

North Allegheny School District

Single Audit

June 30, 2021

MaherDuessel

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NORTH ALLEGHENY SCHOOL DISTRICT

YEAR ENDED JUNE 30, 2021

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Independent Auditor's Report

**Board of Directors
North Allegheny School District**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of North Allegheny School District (School District) as of and for the year ended June 30, 2021, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the School District as of June 30, 2021, and the respective changes in its 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.

Change in Accounting Principle

As described in Note 1 to the financial statements, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 84, "Fiduciary Activities," which improves guidance regarding the identification of fiduciary activities for accounting and financial reporting and how these activities should be reported. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, other postemployment benefits, and pension information on pages i through x and 65 through 72, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the 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 as listed in the table of contents is presented for purposes of additional analysis and is

not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supplementary information as listed in the table of contents and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 as listed in the table of contents and the schedule of expenditures of federal awards are 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 10, 2021 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.

Maher Duessel

Pittsburgh, Pennsylvania
December 10, 2021



NORTH ALLEGHENY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Required Supplementary Information

June 30, 2021

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, 2021. Please review in conjunction with the School District's financial statements that begin on page 1.

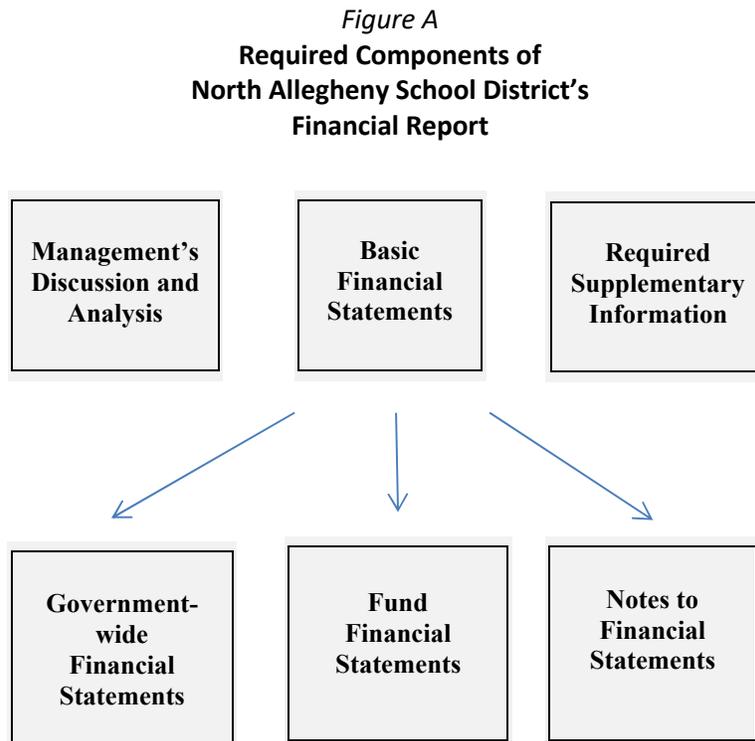
The Management's Discussion and Analysis is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *"Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments."* The intent of this Management's 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 significant increases in several expenditure groups, make the balancing of academic needs and fiscal responsibility a difficult 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 decreased by approximately \$1.02 million from the previous year compared to a budgeted decrease of \$3.6 million. Overall, net revenues and expenditures yielded a negative operating impact in the amount of (\$1,016,315), which was a positive variance to budget by \$2.5 million. Excluding the impact of Athletics, which had net unfavorable operations of approximately \$99 thousand, Local revenue had a total positive variance to budget in the amount of \$2.8 million. This was primarily due to more earned income taxes received and earnings from investments compared to the budgeted amount. State revenue had a negative variance to budget of approximately \$712 thousand driven by the coding of CARES/ESSER funding originally coded as State revenue which was later deemed Federal funding revenue. Federal revenue had a positive variance to budget of approximately \$401 thousand driven by CARES/ESSER funding received offset by lower medical assistance reimbursements compared to the budgeted amount. The expenditure variances, excluding the Athletics fund and capital leases, to budget totaled a favorable \$3.2 million, which was driven by lower support services costs. The School District ended with a fund balance in the General Fund of approximately \$21.3 million.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Statements of Net Position

The School District's total net position was approximately negative \$228 million at June 30, 2021.

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

	2021			2020		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current assets	\$ 65,990,065	\$ 783,686	\$ 66,773,751	\$ 80,088,304	\$ 1,010,590	\$ 81,098,894
Other assets	2,575,915	33,628	2,609,543	3,455,671	60,776	3,516,447
Capital assets	174,655,124	928,161	175,583,285	173,984,535	1,027,432	175,011,967
Total Assets	243,221,104	1,745,475	244,966,579	257,528,510	2,098,798	259,627,308
Deferred Outflows of Resources	53,728,773	-	53,728,773	37,977,824	-	37,977,824
Current liabilities	25,493,342	292,321	25,785,663	30,025,347	333,308	30,358,655
Long-term liabilities:						
Due within one year	13,545,793	-	13,545,793	14,246,407	-	14,246,407
Due after one year	477,396,669	-	477,396,669	465,111,016	-	465,111,016
Total Liabilities	516,435,804	292,321	516,728,125	509,382,770	333,308	509,716,078
Deferred Inflows of Resources	9,969,837	-	9,969,837	12,894,907	-	12,894,907
Net investment in capital assets	22,499,776	928,161	23,427,937	26,490,283	1,027,432	27,517,715
Unrestricted	(251,955,540)	524,993	(251,430,547)	(253,261,626)	738,058	(252,523,568)
Total Net Position	\$(229,455,764)	\$ 1,453,154	\$(228,002,610)	\$(226,771,343)	\$ 1,765,490	\$(225,005,853)

The majority of current assets (approximately 76%) as of June 30, 2021 are made up of unrestricted and restricted cash and cash equivalents of approximately \$37.5 million and \$13.4 million, respectively.

Approximately \$23.4 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, 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 2020.

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

	2021			2020		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues						
Program revenues:						
Charges for services	\$ 389,955	\$ 412,954	\$ 802,909	\$ 737,879	\$ 1,794,010	\$ 2,531,889
Operating grants and contributions	28,720,130	1,866,658	30,586,788	27,055,357	694,348	27,749,705
General revenues:						
Property taxes	115,047,562	-	115,047,562	114,960,647	-	114,960,647
Other taxes	19,385,515	-	19,385,515	19,132,754	-	19,132,754
Grants, subsidies and contributions, unrestricted	12,088,488	-	12,088,488	12,085,219	-	12,085,219
Investment earnings	1,212,318	1,350	1,213,668	1,331,197	6,939	1,338,136
Investment gain (loss) on derivatives	1,803,498	-	1,803,498	(120,173)	-	(120,173)
Miscellaneous	117,454	2,871	120,325	89,760	-	89,760
Transfers	-	-	-	(3,059)	3,059	-
Total Revenues	178,764,920	2,283,833	181,048,753	175,269,581	2,498,356	177,767,937
Expenses						
Instructional services	109,254,237	-	109,254,237	107,414,641	-	107,414,641
Support services	56,272,583	-	56,272,583	57,446,236	-	57,446,236
Non-instructional services	3,780,921	-	3,780,921	3,169,047	-	3,169,047
Facilities	1,303,167	-	1,303,167	2,626,981	-	2,626,981
Unallocated depreciation expense	4,823,764	-	4,823,764	4,441,737	-	4,441,737
Interest on long-term debt	6,014,669	-	6,014,669	6,176,412	-	6,176,412
Bond Issue Costs	-	-	-	104,647	-	104,647
Food services	-	2,596,169	2,596,169	-	2,606,546	2,606,546
Total Expenses	181,449,341	2,596,169	184,045,510	181,379,701	2,606,546	183,986,247
Change in Net Position	\$ (2,684,421)	\$ (312,336)	\$ (2,996,757)	\$ (6,110,120)	\$ (108,190)	\$ (6,218,310)

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	2021		2020	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instructional services	\$ 109,254,237	\$ 89,916,049	\$ 107,414,641	\$ 90,317,919
Support services	56,272,583	48,605,289	57,446,236	49,637,745
Non-instructional services	3,780,921	3,387,354	3,169,047	2,135,190
Facilities	1,303,167	1,298,289	2,626,981	2,503,518
Unallocated expenses - excluding direct expenses reported as a function above:				
Depreciation expense	4,823,764	4,823,764	4,441,737	4,441,737
Interest on long-term debt	6,014,669	4,308,511	6,176,412	4,445,709
Bond Issue Costs	-	-	104,647	104,647
Total Governmental Activities	\$ 181,449,341	152,339,256	\$ 181,379,701	153,586,465
Less:				
Unrestricted grants, subsidies, and contributions		12,088,488		12,085,219
Total Needs from Local Taxes and Other Revenues		\$ 140,250,768		\$ 141,501,246

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 \$2.28 million and \$2.50 million for the fiscal years 2021 and 2020, respectively. Food service expenses were \$2.60 million and \$2.61 million for the fiscal years 2021 and 2020, respectively. The contracted food service vendor guarantees a profit from their services. A profit (loss) of approximately (\$312 thousand) and (\$108 thousand) was realized for the fiscal years 2021 and 2020, respectively. Without depreciation, the food service operations would have had a profit (loss) of approximately (\$212 thousand) and (\$7 thousand) for fiscal years 2021 and 2020, 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,

	2021			2020		
	General Fund	Other	Total	General Fund	Other	Total
		Governmental Funds	Governmental Funds		Governmental Funds	Governmental Funds
Beginning Fund Balance	\$ 22,332,432	\$ 25,478,960	\$ 47,811,392	\$ 21,937,535	\$ 57,511,854	\$ 79,449,389
Net Change in Fund Balance	(1,016,315)	(7,969,697)	(8,986,012)	394,897	(32,032,894)	(31,637,997)
Ending Fund Balance	<u>\$ 21,316,117</u>	<u>\$ 17,509,263</u>	<u>\$ 38,825,380</u>	<u>\$ 22,332,432</u>	<u>\$ 25,478,960</u>	<u>\$ 47,811,392</u>

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

For fiscal year 2021, overall, there was a decrease in fund balance across all of the School District's funds in the amount of \$9 million. This was mainly due to the finalization of construction and renovation projects for two of the School District's Elementary Schools.

