

**NORTH PENN SCHOOL DISTRICT**  
**FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2022**

NORTH PENN SCHOOL DISTRICT

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# Zelenkofske Axerod LLC

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
North Penn School District  
Lansdale, Pennsylvania

### Report on the Audit of the Financial Statements

#### **Opinions**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the North Penn School District (the "District"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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 District, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

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

#### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for one year after the date that the financial statements are issued.

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee



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that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

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

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, budgetary comparison information, Schedule of Changes in the Net Pension Liability and Related ratios, Schedule of District Contributions – Last 10 Years, Schedule of Investment Returns and Schedule of Changes in the Total OPEB Liability and Related Ratios - Last Ten Years on pages 4 through 12 and pages 57 through 63 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires 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.



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To the Board of Directors  
North Penn School District  
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## **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining statements ("supplementary information") are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 District's internal control over financial reporting and compliance.

*Zelenkofske Axlerod LLC*

ZELENKOSKE AXELROD LLC

Jamison, Pennsylvania  
December 13, 2022

This section of the North Penn 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, 2022.

### **FINANCIAL HIGHLIGHTS**

The School District's budget is prepared according to Pennsylvania law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The School District uses site-based budgeting and the budgeting system is designed to tightly control site budgets but provide flexibility for site management.

For the General Fund, actual revenues, including a \$500,000 transfer from the Extended School Care Fund, were \$287.3 million or \$1.4 million above the original budgeted revenues. Actual expenditures totaled \$281.0 million and included \$7.0 million that was transferred to the Capital Reserve Fund. Actual expenditures were \$10.6 million under the original budgeted expenditures. The School District experienced an overall \$12.1 million positive variance relative to the original budget. The unassigned fund balance was decreased by \$8,481 bringing the total to \$21.7 million. The committed fund balance was increased by \$6.3 million bringing the total to \$23,106,523. Total fund balances in the General Fund amounted to \$48.5 million.

### **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), basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.
  - ✓ **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- and long-term financial information about the activities the District operates like businesses, such as School Nutrition Services.
  - ✓ **Fiduciary Funds** statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

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 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.

**Figure A-1**

**Organization of the North Penn School District Annual Financial Report**

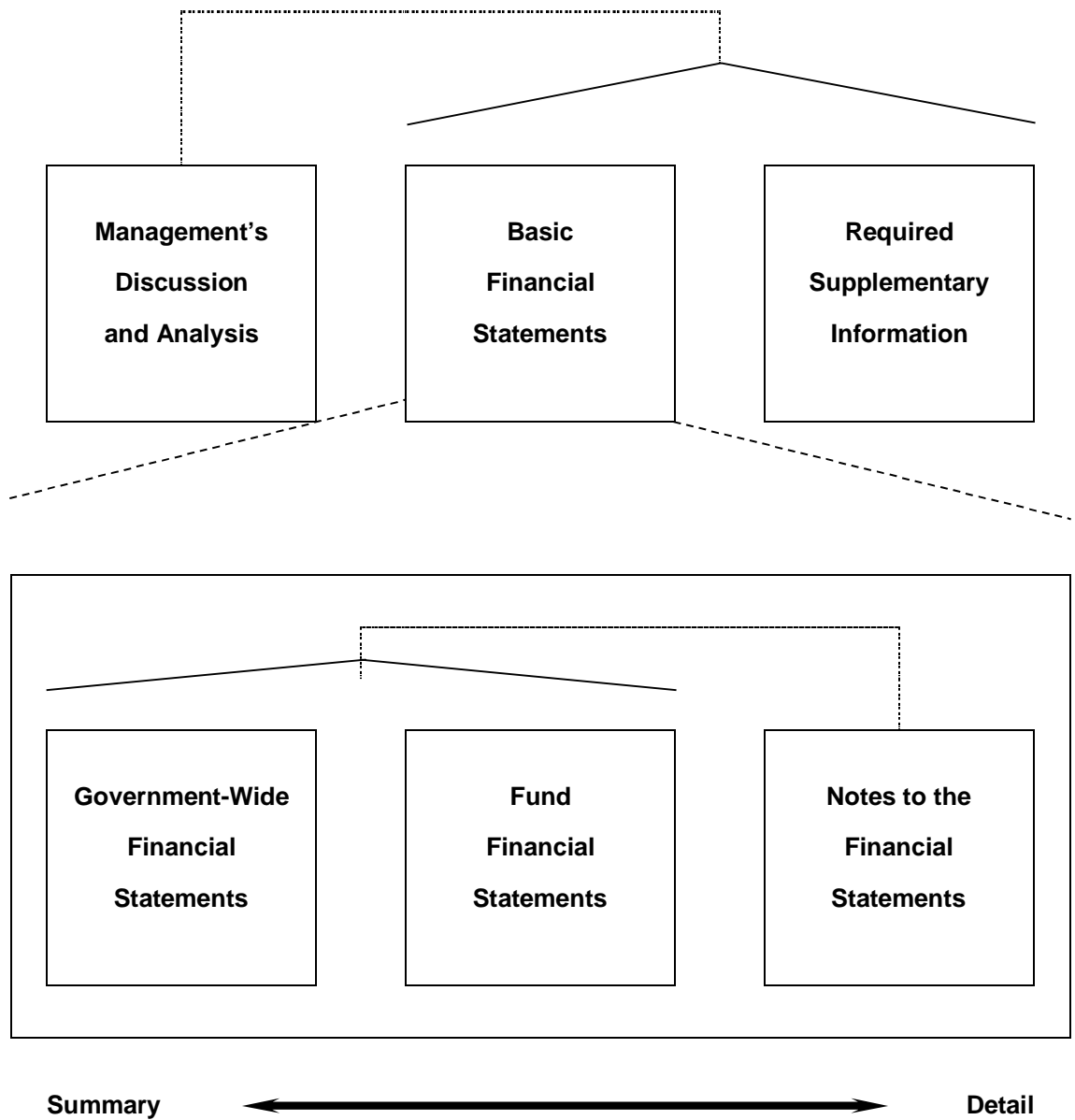




Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents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

**Figure A-2**  
**Major Features of the Government-Wide and Fund Financial Statements**

	Government-Wide	Fund Financial Statements		
	Statements	Governmental Funds	Proprietary Funds	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: school nutrition services and community education	Instances in which the School District administers resources on behalf of someone else, such as scholarship programs and student sponsored activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can

Type of inflow/ outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid
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**Government-Wide Statements**

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private sector companies. The statement of net assets includes all of the 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 District's net position and how they have changed. Net position, the difference between the District's assets and liabilities, is one way to measure the District's financial health or position.

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

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

- **Governmental Activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state and federal subsidies and grants finance most of these activities.
- **Business-Type Activities:** The District's community education, extended child care and school nutrition service programs are included here. The District charges fees to cover the costs of the services provided.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds, not on the District as a whole. Funds are accounting devices the 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 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.

The District has three kinds of funds:

- **Governmental Funds:** Most of the 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 Fund's statements provide a detailed short-term view that help one determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the long-term focus of the District-wide statements, additional information accompanying the Governmental Funds statements explains the relationship (or differences) between them.
- **Proprietary Funds:** Services for which the District charges a fee are generally reported in Proprietary Funds. Proprietary Funds are reported in the same way as the District-wide statements. The District's Enterprise Funds (one type of Proprietary Fund) report its business-type activities, providing more detail and additional information such as cash flows.
- **Fiduciary Funds:** The District is the trustee, or fiduciary, for assets that belong to others, such as the Scholarship Fund and the Student Sponsored Activities Funds. The District is responsible for ensuring the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because the District cannot use these assets to finance its operations.

