

**HATBORO-HORSHAM SCHOOL DISTRICT**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

*Year Ended June 30, 2020*

## **INTRODUCTORY SECTION**

# HATBORO-HORSHAM SCHOOL DISTRICT

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**HATBORO-HORSHAM SCHOOL DISTRICT**  
**Administration Building**  
**229 Meetinghouse Road**  
**Horsham, Pennsylvania 19044-2199**  
**215-420-5000**

**ORGANIZATION**

**BOARD OF SCHOOL DIRECTORS**

*Term Expires 2021*

Jennifer Wilson  
Marian McCouch  
Tara Conner-Hallston  
Eric E. Coombs  
James Greenhalgh

*Term Expires 2023*

David P. Brown  
Theresa E. Brown  
Susan E. Hunsinger-Hoff  
Denise J. Schultz

**OFFICERS**

Jennifer Wilson, President  
David P. Brown, Vice President  
Robert A. Reichert, Secretary (Non-Member)  
Marian McCouch, Treasurer

**SCHOOLS**

Hatboro-Horsham Senior High School  
Keith Valley Middle School  
Blair Mill Elementary School  
Crooked Billet- Hallowell Learning Center  
Pennypack Elementary School  
Simmons Elementary School

***Transmittal Letter***

To the Board of School Directors  
Hatboro-Horsham School District  
Administration Building  
229 Meetinghouse Road  
Horsham, PA 19044-2199

To the Members of the Board:

We have performed the single audit of the Hatboro-Horsham School District for the fiscal year ended June 30, 2020, and have enclosed the single audit package.

The single audit was done to fulfill the requirements of the Uniform Guidance. It entailed:

1. An audit of the financial statements and additional information and our opinion thereon;
2. A review of compliance and internal control over financial reporting based on an audit of the financial statements in accordance with *Government Auditing Standards*; and
3. An audit of compliance with requirements applicable to each major program and internal control over compliance in accordance with the Uniform Guidance and our opinion thereon.



Limerick, Pennsylvania  
January 14, 2021

# HATBORO-HORSHAM SCHOOL DISTRICT

## LIST OF REPORT DISTRIBUTION

YEAR ENDED JUNE 30, 2020

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|   | <b>Quantity</b> |
|---|-----------------|
| Office of the Prothonotary<br>Montgomery County Court House<br>Norristown, PA 19404 | 1               |
| Intermediate Unit #23<br>2 West Lafayette Street<br>Norristown, PA 19401            | 1               |



## **FINANCIAL SECTION**

## ***Independent Auditors' Report***

To the Board of School Directors  
Hatboro-Horsham School District  
Horsham, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Hatboro-Horsham School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Hatboro-Horsham 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.

### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

To the Board of School Directors  
Hatboro-Horsham School District  
Horsham, Pennsylvania

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Hatboro-Horsham School District as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

For the year ended June 30, 2020, Hatboro-Horsham School District adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

As discussed in Note N, the spread of the COVID-19 coronavirus is affecting the United States and global economies and may have an impact on the Hatboro-Horsham School District's operational and financial performance. At this point, the Hatboro-Horsham School District cannot reasonably estimate the impact on its operations or financial results. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 10 through 21, budgetary comparison information on pages 71 and 72, schedule of the school district's proportionate share of the PSERS net pension liability on page 73, schedule of the school district's PSERS pension contributions on page 74, schedule of the school district's proportionate share of the PSERS net other postemployment benefit plan liability on page 75, schedule of the school district's PSERS other postemployment benefit plan contributions on page 76 and schedule of changes in the total other postemployment benefit plan liability and related ratios on page 77 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Board of School Directors  
Hatboro-Horsham School District  
Horsham, Pennsylvania

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hatboro-Horsham School District's basic financial statements. The supplementary information listed in the table of contents and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information and 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and schedule of expenditures of federal and state awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2021, on our consideration of Hatboro-Horsham School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Hatboro-Horsham School District's internal control over financial reporting and compliance.



Limerick, Pennsylvania  
January 14, 2021

# **HATBORO-HORSHAM SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

### **YEAR ENDED JUNE 30, 2020**

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This section of the Hatboro-Horsham School District's annual financial report presents its discussion and analysis of the School District's financial performance during the fiscal year ending June 30, 2020. Please read it in conjunction with the notes to the financial statements and the financial statements to enhance the understanding of the School District's financial performance.

The management's discussion and analysis (MD&A) 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*, issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

### **SCHOOL DISTRICT HIGHLIGHTS**

Educators in the Hatboro-Horsham School District provide students with a comprehensive, integrated, academic program that engages learners in meaningful instructional experiences. All of our K-12 resources and instruction have been updated to align to the PA core standards. Effective, evidence-based practices support students to become independent communicators, discriminating problem solvers, and reflective critical thinkers. Commendable scholastic achievement and growth continue to be reflected in our District's standardized state assessment scores. In 2019 our students' performance surpassed the state average on the Pennsylvania System of School Assessment (PSSA). Our secondary students' scores for the SAT, Advanced Placement Exams, and the Keystone Exams are also consistently proficient.

The large majority of our district's programs and initiatives focus on our Comprehensive Plan which will be implemented through 2021. Specific, student-based data sources and targets were reviewed when developing our action steps. The resulting plan offers a roadmap for continuous improvement of educational practices, student growth, and academic achievement. It also satisfies current state mandates and requirements, and contains research-based strategies for the purpose of meeting district identified goals.

Our first goal is to develop a system within the district that fully ensures implementation of deeper learning-focused through standards-aligned curricula, performance-based assessments, and related instructional practices across all schools for all students. Deeper learning is an umbrella term for the skills and knowledge that students must possess to succeed in 21st century jobs and civic life. At its heart is a set of competencies students must master in order to develop a keen understanding of academic content and apply their knowledge to problems in the classroom and on the job. The foundation of deeper learning is mastery of core academic content, whether in traditional subjects such as mathematics or in interdisciplinary fields which merge several key fields of study. Students are expected to be active participants in their education. Ideally, they are immersed in a challenging curriculum that requires them to seek out and acquire new knowledge, apply what they have learned, and build upon that to create new knowledge.

The second goal is to examine district practices and structures focusing on equity, diversity, and inclusion to enhance alignment with the whole child tenets to ensure that each student is healthy, safe, engaged, supported, and challenged. This equity driven mission motivates us to engage in meaningful programming that supports our district's efforts toward continuous improvement in eliminating those pervasive preparation, opportunity, and achievement gaps most often defined by race/ethnicity and socioeconomic status. These topics include but are not limited to: a) diversity/cultural proficiency training, b) new teacher induction and mentoring, 3) literacy and 4) differentiated instruction.

**HATBORO-HORSHAM SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2020

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In the Hatboro-Horsham School District, our vision is that every school will be a school in which all children will grow and thrive in order to reach their full potential and become contributing members of the communities which they enter upon leaving our district. In order to accomplish this vision we must ensure that each of our schools is a place where our students are able to and expected to learn. That

means also ensuring that we have the right systems in place to expect and support positive behavior in every student. We believe the school community, including students, parents, teachers, administration, and the governing body, must work together to provide a safe supportive environment that promotes teaching and learning.

Teachers in Hatboro-Horsham schools implement formative assessment strategies in all instructional areas and are engaged in work related to diversity, equity, and inclusive practices. In addition to these topics, teachers across all grade levels are engaged in training related to key changes that will create positive and progressive learning experiences for our community. Every student was involved in remote learning in the spring of 2020 and were issued a personal computing device. This virtual platform fostered student independence, built responsibility and promoted self-directed, inquiry-based learning where students asked compelling, answerable questions; and then utilized skills to locate, evaluate, synthesize, and communicate after acquiring new information.

As a District, we are engaged in various service learning events to build community relationships and personal development. From collecting items for organizations which support the less fortunate to visiting elderly residents in our neighborhoods, students from the Hatboro-Horsham School District enjoy wonderful opportunities to touch the lives of others. In recent years, students from Hatboro-Horsham have participated in Habitat for Humanity, Relay for Life events for the American Cancer Society, Autism Awareness lessons and activities, as well as working collaboratively with local organizations including Hat Packs, to learn about their respective roles in our community and how children can join in on these worthwhile efforts. Our service learning extends beyond the vicinity lines, but reaches well into the Philadelphia area and beyond. We find "synergy" when we work collaboratively and collectively to impact the lives of the community in which we live.

## **FINANCIAL HIGHLIGHTS**

The School District's budget is prepared according to Pennsylvania law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The School District uses site based budgeting, and the budgeting system is designed to tightly control total site budgets but provide flexibility for site management. Extensive internal control mechanisms and various checks and balance procedures are in place, and reviewed regularly, to prevent any form of fraud, waste and/or abuse of School District funds and resource.

For the General Fund, the real estate tax collection rate was 98.0%, which was above the budgeted collection rate of 96.5%. Actual revenue totals were over budget by \$361,909, primarily as a result of Real Estate, Delinquent, Transfer and Earned Income Tax and Earnings on Investment revenues exceeding budgetary estimates. Additional state funding received during the fiscal year for extraordinary special education costs and retroactive Rental and Sinking Fund subsidies also contributed to this total. As a means to help mitigate significant annual increases in employer pension plan contributions, the Board of School Directors maintains a Pension Stabilization Fund which will be used to help offset or reduce the annual General Fund budget increases in this area.

**HATBORO-HORSHAM SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2020

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Actual realized expenditure totals were lower than anticipated due to continued aggressive cost containment practices that are annually implemented to control and limit actual costs. Actual salary costs were significantly lower than anticipated due to the fact that several positions budgeted for were not filled, extra pay totals were less than projected and a number of employees taking child rearing leave of absences contributed to the savings. Actual benefit costs were also lower than projected in health insurance, workers compensation, and life insurance. Savings were realized in the facilities area due to continued aggressive energy savings initiatives. Reductions in special education placement costs and savings in the business services areas of the budget, and conservative spending strategies at the building level also contributed to these savings. The District also realized some limited cost savings in areas such as fuel, select contracted services, supplies, utilities, security, travel, etc., due to COVID-19 related program changes (i.e. remote learning) as well as some increases in costs in areas such as unemployment, cleaning/disinfecting supplies, technology and charter school tuition.

Total actual expenditures were \$106,396,098. Revenues exceeded expenditures by \$1,221,648. Expenditures included a transfer of \$3,500,000 to the Capital Reserve Fund for future capital needs and a transfer of \$800,000 to the Debt Service Fund for future debt service expenditures.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The accompanying financial statements have been prepared in accordance with GASB Statement No. 34 and present both government-wide and fund level financial statements using both the accrual and modified accrual basis of accounting, respectively.

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School District:

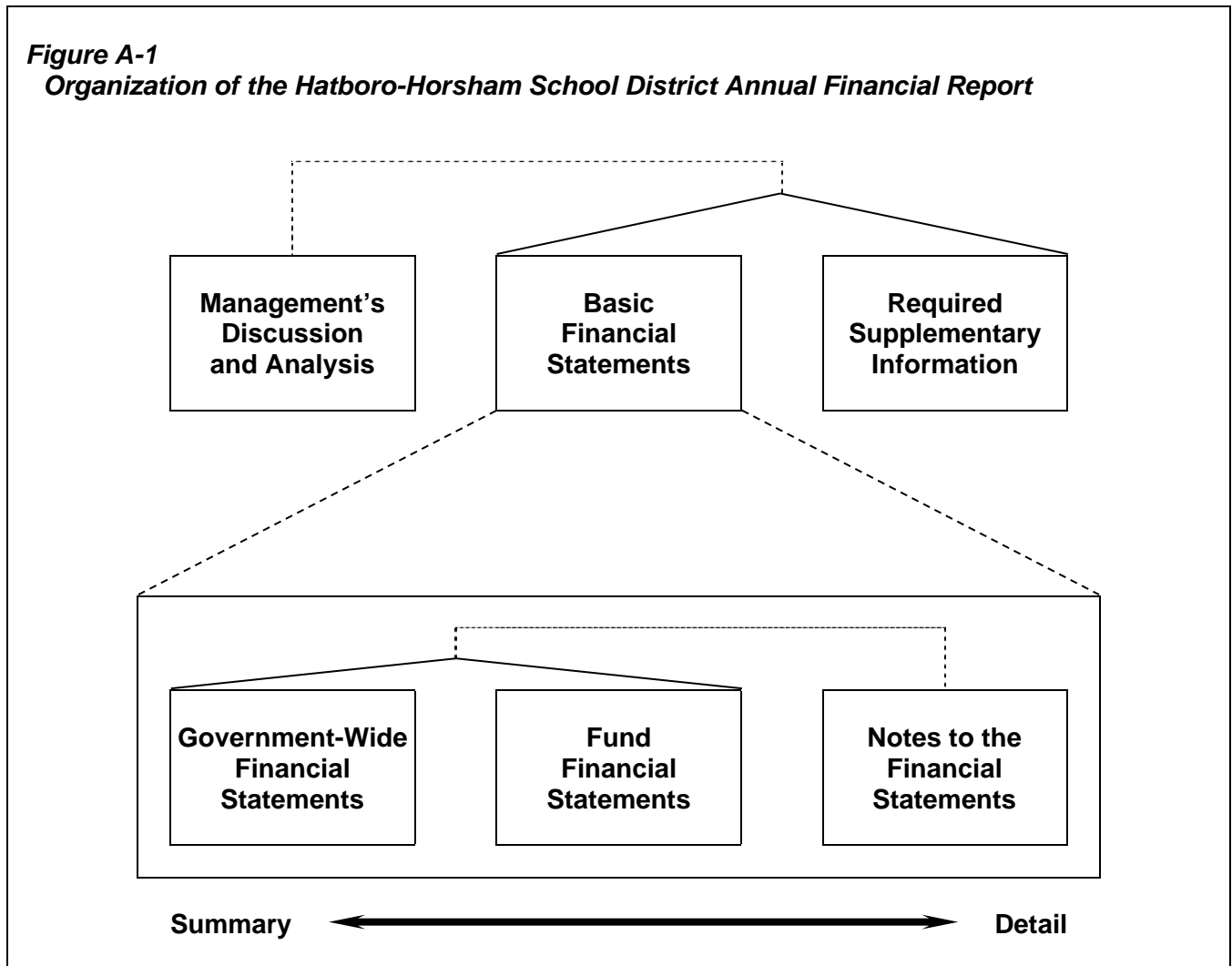
- The first two statements are government-wide financial statements that provide both short-term and long-term information about the School District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School District, reporting the School District's operations in more detail than the government-wide statements.
  - ✓ The Governmental Funds statements tell how basic services such as regular and special education were financed in the short term, as well as what remains for future spending.
  - ✓ Proprietary Funds statements offer short-term and long-term financial information about the activities the School District operates like businesses, such as food services and child care services.
  - ✓ Fiduciary Funds statements provide information about the financial relationships in which the School District acts solely as a trustee or agent for the benefit of others.

**HATBORO-HORSHAM SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2020

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The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School District's budget for the year.

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.





**HATBORO-HORSHAM SCHOOL DISTRICT**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2020**

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

| <b>Figure A-2<br/>Major Features of the Government-Wide and Fund Financial Statements</b> |  |   |   |  |
|---|--|---|---|--|
|   | Government-Wide Statements   | Fund Financial Statements   |   |  |
|   |  | Governmental Funds  | Proprietary Fund  | Fiduciary Funds  |
| Scope   | Entire School District (except Fiduciary Funds)  | The activities of the School District that are not proprietary or fiduciary, such as special education and building maintenance   | Activities the School District operates similar to private businesses: food services and community education  | Instances in which the School District administers resources on behalf of someone else, such as scholarship programs and student activities monies |
| Required financial statements   | <ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul> | <ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>                                     | <ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in net position</li> <li>• Statement of cash flows</li> </ul> | <ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>  |
| Accounting basis and measurement focus  | Accrual accounting and economic resources focus  | Modified accrual accounting and current financial focus   | Accrual accounting and economic resources focus   | Accrual accounting and economic resources focus  |
| Type of asset/liability information   | All assets and liabilities, both financial and capital, short-term and long-term                                 | Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included                    | All assets and liabilities, both financial and capital, and short-term and long-term  | All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can                        |
| Type of inflow/outflow information  | All revenues and expenses during the year, regardless of when cash is received or paid                           | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable | All revenues and expenses during the year, regardless of when cash is received or paid  | All additions and deductions during the year, regardless of when cash is received or paid  |

**HATBORO-HORSHAM SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2020

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**Government-Wide Statements**

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

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

- Over time, increases or decreases in the School District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the School District's overall health, you need to consider additional nonfinancial factors such as changes in the School District's property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, the School District's activities are divided into two categories:

- **Governmental Activities:** Most of the School District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.
- **Business-Type Activities:** The School District charges fees to help it cover the costs of certain services it provides. The School District's food service program and child care program are included here.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the School District's funds, focusing on its most significant or "major" funds--not the School District as a whole. Funds are accounting devices the School District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The School District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

**HATBORO-HORSHAM SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2020

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The School District has three kinds of funds:

- **Governmental Funds:** Most of the School District's basic services are included in Governmental Funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the Governmental Funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long term focus of the government-wide statements, additional information following the Governmental Funds statements explains the relationship (or differences) between them.
- **Proprietary Funds:** Services for which the School District charges a fee are generally reported in the Proprietary Funds. The Proprietary Funds are reported in the same way as the government-wide statements. The School District's Enterprise Funds (one type of Proprietary Fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows.
- **Fiduciary Funds:** The School District is the trustee, or fiduciary, for assets that belong to others, such as the Student Activities Funds. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE**

- Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$15.5 million or 13.9% of total revenues, and general revenues accounted for \$96.1 million or 86.1%.
- Governmental activities expenditures totaled \$103.6 million, of which \$64.0 million was spent on instructional services, \$34.7 million was spent on support services, \$1.4 million was spent on non-instructional programs, \$.6 million on facilities improvement and construction, \$2.2 million was used for interest payments on long-term debt and \$0.7 million on refund of prior year revenues. Business-type activity expenditures totaled \$3.6 million.

**HATBORO-HORSHAM SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2020**

The analysis below focuses on net position (Figure A-3) and changes in net position (Figure A-4) of the School District's governmental and business-type activities.