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 decreased by approximately \$1.02 million compared to a budgeted decrease of \$3.6 million because of positive variances to budget for fiscal year 2021.

In total, the School District received approximately \$2.5 million more revenue than originally budgeted excluding athletics. This is mainly attributable higher than budgeted tax collections and earnings from investments noted in Local source revenue. State and Federal revenue were in line with the budgeted amount.

Expenditures for the current fiscal year were budgeted at \$178.2 million, while actual expenditures were \$175.0 million, \$3.2 million under budget excluding athletics and capital leases. Savings were primarily realized due lower support services costs.

Overall, the School District's General Fund actual revenues were lower than expenditures and other financing sources and uses (net) by (\$1,016,315), 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 2021, the School District's capital assets increased by approximately \$700 thousand, mainly due to capital additions of approximately \$11 million during the year related to construction and renovation projects throughout the School District.

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

	2021	2020
Land	\$ 406,906	\$ 406,906
Site improvements	8,928,352	9,297,693
Buildings and improvements	140,822,303	112,919,442
Machinery, equipment, and furniture	12,208,021	9,689,132
Text and library books	3,513,779	4,079,896
Vehicles	4,783,211	4,484,090
Construction in progress	3,992,552	33,107,376
	<u>\$ 174,655,124</u>	<u>\$ 173,984,535</u>

Debt Administration

As of June 30, 2021, the School District had total outstanding bond principal of \$158.3 million, a decrease of \$9.6 million over bonds principal outstanding of \$167.9 million at June 30, 2020. 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,

	2021	2020
General obligation and revenue bonds	\$ 150,100,000	\$ 159,145,000
Unamortized discounts and premiums, net	8,189,946	8,759,730
Swaption borrowing (2004)	1,886,498	2,357,171
Swaption borrowing (2012)	228,120	598,049
OPEB liability	44,155,847	38,763,327
Net pension liability	268,106,000	248,837,000
Embedded derivative instrument	5,305,201	7,551,121
General Obligation Note, 2008	2,411,004	2,658,660
Capital lease obligations	7,262,666	7,666,499
Accumulated employee benefits	3,297,180	3,020,866
	<u>\$ 490,942,462</u>	<u>\$ 479,357,423</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.

The expenditure budget for the 2021-2022 fiscal year is \$4.3 million more than the budget for 2020-2021. This is driven by an increase in contractual salaries and respective PSERS contributions. 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 34.94%. While this cost is shared with the Commonwealth of Pennsylvania, retirement expense accounts for approximately 15.9% 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 2022-2022 budget vs the 2020-2020. If the historical trend continues after the 2021-2022 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 2021-2022 vs. 2020-2021 driven by additional state revenue related to retirement reimbursements coupled with expected budgeted revenue from local sources including Earned Income and Real Estate Growth as the economic impacts of COVID 19 begin to normalize.

The School District has committed itself to financial excellence for many years. The School District ranks the 6th lowest millage among the 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, Treasurer, at North Allegheny School District, 200 Hillvue Lane, Pittsburgh, PA 15237.



NORTH ALLEGHENY SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2021

Assets	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents	\$ 37,304,742	\$ 238,390	\$ 37,543,132
Restricted cash, cash equivalents, and investments for capital additions	13,400,800	-	13,400,800
Property taxes receivable, net of allowance for uncollectibles	816,685	-	816,685
Earned income taxes receivable	3,524,037	-	3,524,037
Intergovernmental receivable	9,540,604	545,296	10,085,900
Other receivables	1,403,197	-	1,403,197
Inventory	164,911	33,628	198,539
Net investment in joint venture	2,411,004	-	2,411,004
Capital assets, net of accumulated depreciation:			
Non-depreciable	4,399,458	-	4,399,458
Depreciable	170,255,666	928,161	171,183,827
Total Assets	243,221,104	1,745,475	244,966,579
Deferred Outflows of Resources			
Pension	46,887,523	-	46,887,523
OPEB	6,570,527	-	6,570,527
Accumulated decrease in fair value of hedging derivatives	270,723	-	270,723
Total Deferred Outflows of Resources	53,728,773	-	53,728,773
Liabilities			
Accounts payable and other current liabilities	3,415,403	141,249	3,556,652
Tax refunds payable	600,000	-	600,000
Accrued salaries and benefits	20,563,430	-	20,563,430
Accrued interest payable	684,431	-	684,431
Unearned revenue	230,078	151,072	381,150
Non-current liabilities:			
Due within one year	13,545,793	-	13,545,793
Due in more than one year	477,396,669	-	477,396,669
Total Liabilities	516,435,804	292,321	516,728,125
Deferred Inflows of Resources			
Deferred gain on refunding	3,536	-	3,536
Pension	6,426,000	-	6,426,000
OPEB	3,540,301	-	3,540,301
Total Deferred Inflows of Resources	9,969,837	-	9,969,837
Net Position			
Net investment in capital assets	22,499,776	928,161	23,427,937
Unrestricted	(251,955,540)	524,993	(251,430,547)
Total Net Position	\$ (229,455,764)	\$ 1,453,154	\$ (228,002,610)

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

NORTH ALLEGHENY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

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	\$ 109,254,237	\$ -	\$ 19,338,188	\$ -	\$ (89,916,049)	\$ -	\$ (89,916,049)
Support services	56,272,583	46,857	7,620,437	-	(48,605,289)	-	(48,605,289)
Non-instructional service	3,780,921	338,220	55,347	-	(3,387,354)	-	(3,387,354)
Facilities	1,303,167	4,878	-	-	(1,298,289)	-	(1,298,289)
Unallocated expenses - excluding direct expenses reported as a function above:							
Depreciation expense	4,823,764	-	-	-	(4,823,764)	-	(4,823,764)
Interest on long-term debt	6,014,669	-	1,706,158	-	(4,308,511)	-	(4,308,511)
Bond issue costs	-	-	-	-	-	-	-
Total governmental activities	181,449,341	389,955	28,720,130	-	(152,339,256)	-	(152,339,256)
Business-Type Activities:							
Food services	2,596,169	412,954	1,866,658	-	-	(316,557)	(316,557)
Total Primary Government	\$ 184,045,510	\$ 802,909	\$ 30,586,788	\$ -	(152,339,256)	(316,557)	(152,655,813)
General revenues:							
Taxes:							
Property taxes, levied for general purposes, net of uncollectibles					115,047,562	-	115,047,562
Earned income taxes					17,035,546	-	17,035,546
Other taxes levied for general purposes					2,349,969	-	2,349,969
Grants, subsidies, and contributions not restricted to specific programs					12,088,488	-	12,088,488
Investment income					1,212,318	1,350	1,213,668
Investment gain (loss) on derivative instruments, net					1,803,498	-	1,803,498
Miscellaneous					117,454	2,871	120,325
Total general revenues and investment gain on derivative instruments					149,654,835	4,221	149,659,056
Change in Net Position					(2,684,421)	(312,336)	(2,996,757)
Net Position:							
Beginning of year					(226,771,343)	1,765,490	(225,005,853)
End of year					\$ (229,455,764)	\$ 1,453,154	\$ (228,002,610)