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

- The net asset deficit of the governmental activities decreased by \$21.6 million. The net asset deficit of the business-type activities decreased by \$3.0 million.
- Program specific revenues in the form of charges for services and grants and contributions accounted for \$73.1 million or 24% of total revenues. General revenues accounted for \$225.8 million or 76% of total revenues (Figure A-4).
- Governmental fund expenses totaled \$283.9 million of which \$177.7 million was spent on instructional services, \$82.3 million was spent on support services, \$3.1 million was spent on non-instructional/student activities/athletic services, \$10.9 million was spent for debt service payments, \$9.8 million was spent on facilities acquisition, construction, and improvement services, and \$0.1 million was for refunds of prior year revenues (See Statement of Revenues, Expenditures, and Changes in Fund Balances for Governmental Funds).
- The North Penn Education Association (NPEA), an affiliation of the Pennsylvania State Education Teachers Association, represents the professional staff of the District. The District and NPEA have a three-year agreement that expires on June 30, 2024.
- The North Penn Educational Support Personnel Association (NPESPA), an affiliation of the Pennsylvania State Education Teachers Association, represents part of the support staff of the District. The District and NPESPA have a four-year agreement that expires on June 30, 2025.
- The District administrators have a three-year agreement with the Board of School Directors that expires on June 30, 2025.

**NORTH PENN SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2022**

**FIGURE A-3**  
**Condensed Statement of Net Position (In Millions of Dollars)**

	Governmental Activities		Business-Type Activities		Total District		Total Percentage Change 2022 - 2021
	2022	2021	2022	2021	2022	2021	
<b>Assets</b>							
Current and Other Assets	\$ 121.2	\$ 121.1	\$ 6.2	\$ 3.3	\$ 127.4	\$ 124.4	
Capital Assets, Net	208.4	204.7	0.3	0.3	208.7	205.0	
<b>Total Assets</b>	<b>329.6</b>	<b>325.8</b>	<b>6.5</b>	<b>3.6</b>	<b>336.1</b>	<b>329.4</b>	<b>2.0%</b>
Deferred Outflows of Resources	90.0	131.6	2.8	4.0	92.8	135.6	-31.6%
<b>Liabilities</b>							
Long-Term Liabilities	475.8	563.6	12.3	14.8	488.1	578.4	
Other Liabilities	40.3	44.5	0.8	0.6	41.1	45.1	
<b>Total Liabilities</b>	<b>516.1</b>	<b>608.1</b>	<b>13.1</b>	<b>15.4</b>	<b>529.2</b>	<b>623.5</b>	<b>-15.1%</b>
Deferred Inflows of Resources	88.4	55.7	2.7	1.7	91.1	57.4	58.8%
<b>Net Position</b>							
Net Investment in Capital Assets	138.4	127.8	0.3	0.3	138.7	128.1	
Restricted	29.6	12.8	-	-	29.6	12.8	
Unrestricted	(352.9)	(347.0)	(6.8)	(9.8)	(359.7)	(356.8)	
<b>Total Net Position</b>	<b>\$ (184.9)</b>	<b>\$ (206.4)</b>	<b>\$ (6.5)</b>	<b>\$ (9.5)</b>	<b>\$ (191.4)</b>	<b>\$ (215.9)</b>	<b>-11.3%</b>

**FIGURE A-4**  
**Changes in Net Position from Operating Results (In Millions of Dollars)**

	Governmental Activities		Business-Type Activities		Total District		Total Percentage Change 2022 - 2021
	2022	2021	2022	2021	2022	2021	
<b>Revenues</b>							
Program Revenues	\$ 61.5	\$ 58.3	\$ 11.6	\$ 7.1	\$ 73.1	\$ 65.4	
Other Revenues	226.3	217.8	0.1	1.6	226.4	219.4	
<b>Total Revenues</b>	<b>287.8</b>	<b>276.1</b>	<b>11.7</b>	<b>8.7</b>	<b>299.5</b>	<b>284.8</b>	<b>5.2%</b>
Expenses	266.3	264.9	8.7	6.8	275.0	271.7	1.2%
<b>Change in Net Position</b>	<b>\$ 21.5</b>	<b>\$ 11.2</b>	<b>\$ 3.0</b>	<b>\$ 1.9</b>	<b>\$ 24.5</b>	<b>\$ 13.1</b>	<b>87.0%</b>

**Governmental Activities**

Governmental activities consist of the General Fund, Capital Reserve, Capital Projects Funds, and Special Revenue Fund (Student Sponsored Activities). Total governmental assets increased by \$3.8 million and total liabilities decreased by \$92 million due to changes in the net pension and OPEB liabilities. The Governmental Net Position deficit decreased by \$21.5 million (Figure A-3).

The District depends heavily on local taxes to fund the District's programs. For 2021-2022, local sources comprised 77.7% of total revenue, of which current real estate taxes, including interim taxes, were \$190.3 million, delinquent real estate taxes were \$2.8 million, transfer taxes were \$5.8 million and earned income taxes were \$19.8 million. Other revenue comes from state subsidies (19.5%) and federal grants and other sources (2.8%).

**Business-Type Activities**

Business-type activities include the School Nutrition Services Program, the Extended School Care Program and the Community Education Program (Figure A-4). Each Enterprise Fund is operated separately. These programs had operating and non-operating revenues of \$11.7 million and expenses of approximately \$8.7 million, resulting in a \$3.0 million increase in net position for the year. The programs are designed to operate at or near break-even so that the cost for the services offered will benefit the District residents. Business-type activities typically receive no support from tax revenues.

The Extended School Care Program and Community Education Program were materially impacted by the COVID-19 pandemic shutdown. The School Nutrition Services Program was heavily supported by federal funding during the year. All students were provided a free breakfast and lunch with the federal funding.

The Extended School Care Program and Community Education Program were materially impacted by the COVID-19 pandemic shutdown. The School Nutrition Services Program was heavily supported by federal funding during the year. All students were provided a free breakfast and lunch with the federal funding.

The School Nutrition Services Program provides school lunches and operates a breakfast program as well as catering services. The School Nutrition Services Program receives both federal and state subsidies for lunch and breakfast programs. It also receives some government commodities on a routine basis. The majority of revenue comes from federal subsidies.

The Extended School Care Program provides before and after school care and summer camps for the resident children of the District. Revenues are generated by those utilizing the services.

The Community Education Program provides trips, tours and classes for the residents of the North Penn area. Evening classes are held at several of the District's schools. These programs cater to the improvement of the quality of life for the residents of the North Penn area.

### **General Fund Budgetary Highlights**

The economic environment greatly improved after the initial COVID-19 pandemic shutdown in the prior fiscal year. Real estate tax collections remained strong despite prolonged installment payments (six) and a continued reduction in the late payment fee from 10% to 5%. The realty transfer tax (\$2.2 million) and earned income tax (\$1.2 million) exceeded the budgeted amounts. Based on the results experienced during the fiscal year it appears the local economic recovery mirrored a "V-shaped" recovery.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

For the North Penn School District, capital assets include land, buildings, furniture and equipment, vehicles and other items that meet the following criteria:

- a. The individual asset must have a useful life greater than one year.
- b. The individual asset cost is equal to or greater than \$5,000 or was purchased with debt proceeds.

The District maintains fixed asset records for the above capital assets as well as for any item costing over \$1,000 with a life extending at least one year. Each department or school is responsible for the protection of these assets.