**Figure A-3**  
**Comparative Summary of Net Position (In Millions of Dollars)**  
**June 30, 2020 and 2019**

|                                  | Governmental<br>Activities |                  | Business-Type<br>Activities |                 | Total<br>School District |                  |
|----------------------------------|----------------------------|------------------|-----------------------------|-----------------|--------------------------|------------------|
|                                  | 2020                       | 2019             | 2020                        | 2019            | 2020                     | 2019             |
| Current and other assets         | \$ 68.6                    | \$ 80.5          | \$ 0.8                      | \$ 1.8          | \$ 69.4                  | \$ 82.3          |
| Capital assets, net              | 104.3                      | 89.8             | 0.1                         | 0.1             | 104.4                    | 89.9             |
| <b>TOTAL ASSETS</b>              | <b>172.9</b>               | <b>170.3</b>     | <b>0.9</b>                  | <b>1.9</b>      | <b>173.8</b>             | <b>172.2</b>     |
| Deferred outflows of resources   | 21.1                       | 23.6             | 0.7                         | 0.8             | 21.8                     | 24.4             |
| Long-term debt outstanding       | 238.8                      | 246.6            | 5.7                         | 5.8             | 244.5                    | 252.4            |
| Other liabilities                | 17.5                       | 17.8             | 0.1                         | 0.5             | 17.6                     | 18.3             |
| <b>TOTAL LIABILITIES</b>         | <b>256.3</b>               | <b>264.4</b>     | <b>5.8</b>                  | <b>6.3</b>      | <b>262.1</b>             | <b>270.7</b>     |
| Deferred inflows of resources    | 7.8                        | 4.7              | 0.3                         | 0.2             | 8.1                      | 4.9              |
| Net position                     |                            |                  |                             |                 |                          |                  |
| Net investment in capital assets | 39.9                       | 37.8             | -                           | 0.1             | 39.9                     | 37.9             |
| Restricted                       | 16.3                       | 16               | -                           | -               | 16.3                     | 15.9             |
| Unrestricted                     | (126.3)                    | (128.9)          | (4.5)                       | (3.9)           | (130.8)                  | (132.8)          |
| <b>TOTAL NET POSITION</b>        | <b>\$ (70.1)</b>           | <b>\$ (75.2)</b> | <b>\$ (4.5)</b>             | <b>\$ (3.8)</b> | <b>\$ (74.6)</b>         | <b>\$ (79.0)</b> |

**Figure A-4**  
**Comparative Schedule of Changes in Net Position (In Millions of Dollars)**  
**Years Ended June 30, 2020 and 2019**

|  | Governmental<br>Activities |               | Business-Type<br>Activities |                 | Total<br>School District |               |
|--|----------------------------|---------------|-----------------------------|-----------------|--------------------------|---------------|
|  | 2020                       | 2019          | 2020                        | 2019            | 2020                     | 2019          |
| <b>REVENUES</b>  |                            |               |                             |                 |                          |               |
| Program revenues   | \$ 12.5                    | \$ 13.7       | \$ 3.0                      | \$ 4.4          | \$ 15.5                  | \$ 18.1       |
| General revenues   | 96.1                       | 92.6          | -                           | -               | 96.1                     | 92.6          |
| <b>TOTAL REVENUES</b>  | <b>108.6</b>               | <b>106.3</b>  | <b>3.0</b>                  | <b>4.4</b>      | <b>111.6</b>             | <b>110.7</b>  |
| <b>EXPENSES</b>  |                            |               |                             |                 |                          |               |
| Instruction  | 64.0                       | 61.6          | -                           | -               | 64.0                     | 61.6          |
| Support services   | 34.7                       | 36.3          | -                           | -               | 34.7                     | 36.3          |
| Operation of non-instructional<br>services                       | 1.4                        | 1.6           | -                           | -               | 1.4                      | 1.6           |
| Facilities acquisition, construction and<br>improvement services | 0.6                        | 0.4           | -                           | -               | 0.6                      | 0             |
| Interest on long-term debt                                       | 2.2                        | 2.1           | -                           | -               | 2.2                      | 2.1           |
| Refund of prior year revenues                                    | 0.7                        | 0.4           | -                           | -               | 0.7                      | 0             |
| Food service, childcare  | -                          | -             | 3.6                         | 4.7             | 3.6                      | 4.7           |
| <b>TOTAL EXPENSES</b>  | <b>103.6</b>               | <b>102.4</b>  | <b>3.6</b>                  | <b>4.7</b>      | <b>107.2</b>             | <b>107.1</b>  |
| <b>CHANGE IN NET<br/>POSITION</b>                                | <b>\$ 5.0</b>              | <b>\$ 3.9</b> | <b>\$ (0.6)</b>             | <b>\$ (0.3)</b> | <b>\$ 4.4</b>            | <b>\$ 3.6</b> |

**HATBORO-HORSHAM SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2020

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**Governmental Activities**

Governmental activities consist of the General Fund, Capital Reserve Fund, Construction Fund, Debt Service Fund and other Bond Funds.

**Business-Type Activities**

Business-type activities include the Child Care and Food Service programs. These programs had revenues of \$3,022,632 and expenses of \$3,655,305. The Food Service program is designed to operate at a break-even point so that the cost for the services offered will benefit the School District residents. The Child Care program, which consists of a 4-year old Pre-K program, summer camp and before and after school care is designed to provide residents with reasonably priced child care service programs while generating revenues to offset General Fund expenditures. Business-type activities received no support from tax revenues. The Before and After School Programs in the Child Care program were closed due to COVID, but through a state mandate, employees were paid during the COVID shutdown, March 13, 2020 through June, 2020 and as a result ran a deficit which was absorbed by the General Fund. The Child Care Programs provided services to over 1,100 students in the District including 100 PRE-K students who received instruction virtually during COVID building closures.

The Food Service program provided over 1,880 lunches and 410 breakfast meals per day prior to COVID building closures and during the building closures were able to continue to provide over 370 lunches and 275 breakfasts through the School Lunch program available during COVID closures, as well as additional catering for the School District's meetings and gatherings prior to COVID. Food Service receives both federal and state subsidies. It also receives some government commodities on a routine basis. The majority of revenue comes from students and other users of its services.

**General Fund Budgetary Highlights**

In March of 2020, the District began to realize the educational and financial impacts of COVID-19 as it moved to a remote learning model for the remainder of the school year. This was uncharted territory with limited history of how the School District revenues and expenditures would be affected. Although we did realize some limited cost savings during this period in areas such as fuel, select contracted services, supplies, utilities, security, travel, etc., approximately 85% of our budget was allocated for what would be considered on-going fixed costs. This would include salary and benefit costs for teachers, assistants, administrator and select support personnel, debt service, copier and technology leases, tuition to private and charter schools, property and liability insurance, etc. In addition, some of the savings we realized on the expense side of the budget as noted was offset by increases in areas such as charter school tuition, unemployment, cleaning and disinfecting supplies, technology equipment and software, etc.

On the revenue side of the budget, local, state and federal revenue sources remained relatively stable with the exception of investment earnings that were negatively affected by lower interest rates and before and after care program revenues which were reduced due to the shutdown of the program. Student activity, rental/contributions, and other miscellaneous revenues which make up only a small portion of local revenues were also negatively affected by the shutdown.

**HATBORO-HORSHAM SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2020

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The School District budgeted a significant amount of dollars for salary and health benefit costs and special education contracted services. These costs were actually lower than expected. The School District is self-insured for dental, workers' compensation, unemployment insurance, medical, and prescription drug costs. Fortunately, aggressive cost containment programs have enabled the School District to realize actual expenditures that were lower than projected and budgeted. Special education costs can fluctuate significantly on an annual basis and are dependent upon the type of student enrolled in the School District each year. Enrollment and/or withdrawal of severely handicapped students can cause this expenditure to fluctuate. Utility costs have also continued to fluctuate over the past 12 months, but the District has been able to effectively manage those fluctuations by locking into various fixed price contracts and

implementing an aggressive energy saving policy and energy saving practices. While the School District does prepare a budget with a modest reserve each year for unexpected emergencies, this expenditure is dependent upon actual experience during the fiscal year.

Expenditures increased in certain areas of the budget during the last quarter of the fiscal year which were directly related to COVID-19. These areas included supplies and cleaning/disinfecting equipment (PPE), technology related equipment and software for remote learning, professional development, additional personnel costs, and meeting/communication platforms and services. In large part, these costs were offset by federal grant funding that the district is expected to receive.

Transfers between specific categories of expenditures/financing uses and budget supplements for additional program awards are processed during the fiscal year as approved by the Board of School Directors (the "Board").

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The Hatboro-Horsham School District needs to comply with GASB Statement No. 34, which requires that the School District maintain records regarding the cost of capital/fixed assets. For the Hatboro-Horsham School District, capital/fixed assets include land, buildings, furniture and equipment, vehicles and other items that meet the following criteria:

- The individual asset must have a useful life of greater than one year.
- The individual asset cost is equal to or greater than \$4,000 or was purchased with debt proceeds.

In addition to maintaining records on capital/fixed assets for financial statement purposes, the School District will also maintain records for inventory control and depreciation purposes. Individual items costing less than \$4,000 will be expensed within the period purchased.

In addition to maintaining the fixed asset records, the School District will conduct a physical inventory of assets on a regular basis in order to update and maintain a correct listing of assets.

**HATBORO-HORSHAM SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2020**

Hatboro-Horsham School District's investment in capital assets for its governmental and business-type activities as of June 30, 2020, totals \$104,350,134 (net of accumulated depreciation). The School District's investment in capital assets include construction in progress, land, site improvements, buildings and machinery and equipment (see Figure A-5). Total capital assets are \$14,501,886 higher than fiscal year end June 30, 2019 totals (net of accumulated depreciation). Governmental Activities accumulated depreciation totals incurred depreciation expense of \$4,228,195, with a net decrease of total accumulated depreciation of \$5,155,053 from the June 30, 2019 balance. Outstanding long-term debt obligations decreased by a net of \$3,480,000. The decrease is the result of a refinancing of the 2015 Series Bond Issue and the principal payments made on outstanding debt. As of the close of the 2019-20 School Year, the Crooked Billet Elementary School renovation is nearing completion and will be operational for students at the start of the 2020-21 School Year. Students from Crooked Billet had been relocated to the Hallowell Elementary School, which had been renamed for the two years of the renovation project as the Crooked Billet - Hallowell Learning Community. Effective September 2020, all students residing in the Hatboro sending area which includes most students attending Pennypack Elementary School and all students in the Crooked Billet sending area will attend Crooked Billet Elementary School. Effective June 2020, the Pennypack Elementary School was closed.

**Figure A-5**  
**Capital Assets (Net of Accumulated Depreciation) (In Millions of Dollars)**  
**Years Ended June 30, 2020 and 2019**

|                          | Governmental<br>Activities |                | Business-Type<br>Activities |               | Total<br>School District |                |
|--------------------------|----------------------------|----------------|-----------------------------|---------------|--------------------------|----------------|
|                          | 2020                       | 2019           | 2020                        | 2019          | 2020                     | 2019           |
| Construction in progress | \$ 38.0                    | \$ 22.0        | \$ -                        | \$ -          | \$ 38.0                  | \$ 22.0        |
| Land                     | 0.3                        | 0.3            | -                           | -             | 0.3                      | 0.3            |
| Site improvements        | 2.1                        | 2.2            | -                           | -             | 2.1                      | 2.2            |
| Buildings                | 58.5                       | 60.5           | -                           | -             | 58.5                     | 60.5           |
| Machinery and equipment  | 5.4                        | 4.8            | 0.1                         | 0.1           | 5.5                      | 4.9            |
| <b>TOTAL</b>             | <b>\$ 104.3</b>            | <b>\$ 89.8</b> | <b>\$ 0.1</b>               | <b>\$ 0.1</b> | <b>\$ 104.4</b>          | <b>\$ 89.9</b> |

**HATBORO-HORSHAM SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2020**

**Long-Term Debt**

At year-end June 30, 2020, the School District had \$64,265,000 in outstanding debt for governmental activities compared to \$67,745,000 for fiscal year-end June 30, 2019. Of the total debt, \$3,520,000 is due within one year. There is no debt for business-type activities.

**Figure A-6**  
**Outstanding Long-Term Debt (In Millions of Dollars)**  
**Years Ended June 30, 2020 and 2019**

|                                   | Total<br>School District |                | Total<br>Percentage<br>Change |
|-----------------------------------|--------------------------|----------------|-------------------------------|
|                                   | <u>2020</u>              | <u>2019</u>    | <u>2020-2019</u>              |
| General Obligation Bonds and Note | \$ <u>64.3</u>           | \$ <u>67.7</u> | <u>-5.0%</u>                  |

**FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the School District was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The restrictive provisions of Act 1 will continue to limit the District's ability to raise taxes in order to meet budgetary requirements. This will have a negative impact on Hatboro-Horsham School District's current programs and future financial position.
- Special Education costs that significantly exceed Act 1 Index limits and annual state subsidy increases for Special Education will also put financial pressures on the School District in the future.
- Future building renovation needs will put an added burden on District financial reserves and debt service obligations. However, the District has a financial plan in place to effectively manage the financial impact.
- The uncertainties and financial impact surrounding COVID-19 will make future budgeting extremely challenging. Future impact on local, state and federal revenue sources could be significant.
- Recruiting and retaining qualified staff including professional, support, and substitute personnel will create significant challenges in the near term.
- Changing demographics have created additional educational programming challenges.

**CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the School District's citizens, taxpayers, customers and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director of Business Affairs.



# HATBORO-HORSHAM SCHOOL DISTRICT

## STATEMENT OF NET POSITION

JUNE 30, 2020

|   | Governmental<br>Activities | Business-Type<br>Activities | Totals                 |
|---|----------------------------|-----------------------------|------------------------|
| <b>ASSETS</b>   |                            |                             |                        |
| Cash and cash equivalents                               | \$ 30,013,356              | \$ 819,529                  | \$ 30,832,885          |
| Investments   | 31,334,396                 | -                           | 31,334,396             |
| Taxes receivable, net                                   | 1,440,170                  | -                           | 1,440,170              |
| Internal balances                                       | 131,523                    | (131,523)                   | -                      |
| Due from other governments                              | 5,065,189                  | 45,235                      | 5,110,424              |
| Other receivables, net                                  | 642,432                    | 2,465                       | 644,897                |
| Inventories   | -                          | 60,936                      | 60,936                 |
| Other assets  | -                          | 46,032                      | 46,032                 |
| Capital assets  |                            |                             |                        |
| Land  | 313,620                    | -                           | 313,620                |
| Site improvements                                       | 4,765,388                  | -                           | 4,765,388              |
| Buildings and building improvements                     | 110,244,449                | -                           | 110,244,449            |
| Machinery and equipment                                 | 19,056,650                 | 760,277                     | 19,816,927             |
| Construction in progress                                | 38,019,801                 | -                           | 38,019,801             |
| Accumulated depreciation                                | (68,097,875)               | (712,176)                   | (68,810,051)           |
| <b>TOTAL ASSETS</b>                                     | <b>172,929,099</b>         | <b>890,775</b>              | <b>173,819,874</b>     |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                   |                            |                             |                        |
| Deferred outflows of resources, pension activity        | 19,780,000                 | 646,000                     | 20,426,000             |
| Deferred outflows of resources, OPEB activity           | 1,098,477                  | 38,000                      | 1,136,477              |
| Deferred charge on refunding                            | 263,415                    | -                           | 263,415                |
| <b>TOTAL DEFERRED OUTFLOWS<br/>        OF RESOURCES</b> | <b>21,141,892</b>          | <b>684,000</b>              | <b>21,825,892</b>      |
| <b>LIABILITIES</b>                                      |                            |                             |                        |
| Accounts payable  | 4,797,923                  | 16,262                      | 4,814,185              |
| Accrued salaries and benefits                           | 11,755,324                 | 17,990                      | 11,773,314             |
| Unearned revenue  | 196,316                    | 103,821                     | 300,137                |
| Other payables  | 117,706                    | -                           | 117,706                |
| Accrued interest  | 632,772                    | -                           | 632,772                |
| Long-term liabilities                                   |                            |                             |                        |
| Portion due or payable within one year                  |                            |                             |                        |
| Bonds and note payable                                  | 3,520,000                  | -                           | 3,520,000              |
| Portion due or payable after one year                   |                            |                             |                        |
| Bonds and note payable                                  | 60,745,000                 | -                           | 60,745,000             |
| Bond premiums   | 4,070,617                  | -                           | 4,070,617              |
| Compensated absences                                    | 2,306,276                  | 115,850                     | 2,422,126              |
| Net pension liability                                   | 156,110,000                | 5,103,000                   | 161,213,000            |
| Net OPEB liability                                      | 12,089,266                 | 432,400                     | 12,521,666             |
| <b>TOTAL LIABILITIES</b>                                | <b>256,341,200</b>         | <b>5,789,323</b>            | <b>262,130,523</b>     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                    |                            |                             |                        |
| Deferred inflows of resources, pension activity         | 6,092,000                  | 200,000                     | 6,292,000              |
| Deferred inflows of resources, OPEB activity            | 1,757,431                  | 67,000                      | 1,824,431              |
| <b>TOTAL DEFERRED INFLOWS<br/>        OF RESOURCES</b>  | <b>7,849,431</b>           | <b>267,000</b>              | <b>8,116,431</b>       |
| <b>NET POSITION</b>                                     |                            |                             |                        |
| Net investment in capital assets                        | 39,921,317                 | 48,101                      | 39,969,418             |
| Restricted for capital projects                         | 16,248,174                 | -                           | 16,248,174             |
| Unrestricted  | (126,289,131)              | (4,529,649)                 | (130,818,780)          |
| <b>TOTAL NET POSITION</b>                               | <b>\$ (70,119,640)</b>     | <b>\$ (4,481,548)</b>       | <b>\$ (74,601,188)</b> |

See accompanying notes to the basic financial statements.