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

NORTH ALLEGHENY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2021

	General Fund	2019 Elementary Fund	Other Governmental Funds	Total
Assets				
Cash and cash equivalents	\$ 35,672,925	\$ -	\$ 1,631,817	\$ 37,304,742
Restricted cash, cash equivalents, and investments for capital additions	-	12,176,624	1,224,176	13,400,800
Property taxes receivable, net of allowance for uncollectibles	816,685	-	-	816,685
Earned income taxes receivable	3,524,037	-	-	3,524,037
Intergovernmental receivable	7,836,604	-	-	7,836,604
Other receivables	1,403,197	-	-	1,403,197
Due from other funds	1,075	-	3,150,000	3,151,075
Inventory	164,911	-	-	164,911
Total Assets	\$ 49,419,434	\$ 12,176,624	\$ 6,005,993	\$ 67,602,051
Liabilities, Deferred Inflows of Resources, and Fund Balance				
Liabilities:				
Accounts payable and other current liabilities	\$ 2,743,124	\$ 622,842	\$ 49,437	\$ 3,415,403
Tax refunds payable	600,000	-	-	600,000
Accrued salaries and benefits	20,563,430	-	-	20,563,430
Due to other funds	3,150,000	1,075	-	3,151,075
Unearned revenues	230,078	-	-	230,078
Total Liabilities	27,286,632	623,917	49,437	27,959,986
Deferred Inflows of Resources:				
Unavailable revenue - taxes	816,685	-	-	816,685
Fund Balance:				
Nonspendable:				
Inventory	164,911	-	-	164,911
Restricted for:				
Capital projects	-	11,552,707	3,076,037	14,628,744
Committed for:				
Future debt issuance and swaption costs	2,114,618	-	-	2,114,618
Assigned:				
Appropriation of fund balance - PSERS	3,184,774	-	-	3,184,774
Athletics	248,502	-	-	248,502
Technology	-	-	2,880,519	2,880,519
Unassigned	15,603,312	-	-	15,603,312
Total Fund Balance	21,316,117	11,552,707	5,956,556	38,825,380
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 49,419,434	\$ 12,176,624	\$ 6,005,993	\$ 67,602,051

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, 2021

Total Fund Balance - Governmental Funds	\$	38,825,380
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.		174,655,124
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.		816,685
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.		(3,536)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported as a liability in the funds.		(684,431)
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.		1,704,000
The net investment in joint venture does not represent a financial asset that would be recorded as an asset in the governmental funds.		2,411,004
The investment in derivative instruments and deferred outflow do not represent a financial asset that would be recorded within the governmental funds.		270,723
The actuarially accrued other post-employment benefit (OPEB) liability, net pension liability, and deferred inflows and outflows of resources for pension for the School District's employees are not recorded on the fund financial statements.		(268,770,098)
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	\$ (158,289,946)	
Derivative instrument	(5,305,201)	
Note payable	(2,411,004)	
Swap loan	(2,114,618)	
Capital leases	(7,262,666)	
Compensated absences	(3,297,180)	
		(178,680,615)
Total Net Position - Governmental Activities	\$	<u><u>(229,455,764)</u></u>

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, 2021

	General Fund	2019 Elementary Fund	Other Governmental Funds	Total
Revenues:				
Local sources	\$ 138,047,117	\$ 20,531	\$ 132,177	\$ 138,199,825
State sources	37,517,479	-	-	37,517,479
Federal sources	1,787,718	-	-	1,787,718
Total revenues	177,352,314	20,531	132,177	177,505,022
Expenditures:				
Current:				
Instruction	102,346,024	-	100,812	102,446,836
Support services	53,034,297	858,482	530,763	54,423,542
Operation of non-instructional services	3,654,912	19,372	-	3,674,284
Facilities acquisition, construction, and improvement services	40,768	9,374,853	388,123	9,803,744
Debt service:				
Principal	11,898,317	-	-	11,898,317
Interest	6,792,711	-	-	6,792,711
Total expenditures	177,767,029	10,252,707	1,019,698	189,039,434
Excess (Deficiency) of Revenues Over Expenditures	(414,715)	(10,232,176)	(887,521)	(11,534,412)
Other Financing Sources (Uses):				
Transfer in	-	-	3,150,000	3,150,000
Transfer out	(3,150,000)	-	-	(3,150,000)
Proceeds from capital lease	2,449,484	-	-	2,449,484
Proceeds from sale of assets	137,377	-	-	137,377
Refund of prior year (receipts)/expenditures	(38,461)	-	-	(38,461)
Total other financing sources (uses)	(601,600)	-	3,150,000	2,548,400
Net Change in Fund Balance	(1,016,315)	(10,232,176)	2,262,479	(8,986,012)
Fund Balance:				
Beginning of year	22,332,432	21,784,883	3,694,077	47,811,392
End of year	\$ 21,316,117	\$ 11,552,707	\$ 5,956,556	\$ 38,825,380

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, 2021

Net Change in Fund Balance - Governmental Funds \$ (8,986,012)

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:

	Capital asset additions	\$ 15,010,283	
	Less: depreciation expense	<u>(14,318,191)</u>	692,092

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. (21,503)

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. (5,617,918)

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. (505,139)

The issuance of long-term obligations (e.g., bonds, leases, 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. 10,005,322

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. (50,766)

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. 2,075,817

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. (276,314)

Change in Net Position of Governmental Activities \$ (2,684,421)

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

NORTH ALLEGHENY SCHOOL DISTRICT

STATEMENT OF NET POSITION PROPRIETARY FUND

JUNE 30, 2021

	<u>Enterprise Fund Food Service</u>
Assets	
<hr/>	
Current assets:	
Cash and cash equivalents	\$ 238,390
Intergovernmental receivable	545,296
Inventory	33,628
Total current assets	<hr/> 817,314
Non-current assets:	
Machinery and equipment	3,184,059
Less: accumulated depreciation	<hr/> (2,255,898)
Total non-current assets	<hr/> 928,161
Total Assets	<hr/> \$ 1,745,475 <hr/>
Liabilities and Net Position	
<hr/>	
Liabilities:	
Accounts payable	\$ 141,249
Unearned revenue	151,072
Total Liabilities	<hr/> 292,321
Net Position:	
Net investment in capital assets	928,161
Unrestricted	524,993
Total Net Position	<hr/> 1,453,154
Total Liabilities and Net Position	<hr/> \$ 1,745,475 <hr/>

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, 2021

	<u>Enterprise Fund Food Service</u>
Operating Revenue:	
<u>Sale of food</u>	<u>\$ 412,954</u>
Operating Expenses:	
Supplies	358,908
Depreciation	100,301
Other purchased services	<u>2,136,960</u>
Total operating expenses	<u>2,596,169</u>
Net Operating Loss	<u>(2,183,215)</u>
Non-operating Revenues:	
State subsidies	55,071
Federal revenues:	
Subsidies	1,503,436
Donated commodities	306,152
Local revenues	1,999
Gain on sale of machinery and equipment	2,871
Earnings on investments	<u>1,350</u>
Total non-operating revenues	<u>1,870,879</u>
Change in Net Position	<u>(312,336)</u>
Net Position:	
<u>Beginning of year</u>	<u>1,765,490</u>
End of year	<u><u>\$ 1,453,154</u></u>

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, 2021

	Food Service Fund
Cash Flows From Operating Activities:	
Receipts from users	\$ 342,879
Payments to suppliers for goods and services	(2,133,480)
Net cash provided by (used in) operating activities	(1,790,601)
Cash Flows From Non-Capital Financing Activities:	
Grants and subsidies received:	
Local	1,999
State	41,993
Federal	1,113,696
Net cash provided by (used in) non-capital financing activities	1,157,688
Cash Flows From Capital and Related Financing Activities:	
Purchase of capital assets	(1,030)
Proceeds from sale of capital assets	2,871
Net cash provided by (used in) capital financing activities	1,841
Cash Flows From Investing Activities:	
Earnings on investments	1,350
Net Increase (Decrease) in Cash and Cash Equivalents	(629,722)
Cash and Cash Equivalents:	
Beginning of year	868,112
End of year	\$ 238,390
Reconciliation of Net Operating Loss to Net Cash Provided by (Used in) Operating Activities:	
Net operating loss	\$ (2,183,215)
Adjustments to reconcile net operating loss to net cash provided by (used in) operating activities:	
Depreciation expense	100,301
Donated commodities	306,152
Change in:	
Inventory	27,148
Unearned revenue	(70,075)
Accounts payable	29,088
Total adjustments	392,614
Net cash provided by (used in) operating activities	\$ (1,790,601)
Non-Cash Financing Transaction:	
The School District received donated commodities of \$306,152 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, 2021

	<u>Custodial Funds</u>
<hr/>	
Assets	
<hr/>	
Cash and cash equivalents	\$ 628,179
	<hr/>
<hr/>	
Liabilities	
<hr/>	
Due to other funds	-
	<hr/>
<hr/>	
Net Position	
<hr/>	
Restricted for:	
Student activities	\$ 628,179
	<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, 2021

	<u>Custodial Funds</u>
<u>Additions:</u>	
Student Funds	<u>\$ 584,303</u>
<u>Deductions:</u>	
Student Programs	<u>677,911</u>
Change in Net Position	(93,608)
<u>Net Position:</u>	
Beginning of year, as restated	<u>721,787</u>
End of year	<u>\$ 628,179</u>

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

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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, 2021

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, 2021

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.

Construction Fund

The Construction Fund is utilized to account for the expenditures and financial resources to be used for the renovations of Bradford Woods and Marshall Elementary and Middle Schools and refundings.

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.

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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.

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, 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.

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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 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.

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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 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.

