,859,657	13,204,762
Total Liabilities and Fund Balance	\$ 3,420,147	\$ 9,859,657	\$ 13,279,804

NORTH ALLEGHENY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OTHER GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2023

	Capital Project Funds		Other Governmental Funds Total
	Technology Fund	Capital Reserve Fund	
Revenues:			
Local sources	\$ 389,020	\$ 151,618	\$ 540,638
Expenditures:			
Current			
Instruction	54,820	-	54,820
Support services	1,171,773	141,305	1,313,078
Total expenditures	1,226,593	141,305	1,367,898
Excess (Deficiency) of Revenues Over Expenditures	(837,573)	10,313	(827,260)
Other Financing Sources (Uses):			
Transfers in (out)	1,500,000	5,000,000	6,500,000
Net Change in Fund Balance	662,427	5,010,313	5,672,740
Fund Balance:			
Beginning of year	2,682,678	4,849,344	7,532,022
End of year	\$ 3,345,105	\$ 9,859,657	\$ 13,204,762

NORTH ALLEGHENY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor/Project Title	Federal Assistance Listing Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Dates	Total Received For the Year	Accrued (Deferred) Revenue at July 1, 2022	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue at June 30, 2023	Expenditures to Subrecipients
<u>U.S. Department of Agriculture</u>									
Child Nutrition Cluster:									
Passed through the Pennsylvania Department of Education:									
School Breakfast Program	10.553	n/a	7/1/21-6/30/22	\$ 32,958	\$ 32,958	\$ -	\$ -	\$ -	\$ -
School Breakfast Program	10.553	n/a	7/1/22-6/30/23	55,027	-	64,776	64,776	9,749	-
Subtotal 10.553				87,985	32,958	64,776	64,776	9,749	-
National School Lunch Program	10.555	n/a	7/1/21-6/30/22	402,919	402,919	-	-	-	-
National School Lunch Program	10.555	n/a	7/1/22-6/30/23	713,620	-	814,699	814,699	101,079	-
National School Lunch Program COVID 19 - Supply Chain Assistance	10.555	n/a	7/1/22-6/30/23	212,761	-	212,761	212,761	-	-
Passed through the Pennsylvania Department of Agriculture:									
National School Lunch Program (Donated Commodities)	10.555	n/a	7/1/22-6/30/23	267,550	-	267,550	267,550	-	-
Subtotal 10.555				1,596,850	402,919	1,295,010	1,295,010	101,079	-
Total Child Nutrition Cluster				1,684,835	435,877	1,359,786	1,359,786	110,828	-
Passed through the Pennsylvania Department of Education:									
COVID 19 - State Pandemic Electronic Benefit Transfer (P-EBT) Administrative Costs Grant	10.649	n/a	7/1/22-6/30/23	628	-	628	628	-	-
Total U.S. Department of Agriculture				1,685,463	435,877	1,360,414	1,360,414	110,828	-
<u>U.S. Department of Education</u>									
Passed through the Pennsylvania Department of Education:									
Title I Grants to Local Educational Agencies	84.010	013-220285	8/1/21-9/30/22	46,264	40,345	5,919	5,919	-	-
Title I Grants to Local Educational Agencies	84.010	013-230285	8/1/22-9/30/23	69,141	-	171,198	171,198	102,057	-
Subtotal 84.010				115,405	40,345	177,117	177,117	102,057	-
Title II Supporting Effective Instruction State Grants	84.367	020-220285	8/1/21-9/30/22	26,870	26,870	-	-	-	-
Title II Supporting Effective Instruction State Grants	84.367	020-230285	8/1/22-9/30/23	32,280	-	96,839	96,839	64,559	-
Subtotal 84.367				59,150	26,870	96,839	96,839	64,559	-
Title IV Student Support and Academic Enrichment Program	84.424	144-220285	8/1/21-9/30/22	6,967	5,928	1,039	1,039	-	-
Title IV Student Support and Academic Enrichment Program	84.424	144-230285	8/1/22-9/30/23	12,224	-	8,201	8,201	(4,023)	-
Subtotal 84.424				19,191	5,928	9,240	9,240	(4,023)	-

(Continued)

See accompanying notes to schedule of expenditures of federal awards.