# HATBORO-HORSHAM SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2020

| Functions/Programs  | Expenses              | Program Revenues     |                                    |                                  |
|---|-----------------------|----------------------|------------------------------------|----------------------------------|
|   |                       | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| <b>GOVERNMENTAL ACTIVITIES</b>                                |                       |                      |                                    |                                  |
| Instruction   |                       |                      |                                    |                                  |
| Regular programs  | \$ 43,800,438         | \$ 15,084            | \$ 5,751,251                       | \$ -                             |
| Special programs  | 17,381,734            | 5,987                | 2,650,739                          | -                                |
| Vocational education  | 2,732,335             | 941                  | 324,684                            | -                                |
| Other instructional programs                                  | 66,377                | 112,825              | 115,742                            | -                                |
| Nonpublic school programs                                     | 4,724                 | 2                    | 125                                | -                                |
| Support services  |                       |                      |                                    |                                  |
| Pupil personnel services                                      | 4,083,469             | -                    | 226,781                            | -                                |
| Instructional staff services                                  | 3,054,648             | -                    | 312,202                            | -                                |
| Administration services                                       | 6,581,689             | -                    | 402,815                            | -                                |
| Pupil health services   | 1,346,947             | -                    | 152,124                            | -                                |
| Business services   | 3,704,158             | -                    | 74,424                             | -                                |
| Operation and maintenance of plant services                   | 5,302,989             | -                    | 612,889                            | -                                |
| Student transportation services                               | 5,802,201             | -                    | 954,826                            | -                                |
| Central services  | 4,786,970             | -                    | 272,761                            | -                                |
| Other services  | 74,172                | -                    | 99,062                             | -                                |
| Operation of non-instructional services                       |                       |                      |                                    |                                  |
| Food services   | 744                   | -                    | -                                  | -                                |
| Student activities  | 1,321,516             | -                    | 154,423                            | -                                |
| Community services  | 86,388                | 30,660               | 8,401                              | -                                |
| Scholarships and awards                                       | 14,900                | -                    | -                                  | -                                |
| Facilities acquisition, construction and improvement services | 635,116               | -                    | -                                  | -                                |
| Debt service  | 2,199,680             | -                    | -                                  | 224,648                          |
| Refund of prior year revenues                                 | 650,000               | -                    | -                                  | -                                |
| <b>TOTAL GOVERNMENTAL ACTIVITIES</b>                          | <b>103,631,195</b>    | <b>165,499</b>       | <b>12,113,249</b>                  | <b>224,648</b>                   |
| <b>BUSINESS-TYPE ACTIVITIES</b>                               |                       |                      |                                    |                                  |
| Food service  | 1,882,038             | 865,724              | 738,662                            | -                                |
| Child care services   | 1,773,267             | 1,323,562            | 87,819                             | -                                |
| <b>TOTAL BUSINESS-TYPE ACTIVITIES</b>                         | <b>3,655,305</b>      | <b>2,189,286</b>     | <b>826,481</b>                     | <b>-</b>                         |
| <b>TOTAL SCHOOL DISTRICT ACTIVITIES</b>                       | <b>\$ 107,286,500</b> | <b>\$ 2,354,785</b>  | <b>\$ 12,939,730</b>               | <b>\$ 224,648</b>                |

### GENERAL REVENUES

#### Taxes

Property taxes, levied for general purposes

Public utility taxes

Earned income taxes

Grants and contributions not restricted to specific programs

Investment earnings

Miscellaneous

**TOTAL GENERAL REVENUES**

**CHANGE IN NET POSITION**

**NET POSITION AT BEGINNING OF YEAR, restated**

**NET POSITION AT END OF YEAR**

*See accompanying notes to the basic financial statements.*

| Net (Expense) Revenue and Changes in Net Position |                             |                        |
|---|-----------------------------|------------------------|
| Governmental<br>Activities                        | Business-Type<br>Activities | Totals                 |
| \$ (38,034,103)                                   | \$ -                        | \$ (38,034,103)        |
| (14,725,008)                                      | -                           | (14,725,008)           |
| (2,406,710)                                       | -                           | (2,406,710)            |
| 162,190   | -                           | 162,190                |
| (4,597)   | -                           | (4,597)                |
| (3,856,688)                                       | -                           | (3,856,688)            |
| (2,742,446)                                       | -                           | (2,742,446)            |
| (6,178,874)                                       | -                           | (6,178,874)            |
| (1,194,823)                                       | -                           | (1,194,823)            |
| (3,629,734)                                       | -                           | (3,629,734)            |
| (4,690,100)                                       | -                           | (4,690,100)            |
| (4,847,375)                                       | -                           | (4,847,375)            |
| (4,514,209)                                       | -                           | (4,514,209)            |
| 24,890  | -                           | 24,890                 |
| (744)   | -                           | (744)                  |
| (1,167,093)                                       | -                           | (1,167,093)            |
| (47,327)  | -                           | (47,327)               |
| (14,900)  | -                           | (14,900)               |
| (635,116)   | -                           | (635,116)              |
| (1,975,032)                                       | -                           | (1,975,032)            |
| (650,000)   | -                           | (650,000)              |
| <u>(91,127,799)</u>                               | <u>-</u>                    | <u>(91,127,799)</u>    |
| -   | (277,652)                   | (277,652)              |
| -   | (361,886)                   | (361,886)              |
| -   | <u>(639,538)</u>            | <u>(639,538)</u>       |
| <u>(91,127,799)</u>                               | <u>(639,538)</u>            | <u>(91,767,337)</u>    |
| 75,637,321  | -                           | 75,637,321             |
| 72,440  | -                           | 72,440                 |
| 6,213,831   | -                           | 6,213,831              |
| 12,133,513  | -                           | 12,133,513             |
| 1,881,039   | 6,865                       | 1,887,904              |
| 156,734   | -                           | 156,734                |
| <u>96,094,878</u>                                 | <u>6,865</u>                | <u>96,101,743</u>      |
| 4,967,079   | (632,673)                   | 4,334,406              |
| <u>(75,086,719)</u>                               | <u>(3,848,875)</u>          | <u>(78,935,594)</u>    |
| <u>\$ (70,119,640)</u>                            | <u>\$ (4,481,548)</u>       | <u>\$ (74,601,188)</u> |

**HATBORO-HORSHAM SCHOOL DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2020**

|   | <u>General Fund</u>  | <u>Capital Reserve Fund</u> | <u>Construction Fund</u> | <u>Debt Service Fund</u> | <u>Total Governmental Funds</u> |
|---|----------------------|-----------------------------|--------------------------|--------------------------|---------------------------------|
| <b>ASSETS</b>   |                      |                             |                          |                          |                                 |
| Cash and cash equivalents                                     | \$ 4,103,570         | \$ 10,734,694               | \$ 5,965,073             | \$ 9,210,019             | \$ 30,013,356                   |
| Investments   | 31,334,396           | -                           | -                        | -                        | 31,334,396                      |
| Due from other funds  | 368,239              | 3,765,064                   | -                        | 800,000                  | 4,933,303                       |
| Due from other governments                                    | 5,065,189            | -                           | -                        | -                        | 5,065,189                       |
| Other receivables   | 419,564              | 222,868                     | -                        | -                        | 642,432                         |
|   | <u>41,290,958</u>    | <u>14,722,626</u>           | <u>5,965,073</u>         | <u>10,010,019</u>        | <u>71,988,676</u>               |
| <b>TOTAL ASSETS</b>   | <b>\$ 41,290,958</b> | <b>\$ 14,722,626</b>        | <b>\$ 5,965,073</b>      | <b>\$ 10,010,019</b>     | <b>\$ 71,988,676</b>            |
| <b>LIABILITIES AND FUND BALANCES</b>                          |                      |                             |                          |                          |                                 |
| <b>LIABILITIES</b>  |                      |                             |                          |                          |                                 |
| Accounts payable  | \$ 2,807,902         | \$ 484,625                  | \$ 1,505,396             | \$ -                     | \$ 4,797,923                    |
| Due to other funds  | 4,801,780            | -                           | -                        | -                        | 4,801,780                       |
| Unearned revenue  | 196,316              | -                           | -                        | -                        | 196,316                         |
| Accrued salaries and benefits                                 | 11,755,324           | -                           | -                        | -                        | 11,755,324                      |
| Other payables  | 117,706              | -                           | -                        | -                        | 117,706                         |
| <b>TOTAL LIABILITIES</b>                                      | <b>19,679,028</b>    | <b>484,625</b>              | <b>1,505,396</b>         | <b>-</b>                 | <b>21,669,049</b>               |
| <b>FUND BALANCES</b>  |                      |                             |                          |                          |                                 |
| Restricted to capital projects                                | -                    | 14,238,001                  | 4,459,677                | -                        | 18,697,678                      |
| Committed   |                      |                             |                          |                          |                                 |
| PSERS rate increases  | 5,544,758            | -                           | -                        | -                        | 5,544,758                       |
| Medical plan rate increases                                   | 3,086,659            | -                           | -                        | -                        | 3,086,659                       |
| Stabilization for lost air force base revenues due to closure | 1,945,799            | -                           | -                        | -                        | 1,945,799                       |
| COVID impact  | 524,251              | -                           | -                        | -                        | 524,251                         |
| Assigned  |                      |                             |                          |                          |                                 |
| Budgetary reserve   | 3,050,000            | -                           | -                        | -                        | 3,050,000                       |
| Student scholarships  | 153,755              | -                           | -                        | -                        | 153,755                         |
| Debt service  | -                    | -                           | -                        | 10,010,019               | 10,010,019                      |
| Unassigned  | 7,306,708            | -                           | -                        | -                        | 7,306,708                       |
| <b>TOTAL FUND BALANCES</b>                                    | <b>21,611,930</b>    | <b>14,238,001</b>           | <b>4,459,677</b>         | <b>10,010,019</b>        | <b>50,319,627</b>               |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b>                    | <b>\$ 41,290,958</b> | <b>\$ 14,722,626</b>        | <b>\$ 5,965,073</b>      | <b>\$ 10,010,019</b>     | <b>\$ 71,988,676</b>            |

See accompanying notes to the basic financial statements.

# HATBORO-HORSHAM SCHOOL DISTRICT

## RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2020

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|   |                               |
|---|-------------------------------|
| TOTAL GOVERNMENTAL FUNDS BALANCES   | \$ 50,319,627                 |
| Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. These assets consist  |                               |
| Land  | 313,620                       |
| Site improvements   | 4,765,388                     |
| Buildings and building improvements   | 110,244,449                   |
| Machinery and equipment   | 19,056,650                    |
| Construction in progress  | 38,019,801                    |
| Accumulated depreciation  | (68,097,875)                  |
| Deferred charges on refunding used in governmental activities are not financial resources and therefore are not reported in the funds. These assets   |                               |
| Deferred charge on refunding  | 263,415                       |
| Deferred inflows and outflows of resources related to pension and OPEB activities are not financial resources and therefore not reported in the governmental funds  | 13,029,046                    |
| Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:   |                               |
| Accrued interest  | (632,772)                     |
| Bonds and note payable  | (64,265,000)                  |
| Bond premiums   | (4,070,617)                   |
| Compensated absences  | (2,306,276)                   |
| Net pension liability   | (156,110,000)                 |
| Net OPEB liability  | (12,089,266)                  |
| Some of the School District's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are not recognized in the fund financials, but are recognized in the government-wide financial statements. | <u>1,440,170</u>              |
| NET POSITION OF GOVERNMENTAL ACTIVITIES   | \$ <u><u>(70,119,640)</u></u> |

*See accompanying notes to the basic financial statements.*

**HATBORO-HORSHAM SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2020**

|   | <u>General Fund</u>  | <u>Capital Reserve Fund</u> | <u>Construction Fund</u> | <u>Debt Service Fund</u> | <u>Total Governmental Funds</u> |
|---|----------------------|-----------------------------|--------------------------|--------------------------|---------------------------------|
| <b>REVENUES</b>   |                      |                             |                          |                          |                                 |
| Local sources   | \$ 83,092,668        | \$ 176,537                  | \$ 422,742               | \$ 95,107                | \$ 83,787,054                   |
| State sources   | 21,735,529           | -                           | -                        | -                        | 21,735,529                      |
| Federal sources   | 2,787,865            | -                           | -                        | -                        | 2,787,865                       |
| <b>TOTAL REVENUES</b>   | <u>107,616,062</u>   | <u>176,537</u>              | <u>422,742</u>           | <u>95,107</u>            | <u>108,310,448</u>              |
| <b>EXPENDITURES</b>   |                      |                             |                          |                          |                                 |
| Instruction   | 60,233,752           | -                           | -                        | -                        | 60,233,752                      |
| Support services  | 33,585,674           | 3,146,129                   | 15,052,603               | -                        | 51,784,406                      |
| Operation of non-instructional services                       | 1,365,935            | -                           | -                        | -                        | 1,365,935                       |
| Facilities acquisition, construction and improvement services | -                    | 430,798                     | -                        | -                        | 430,798                         |
| Debt service  | 5,995,673            | -                           | 216,246                  | -                        | 6,211,919                       |
| Refunds of prior year revenues                                | 650,000              | -                           | -                        | -                        | 650,000                         |
| <b>TOTAL EXPENDITURES</b>                                     | <u>101,831,034</u>   | <u>3,576,927</u>            | <u>15,268,849</u>        | <u>-</u>                 | <u>120,676,810</u>              |
| <b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>      | <u>5,785,028</u>     | <u>(3,400,390)</u>          | <u>(14,846,107)</u>      | <u>95,107</u>            | <u>(12,366,362)</u>             |
| <b>OTHER FINANCING SOURCES (USES)</b>                         |                      |                             |                          |                          |                                 |
| Proceeds from bonds issued                                    | -                    | -                           | 9,940,000                | -                        | 9,940,000                       |
| Premium on bonds issued                                       | -                    | -                           | 400,409                  | -                        | 400,409                         |
| Payment to refund bonds                                       | -                    | -                           | (10,124,163)             | -                        | (10,124,163)                    |
| Proceeds from sale of capital assets                          | 1,684                | -                           | -                        | -                        | 1,684                           |
| Transfers in  | -                    | 3,765,064                   | -                        | 800,000                  | 4,565,064                       |
| Transfers out   | (4,565,064)          | -                           | -                        | -                        | (4,565,064)                     |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>                   | <u>(4,563,380)</u>   | <u>3,765,064</u>            | <u>216,246</u>           | <u>800,000</u>           | <u>217,930</u>                  |
| <b>NET CHANGE IN FUND BALANCES</b>                            | 1,221,648            | 364,674                     | (14,629,861)             | 895,107                  | (12,148,432)                    |
| <b>FUND BALANCES AT BEGINNING OF YEAR</b>                     | <u>20,390,282</u>    | <u>13,873,327</u>           | <u>19,089,538</u>        | <u>9,114,912</u>         | <u>62,468,059</u>               |
| <b>FUND BALANCES AT END OF YEAR</b>                           | <u>\$ 21,611,930</u> | <u>\$ 14,238,001</u>        | <u>\$ 4,459,677</u>      | <u>\$ 10,010,019</u>     | <u>\$ 50,319,627</u>            |

See accompanying notes to the basic financial statements.

# HATBORO-HORSHAM SCHOOL DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2020

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|  |                     |
|--|---------------------|
| NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS   | \$ (12,148,432)     |
| Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$18,760,006) exceeds depreciation (\$4,228,195) in the current period. | 14,531,811          |
| Because some property taxes will not be collected for several months after the School District's fiscal year ends, they are not considered as "available" revenues in the Governmental Funds. Deferred tax revenues increased by this amount this year.  | 287,825             |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net assets.   | (28,201)            |
| Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in Governmental Funds:  |                     |
| Accrued interest not reflected in Governmental Funds   | 122,680             |
| Compensated absences not reflected in Governmental Funds   | (33,150)            |
| OPEB plan expense  | 161,232             |
| Pension plan expense   | (1,600,000)         |
| Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net assets.   | 13,420,000          |
| Proceeds from the bond issue are a revenue in the Governmental Funds, but this amount increases the long-term liabilities in the statement of net position.  | (9,940,000)         |
| Governmental Funds report the effect of premiums, discounts and similar items 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 debt and related items.                                 | <u>193,314</u>      |
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES  | <u>\$ 4,967,079</u> |

*See accompanying notes to the basic financial statements.*

# HATBORO-HORSHAM SCHOOL DISTRICT

## STATEMENT OF NET POSITION

### PROPRIETARY FUNDS

JUNE 30, 2020

|   | Enterprise Funds      |                       | Total<br>Proprietary<br>Funds |
|---|-----------------------|-----------------------|-------------------------------|
|   | Food<br>Service Fund  | Child<br>Care Fund    |                               |
| <b>ASSETS</b>                                     |                       |                       |                               |
| <b>CURRENT ASSETS</b>                             |                       |                       |                               |
| Cash and cash equivalents                         | \$ 761,183            | \$ 58,346             | \$ 819,529                    |
| Accounts receivable, net                          | 68                    | 2,397                 | 2,465                         |
| Due from other funds                              | 28,877                | 207,839               | 236,716                       |
| Due from other governments                        | 45,235                | -                     | 45,235                        |
| Inventories                                       | 60,936                | -                     | 60,936                        |
| Other assets                                      | -                     | 46,032                | 46,032                        |
| <b>TOTAL CURRENT ASSETS</b>                       | <b>896,299</b>        | <b>314,614</b>        | <b>1,210,913</b>              |
| <b>CAPITAL ASSETS</b>                             |                       |                       |                               |
| Machinery and equipment                           | 760,277               | -                     | 760,277                       |
| Accumulated depreciation                          | (712,176)             | -                     | (712,176)                     |
| <b>TOTAL CAPITAL ASSETS</b>                       | <b>48,101</b>         | <b>-</b>              | <b>48,101</b>                 |
| <b>TOTAL ASSETS</b>                               | <b>944,400</b>        | <b>314,614</b>        | <b>1,259,014</b>              |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>             |                       |                       |                               |
| Deferred outflows of resources - pension activity | 352,000               | 294,000               | 646,000                       |
| Deferred outflows of resources - OPEB activity    | 18,000                | 20,000                | 38,000                        |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>       | <b>370,000</b>        | <b>314,000</b>        | <b>684,000</b>                |
| <b>LIABILITIES</b>                                |                       |                       |                               |
| <b>CURRENT LIABILITIES</b>                        |                       |                       |                               |
| Due to other funds                                | 57,755                | 310,484               | 368,239                       |
| Accounts payable                                  | 14,768                | 1,494                 | 16,262                        |
| Accrued salaries and benefits                     | -                     | 17,990                | 17,990                        |
| Unearned revenue                                  | 88,529                | 15,292                | 103,821                       |
| <b>TOTAL CURRENT LIABILITIES</b>                  | <b>161,052</b>        | <b>345,260</b>        | <b>506,312</b>                |
| <b>NONCURRENT LIABILITIES</b>                     |                       |                       |                               |
| Compensated absences                              | 89,975                | 25,875                | 115,850                       |
| Net pension liability                             | 2,776,000             | 2,327,000             | 5,103,000                     |
| Net OPEB liability                                | 199,000               | 233,400               | 432,400                       |
| <b>TOTAL NONCURRENT LIABILITIES</b>               | <b>3,064,975</b>      | <b>2,586,275</b>      | <b>5,651,250</b>              |
| <b>TOTAL LIABILITIES</b>                          | <b>3,226,027</b>      | <b>2,931,535</b>      | <b>6,157,562</b>              |
| <b>DEFERRED INFLOWS OF RESOURCES</b>              |                       |                       |                               |
| Deferred inflows of resources - pension activity  | 108,000               | 92,000                | 200,000                       |
| Deferred inflows of resources - OPEB activity     | 26,000                | 41,000                | 67,000                        |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>        | <b>134,000</b>        | <b>133,000</b>        | <b>267,000</b>                |
| <b>NET POSITION</b>                               |                       |                       |                               |
| Net investment in capital assets                  | 48,101                | -                     | 48,101                        |
| Unrestricted                                      | (2,093,728)           | (2,435,921)           | (4,529,649)                   |
| <b>TOTAL NET POSITION</b>                         | <b>\$ (2,045,627)</b> | <b>\$ (2,435,921)</b> | <b>\$ (4,481,548)</b>         |

See accompanying notes to the basic financial statements.