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

Prepays

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

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 and donated capital assets are recorded at their fair market values at the time of donation. 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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations 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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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 requirements of the following Governmental Accounting Standards Board (GASB) Statements were adopted for the School District's 2021 financial statements:

GASB Statement No. 84, "*Fiduciary Activities*," improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The provisions of this statement altered the presentation of the fiduciary funds financial statements. As a result of this implementation, the Custodial Funds net assets as of July 1, 2020 were restated to the balance of \$721,787.

GASB Statement No. 90, "*Majority Equity Interests*," improves the consistency and comparability of reporting a majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units.

Pending Pronouncements

GASB has issued statements that will become effective in future years, including Statement Nos. 87 (Leases), 89 (Accounting for Interest Cost), 91 (Conduit Debt Obligations), 92 (Omnibus 2020), 93 (Replacement of Interbank Offered Rates), 94 (Public-Private and Public-Public Partnerships), 96 (Information Technology Arrangements), and 97 (Deferred

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

Compensation Plans). 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:

- Nonspendable – This category represents funds that are not in spendable form and consists of inventory.
- 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.

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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 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.

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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 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.

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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, 2021, \$42,538,510 of the School District's bank balance of \$43,060,602 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 \$40,659,778 as of June 30, 2021.

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 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.

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

The School District's investments included bank balances at June 30, 2021 of:

	<u>Fair Value</u>
Pooled investment funds:	
PLGIT	\$ 2,471,682
PSDLAF	1,379,691
Federated Investors - Money Market Fund	119,585
Money Market Mutual Funds	<u>6,316,876</u>
	<u>\$ 10,287,834</u>

As of June 30, 2021, the carrying amount of the School District's investments included on the statement of net position and balance sheet was \$10,284,153, and all investments have a maturity of less than one year.

As further described in Note 13, 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 13.

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 \$598,744 and the bank balance was \$613,782. Of the bank balance, \$0 was covered by federal depository insurance. The remaining balance of \$613,782 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 \$29,434. These investments are included as cash and cash equivalents on the statement of fiduciary net position.

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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, 2021 is as follows:

July 1, 2020 - tax date

July 1, 2020 - August 31, 2020 – 2% discount period

September 1, 2020 - October 31, 2020 – face payment period

November 1, 2020 - Collection – 10% penalty period

Property taxes were levied at the rate of 19.1408 mills in fiscal year 2020 - 2021 based on assessed values provided by Allegheny County. The assessed valuation was approximately \$6.2 billion for the 2020 - 2021 levy. The property taxes receivable amount is net of an uncollectible allowance of approximately \$1.4 million.

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

4. Capital Assets

Capital asset activity for the year ended June 30, 2021 was as follows:

	Beginning Balance at June 30, 2020	Increases	Decreases	Ending Balance at June 30, 2021
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 406,906	\$ -	\$ -	\$ 406,906
Construction in progress	33,107,376	10,808,443	(39,923,267)	3,992,552
Total capital assets, not being depreciated	<u>33,514,282</u>	<u>10,808,443</u>	<u>(39,923,267)</u>	<u>4,399,458</u>
Capital assets, being depreciated:				
Site improvements	18,147,548	633,870	-	18,781,418
Building and improvements	238,024,255	34,813,186	-	272,837,441
Machinery, equipment, and furniture	27,877,770	7,408,156	-	35,285,926
Text and library books	14,788,361	310,903	(19,576)	15,079,688
Vehicles	11,152,870	958,992	(119,780)	11,992,082
Total capital assets, being depreciated	<u>309,990,804</u>	<u>44,125,107</u>	<u>(139,356)</u>	<u>353,976,555</u>
Less: accumulated depreciation for:				
Site improvements	(8,849,855)	(1,003,211)	-	(9,853,066)
Building and improvements	(125,104,813)	(6,910,325)	-	(132,015,138)
Machinery, equipment, and furniture	(18,188,638)	(4,889,267)	-	(23,077,905)
Text and library books	(10,708,465)	(857,444)	-	(11,565,909)
Vehicles	(6,668,780)	(657,944)	117,853	(7,208,871)
Total accumulated depreciation	<u>(169,520,551)</u>	<u>(14,318,191)</u>	<u>117,853</u>	<u>(183,720,889)</u>
Capital assets being depreciated, net	<u>140,470,253</u>	<u>29,806,916</u>	<u>(21,503)</u>	<u>170,255,666</u>
Governmental activities capital assets, net	<u>\$ 173,984,535</u>	<u>\$ 40,615,359</u>	<u>\$ (39,944,770)</u>	<u>\$ 174,655,124</u>

Included above in the statement of net position is equipment of approximately \$14,503,000 that was capitalized under leasing arrangements.

	Beginning Balance at June 30, 2020	Increases	Decreases	Ending Balance at June 30, 2021
Business-Type Activities:				
Capital assets:				
Machinery and equipment	\$ 3,183,029	\$ 1,030	\$ -	\$ 3,184,059
Less: accumulated depreciation for:				
Machinery and equipment	(2,155,597)	(100,301)	-	(2,255,898)
Business-type activities capital assets, net	<u>\$ 1,027,432</u>	<u>\$ (99,271)</u>	<u>\$ -</u>	<u>\$ 928,161</u>

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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

Governmental Activities:

Instructional services:	
Regular instruction	\$ 2,840,551
Special instruction	917
Vocational instruction	14,043
Support services	6,115
Administration:	
Operation of plant and maintenance services	2,345,574
Student transportation services	177,127
Central	1,386,179
Non-instructional services:	
Student activities	16,366
Facilities acquisition, construction, and improvement services	2,707,555
Unallocated building depreciation	<u>4,823,764</u>
	<u>\$ 14,318,191</u>

Business-type Activities:

Food service	<u>\$ 100,301</u>
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NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

5. Long-Term Obligations

Changes in Long-Term Obligations

Changes in the School District's long-term obligations during fiscal year 2021 were as follows:

	Beginning Balance at July 1, 2020	Additions	Amortization, Retirements, and Refunding	Ending Balance at June 30, 2021	Amounts Due Within One Year
General obligation bonds:					
Series 2015, net of unamortized premium	\$ 34,150,000	\$ -	\$ (10,000)	\$ 34,140,000	\$ 45,000
Series 2019, net of unamortized premium	1,874,053	-	(144,157)	1,729,896	-
Series 2019A, net of unamortized premium	59,740,000	-	(285,000)	59,455,000	295,000
Series 2019A, net of unamortized premium	6,219,806	-	(259,159)	5,960,647	-
Series 2019A, net of unamortized premium	8,045,000	-	(140,000)	7,905,000	85,000
Series 2019A, net of unamortized premium	665,871	-	(166,468)	499,403	-
Revenue bonds:					
Series 2008	2,975,000	-	(2,975,000)	-	-
Series A of 2011	13,200,000	-	(5,570,000)	7,630,000	7,630,000
Series B of 2011	10,220,000	-	-	10,220,000	1,455,000
Series 2014	30,815,000	-	(65,000)	30,750,000	65,000
	<u>167,904,730</u>	<u>-</u>	<u>(9,614,784)</u>	<u>158,289,946</u>	<u>9,575,000</u>
Swap borrowing (2004)	2,357,171	-	(470,673)	1,886,498	372,647
Swap borrowing (2012)	598,049	-	(369,929)	228,120	191,300
OPEB liability	38,763,327	5,392,520	-	44,155,847	-
Net pension liability	248,837,000	19,269,000	-	268,106,000	-
Embedded derivative instruments	7,551,121	-	(2,245,920)	5,305,201	-
General obligation note payable	2,658,660	-	(247,656)	2,411,004	259,796
Capital lease obligations	7,666,499	2,449,484	(2,853,317)	7,262,666	2,852,117
Accumulated employee benefits	3,020,866	276,314	-	3,297,180	294,933
	<u>\$ 479,357,423</u>	<u>\$ 27,387,318</u>	<u>\$ (15,802,279)</u>	<u>\$ 490,942,462</u>	<u>\$ 13,545,793</u>

General obligation and revenue bonds and notes are described below; other long-term obligations noted above are detailed further in Notes 7, 8, 12, and 13.

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

Revenue Bonds, Series 2008

In May 2008, the School District issued \$18,145,000 of Variable Rate Demand Revenue Bonds, Series 2008 (Series 2008 Bonds) with various maturity dates through May 1, 2021, to current refund \$18,100,000 of outstanding General Obligation Bonds, Series D of 1997 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 13.

Revenue Bonds, Series A of 2011

In November 2011, the School District issued \$14,245,000 of Variable Rate Demand Revenue Bonds, Series A of 2011 (Series A 2011 Bonds) with various maturity dates through November 1, 2021, to current refund \$14,245,000 of outstanding Series A of 2001 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 13.

Series A 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 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 13.

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.

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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 13. 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 13.

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

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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 will be 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.