The District maintains more than 16,000 computers for students and staff. Technology equipment is replaced when the functionality or educational requirement necessitate it, not based on a set time period. The District embarked on a 1:1 student computer initiative in the summer of 2016. The District maintains approximately 115 buses and 21 vans that typically transport the District's students over 1.8 million miles per year. The District also transports approximately 1,500 non-public students each year. The District purchased an additional 7 propane-powered buses during the 2021-2022 fiscal year, bringing the total propane fleet to 38. Regular improvements to the buildings of the District are ongoing as well as major renovation projects at Crawford Stadium and Knapp Elementary School.

**Figure A-5**  
**Capital Assets (Net of Depreciation, In Millions of Dollars)**

	Governmental Activities		Business-Type Activities		Total District		Total Percentage Change 2022-2021
	2022	2021	2022	2021	2022	2021	
Land and Site Improvements	\$ 10.8	\$ 10.8	\$ -	\$ -	\$ 10.8	\$ 10.8	
Construction in Progress	33.5	25.1	-	-	33.5	25.1	
Buildings	150.6	157.9	-	-	150.6	157.9	
Furniture and Equipment	13.5	10.9	0.3	0.3	13.8	11.2	
	<u>\$ 208.4</u>	<u>\$ 204.7</u>	<u>\$ 0.3</u>	<u>\$ 0.3</u>	<u>\$ 208.7</u>	<u>\$ 205.0</u>	1.8%

**Long-Term Obligations**

Long-term obligations decreased by \$90.3 million, primarily due to decreases in the net pension liability. The short-term debt increased by \$1.1 million due to the schedule of bond, note, and lease obligations. Total outstanding long-term obligations decreased by 15.6% (Figure A-6).

**Figure A-6**  
**Outstanding Long-Term Obligations (In Millions of Dollars)**

	2022	2021	Total Percentage Change
Long-Term Obligations			
General Obligation Bonds and Notes	\$ 60.3	\$ 70.6	
Other General Obligations	417.8	498.9	
Total Long-Term Obligations	<u>478.1</u>	<u>569.5</u>	
Short-Term Obligations			
General Obligation Bonds and Notes	9.8	8.7	
Other General Obligations	0.3	0.3	
Total Short-Term Obligations	<u>10.1</u>	<u>9.0</u>	
TOTAL	<u>\$ 488.2</u>	<u>\$ 578.5</u>	<u>-15.6%</u>

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

As the preceding information shows, the School District maintains a healthy investment in fixed assets to support and provide comprehensive educational services, considers future implications of current and ongoing financial obligations and prudently manages its financial assets. Academic performance is supported by regionally competitive per pupil spending. Balanced payment schedules on existing debt obligations should mean steady tax implications in the future.

Financial challenges face many school districts in the state of Pennsylvania and North Penn School District is not alone in this regard. With the passage of Act 1 of 2006, school districts are faced with a cap on the money that can be funded from a property tax increase. The cap is an inflationary index annually calculated by the Pennsylvania Department of Education (PDE). Act 1 does provide for some exceptions that permit districts to increase property taxes in excess of the cap. Exceptions are approved by the PDE. Limited tax relief arrived starting in the 2008-2009 fiscal year as the state distributed a portion of gambling revenue to offset real estate tax increases. The School District was fortunate to receive \$5,189,050 in the 2021-2022 fiscal year that offset property taxes for those property owners who qualified for the homestead exemption.

The 2021-2022 school year was another strong year financially for the North Penn School. The District was able to make a total of \$7 million in transfers to the Capital Reserve Fund from the General Fund to support capital projects. The unassigned fund balance in the General Fund decreased slightly from \$21,753,255 to \$21,744,774. The decrease was far less than the originally budgeted decrease. Total fund balances in the general fund amounted to a fiscally healthy \$48,543,886 which was an increase of \$6.3 million over the prior fiscal year.

North Penn School District has committed itself to educational and financial excellence. The District's system of budgeting, internal controls, and long-term financial projections are well-regarded and consistently followed. The District was recognized by the Association of School Business Officials International with the prestigious Meritorious Budget Award for the seventh straight year. The District's Aa1 bond rating with Moody's is also an indication of the financial health of the District. Continued diligence in all financial matters will be a key component of continued successful financial performance well into the future.

The uncertainty surrounding the COVID-19 pandemic diminished both academically and financially during the 2021-22 school year primarily due to the availability of COVID-19 vaccinations. Virtual and hybrid instruction at a district level were replaced with the resumption of in-person instruction to start the 2021-2022 school year.

The future direction of the District remains to uphold its high level of quality education while efficiently managing and preserving resources in an effort to maintain a budget near the Act I index and minimize the impact on its taxpayers.

#### **CONTACTING THE SCHOOL DISTRICT FINANCIAL MANAGEMENT**

The financial report is designed to provide the citizens, taxpayers, parents, students, investors, and creditors with a general overview of the School District's finances and to show the District's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Steve Skrocki, Chief Financial Officer, North Penn School District, 401 East Hancock Street, Lansdale, PA 19446, 215-853-1010, skrocksb@npenn.org or visit the School District's website at [www.npenn.org](http://www.npenn.org).

**NORTH PENN SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2022**

	Governmental Activities	Business-Type Activities	Totals
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents - Unrestricted	\$ 81,007,591	\$ 6,566,824	\$ 87,574,415
Cash and Cash Equivalents - Restricted	7,849,382	-	7,849,382
Investments	823,233	2,599	825,832
Taxes Receivable	2,464,442	-	2,464,442
Internal Balances	850,569	(850,569)	-
Due From Custodial Funds	10,692	-	10,692
Due from Other Governments	13,233,423	306,009	13,539,432
Inventories	195,062	184,902	379,964
Other Receivables	431,466	6,360	437,826
Prepaid Expenses	14,400,772	37,231	14,438,003
<b>Capital Assets</b>			
Land	10,491,943	-	10,491,943
Construction in Progress	33,504,358	-	33,504,358
Site Improvements	661,917	-	661,917
Building and Building Improvements	303,968,301	-	303,968,301
Furniture and Equipment	44,767,865	1,906,397	46,674,262
Accumulated Depreciation	(184,984,415)	(1,575,776)	(186,560,191)
Total Assets	<u>329,676,601</u>	<u>6,583,977</u>	<u>336,260,578</u>
<b>Deferred Outflows of Resources</b>			
Deferred Amount of Refunding	1,006,908	-	1,006,908
Deferred Outflows of Resources, Pension Activity	79,705,097	2,465,106	82,170,203
Deferred Outflows of Resources, OPEB Activity	9,277,435	286,931	9,564,366
Total Deferred Outflows of Resources	<u>89,989,440</u>	<u>2,752,037</u>	<u>92,741,477</u>
<b>Liabilities</b>			
Accounts Payable	5,032,139	149,062	5,181,201
Accrued Interest on Long-Term Debt	603,720	-	603,720
Accrued Salaries and Benefits	34,534,621	111,733	34,646,354
Due to Custodial Funds	1,819	-	1,819
Other Current Liabilities	-	-	-
Unearned Revenue	95,799	520,972	616,771
<b>Long-Term Liabilities</b>			
Portion Due or Payable Within One Year			
Bonds Payable	9,800,000	-	9,800,000
Compensated Absences	292,483	-	292,483
Portion Due or Payable After One Year			
Bonds Payable	60,244,782	-	60,244,782
Compensated Absences	6,320,395	-	6,320,395
Net Pension Liability	369,098,580	11,415,420	380,514,000
Net OPEB Obligation	30,067,148	929,913	30,997,061
Total Liabilities	<u>516,091,486</u>	<u>13,127,100</u>	<u>529,218,586</u>
<b>Deferred Inflows of Resources</b>			
Deferred Inflows of Resources, Pension Activity	81,661,390	2,525,610	84,187,000
Deferred Inflows of Resources, OPEB Activity	6,770,547	209,398	6,979,945
Total Deferred Inflows of Resources	<u>88,431,937</u>	<u>2,735,008</u>	<u>91,166,945</u>
<b>Net Position</b>			
Net Investment in Capital Assets	138,395,187	330,621	138,725,808
Restricted	29,603,834	-	29,603,834
Unrestricted	(352,856,403)	(6,856,715)	(359,713,118)
Total Net Position	<u>\$ (184,857,382)</u>	<u>\$ (6,526,094)</u>	<u>\$ (191,383,476)</u>