# HATBORO-HORSHAM SCHOOL DISTRICT

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION PROPRIETARY FUNDS YEAR ENDED JUNE 30, 2020

|                                   | Enterprise Funds     |                    | Total<br>Proprietary<br>Funds |
|-----------------------------------|----------------------|--------------------|-------------------------------|
|                                   | Food<br>Service Fund | Child<br>Care Fund |                               |
| OPERATING REVENUES                |                      |                    |                               |
| Charges for services              | \$ 865,724           | \$ 1,323,562       | \$ 2,189,286                  |
| OPERATING EXPENSES                |                      |                    |                               |
| Salaries                          | 686,377              | 1,196,937          | 1,883,314                     |
| Employee benefits                 | 496,874              | 390,195            | 887,069                       |
| Food costs                        | 615,308              | -                  | 615,308                       |
| Other purchased service           | 14,549               | 30,837             | 45,386                        |
| Supplies                          | 52,151               | 62,939             | 115,090                       |
| Depreciation                      | 16,779               | -                  | 16,779                        |
| Other operating expenses          | -                    | 92,359             | 92,359                        |
| TOTAL OPERATING<br>EXPENSES       | 1,882,038            | 1,773,267          | 3,655,305                     |
| OPERATING LOSS                    | (1,016,314)          | (449,705)          | (1,466,019)                   |
| NONOPERATING REVENUES             |                      |                    |                               |
| Interest and investment revenue   | 4,912                | 1,953              | 6,865                         |
| State sources                     | 36,787               | 45,519             | 82,306                        |
| Federal sources                   | 701,875              | 42,300             | 744,175                       |
| TOTAL NONOPERATING<br>REVENUES    | 743,574              | 89,772             | 833,346                       |
| CHANGE IN NET POSITION            | (272,740)            | (359,933)          | (632,673)                     |
| NET POSITION AT BEGINNING OF YEAR | (1,772,887)          | (2,075,988)        | (3,848,875)                   |
| NET POSITION AT END OF<br>YEAR    | \$ (2,045,627)       | \$ (2,435,921)     | \$ (4,481,548)                |

See accompanying notes to the basic financial statements.

# HATBORO-HORSHAM SCHOOL DISTRICT

## STATEMENT OF CASH FLOWS

### PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2020

|  | Enterprise Funds     |                    | Total<br>Proprietary<br>Funds |
|--|----------------------|--------------------|-------------------------------|
|  | Food<br>Service Fund | Child<br>Care Fund |                               |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                |                      |                    |                               |
| Cash received from customers                               | \$ 886,465           | \$ 1,098,041       | \$ 1,984,506                  |
| Payments to employees                                      | (1,150,176)          | (1,583,207)        | (2,733,383)                   |
| Payments to suppliers                                      | (713,121)            | (166,697)          | (879,818)                     |
| NET CASH USED BY<br>OPERATING ACTIVITIES                   | <u>(976,832)</u>     | <u>(651,863)</u>   | <u>(1,628,695)</u>            |
| <b>CASH FLOWS FROM NONCAPITAL<br/>FINANCING ACTIVITIES</b> |                      |                    |                               |
| Federal sources  | 701,875              | 42,300             | 744,175                       |
| State sources  | <u>36,787</u>        | <u>45,519</u>      | <u>82,306</u>                 |
| NET CASH PROVIDED BY<br>NONCAPITAL FINANCING<br>ACTIVITIES | <u>738,662</u>       | <u>87,819</u>      | <u>826,481</u>                |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                |                      |                    |                               |
| Purchase of capital assets                                 | (15,054)             | -                  | (15,054)                      |
| Earnings on investments                                    | <u>4,912</u>         | <u>1,953</u>       | <u>6,865</u>                  |
| NET CASH PROVIDED (USED) BY<br>INVESTING ACTIVITIES        | <u>(10,142)</u>      | <u>1,953</u>       | <u>(8,189)</u>                |
| NET DECREASE IN<br>CASH AND CASH EQUIVALENTS               | (248,312)            | (562,091)          | (810,403)                     |
| CASH AND CASH EQUIVALENTS AT<br>BEGINNING OF YEAR          | <u>1,009,495</u>     | <u>620,437</u>     | <u>1,629,932</u>              |
| CASH AND CASH EQUIVALENTS<br>AT END OF YEAR                | <u>\$ 761,183</u>    | <u>\$ 58,346</u>   | <u>\$ 819,529</u>             |

See accompanying notes to the basic financial statements.

# HATBORO-HORSHAM SCHOOL DISTRICT

## STATEMENT OF CASH FLOWS

### PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2020

|  | Enterprise Funds           |                            | Total<br>Proprietary<br>Funds |
|--|----------------------------|----------------------------|-------------------------------|
|  | Food<br>Service Fund       | Child<br>Care Fund         |                               |
| <b>RECONCILIATION OF OPERATING LOSS<br/>TO NET CASH USED BY OPERATING<br/>ACTIVITIES</b> |                            |                            |                               |
| Operating loss   | \$ (1,016,314)             | \$ (449,705)               | \$ (1,466,019)                |
| Adjustments to reconcile operating loss to<br>net cash used by operating activities      |                            |                            |                               |
| Depreciation   | 16,779                     | -                          | 16,779                        |
| Pension expense  | 26,000                     | (5,500)                    | 20,500                        |
| (Increase) decrease in   |                            |                            |                               |
| Accounts receivable  | (10,949)                   | 14,565                     | 3,616                         |
| Due from other funds   | 1,046                      | (163,903)                  | (162,857)                     |
| Inventories  | (11,279)                   | -                          | (11,279)                      |
| Other assets   | -                          | (10,988)                   | (10,988)                      |
| Increase (decrease) in   |                            |                            |                               |
| Accounts payable   | (18,789)                   | (21,697)                   | (40,486)                      |
| Due to other funds   | (2,091)                    | 216,026                    | 213,935                       |
| Unearned revenue   | 31,690                     | (135,127)                  | (103,437)                     |
| Accrued salaries and benefits  | -                          | (104,959)                  | (104,959)                     |
| Compensated absences   | 7,075                      | 9,425                      | 16,500                        |
|  | <u>7,075</u>               | <u>9,425</u>               | <u>16,500</u>                 |
| <b>NET CASH USED BY OPERATING<br/>ACTIVITIES</b>   | <b><u>\$ (976,832)</u></b> | <b><u>\$ (651,863)</u></b> | <b><u>\$ (1,628,695)</u></b>  |
| <b>SUPPLEMENTAL DISCLOSURES</b>  |                            |                            |                               |
| Noncash activity   |                            |                            |                               |
| Donated foods  | \$ 121,762                 | \$ -                       | \$ 121,762                    |

See accompanying notes to the basic financial statements.

**HATBORO-HORSHAM SCHOOL DISTRICT**  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2020

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|                                   | <u>Custodial Fund</u>    |
|-----------------------------------|--------------------------|
| ASSETS                            |                          |
| Cash and cash equivalents         | \$ 434,231               |
| Other receivables                 | <u>4</u>                 |
| TOTAL ASSETS                      | <u>434,235</u>           |
| LIABILITIES                       |                          |
| Accounts payable                  | <u>22,027</u>            |
| NET POSITION                      |                          |
| Restricted for student activities | <u><u>\$ 412,208</u></u> |

*See accompanying notes to the basic financial statements.*

**HATBORO-HORSHAM SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**YEAR ENDED JUNE 30, 2020**

---

|   | <u>Custodial Fund</u>    |
|---|--------------------------|
| ADDITIONS                                   |                          |
| Student activity receipts                   | \$ 659,453               |
| Investment income                           | 4,907                    |
| TOTAL ADDITIONS                             | <u>664,360</u>           |
| DEDUCTIONS                                  |                          |
| Student activity disbursements              | <u>722,468</u>           |
| TOTAL DEDUCTIONS                            | <u>722,468</u>           |
| CHANGE IN NET POSITION                      | (58,108)                 |
| NET POSITION AT BEGINNING OF YEAR, restated | <u>470,316</u>           |
| NET POSITION AT END OF YEAR                 | <u><u>\$ 412,208</u></u> |

*See accompanying notes to the basic financial statements.*

**HATBORO-HORSHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2020**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Reporting Entity**

The School District uses guidance contained in GASB Statement No. 61, *The Financial Reporting Entity: Omnibus--An Amendment of GASB Statements No. 14 and No. 34*, to evaluate the possible inclusion of related entities within its reporting entity. The criteria used by the School District for inclusion are financial accountability and the nature and significance of the relationships. In determining financial accountability in a given case, the School District reviews the applicability of the following criteria. The School District is financially accountable for:

- Organizations that make up the legal School District entity.
- Legally separate organizations if School District officials appoint a voting majority of the organization's governing body and the School District is able to impose its will on the organization, or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the School District as defined below:
  - \* ***Impose its Will*** - If the School District can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.
  - \* ***Financial Benefit or Burden*** - Exists if the School District (1) is entitled to the organization's resources, or (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization, or (3) is obligated in some manner for the debt of the organization.
- Organizations that are fiscally dependent on the School District. Fiscal dependency is established if the organization is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval by the School District.

Based on the foregoing criteria, no component units were identified for inclusion in the School District's financial statements.

**HATBORO-HORSHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2020**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental, proprietary and fiduciary.

***Governmental Funds***

**General Fund** - The General Fund accounts for all financial resources except those required to be accounted for in another fund. The General Fund balance is available for any purpose provided it is expended or transferred according to the general laws of Pennsylvania.

**Capital Reserve Fund** - The Capital Reserve Fund is a capital projects fund that accounts for the receipt and disbursement of resources for the purpose of building or buying major capital assets.

**Construction Fund** - The Construction Fund is a capital projects fund that accounts for the receipt and disbursement of borrowed resources for the purpose of purchasing or building planned major capital assets.

**Debt Service Fund** - The Debt Service Fund accounts for the resources used for the purpose of paying down existing debt service obligations.

***Proprietary Funds***

**Enterprise Funds** - The Enterprise Funds (Food Service Fund and Child Care Fund) account for operations (1) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**Fiduciary Funds** - Fiduciary Funds reporting focuses on net position and changes in net position.

**Custodial Fund** - The Custodial Fund (Student Activity Fund) accounts for the assets held by the School District as an agent for individuals. This fund accounts for programs operated and sponsored by various student clubs and organizations.

**HATBORO-HORSHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2020**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Presentation and Accounting**

**Government-Wide Financial Statements** - The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for the Fiduciary Funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the Proprietary Funds financial statements but differs from the manner in which Governmental Funds financial statements are prepared. Governmental Funds financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for Governmental Funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function or program of the School District's governmental 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 and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing 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** - Fund financial statements report detailed information about the School District. The focus of Governmental and Proprietary Funds financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Fiduciary Funds are reported by fund type.



**HATBORO-HORSHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2020**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments are recorded only when payment is due. The financial statements for Governmental Funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

The Proprietary Funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

The Proprietary Funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Proprietary Funds' principal ongoing operations. The principal operating revenues of the School District's Enterprise Funds are charges to students for sales and services. Operating expenses of the Enterprise Funds include cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Funds are reported using the economic resources measurement focus.

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

**Cash Equivalents**

All highly liquid investments with an original maturity of three months or less when purchased are considered to be cash equivalents.

**HATBORO-HORSHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2020**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Investments**

Statutes authorize the School District to invest in: 1) obligations, participations and other instruments of any Federal agency, 2) repurchase agreements with respect to U.S. Treasury bills or obligations, 3) negotiable certificates of deposit, 4) bankers' acceptances, 5) commercial paper, 6) shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933, and 7) savings or demand deposits. The specific conditions under which the District may invest in these categories are detailed in Pennsylvania Act No. 53 of 1973, as amended by Pennsylvania Act No. 10 of 2016. Investments are stated at fair value.

Pennsylvania Local Government Investment Trust Funds are invested in accordance with Section 440.1 of the School Code. Each school district owns a pro rata share of each investment or deposit which is held in the name of the fund.

Under Act No. 72, enacted by the General Assembly of the Commonwealth of Pennsylvania, the funds deposited with the various banks are permitted to be secured on a pooled basis with all other public funds which the banking institution has on deposit. These may be bonds of the United States, any state of the United States, or bonds of any political subdivision of Pennsylvania or the general state authority or their authorities created by the General Assembly of the Commonwealth of Pennsylvania, or insured with the Federal Deposit Insurance Corporation. The market value of such bonds pledged must equal 120% of the funds deposited. The security pledged by the various depositories utilized during the year and at June 30, 2019, was in excess of the minimum requirements just described.

The School District has adopted GASB Statements No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, No. 72, *Fair Value Measurement and Application* and No. 79 *Certain External Investment Pools and Pool Participants*. In accordance with these Statements, investments in marketable securities with readily determinable fair value and all investments in debt securities are reported at their fair values. Investments in qualifying external investment pools are reported at amortized cost basis.

**Short-Term Interfund Receivables/Payables**

During the course of operations, transactions may occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the Governmental Funds balance sheet. Short-term interfund loans are classified as "interfund receivables/payables."

**HATBORO-HORSHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2020**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Inventories**

Inventory of food and milk in the Food Service Fund consists of supplies purchased and donated foods received from the federal government. Donated foods are valued at fair market value in accordance with the *Manual of Accounting for Pennsylvania School Systems - Food Service Fund*. Food and supplies are carried at cost using the first-in, first-out method. Inventories of Governmental Funds are recorded as expenditures when consumed rather than when purchased.

Inventories on hand in the Food Service Fund at June 30, 2020, consist of the following:

|                |                  |
|----------------|------------------|
| Supplies       | \$ 16,061        |
| Purchased food | 16,586           |
| Donated foods  | <u>28,289</u>    |
|                | <u>\$ 60,936</u> |

**Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The School District defines capital assets as assets with an initial, individual cost equal to or greater than \$4,000 (amount not rounded) or purchased with debt proceeds, and the assets must have an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant and equipment of the School District are depreciated using the straight-line method over the following estimated useful lives:

|                                    | <u>Years</u> |
|------------------------------------|--------------|
| Site improvements                  | 15-20        |
| Building and building improvements | 15-45        |
| Machinery and equipment            | 5-20         |

Plant and equipment in the Proprietary Funds (Food Service Fund) are being depreciated on a straight-line basis over an estimated 12-year life. Computers in the Food Service Fund are depreciated on a straight-line basis over a 7-year life.

**HATBORO-HORSHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2020**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Long-Term Obligations**

In the government-wide financial statements and Proprietary Funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or Proprietary Funds statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, Governmental Funds recognize bond premiums and discounts during the current period. The face amount of 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.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has three items that qualify for reporting in this category. The first item is the deferred outflow related to pension activity, reported in the government-wide statement of net position and the proprietary fund statement of net position. The deferred outflow related to pension activity is the result of differences between expected and actual experience, changes in assumptions, differences between projected and actual investment earnings, changes in proportions, and actual contributions subsequent to the measurement date. The second item is the deferred outflow of resources related to OPEB activities, reported in the government-wide statement of net position and the proprietary fund statement of net position. The deferred outflow related to OPEB activity is the result of the difference between expected and actual experience, changes in assumptions, the difference between projected and actual earnings, changes in proportions and actual contributions subsequent to the measurement date. The third item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition prices. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has three items that qualify for reporting in this category. The first item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. The second item, deferred inflows related to pension activity, are reported in the government-wide statement of net position and the proprietary fund statement of net position. The deferred inflow related to pension activity is the result of differences between expected and actual experience, changes in proportions and the difference between actual employer contributions and the School District's proportionate share of total contributions, and changes in the School District's proportionate share of the total plan from year to year. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**HATBORO-HORSHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2020**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The third item, deferred inflows related to OPEB activity, are reported in the government-wide statement of net position and the proprietary fund statement of net position. The deferred inflow related to OPEB activity is the result of changes in assumptions, changes in proportions and the difference between employer contributions and the proportionate share of total contributions.

**Fund Balance**

The School District has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the School District's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- ***Nonspendable Fund Balance*** - Amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- ***Restricted Fund Balance*** - Amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government) through constitutional provisions or by enabling legislation.
- ***Committed Fund Balance*** - Amounts constrained to specific purposes by the School District itself, using its highest level of decision-making authority (the Board of School Directors). To be reported as committed, amounts cannot be used for any other purpose unless the School District takes the same highest level action to remove or change the constraint.
- ***Assigned Fund Balance*** - Amounts the School District intends to use for a specific purpose. Intent can be expressed by the Board of School Directors or by the Superintendent or Director of Business Affairs to whom the Board of School Directors has delegated the authority.
- ***Unassigned Fund Balance*** - Amounts available for any purpose. Positive amounts are reported only in the General Fund.

The Board of School Directors establishes (and modifies or rescinds) fund balance commitments by passage of a motion. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a commitment of the fund. Assigned fund balance is intended to be used by the School District for specific purposes but does not meet the criteria to be classified as restricted or committed.

The School District will typically use restricted fund balances first, followed by committed resources and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

**HATBORO-HORSHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2020**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Net Position Flow Assumption**

Sometimes the School District will fund outlays for a particular purpose for both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and Proprietary Funds financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**NOTE B - CASH AND INVESTMENTS**

**Cash**

***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 deposit policy for custodial credit risk but the District's Investment Policy does require confirmation of collateralized investments as required by Act 72 for any depository institution that holds funds in excess of the FDIC Insurance Limit for the protection of public funds. As of June 30, 2020, the bank balance of the School District's deposits were \$32,456,872. Of the bank balance, \$903,754 was covered by federal depository insurance and \$5,236,812 was exposed to custodial credit risk as follows:

Collateral Letters have been provided by the depository institutions providing the detail of the assets held by pledging banks' Trust Department through a third-party provider for uninsured balances of \$5,236,812.

The remaining cash deposits totaling \$26,262,176 are in state investment pools. Although the deposit balance exceeds the FDIC Insured Limits, the investments made through the state investment pools are invested directly into a portfolio of securities which are held by a third-party custodian in accordance with Governmental Accounting Standards Board ("GASB" requirements). The Trust invests in two basic types of federal securities: obligations backed by full faith and credit of the United States Government and short-term obligations of the United States Government or its agencies or instrumentalities.

***Interest Rate Risk*** - The School District's investment policy limits investment maturities in accordance with the Commonwealth of Pennsylvania School Code as a means of managing its exposure to fair value losses arising from increasing interest rates.

**HATBORO-HORSHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2020**

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**NOTE B - CASH AND INVESTMENTS (Continued)**

**Investments**

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

42A portion of the School District's cash investments is in the PSDLAF and PLGIT programs, of which are funds similar to mutual funds. GASB Statement No. 3, Paragraph 69, provides that certain types of cash investments, such as cash investments in a State Treasurer's investment pool or mutual fund, cannot be assigned a credit risk category because the government does not own specific securities. Therefore, the PSDLAF and PLGIT cash investments included in these statements will not be assigned a credit risk category. The carrying amount of these investments at June 30, 2020, is \$105,157. These assets maintain a stable net asset value of \$1 per share. PSDLAF is not SEC-registered. All investments are monitored weekly by Standard & Poor's and are subject to an independent audit on an annual basis.

