

HATBORO-HORSHAM SCHOOL DISTRICT

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Year Ended June 30, 2021

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 Elementary School
Hallowell 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, 2021, 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.

Maillie LLP

Limerick, Pennsylvania
January 14, 2022

HATBORO-HORSHAM SCHOOL DISTRICT

LIST OF REPORT DISTRIBUTION

YEAR ENDED JUNE 30, 2021

	Quantity
Office of the Prothonotary Montgomery County Court House Norristown, PA 19404	1
Intermediate Unit #23 2 West Lafayette Street 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, 2021, 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, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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 23, budgetary comparison information on pages 73 and 74, schedule of the school district's proportionate share of the PSERS net pension liability on page 75, schedule of the school district's PSERS pension contributions on page 76, schedule of the school district's proportionate share of the PSERS net other postemployment benefit plan liability on page 77, schedule of the school district's PSERS other postemployment benefit plan contributions on page 78 and schedule of changes in the total other postemployment benefit plan liability and related ratios on page 79 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, 2022, 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, 2022

HATBORO-HORSHAM SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2021

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

The District consists of six schools – four elementary schools, one middle school, and one senior high school – consisting of approximately 4,200 students. The District encompasses the municipal subdivisions of the Borough of Hatboro and Horsham Township in Montgomery County, Pennsylvania and covers approximately 19 square miles. The District is located in eastern Montgomery County and lies approximately 20 miles north of Center City Philadelphia. There are approximately 730 employees in the District including teachers, administrators and support personnel. The District aims to improve performance and achievement of all students by utilizing appropriate curricular and academic programming and strategies as determined by local and state measurements, through explicit skill instruction and rigorous tasks that are differentiated to allow all learners to meet and exceed expectations. The District's 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 community.

FINANCIAL HIGHLIGHTS

- The School District's prepares its budget 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 that is designed to tightly control total site budgets while providing flexibility for site managers. Extensive internal control mechanisms are in place and reviewed regularly to prevent any form of fraud, waste, or abuse of School District funds.
- On a government-wide basis including all governmental activities and the business type activities, the liabilities and deferred inflows of resources of the District exceeded the assets and deferred outflows of resources resulting in a deficit in total net position at the close of the 2020-2021 fiscal year of \$74,558,120. During the 2020-2021 fiscal year, the District had an increase in total net position of \$43,068. The net position of governmental activities decreased by \$268,862 and net position of the business-type activities increased by \$311,930.
- The General Fund reported an increase in fund balance of \$260,154, bringing the cumulative balance to \$21,872,084 at the conclusion of the 2020-2021 fiscal year. At June 30, 2021, the General Fund fund balance includes \$14,397,805 committed or assigned by the School Board and management for the following purposes:
 - Public School Employee Retirement System (PSERS) rate increases: \$5,544,758
 - Medical plan rate increases: \$3,086,659
 - Stabilization for lost air force base revenues due to closure: \$1,945,799
 - COVID impact: \$524,251
 - Balancing the 2021-2022 Budget: \$3,050,000
 - Student scholarships: \$246,338

HATBORO-HORSHAM SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2021

- At June 30, 2021, the General Fund fund balance includes unassigned amounts of \$7,474,279 or 6.5% of the 2021-2022 General Fund expenditure budget. This is in compliance with School Board policy and guidelines prescribed by the Pennsylvania Department of Education allowing a district to maintain an unassigned maximum General Fund fund balance of 8% of the following year's expenditure budget.
- General Fund revenues and other financing sources totaled \$110,673,470 for 2020-2021 compared to \$106,869,938 in total expenditures, resulting in an operating surplus (before transfers) of \$3,803,132. The District transferred \$3,543,378 to other funds in anticipation of future expenditures as follows:
 - \$2,643,378 to the Capital Reserve Fund
 - \$900,000 to the Debt Service Fund

After transfers, the ending surplus for the General Fund amounted to \$260,154.

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.

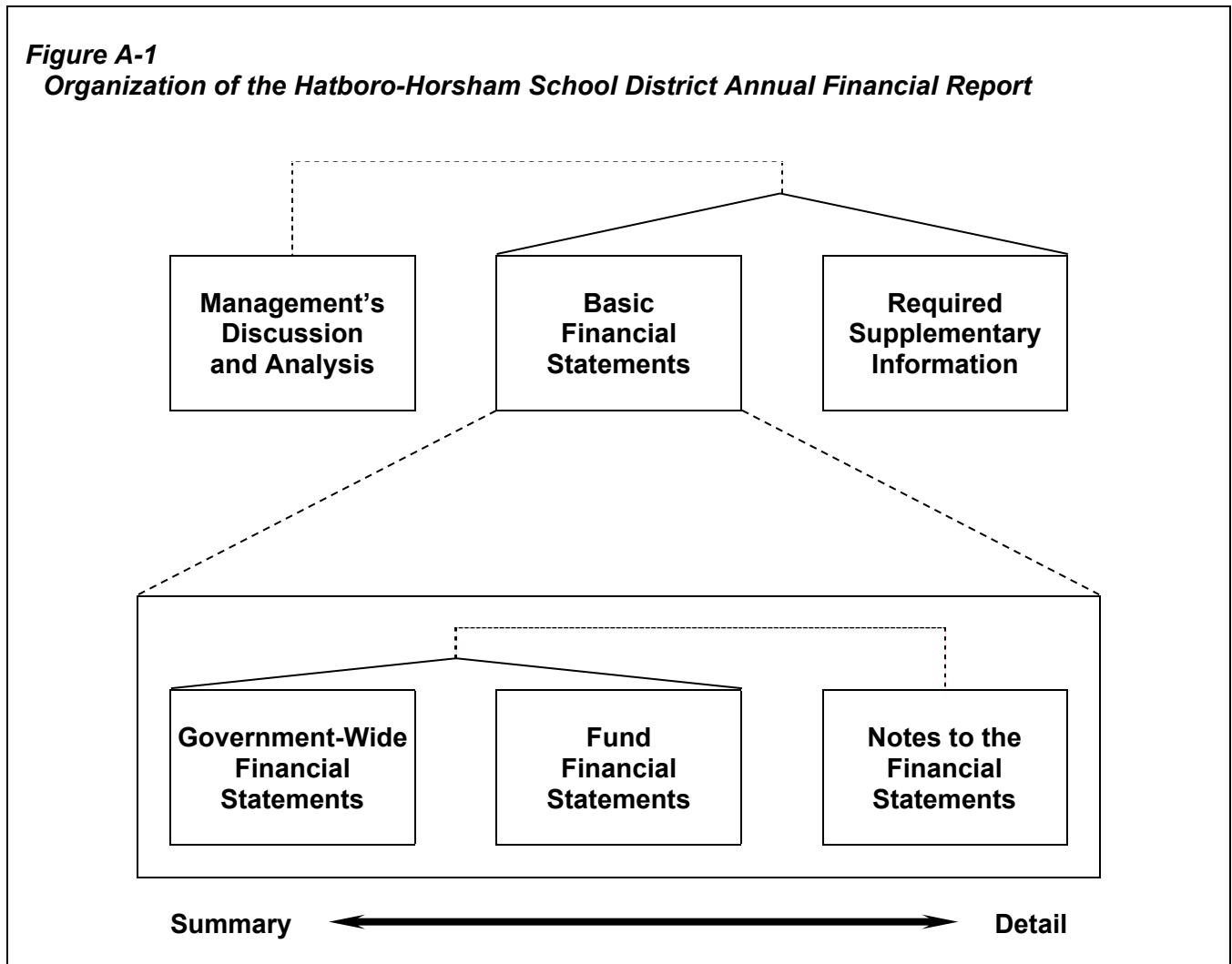
This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School District:

- 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, 2021

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, 2021

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.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	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"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial 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, 2021

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, 2021

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 \$16.1 million or 14.2% of total revenues, and general revenues accounted for \$97.4 million or 85.8%.
- Governmental activities expenditures totaled \$111 million, of which \$68.5 million was spent on instructional services, \$37.6 million was spent on support services, \$1.3 million was spent on non-instructional programs, \$0.3 million on facilities improvement and construction, \$1.8 million was used for interest payments on long-term debt and \$1.5 million on refund of prior year revenues. Business-type activity expenditures totaled \$2.5 million.

HATBORO-HORSHAM SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2021

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, 2021 and 2020

	Governmental Activities		Business-Type Activities		Total School District	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 67.0	\$ 68.6	\$ 1.4	\$ 0.8	\$ 68.4	\$ 69.4
Capital assets, net	104.5	104.3	-	0.1	104.5	104.4
TOTAL ASSETS	171.5	172.9	1.4	0.9	172.9	173.8
Deferred outflows of resources	27.4	21.1	0.9	0.7	28.3	21.8
Long-term debt outstanding	245.8	238.8	5.8	5.7	251.6	244.5
Other liabilities	17.3	17.5	0.4	0.1	17.7	17.6
TOTAL LIABILITIES	263.1	256.3	6.2	5.8	269.3	262.1
Deferred inflows of resources	6.2	7.8	0.3	0.3	6.5	8.1
Net position						
Net investment in capital assets	40.0	39.9	-	-	40.0	39.9
Restricted	16.3	16	-	-	16.3	16.3
Unrestricted	(126.7)	(126.3)	(4.2)	(4.5)	(130.9)	(130.8)
TOTAL NET POSITION	\$ (70.4)	\$ (70.1)	\$ (4.2)	\$ (4.5)	\$ (74.6)	\$ (74.6)

Figure A-4
Comparative Schedule of Changes in Net Position (In Millions of Dollars)
Years Ended June 30, 2021 and 2020

	Governmental Activities		Business-Type Activities		Total School District	
	2021	2020	2021	2020	2021	2020
REVENUES						
Program revenues	\$ 13.3	\$ 12.5	\$ 2.8	\$ 3.0	\$ 16.1	\$ 15.5
General revenues	97.4	96.1	-	-	97.4	96.1
TOTAL REVENUES	110.7	108.6	2.8	3.0	113.5	111.6
EXPENSES						
Instruction	68.5	64.0	-	-	68.5	64.0
Support services	37.6	34.7	-	-	37.6	34.7
Operation of non-instructional services	1.3	1.4	-	-	1.3	1.4
Facilities acquisition, construction and improvement services	0.3	0.6	-	-	0.3	1
Interest on long-term debt	1.8	2.2	-	-	1.8	2.2
Refund of prior year revenues	1.5	0.7	-	-	1.5	1
Food service, childcare	-	-	2.5	3.6	2.5	3.6
TOTAL EXPENSES	111.0	103.6	2.5	3.6	113.5	107.2
CHANGE IN NET POSITION	\$ (0.3)	\$ 5.0	\$ 0.3	\$ (0.6)	\$ 0.0	\$ 4.4