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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>
2022	\$ 9,575,000	\$ 6,301,827	\$ 15,876,827
2023	9,505,000	5,897,129	15,402,129
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
2027-2031	38,475,000	17,375,838	55,850,838
2032-2036	30,835,000	9,901,450	40,736,450
2037-2041	22,990,000	4,371,000	27,361,000
2042-2044	8,690,000	704,200	9,394,200
	<u>\$ 150,100,000</u>	<u>\$ 60,284,657</u>	<u>\$ 210,384,657</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>
2022	\$ 259,796	\$ 76,579	\$ 336,375
2023	273,150	63,255	336,405
2024	286,504	49,264	335,768
2025	301,072	34,575	335,647
2026	313,212	23,916	337,128
2027-2029	977,270	32,274	1,009,544
	<u>\$ 2,411,004</u>	<u>\$ 279,863</u>	<u>\$ 2,690,867</u>

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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. 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.

Retirees can participate in the 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, and
- Participate in the PSERS Health Options Program or an employer-sponsored health insurance program.

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 Comprehensive Annual 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.

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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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). 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

NORTH ALLEGHENY SCHOOL DISTRICT

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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 per month or their eligible out-of-pocket monthly health insurance premium. As of June 30, 2020, 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*	7.50%
Membership Class T-F**	10.30%

* Shared risk program could cause future contribution rates to fluctuate between 7.50% and 9.50%.

** Shared risk program could cause future contribution rates to fluctuate between 10.30% and 12.30%.

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

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

*Shared risk program could cause future contribution rates to fluctuate between 5.25% and 11.25%.

** Shared risk program could cause future contribution rates to fluctuate between 4.50% and 10.50%

Employer Contributions:

The School District's contractually required PSERS contribution rate for the fiscal year ended June 30, 2021 was 34.51% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. This rate is composed of a 33.51% rate for the Pension Plan, a 0.82% rate for the Premium Assistance, and a 0.18% rate for Act 5 Defined Contribution.

The combined rate for the fiscal year ended June 30, 2021 was an increase from the fiscal year ended June 30, 2020 combined rate of 34.29%. The combined contribution rate will increase to 34.94% in fiscal year 2022 and is projected to grow to 38.17% by fiscal year 2028.

The School District remits contributions to PSERS on a quarterly basis. Approximately \$10.5 million is owed to PSERS as of June 30, 2021, 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, 2021 were as follows:

Pension Plan	\$ 26,674,523
Act 5 Defined Contribution	139,131
Premium Assistance	<u>652,734</u>
Total	<u>\$ 27,466,388</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 \$13.8 million during the current year. Because the Commonwealth payments are received as a

NORTH ALLEGHENY SCHOOL DISTRICT

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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 relates to PSERS' total one-year reported covered payroll. At June 30, 2020 (measurement date), the School District's proportion was 0.5445%, which was an increase of 0.0126% from its proportion measured as of June 30, 2019.

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, 2020 (measurement date), the School District's proportion was 0.5441%, which was an increase of 0.0122% from its proportion measured as of June 30, 2019.

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

At June 30, 2021, the School District reported a liability of \$268.106 million for its proportionate share of PSERS' net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by rolling forward PSERS' total pension liability as of June 30, 2019 to June 30, 2020.

For the year ended June 30, 2021, the School District recognized pension expense of \$30.932 million.

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between projected and actual earnings on pension plan investments	\$ 701,000	\$ 6,426,000
Changes in assumptions	-	-
Differences between expected and actual experience	11,783,000	-
Changes in proportion	7,729,000	-
School District contributions subsequent to the measurement date	26,674,523	-
Total	\$ 46,887,523	\$ 6,426,000

\$26,674,523 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Date Year Ending June 30,	Reporting Date Year Ending June 30,	Amortization Amount
2021	2022	\$ 2,687,000
2022	2023	2,608,000
2023	2024	4,992,000
2024	2025	3,500,000
	Total	\$ 13,787,000

Actuarial Assumptions

The actuarial valuation used for the June 30, 2020 measurement date contained the following methods and assumptions:

- Actuarial valuation date – June 30, 2019
- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 7.25%, includes inflation at 2.75%

NORTH ALLEGHENY SCHOOL DISTRICT

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- Salary growth – Effective average of 5.00%, comprised of 2.75% for inflation and 2.25% for real wage growth and merit or seniority increases
- Mortality rates were based on the RP-2014 Mortality Tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Experience study – July 1, 2010 through June 30, 2015

Changes in Assumptions

There were no changes in assumptions affecting the actuarial valuation used for the June 30, 2020 measurement date.

Changes in Benefit Terms

There were no changes in benefit terms affecting the actuarial valuation used for the June 30, 2020 measurement date.

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.

NORTH ALLEGHENY SCHOOL DISTRICT

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YEAR ENDED JUNE 30, 2021

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	15.0%	5.2%
Private equity	15.0%	7.2%
Fixed income	36.0%	1.1%
Commodities	8.0%	1.8%
Absolute return	10.0%	2.5%
Risk parity	8.0%	3.3%
Infrastructure/MLPs	6.0%	5.7%
Real estate	10.0%	5.5%
Cash	6.0%	-1.0%
Financing (LIBOR)	-14.0%	-0.7%
	<u>100%</u>	

For PSERS' year ended June 30, 2020, the annual money-weighted rate of return on the pension plan investments, net of pension plan investment expenses, was 1.12%.

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that 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 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.

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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 (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
School District's proportionate share of PSERS' net pension liability	\$ 331,704,000	\$ 268,106,000	\$ 214,230,000

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, 2021, the School District reported a net OPEB liability composed of the following:

School District's proportionate share of PSERS' net OPEB liability	\$ 11,756,000
School District's total OPEB liability for its retiree plan	<u>32,399,847</u>
Net OPEB liability	<u>\$ 44,155,847</u>

PSERS' net OPEB liability was measured as of June 30, 2020, 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, 2019 to June 30, 2020. The School District's retiree plan's total OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the retiree plan's total OPEB liability was determined by rolling forward the retiree plan's total OPEB liability as of June 30, 2020 to June 30, 2021.

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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For the year ended June 30, 2021, the School District recognized OPEB expense as follows:

OPEB expense related to PSERS		
Premium Assistance	\$	680,607
OPEB expense related to School District's retiree plan		2,596,320
		2,596,320
Total OPEB expense	\$	3,276,927

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

Deferred Outflows of Resources:	PSERS Premium Assistance	School District's Retiree Plan	Total Deferred Outflows of Resources
Differences between expected and actual experience	\$ 108,000	\$ -	\$ 108,000
Changes in assumptions	479,000	3,542,647	4,021,647
Net difference between projected and actual earnings on OPEB plan investments	20,000	-	20,000
Changes in proportion	504,000	-	504,000
School District contributions subsequent to the measurement date	652,734	1,264,146	1,916,880
Total	\$ 1,763,734	\$ 4,806,793	\$ 6,570,527

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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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	\$ -	\$ 2,684,752	\$ 2,684,752
Changes in assumptions	258,000	597,549	855,549
Net difference between projected and actual earnings on OPEB plan investments	-	-	-
Changes in proportion	-	-	-
Total	\$ 258,000	\$ 3,282,301	\$ 3,540,301

\$1,916,880 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	PSERS Premium Assistance	School District's Retiree Plan
2022	\$ 146,000	\$ (114,206)
2023	144,000	(114,206)
2024	141,000	(114,204)
2025	220,000	(217,860)
2026	130,000	350,656
Thereafter	72,000	470,166
Total	\$ 853,000	\$ 260,346

Additional Required Disclosures for PSERS Premium Assistance

Actuarial Assumptions

The actuarial valuation used for the June 30, 2020 measurement date contained the following methods and assumptions:

- Actuarial valuation date – June 30, 2019
- Actuarial cost method – Entry Age Normal – level % of pay

NORTH ALLEGHENY SCHOOL DISTRICT

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YEAR ENDED JUNE 30, 2021

- Investment return – 2.66% - S&P 20-year Municipal Bond Rate
- Salary increases – Effective average of 5.00%, comprised of 2.75% for inflation and 2.25% 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 the RP-2014 Mortality Tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale
- Experience study – July 1, 2010 through June 30, 2015
- 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 decreased from 2.79% to 2.66% for the actuarial valuation used for the June 30, 2020 measurement date.

Changes in Benefit Terms

There were no changes in benefit terms affecting the actuarial valuation used for the June 30, 2020 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.

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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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	50.3%	-1.0%
US core fixed income	46.5%	-0.1%
Non-US developed fixed	3.2%	-0.1%
	<u>100.0%</u>	

For PSERS' year ended June 30, 2020, the annual money-weighted rate of return on the Premium Assistance plan investments, net of plan investment expenses, was 1.97%.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.66%. 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 2.66%, which represents the S&P 20-year Municipal Bond Rate at June 30, 2020, was applied to all projected benefit payments to measure the total OPEB liability. The discount rate used to measure the Total OPEB liability decreased from 2.79% as of June 30, 2019 to 2.66% as of June 30, 2020.