Investments held with qualifying external state investment pools are valued at amortized cost in accordance with GASB Statement No. 79. The School District had \$105,157 invested in PSDLAF Max accounts.

**Fair Value Measurement**

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are those that lack significant observable inputs. Investments in U.S. Government issued bonds of \$31,229,239 are valued using quoted market prices (Level 1 inputs).

**HATBORO-HORSHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2020**

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**NOTE C - TAXES - REAL ESTATE AND OTHER**

The School Board is authorized by state law to levy property taxes for School District operations, capital improvements and debt service. In addition, the School District levies a .5% earned income tax. Property taxes are based on assessed valuations of real property within the School District.

Taxes are levied on July 1 and payable in the following periods:

Discount period ..... July 1 to August 31 - 2% of gross levy  
 Face period ..... September 1 to October 31  
 Penalty period ..... November 1 to collection - 10% of gross levy  
 Lien date ..... January 15

School District taxes are billed and collected by the local elected tax collector for Hatboro Borough and an appointed tax collector for Horsham Township. Property taxes attach as an enforceable lien on property as of July 1.

**NOTE D - ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2020, consist of the following:

|                   | <u>General<br/>Fund</u> | <u>Capital Reserve<br/>Fund</u> | <u>Food Service<br/>Fund</u> | <u>Child Care<br/>Fund</u> |
|-------------------|-------------------------|---------------------------------|------------------------------|----------------------------|
| Other receivables | \$ <u>419,564</u>       | \$ <u>222,868</u>               | \$ <u>68</u>                 | \$ <u>2,397</u>            |

The School District believes all accounts receivable are collectible at June 30, 2020; therefore, no allowance for uncollectible accounts has been recorded.



**HATBORO-HORSHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2020**

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**NOTE D - ACCOUNTS RECEIVABLE (Continued)**

**Due from Other Governments (Intergovernmental Receivables)**

GENERAL FUND

Other government receivables

|  |                  |
|--|------------------|
| Montgomery County - Truancy            | \$ 27            |
| PA Distant Learning Charter School     | 4,655            |
| PA Virtual Charter School              | 1,194            |
| Hatboro-Horsham Educational Foundation | 10,000           |
| IDEA                                   | 901,516          |
| Title I                                | 4,446            |
| Title III                              | 4,000            |
| Reach Cyber Charter School             | 10               |
| County of Montgomery                   | 3,573            |
| Philadelphia School District           | 141,910          |
| Agora Cyber Charter School             | 1,270            |
| PA Cyber Charter School                | 1,146            |
| CARES ESSR Grant                       | 124,864          |
| CARES Safety Grant                     | 140,200          |
| 21st Century Charter School - Refund   | 913              |
| TOTAL OTHER GOVERNMENT RECEIVABLES     | <u>1,339,724</u> |

State subsidies receivable

|                                  |                  |
|----------------------------------|------------------|
| Medical Assistance - Access      | 158,189          |
| Social Security                  | 1,335,258        |
| PSERS                            | 2,172,018        |
| SRO Grant                        | 60,000           |
| TOTAL STATE SUBSIDIES RECEIVABLE | <u>3,725,465</u> |

|                    |                     |
|--------------------|---------------------|
| TOTAL GENERAL FUND | <u>\$ 5,065,189</u> |
|--------------------|---------------------|

**HATBORO-HORSHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2020**

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**NOTE E - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances as of June 30, 2020, is as follows:

**Due to/from Other Funds**

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u>       |
|------------------------|---------------------|---------------------|
| General Fund           | Child Care Fund     | \$ 310,484          |
| General Fund           | Food Service Fund   | 57,755              |
| Food Service Fund      | General Fund        | 28,877              |
| Debt Service Fund      | General Fund        | 800,000             |
| Capital Reserve Fund   | General Fund        | 3,765,064           |
| Child Care Fund        | General Fund        | 207,839             |
|                        |                     | <u>\$ 5,170,019</u> |

The amount due to the Capital Reserve Fund (\$3,765,064) from the General Fund represents amounts approved by the Board of Directors for capital improvements of the School District. The amount due to the Debt Service Fund (\$800,000) from the General Fund represents future debt service payments. The amount due to the Food Service Fund (\$28,877) from the General Fund represents expenses paid by the Food Service Fund on behalf of the General Fund.

**Interfund Transfers**

| <u>Transfer In</u>   | <u>Transfer Out</u> | <u>Amount</u>       |
|----------------------|---------------------|---------------------|
| Debt Service Fund    | General Fund        | \$ 800,000          |
| Capital Reserve Fund | General Fund        | 3,765,064           |
|                      |                     | <u>\$ 4,565,064</u> |

The General Fund transfer out (\$800,000) to the Debt Service Fund is for future debt service. The General Fund transfer out (\$3,765,064) to the Capital Reserve Fund represents amounts approved by the Board of Directors for capital improvements of the School District.

**HATBORO-HORSHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2020**

**NOTE F - CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

|   | Balance<br>July 1, 2019 | Additions            | Deletions           | Balance<br>June 30, 2020 |
|---|-------------------------|----------------------|---------------------|--------------------------|
| <b>GOVERNMENTAL ACTIVITIES</b>                          |                         |                      |                     |                          |
| Capital assets not being depreciated                    |                         |                      |                     |                          |
| Land  | \$ 313,620              | \$ -                 | \$ -                | \$ 313,620               |
| Construction in progress                                | 22,027,261              | 16,767,122           | (774,582)           | 38,019,801               |
| <b>TOTAL CAPITAL ASSETS<br/>NOT BEING DEPRECIATED</b>   | <b>22,340,881</b>       | <b>16,767,122</b>    | <b>(774,582)</b>    | <b>38,333,421</b>        |
| Capital assets being depreciated                        |                         |                      |                     |                          |
| Site improvements                                       | 4,714,524               | 50,864               | -                   | 4,765,388                |
| Buildings and building improvements                     | 109,329,163             | 915,286              | -                   | 110,244,449              |
| Machinery and equipment                                 | 26,666,783              | 1,801,316            | (9,411,449)         | 19,056,650               |
| <b>TOTAL CAPITAL ASSETS<br/>BEING DEPRECIATED</b>       | <b>140,710,470</b>      | <b>2,767,466</b>     | <b>(9,411,449)</b>  | <b>134,066,487</b>       |
| Accumulated depreciation                                | (73,252,928)            | (4,228,195)          | 9,383,248           | (68,097,875)             |
| <b>TOTAL CAPITAL ASSETS<br/>BEING DEPRECIATED, net</b>  | <b>67,457,542</b>       | <b>(1,460,729)</b>   | <b>(28,201)</b>     | <b>65,968,612</b>        |
| <b>GOVERNMENTAL ACTIVITIES<br/>CAPITAL ASSETS, net</b>  | <b>89,798,423</b>       | <b>15,306,393</b>    | <b>(802,783)</b>    | <b>104,302,033</b>       |
| <b>BUSINESS-TYPE ACTIVITIES</b>                         |                         |                      |                     |                          |
| Capital assets being depreciated                        |                         |                      |                     |                          |
| Machinery and equipment                                 | 745,223                 | 15,054               | -                   | 760,277                  |
| Accumulated depreciation                                | (695,398)               | (16,778)             | -                   | (712,176)                |
| <b>TOTAL CAPITAL ASSETS<br/>BEING DEPRECIATED, net</b>  | <b>49,825</b>           | <b>(1,724)</b>       | <b>-</b>            | <b>48,101</b>            |
| <b>BUSINESS-TYPE ACTIVITIES<br/>CAPITAL ASSETS, net</b> | <b>49,825</b>           | <b>(1,724)</b>       | <b>-</b>            | <b>48,101</b>            |
| <b>CAPITAL ASSETS, net</b>                              | <b>\$ 89,848,248</b>    | <b>\$ 15,304,669</b> | <b>\$ (802,783)</b> | <b>\$ 104,350,134</b>    |

The net book value of each capital asset category for governmental activities is as follows:

|   | Cost                  | Accumulated<br>Depreciation | Net<br>Book Value     |
|---|-----------------------|-----------------------------|-----------------------|
| <b>CAPITAL ASSETS NOT BEING DEPRECIATED</b> |                       |                             |                       |
| Land  | \$ 313,620            | \$ -                        | \$ 313,620            |
| Construction in progress                    | 38,019,801            | -                           | 38,019,801            |
| <b>CAPITAL ASSETS BEING DEPRECIATED</b>     |                       |                             |                       |
| Site improvements                           | 4,765,388             | (2,696,126)                 | 2,069,262             |
| Buildings and building improvements         | 110,244,449           | (51,764,275)                | 58,480,174            |
| Machinery and equipment                     | 19,056,650            | (13,637,474)                | 5,419,176             |
|   | <b>\$ 172,399,908</b> | <b>\$ (68,097,875)</b>      | <b>\$ 104,302,033</b> |

**HATBORO-HORSHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2020**

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**NOTE F - CAPITAL ASSETS (Continued)**

Depreciation expense was charged to governmental functions as follows:

|  |                                |
|--|--------------------------------|
| Regular programs                               | \$ 1,882,894                   |
| Special programs                               | 752,953                        |
| Vocational education                           | 118,504                        |
| Other instructional programs                   | 3,126                          |
| <br>   |                                |
| <b>SUPPORT SERVICES</b>                        |                                |
| Instructional staff services                   | 392,014                        |
| Business services                              | 65,944                         |
| Operation and maintenance of plant services    | 388,342                        |
| Student transportation services                | 390,170                        |
| Central and other support services             | 202,698                        |
| <br>   |                                |
| <b>OPERATION OF NON-INSTRUCTIONAL SERVICES</b> |                                |
| Student activities                             | <u>31,550</u>                  |
|  | <br><u><u>\$ 4,228,195</u></u> |

**NOTE G - LONG-TERM DEBT**

**General Obligation Bonds**

The School District issues general obligation bonds to provide funds for acquisition and construction of major capital facilities. The original amount of general obligation bonds issued in prior years was \$72,310,000. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 20-year serial bonds with equal amounts of principal maturing each year.

Annual debt service requirements to maturity for general obligation bonds are as follows:

| <u>Year Ending<br/>June 30,</u> | <u>Principal</u>                | <u>Interest</u>                 |
|---------------------------------|---------------------------------|---------------------------------|
| 2021                            | \$ 3,520,000                    | \$ 2,353,642                    |
| 2022                            | 3,040,000                       | 2,331,159                       |
| 2023                            | 3,720,000                       | 2,213,684                       |
| 2024                            | 3,880,000                       | 2,078,015                       |
| 2025                            | 3,395,000                       | 1,943,396                       |
| 2026-2030                       | 13,050,000                      | 8,136,056                       |
| 2031-2035                       | 15,835,000                      | 5,355,104                       |
| 2036-2040                       | <u>17,825,000</u>               | <u>1,961,857</u>                |
|                                 | <br><u><u>\$ 64,265,000</u></u> | <br><u><u>\$ 26,372,913</u></u> |

**HATBORO-HORSHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2020**

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**NOTE H - CHANGES IN LONG-TERM LIABILITIES**

Long-term liability activity for the year ended June 30, 2020, was as follows:

|                                   | Final<br>Maturity | Interest Rates<br>(Percent) |
|-----------------------------------|-------------------|-----------------------------|
| <b>GOVERNMENTAL ACTIVITIES</b>    |                   |                             |
| <b>GENERAL OBLIGATION BONDS</b>   |                   |                             |
| Bonds                             |                   |                             |
| Series of 2012                    | 2020              | 1.000% to 2.000%            |
| Series of 2014 B                  | 2033              | 0.120% to 3.160%            |
| Series of 2015                    | 2034              | 1.000% to 4.000%            |
| Series of 2017                    | 2038              | 0.900% to 4.000%            |
| Series of 2018                    | 2039              | 2.000% to 5.000%            |
| Series of 2019                    | 2040              | 1.780% to 5.000%            |
| Series of 2020                    | 2035              | 1.000% to 4.000%            |
| Bond premiums                     |                   |                             |
| TOTAL GENERAL OBLIGATION<br>BONDS |                   |                             |
| COMPENSATED ABSENCES              |                   |                             |
| NET PENSION LIABILITY             |                   |                             |
| NET OPEB OBLIGATION               |                   |                             |
| TOTAL LONG-TERM LIABILITIES       |                   |                             |
| <b>BUSINESS-TYPE ACTIVITIES</b>   |                   |                             |
| COMPENSATED ABSENCES              |                   |                             |
| NET PENSION LIABILITY             |                   |                             |
| NET OPEB OBLIGATION               |                   |                             |
| TOTAL LONG-TERM LIABILITIES       |                   |                             |

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| <u>Beginning<br/>Balance</u> | <u>Additions/<br/>Reductions</u> | <u>Ending<br/>Balance</u> | <u>Due Within<br/>One Year</u> |
|------------------------------|----------------------------------|---------------------------|--------------------------------|
| \$ 5,170,000                 | \$ (2,555,000)                   | \$ 2,615,000              | \$ 2,615,000                   |
| 18,130,000                   | (5,000)                          | 18,125,000                | 5,000                          |
| 9,985,000                    | (9,985,000)                      | -                         | -                              |
| 9,280,000                    | (185,000)                        | 9,095,000                 | 180,000                        |
| 15,560,000                   | (430,000)                        | 15,130,000                | 440,000                        |
| 9,620,000                    | (260,000)                        | 9,360,000                 | 280,000                        |
| -                            | 9,940,000                        | 9,940,000                 | -                              |
| <u>4,009,685</u>             | <u>60,933</u>                    | <u>4,070,618</u>          | <u>-</u>                       |
| 71,754,685                   | (3,419,067)                      | 68,335,618                | 3,520,000                      |
| 2,273,126                    | 33,150                           | 2,306,276                 | -                              |
| 160,607,000                  | (4,497,000)                      | 156,110,000               | -                              |
| <u>11,991,215</u>            | <u>98,051</u>                    | <u>12,089,266</u>         | <u>-</u>                       |
| <u>\$ 246,626,026</u>        | <u>\$ (7,784,866)</u>            | <u>\$ 238,841,160</u>     | <u>\$ 3,520,000</u>            |
| \$ 99,350                    | \$ 16,500                        | \$ 115,850                | \$ -                           |
| 5,250,000                    | (147,000)                        | 5,103,000                 | -                              |
| <u>447,900</u>               | <u>(15,500)</u>                  | <u>432,400</u>            | <u>-</u>                       |
| <u>\$ 5,797,250</u>          | <u>\$ (146,000)</u>              | <u>\$ 5,651,250</u>       | <u>\$ -</u>                    |

**HATBORO-HORSHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE I - UNEARNED REVENUE**

**General Fund**

Unearned revenue of \$196,316 in the General Fund consists primarily of grant revenues received from the Hatboro-Horsham Educational Foundation that will not be spent until the next school year.

**Food Service Fund**

Unearned revenue of \$88,529 in the Food Service Fund represents the carryover of student deposits.

**Child Care Fund**

Unearned revenue of \$15,292 in the Child Care Fund represents the remaining balances for each child enrolled in the program.

**NOTE J - PENSION PLAN**

**Summary of Significant Accounting Policies**

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

**General Information About the Pension Plan**

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

**HATBORO-HORSHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE J - PENSION PLAN (Continued)**

**Benefits Provided** - PSERS provides retirement, disability and death benefits. 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. Act 120 created two 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 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 on membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

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

**Contributions**

**Members Contributions**

- Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.
- Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.
- Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with services rendered on or after January 1, 2002.



**HATBORO-HORSHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE J - PENSION PLAN (Continued)**

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

**Employer Contributions**

The School District's contractually required contribution rate for the fiscal year ended June 30, 2020, was 33.36% of covered payroll, actuarially determined as an amount that, when combined with employee contributions is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the plan from the School District were \$16,218,000 for the year ended June 30, 2020.

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

At June 30, 2020, the School District reported a liability of \$161,213,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2018 to June 30, 2019. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the School District's proportion was 0.3446%, which was an decrease of 0.0009% from its proportion measured as of June 30, 2019.

**HATBORO-HORSHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE J - PENSION PLAN (Continued)**

For the year ended June 30, 2020, the School District recognized pension expense of \$17,871,000. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|--|---|--|
| <b>GOVERNMENTAL ACTIVITIES</b>   |   |  |
| Difference between expected and actual experience  | \$ 860,000                                    | \$ 5,174,000                                 |
| Changes in assumptions   | 1,492,000                                     | -  |
| Net difference between projected and actual investment earnings                          | -   | 447,000                                      |
| Changes in proportions   | 1,724,000                                     | 344,000                                      |
| Difference between employer contributions and proportionate share of total contributions | -   | 127,000                                      |
| Contributions subsequent to the measurement date   | <u>15,704,000</u>                             | <u>-</u>                                     |
|  | <u>\$ 19,780,000</u>                          | <u>\$ 6,092,000</u>                          |
| <b>BUSINESS-TYPE ACTIVITIES</b>  |   |  |
| Difference between expected and actual experience  | \$ 28,000                                     | \$ 169,000                                   |
| Changes in assumptions   | 49,000  | -  |
| Net difference between projected and actual investment earnings                          | -   | 15,000                                       |
| Changes in proportions   | 55,000  | 11,000                                       |
| Difference between employer contributions and proportionate share of total contributions | -   | 5,000  |
| Contributions subsequent to the measurement date   | <u>514,000</u>                                | <u>-</u>                                     |
|  | <u>\$ 646,000</u>                             | <u>\$ 200,000</u>                            |

\$16,218,000 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the new pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ending<br/>June 30,</u> | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> |
|---------------------------------|------------------------------------|-------------------------------------|
| 2021                            | \$ 1,537,000                       | \$ 50,000                           |
| 2022                            | (2,053,000)                        | (67,000)                            |
| 2023                            | (1,679,000)                        | (55,000)                            |
| 2024                            | <u>179,000</u>                     | <u>4,000</u>                        |
|                                 | <u>\$ (2,016,000)</u>              | <u>\$ (68,000)</u>                  |

**HATBORO-HORSHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE J - PENSION PLAN (Continued)**

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

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2015.

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

**HATBORO-HORSHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE J - PENSION PLAN (Continued)**

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

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2019.

**HATBORO-HORSHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE J - PENSION PLAN (Continued)**

**Discount Rate** - The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the 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 plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following presents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

|  | 1%<br>Decrease<br>6.25% | Current<br>Discount<br>Rate<br>7.25% | 1%<br>Increase<br>8.25% |
|--|-------------------------|--------------------------------------|-------------------------|
| School District's proportionate share of the net pension liability | \$ <u>200,808,000</u>   | \$ <u>161,213,000</u>                | \$ <u>127,685,000</u>   |

**Pension Plan Fiduciary Net Position** - Detailed information about PSERS's fiduciary net position is available in the PSERS Comprehensive Annual Financial Report which can be found on the System's website at [www.psers.pa.gov](http://www.psers.pa.gov).