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



**NORTH PENN SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2022**

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
<b>Governmental Activities</b>							
Instruction							
Regular Programs	\$ 123,239,150	\$ -	\$ 40,491,074	\$ -	\$ (82,748,076)	\$ -	\$ (82,748,076)
Special Programs	47,672,639	-	7,139,873	-	(40,532,766)	-	(40,532,766)
Vocational Programs	4,642,181	-	-	-	(4,642,181)	-	(4,642,181)
Other Instructional Programs	526,773	77,826	9,340,763	-	8,891,816	-	8,891,816
Nonpublic Schools	39,700	-	-	-	(39,700)	-	(39,700)
Support Services							
Pupil Personnel Services	15,253,650	-	1,200,000	-	(14,053,650)	-	(14,053,650)
Instructional Staff Services	9,008,996	-	23,716	-	(8,985,280)	-	(8,985,280)
Administrative Services	14,545,841	-	-	-	(14,545,841)	-	(14,545,841)
Pupil Health Services	5,571,471	-	269,561	-	(5,301,910)	-	(5,301,910)
Business Services	2,260,497	-	-	-	(2,260,497)	-	(2,260,497)
Operation & Maintenance of Plant Services	18,567,564	-	-	-	(18,567,564)	-	(18,567,564)
Facilities Acquisition, Construction and Improvement Services	282,889	-	-	-	(282,889)	-	(282,889)
Operation of Non-Instructional Services							
Student Transportation Services	15,558,493	-	1,844,568	-	(13,713,925)	-	(13,713,925)
Central and Other Support Services	4,066,861	-	-	-	(4,066,861)	-	(4,066,861)
Student Activities and Athletics	2,997,880	116,849	-	-	(2,881,031)	-	(2,881,031)
Community Services	32,178	-	1,041,148	-	1,008,970	-	1,008,970
Miscellaneous	101,255	-	-	-	(101,255)	-	(101,255)
Interest on Long-Term Debt	1,907,413	-	-	-	(1,907,413)	-	(1,907,413)
<b>Total Governmental Activities</b>	<b>266,275,431</b>	<b>194,675</b>	<b>61,350,703</b>	<b>-</b>	<b>(204,730,053)</b>	<b>-</b>	<b>(204,730,053)</b>
<b>Business-Type Activities</b>							
School Nutrition Services	5,797,994	407,114	8,113,307	-	-	2,722,427	2,722,427
Extended Care	1,940,594	1,899,600	694,166	-	-	653,172	653,172
Community Education	491,101	504,617	-	-	-	13,516	13,516
<b>Total School District Activities</b>	<b>8,229,689</b>	<b>2,811,331</b>	<b>8,807,473</b>	<b>-</b>	<b>-</b>	<b>3,389,115</b>	<b>3,389,115</b>
<b>Total Primary Government</b>	<b>\$ 274,505,120</b>	<b>\$ 3,006,006</b>	<b>\$ 70,158,176</b>	<b>\$ -</b>	<b>(204,730,053)</b>	<b>3,389,115</b>	<b>(201,340,938)</b>
<b>General Revenues and Transfers</b>							
Taxes							
Property Taxes, Levied for General Purposes							
					204,341,890	-	204,341,890
					19,844,223	-	19,844,223
					202,345	-	202,345
Investment Earnings							
					762,672	22,346	785,018
Grants and Contributions not Restricted to Specific Programs							
					-	23,264	23,264
Gain on Sale of Capital Assets							
					34,359	-	34,359
Transfers							
					500,000	(500,000)	-
Miscellaneous Income							
					605,105	-	605,105
					<u>226,290,594</u>	<u>(454,390)</u>	<u>225,836,204</u>
					21,560,541	2,934,725	24,495,266
					<u>(206,417,923)</u>	<u>(9,460,819)</u>	<u>(215,878,742)</u>
					<u>\$ (184,857,382)</u>	<u>\$ (6,526,094)</u>	<u>\$ (191,383,476)</u>

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

**NORTH PENN SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2022**

	General Fund	2018/2019 Bond Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and Cash Equivalents - Unrestricted	\$ 70,358,642	\$ -	\$ -	\$ 70,358,642
Cash and Cash Equivalents - Restricted	-	-	7,849,382	7,849,382
Investments	823,233	-	-	823,233
Taxes Receivable, Net	2,464,442	-	-	2,464,442
Due from Other Funds	857,347	-	2,000,100	2,857,447
Due from Other Governments	13,233,423	-	-	13,233,423
Inventories	195,062	-	-	195,062
Other Receivables, Net	329,887	-	1,888	331,775
Prepaid Expenditures	797,527	-	4,293	801,820
	<u>\$ 89,059,563</u>	<u>\$ -</u>	<u>\$ 9,855,663</u>	<u>\$ 98,915,226</u>
<b>Total Assets</b>				
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	4,158,391	-	748,285	4,906,676
Due to Other Funds	2,000,229	-	2,656	2,002,885
Due to Custodial Funds	10,181	-	-	10,181
Unearned Revenue	95,799	-	-	95,799
Accrued Salaries and Benefits	32,950,911	-	-	32,950,911
	<u>39,215,511</u>	<u>-</u>	<u>750,941</u>	<u>39,966,452</u>
<b>Total Liabilities</b>				
<b>Deferred Inflows of Resources</b>				
Unavailable Revenue, Property Taxes	1,300,166	-	-	1,300,166
<b>Fund Balances</b>				
Nonspendable, Prepaid Expenditures	797,527	-	-	797,527
Nonspendable, Inventory	195,062	-	-	195,062
Restricted for Student Activities	-	-	191,690	191,690
Restricted for Capital Projects	-	-	3,552,202	3,552,202
Committed to				
Capital Projects	23,106,523	-	-	23,106,523
Assigned to				
Capital Projects	-	-	5,360,830	5,360,830
Self-funded Insurance	2,700,000	-	-	2,700,000
Unassigned	21,744,774	-	-	21,744,774
	<u>48,543,886</u>	<u>-</u>	<u>9,104,722</u>	<u>57,648,608</u>
<b>Total Fund Balances</b>				
<b>Total Liabilities, Deferred Inflows of Resources &amp; Fund Balances</b>	<u>\$ 89,059,563</u>	<u>\$ -</u>	<u>\$ 9,855,663</u>	<u>\$ 98,915,226</u>

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

**NORTH PENN SCHOOL DISTRICT  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET POSITION OF GOVERNMENTAL ACTIVIES  
JUNE 30, 2022**