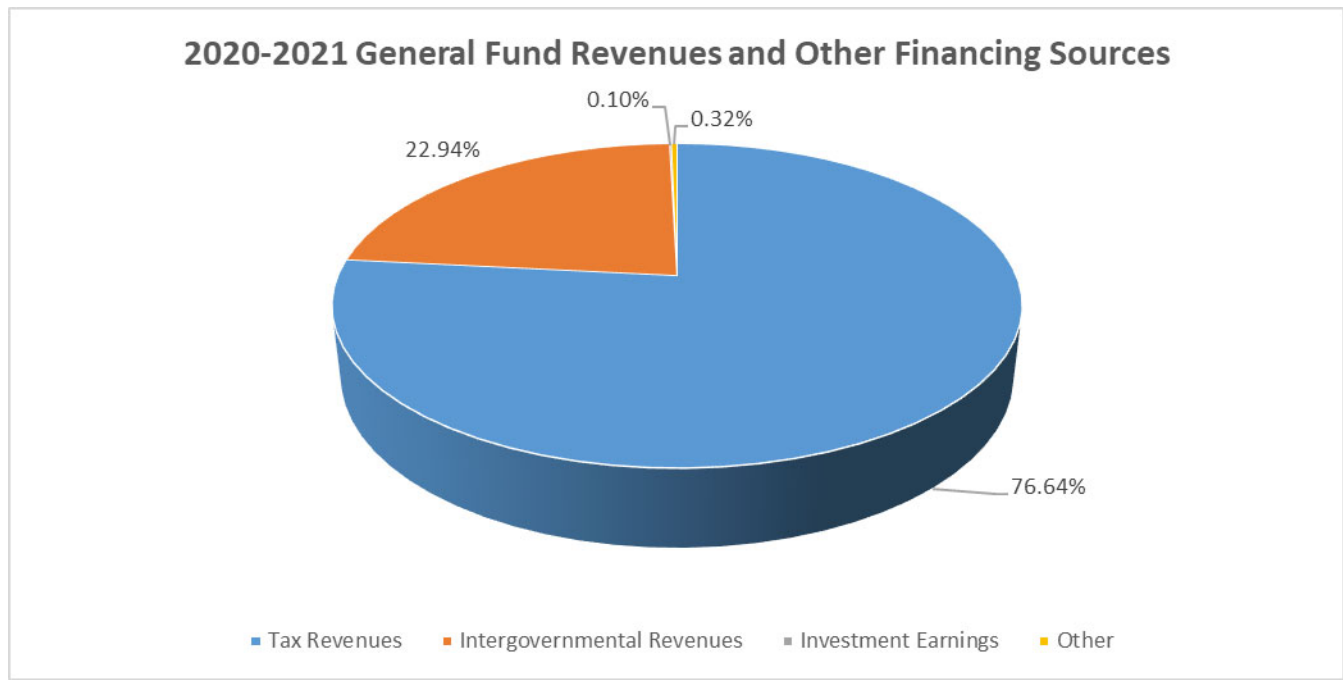
HATBORO-HORSHAM SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2021

Governmental Activities

Governmental activities consist of the General Fund, Capital Reserve Fund and Construction Fund (collectively known as the Capital Projects Fund), Debt Service Fund and other Bond Funds.

General Fund

The General Fund is the District's primary operating fund. At the conclusion of the 2020-2021 fiscal year, the General Fund fund balance was \$21,872,084 representing an increase of \$260,154 in relation to the prior year. The increase in the District's General Fund fund balance is due to many factors. The following analysis has been provided to assist the reader in understanding the financial activities of the General Fund during the 2020-2021 fiscal year. The District's reliance upon tax revenues is demonstrated by the graph below that indicates 76.79% of General Fund revenues are derived from local taxes.



	<u>2021</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
Tax revenues	\$84,822,443	\$81,635,766	\$3,186,677	3.9%
Intergovernmental revenues	25,382,258	24,523,393	858,865	3.5%
Investment earnings	110,205	1,189,391	-1,079,186	-90.7%
Other	358,564	269,196	89,368	33.2%
	\$110,673,470	\$107,617,746	\$3,055,724	2.8%

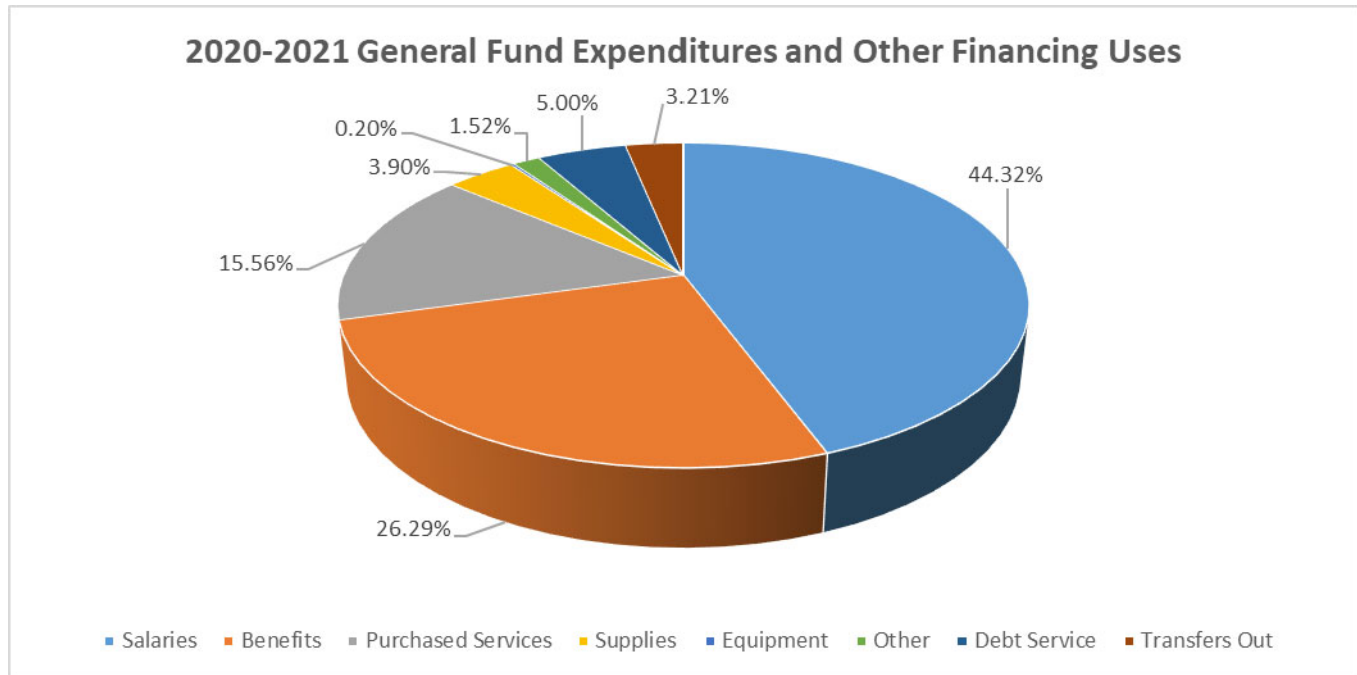
The reason for the variances are summarized below:

- Tax revenues
 - Current real estate taxes increased by \$1,801,802 due to increases in the millage rate, assessed value, and collection rate.
 - Earned income taxes increased by \$584,872 due in part to the filing deadline extension for 2020 tax returns and continued growth in wages.
 - Real estate transfer taxes increased by \$459,471 due to an increase in average home prices and the volume of sales transactions in the fiscal year.

HATBORO-HORSHAM SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2021

- Intergovernmental revenues increased primarily due to the receipt of the first rounds of federal pandemic relief funds (\$1,427,784 in 2020-2021).
- Investment earnings decreased significantly due to sharp declines in interest rates.

As the graph below illustrates, the largest portion of General Fund expenditures are for salaries and benefits. The District is an educational service entity and as such is a labor-intensive operation.



	<u>2021</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
Salaries	\$48,940,292	\$47,611,700	\$1,328,592	2.8%
Benefits	29,027,058	28,494,968	532,090	1.9%
Purchased Services	17,184,392	15,675,806	1,508,586	9.6%
Supplies	4,307,444	3,161,607	1,145,837	36.2%
Equipment	220,283	56,970	163,313	286.7%
Other	1,675,431	834,329	841,102	100.8%
Debt Service	5,515,038	5,995,654	-480,616	-8.0%
Transfers Out	3,543,378	4,565,064	-1,021,686	-22.4%
	\$110,413,316	\$106,396,098	\$4,017,218	3.8%

The reasons for the variances are outlined below:

- Salaries increased primarily due to contractual salary increases defined in the collective bargaining agreement with the Hatboro-Horsham Education Association. This increase was \$1,436,853.
- Employee benefits increased by \$532,090 due primarily to increased contributions to PSERS. There were also increases in medical insurance (\$191,687) and Social Security contributions (\$94,686), which were partially offset by a decline in workers’ compensation claim costs (\$195,734).

HATBORO-HORSHAM SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2021

- Purchased services increased for a variety of reasons, including:
 - Increasing per diem substitute costs (in the amount of \$750,518) because of the return to in-person instruction (the District did not offer in-person instruction for the final quarter of the 2019-2020 fiscal year due to the state-mandated closure of schools).
 - An increase in charter school enrollment (totaling \$764,600).
- Supplies increased primarily due to the District's investment in its 1-to-1 technology initiative for student learning, providing each student with an instructional computer (totaling \$875,364).
- Equipment costs increased \$163,313 due to an HVAC project to improve air quality at the District schools (which was paid using federal pandemic relief funds).
- Other costs increased due to the need to increase the District's reserve for real estate tax assessment appeals by \$850,000.
- Debt service costs decreased due to savings from refinancing the District's outstanding bonds.
- Transfers out decreased due to a lesser transfer to the Capital Reserve Fund in 2020-2021 compared to the prior year.

Capital Projects Fund

The Capital Projects Fund accounts for construction and renovation activity associated with the District's buildings and major equipment purchases. The Capital Projects Fund receives the majority of its revenues from the issuance of general obligation debt and transfers from the General Fund. During 2020-2021, the Capital Projects Fund reported a decrease in fund balance of \$2,627,110 due to capital expenditures in excess of proceeds received from general obligation debt and interfund transfers. The remaining fund balance of \$16,070,568 as of June 30, 2021 is restricted for future capital expenditures.

Business-Type Activities

Business-type activities include the Child Care and Food Service programs. 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. These programs had revenues of \$2,789,136 and expenses of \$2,477,206.

The Food Service program provided approximately 1,468 lunches and 929 breakfast meals per day through the National School Lunch program, as well as additional catering for the School District's meetings. Food Service receives both federal and state subsidies. It also receives some government commodities on a routine basis. Most of the revenue comes from students and other users of its services. The Child Care programs provided child care services to 577 children in the 2020-21 fiscal year. Both programs were buoyed by federal pandemic relief funds in 2021. The federal government subsidized all student meals in 2020-2021 and provided funding to compensate child care workers.