**NOTE K - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS – PSERS**

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

**NOTE K - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS – PSERS (Continued)**

**General Information about the Health Insurance Premium Assistance Program**

***Health Insurance Premium Assistance Program***

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

***Premium Assistance Eligibility Criteria***

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

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

***Pension Plan Description***

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

***Benefits Provided***

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2019, there were no assumed future benefit increases to participating eligible retirees.

**HATBORO-HORSHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE K - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS – PSERS (Continued)**

***Contributions***

The District's contractually required contribution rate for the fiscal year ended June 30, 2019 was 0.83% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$408,000 for the year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of \$7,329,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2018 to June 30, 2019. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the District's proportion was 0.3446% which was a decrease of 0.0009% from its proportion measured as of June 30, 2019.

**HATBORO-HORSHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE K - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS – PSERS (Continued)**

For the year ended June 30, 2020, the District recognized OPEB expense of \$373,000. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|  | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|--|---|--|
| <b>GOVERNMENTAL ACTIVITIES</b>   |   |  |
| Difference between expected and actual experience  | \$ 40,000                                     | \$ -   |
| Changes in assumptions   | 239,000                                       | 211,000                                      |
| Net difference between projected and actual investment earnings                          | 12,000  | -  |
| Changes in proportions   | 102,000                                       | 19,000                                       |
| Difference between employer contributions and proportionate share of total contributions | -   | 9,000  |
| Contributions subsequent to the measurement date   | <u>389,000</u>                                | <u>-</u>                                     |
|  | <u>\$ 782,000</u>                             | <u>\$ 239,000</u>                            |
|  | <u>Outflows of<br/>Resources</u>              | <u>Inflows of<br/>Resources</u>              |
| <b>BUSINESS-TYPE ACTIVITIES</b>  |   |  |
| Difference between expected and actual experience  | \$ 1,000                                      | \$ -   |
| Changes in assumptions   | 4,000   | 7,000  |
| Net difference between projected and actual investment earnings                          | -   | -  |
| Changes in proportions   | 1,000   | -  |
| Difference between employer contributions and proportionate share of total contributions | -   | -  |
| Contributions subsequent to the measurement date   | <u>19,000</u>                                 | <u>-</u>                                     |
|  | <u>\$ 25,000</u>                              | <u>\$ 7,000</u>                              |



**HATBORO-HORSHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE K - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS – PSERS (Continued)**

\$408,000 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <u>Year Ending<br/>June 30,</u> | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> |
|---------------------------------|------------------------------------|-------------------------------------|
| 2020                            | \$ 54,000                          | \$ 2,000                            |
| 2021                            | 54,000                             | 2,000                               |
| 2022                            | 53,000                             | 2,000                               |
| 2023                            | (11,000)                           | -                                   |
| 2024                            | (4,000)                            | -                                   |
| Thereafter                      | <u>8,000</u>                       | <u>(7,000)</u>                      |
|                                 | <u>\$ 154,000</u>                  | <u>\$ (1,000)</u>                   |

***Actuarial Assumptions***

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

- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 2.79% – S&P 20 Year Municipal Bond Rate.
- Salary growth – Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS’ experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Participation rate:
  - Eligible retirees will elect to participate Pre age 65 at 50%.
  - Eligible retirees will elect to participate Post age 65 at 70%.

**HATBORO-HORSHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE K - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS – PSERS (Continued)**

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

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2016 determined the employer contribution rate for fiscal year 2019.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

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

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

**HATBORO-HORSHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE K - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS – PSERS (Continued)**

| <u>Asset Class</u>     | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|------------------------|--------------------------|---|
| Cash                   | 13.2%                    | 0.02%   |
| US Core Fixed Income   | 83.1%                    | 1.00%   |
| Non-US Developed Fixed | <u>3.7%</u>              | 0.00%   |
|                        | <u><u>100.0%</u></u>     |   |

The above was the Board’s adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2019.

***Discount Rate***

The discount rate used to measure the Total OPEB Liability was 2.79%. Under the plan’s funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan’s fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a “pay-as-you-go” plan. A discount rate of 2.79% which represents the S&P 20 year Municipal Bond Rate at June 30, 2019, was applied to all projected benefit payments to measure the total OPEB liability.

**HATBORO-HORSHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE K - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS – PSERS (Continued)**

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2019, retirees receiving Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2019, 93,339 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2019, 780 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the System net OPEB liability for June 30, 2019, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

|                           | <u>1%<br/>Decrease</u> | <u>Current<br/>Rate</u> | <u>1%<br/>Increase</u> |
|---------------------------|------------------------|-------------------------|------------------------|
| System net OPEB liability | \$ <u>7,328,000</u>    | \$ <u>7,329,000</u>     | \$ <u>7,330,000</u>    |

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

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

|  | <u>1%<br/>Decrease<br/>1.79%</u> | <u>Current<br/>Discount<br/>Rate<br/>2.79%</u> | <u>1%<br/>Increase<br/>3.79%</u> |
|--|----------------------------------|--|----------------------------------|
| District's proportionate share of the net OPEB liability | \$ <u>8,349,000</u>              | \$ <u>7,329,000</u>                            | \$ <u>6,483,000</u>              |

***OPEB Plan Fiduciary Net Position***

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report, which can be found on the System's website at [www.psers.pa.gov](http://www.psers.pa.gov).

**HATBORO-HORSHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE L - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS – SINGLE EMPLOYER PLAN**

**Plan Description**

The School District administers a single-employer defined benefit healthcare plan. The plan provides health care to eligible retired employees and spouses through a single-employer defined benefit plan. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a stand-alone financial report. The activity of the plan is reported in the School District's General Fund.

**Administrators:** Medical, dental, prescription drug and life insurance benefits are payable to members who have 15 years of service with the School District (final ten must be as an administrator) and are eligible for retirement through PSERS. Spouses are included in the medical, dental and prescription drug benefits. Benefits cease upon eligibility for Medicare.

Retirees who do not meet the above criteria will be eligible for partial coverage if the retiree has a minimum of ten (10) years of service in the Hatboro-Horsham School District, at least seven (7) of which has been as an administrator defined under Act 93. Partial coverage will be limited to a \$2,500 annual contribution toward the cost for health and dental costs up to age 65.

**Teachers:** Medical, dental and prescription drug benefits are payable to all members who retired prior to July 1, 2003. Benefits are also payable to teachers hired prior to July 1, 2003, who retired after July 1, 2003, have 15 years of service with the School District and are eligible for retirement through PSERS. Benefits are payable to teachers hired after July 1, 2003, when they are eligible for retirement through PSERS. Benefits cease upon eligibility for Medicare.

**Support Staff:** All members are eligible to continue coverage for themselves and their dependents in the employer health plan upon retirement at age 60 with 30 years of service, at age 62 with one year of service, or with 35 years of service regardless of age. Benefits cease upon eligibility for Medicare.

**HATBORO-HORSHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE L - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS – SINGLE EMPLOYER PLAN (Continued)**

**Plan Membership**

At June 30, 2019, plan membership consisted of the following:

|   |                   |
|---|-------------------|
| Inactive plan members or beneficiaries currently receiving benefits | 46                |
| Inactive plan members entitled to but not yet receiving benefits    | -                 |
| Active plan members   | <u>547</u>        |
|   | <u><u>593</u></u> |

**Funding Policy and Funding Status**

**Administrators:** The School District will pay 65% of the premium for medical, dental and prescription drug benefits and the full premium for life insurance in the amount of three times the final salary up to a maximum of \$500,000 for active employees, or \$300,000 for non-active employees who were under 65 at retirement.

**Teachers:** For teachers who retired prior to July 1, 2003, the School District will pay 55% of the premiums for medical, dental and prescription drug benefits. For teachers hired prior to July 1, 2003, and retiring after July 1, 2003, the School District's contributions are based on the member's service level as of the 2003-2004 school years.

For those teachers at service level steps 1-10, the School District will pay 50% of the single premium in the 2003-2004 school year for medical, dental and prescription drug benefits for up to eight years. For those teachers at service level steps 11-15, the School District will pay 50% of the premium in the 2003-2004 school year for medical, dental and prescription drug benefits for up to eight years, with the premium used for the School District portion based on the medical tier the employee was at during the 2003-2004 school year. For teachers hired after July 1, 2003, the School District will not contribute any funds towards the premium.

**Support Staff:** Members must provide payment equal to the premium determined for the purpose of COBRA, with the School District paying the balance.

The plan is an unfunded plan with no assets accumulated in a trust. Contributions to the plan are equal to benefit payments. For the year ending, June 30, 2019, benefit payments paid as they came due were \$301,429.

**Assumptions**

The following assumptions and actuarial methods and calculation were used:

**Interest Rate** – 3.36%, based on S&P Municipal Bond 20 Year High Grade Rate Index at July 1, 2019.

**Salary** – An assumption for salary increases is used only for spreading contributions over future pay under the entry age normal cost method. For this purpose, salary increases are composed of a 2.5% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies from 2.75% to 0%.

**HATBORO-HORSHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE L - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS – SINGLE EMPLOYER PLAN (Continued)**

**Health Care Cost Trend Rate** – 6.0% in 2018 and 5.5% in 2019 through 2021. Rates gradually decrease from 5.4% in 2022 to 3.8% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

**Withdrawal** – Rates of withdrawal vary by age, gender and years of service. Sample rates for employees with more than 10 years of service are shown below. Rates for new employees start at 22.9% for both men and women and decrease with age and service.

| <u>Age</u> | <u>Male Rate</u> | <u>Female Rate</u> | <u>Age</u> | <u>Male Rate</u> | <u>Female Rate</u> |
|------------|------------------|--------------------|------------|------------------|--------------------|
| 25         | 2.57%            | 5.02%              | 45         | 1.37%            | 1.65%              |
| 30         | 2.57%            | 4.02%              | 50         | 1.92%            | 2.06%              |
| 35         | 1.50%            | 2.85%              | 55         | 3.38%            | 3.11%              |
| 40         | 1.34%            | 1.60%              | 60         | 5.57%            | 6.40%              |

**Mortality** – Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.

**Disability** – No disability was assumed.

**Retirement** – Assumed retirement rates are based on PSERS plan experience and vary by age, service and gender.

**Percent of Eligible Retirees Electing Coverage in Plan** – 100% of administrators, 85% of teachers and 25% of the support staff are assumed to elect coverage.

**Percent Married at Retirement** – 20% of employees are assumed to be married and have a spouse covered by the plan at retirement. Non-spouse dependents are deemed to be immaterial.

**Spouse Age** - Wives are assumed to be two years younger than their husbands.

**Retiree Contributions** - Retiree Contributions are assumed to increase at the same rate as the Health Care Cost Trend Rate.

**Actuarial Value of Assets** - Equal to the Market Value of Assets.

**Actuarial Cost Method - Entry Age Normal** - Under the Entry Age Normal Cost Method, the Normal Cost is the present value of benefits allocated to the year following the valuation date. Benefits are allocated on a level basis over the earnings of an individual between the date of hire and the assumed retirement age. The Accrued Liability as of the valuation date is the excess of the present value of future benefits over the present value of future Normal Cost. The Unfunded Accrued Liability is the excess of the Accrued Liability over the Actuarial Value of Assets. Actuarial gains and losses serve to reduce or increase the Unfunded Accrued Liability.

**HATBORO-HORSHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE L - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS – SINGLE EMPLOYER PLAN (Continued)**

**Changes in Assumptions** - In the 2018 actuarial valuation, the discount rate changed from 2.98% to 3.36%. The trend assumption was updated. Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

***Changes in the Total OPEB Liability***

|                         | <u>Total<br/>OPEB<br/>Liability</u> |
|-------------------------|-------------------------------------|
| Balance at July 1, 2018 | \$ 5,235,115                        |
| Changes for the year    |                                     |
| Service cost            | 209,324                             |
| Interest cost           | 157,378                             |
| Changes of assumptions  | (107,722)                           |
| Benefit payments        | <u>(301,429)</u>                    |
| Net changes             | <u>(42,449)</u>                     |
| Balance at July 1, 2019 | \$ <u>5,192,666</u>                 |

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

The following presents the total OPEB liability of the School District, as well as what the School District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.36 percent) or 1-percentage-point higher (4.36 percent) than the current discount rate:

|                      | 1% Decrease<br><u>2.36%</u> | Current<br>Discount<br>Rate<br><u>3.36%</u> | 1% Increase<br><u>4.36%</u> |
|----------------------|-----------------------------|---|-----------------------------|
| Total OPEB liability | \$ <u>5,479,259</u>         | \$ <u>5,192,666</u>                         | \$ <u>4,916,851</u>         |



**HATBORO-HORSHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE L - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS – SINGLE EMPLOYER PLAN (Continued)**

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

The following presents the total OPEB liability of the School District, as well as what the School District's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

|                      | 1% Decrease<br><u>2.36%</u> | Current<br>Discount<br>Rate<br><u>3.36%</u> | 1% Increase<br><u>4.36%</u> |
|----------------------|-----------------------------|---|-----------------------------|
| Total OPEB liability | \$ <u>5,479,259</u>         | \$ <u>5,192,666</u>                         | \$ <u>4,916,851</u>         |

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** – For the year ended June 30, 2020, the School recognized OPEB expense of \$102,636. At June 30, 2020, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|   | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|---|---|--|
| <b>GOVERNMENTAL ACTIVITIES</b>                    |   |  |
| Changes in assumptions                            | \$ -  | \$ 638,460                                   |
| Difference between expected and actual experience | -   | 879,971                                      |
| Contributions subsequent to the measurement date  | <u>316,477</u>                                | <u>-</u>                                     |
|   | <u>\$ 316,477</u>                             | <u>\$ 1,518,431</u>                          |
| <b>BUSINESS-TYPE ACTIVITIES</b>                   |   |  |
| Changes in assumptions                            | \$ -  | \$ 25,000                                    |
| Difference between expected and actual experience | -   | 35,000                                       |
| Contributions subsequent to the measurement date  | <u>13,000</u>                                 | <u>-</u>                                     |
|   | <u>\$ 13,000</u>                              | <u>\$ 60,000</u>                             |

**HATBORO-HORSHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE L - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS – SINGLE EMPLOYER PLAN (Continued)**

\$329,477 reported as deferred outflows of resources to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. The remaining amounts reported as deferred inflows of resources related to OPEB will be recognized in pension expense as follows:

| Year Ending<br>June 30, | Governmental<br>Activities | Business-Type<br>Activities |
|-------------------------|----------------------------|-----------------------------|
| 2021                    | \$ (187,957)               | \$ (8,000)                  |
| 2022                    | (187,957)                  | (8,000)                     |
| 2023                    | (187,957)                  | (8,000)                     |
| 2024                    | (187,957)                  | (8,000)                     |
| 2025                    | (187,957)                  | (8,000)                     |
| Thereafter              | <u>(576,646)</u>           | <u>(22,000)</u>             |
|                         | <u>\$ (1,516,431)</u>      | <u>\$ (62,000)</u>          |

**NOTE M - 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. It is the policy of the School District to purchase commercial insurance for the risks of loss to which it is exposed, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

**NOTE N - RISK AND UNCERTAINTIES**

**Risks and Uncertainties Related to the COVID-19 Pandemic**

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to have an effect on daily operations. Financial impact could occur though such potential impact is unknown at this time.

**HATBORO-HORSHAM SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE O - PARTICIPATION IN PUBLIC ENTITY RISK POOL**

The School District is self-insured for worker's compensation under the laws of the Commonwealth of Pennsylvania. The School District is approved for self-insured workers' compensation annually from July 1 to June 30 by the Bureau of Workers' Compensation, Pennsylvania Department of Labor and Industry. The School District belongs to the School Districts Insurance Consortium (the "Consortium"), which is an association of 77 public school districts that pool their funds under the Intergovernmental Cooperation Act, Act 180 of 1972, as amended, in order to reduce workers' compensation insurance costs. The Commonwealth holds the School District fully responsible for all workers' compensation claims which arise during the period it is self-insured. The Consortium accepts responsibility for all claims in excess of the School District's self-insured retention. The Consortium further protects the School District by acquiring excess insurance for claims of \$200,000 or more and provides coverage of \$1,000,000.

**NOTE P - PRIOR PERIOD RESTATEMENT**

The School District implemented GASB Statement No. 84, Fiduciary Activities. The objective of GASB Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

Student activities previously reported as an agency fund are now reported in the newly created custodial fund. For the custodial fund, the School District has treated the beginning of year net position of \$470,316 as having been recognized in the period incurred. The School District has adjusted beginning of net position for the custodial fund from \$0 to \$470,316.

Certain activities previously reported as fiduciary funds are now being reflected in the general fund in accordance with the provisions of GASB Statement No. 84. The School District has also adjusted the general fund beginning net position by \$159,281, from \$20,231,001 to \$20,390,282. The School District has also adjusted government-wide governmental activities beginning net position by \$159,281, from (\$75,246,000) to (\$75,086,719).