Total Governmental Funds Balances	<u>\$ 57,648,608</u>
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:</p>	
Land	10,491,943
Construction in Progress	33,504,358
Site Improvements	661,917
Building and Building Improvements	303,968,301
Furniture and Equipment	44,767,865
Accumulated Depreciation	<u>(184,984,415)</u>
	<u>208,409,969</u>
<p>Deferred charges used in governmental activities are not financial resources and therefore are not reported in the funds. These consist of:</p>	
Deferred Amount on Refunding	<u>1,006,908</u>
<p>Deferred inflows and outflows of resources related to pension activities are not financial resources and therefore not reported in the governmental funds.</p>	
	<u>(1,956,293)</u>
<p>Deferred inflows and outflows of resources related to OPEB activities are not financial resources and therefore not reported in the governmental funds.</p>	
	<u>2,506,888</u>
<p>Property taxes receivable will be collected this year but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.</p>	
	<u>1,300,166</u>
<p>The assets and liabilities of certain Internal Service Funds are not included in the fund financial statements but are included in the governmental activities on the statement of net position.</p>	
	<u>22,653,480</u>
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:</p>	
Bonds Payable	(68,254,000)
Bond Premium/Discount, Net of Amortization	(1,790,782)
Accrued Interest	(603,720)
Compensated Absences	(6,612,878)
Net Pension Liability	(369,098,580)
Other Postemployment Benefits	<u>(30,067,148)</u>
	<u>(476,427,108)</u>
Net Position of Governmental Activities	<u>\$ (184,857,382)</u>

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

**NORTH PENN SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2022**

	General Fund	2018/2019 Bond Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Local Sources	\$ 222,296,752	\$ -	\$ 193,315	\$ 222,490,067
State Sources	55,882,161	-	-	55,882,161
Federal Sources	8,079,615	-	-	8,079,615
Interest	527,730	4,733	36,893	569,356
<b>Total Revenues</b>	<b>286,786,258</b>	<b>4,733</b>	<b>230,208</b>	<b>287,021,199</b>
<b>Expenditures</b>				
<b>Current:</b>				
Instruction	177,693,260	-	-	177,693,260
Support Services	82,328,638	-	-	82,328,638
Operation of Non-Instructional Services	81,892	-	-	81,892
Facilities Acquisition, Construction and Improvement Services	-	4,464,927	5,295,898	9,760,825
Student Activities and Athletics	2,828,190	-	165,341	2,993,531
Refund of Prior Year Revenues	148,513	-	-	148,513
Debt Service	10,910,748	-	-	10,910,748
<b>Total Expenditures</b>	<b>273,991,241</b>	<b>4,464,927</b>	<b>5,461,239</b>	<b>283,917,407</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	12,795,017	(4,460,194)	(5,231,031)	3,103,792
<b>Other Financing Sources (Uses)</b>				
Transfers In	500,000	-	6,987,953	7,487,953
Transfers Out	(6,987,953)	-	-	(6,987,953)
<b>Total Other Financing Sources (Uses)</b>	<b>(6,487,953)</b>	<b>-</b>	<b>6,987,953</b>	<b>500,000</b>
<b>Net Change in Fund Balances</b>	<b>6,307,064</b>	<b>(4,460,194)</b>	<b>1,756,922</b>	<b>3,603,792</b>
Fund Balances at Beginning of Year	42,236,822	4,460,194	7,347,800	54,044,816
<b>Fund Balances at End of Year</b>	<b>\$ 48,543,886</b>	<b>\$ -</b>	<b>\$ 9,104,722</b>	<b>\$ 57,648,608</b>

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

**NORTH PENN SCHOOL DISTRICT  
RECONCILIATION OF GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2022**

Net Changes in Fund Balances - Total Governmental Funds	<u>\$ 3,603,792</u>
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Capital outlays are reported in Governmental Funds as expenditures and sale of capital assets are reported as revenues. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the current period.</p>	
Capital Outlays	15,008,573
Depreciation	(11,272,811)
Gain on Disposals	(34,539)
	<u>3,701,223</u>
<p>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. Unavailable tax revenues decreased by this amount.</p>	
	<u>280,414</u>
<p>In the statement of activities, certain operating expenses - compensated absences (vacation and sick leave) - are measured by the amounts earned during the year. In the Governmental Funds, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The net change in accrued compensated absences is:</p>	
	<u>(349,865)</u>
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in Governmental Funds:</p>	
Accrued Interest	118,640
Insurance Provision	350,286
OPEB Plan Expense	(487,907)
Pension Plan Expense	5,459,263
	<u>5,440,282</u>
<p>The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to Governmental Funds, while the repayment of the principal long-term debt consumes the current financial resources of Governmental Funds. Neither transaction, however, has any effect on net position. Also, Governmental Funds report the effect of issuance costs, 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.</p>	
Repayment of Bond Principal	8,736,000
Amortization of Bond Discounts, Premiums and Refunding Loss	148,695
	<u>8,884,695</u>
Change in Net Position of Governmental Activities	<u>\$ 21,560,541</u>

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

**NORTH PENN SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2022**

	Business-Type Activities				Governmental
	Enterprise Funds				Activities
	School Nutrition Services Fund	Extended Care Fund	Community Education Fund	Total Enterprise Funds	Internal Service Fund Self-Insurance Fund
<b>Assets</b>					
<b>Current Assets</b>					
Cash and Cash Equivalents	\$ 5,248,986	\$ 916,639	\$ 401,199	\$ 6,566,824	\$ 10,648,949
Investments	2,599	-	-	2,599	-
Due from Other Governments	306,009	-	-	306,009	-
Due from Other Funds	-	-	-	-	229
Other Receivables	1,454	4,443	463	6,360	99,691
Prepaid expenses	-	1,400	35,831	37,231	13,598,952
Inventories	184,902	-	-	184,902	-
Total Current Assets	<u>5,743,950</u>	<u>922,482</u>	<u>437,493</u>	<u>7,103,925</u>	<u>24,347,821</u>
Capital Assets, Net	322,770	-	7,851	330,621	-
Total Assets	<u>6,066,720</u>	<u>922,482</u>	<u>445,344</u>	<u>7,434,546</u>	<u>24,347,821</u>
<b>Deferred Outflows of Resources</b>					
Deferred Outflows of Resources - Pension Activity	1,355,808	936,740	172,558	2,465,106	-
Deferred Outflows of Resources - OPEB Activity	177,898	100,426	8,607	286,931	-
Total Deferred Outflows of Resources	<u>1,533,706</u>	<u>1,037,166</u>	<u>181,165</u>	<u>2,752,037</u>	<u>-</u>
<b>Liabilities</b>					
Accounts Payable	11,924	96,167	40,971	149,062	107,717
Accrued Salaries and Benefits	59,579	48,120	4,034	111,733	1,583,710
Due to Other Funds	340,777	191,296	318,496	850,569	2,914
Unearned Revenue	395,691	20,442	104,839	520,972	-
<b>Long-Term Liabilities</b>					
Net Pension Liability	6,278,481	4,337,860	799,079	11,415,420	-
Other Postemployment Benefits	501,683	359,757	68,473	929,913	-
Total Liabilities	<u>7,588,135</u>	<u>5,053,642</u>	<u>1,335,892</u>	<u>13,977,669</u>	<u>1,694,341</u>
<b>Deferred Inflows of Resources</b>					
Deferred Inflows of Resources - Pension Activity	1,389,086	959,732	176,792	2,525,610	-
Deferred Inflows of Resources - OPEB Activity	129,827	73,290	6,281	209,398	-
Total Deferred Inflows of Resources	<u>1,518,913</u>	<u>1,033,022</u>	<u>183,073</u>	<u>2,735,008</u>	<u>-</u>
<b>Net Position</b>					
Net Investment in Capital Assets	322,770	-	7,851	330,621	-
Unrestricted	(1,829,392)	(4,127,016)	(900,307)	(6,856,715)	22,653,480
Total Net Position	<u>\$ (1,506,622)</u>	<u>\$ (4,127,016)</u>	<u>\$ (892,456)</u>	<u>\$ (6,526,094)</u>	<u>\$ 22,653,480</u>