HATBORO-HORSHAM SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2021

General Fund Budgetary Highlights

- Actual revenue totals exceeded budget by \$90,333 (excluding Student Scholarship Fund). The real estate tax collection rate was 98.1%, which was above the budgeted collection rate of 96.5%. Delinquent Real Estate Tax, Transfer, and Earned Income Tax revenues also exceeded 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. The major variances in revenues compared to budget are summarized in the table below:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive / (Negative)</u>
Earned income taxes	\$5,185,000	\$6,798,703	\$1,613,703
Fund transfers in	1,250,000	0	(1,250,000)
Delinquent real estate taxes	750,000	1,689,737	939,737
Transfer taxes	925,000	1,545,298	620,298
Current real estate taxes	74,698,474	74,351,357	(347,117)
Interest earnings	350,218	107,895	(242,323)

- Actual expenditure totals were lower than anticipated by \$3,127,183 (excluding the Student Scholarship Fund) due to continued aggressive cost containment practices. Actual salary costs were significantly lower than anticipated since several positions budgeted for were not filled, expenditures for extra pay totals were less than projected, and more employees than anticipated took child-rearing leaves of absence. Actual health insurance, workers compensation, and life insurance benefit costs were also lower than projected. Savings were realized in facilities 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, and travel due to COVID-19 related program changes (i.e., remote learning) There were some increases in costs in unemployment, cleaning/disinfecting supplies, technology, and charter school tuition that offset the decreases. The major variances in expenditures compared to budget are summarized in the table below:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget (Positive) / Negative</u>
Fund transfers out	\$0	\$3,543,378	\$3,543,378
Medical insurance	7,300,731	4,995,358	(2,305,372)
Support staff salaries	9,060,214	7,936,971	(1,123,243)
Retirement contributions	17,424,260	16,566,440	(857,820)
Professional staff salaries	35,011,699	34,400,429	(611,270)
Professional education services	2,150,611	1,621,616	(528,995)

- Total actual expenditures were \$110,413,316. Revenues exceeded expenditures by \$260,154. Expenditures included a transfer of \$2,643,378 to the Capital Reserve Fund for future capital needs and a transfer of \$900,000 to the Debt Service Fund for future debt service expenditures.

HATBORO-HORSHAM SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2021

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's investment in capital assets for its governmental and business-type activities as of June 30, 2021, totals \$104,503,595 (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 \$153,461 higher than the prior fiscal year totals (net of accumulated depreciation). Governmental Activities accumulated depreciation totals incurred depreciation expense of \$4,327,015, with a net increase of total accumulated depreciation of \$4,239,365 from the June 30, 2020 balance. Outstanding long-term debt obligations decreased by a net of \$1,135,000. The decrease is the result of a refinancing of the 2014B Series Bond Issue and the principal payments made on outstanding debt. As of the close of the 2020-21 School Year, the Crooked Billet Elementary School renovation is completed. The District is now in the design development phase of construction for a new Keith Valley Middle School.

Figure A-5
Capital Assets (Net of Accumulated Depreciation) (In Millions of Dollars)
Years Ended June 30, 2021 and 2020

	Governmental Activities		Business-Type Activities		Total School District	
	2021	2020	2021	2020	2021	2020
Construction in progress	\$ 40.2	\$ 38.0	\$ -	\$ -	\$ 40.2	\$ 38.0
Land	0.3	0.3	-	-	0.3	0.3
Site improvements	1.9	2.1	-	-	1.9	2.1
Buildings	57.6	58.5	-	-	57.6	58.5
Machinery and equipment	4.5	5.4	-	0.1	4.5	5.5
TOTAL	\$ 104.5	\$ 104.3	\$ -	\$ 0.1	\$ 104.5	\$ 104.4

HATBORO-HORSHAM SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2021

Long-Term Debt

At year-end June 30, 2021, the School District had \$63,130,000 in outstanding debt for governmental activities compared to \$64,265,000 for fiscal year-end June 30, 2020. Of the total debt, \$2,170,000 is due within one year. There is no debt for business-type activities.

The District maintains a Aa2 bond rating from Moody’s Investor Services.

Figure A-6
Outstanding Long-Term Debt (In Millions of Dollars)
Years Ended June 30, 2021 and 2020

	Total School District		Total Percentage Change
	<u>2021</u>	<u>2020</u>	<u>2021-2020</u>
General Obligation Bonds and Note	\$ <u>63.1</u>	\$ <u>64.3</u>	<u>-1.9%</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 COVID-19 pandemic has proven to be less impactful on the District’s financial position, but it has significantly strained the District’s operating capacity. Staff members at all levels must devote significant time to complying with the District’s Health & Safety Plan. There are also many more unfilled positions, particularly in the support staff ranks, which is affecting the District’s ability to provide the customary services.
- Similarly, the District has been allocated a significant amount of money from the federal Elementary and Secondary School Emergency Relief (ESSER) funding. This funding will help address some of the operational challenges noted above, but ESSER funds come with significant reporting requirements. The funding is also temporary in nature, so the District management must be exceptionally cautious and prudent in its spending decisions in order to avoid fiscal distress when the funds expire in September 2024.
- The District must conduct an enrollment study to appropriately plan for its enrollment in the near-term. This study must address the long-term implications of the District’s educational model during the pandemic and guide management’s facility planning, staffing, and budgeting decisions.
- The District is in the design phase to build a new Keith Valley Middle School (KVMS). The initial plans call for the construction of a new building on the current KVMS site, followed by demolition of the existing KVMS and the Administration Building (which will be relocated to within the new building). A natatorium is also being constructed at the building with the intention of closing the current pool at Simmons Elementary School. The project is anticipated to be completed in three years and, as of the date of the financial statements, is estimated to cost more than \$100 million. If approved, this project will increase the District’s annual debt service obligations, require prudent financial management and strategic use of Debt Service Fund monies.

HATBORO-HORSHAM SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED JUNE 30, 2021

- The District adopted its 2021-2022 General Fund expenditure budget totaling \$114,988,405 that includes the use of \$3,050,000 of fund balance and a real estate tax millage rate increase of 1.89%. If there are limited or declining economic conditions that prevent growth in local revenue, the District will struggle to continue to rely on favorable budget variances to recoup the budgeted deficits. It is important to proactively address budget deficits to avoid having to make reductions to educational programs.
- Act 1 of 2006 provides taxpayer relief through gambling revenues generated by the Commonwealth. The intent of this legislation is to provide a mechanism to relieve the burden of funding public education by property owners. This legislation also put a ceiling on the percentage increase of local real estate taxes that can be levied to balance the school district budget (the Act 1 Index). This law ostensibly requires the District to raise taxes every year because it cannot increase the levy beyond the Act 1 index and may not carryover unused tax increases from one year to the next. This legislation also introduced new requirements on school districts including:
 - That in the event a school district wishes to increase the property tax millage rate by more than the Act 1 Index (3.4% for Hatboro-Horsham School District for 2022-2023), the District must seek voter approval (known commonly as a "back-end referendum") prior to implementing the millage rate increase. In the event voters do not approve the millage rate increase, the school district must limit its millage rate increase to the index.
 - Certain exceptions are provided under Act 1 that, if approved by the Pennsylvania Department of Education, may permit increases above the Act 1 index without the need for a back-end referendum. These exceptions relate to emergencies and cost increases more than the Act 1 index (e.g., retirement system contributions and special education expenditures) over which the school district has no control. The District has not utilized the exceptions in prior years to help balance the budget.
 - Gaming revenues distributed under the provision of Act 1 (Act 1 permitted gambling in Pennsylvania) are to be used for reducing property taxes for homesteads and farmsteads. The District's distribution for 2020-2021 was \$2,437,308.
- In November 2010, and again in 2017, legislation was adopted to implement a series of actuarial and funding changes to the Public School Employees' Retirement System (PSERS). The 2017 legislation changed the pension plans for all new hires effective July 1, 2019. It does not impact the pension benefits of current or retired PSERS members. Based on available projections, school districts will not see relief from the new legislation until 10-20 years in the future. The employer contribution rate for 2021-2022 is certified at 34.94%. The employer contribution rate for 2020-2021 was 34.51%, which was an increase of 0.64% from the 2019-2020 employer contribution rate of 34.29%. The increase in the employer contribution rate in 2021-2022 is estimated to increase the District's retirement contribution by approximately \$210,444 (irrespective of contractual salary increases), of which the District's local share is \$105,222. The PSERS rate is anticipated to increase to 37.30% by 2030.

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, 2021

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 42,620,527	\$ 1,460,544	\$ 44,081,071
Investments	18,315,923	-	18,315,923
Taxes receivable, net	1,404,871	-	1,404,871
Internal balances	340,386	(340,386)	-
Due from other governments	4,262,807	165,411	4,428,218
Other receivables, net	117,099	21,940	139,039
Inventories	-	70,311	70,311
Other assets	-	19,087	19,087
Capital assets			
Land	313,620	-	313,620
Site improvements	4,774,138	-	4,774,138
Buildings and building improvements	112,321,064	-	112,321,064
Machinery and equipment	19,246,093	760,277	20,006,370
Construction in progress	40,151,809	-	40,151,809
Accumulated depreciation	(72,337,240)	(726,166)	(73,063,406)
TOTAL ASSETS	171,531,097	1,431,018	172,962,115
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources, pension activity	25,375,000	829,000	26,204,000
Deferred outflows of resources, OPEB activity	1,327,303	38,000	1,365,303
Deferred charge on refunding	677,319	-	677,319
TOTAL DEFERRED OUTFLOWS OF RESOURCES	27,379,622	867,000	28,246,622
LIABILITIES			
Accounts payable	4,230,466	52,694	4,283,160
Accrued salaries and benefits	12,399,415	93,325	12,492,740
Unearned revenue	114,830	257,904	372,734
Other payables	56,531	-	56,531
Accrued interest	526,742	-	526,742
Long-term liabilities			
Portion due or payable within one year			
Bonds and note payable	2,170,000	-	2,170,000
Portion due or payable after one year			
Bonds and note payable	60,960,000	-	60,960,000
Bond premiums	2,020,648	-	2,020,648
Compensated absences	2,407,514	104,800	2,512,314
Net pension liability	165,976,000	5,425,000	171,401,000
Net OPEB liability	12,277,698	349,200	12,626,898
TOTAL LIABILITIES	263,139,844	6,282,923	269,422,767
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources, pension activity	4,323,000	141,713	4,464,713
Deferred inflows of resources, OPEB activity	1,836,377	43,000	1,879,377
TOTAL DEFERRED INFLOWS OF RESOURCES	6,159,377	184,713	6,344,090
NET POSITION			
Net investment in capital assets	39,996,155	34,111	40,030,266
Restricted for capital projects	16,276,509	-	16,276,509
Unrestricted	(126,661,166)	(4,203,729)	(130,864,895)
TOTAL NET POSITION	\$ (70,388,502)	\$ (4,169,618)	\$ (74,558,120)

See accompanying notes to the basic financial statements.