## **REQUIRED SUPPLEMENTARY INFORMATION**

# HATBORO-HORSHAM SCHOOL DISTRICT

## BUDGETARY COMPARISON SCHEDULE

### GENERAL FUND

YEAR ENDED JUNE 30, 2020

|  | Budgeted Amounts      |                       | Actual<br>Amounts<br>GAAP Basis | Variance With<br>Final Budget<br>Positive<br>(Negative) |
|--|-----------------------|-----------------------|---------------------------------|---|
|  | Original              | Final                 |                                 |   |
| <b>REVENUES</b>  |                       |                       |                                 |   |
| Local sources  | \$ 81,577,196         | \$ 81,585,016         | \$ 83,092,668                   | \$ 1,507,652  |
| State sources  | 21,547,541            | 21,729,843            | 21,735,529                      | 5,686   |
| Federal sources  | 2,638,366             | 2,690,978             | 2,787,865                       | 96,887  |
| <b>TOTAL REVENUES</b>  | <u>105,763,103</u>    | <u>106,005,837</u>    | <u>107,616,062</u>              | <u>1,610,225</u>  |
| <b>EXPENDITURES</b>  |                       |                       |                                 |   |
| Instruction  | 65,607,710            | 66,846,861            | 60,233,752                      | 6,613,109   |
| Support services   | 36,429,844            | 35,680,911            | 33,585,674                      | 2,095,237   |
| Operation of non-instructional services                          | 1,857,092             | 1,609,608             | 1,365,935                       | 243,673   |
| Facilities acquisition, construction and improvement services    | 3,000                 | 3,000                 | -                               | 3,000   |
| Debt service   | 6,165,457             | 6,165,457             | 5,995,673                       | 169,784   |
| Refunds of prior year revenues                                   | -                     | -                     | 650,000                         | (650,000)   |
| <b>TOTAL EXPENDITURES</b>  | <u>110,063,103</u>    | <u>110,305,837</u>    | <u>101,831,034</u>              | <u>8,474,803</u>  |
| <b>EXCESS (DEFICIENCY)<br/>OF REVENUES OVER<br/>EXPENDITURES</b> |                       |                       |                                 |   |
|  | <u>(4,300,000)</u>    | <u>(4,300,000)</u>    | <u>5,785,028</u>                | <u>10,085,028</u>                                       |
| <b>OTHER FINANCING SOURCES (USES)</b>                            |                       |                       |                                 |   |
| Proceeds from sale of capital assets                             | -                     | -                     | 1,684                           | 1,684   |
| Transfers in   | 1,250,000             | 1,250,000             | -                               | (1,250,000)   |
| Transfers out  | -                     | -                     | (4,565,064)                     | (4,565,064)   |
| <b>TOTAL OTHER FINANCING<br/>SOURCES (USES)</b>                  | <u>1,250,000</u>      | <u>1,250,000</u>      | <u>(4,563,380)</u>              | <u>(5,813,380)</u>                                      |
| <b>NET CHANGE IN FUND<br/>BALANCE</b>                            |                       |                       |                                 |   |
|  | <u>\$ (3,050,000)</u> | <u>\$ (3,050,000)</u> | 1,221,648                       | <u>\$ 4,271,648</u>                                     |
| <b>FUND BALANCE AT BEGINNING OF<br/>YEAR</b>                     |                       |                       |                                 |   |
|  |                       |                       | <u>20,390,282</u>               |   |
| <b>FUND BALANCE AT END<br/>OF YEAR</b>                           |                       |                       |                                 |   |
|  |                       |                       | <u>\$ 21,611,930</u>            |   |

See accompanying note to the budgetary comparison schedule.

**HATBORO-HORSHAM SCHOOL DISTRICT**  
**NOTE TO THE BUDGETARY COMPARISON SCHEDULE**  
**YEAR ENDED JUNE 30, 2020**

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**NOTE A - BUDGETARY INFORMATION**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. An annual appropriated budget is adopted for the General Fund. All annual appropriations lapse at fiscal year-end. Project-length financial plans are adopted for all Construction Funds.

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the Director of Business Affairs submits to the School Board a final proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the School District offices to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of an ordinance.
4. The Board may approve the transfer of unencumbered budgeted amounts between departments within any fund.
5. The operating budget is adopted on a basis prescribed by the Department of Education.

Controls over spending in the Construction and Capital Reserve Funds are achieved by Board approval and the use of internal spending limits. Effective expenditure control is achieved in the Construction and Capital Reserve Funds through bond indenture provisions and Board approved spending.

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

**HATBORO-HORSHAM SCHOOL DISTRICT**  
**SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE**  
**SHARE OF THE PSERS NET PENSION LIABILITY**  
**LAST SIX FISCAL YEARS**

|   | <u>2020</u>           | <u>2019</u>           | <u>2018</u>           | <u>2017</u>           | <u>2016</u>           | <u>2015</u>           |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| SCHOOL DISTRICT'S PROPORTION OF THE NET PENSION LIABILITY (ASSET)   | <u>0.3446%</u>        | <u>0.3455%</u>        | <u>0.3387%</u>        | <u>0.3389%</u>        | <u>0.3367%</u>        | <u>0.0039%</u>        |
| SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)  | <u>\$ 161,213,000</u> | <u>\$ 165,857,000</u> | <u>\$ 167,279,000</u> | <u>\$ 167,948,000</u> | <u>\$ 145,843,000</u> | <u>\$ 134,336,000</u> |
| SCHOOL DISTRICT'S COVERED PAYROLL   | <u>\$ 47,530,559</u>  | <u>\$ 46,526,555</u>  | <u>\$ 45,095,599</u>  | <u>\$ 43,891,133</u>  | <u>\$ 43,325,035</u>  | <u>\$ 43,305,745</u>  |
| SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF ITS COVERED PAYROLL | <u>339.18%</u>        | <u>356.48%</u>        | <u>370.94%</u>        | <u>382.65%</u>        | <u>336.63%</u>        | <u>310.20%</u>        |
| THE PLAN'S FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY                                  | <u>55.66%</u>         | <u>54.00%</u>         | <u>51.84%</u>         | <u>50.14%</u>         | <u>45.64%</u>         | <u>57.24%</u>         |

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**NOTES TO SCHEDULE**

The District's covered employee payroll noted above is as of the measurement date of the net pension liability (June 30, 2019, 2018, 2017, 2016, 2015 and 2014).

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

**HATBORO-HORSHAM SCHOOL DISTRICT**  
**SCHEDULE OF THE SCHOOL DISTRICT'S PSERS PENSION CONTRIBUTIONS**  
**LAST SIX FISCAL YEARS**

|  | <u>2020</u>          | <u>2019</u>          | <u>2018</u>          | <u>2017</u>          | <u>2016</u>          | <u>2015</u>          |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| CONTRACTUALLY REQUIRED CONTRIBUTION                                  | \$ 16,218,000        | \$ 15,353,000        | \$ 14,574,000        | \$ 12,926,000        | \$ 10,754,000        | \$ 8,679,000         |
| CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION | <u>16,218,000</u>    | <u>15,353,000</u>    | <u>14,574,000</u>    | <u>12,926,000</u>    | <u>10,754,000</u>    | <u>8,679,000</u>     |
| CONTRIBUTION DEFICIENCY  | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>          |
| SCHOOL DISTRICT'S COVERED PAYROLL                                    | <u>\$ 48,615,108</u> | <u>\$ 47,399,606</u> | <u>\$ 46,526,555</u> | <u>\$ 45,095,599</u> | <u>\$ 43,891,133</u> | <u>\$ 43,325,035</u> |
| CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL                     | <u>33.36%</u>        | <u>32.39%</u>        | <u>31.32%</u>        | <u>28.66%</u>        | <u>24.50%</u>        | <u>20.03%</u>        |

**NOTE TO SCHEDULE**

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.



# HATBORO-HORSHAM SCHOOL DISTRICT

## SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE PSERS NET OTHER POSTEMPLOYMENT BENEFIT PLAN LIABILITY LAST THREE FISCAL YEARS

|  | <u>2020</u>          | <u>2019</u>          | <u>2018</u>          |
|--|----------------------|----------------------|----------------------|
| SCHOOL DISTRICT'S PROPORTION OF THE NET OPEB LIABILITY   | <u>0.3446%</u>       | <u>0.3455%</u>       | <u>0.3387%</u>       |
| SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  | <u>\$ 7,329,000</u>  | <u>\$ 7,204,000</u>  | <u>\$ 6,901,000</u>  |
| SCHOOL DISTRICT'S COVERED PAYROLL  | <u>\$ 47,530,559</u> | <u>\$ 46,526,555</u> | <u>\$ 45,095,599</u> |
| SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY AS A PERCENTAGE OF ITS COVERED PAYROLL | <u>15.42%</u>        | <u>15.48%</u>        | <u>15.30%</u>        |
| THE PLAN'S FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL OPEB LIABILITY                          | <u>5.56%</u>         | <u>5.56%</u>         | <u>5.73%</u>         |

### NOTES TO SCHEDULE

The District's covered employee payroll noted above is as of the measurement date of the net pension liability (June 30, 2019, 2018 and 2017).

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

**HATBORO-HORSHAM SCHOOL DISTRICT**  
**SCHEDULE OF THE SCHOOL DISTRICT'S PSERS OTHER POSTEMPLOYMENT**  
**BENEFIT PLAN CONTRIBUTIONS**  
**LAST THREE FISCAL YEARS**

|   | <u>2020</u>          | <u>2019</u>          | <u>2018</u>          |
|---|----------------------|----------------------|----------------------|
| CONTRACTUALLY REQUIRED CONTRIBUTION                                     | \$ 408,000           | \$ 391,000           | \$ 381,000           |
| CONTRIBUTIONS IN RELATION TO THE<br>CONTRACTUALLY REQUIRED CONTRIBUTION | <u>408,000</u>       | <u>391,000</u>       | <u>381,000</u>       |
| CONTRIBUTION (EXCESS)<br>DEFICIENCY                                     | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>          |
| SCHOOL DISTRICT'S COVERED<br>PAYROLL                                    | <u>\$ 48,571,429</u> | <u>\$ 47,399,606</u> | <u>\$ 46,526,555</u> |
| CONTRIBUTIONS AS A PERCENTAGE OF<br>COVERED PAYROLL                     | <u>0.84%</u>         | <u>0.82%</u>         | <u>0.82%</u>         |

**NOTE TO SCHEDULE**

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

**HATBORO-HORSHAM SCHOOL DISTRICT**  
**SCHEDULE OF CHANGES IN THE TOTAL OTHER POSTEMPLOYMENT**  
**BENEFIT PLAN LIABILITY AND RELATED RATIOS**  
**LAST THREE FISCAL YEARS**

|  | <u>2020</u>          | <u>2019</u>          | <u>2018</u>          |
|--|----------------------|----------------------|----------------------|
| TOTAL OPEB LIABILITY                                       |                      |                      |                      |
| Service cost   | \$ 209,324           | \$ 331,298           | \$ 332,637           |
| Interest   | 157,378              | 221,270              | 172,721              |
| Changes of benefit terms                                   | -                    | (95,778)             | -                    |
| Differences between expected and actual experience         | -                    | (829,326)            | -                    |
| Changes of assumptions                                     | (107,722)            | (981,071)            | (45,599)             |
| Benefit payments   | <u>(301,429)</u>     | <u>(325,771)</u>     | <u>(325,624)</u>     |
| NET CHANGE IN TOTAL OPEB LIABILITY                         | (42,449)             | (1,679,378)          | 134,135              |
| TOTAL OPEB LIABILITY, BEGINNING                            | <u>5,235,115</u>     | <u>6,914,493</u>     | <u>6,780,358</u>     |
| TOTAL OPEB LIABILITY, ENDING                               | <u>\$ 5,192,666</u>  | <u>\$ 5,235,115</u>  | <u>\$ 6,914,493</u>  |
| COVERED PAYROLL  | <u>\$ 34,797,627</u> | <u>\$ 34,797,627</u> | <u>\$ 39,137,320</u> |
| TOTAL OPEB LIABILITY AS A PERCENTAGE<br>OF COVERED PAYROLL | <u>14.92%</u>        | <u>15.04%</u>        | <u>17.67%</u>        |

**NOTES TO SCHEDULE**

No assets are accumulated in a trust to pay benefits related to this plan

Changes in assumptions: Under 2020, the discount rate changed from 2.98% to 3.36%. The trend assumption was updated. Election assumptions for active employees have been revised.

Changes in assumptions: Under 2019, the discount rate changed from 3.13% to 2.98%. The trend assumption was updated. Election assumptions for active employees have been revised.

Changes of benefit terms: Under 2019, subsidy is no longer offered for teachers who were in Steps 1-5 during the 2003-2004 school year. A new partial subsidy is offered to administrators.

Changes in assumptions: Under 2018, the discount rate changed from 2.49% to 3.13%. The trend assumption was updated. Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

## **SUPPLEMENTARY INFORMATION SECTION**

**HATBORO-HORSHAM SCHOOL DISTRICT**  
**SCHEDULE OF 2019 REAL ESTATE TAXES**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2020**

| Taxing District  | Adjusted Assessed Valuation | Adjusted Tax Yield (a) | Uncollected (b)     | Collected (c)        | Collections as a Percentage of Adjusted Tax Yield |       |
|------------------|-----------------------------|------------------------|---------------------|----------------------|---|-------|
|                  |                             |                        |                     |                      | 2020  | 2019  |
| Hatboro Borough  | \$ 385,775,419              | \$ 11,198,776          | \$ 293,976          | \$ 10,857,904        | 97.0%   | 97.5% |
| Horsham Township | <u>2,169,570,759</u>        | <u>62,829,557</u>      | <u>1,146,195</u>    | <u>61,691,651</u>    | 98.2%   | 98.4% |
|                  | <u>\$ 2,555,346,178</u>     | <u>\$ 74,028,333</u>   | <u>\$ 1,440,171</u> | <u>\$ 72,549,555</u> | 98.0%   | 98.3% |

(a) Adjusted assessed valuation multiplied by 29.464 mills, less discounts allowed (\$1,330,676.45) plus penalties collected (\$68,290.27).

(b) Does not include penalty.

(c) Collected reflects adjustments for credits related to successful appeals of \$12,681.

**HATBORO-HORSHAM SCHOOL DISTRICT**  
**SCHEDULE OF GENERAL FUND BORROWING BASE**  
**YEAR ENDED JUNE 30, 2020**

|   | <u>2020</u>           | <u>2019</u>             | <u>2018</u>                         |
|---|-----------------------|-------------------------|-------------------------------------|
| TOTAL GENERAL FUND REVENUES   | \$ 107,617,746        | \$ 105,212,027          | \$ 102,803,317                      |
| DEDUCTIONS PURSUANT TO SECTION 102(c)(16) OF ACT 185                      |                       |                         |                                     |
| Rentals and sinking fund subsidies  | <u>224,648</u>        | <u>51,728</u>           | <u>256,529</u>                      |
| TOTAL GENERAL FUND REVENUES, as adjusted                                  | <u>\$ 107,393,098</u> | <u>\$ 105,160,299</u>   | <u>\$ 102,546,788</u>               |
| AGGREGATE TOTAL REVENUES ADJUSTED FOR THE THREE YEARS ENDED JUNE 30, 2020 |                       |                         | <u>\$ 315,100,185</u>               |
| BORROWING BASE AS DEFINED IN SECTION 102(c)(3) OF ACT 185, \$315,090,811  |                       |                         | <u>\$ 105,033,395</u>               |
|   | <u>Legal Limit</u>    | <u>Debt Outstanding</u> | <u>Remaining Borrowing Capacity</u> |
| NET NONELECTORAL DEBT LIMIT, 225% OF BORROWING BASE                       | <u>\$ 236,325,139</u> | <u>\$ 64,265,000</u>    | <u>\$ 172,060,139</u>               |

Note: After July 5, 1998, no school district may incur any new nonelectoral debt or lease rental debt if the aggregate amount of such new debt together with any net nonelectoral debt and net lease rental debt of the school district would exceed 225% of the school district's borrowing base.

**HATBORO-HORSHAM SCHOOL DISTRICT**  
**SCHEDULE OF RECEIPTS AND DISBURSEMENTS**  
**CUSTODIAL FUND**  
**YEAR ENDED JUNE 30, 2020**

|   | Cash and<br>Investments at<br><u>June 30, 2019</u> | Transfers In/<br><u>Receipts</u> | Transfers Out/<br><u>Disbursements</u> | Cash and<br>Investments at<br><u>June 30, 2020</u> |
|---|--|----------------------------------|--|--|
| <b>RECEIPTS AND DISBURSEMENTS</b>           |  |                                  |  |  |
| Senior High School funds                    | \$ 285,396   | \$ 482,267                       | \$ 489,040                             | \$ 278,623   |
| Keith Valley Middle School funds            | 99,293   | 148,145                          | 125,158                                | 122,280  |
| Elementary School funds                     | 420  | -                                | 420                                    | -  |
| Summer enrichment programs                  | 72,826   | 29,041                           | 85,827                                 | 16,040   |
| Interest earned                             | <u>12,381</u>                                      | <u>4,907</u>                     | <u>-</u>                               | <u>17,288</u>                                      |
| <b>TOTAL RECEIPTS AND<br/>DISBURSEMENTS</b> | <b><u>\$ 470,316</u></b>                           | <b><u>\$ 664,360</u></b>         | <b><u>\$ 700,445</u></b>               | <b><u>\$ 434,231</u></b>                           |

**HATBORO-HORSHAM SCHOOL DISTRICT**  
**SCHEDULE OF INVESTMENTS AND DEPOSITS IN STATE INVESTMENT POOLS**  
**YEAR ENDED JUNE 30, 2020**

| Fund and Bank   | Interest<br>Rate | Pennsylvania<br>Local<br>Government<br>Investment<br>Trust | U.S.<br>Government<br>Obligations | Other             | Totals               |
|---|------------------|--|-----------------------------------|-------------------|----------------------|
| <b>GENERAL FUND</b>   |                  |  |                                   |                   |                      |
| U.S. Bank Investments                                       | (a)*             | \$ -   | \$ 32,060,429                     | \$ -              | \$ 32,060,429        |
| Pennsylvania School District Liquid Asset Fund              | (c)*             | -  | -                                 | 105,157           | 105,157              |
| <b>CAPITAL RESERVE FUND</b>                                 |                  |  |                                   |                   |                      |
| Pennsylvania Local Government Investment Trust<br>Class     | (b)*             | 10,758,689   | -                                 | -                 | 10,758,689           |
| <b>CONSTRUCTION FUND</b>                                    |                  |  |                                   |                   |                      |
| Pennsylvania Local Government Investment Trust (2019 Issue) | (d)*             | 5,995,209  | -                                 | -                 | 5,995,209            |
| <b>DEBT SERVICE FUND</b>                                    |                  |  |                                   |                   |                      |
| Pennsylvania Local Government Investment Trust<br>Class     | (b)*             | 7,125,395  | -                                 | -                 | 7,125,395            |
| I - Class   | (e)*             | 2,084,624  | -                                 | -                 | 2,084,624            |
| <b>CUSTODIAL FUND</b>                                       |                  |  |                                   |                   |                      |
| Pennsylvania Local Government Investment Trust              | (b)*             | 352,390  | -                                 | -                 | 352,390              |
|   |                  | <u>\$ 26,316,307</u>                                       | <u>\$ 32,060,429</u>              | <u>\$ 105,157</u> | <u>\$ 58,481,893</u> |

\*Interest rate fluctuates daily.

- a) 1.66% at June 30, 2020
- b) .18% at June 30, 2020
- c) .06% at June 30, 2020
- d) .26% at June 30, 2020
- e) .32% on June 30, 2020



***Independent Auditors' 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***

To the Board of School Directors  
Hatboro-Horsham School District  
Horsham, Pennsylvania

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Hatboro-Horsham School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Hatboro-Horsham School District's basic financial statements, and have issued our report thereon dated January 14, 2021.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Hatboro-Horsham School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hatboro-Horsham School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hatboro-Horsham 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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of School Directors  
Hatboro-Horsham School District  
Horsham, Pennsylvania

***Compliance and Other Matters***

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

***Purpose of this Report***

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



Limerick, Pennsylvania  
January 14, 2021

***Independent Auditors' Report on Compliance for Each Major Federal Program and  
Report on Internal Control Over Compliance in Accordance With the Uniform Guidance***

To the Board of School Directors  
Hatboro-Horsham School District  
Horsham, Pennsylvania

**Report on Compliance for Each Major Federal Program**

We have audited the Hatboro-Horsham School District's 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 each of the Hatboro-Horsham School District's major federal programs for the year ended June 30, 2020. Hatboro-Horsham School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Hatboro-Horsham School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) 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 Hatboro-Horsham School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion of Each Major Federal Program***

In our opinion, the Hatboro-Horsham School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

To the Board of School Directors  
Hatboro-Horsham School District  
Horsham, Pennsylvania

## **Report on Internal Control Over Compliance**

Management of the Hatboro-Horsham 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 Hatboro-Horsham School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Hatboro-Horsham School District's internal control over compliance.