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

**NORTH PENN SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGE IN NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2022**

	Business-Type Activities				Governmental
	Enterprise Funds				Activities
	School Nutrition Services Fund	Extended Care Fund	Community Education Fund	Total Enterprise Funds	Internal Service Fund Self-Insurance Fund
<b>Operating Revenues</b>					
Charges for Service	\$ 407,114	\$ 1,899,600	\$ 504,617	\$ 2,811,331	\$ -
Premiums transferred from General Fund	-	-	-	-	26,947,701
Other	-	-	-	-	1,370,537
Total Operating Revenues	<u>407,114</u>	<u>1,899,600</u>	<u>504,617</u>	<u>2,811,331</u>	<u>28,318,238</u>
<b>Operating Expenses</b>					
Salaries	2,176,074	1,350,151	183,553	3,709,778	-
Employee Benefits	846,370	529,132	80,370	1,455,872	27,960,795
Purchased professional and technical service	12,173	2,432	127,855	142,460	37,760
Purchased property service	35,869	-	19,755	55,624	-
Other purchased service	1,156	4,241	18,923	24,320	-
Supplies	2,668,314	6,540	7,426	2,682,280	-
Depreciation	53,343	-	5,371	58,714	-
Other operating expenses	4,695	48,098	47,848	100,641	-
Total Operating Expenses	<u>5,797,994</u>	<u>1,940,594</u>	<u>491,101</u>	<u>8,229,689</u>	<u>27,998,555</u>
Operating Income (Loss)	(5,390,880)	(40,994)	13,516	(5,418,358)	319,683
<b>Nonoperating Revenues</b>					
Contributions	23,264	-	-	23,264	-
Investment Income	16,447	4,667	1,232	22,346	30,510
Local Sources	1,166	694,166	-	695,332	93
State Sources	212,891	-	-	212,891	-
Federal Sources	7,899,250	-	-	7,899,250	-
Total Nonoperating Revenues	<u>8,153,018</u>	<u>698,833</u>	<u>1,232</u>	<u>8,853,083</u>	<u>30,603</u>
Income (Loss) before transfers	2,762,138	657,839	14,748	3,434,725	350,286
Transfers In (Out)	-	(500,000)	-	(500,000)	-
Change in Net Position	2,762,138	157,839	14,748	2,934,725	350,286
Net Position at Beginning of Year	<u>(4,268,760)</u>	<u>(4,284,855)</u>	<u>(907,204)</u>	<u>(9,460,819)</u>	<u>22,303,194</u>
Net Position at End of Year	<u>\$ (1,506,622)</u>	<u>\$ (4,127,016)</u>	<u>\$ (892,456)</u>	<u>\$ (6,526,094)</u>	<u>\$ 22,653,480</u>

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

**NORTH PENN SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2022**

	Business-Type Activities				Governmental
	Enterprise Funds				Activities
	School Nutrition Services Fund	Extended Care Fund	Community Education Fund	Total Enterprise Funds	Internal Service Fund Self-Insurance Fund
<b>Cash Flows From Operating Activities</b>					
Cash Received from Users	\$ 407,114	\$ 1,899,600	\$ 504,617	\$ 2,811,331	\$ -
Premiums Transferred from General Fund	-	-	-	-	28,318,238
Cash Payments to Employees for Services	(3,129,008)	(1,928,996)	(274,691)	(5,332,695)	(30,172,392)
Cash Payments to Suppliers for Goods and Services	(2,570,971)	(24,678)	(218,099)	(2,813,748)	(75,326)
Cash Payments for Other Operating Expenses	176,454	27,257	326,337	530,048	3,518,163
<b>Net Cash Provided By (Used In) Operating Activities</b>	<b>(5,116,411)</b>	<b>(26,817)</b>	<b>338,164</b>	<b>(4,805,064)</b>	<b>1,588,683</b>
<b>Cash Flows From Noncapital Financing Activities</b>					
Local Sources	1,166	694,166	-	695,332	93
State Sources	212,891	-	-	212,891	-
Federal Sources	7,899,250	-	-	7,899,250	-
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>8,113,307</b>	<b>694,166</b>	<b>-</b>	<b>8,807,473</b>	<b>93</b>
<b>Cash Flows From Investing Activities</b>					
Interest Received	13,964	4,667	1,232	19,863	30,510
Capital Purchases	(91,884)	-	-	(91,884)	-
Transfers available for Operating Purposes	-	(500,000)	-	(500,000)	-
Contributions Received	23,264	-	-	23,264	-
<b>Net Cash Provided By (Used In) Investing Activities</b>	<b>(54,656)</b>	<b>(495,333)</b>	<b>1,232</b>	<b>(548,757)</b>	<b>30,510</b>
<b>Net Increase In Cash and Cash Equivalents</b>	<b>2,942,240</b>	<b>172,016</b>	<b>339,396</b>	<b>3,453,652</b>	<b>1,619,286</b>
<b>Cash and Cash Equivalents At Beginning Of Year</b>	<b>2,306,746</b>	<b>744,623</b>	<b>61,803</b>	<b>3,113,172</b>	<b>9,029,663</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 5,248,986</b>	<b>\$ 916,639</b>	<b>\$ 401,199</b>	<b>\$ 6,566,824</b>	<b>\$ 10,648,949</b>
<b>Reconciliation of Operating Income (Loss) To Net Cash Provided By (Used In) Operating Activities</b>					
Operating Income (Loss)	\$ (5,390,880)	\$ (40,994)	\$ 13,516	\$ (5,418,358)	\$ 319,683
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities					
Depreciation	53,343	-	5,371	58,714	-
Donated Foods	-	-	-	-	-
Pension Expense	(92,863)	(64,149)	(11,819)	(168,831)	-
OPEB Expense (Increase) Decrease in (Increase) Decrease in	9,355	5,283	454	15,092	-
Due From Other Funds	110	-	-	110	2,710
Due From Other Governments	145,751	-	-	145,751	-
Prepays	-	(1,400)	(32,831)	(34,231)	3,543,679
Other Receivables	(870)	6,126	2,764	8,020	(78,367)
Inventories	(5,484)	-	53,283	47,799	-
Increase (Decrease) in					
Due to Other Funds	31,573	21,131	270,290	322,994	331
Unearned Revenue	197,108	4,496	26,488	228,092	(1,835)
Accrued Salaries	(23,056)	9,153	598	(13,305)	(2,211,597)
Accounts Payable	(40,498)	33,537	10,050	3,089	14,079
<b>Net Cash Provided By (Used In) Operating Activities</b>	<b>(5,116,411)</b>	<b>(26,817)</b>	<b>338,164</b>	<b>(4,805,064)</b>	<b>1,588,683</b>
<b>Supplemental Disclosures</b>					
Noncash Activities					
Donated Foods	\$ 672,147	\$ -	\$ -	\$ -	\$ -

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



**NORTH PENN SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2022**

	Private Purpose Trust Funds	Custodial Funds
	Scholarship Trust Funds	Student Activities
<b>Assets</b>		
Cash and Cash Equivalents	\$ 252,169	276,743
Investments	331,634	-
Due from other funds	-	10,692
Total Assets	583,803	287,435
<b>Liabilities</b>		
Accounts payable	-	151,458
Unearned Revenue	83,080	-
Due to other funds	-	1,819
Total Liabilities	83,080	\$ 153,277
<b>Net Position</b>		
Restricted for Student Activities Held in Trust for Benefits and Other Purposes	500,723	134,158
Total Net Position	\$ 500,723	\$ 134,158