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HATBORO-HORSHAM SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
Instruction				
Regular programs	\$ 46,320,512	\$ 69,683	\$ 5,984,325	\$ -
Special programs	19,203,419	28,890	3,350,389	-
Vocational education	2,949,097	4,437	335,737	-
Other instructional programs	62,266	53,075	115,818	-
Nonpublic school programs	3,252	5	92	-
Support services				
Pupil personnel services	4,500,988	-	226,936	-
Instructional staff services	3,448,626	-	312,414	-
Administration services	6,392,638	-	403,088	-
Pupil health services	1,411,346	-	149,526	-
Business services	3,878,469	-	74,474	-
Operation and maintenance of plant services	6,895,172	-	613,305	-
Student transportation services	5,009,705	-	878,206	-
Central services	5,948,945	-	272,946	-
Other services	73,562	-	150,324	-
Operation of non-instructional services				
Food services	275	-	-	-
Student activities	1,197,273	-	154,528	-
Community services	74,093	-	8,407	-
Scholarships and awards	5,500	-	-	-
Facilities acquisition, construction and improvement services	255,620	-	-	-
Debt service	1,810,135	-	-	109,654
Refund of prior year revenues	1,500,000	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>110,940,893</u>	<u>156,090</u>	<u>13,030,515</u>	<u>109,654</u>
BUSINESS-TYPE ACTIVITIES				
Food service	1,647,664	153,429	1,777,839	-
Child care services	829,542	392,212	464,892	-
TOTAL BUSINESS-TYPE ACTIVITIES	<u>2,477,206</u>	<u>545,641</u>	<u>2,242,731</u>	<u>-</u>
TOTAL SCHOOL DISTRICT ACTIVITIES	<u>\$ 113,418,099</u>	<u>\$ 701,731</u>	<u>\$ 15,273,246</u>	<u>\$ 109,654</u>

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

NET POSITION AT END OF YEAR

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Totals
\$ (40,266,504)	\$ -	\$ (40,266,504)
(15,824,140)	-	(15,824,140)
(2,608,923)	-	(2,608,923)
106,627	-	106,627
(3,155)	-	(3,155)
(4,274,052)	-	(4,274,052)
(3,136,212)	-	(3,136,212)
(5,989,550)	-	(5,989,550)
(1,261,820)	-	(1,261,820)
(3,803,995)	-	(3,803,995)
(6,281,867)	-	(6,281,867)
(4,131,499)	-	(4,131,499)
(5,675,999)	-	(5,675,999)
76,762	-	76,762
(275)	-	(275)
(1,042,745)	-	(1,042,745)
(65,686)	-	(65,686)
(5,500)	-	(5,500)
(255,620)	-	(255,620)
(1,700,481)	-	(1,700,481)
(1,500,000)	-	(1,500,000)
<u>(97,644,634)</u>	<u>-</u>	<u>(97,644,634)</u>
-	283,604	283,604
-	27,562	27,562
<u>-</u>	<u>311,166</u>	<u>311,166</u>
<u>(97,644,634)</u>	<u>311,166</u>	<u>(97,333,468)</u>
77,910,178	-	77,910,178
78,264	-	78,264
6,798,703	-	6,798,703
12,291,141	-	12,291,141
115,268	764	116,032
155,301	-	155,301
<u>97,375,772</u>	<u>764</u>	<u>97,376,536</u>
(268,862)	311,930	43,068
<u>(70,119,640)</u>	<u>(4,481,548)</u>	<u>(74,601,188)</u>
<u>\$ (70,388,502)</u>	<u>\$ (4,169,618)</u>	<u>\$ (74,558,120)</u>

HATBORO-HORSHAM SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2021

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Construction Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 18,757,350	\$ 12,040,828	\$ 1,809,501	\$ 10,012,848	\$ 42,620,527
Investments	18,315,923	-	-	-	18,315,923
Due from other funds	367,274	2,643,378	-	900,000	3,910,652
Due from other governments	4,262,807	-	-	-	4,262,807
Other receivables	117,099	-	-	-	117,099
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 41,820,453</u>	<u>\$ 14,684,206</u>	<u>\$ 1,809,501</u>	<u>\$ 10,912,848</u>	<u>\$ 69,227,008</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 3,807,327	\$ 417,870	\$ 5,269	\$ -	\$ 4,230,466
Due to other funds	3,570,266	-	-	-	3,570,266
Unearned revenue	114,830	-	-	-	114,830
Accrued salaries and benefits	12,399,415	-	-	-	12,399,415
Other payables	56,531	-	-	-	56,531
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>19,948,369</u>	<u>417,870</u>	<u>5,269</u>	<u>-</u>	<u>20,371,508</u>
FUND BALANCES					
Restricted to capital projects	-	14,266,336	1,804,232	-	16,070,568
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	246,338	-	-	-	246,338
Debt service	-	-	-	10,912,848	10,912,848
Unassigned	7,474,279	-	-	-	7,474,279
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>21,872,084</u>	<u>14,266,336</u>	<u>1,804,232</u>	<u>10,912,848</u>	<u>48,855,500</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 41,820,453</u>	<u>\$ 14,684,206</u>	<u>\$ 1,809,501</u>	<u>\$ 10,912,848</u>	<u>\$ 69,227,008</u>

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, 2021

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 48,855,500
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. These assets consist of:</p>	
Land	313,620
Site improvements	4,774,138
Buildings and building improvements	112,321,064
Machinery and equipment	19,246,093
Construction in progress	40,151,809
Accumulated depreciation	(72,337,240)
<p>Deferred charges on refunding used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:</p>	
Deferred charge on refunding	677,319
<p>Deferred inflows and outflows of resources related to pension and OPEB activities are not financial resources and therefore not reported in the governmental funds.</p>	
	20,542,926
<p>Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:</p>	
Accrued interest	(526,742)
Bonds and note payable	(63,130,000)
Bond premiums	(2,020,648)
Compensated absences	(2,407,514)
Net pension liability	(165,976,000)
Net OPEB liability	(12,277,698)
<p>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.</p>	
	<u>1,404,871</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (70,388,502)</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, 2021

	General Fund	Capital Reserve Fund	Construction Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Local sources	\$ 85,834,654	\$ 2,207	\$ 2,307	\$ 2,829	\$ 85,841,997
State sources	21,472,729	-	-	-	21,472,729
Federal sources	3,365,687	-	-	-	3,365,687
TOTAL REVENUES	<u>110,673,070</u>	<u>2,207</u>	<u>2,307</u>	<u>2,829</u>	<u>110,680,413</u>
EXPENDITURES					
Instruction	63,928,994	-	-	-	63,928,994
Support services	34,706,081	2,441,435	2,657,752	-	39,805,268
Operation of non-instructional services	1,213,357	-	-	-	1,213,357
Facilities acquisition, construction and improvement services	6,468	175,815	-	-	182,283
Debt service	5,515,038	-	328,417	-	5,843,455
Refunds of prior year revenues	1,500,000	-	-	-	1,500,000
TOTAL EXPENDITURES	<u>106,869,938</u>	<u>2,617,250</u>	<u>2,986,169</u>	<u>-</u>	<u>112,473,357</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>3,803,132</u>	<u>(2,615,043)</u>	<u>(2,983,862)</u>	<u>2,829</u>	<u>(1,792,944)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from bonds issued	-	-	20,505,000	-	20,505,000
Payment to refund bonds	-	-	(20,176,583)	-	(20,176,583)
Proceeds from sale of capital assets	400	-	-	-	400
Transfers in	-	2,643,378	-	900,000	3,543,378
Transfers out	(3,543,378)	-	-	-	(3,543,378)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,542,978)</u>	<u>2,643,378</u>	<u>328,417</u>	<u>900,000</u>	<u>328,817</u>
NET CHANGE IN FUND BALANCES	260,154	28,335	(2,655,445)	902,829	(1,464,127)
FUND BALANCES AT BEGINNING OF YEAR	<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>
FUND BALANCES AT END OF YEAR	<u>\$ 21,872,084</u>	<u>\$ 14,266,336</u>	<u>\$ 1,804,232</u>	<u>\$ 10,912,848</u>	<u>\$ 48,855,500</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, 2021

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (1,464,127)

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 (\$4,494,466) exceeds depreciation (\$4,327,015) in the current period. 167,451

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 decreased by this amount this year. (35,299)

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	106,030
Compensated absences not reflected in Governmental Funds	(101,238)
OPEB plan expense	(38,552)
Pension plan expense	(2,502,000)

Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net assets. 21,640,000

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. (20,505,000)

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. 2,463,873

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (268,862)

See accompanying notes to the basic financial statements.

HATBORO-HORSHAM SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

JUNE 30, 2021

	Enterprise Funds		Total Proprietary Funds
	Food Service Fund	Child Care Fund	
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 971,152	\$ 489,392	\$ 1,460,544
Accounts receivable, net	1,828	20,112	21,940
Due from other funds	26,888	-	26,888
Due from other governments	165,411	-	165,411
Inventories	70,311	-	70,311
Other assets	-	19,087	19,087
TOTAL CURRENT ASSETS	1,235,590	528,591	1,764,181
CAPITAL ASSETS			
Machinery and equipment	760,277	-	760,277
Accumulated depreciation	(726,166)	-	(726,166)
TOTAL CAPITAL ASSETS	34,111	-	34,111
TOTAL ASSETS	1,269,701	528,591	1,798,292
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pension activity	451,000	378,000	829,000
Deferred outflows of resources - OPEB activity	21,000	17,000	38,000
TOTAL DEFERRED OUTFLOWS OF RESOURCES	472,000	395,000	867,000
LIABILITIES			
CURRENT LIABILITIES			
Due to other funds	53,776	313,498	367,274
Accounts payable	46,828	5,866	52,694
Accrued salaries and benefits	-	93,325	93,325
Unearned revenue	86,509	171,395	257,904
TOTAL CURRENT LIABILITIES	187,113	584,084	771,197
NONCURRENT LIABILITIES			
Compensated absences	81,350	23,450	104,800
Net pension liability	2,951,000	2,474,000	5,425,000
Net OPEB liability	184,700	164,500	349,200
TOTAL NONCURRENT LIABILITIES	3,217,050	2,661,950	5,879,000
TOTAL LIABILITIES	3,404,163	3,246,034	6,650,197
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pension activity	77,000	64,713	141,713
Deferred inflows of resources - OPEB activity	22,000	21,000	43,000
TOTAL DEFERRED INFLOWS OF RESOURCES	99,000	85,713	184,713
NET POSITION			
Net investment in capital assets	34,111	-	34,111
Unrestricted	(1,795,573)	(2,408,156)	(4,203,729)
TOTAL NET POSITION	\$ (1,761,462)	\$ (2,408,156)	\$ (4,169,618)

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, 2021

	Enterprise Funds		Total Proprietary Funds
	Food Service Fund	Child Care Fund	
OPERATING REVENUES			
Charges for services	\$ 153,429	\$ 392,212	\$ 545,641
OPERATING EXPENSES			
Salaries	540,211	547,544	1,087,755
Employee benefits	436,668	153,439	590,107
Food costs	568,163	-	568,163
Other purchased service	18,980	7,631	26,611
Supplies	69,652	14,608	84,260
Depreciation	13,990	-	13,990
Other operating expenses	-	106,320	106,320
TOTAL OPERATING EXPENSES	1,647,664	829,542	2,477,206
OPERATING LOSS	(1,494,235)	(437,330)	(1,931,565)
NONOPERATING REVENUES			
Interest and investment revenue	561	203	764
State sources	9,463	-	9,463
Federal sources	1,768,376	464,892	2,233,268
TOTAL NONOPERATING REVENUES	1,778,400	465,095	2,243,495
CHANGE IN NET POSITION	284,165	27,765	311,930
NET POSITION AT BEGINNING OF YEAR	(2,045,627)	(2,435,921)	(4,481,548)
NET POSITION AT END OF YEAR	\$ (1,761,462)	\$ (2,408,156)	\$ (4,169,618)

See accompanying notes to the basic financial statements.