NORTH ALLEGHENY SCHOOL DISTRICT

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

	<u>1% Decrease (1.66%)</u>	<u>Current Discount Rate (2.66%)</u>	<u>1% Increase (3.66%)</u>
School District's proportionate share of PSERS' net OPEB liability	<u>\$ 13,404,000</u>	<u>\$ 11,756,000</u>	<u>\$ 10,392,000</u>

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, 2020, retirees' Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. 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:

	<u>1% Decrease</u>	<u>Current Trend</u>	<u>1% Increase</u>
School District's proportionate share of PSERS' net OPEB liability	<u>\$ 11,755,000</u>	<u>\$ 11,756,000</u>	<u>\$ 11,758,000</u>

NORTH ALLEGHENY SCHOOL DISTRICT

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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.

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 until the employee reaches Medicare eligibility. The School District pays the premium for these benefits; however, the retiree must reimburse the School District as follows:

Premium Sharing: The member, spouse, and dependents each pay 13.5% of the premiums for medical, prescription drug, dental, and vision 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 Medicare eligibility 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.

NORTH ALLEGHENY SCHOOL DISTRICT

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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 10 years and member 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 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 a 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 until the member reaches Medicare eligibility. Upon the member reaching age 65, 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 drivers an individual life insurance policy of \$1,500 entirely at the School District's expense.

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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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:

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.

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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

Custodians and Maintenance Employees

Custodial and maintenance employees who retire from the School District after the age of 55 with at least 30 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 55 with at least 30 years of service with the School District, or if the member retires at or after age 60 with at least 25 years of service with the School District, the School District will contribute 50% of the individual cost of premiums for medical, prescription drug, dental, and vision for the member for the earlier of three years and member Medicare eligibility. The member must pay the remaining premiums. After three years, the member 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 by paying the full premium. At the point of retirement, any covered spouse or dependents are offered COBRA coverage as legally required.

These provisions sunset on June 30, 2021.

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, 2020, the date of the most recent actuarial valuation, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefit payments	1,208
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>963</u>
	<u><u>2,171</u></u>

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

Contributions

For the year ended June 30, 2021, the School District contributed \$769,000 and retirees contributed \$421,000 to the retiree plan.

Actuarial Assumptions

The total OPEB liability was determined as of June 30, 2020 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 coverages upon attainment of age 65.
- Mortality rates – separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation [based on the RP-2014 Mortality Tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale]

Changes in Assumptions

The discount rate decreased from 3.36% to 1.86%.

Changes in Benefits

Maintenance employees retiring after June 30, 2021 will no longer be eligible for subsidized benefits.

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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, 2021 were as follows:

Total OPEB liability, July 1, 2020	\$	27,450,327
Changes for the year:		
Service cost		1,911,649
Interest on the total OPEB liability		967,412
Changes of benefit terms		(168,535)
Differences between expected and actual experience		(443,419)
Changes of assumptions		3,734,575
Benefit payments		<u>(1,052,162)</u>
Total OPEB liability, June 30, 2021	\$	<u>32,399,847</u>

Discount Rate

The discount rate used to measure the June 30, 2021 total OPEB liability was 1.86%, based on S&P Municipal Bond 20-year high grade rate index at July 1, 2020.

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

	1% Decrease (0.86%)	Current Discount Rate (1.86%)	1% Increase (2.86%)
School District's total OPEB liability	<u>\$ 35,029,090</u>	<u>\$ 32,399,847</u>	<u>\$ 29,961,638</u>

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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:

	<u>1% Decrease</u>	<u>Current Trend</u>	<u>1% Increase</u>
School District's total OPEB liability	<u>\$ 28,856,155</u>	<u>\$ 32,399,847</u>	<u>\$ 36,614,882</u>

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.

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

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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, 2021 was \$860,756 for operations and \$336,921 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, 2020 is \$2,758,177 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, 2021, as well as interfund transfers for the year ended June 30, 2021, are summarized below:

	Interfund Receivable	Interfund Payable	Transfers In	Transfers Out
Major Fund:				
General Fund	\$ 1,075	\$ 3,150,000	\$ -	\$ 3,150,000
2019 Elementary Fund	-	1,075	-	-
Other governmental funds	3,150,000	-	3,150,000	-
Enterprise fund	-	-	-	-
Total	<u>\$ 3,151,075</u>	<u>\$ 3,151,075</u>	<u>\$ 3,150,000</u>	<u>\$ 3,150,000</u>

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.

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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. Leases and Commitments

The School District entered into various lease agreements for financing the acquisition of technology, computers, buses, and other vehicles. These leases qualify as capital leases. Payments under these capital leases were approximately \$2.9 million during the fiscal year.

In addition, the School District leases copiers under various operating lease agreements. Total payments made on these leases for the year ended June 30, 2021 were approximately \$375,000.

As of June 30, 2021, the School District has commitments of approximately \$429,000 related to construction contracts that are funded through General Obligation Bonds.

The following is a schedule of future minimum rental payments, under these leases, at June 30, 2021:

Fiscal Year Ending June 30,	Capital	Operating
2022	\$ 3,016,337	\$ 375,407
2023	2,165,056	375,407
2024	1,497,745	375,407
2025	766,952	368,867
2026	175,658	-
Total minimum lease payments	7,621,748	<u>\$ 1,495,088</u>
Less: amount representing interest	<u>(359,082)</u>	
Present value of future minimum lease payments	<u>\$ 7,262,666</u>	

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

13. 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.

2012 Swap

In December 2004, as a synthetic refunding of its Series D of 1997 Bonds, the School District received a payment of \$1,844,450, representing the present-value, risk-adjusted savings of a refunding as of May 1, 2008, 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, 2008, the option was exercised, and the School District current refunded the existing Series D of 1997 Bonds and issued the Series 2008 Bonds. The intention of the 2008 swap was to effectively change the School District's variable interest rate on the Series 2008 Bonds to a synthetic fixed rate of 5.00%. This rate was amended to 4.311% in October 2011, which terminated this previously effective hedge. A new derivative instrument (the "2012 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 (London Interbank Offered Rate) while paying a fixed rate of 4.311%. The interest payments are calculated based on a notional amount of \$18,100,000, which reduces beginning on May 1, 2019 so that the notional amount approximates the principal outstanding on the Series 2008 Bonds. The swap expired on May 1, 2021 consistent with the last principal payment on the Series 2008 Bonds.

2012A Swap

In December 2004, as a synthetic refunding of its Series A of 2001 Bonds, the School District received a payment of \$752,200, representing the present-value, risk-adjusted savings of a refunding as of November 1, 2011, without issuing refunding bonds. The swaption gave the

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

counterparty the option to make the School District enter into a pay-fixed, receive-variable interest rate swap.

On November 1, 2011, the option was exercised, and the School District current refunded the existing Series A of 2001 Bonds and issued the Series A 2011 Bonds. The intention of the 2011A swap was to effectively change the School District's variable interest rate on the Series A 2011 Bonds to a synthetic fixed rate of 4.76%. This rate was amended to 4.116% in October 2011, which terminated this previously ineffective hedge. A new derivative instrument (the "2012A Swap") was created, based upon the amended synthetic rate, and the 2012A Swap is considered to be an effective 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 4.116%. The interest payments are calculated based on a notional amount which reduces so that it approximates the principal outstanding on the Series A 2011 Bonds. The swap expires on November 1, 2021 consistent with the last principal payment on the Series A 2011 Bonds.

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.

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, and the 2012B Swap is considered to be an effective 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 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 expires on November 1, 2022 consistent with the last principal payment on the Series B 2011 Bonds.

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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

<u>Swap</u>	<u>Effective Hedge</u>	<u>June 30, 2020 Fair Value</u>	<u>Current year value change</u>	<u>June 30, 2021 Fair Value</u>
2012 swap	N/A	\$ (25,472)	\$ 25,472	\$ -
2012A swap	Yes	(169,454)	122,783	(46,671)
2012B swap	Yes	(430,085)	206,033	(224,052)
		<u>\$ (625,011)</u>	<u>\$ 354,288</u>	<u>\$ (270,723)</u>
2014 swap	No	<u>\$ (6,926,110)</u>	<u>\$ 1,891,632</u>	<u>\$ (5,034,478)</u>

As the 2012A and 2012B swaps are considered effective hedges, 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, 2021 for the swap values noted above. The swaps are valued using significant other observable inputs (Level 2 inputs).

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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, 2021, these borrowings had outstanding balances as detailed below:

Loan	Estimated borrowing rate	Balance of swap borrowing June 30, 2020	Additions	Repayments	Balance of swap borrowing June 30, 2021
Original loans:					
2012 swap	3.63%	\$ 33,282	\$ -	\$ (33,282)	\$ -
2012A swap	3.86%	94,919	-	(82,723)	12,196
2012B swap	4.02%	219,906	-	(98,100)	121,806
2014 swap	4.56%	2,009,062	-	(256,566)	1,752,496
New loans in 2012:					
2012 swap	4.31%	46,572	-	(46,572)	-
2012A swap	4.12%	220,096	-	(176,078)	44,018
2012B swap	4.47%	331,383	-	(147,281)	184,102
		<u>\$ 2,955,220</u>	<u>\$ -</u>	<u>\$ (840,602)</u>	<u>\$ 2,114,618</u>

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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

<u>Fiscal Year Ending June 30,</u>	<u>Total Principal</u>	<u>Total Interest</u>
2022	\$ 563,974	\$ 78,972
2023	347,554	63,288
2024	293,970	49,902
2025	307,612	36,260
2026	321,887	21,985
2027	279,621	6,939
	<u>\$ 2,114,618</u>	<u>\$ 257,346</u>

Interest Rate Swap

In November 2006, in an effort to reduce the overall yield on the School District's Series C of 2004 Bonds, the School District entered into an interest rate swap contract. Per the interest rate swap agreement, the School District was to receive interest at the variable rate of approximately 60% of 10 years USD-ISDA Swap Rate while paying a variable rate of 68% of one month LIBOR plus .30%. The interest payments are to be calculated based on an original notional amount of \$31,080,000, which has been decreasing since November 1, 2011, so that the notional amount approximates the principal outstanding on the related bonds (now the 2014A Bonds after the refunding discussed above). The swap was terminated as of year ended June 30, 2021, with the School District receiving a payment of approximately \$1.2 million.