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

**NORTH PENN SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022**

	Private Purpose Trust Funds	Custodial Funds
	Scholarship Trust Funds	Student Activities
Additions		
Revenue from Local Sources	\$ -	\$ 551,931
Donations	-	9,851
Net Investment Gain	88,874	802
Total Additions	88,874	562,584
Deductions		
Payments for Student Activities	-	546,504
Scholarships Awarded and Fees Paid	9,098	-
Total Deductions	9,098	546,504
Change in Net Position	79,776	16,080
Net Position At Beginning of Year	420,947	118,078
Net Position At End of Year	\$ 500,723	\$ 134,158

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

**NORTH PENN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the North Penn School District (the "School District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applies to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

Reporting Entity

The accompanying financial statements comply with the provisions of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, in that the financial statements include all organizations, activities and functions for which the School District is financially accountable. Financial accountability is defined as the appointment of a voting majority of a component unit's board and either (1) the School District's ability to impose its will over a component unit or (2) the possibility that the component unit will provide a financial benefit or impose a financial burden on the School District. In addition, component units can be organizations for which the nature and significance of their relationship with the School District are such that exclusion would cause the School District's financial statements to be misleading. This report presents the activities of the North Penn School District. Based upon the application of these criteria, the School District is not a component unit of another reporting entity. Currently, the School District does not have any potential component units that should be included in the School District's reporting entity.

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 fiduciary funds. These statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

The government-wide financial 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 School District 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 associated specifically with a service, program or department and therefore clearly identifiable to a particular function.

**NORTH PENN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Basis of Presentation and Accounting (Continued)*

*Government-Wide Financial Statements (Continued)*

Program revenues include charges paid by the recipients 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 function. 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 propriety funds financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column (Other Governmental Funds). Fiduciary funds are reported by fund type.

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 considered to be available when they are collective 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 actual 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 used) of current financial resources.

All Proprietary Fund Types 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.

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 fund's principal ongoing operations. The principal operating revenues of the School District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include cost of sales and

**NORTH PENN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Basis of Presentation and Accounting (Continued)*

*Fund Financial Statements (Continued)*

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.

*Fund Accounting*

The School District used 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 is used to account 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 Project Funds – Capital Project Funds are used to account for financial resources to be used for the acquisition and construction of capital equipment and improvements in accordance with the applicable general obligation bond agreements. The School District's Capital Reserve Fund is accounted for in this fund type.

Special Revenue Funds – Student Activities Funds – The Special Revenue Fund for Student Activities support activities that are based in student organizations.

*Proprietary Funds*

Enterprise Funds – The Enterprise Funds (School Nutrition Services Fund, Extended Care Fund and Community Education Fund) are used to 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 had decided that periodic determination of revenues earned, expenses incurred and/or net income are appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**NORTH PENN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Proprietary Funds (Continued)*

Internal Service Fund – The Internal Service Fund is used to account for the financing of goods or services provided by an activity to other departments, funds, or component units of the School District on a cost-reimbursement basis. Because the principal users of the internal services are the School District’s governmental activities, the financial statements of the Internal Service Fund are consolidated into the governmental activities column when presented in the government-wide financial statements.

Self-Insurance Fund – The Self-Insurance Fund is used to account for all financial transactions related to the administration of the School District’s self-insured health plans.

*Fiduciary Funds*

Trust and Custodial Funds - Trust and Custodial Funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals. Custodial Funds accounts for assets held by the District in a custodial function.

*Cash and Cash Equivalents*

The School District’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition and no restrictions on withdrawal.

*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.

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.” These amounts are eliminated in the statement of net position, except for amounts due between governmental and business-type activities, which, when present, are shown as internal balances.

**NORTH PENN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories and Prepaid Items

Inventory of food and milk in the School Nutrition Services Fund consists of supplies purchased and donated commodities received from the federal government. The donated commodities are valued at their 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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, and equipment and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The School District defines a capital asset as an asset with an initial, individual cost equal to or greater than \$5,000 or purchased with debt proceeds and must have an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed, inclusive of ancillary costs.

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

Site improvements	15 - 20 years
Buildings and building improvements	10 – 45 years
Furniture and equipment	5 – 20 years

Unearned Revenue

Unearned revenue arises when assets are recognized before the revenue recognition criteria have been satisfied. Such is the case when resources are received by the School District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when revenue recognition criteria are met or when the School District has a legal claim to the resources, the liability for unearned revenue is removed from the Governmental Funds balance sheet and revenue is recognized.

**NORTH PENN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Term Obligations

In the government-wide financial statements and Proprietary Fund Types 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 Fund Type statement of net position. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized during the period in which they were incurred.

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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences

It is the School District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The benefits are accrued when incurred in the government-wide and Proprietary Funds financial statements. A liability for these amounts is reported in Governmental Funds only if they have matured, for example, as a result of employee resignations and retirements.

Fund Balance

In the fund financial statement, Governmental Funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted on the government-wide statements when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position is reported as unrestricted when there are no limitations on its use.

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. They are the deferred charge on reported refunding in the government-wide statement of net position and the deferred charge outflow related to pension and OPEB activity, reported in the government-wide state of net position and the proprietary fund statement of net position. A deferred charge on refunding results from the difference in 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.



**NORTH PENN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Deferred Outflows/Inflows of Resources (Continued)*

The deferred outflows related to pension and OPEB activity are reported in the statement of net position and are deferred and recognized as an outflow of resources in the period to which the expense applies.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has three types of items that qualify for reporting in this category. The first item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. The other items, deferred inflows related to pension and OPEB activity, are reported in the government-wide statement of net position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

*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 Fund 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.

*Fund Balance*

The School District has previously 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** – Amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints. Fund balance types of this category are inventories and prepaid expenditures.

**Restricted** – Amounts that can be spent only for specific purposes stipulated by external resource providers or through enabling legislation. Fund balance types in this category include amounts for capital projects.

**Committed** – Amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and do not lapse at year-end. Fund balance of this type is for the retirement rate increase. Since the School District is required to contribute to the retirement plan, the retirement rate increase has been set up by the Board of School Directors to provide for fluctuations to the rate increases.

**NORTH PENN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance (Continued)

Assigned – Amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Intent should be expressed by the Board or the CFO.

Unassigned – Amounts not contained in other classifications. Unassigned amounts are technically available for any purpose. It is the policy of the School District to follow state requirements that unassigned fund balance will not exceed 8% of the subsequent year operating budget in the unassigned category.

The Board of School Directors established (and modified or rescinds) fund balance commitments by passage of a resolution. Assigned fund balance is intended to be used by the government for specific purposes but does not meet the criteria to be classified as restricted or committed. The details of the fund balances are included in the Governmental Funds balance sheet (page 15). Restricted funds are used first as appropriate, followed by committed resources and then assigned resources, to the extent that expenditure authority has been budgeted by the Board of School Directors. The School District does reserve the right to first reduce unassigned fund balance to defer the use of these other classified funds. In the event that unassigned fund balance becomes zero, then assigned and committed fund balances are used in that order.

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.

PSERS Pensions and OPEB

For purposes of measuring net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the Public Schools Employee's 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 benefit terms investments are reported at fair value.