HATBORO-HORSHAM SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2021

	Enterprise Funds		Total Proprietary Funds
	Food Service Fund	Child Care Fund	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 29,474	\$ 605,935	\$ 635,409
Payments to employees	(961,804)	(753,595)	(1,715,399)
Payments to suppliers	(634,111)	(97,242)	(731,353)
NET CASH USED BY OPERATING ACTIVITIES	<u>(1,566,441)</u>	<u>(244,902)</u>	<u>(1,811,343)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers (to) from other funds	(1,990)	210,853	208,863
Federal sources	1,768,376	464,892	2,233,268
State sources	9,463	-	9,463
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>1,775,849</u>	<u>675,745</u>	<u>2,451,594</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Earnings on investments	<u>561</u>	<u>203</u>	<u>764</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	209,969	431,046	641,015
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
	<u>761,183</u>	<u>58,346</u>	<u>819,529</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 971,152</u>	<u>\$ 489,392</u>	<u>\$ 1,460,544</u>

See accompanying notes to the basic financial statements.

HATBORO-HORSHAM SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2021

	Enterprise Funds		Total Proprietary Funds
	Food Service Fund	Child Care Fund	
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES			
Operating loss	\$ (1,494,235)	\$ (437,330)	\$ (1,931,565)
Adjustments to reconcile operating loss to net cash used by operating activities			
Depreciation	13,990	-	13,990
Pension expense	23,700	(50,187)	(26,487)
(Increase) decrease in			
Accounts receivable	(121,935)	(17,715)	(139,650)
Inventories	(9,375)	-	(9,375)
Other assets	-	26,945	26,945
Increase (decrease) in			
Accounts payable	32,059	4,372	36,431
Unearned revenue	(2,020)	156,103	154,083
Accrued salaries and benefits	-	75,335	75,335
Compensated absences	(8,625)	(2,425)	(11,050)
NET CASH USED BY OPERATING ACTIVITIES	\$ (1,566,441)	\$ (244,902)	\$ (1,811,343)
SUPPLEMENTAL DISCLOSURES			
Noncash activity			
Donated foods	\$ 168,246	\$ -	\$ 168,246

See accompanying notes to the basic financial statements.

HATBORO-HORSHAM SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2021

	<u>Custodial Fund</u>
ASSETS	
Cash and cash equivalents	\$ 420,012
Other receivables	4
TOTAL ASSETS	<u>420,016</u>
LIABILITIES	
Accounts payable	<u>9,763</u>
NET POSITION	
Restricted for student activities	<u>\$ 410,253</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, 2021

	<u>Custodial Fund</u>
ADDITIONS	
Student activity receipts	\$ 110,784
Investment income	79
TOTAL ADDITIONS	<u>110,863</u>
DEDUCTIONS	
Student activity disbursements	<u>112,818</u>
TOTAL DEDUCTIONS	<u>112,818</u>
CHANGE IN NET POSITION	(1,955)
NET POSITION AT BEGINNING OF YEAR	<u>412,208</u>
NET POSITION AT END OF YEAR	<u><u>\$ 410,253</u></u>

See accompanying notes to the basic financial statements.

HATBORO-HORSHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

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, 2021

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, 2021

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, 2021

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, 2021

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, 2021

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, 2021, consist of the following:

Supplies	\$ 21,626
Purchased food	15,482
Donated foods	<u>33,203</u>
	<u>\$ 70,311</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, 2021

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, 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 two items that qualify for reporting in this category. The first 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, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The second 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, 2021

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, 2021, the bank balance of the School District's deposits were \$46,199,945. Of the bank balance, \$996,337 was covered by federal depository insurance and \$20,937,807 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 \$20,937,807.

The remaining cash deposits totaling \$24,265,801 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, 2021

NOTE B - CASH AND INVESTMENTS (Continued)

Investments

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

A 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, 2021, is \$104,900. 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 \$104,900 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 \$18,211,022 are valued using quoted market prices (Level 1 inputs).

HATBORO-HORSHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

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, 2021, consist of the following:

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Food Service Fund</u>	<u>Child Care Fund</u>
Other receivables	\$ <u>117,099</u>	\$ <u>-</u>	\$ <u>1,828</u>	\$ <u>20,112</u>

The School District believes all accounts receivable are collectible at June 30, 2021; therefore, no allowance for uncollectible accounts has been recorded.

HATBORO-HORSHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE D - ACCOUNTS RECEIVABLE (Continued)

Due from Other Governments (Intergovernmental Receivables)

GENERAL FUND

Other government receivables

PA Virtual Charter School	\$ 1,366
MCIU - Shared Service Refund	23,750
MCIU - Comp Plan Refund	5,860
IDEA	879,299
Title I	32,058
Title II	19,780
Reach Cyber Charter School	6,912
County of Montgomery	75
Philadelphia School District	122,133
ESSER II	155,331
ESSER II	21,860
Charter School Refunds	25,446
TOTAL OTHER GOVERNMENT RECEIVABLES	<u>1,293,870</u>

State subsidies receivable

Medical Assistance - Access	480,615
Social Security	434,393
PSERS	2,053,929
TOTAL STATE SUBSIDIES RECEIVABLE	<u>2,968,937</u>

TOTAL GENERAL FUND	<u>\$ 4,262,807</u>
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HATBORO-HORSHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE E - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2021, is as follows:

Due to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Child Care Fund	\$ 313,498
General Fund	Food Service Fund	53,776
Food Service Fund	General Fund	26,888
Debt Service Fund	General Fund	900,000
Capital Reserve Fund	General Fund	<u>2,643,378</u>
		<u>\$ 3,937,540</u>

The amount due to the Capital Reserve Fund (\$2,643,378) 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 (\$900,000) from the General Fund represents future debt service payments. The amount due to the Food Service Fund (\$53,776) 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	\$ 900,000
Capital Reserve Fund	General Fund	<u>2,643,378</u>
		<u>\$ 3,543,378</u>

The General Fund transfer out (\$900,000) to the Debt Service Fund is for future debt service. The General Fund transfer out (\$2,643,378) 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, 2021

NOTE F - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 313,620	\$ -	\$ -	\$ 313,620
Construction in progress	38,019,801	4,437,419	(2,305,411)	40,151,809
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	38,333,421	4,437,419	(2,305,411)	40,465,429
Capital assets being depreciated				
Site improvements	4,765,388	8,750	-	4,774,138
Buildings and building improvements	110,244,449	2,076,615	-	112,321,064
Machinery and equipment	19,056,650	277,093	(87,650)	19,246,093
TOTAL CAPITAL ASSETS BEING DEPRECIATED	134,066,487	2,362,458	(87,650)	136,341,295
Accumulated depreciation	(68,097,875)	(4,327,015)	87,650	(72,337,240)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	65,968,612	(1,964,557)	-	64,004,055
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	104,302,033	2,472,862	(2,305,411)	104,469,484
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Machinery and equipment	760,277	-	-	760,277
Accumulated depreciation	(712,176)	(13,990)	-	(726,166)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	48,101	(13,990)	-	34,111
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	48,101	(13,990)	-	34,111
CAPITAL ASSETS, net	\$ 104,350,134	\$ 2,458,872	\$ (2,305,411)	\$ 104,503,595

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

	Cost	Accumulated Depreciation	Net Book Value
CAPITAL ASSETS NOT BEING DEPRECIATED			
Land	\$ 313,620	\$ -	\$ 313,620
Construction in progress	40,151,809	-	40,151,809
CAPITAL ASSETS BEING DEPRECIATED			
Site improvements	4,774,138	(2,853,598)	1,920,540
Buildings and building improvements	112,321,064	(54,721,122)	57,599,942
Machinery and equipment	19,246,093	(14,762,520)	4,483,573
	\$ 176,806,724	\$ (72,337,240)	\$ 104,469,484

HATBORO-HORSHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE F - CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

Regular programs	\$ 1,861,255
Special programs	780,754
Vocational education	120,418
Other instructional programs	2,842
SUPPORT SERVICES	
Instructional staff services	397,469
Business services	123,561
Operation and maintenance of plant services	364,231
Student transportation services	444,093
Central and other support services	201,187
OPERATION OF NON-INSTRUCTIONAL SERVICES	
Student activities	<u>31,205</u>
	<u><u>\$ 4,327,015</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 \$82,250,000. 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.

In December 2020 the School District issued General Obligation Bonds, Series A of 2020 in the amount of \$20,505,000. The bond was issued to refund the 2014B Bonds and resulted in a cash flow savings of \$1,811,777 and an economic loss of \$454,899.

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

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 2,170,000	\$ 1,777,775
2023	4,235,000	1,698,170
2024	4,350,000	1,603,510
2025	3,820,000	1,514,798
2026	2,785,000	1,446,841
2027-2031	14,825,000	6,354,664
2032-2036	16,670,000	4,516,499
2037-2040	<u>14,275,000</u>	<u>1,268,842</u>
	<u><u>\$ 63,130,000</u></u>	<u><u>\$ 20,181,099</u></u>

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HATBORO-HORSHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE H - CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2021, was as follows:

	Final Maturity	Interest Rates (Percent)
GOVERNMENTAL ACTIVITIES		
GENERAL OBLIGATION BONDS		
Bonds		
Series of 2012	2020	1.000% to 2.000%
Series of 2014 B	2033	0.120% to 3.160%
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%
Series of 2020 A	2040	1.780% to 5.000%
Bond premiums		
TOTAL GENERAL OBLIGATION BONDS		
COMPENSATED ABSENCES		
NET PENSION LIABILITY		
NET OPEB LIABILITY		
TOTAL LONG-TERM LIABILITIES		
BUSINESS-TYPE ACTIVITIES		
COMPENSATED ABSENCES		
NET PENSION LIABILITY		
NET OPEB LIABILITY		
TOTAL LONG-TERM LIABILITIES		

<u>Beginning Balance</u>	<u>Additions/ Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
\$ 2,615,000	\$ (2,615,000)	\$ -	\$ -
18,125,000	(18,125,000)	-	-
9,095,000	(180,000)	8,915,000	540,000
15,130,000	(440,000)	14,690,000	1,150,000
9,360,000	(280,000)	9,080,000	285,000
9,940,000	-	9,940,000	35,000
-	20,505,000	20,505,000	160,000
<u>4,070,618</u>	<u>(2,049,970)</u>	<u>2,020,648</u>	<u>-</u>
68,335,618	(3,184,970)	65,150,648	2,170,000
2,306,276	101,238	2,407,514	-
156,110,000	9,866,000	165,976,000	-
<u>12,089,266</u>	<u>188,432</u>	<u>12,277,698</u>	<u>-</u>
<u>\$ 238,841,160</u>	<u>\$ 6,970,700</u>	<u>\$ 245,811,860</u>	<u>\$ 2,170,000</u>
\$ 115,850	\$ (11,050)	\$ 104,800	\$ -
5,103,000	322,000	5,425,000	-
<u>432,400</u>	<u>(83,200)</u>	<u>349,200</u>	<u>-</u>
<u>\$ 5,651,250</u>	<u>\$ 227,750</u>	<u>\$ 5,879,000</u>	<u>\$ -</u>

HATBORO-HORSHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE I - UNEARNED REVENUE

General Fund

Unearned revenue of \$114,830 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 \$86,509 in the Food Service Fund represents the carryover of student deposits.