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, 2021, the 2012A, 2012B, and 2014 swaps 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.

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

- 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 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.

NORTH ALLEGHENY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

14. 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, 2021.

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.

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, 2021

Revenues:	Budget		Actual
	Original	Final	
Local sources:			
Real estate taxes - current	\$ 116,525,619	\$ 116,525,619	\$ 115,588,295
Public utility realty tax	115,000	115,000	121,781
Payments in lieu of current taxes	1,500	1,500	1,495
Current per capita taxes	180,000	180,000	182,843
Current Act 511 taxes - flat rate assessment	180,000	180,000	182,843
Delinquent taxes - all levies	1,456,000	1,456,000	1,858,857
Current Act 511 tax - proportional assessment	14,720,000	14,720,000	17,035,546
Special Education - Grants to State	1,100,000	1,100,000	1,142,070
Tuition	-	-	78,016
Earnings from investments	100,000	100,000	1,191,038 ^{1,2}
Rental of facilities	125,000	125,000	4,878
Athletic revenues	-	-	175,620 ¹
Miscellaneous revenue	547,911	547,911	483,835 ²
Total local sources	135,051,030	135,051,030	138,047,117
State sources:			
Basic instructional subsidy	9,865,939	9,865,939	9,865,928
Special education	3,951,055	3,951,055	3,950,969
Transportation	2,200,000	2,200,000	2,207,541
Rental reimbursement	1,706,867	1,706,867	1,709,025
Medical, dental, and nurses services	160,000	160,000	164,488
State property tax reduction	2,222,560	2,222,560	2,222,560
Safe schools	25,000	25,000	56,510
Tuition for orphans and children placed in private homes	-	-	39,972
Social Security reimbursements	3,020,500	3,020,500	2,931,670
Retirement reimbursements	13,798,500	13,798,500	13,751,058
Ready to Learn block grant	581,758	581,758	616,758
Miscellaneous revenue	697,225	697,225	1,000
Total state sources	38,229,404	38,229,404	37,517,479
Federal sources:			
Title I - Grants to Local Educational Agencies	175,253	175,253	167,455
Title III - Language Instruction LEP/Immigrant Students	-	-	-
Title II - Improving Teacher Quality State Grants	102,879	102,879	101,938
Title IV - Student Support and Academic Enrichment Program	12,702	12,702	2,568
CARES/ESSER Funding	137,555	137,555	879,952
Medical assistance reimbursement	958,000	958,000	635,805
Total federal sources	1,386,389	1,386,389	1,787,718
Total revenues	174,666,823	174,666,823	177,352,314

(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, 2021

Expenditures:	Budget		Actual
	Original	Final	
Instruction:			
Regular programs	77,313,286	77,315,750	78,407,778 ^{2,3}
Special programs	23,903,779	23,903,779	22,683,968
Vocational education programs	1,197,722	1,197,722	1,197,677
Other instructional programs	77,446	77,446	56,601
Total instruction	102,492,233	102,494,697	102,346,024
Support services:			
Pupil personnel	5,841,954	5,841,954	6,085,166
Instructional staff	4,555,364	4,565,374	4,530,649
Administration	10,670,259	10,659,677	10,687,999
Pupil health	1,717,356	1,717,356	1,825,600
Business	2,019,211	2,019,211	1,861,064
Operation and maintenance of plant services	13,123,460	13,123,430	12,603,514
Student transportation services	9,556,689	9,556,689	9,405,223 ³
Central	5,730,348	5,731,706	5,867,251 ²
Other support services	164,000	164,000	167,831
Total support services	53,378,641	53,379,397	53,034,297
Operation of non-instructional services:			
Student activities	3,377,974	3,374,754	3,601,658 ¹
Community services	77,594	77,594	53,254
Total operation of non-instructional services	3,455,568	3,452,348	3,654,912
Facilities acquisition, construction, and improvement services			
	75,000	75,000	40,768
Debt service:			
Principal	11,898,324	11,898,324	11,898,317
Interest	6,944,551	6,944,551	6,792,711
Total debt service	18,842,875	18,842,875	18,691,028
Total expenditures	178,244,317	178,244,317	177,767,029
Excess (Deficiency) of Revenues Over Expenditures	(3,577,494)	(3,577,494)	(414,715)
Other Financing Sources (Uses):			
Transfer out	-	-	(3,150,000)
Proceeds from capital lease	-	-	2,449,484 ⁵
Proceeds from sale of assets	125,000	125,000	137,377
Refund of prior years receipts	(100,000)	(100,000)	(38,461)
Total other financing sources (uses)	25,000	25,000	(601,600)
Net Change in Fund Balance	(3,552,494)	(3,552,494)	(1,016,315)
Fund Balance:			
Beginning of year	19,650,198	19,650,198	22,332,432
End of year	\$ 16,097,704	\$ 16,097,704	\$ 21,316,117

(Concluded)

¹ Athletic Fund revenues and expenses were budgeted separately, but for financial reporting purposes are included in the General Fund. Actual expenses of \$274,843 are included in the above student activities expense line item.

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

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

Note: During the year ended June 30, 2021, 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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School District's proportion of PSERS' net pension liability	0.5445%	0.5319%	0.5266%	0.5111%	0.5094%	0.5047%	0.4874%
School District's proportionate share of PSERS' net pension liability	\$ 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	\$ 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	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	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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contributions recognized by PSERS	\$ 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	\$ 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	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

	2021	2020	2019	2018
School District's proportion of PSERS' net OPEB liability	0.5441%	0.5319%	0.5266%	0.5111%
School District's proportionate share of PSERS' net OPEB liability	\$ 11,756,000	\$ 11,313,000	\$ 10,979,000	\$ 10,413,000
School District's covered payroll	\$ 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	15.3945%	15.4215%	15.4812%	15.3036%
PSERS' plan fiduciary net position as a percentage of PSERS' total OPEB liability	5.6900%	5.5600%	5.5600%	5.7300%

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' PREMIUM ASSISTANCE

Last 10 Fiscal Years²

	2021	2020	2019	2018
Contributions recognized by PSERS	\$ 652,734	\$ 615,607	\$ 603,547	\$ 576,869
School District's covered payroll	\$ 78,654,472	\$ 76,296,940	\$ 73,362,014	\$ 70,919,914
Contributions as a percentage of covered payroll	0.8299%	0.8069%	0.8227%	0.8134%

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 TOTAL OPEB LIABILITY FOR ITS RETIREE PLAN

Last 10 Fiscal Years¹

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability:				
Service cost	\$ 1,911,649	\$ 1,882,019	\$ 2,023,863	\$ 1,916,659
Interest	967,412	833,733	956,101	715,472
Changes of benefit terms	(168,535)	-	(24,322)	-
Differences between actual and expected experience	(443,419)	-	(4,033,186)	-
Changes of assumptions	3,734,575	(836,569)	53,605	725,552
Benefit payments	<u>(1,052,162)</u>	<u>(1,144,371)</u>	<u>(1,708,603)</u>	<u>(1,585,810)</u>
Net Changes in Total OPEB Liability	4,949,520	734,812	(2,732,542)	1,771,873
Total OPEB Liability - Beginning	<u>27,450,327</u>	<u>26,715,515</u>	<u>29,448,057</u>	<u>27,676,184</u>
Total OPEB Liability - Ending	<u>\$ 32,399,847</u>	<u>\$ 27,450,327</u>	<u>\$ 26,715,515</u>	<u>\$ 29,448,057</u>
Covered Payroll	<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	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, 2021

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 capital leases are omitted from expenditures and omitted from proceeds from capital leases, (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.