NORTH ALLEGHENY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2023

(Continued)

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Total Received For the Year</u>	<u>Accrued (Deferred) Revenue at July 1, 2022</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue at June 30, 2023</u>	<u>Expenditures to Subrecipients</u>
COVID - 19 Education Stabilization Fund - ESSER Fund	84.425 D	223-21-0285	3/13/20-9/30/23	825,224	426,378	391,424	391,424	(7,422)	-
COVID - 19 American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425 U	FA-225-21-0285	3/13/20-9/30/23	6,545	2,368	59,094	59,094	54,917	-
COVID - 19 American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425 U	FA-225-21-0285	3/13/20-9/30/23	1,309	(785)	7,300	7,300	5,206	-
COVID - 19 American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425 U	FA-225-21-0285	3/13/20-9/30/23	1,309	(785)	11,320	11,320	9,226	-
COVID - 19 American Rescue Plan – Elementary and Secondary School Emergency Relief –Homeless Children and Youth	84.425 W	FA-181-21-2283	3/13/20-9/30/23	9,647	5,992	3,931	3,931	276	-
Passed through the Pennsylvania Commission on Crime and Delinquency									
COVID - 19 Education Stabilization Fund - ESSER Fund	84.425 D	2020-ES-01-35362	3/13/20-9/30/22	337	227	110	110	-	-
Subtotal 84.425				844,371	433,395	473,179	473,179	62,203	-
Special Education Cluster:									
Special Education - Grants to States/Special Education Cluster	84.027	n/a	7/1/21-9/30/22	1,103,693	1,103,693	-	-	-	-
Special Education - Grants to States/Special Education Cluster	84.027	n/a	7/1/22-9/30/23	-	-	1,199,032	1,199,032	1,199,032	-
Special Education - COVID - 19 Special Education - American Rescue Plan (ARP) Award	84.027	n/a	7/1/21-9/30/22	278,848	278,848	-	-	-	-
Subtotal 84.027				1,382,541	1,382,541	1,199,032	1,199,032	1,199,032	-
Total Special Education Cluster				1,382,541	1,382,541	1,199,032	1,199,032	1,199,032	-
English Language Acquisition State Grants	84.365	n/a	7/1/21-9/30/22	4,569	3,332	1,237	1,237	-	-
Total U.S. Department of Education				2,425,227	1,892,411	1,956,644	1,956,644	1,423,828	-
Total Expenditures of Federal Awards				\$ 4,110,690	\$ 2,328,288	\$ 3,317,058	\$ 3,317,058	\$ 1,534,656	\$ -

(Concluded)

See accompanying notes to schedule of expenditures of federal awards.

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2023

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the North Allegheny School District (School District) under programs of the federal government for the year ended June 30, 2023. 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.

2. Summary of Significant Accounting Policies

The accompanying Schedule is presented using the modified accrual basis of accounting. Expenditures are recognized following the cost principles contained in the Uniform Guidance. The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

North Allegheny School District

Independent Auditor's Reports
Required by the Uniform Guidance

Year Ended June 30, 2023

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

**Board of Directors
North Allegheny School District**

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 North Allegheny School District (School District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements, and have issued our report thereon dated December 15, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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.

Maher Duessel

Pittsburgh, Pennsylvania
December 15, 2023

Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

Board of Directors
North Allegheny School District

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the North Allegheny School District (School District)’s compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the School District’s major federal programs for the year ended June 30, 2023. The 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.

In our opinion, the 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, 2023.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School District and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School District’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

NORTH ALLEGHENY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2023

I. Summary of Audit Results

1. Type of auditor's report issued: Unmodified, prepared in accordance with Generally Accepted Accounting Principles.

2. Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiencies identified that are not considered to be material weakness(es)?
 yes none reported

3. Noncompliance material to financial statements noted? yes no

4. Internal control over major programs:

Material weakness(es) identified? yes no

Significant deficiencies identified that are not considered to be material weakness(es)?
 yes none reported

5. Type of auditor's report issued on compliance for major programs: Unmodified

6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? yes no

7. Major Programs:

Assistance Listing Number(s)
84.027

Name of Federal Program or Cluster
Special Education Cluster

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

9. Auditee qualified as low-risk auditee? yes no

II. Findings related to the financial statements which are required to be reported in accordance with GAGAS.

No matters were reported.

III. Findings and questioned costs for federal awards.

No matters were reported.

NORTH ALLEGHENY SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2023

NO FINDINGS IN THE PRIOR YEAR.

NO UNRESOLVED FINDINGS FROM PAST AUDITS.