Child Care Fund

Unearned revenue of \$171,395 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.

HATBORO-HORSHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021

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, 2021, was 33.51% of covered payroll, actuarially determined as an amount that, when combined with employee contributions is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the plan from the School District were \$16,176,000 for the year ended June 30, 2021.

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

At June 30, 2021, the School District reported a liability of \$171,401,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2019 to June 30, 2020. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2021, the School District's proportion was 0.3481%, which was an increase of 0.0035% from its proportion measured as of June 30, 2020.

HATBORO-HORSHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE J - PENSION PLAN (Continued)

For the year ended June 30, 2021, the School District recognized pension expense of \$18,758,713. At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
GOVERNMENTAL ACTIVITIES		
Difference between expected and actual experience	\$ 434,000	\$ 3,978,000
Changes in assumptions	-	-
Net difference between projected and actual investment earnings	7,294,000	-
Changes in proportions	1,983,000	224,000
Difference between employer contributions and proportionate share of total contributions	-	121,000
Contributions subsequent to the measurement date	<u>15,664,000</u>	<u>-</u>
	<u>\$ 25,375,000</u>	<u>\$ 4,323,000</u>
BUSINESS-TYPE ACTIVITIES		
Difference between expected and actual experience	\$ 14,000	\$ 130,000
Changes in assumptions	-	-
Net difference between projected and actual investment earnings	239,000	-
Changes in proportions	64,000	7,000
Difference between employer contributions and proportionate share of total contributions	-	4,713
Contributions subsequent to the measurement date	<u>512,000</u>	<u>-</u>
	<u>\$ 829,000</u>	<u>\$ 141,713</u>

\$16,176,000 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2022	\$ 209,000	\$ 7,000
2023	583,000	19,000
2024	2,439,000	80,000
2025	<u>2,157,000</u>	<u>69,287</u>
	<u>\$ 5,388,000</u>	<u>\$ 175,287</u>

HATBORO-HORSHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE J - PENSION PLAN (Continued)

Actuarial Assumptions - The total pension liability as of June 30, 2020, was determined by rolling forward the System's total pension liability as of the June 30, 2019 actuarial valuation to June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – entry age normal – level % of pay
- Investment return – 7.25%, includes inflation at 2.75%
- 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, 2020 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2015.

The long-term expected rate of return on 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, 2021

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	15.0%	5.2%
Private equity	15.0%	7.2%
Fixed income	36.0%	1.1%
Commodities	8.0%	1.8%
Absolute return	10.0%	2.5%
Risk parity	8.0%	3.3%
Infrastructure/MLPs	6.0%	5.7%
Real estate	10.0%	5.5%
Cash	6.0%	-1.0%
Financing (LIBOR)	-14.0%	-0.7%
	<u>100.0%</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, 2020.

HATBORO-HORSHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
School District's proportionate share of the net pension liability	\$ <u>212,059,000</u>	\$ <u>171,401,000</u>	\$ <u>136,958,000</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.

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

Premium Assistance Eligibility Criteria

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

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

Pension Plan Description

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

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2020, there were no assumed future benefit increases to participating eligible retirees.

HATBORO-HORSHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021 was 0.82% 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 \$394,000 for the year ended June 30, 2021.

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

At June 30, 2021, the District reported a liability of \$7,562,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2019 to June 30, 2020. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2021, the District's proportion was 0.3500% which was an increase of 0.0054% from its proportion measured as of June 30, 2020.

HATBORO-HORSHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$413,000. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
GOVERNMENTAL ACTIVITIES		
Difference between expected and actual experience	\$ 69,000	\$ -
Changes in assumptions	304,000	161,000
Net difference between projected and actual investment earnings	13,000	-
Changes in proportions	177,000	15,000
Difference between employer contributions and proportionate share of total contributions	-	9,000
Contributions subsequent to the measurement date	<u>374,000</u>	<u>-</u>
	<u>\$ 937,000</u>	<u>\$ 185,000</u>
	<u>Outflows of Resources</u>	<u>Inflows of Resources</u>
BUSINESS-TYPE ACTIVITIES		
Difference between expected and actual experience	\$ 1,000	\$ -
Changes in assumptions	4,000	5,000
Net difference between projected and actual investment earnings	-	-
Changes in proportions	3,000	-
Difference between employer contributions and proportionate share of total contributions	-	-
Contributions subsequent to the measurement date	<u>20,000</u>	<u>-</u>
	<u>\$ 28,000</u>	<u>\$ 5,000</u>

HATBORO-HORSHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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

\$394,000 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2022	\$ 124,000	\$ 4,000
2023	123,000	4,000
2024	57,000	2,000
2025	66,000	2,000
2026	(1,000)	-
Thereafter	<u>9,000</u>	<u>(9,000)</u>
	<u>\$ 378,000</u>	<u>\$ 3,000</u>

Actuarial Assumptions

The Total OPEB Liability as of June 30, 2020, was determined by rolling forward the System’s Total OPEB Liability as of June 30, 2019 to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 2.66% – 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, 2021

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

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

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2018 determined the employer contribution rate for fiscal year 2020.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

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

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

HATBORO-HORSHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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	50.3%	-1.00%
US Core Fixed Income	46.5%	-0.10%
Non-US Developed Fixed	<u>3.2%</u>	-0.10%
	<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, 2020.

Discount Rate

The discount rate used to measure the Total OPEB Liability was 2.66%. Under the plan’s funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan’s fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a “pay-as-you-go” plan. A discount rate of 2.66% which represents the S&P 20 year Municipal Bond Rate at June 30, 2020, was applied to all projected benefit payments to measure the total OPEB liability.

HATBORO-HORSHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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

Sensitivity of the District's Net OPEB Liability to Change in Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2020, retirees 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, 2020, 93,693 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2020, 688 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the net OPEB liability for June 30, 2020, calculated using current Healthcare cost trends as well as what the net OPEB liability would be if health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease	Current Rate	1% Increase
District's net OPEB liability	\$ <u>7,561,000</u>	\$ <u>7,562,000</u>	\$ <u>7,563,000</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 2.66%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.66%) or 1-percentage point higher (3.66%) than the current rate:

	1% Decrease 1.66%	Current Discount Rate 2.66%	1% Increase 3.66%
District's proportionate share of the net OPEB liability	\$ <u>8,622,000</u>	\$ <u>7,562,000</u>	\$ <u>6,685,000</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.

HATBORO-HORSHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021

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

Plan Membership

At June 30, 2020, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	38
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	568
	<hr/>
	606
	<hr/> <hr/>

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, 2020, benefit payments paid as they came due were \$329,477.

Assumptions

The following assumptions and actuarial methods and calculation were used:

Interest Rate – 1.86%, based on S&P Municipal Bond 20 Year High Grade Rate Index at July 1, 2020.

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, 2021

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

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

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 – 25% 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, 2021

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

Changes in Assumptions - In the 2020 actuarial valuation, the discount rate changed from 3.36% to 1.86%. The trend assumption was updated. Election percentage for teachers eligible for subsidized coverage was decreased from 85% to 75%. The assumed percent of employees who will cover a spouse has been increased from 20% to 25%.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at July 1, 2019	\$ <u>5,192,666</u>
Changes for the year	
Service cost	211,836
Interest cost	175,594
Differences between expected and actual experience	(341,003)
Changes of assumptions	155,282
Benefit payments	<u>(329,477)</u>
Net changes	<u>(127,768)</u>
Balance at July 1, 2020	\$ <u><u>5,064,898</u></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 (0.86 percent) or 1-percentage-point higher (2.86 percent) than the current discount rate:

	1% Decrease <u>0.86%</u>	Current Discount Rate <u>1.86%</u>	1% Increase <u>2.86%</u>
Total OPEB liability	\$ <u>5,341,407</u>	\$ <u>5,064,898</u>	\$ <u>4,795,916</u>

HATBORO-HORSHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ <u>4,713,092</u>	\$ <u>5,064,898</u>	\$ <u>5,471,215</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2021, the School recognized OPEB expense of \$87,648. At June 30, 2021, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
GOVERNMENTAL ACTIVITIES		
Changes in assumptions	\$ 137,754	\$ 783,947
Difference between expected and actual experience	-	867,430
Contributions subsequent to the measurement date	<u>252,549</u>	<u>-</u>
	<u>\$ 390,303</u>	<u>\$ 1,651,377</u>
BUSINESS-TYPE ACTIVITIES		
Changes in assumptions	\$ 2,000	\$ 18,000
Difference between expected and actual experience	-	20,000
Contributions subsequent to the measurement date	<u>8,000</u>	<u>-</u>
	<u>\$ 10,000</u>	<u>\$ 38,000</u>

HATBORO-HORSHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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

\$260,549 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, 2022. The remaining amounts reported as deferred inflows of resources related to OPEB will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2022	\$ (209,529)	\$ (5,000)
2023	(209,529)	(5,000)
2024	(209,529)	(5,000)
2025	(209,529)	(5,000)
2026	(209,529)	(5,000)
Thereafter	<u>(465,978)</u>	<u>(11,000)</u>
	<u>\$ (1,513,623)</u>	<u>\$ (36,000)</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, 2021

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.

REQUIRED SUPPLEMENTARY INFORMATION

HATBORO-HORSHAM SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 82,911,045	\$ 82,936,634	\$ 85,834,654	\$ 2,898,020
State sources	22,081,192	22,106,692	21,472,729	(633,963)
Federal sources	3,118,697	4,191,660	3,365,687	(825,973)
TOTAL REVENUES	<u>108,110,934</u>	<u>109,234,986</u>	<u>110,673,070</u>	<u>1,438,084</u>
EXPENDITURES				
Instruction	67,610,682	68,684,006	63,928,994	4,755,012
Support services	36,798,633	37,442,584	34,706,081	2,736,503
Operation of non-instructional services	1,795,696	1,528,285	1,213,357	314,928
Facilities acquisition, construction and improvement services	3,000	6,468	6,468	-
Debt service	5,873,643	5,873,643	5,515,038	358,605
Refunds of prior year revenues	-	-	1,500,000	(1,500,000)
TOTAL EXPENDITURES	<u>112,081,654</u>	<u>113,534,986</u>	<u>106,869,938</u>	<u>6,665,048</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>(3,970,720)</u>	<u>(4,300,000)</u>	<u>3,803,132</u>	<u>8,103,132</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	400	400
Transfers in	1,250,000	1,250,000	-	(1,250,000)
Transfers out	(329,280)	-	(3,543,378)	(3,543,378)
TOTAL OTHER FINANCING SOURCES (USES)	<u>920,720</u>	<u>1,250,000</u>	<u>(3,542,978)</u>	<u>(4,792,978)</u>
NET CHANGE IN FUND BALANCE				
	<u>\$ (3,050,000)</u>	<u>\$ (3,050,000)</u>	260,154	<u>\$ 3,310,154</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>21,611,930</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 21,872,084</u>	

See accompanying note to the budgetary comparison schedule.