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	6/30/2020	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	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Discount Rate	7.25%	7.25%	7.25%	7.25%	7.25%	7.50%	7.50%
Salary Increases	5.00%	5.00%	5.00%	5.00%	5.00%	5.50%	5.50%
Mortality	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	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	33.99%	33.51%	33.36%	32.60%	31.74%	29.20%	25.00%
School District Fiscal Year in Which Actuarially Calculated Contribution Rate Is Applied	6/30/2022	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, 2021

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	6/30/2020	6/30/2019	6/30/2018	6/30/2017
School District Fiscal Year In Which NOL is Recorded	6/30/2021	6/30/2020	6/30/2019	6/30/2018
Discount Rate	2.66%	2.79%	2.98%	3.13%
Salary Increases	5.00%	5.00%	5.00%	5.00%
Mortality	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
Actuarially Calculated Contribution Rate from Actuarial Date Shown Above	0.80%	0.82%	0.84%	0.83%
School District Fiscal Year in Which Actuarially Calculated Contribution Rate Is Applied	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, 2021

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	7/1/2020	7/1/2018	7/1/2018	7/1/2017
Measurement Date	7/1/2020	7/1/2019	7/1/2018	7/1/2017
School District Fiscal Year	6/30/2021	6/30/2020	6/30/2019	6/30/2018
Discount Rate	1.86%	3.36%	2.98%	3.13%
Salary Increases	3.50% - 6.25%	3.50% - 6.25%	3.50% - 6.25%	3.50% - 6.25%
Mortality	RP-2014, Scale MP-2015	RP-2014, Scale MP-2015	RP-2014, Scale MP-2015	RP-2014, Scale MP-2015
Assumed Healthcare Trend Rates	5.50%	5.50%	5.50%	6.00%
Changes in Benefits	Maintenance employees retiring after June 30, 2021 will no longer be eligible for subsidized benefits	No changes in the current year	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, 2021

	Capital Project Funds			Other Governmental Funds Total
Assets	Technology Fund	Construction Fund	Reserve Fund	
Cash and cash equivalents	\$ 1,631,817	\$ 57,624	\$ 1,166,552	\$ 2,855,993
Due from other funds	1,250,000	-	1,900,000	3,150,000
Total Assets	\$ 2,881,817	\$ 57,624	\$ 3,066,552	\$ 6,005,993
Liabilities and Fund Balance				
<u>Liabilities:</u>				
Accounts payable and other current liabilities	\$ 1,298	\$ 48,139	\$ -	\$ 49,437
Due to other funds	-	-	-	-
Total Liabilities	1,298	48,139	-	49,437
<u>Fund Balance:</u>				
Restricted	-	9,485	3,066,552	3,076,037
Assigned	2,880,519	-	-	2,880,519
Unassigned	-	-	-	-
Total Fund Balance	2,880,519	9,485	3,066,552	5,956,556
Total Liabilities and Fund Balance	\$ 2,881,817	\$ 57,624	\$ 3,066,552	\$ 6,005,993

NORTH ALLEGHENY SCHOOL DISTRICT

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

YEAR ENDED JUNE 30, 2021

	Capital Project Funds			Other Governmental Funds Total
	Technology Fund	Construction Fund	Capital Reserve Fund	
Revenues:				
Local sources	\$ 131,874	\$ 33	\$ 270	\$ 132,177
Expenditures:				
Current				
Instructional	100,812	-	-	100,812
Support services	165,815	6,140	358,808	530,763
Facilities acquisition, construction, and improvement services	43,922	148,689	195,512	388,123
Total expenditures	310,549	154,829	554,320	1,019,698
Excess (Deficiency) of Revenues Over Expenditures	(178,675)	(154,796)	(554,050)	(887,521)
Other Financing Sources (Uses):				
Transfers in (out)	1,250,000	-	1,900,000	3,150,000
Total other financing sources (uses)	1,250,000	-	1,900,000	3,150,000
Net Change in Fund Balance	1,071,325	(154,796)	1,345,950	2,262,479
Fund Balance:				
Beginning of year	1,809,194	164,281	1,720,602	3,694,077
End of year	<u>\$ 2,880,519</u>	<u>\$ 9,485</u>	<u>\$ 3,066,552</u>	<u>\$ 5,956,556</u>

NORTH ALLEGHENY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2021

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, 2020	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue at June 30, 2021	Expenditures to Subrecipients
U.S. Department of Agriculture									
Passed through the Pennsylvania Department of Education:									
School Breakfast Program	10.553	n/a	7/1/19-6/30/20	\$ 47,321	\$ 47,321	\$ -	\$ -	\$ -	\$ -
School Breakfast Program	10.553	n/a	7/1/20-6/30/21	160,966	-	216,970	216,970	56,004	-
Subtotal 10.553				208,287	47,321	216,970	216,970	56,004	-
National School Lunch Program	10.555	n/a	7/1/19-6/30/20	89,499	89,499	-	-	-	-
National School Lunch Program	10.555	n/a	7/1/20-6/30/21	815,910	-	1,286,466	1,286,466	470,556	-
Passed through the Pennsylvania Department of Agriculture:									
National School Lunch Program (Donated Commodities)	10.555	n/a	7/1/20-6/30/21	306,152	-	306,152	306,152	-	-
Subtotal 10.555				1,211,561	89,499	1,592,618	1,592,618	470,556	-
Total U.S. Department of Agriculture/Child Nutrition Cluster				1,419,848	136,820	1,809,588	1,809,588	526,560	-
U.S. Department of the Treasury									
Passed through the Pennsylvania Commission on Crime and Delinquency:									
COVID-19 CARES Act - COVID Relief Fund - School Safety and Security	21.019 CS	33738	3/13/20-10/31/20	429,830	-	429,830	429,830	-	-
Total U.S. Department of the Treasury				429,830	-	429,830	429,830	-	-
U.S. Department of Education									
Passed through the Pennsylvania Department of Education:									
Title I Grants to Local Educational Agencies	84.010	013-200285	8/1/19-9/30/20	22,708	10,190	12,518	12,518	-	-
Title I Grants to Local Educational Agencies	84.010	013-210285	8/1/20-9/30/21	117,300	-	154,937	154,937	37,637	-
Subtotal 84.010				140,008	10,190	167,455	167,455	37,637	-
Title II Supporting Effective Instruction State Grants	84.367	020-210285	8/1/20-9/30/21	96,194	-	101,937	101,937	5,743	-
Title IV Student Support and Academic Enrichment Program	84.424	144-200285	8/1/19-9/30/20	-	(1,004)	1,004	1,004	-	-
Title IV Student Support and Academic Enrichment Program	84.424	144-210285	8/1/20-9/30/21	5,927	-	1,563	1,563	(4,364)	-
Subtotal 84.424				5,927	(1,004)	2,567	2,567	(4,364)	-
COVID - 19 Education Stabilization Fund - Governor's Emergency Education Relief Fund	84.425 C	FA-252-20-0285	10/7/20-9/30/21	44,376	-	44,376	44,376	-	-
COVID - 19 Education Stabilization Fund - ESSER Fund	84.425 D	FA-200-20-0285	3/13/20-9/30/21	137,555	-	137,555	137,555	-	-
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	-	-	268,191	268,191	268,191	-
Subtotal 84.425				181,931	-	450,122	450,122	268,191	-
Passed through the Allegheny Intermediate Unit:									
Special Education - Grants to States/Special Education Cluster	84.027	n/a	7/1/20-6/30/21	1,129,843	460,693	1,136,834	1,136,834	467,684	-
Special Education - Preschool Grants/Special Education Cluster	84.173	n/a	7/1/20-6/30/21	10,940	5,704	5,236	5,236	-	-
Subtotal Special Education Cluster				1,140,783	466,397	1,142,070	1,142,070	467,684	-
English Language Acquisition State Grants	84.365	n/a	7/1/19-9/30/20	4,000	2,828	1,172	1,172	-	-
English Language Acquisition State Grants	84.365	n/a	7/1/20-9/30/21	2,994	-	5,689	5,689	2,695	-
English Language Acquisition State Grants	84.365	n/a	7/1/19-9/30/19	-	(14,911)	14,911	14,911	-	-
English Language Acquisition State Grants	84.365	n/a	7/1/20-9/30/21	5,000	-	5,000	5,000	-	-
Subtotal 84.365				11,994	(12,083)	26,772	26,772	2,695	-
Total U.S. Department of Education				1,576,837	463,500	1,890,923	1,890,923	777,586	-
Total Expenditures of Federal Awards				\$ 3,426,515	\$ 600,320	\$ 4,130,341	\$ 4,130,341	\$ 1,304,146	\$ -

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, 2021

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, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

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, 2021

**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), Pennsylvania, as of and for the year ended June 30, 2021, 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 10, 2021.

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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of 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 School District'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 School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maher Duessel

Pittsburgh, Pennsylvania
December 10, 2021

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

Board of Directors
North Allegheny School District

Report on Compliance for its Major Federal Program

We have audited North Allegheny School District's (School District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the School District's major federal program for the year ended June 30, 2021. The School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the School District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on its Major Federal Program

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 its major federal program for the year ended June 30, 2021.

Report on Internal Control over Compliance

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

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

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

Board of Directors
North Allegheny School District
Independent Auditor's Report on Compliance for its
Major Program and on Internal Control over Compliance

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.

Maher Duessel

Pittsburgh, Pennsylvania
December 10, 2021

NORTH ALLEGHENY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2021

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)

Name of Federal Program or Cluster

10.553 and 10.555

Child Nutrition 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, 2021

NO FINDINGS IN THE PRIOR YEAR.

NO UNRESOLVED FINDINGS FROM PAST AUDITS.