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

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

### ***Purpose of this Report***

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.



Limerick, Pennsylvania  
January 14, 2021

**SUPPLEMENTARY INFORMATION - MAJOR FEDERAL  
AWARD PROGRAMS AUDIT**

**HATBORO-HORSHAM SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL**  
**AND CERTAIN STATE AWARDS**  
**YEAR ENDED JUNE 30, 2020**

| Federal Grantor/Pass-Through<br>Grantor/Program or Cluster Title   | Source<br>Code | Federal<br>CFDA<br>Number | Pass-Through<br>Grantor's<br>Number | Grant Period<br>Beginning/<br>Ending Date |
|--|----------------|---------------------------|-------------------------------------|---|
| <b>U.S. DEPARTMENT OF EDUCATION</b>                                |                |                           |                                     |   |
| Impact Aid Program - Section 7002                                  | D              | 84.041                    | N/A                                 | July 1, 2017 to<br>June 30, 2018          |
| Impact Aid Program - Section 7002                                  | D              | 84.041                    | N/A                                 | July 1, 2018 to<br>June 30, 2019          |
| Impact Aid Program - Section 7002                                  | D              | 84.041                    | N/A                                 | July 1, 2019 to<br>June 30, 2020          |
| TOTAL IMPACT AID PROGRAM   |                |                           |                                     |   |
| <b>Passed through the Pennsylvania Department<br/>of Education</b> |                |                           |                                     |   |
| Title I Improving Basic Programs                                   | I              | 84.010                    | 013-190185                          | July 1, 2018 to<br>June 30, 2019          |
| Title I Improving Basic Programs                                   | I              | 84.010                    | 013-200185                          | July 1, 2019 to<br>June 30, 2020          |
| TOTAL TITLE I  |                |                           |                                     |   |
| Title II Improving Teacher Quality                                 | I              | 84.367                    | 020-180185                          | July 1, 2017 to<br>June 30, 2018          |
| Title II Improving Teacher Quality                                 | I              | 84.367                    | 020-190185                          | July 1, 2018 to<br>June 30, 2019          |
| Title II Improving Teacher Quality                                 | I              | 84.367                    | 020-200185                          | July 1, 2019 to<br>June 30, 2020          |
| TOTAL TITLE II   |                |                           |                                     |   |
| Title III Language Instruction                                     | I              | 84.365                    | 010-190185                          | July 1, 2018 to<br>June 30, 2019          |
| Title III Language Instruction                                     | I              | 84.365                    | 010-200185                          | July 1, 2019 to<br>June 30, 2020          |
| TOTAL TITLE III  |                |                           |                                     |   |
| Title IV 21st Century  | I              | 84.287                    | 144-180185                          | July 1, 2017 to<br>June 30, 2018          |
| Title IV 21st Century  | I              | 84.287                    | 144-190185                          | July 1, 2018 to<br>June 30, 2019          |
| Title IV 21st Century  | I              | 84.287                    | 144-200185                          | July 1, 2019 to<br>June 30, 2020          |
| TOTAL TITLE IV   |                |                           |                                     |   |
| <b>Passed through the Montgomery County<br/>Intermediate Unit</b>  |                |                           |                                     |   |
| IDEA Section 619   | I              | 84.173                    | N/A                                 | July 1, 2019 to<br>June 30, 2020          |
| IDEA   | I              | 84.027                    | N/A                                 | July 1, 2018 to<br>June 30, 2019          |
| IDEA   | I              | 84.027                    | N/A                                 | July 1, 2019 to<br>June 30, 2020          |
| TOTAL CFDA 84.027  |                |                           |                                     |   |
| TOTAL SPECIAL EDUCATION CLUSTER                                    |                |                           |                                     |   |
| TOTAL FORWARD  |                |                           |                                     |   |

| <u>Program or Award Amount</u> | <u>Total Received for the Year</u> | <u>Accrued or (Deferred) Revenue at July 1, 2019</u> | <u>Revenue Recognized</u> | <u>Expenditures</u> | <u>Accrued or (Deferred) Revenue at June 30, 2020</u> | <u>Passed Through to Sub-Recipients</u> |
|--------------------------------|------------------------------------|--|---------------------------|---------------------|---|---|
| \$ 691,508                     | \$ 64,951                          | \$ -   | \$ 64,951                 | \$ 64,951           | \$ -  | \$ -                                    |
| \$ 692,635                     | \$ 69,078                          | \$ -   | \$ 69,078                 | \$ 69,078           | \$ -  | \$ -                                    |
| 626,557                        | <u>626,557</u>                     | <u>-</u>   | <u>626,557</u>            | <u>626,557</u>      | <u>-</u>  | <u>-</u>                                |
|                                | <u>760,586</u>                     | <u>-</u>   | <u>760,586</u>            | <u>760,586</u>      | <u>-</u>  | <u>-</u>                                |
| 391,677                        | 187,318                            | 20,571   | 157,713                   | 157,713             | (9,034)   | -                                       |
| 387,887                        | <u>206,923</u>                     | <u>-</u>   | <u>211,369</u>            | <u>211,369</u>      | <u>4,446</u>  | <u>-</u>                                |
|                                | <u>394,241</u>                     | <u>20,571</u>  | <u>369,082</u>            | <u>369,082</u>      | <u>(4,588)</u>  | <u>-</u>                                |
| 104,492                        | -                                  | (850)  | 850                       | 850                 | -   | -                                       |
| 106,936                        | 71,703                             | 25,101   | 40,236                    | 40,236              | (6,366)   | -                                       |
| 99,041                         | <u>39,700</u>                      | <u>-</u>   | <u>9,915</u>              | <u>9,915</u>        | <u>(29,785)</u>                                       | <u>-</u>                                |
|                                | <u>111,403</u>                     | <u>24,251</u>  | <u>51,001</u>             | <u>51,001</u>       | <u>(36,151)</u>                                       | <u>-</u>                                |
| 21,480                         | 2,864                              | 2,864  | -                         | -                   | -   | -                                       |
| 29,997                         | <u>25,997</u>                      | <u>-</u>   | <u>29,997</u>             | <u>29,997</u>       | <u>4,000</u>  | <u>-</u>                                |
|                                | <u>28,861</u>                      | <u>2,864</u>   | <u>29,997</u>             | <u>29,997</u>       | <u>4,000</u>  | <u>-</u>                                |
| 10,000                         | 2,000                              | (427)  | 2,427                     | 2,427               | -   | -                                       |
| 26,531                         | 10,613                             | 1,414  | 8,975                     | 8,975               | (224)   | -                                       |
| 30,521                         | <u>21,130</u>                      | <u>-</u>   | <u>11,915</u>             | <u>11,915</u>       | <u>(9,215)</u>  | <u>-</u>                                |
|                                | <u>33,743</u>                      | <u>987</u>   | <u>23,317</u>             | <u>23,317</u>       | <u>(9,439)</u>  | <u>-</u>                                |
| 3,780                          | <u>-</u>                           | <u>-</u>   | <u>3,780</u>              | <u>3,780</u>        | <u>3,780</u>  | <u>-</u>                                |
| 923,331                        | 923,331                            | 923,331  | -                         | -                   | -   | -                                       |
| 897,736                        | <u>-</u>                           | <u>-</u>   | <u>897,736</u>            | <u>897,736</u>      | <u>897,736</u>  | <u>-</u>                                |
|                                | <u>923,331</u>                     | <u>923,331</u>                                       | <u>897,736</u>            | <u>897,736</u>      | <u>897,736</u>  | <u>-</u>                                |
|                                | <u>923,331</u>                     | <u>923,331</u>                                       | <u>901,516</u>            | <u>901,516</u>      | <u>901,516</u>  | <u>-</u>                                |
|                                | <u>\$ 2,252,165</u>                | <u>\$ 972,004</u>                                    | <u>\$ 2,135,499</u>       | <u>\$ 2,135,499</u> | <u>\$ 855,338</u>                                     | <u>\$ -</u>                             |

**HATBORO-HORSHAM SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL**  
**AND CERTAIN STATE AWARDS**  
**YEAR ENDED JUNE 30, 2020**

| Federal Grantor/Pass-Through<br>Grantor/Program or Cluster Title                               | Source<br>Code | Federal<br>CFDA<br>Number | Pass-Through<br>Grantor's<br>Number | Grant Period<br>Beginning/<br>Ending Date           |
|--|----------------|---------------------------|-------------------------------------|---|
| <b>U.S. DEPARTMENT OF EDUCATION</b>  |                |                           |                                     |   |
| TOTAL FORWARDED  |                |                           |                                     |   |
| <b>U.S. DEPARTMENT OF TREASURY</b>   |                |                           |                                     |   |
| <b>Passed through the Commonwealth of PA<br/>Commission on Crime and Delinquency</b>           |                |                           |                                     |   |
| COVID-19 CARES Safety Grant  | I              | 21.019                    | N/A                                 | March 1, 2020 to<br>October 30, 2020                |
| <b>Passed through the PA Department of Education</b>   |                |                           |                                     |   |
| COVID 19 CARES ESSR Grant  | I              | 84.425D                   | N/A                                 | March 13, 2020 to<br>September 30, 2021             |
| <b>U.S. DEPARTMENT OF PUBLIC WELFARE</b>   |                |                           |                                     |   |
| <b>Passed through the Pennsylvania Department of<br/>Human Services</b>                        |                |                           |                                     |   |
| School Based Medical Reimbursement Program -<br>Administrative Service Fees Reimbursement-8820 | I              | 93.778                    | N/A                                 | July 1, 2018 to<br>June 30, 2019                    |
| School Based Medical Reimbursement Program -<br>Administrative Service Fees Reimbursement-8820 | I              | 93.778                    | N/A                                 | July 1, 2019 to<br>June 30, 2020                    |
| TOTAL MEDICAID CLUSTER   |                |                           |                                     |   |
| TOTAL U.S. DEPARTMENT OF PUBLIC<br>WELFARE   |                |                           |                                     |   |
| <b>U.S. DEPARTMENT OF AGRICULTURE</b>  |                |                           |                                     |   |
| <b>Passed through the Pennsylvania Department of<br/>Agriculture</b>                           |                |                           |                                     |   |
| National School Lunch Program  | I              | 10.555                    | *                                   | N/A<br>July 1, 2019 to<br>June 30, 2020             |
| <b>Passed through the Pennsylvania Department of<br/>Education</b>                             |                |                           |                                     |   |
| Child Nutrition Cluster  |                |                           |                                     |   |
| National School Lunch Program  | I              | 10.555                    | *                                   | 362<br>July 1, 2019 to<br>June 30, 2020             |
| TOTAL NATIONAL SCHOOL LUNCH PROGRAM  |                |                           |                                     |   |
| School Breakfast Program   | I              | 10.553                    | *                                   | 365<br>July 1, 2019 to<br>June 30, 2020             |
| TOTAL CHILD NUTRITION CLUSTER  |                |                           |                                     |   |
| <b>Passed through the Pennsylvania Department of<br/>Education</b>                             |                |                           |                                     |   |
| National School Lunch Program  | S              | N/A                       | *                                   | 510/511/512/513<br>July 1, 2019 to<br>June 30, 2020 |
| TOTAL U.S. DEPARTMENT OF<br>AGRICULTURE  |                |                           |                                     |   |
| TOTAL FEDERAL AND CERTAIN<br>STATE AWARDS  |                |                           |                                     |   |

**Footnotes:**

- (a) Total amount of foods received from the Department of Agriculture.
- (b) Beginning inventory at July 1, 2019.
- (c) Total amount of foods used.
- (d) Ending inventory at June 30, 2020.

**Source Codes:**

- D = Direct funding
- I = Indirect funding
- S = State share
- \* = Major program

**Test of 20% Rule:**

Total expenditures per above  
Less state share of National School  
Lunch Program

TOTAL FEDERAL  
EXPENDITURES



| <u>Program or Award Amount</u> | <u>Total Received for the Year</u> | <u>Accrued or (Deferred) Revenue at July 1, 2019</u> | <u>Revenue Recognized</u>  | <u>Expenditures</u>        | <u>Accrued or (Deferred) Revenue at June 30, 2020</u> | <u>Passed Through to Sub-Recipients</u> |
|--------------------------------|------------------------------------|--|----------------------------|----------------------------|---|---|
|                                | \$ <u>2,252,165</u>                | \$ <u>972,004</u>                                    | \$ <u>2,135,499</u>        | \$ <u>2,135,499</u>        | \$ <u>855,338</u>                                     | \$ <u>-</u>                             |
| \$ 301,173                     | <u>-</u>                           | <u>-</u>   | <u>140,200</u>             | <u>140,200</u>             | <u>140,200</u>  | <u>-</u>                                |
| 329,280                        | <u>-</u>                           | <u>-</u>   | <u>124,864</u>             | <u>124,864</u>             | <u>124,864</u>  | <u>-</u>                                |
| \$ 13,116                      | <u>11,572</u>                      | <u>6,981</u>   | <u>4,591</u>               | <u>4,591</u>               | <u>-</u>  | <u>-</u>                                |
| 19,604                         | <u>2,022</u>                       | <u>-</u>   | <u>19,604</u>              | <u>19,604</u>              | <u>17,582</u>   | <u>-</u>                                |
|                                | <u>13,594</u>                      | <u>6,981</u>   | <u>24,195</u>              | <u>24,195</u>              | <u>17,582</u>   | <u>-</u>                                |
|                                | <u>13,594</u>                      | <u>6,981</u>   | <u>24,195</u>              | <u>24,195</u>              | <u>17,582</u>   | <u>-</u>                                |
| N/A                            | 121,762 (a)                        | (25,019) (b)   | 118,491                    | 118,491 (c)                | (28,290) (d)  | -                                       |
| N/A                            | <u>459,415</u>                     | <u>26,198</u>  | <u>459,898</u>             | <u>459,898</u>             | <u>26,681</u>   | <u>-</u>                                |
|                                | <u>581,177</u>                     | <u>1,179</u>   | <u>578,389</u>             | <u>578,389</u>             | <u>(1,609)</u>  | <u>-</u>                                |
| N/A                            | <u>109,200</u>                     | <u>5,853</u>   | <u>120,215</u>             | <u>120,215</u>             | <u>16,868</u>   | <u>-</u>                                |
|                                | <u>690,377</u>                     | <u>7,032</u>   | <u>698,604</u>             | <u>698,604</u>             | <u>15,259</u>   | <u>-</u>                                |
| N/A                            | <u>37,405</u>                      | <u>2,304</u>   | <u>36,787</u>              | <u>36,787</u>              | <u>1,686</u>  | <u>-</u>                                |
|                                | <u>727,782</u>                     | <u>9,336</u>   | <u>735,391</u>             | <u>735,391</u>             | <u>16,945</u>   | <u>-</u>                                |
|                                | \$ <u><u>2,993,541</u></u>         | \$ <u><u>988,321</u></u>                             | \$ <u><u>3,160,149</u></u> | \$ <u><u>3,160,149</u></u> | \$ <u><u>1,154,929</u></u>                            | \$ <u><u>-</u></u>                      |
| <b>Selected for Testing:</b>   |                                    |  |                            |                            |   |   |
| \$ 3,160,149                   |                                    | Impact Aid   |                            | \$ 760,586                 |   |   |
| <u>36,787</u>                  |                                    |  |                            |                            |   |   |
| \$ <u><u>3,123,362</u></u>     |                                    |  |                            | \$ <u>760,586</u>          | =   | 24.4%                                   |
|                                |                                    |  |                            | \$ <u>3,123,362</u>        |   |   |

**HATBORO-HORSHAM SCHOOL DISTRICT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF**  
**FEDERAL AND CERTAIN STATE AWARDS**  
**YEAR ENDED JUNE 30, 2020**

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**NOTE A - GENERAL**

The accompanying schedule of expenditures of federal and certain state awards presents the activity of all federal financial assistance programs of the School District. The School District's reporting entity is defined in Note A to the School District's financial statements. Federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other government agencies or nonprofit organizations, is included on the schedule.

**NOTE B - BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal and certain state awards is presented on the modified accrual basis of accounting which is described in Note A to the School District's financial statements. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

**NOTE C - RELATIONSHIP TO FINANCIAL STATEMENTS**

The schedule of expenditures of federal and certain state awards presents only a selected portion of the activities of the School District. It is not intended to, and does not, present either the balance sheet, revenues, expenditures and changes in fund balances of the Governmental Funds and changes in net position of the Proprietary Funds or cash flows of the School District. The financial activity for the aforementioned awards is reported in the School District's statement of revenues, expenditures and changes in fund balances of the Governmental Funds and statement of revenues, expenses and changes in net position and cash flows of the Proprietary Funds. In certain programs, the expenditures reported in the financial statements may differ from the expenditures reported in the schedule of expenditures of federal and certain state awards due to program expenditures exceeding grant or contract budget limitations, which are not reported as expenditures in the schedule of expenditures of federal and certain state awards.

**NOTE D - ADMINISTRATIVE EXPENSES**

The expenditures in the accompanying schedule of expenditures of federal and certain state awards include an allocation of administrative expenses. These allocations are based upon amounts permitted under each individual financial assistance program.

**NOTE E - INDIRECT COST RATES**

The School District has not elected to use the 10% de minimis indirect cost rate as allowed in the Uniform Guidance, Section 414.

**HATBORO-HORSHAM SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2020**

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**A. SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unmodified opinion on the financial statements of the Hatboro-Horsham School District.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the Independent Auditors' 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*.
3. No instances of noncompliance material to the financial statements of the Hatboro-Horsham School District were disclosed during the audit.
4. No significant deficiencies or material weaknesses relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance with the Uniform Guidance.
5. The auditors' report on compliance for the major award programs for the Hatboro-Horsham School District expresses an unmodified opinion.
6. There were no audit findings that are required to be reported in accordance with Section 2 CFR 200.516(a).
7. The programs tested as major programs include:

| <u>Program</u> | <u>CFDA</u> |
|----------------|-------------|
| Impact Aid     | 84.041      |

8. The threshold used for distinguishing Types A and B programs was \$750,000.
9. Hatboro-Horsham School District was determined to be a low-risk auditee.

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT**

None.

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None.

**HATBORO-HORSHAM SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**YEAR ENDED JUNE 30, 2020**

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None.