HATBORO-HORSHAM SCHOOL DISTRICT
NOTE TO THE BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2021

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 SEVEN FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
SCHOOL DISTRICT'S PROPORTION OF THE NET PENSION LIABILITY (ASSET)	<u>0.3481%</u>	<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>\$ 171,401,000</u>	<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>\$ 49,128,125</u>	<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>348.89%</u>	<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>54.32%</u>	<u>55.66%</u>	<u>54.00%</u>	<u>51.84%</u>	<u>50.14%</u>	<u>45.64%</u>	<u>57.24%</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, 2020, 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 SEVEN FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
CONTRACTUALLY REQUIRED CONTRIBUTION	\$ 16,176,000	\$ 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>16,176,000</u>	<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>	\$ <u>-</u>
SCHOOL DISTRICT'S COVERED PAYROLL	\$ <u>48,660,454</u>	\$ <u>49,128,125</u>	\$ <u>47,530,199</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>33.24%</u>	<u>33.01%</u>	<u>32.30%</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 FOUR FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
SCHOOL DISTRICT'S PROPORTION OF THE NET OPEB LIABILITY	<u>0.3500%</u>	<u>0.3446%</u>	<u>0.3455%</u>	<u>0.3387%</u>
SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY	<u>\$ 7,562,000</u>	<u>\$ 7,329,000</u>	<u>\$ 7,204,000</u>	<u>\$ 6,901,000</u>
SCHOOL DISTRICT'S COVERED PAYROLL	<u>\$ 49,128,125</u>	<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>15.39%</u>	<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>5.69%</u>	<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, 2020, 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 FOUR FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
CONTRACTUALLY REQUIRED CONTRIBUTION	\$ 396,000	\$ 408,000	\$ 391,000	\$ 381,000
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	<u>396,000</u>	<u>408,000</u>	<u>391,000</u>	<u>381,000</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
SCHOOL DISTRICT'S COVERED PAYROLL	<u>\$ 48,660,454</u>	<u>\$ 49,128,125</u>	<u>\$ 47,530,199</u>	<u>\$ 46,526,555</u>
CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL	<u>0.81%</u>	<u>0.83%</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 FOUR FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
TOTAL OPEB LIABILITY				
Service cost	\$ 211,836	\$ 209,324	\$ 331,298	\$ 332,637
Interest	175,594	157,378	221,270	172,721
Changes of benefit terms	-	-	(95,778)	-
Differences between expected and actual experience	(341,003)	-	(829,326)	-
Changes of assumptions	155,282	(107,722)	(981,071)	(45,599)
Benefit payments	<u>(329,477)</u>	<u>(301,429)</u>	<u>(325,771)</u>	<u>(325,624)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	(127,768)	(42,449)	(1,679,378)	134,135
TOTAL OPEB LIABILITY, BEGINNING	<u>5,192,666</u>	<u>5,235,115</u>	<u>6,914,493</u>	<u>6,780,358</u>
TOTAL OPEB LIABILITY, ENDING	<u>\$ 5,064,898</u>	<u>\$ 5,192,666</u>	<u>\$ 5,235,115</u>	<u>\$ 6,914,493</u>
COVERED PAYROLL	<u>\$ 38,504,623</u>	<u>\$ 34,797,627</u>	<u>\$ 34,797,627</u>	<u>\$ 39,137,320</u>
TOTAL OPEB LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	<u>13.15%</u>	<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 2021, the discount rate changed from 3.36% to 1.86%. The trend assumption was updated. Election percentage for teachers eligible for subsidized coverage was decreased from 85% to 75%. The assumed percent of employees who will cover a spouse has been increased from 20% to 25%.

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 2020 REAL ESTATE TAXES
GENERAL FUND
YEAR ENDED JUNE 30, 2021

Taxing District	Adjusted Assessed Valuation	Adjusted Tax Yield (a)	Uncollected (b)	Collected (c)	Collections as a Percentage of Adjusted Tax Yield	
					2021	2020
Hatboro Borough	\$ 386,970,802	\$ 11,426,498	\$ 308,803	\$ 11,117,090	97.3%	97.0%
Horsham Township	<u>2,181,584,161</u>	<u>64,336,554</u>	<u>1,096,069</u>	<u>63,234,268</u>	98.3%	98.2%
	<u>\$ 2,568,554,963</u>	<u>\$ 75,763,052</u>	<u>\$ 1,404,872</u>	<u>\$ 74,351,358</u>	98.1%	98.0%

(a) Adjusted assessed valuation multiplied by 30.024 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 \$0.

HATBORO-HORSHAM SCHOOL DISTRICT
SCHEDULE OF GENERAL FUND BORROWING BASE
YEAR ENDED JUNE 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>
TOTAL GENERAL FUND REVENUES	\$ 110,673,401	\$ 107,617,746	\$ 105,212,027
DEDUCTIONS PURSUANT TO SECTION 102(c)(16) OF ACT 185			
Rentals and sinking fund subsidies	<u>109,654</u>	<u>224,648</u>	<u>51,728</u>
TOTAL GENERAL FUND REVENUES, as adjusted	<u>\$ 110,563,747</u>	<u>\$ 107,393,098</u>	<u>\$ 105,160,299</u>
AGGREGATE TOTAL REVENUES ADJUSTED FOR THE THREE YEARS ENDED JUNE 30, 2021			<u>\$ 323,117,144</u>
BORROWING BASE AS DEFINED IN SECTION 102(c)(3) OF ACT 185, \$323,117,144			<u>\$ 107,705,715</u>
	<u>Legal Limit</u>	<u>Debt Outstanding</u>	<u>Remaining Borrowing Capacity</u>
NET NONELECTORAL DEBT LIMIT, 225% OF BORROWING BASE	<u>\$ 242,337,858</u>	<u>\$ 63,130,000</u>	<u>\$ 179,207,858</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, 2021

	<u>Cash and Investments at June 30, 2020</u>	<u>Transfers In/ Receipts</u>	<u>Transfers Out/ Disbursements</u>	<u>Cash and Investments at June 30, 2021</u>
RECEIPTS AND DISBURSEMENTS				
Senior High School funds	\$ 278,623	\$ 90,961	\$ 104,758	\$ 264,826
Keith Valley Middle School funds	122,280	15,867	20,143	118,004
Summer enrichment programs	16,040	4,300	525	19,815
Interest earned	<u>17,288</u>	<u>79</u>	<u>-</u>	<u>17,367</u>
 TOTAL RECEIPTS AND DISBURSEMENTS	 <u>\$ 434,231</u>	 <u>\$ 111,207</u>	 <u>\$ 125,426</u>	 <u>\$ 420,012</u>

HATBORO-HORSHAM SCHOOL DISTRICT
SCHEDULE OF INVESTMENTS AND DEPOSITS IN STATE INVESTMENT POOLS
YEAR ENDED JUNE 30, 2021

Fund and Bank	Interest Rate	Pennsylvania Local Government Investment Trust	U.S. Government Obligations	Other	Totals
GENERAL FUND					
U.S. Bank Investments	(a)*	\$ -	\$ 34,382,510	\$ -	\$ 34,382,510
Pennsylvania School District Liquid Asset Fund	(c)*	-	-	104,900	104,900
CAPITAL RESERVE FUND					
Pennsylvania Local Government Investment Trust Class	(b)*	7,941,225	-	-	7,941,225
CONSTRUCTION FUND					
Pennsylvania Local Government Investment Trust (2019 Issue)	(d)*	1,809,501	-	-	1,809,501
DEBT SERVICE FUND					
Pennsylvania Local Government Investment Trust Class	(b)*	7,926,986	-	-	7,926,986
I - Class	(e)*	2,085,863	-	-	2,085,863
CUSTODIAL FUND					
Pennsylvania Local Government Investment Trust	(b)*	352,469	-	-	352,469
		<u>\$ 20,116,044</u>	<u>\$ 34,382,510</u>	<u>\$ 104,900</u>	<u>\$ 54,603,454</u>

*Interest rate fluctuates daily.

- a) .61% at June 30, 2021
- b) .01% at June 30, 2021
- c) .01% at June 30, 2021
- d) .01%, .02% at June 30, 2021
- e) .02% on June 30, 2021

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, 2021, 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, 2022.

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, 2022

***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, 2021. 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, 2021.

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, 2022

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

HATBORO-HORSHAM SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL
AND CERTAIN STATE AWARDS
YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Source Code	Federal AL Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Date
U.S. DEPARTMENT OF EDUCATION				
Impact Aid Program - Section 7002	D	84.041	N/A	July 1, 2020 to June 30, 2021
TOTAL ALN 84.041 IMPACT AID PROGRAM				
Passed through the Pennsylvania Department of Education				
Title I Improving Basic Programs	I	84.010	013-190185	July 1, 2018 to June 30, 2019
Title I Improving Basic Programs	I	84.010	013-200185	July 1, 2019 to June 30, 2020
Title I Improving Basic Programs	I	84.010	013-210185	July 1, 2020 to June 30, 2021
TOTAL ALN 84.010 TITLE I GRANTS TO LOCAL EDUCATION AGENCIES				
Title II Improving Teacher Quality	I	84.367	020-190185	July 1, 2018 to June 30, 2019
Title II Improving Teacher Quality	I	84.367	020-200185	July 1, 2019 to June 30, 2020
Title II Improving Teacher Quality	I	84.367	020-210185	July 1, 2020 to June 30, 2021
TOTAL ALN 84.367 SUPPORTING EFFECTIVE INSTRUCTION STATE GRANTS (TITLE II)				
Title III Language Instruction	I	84.365	010-200185	July 1, 2019 to June 30, 2020
Title III Language Instruction	I	84.365	010-210185	July 1, 2020 to June 30, 2021
TOTAL ALN 84.365 LANGUAGE INSTRUCTION FOR ENGLISH LEARNERS (TITLE III)				
Title IV 21st Century	I	84.287	144-190185	July 1, 2018 to June 30, 2019
Title IV 21st Century	I	84.287	144-200185	July 1, 2019 to June 30, 2020
Title IV 21st Century	I	84.287	144-210185	July 1, 2020 to June 30, 2021
TOTAL ALN 84.287 TWENTY-FIRST CENTURY COMMUNITY LEARNING CENTERS				
Governor's Emergency Education Relief Fund	I	84.425C	N/A	July 1, 2020 to June 30, 2021
Elementary and Secondary School Emergency Relief Fund (ESSER)	I	84.425D	N/A	March 13, 2020 to September 30, 2023
PCCD Health and Safety ESSER	I	84.425D	N/A	March 13, 2020 to September 30, 2023
TOTAL ALN 84.425 EDUCATION STABILIZATION FUND				
TOTAL FORWARD				

Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue at July 1, 2020	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue at June 30, 2021	Passed Through to Sub-Recipients
\$ 626,557	\$ 626,557	\$ -	\$ 626,557	\$ 626,557	\$ -	\$ -
	<u>626,557</u>	<u>-</u>	<u>626,557</u>	<u>626,557</u>	<u>-</u>	<u>-</u>
391,677	-	(9,034)	9,034	9,034	-	-
387,887	180,964	4,446	123,603	123,603	(52,915)	-
380,569	<u>146,529</u>	<u>-</u>	<u>178,587</u>	<u>178,587</u>	<u>32,058</u>	<u>-</u>
	<u>327,493</u>	<u>(4,588)</u>	<u>311,224</u>	<u>311,224</u>	<u>(20,857)</u>	<u>-</u>
106,936	-	(6,365)	6,365	6,365	-	-
99,041	39,561	(29,784)	89,126	89,126	19,781	-
97,351	<u>30,168</u>	<u>-</u>	<u>26,511</u>	<u>26,511</u>	<u>(3,657)</u>	<u>-</u>
	<u>69,729</u>	<u>(36,149)</u>	<u>122,002</u>	<u>122,002</u>	<u>16,124</u>	<u>-</u>
29,997	4,000	4,000	-	-	-	-
21,188	<u>16,298</u>	<u>-</u>	<u>13,908</u>	<u>13,908</u>	<u>(2,390)</u>	<u>-</u>
	<u>20,298</u>	<u>4,000</u>	<u>13,908</u>	<u>13,908</u>	<u>(2,390)</u>	<u>-</u>
26,531	3,537	(223)	3,760	3,760	-	-
30,521	9,391	(9,215)	17,570	17,570	(1,036)	-
30,404	<u>25,726</u>	<u>-</u>	<u>24,556</u>	<u>24,556</u>	<u>(1,170)</u>	<u>-</u>
	<u>38,654</u>	<u>(9,438)</u>	<u>45,886</u>	<u>45,886</u>	<u>(2,206)</u>	<u>-</u>
62,824	62,824	-	62,824	62,824	-	-
1,463,470	-	-	177,190	177,190	177,190	-
138,302	<u>138,302</u>	<u>-</u>	<u>138,302</u>	<u>138,302</u>	<u>-</u>	<u>-</u>
	201,126	-	378,316	378,316	177,190	-
	<u>\$ 1,283,857</u>	<u>\$ (46,175)</u>	<u>\$ 1,497,893</u>	<u>\$ 1,497,893</u>	<u>\$ 167,861</u>	<u>\$ -</u>

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HATBORO-HORSHAM SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL
AND CERTAIN STATE AWARDS
YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Date
U.S. DEPARTMENT OF EDUCATION				
TOTAL FORWARDED				
Passed through the Montgomery County Intermediate Unit				
IDEA Section 619	I	84.173	N/A	July 1, 2019 to June 30, 2020
IDEA Section 619	I	84.173	N/A	July 1, 2020 to June 30, 2021
TOTAL ALN 84.173 SPECIAL EDUCATION - PRESCHOOL GRANTS (IDEA PRESCHOOL)				
IDEA	I	84.027	N/A	July 1, 2019 to June 30, 2020
IDEA	I	84.027	N/A	July 1, 2020 to June 30, 2021
TOTAL ALN 84.027 SPECIAL EDUCATION - GRANTS TO STATES (IDEA)				
TOTAL SPECIAL EDUCATION CLUSTER				
TOTAL U.S. DEPARTMENT OF EDUCATION				
U.S. DEPARTMENT OF TREASURY				
Passed through the Commonwealth of PA Commission on Crime and Delinquency				
COVID-19 CARES Safety Grant	I	21.019	2020-CS-01-34101	March 1, 2020 to October 30, 2020
Passed through the PA Department of Education				
COVID 19 CARES ESSR Grant	I	21.019	N/A	March 13, 2020 to September 30, 2021
Passed through Montgomery County				
CARES Act 3	I	21.019	N/A	July 1, 2020 to June 30, 2021
Montco CARES Act	I	21.019	N/A	July 1, 2020 to June 30, 2021
Passed through the Montgomery County Intermediate Unit				
Montgomery County CARES Act	I	21.019	N/A	March 1, 2020 to December 31, 2020
TOTAL ALN 21.019 CORONAVIRUS RELIEF FUND				
TOTAL U.S. DEPARTMENT OF TREASURY				
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed through the Pennsylvania Emergency Management				
PEMA Distribution	I	97.036	N/A	July 1, 2020 to June 30, 2021
TOTAL ALN 97.036 DISASTER GRANTS - PUBLIC ASSISTANCE				

Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue at July 1, 2020	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue at June 30, 2021	Passed Through to Sub-Recipients
	\$ 1,283,857	\$ (46,175)	\$ 1,497,893	\$ 1,497,893	\$ 167,861	\$ -
\$ 3,780	3,780	3,780	-	-	-	-
3,720	-	-	3,720	3,720	3,720	-
	3,780	3,780	3,720	3,720	3,720	-
897,736	897,736	897,736	-	-	-	-
875,579	-	-	875,579	875,579	875,579	-
	897,736	897,736	875,579	875,579	875,579	-
	901,516	901,516	879,299	879,299	879,299	-
	2,185,373	855,341	2,377,192	2,377,192	1,047,160	-
301,173	301,173	140,200	160,973	160,973	-	-
329,280	329,280	124,864	204,416	204,416	-	-
98,500	98,500	-	98,500	98,500	-	-
98,500	98,500	-	98,500	98,500	-	-
543,842	543,842	-	543,842	543,842	-	-
	1,371,295	265,064	1,106,231	1,106,231	-	-
	1,371,295	265,064	1,106,231	1,106,231	-	-
140,236	140,236	-	140,236	140,236	-	-
\$ 140,236	\$ -	\$ -	\$ 140,236	\$ 140,236	\$ -	\$ -

HATBORO-HORSHAM SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL
AND CERTAIN STATE AWARDS
YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Date
U.S. DEPARTMENT OF PUBLIC WELFARE				
Passed through Montgomery County				
CARES Act 2	I	93.575	N/A	July 1, 2020 to June 30, 2021
Pandemic Re3lief	I	93.575	N/A	July 1, 2020 to June 30, 2021
CRRSAA	I	93.575	N/A	July 1, 2020 to June 30, 2021
TOTAL ALN 93.575				
Passed through the Pennsylvania Department of Human Services				
School Based Medical Reimbursement Program - Administrative Service Fees Reimbursement-8820	I	93.778	N/A	July 1, 2019 to June 30, 2020
School Based Medical Reimbursement Program - Administrative Service Fees Reimbursement-8820	I	93.778	N/A	July 1, 2020 to June 30, 2021
TOTAL ALN 93.778 MEDICAL ASSISTANCE PROGRAM				
TOTAL U.S. DEPARTMENT OF PUBLIC WELFARE				
U.S. DEPARTMENT OF AGRICULTURE				
Passed through the Pennsylvania Department of Agriculture				
National School Lunch Program	I	10.555	*	N/A July 1, 2020 to June 30, 2021
Passed through the Pennsylvania Department of Education				
Child Nutrition Cluster				
National School Lunch Program	I	10.555	*	362 July 1, 2020 to June 30, 2021
TOTAL NATIONAL SCHOOL LUNCH PROGRAM				
School Breakfast Program	I	10.553	*	365 July 1, 2020 to June 30, 2021
Summer Food Service Program for Children	I	10.559	*	N/A July 1, 2020 to June 30, 2021
TOTAL CHILD NUTRITION CLUSTER				
Passed through the Pennsylvania Department of Education				
National School Lunch Program	S	N/A	*	510/511/512/513 July 1, 2020 to June 30, 2021
TOTAL U.S. DEPARTMENT OF AGRICULTURE				
TOTAL FEDERAL AND CERTAIN STATE AWARDS				

Footnotes:

- (a) Total amount of foods received from the Department of Agriculture.
- (b) Beginning inventory at July 1, 2020.
- (c) Total amount of foods used.
- (d) Ending inventory at June 30, 2021.

Source Codes:

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

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

TOTAL FEDERAL EXPENDITURES

See accompanying notes to the schedule of expenditures of federal and certain state awards.

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2020</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2021</u>	<u>Passed Through to Sub-Recipients</u>
\$ 5,400	\$ 5,400	\$ -	\$ 5,400	\$ 5,400	\$ -	\$ -
22,200	22,200	-	22,200	22,200	-	-
270,900	<u>270,900</u>	<u>-</u>	<u>240,292</u>	<u>240,292</u>	<u>(30,608)</u>	<u>-</u>
	<u>298,500</u>	<u>-</u>	<u>267,892</u>	<u>267,892</u>	<u>-</u>	<u>-</u>
19,604	17,582	17,582	-	-	-	-
23,877	<u>2,254</u>	<u>-</u>	<u>23,878</u>	<u>23,878</u>	<u>21,624</u>	<u>-</u>
	<u>19,836</u>	<u>17,582</u>	<u>23,878</u>	<u>23,878</u>	<u>21,624</u>	<u>-</u>
	<u>318,336</u>	<u>17,582</u>	<u>291,770</u>	<u>291,770</u>	<u>21,624</u>	<u>-</u>
N/A	168,246 (a)	(28,289) (b)	163,332	163,332 (c)	(33,203) (d)	-
N/A	<u>181,706</u>	<u>26,681</u>	<u>155,025</u>	<u>155,025</u>	<u>-</u>	<u>-</u>
	349,952	(1,608)	318,357	318,357	(33,203)	-
N/A	109,515	16,867	92,648	92,648	-	-
N/A	<u>1,187,047</u>	<u>-</u>	<u>1,352,458</u>	<u>1,352,458</u>	<u>165,411</u>	<u>-</u>
	1,646,514	15,259	1,763,463	1,763,463	132,208	-
N/A	<u>11,149</u>	<u>1,686</u>	<u>9,463</u>	<u>9,463</u>	<u>-</u>	<u>-</u>
	<u>1,657,663</u>	<u>16,945</u>	<u>1,772,926</u>	<u>1,772,926</u>	<u>132,208</u>	<u>-</u>
	<u>\$ 5,672,903</u>	<u>\$ 1,154,932</u>	<u>\$ 5,688,355</u>	<u>\$ 5,688,355</u>	<u>\$ 1,200,992</u>	<u>\$ -</u>
\$ 5,688,355						
<u>9,463</u>						
<u>\$ 5,678,892</u>						

HATBORO-HORSHAM SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AND CERTAIN STATE AWARDS
YEAR ENDED JUNE 30, 2021

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, 2021

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:

Program	ALN
Coronavirus Relief Fund	21.019
Education Stabilization Fund	84.425
Child Nutrition Cluster	10.553/10.555/ 10.559

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, 2021

None.