NOTE 2: CASH AND INVESTMENTS

Cash

The District is required by state statute to deposit funds in depositories that are either banks, banking institutions or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, Commonwealth of Pennsylvania or any political subdivision. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit. Of the bank balance, \$1,946,100 was covered by federal depository insurance, and \$95,502,143 was collateralized by the District's depositories in accordance with Act 72, specifically an irrevocable Federal Home Loan Bank letter of credit, and the collateral was held by the depositories' agent in pooled public funds.

**NORTH PENN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022**

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

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.

Investments

As of June 30, 2022 the School District had the following investments and maturities:

Investment Type	Balance	Investment Maturities Less Than One Year
State Investment Pools	\$ 825,831	\$ 825,831
Stocks	331,634	-
	\$ 1,157,465	\$ 825,831

The District was the recipient of a stock donation into the Private Trust Fund. The balance of the account on June 30, 2022 was \$331,634.

A portion of the School District’s investments are in the PSDLAF program, which are similar to mutual funds. GASB Statement No. 3, Paragraph 69, provides that certain types of cash and investments, such as cash investments in a State Treasurer’s investment pool of mutual fund, cannot be assigned a credit risk category because the government does not own specific securities. Therefore, the PSDLAF cash investments included in these statements will not be assigned a credit risk category. The carrying amount of these investments at June 30, 2022, is \$825,831. 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.

*Credit Risk* – State law permits the School District to invest funds in the following types of investments:

Obligations of (1) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (2) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit the Commonwealth, or (3) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

The School District’s investment policy does not further limit its investment choices. As of June 30, 2022, the School District’s investment in the state investment pool was rated AAAM by Standard & Poor’s.

*Concentration of Credit Risk* – The School District does not have an investment in any one issuer that is in excess of 5% of the School District’s total investments.

**NORTH PENN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022**

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Fair Value Measurement

The School District categorized 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. The School District's investment in stocks are classified as Level 1 investments.

Equity Securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active market for those securities.

NOTE 3: 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 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: October 31 to collection – 5% of gross levy

Lien date: January 15

School District taxes are billed and collected by the local elected tax collectors. Property taxes attach as an enforceable lien on property as of July 1.

NOTE 4: RECEIVABLES

Receivables at June 30, 2022, consisted of taxes, other revenue and intergovernmental grants and entitlements. The real estate taxes receivable account represents real estate transfer taxes and prior year uncollected tax levies. All receivables are considered fully collectible due to the ability to lien property for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds.

A summary of receivables by fund is as follows:

	General Fund	Nonmajor Governmental Funds	School Nutrition Services Fund	Extended Care Fund	Community Education Fund	Self-Insurance Fund
Real Estate Taxes	\$ 1,459,124	\$ -	\$ -	\$ -	\$ -	\$ -
Earned Income Tax	211,957	-	-	-	-	-
Real Estate Transfer Tax	793,361	-	-	-	-	-
Federal Subsidies	3,270,192	-	297,755	-	-	-
State Subsidies	9,963,231	-	8,254	-	-	-
Other Receivables	329,887	1,888	1,454	4,443	463	99,691
	<u>\$ 16,027,752</u>	<u>\$ 1,888</u>	<u>\$ 307,463</u>	<u>\$ 4,443</u>	<u>\$ 463</u>	<u>\$ 99,691</u>

**NORTH PENN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022**

NOTE 5: INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances of June 30, 2022, is as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 857,347	\$ (2,010,410)
Nonmajor Governmental Funds	2,000,100	(2,656)
Extended Care Fund	-	(191,296)
Nutrition Services Fund	-	(340,777)
Community Education Fund	-	(318,496)
Self Insurance	229	(2,914)
Custodial Funds	10,692	(1,819)
	<u>\$ 2,868,368</u>	<u>\$ (2,868,368)</u>

Due to/from Other Funds

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." The amounts between the General Fund, School Nutrition Services Fund, Extended Care Fund and Community Education Fund are for payroll. The amounts between the General Fund and Other Governmental Funds are for future capital projects. The amounts between the General Fund and the Self-Insurance Fund are for insurance premiums.

Interfund Transfers

<u>Transfer In</u>	<u>Transfer Out</u>	
Capital Reserve Fund	General Fund	\$ 6,987,953
General Fund	Extended Care	500,000
		<u>\$ 7,487,953</u>

The Board approved a transfer from the General Fund to the Capital Reserve Fund. In addition, the School District made a transfer from the Extended Care Fund to the General Fund.

**NORTH PENN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022**

NOTE 6: CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital Assets not being depreciated				
Land	\$ 10,491,943	\$ -	\$ -	\$ 10,491,943
Construction in Progress	25,167,985	9,760,639	(1,424,266)	33,504,358
<b>TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED</b>	<b>35,659,928</b>	<b>9,760,639</b>	<b>(1,424,266)</b>	<b>43,996,301</b>
Capital Assets being depreciated				
Site Improvements	661,917	-	-	661,917
Buildings and building improvements	302,965,070	1,210,461	(207,230)	303,968,301
Furniture and Equipment	39,996,914	5,461,739	(690,788)	44,767,865
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED</b>	<b>343,623,901</b>	<b>6,672,200</b>	<b>(898,018)</b>	<b>349,398,083</b>
Accumulated Depreciation				
Site improvements	(363,747)	(33,383)	-	(397,130)
Buildings and building improvements	(145,108,967)	(8,406,019)	172,691	(153,342,295)
Furniture and equipment	(29,102,369)	(2,833,409)	690,788	(31,244,990)
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<b>(174,575,083)</b>	<b>(11,272,811)</b>	<b>863,479</b>	<b>(184,984,415)</b>
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET</b>	<b>169,048,818</b>	<b>(4,600,611)</b>	<b>(34,539)</b>	<b>164,413,668</b>
<b>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net</b>	<b>\$ 204,708,746</b>	<b>\$ 5,160,028</b>	<b>\$ (1,458,805)</b>	<b>\$ 208,409,969</b>
<b>BUSINESS TYPE ACTIVITIES</b>				
Capital assets being depreciated Furniture and	\$ 1,814,513	\$ 91,884	\$ -	\$ 1,906,397
Accumulated depreciation	(1,517,062)	(58,714)	-	(1,575,776)
<b>BUSINESS TYPE ACTIVITIES CAPITAL ASSETS, NET</b>	<b>297,451</b>	<b>33,170</b>	<b>-</b>	<b>330,621</b>
<b>Total Capital Assets, net</b>	<b>\$ 205,006,197</b>	<b>\$ 5,193,198</b>	<b>\$ (1,458,805)</b>	<b>\$ 208,740,590</b>

Depreciation expense was charged to governmental functions as follows:

<b>INSTRUCTION</b>	
Regular Programs	5,913,284
Special Programs	908,608
Other Instructional Programs	453,552
<b>SUPPORT</b>	
Support	62,061
Support-Instruction	31,971
Admin	454,021
Pupil Health	59,935
Business	91,117
Plant	1,017,775
Transportation	1,760,893
Central	465,538
<b>OPERATION OF NON-INSTRUCTIONAL SERVICES</b>	
Non Instruction	54,056
	<u>\$ 11,272,811</u>

**NORTH PENN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022**

**NOTE 7: LONG-TERM DEBT**

*General Obligation Bonds and Note*

The School District issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. At June 30, 2022, the outstanding balance of general obligation bonds and notes issued was \$68,254,000.

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

Year Ending June 30,	Principal	Interest
2023	\$ 9,800,000	\$ 1,913,515
2024	10,279,000	1,624,259
2025	10,581,000	1,321,171
2026	10,698,000	1,008,499
2027	6,960,000	728,878
2028-2032	13,705,000	1,673,854
2033-2037	6,231,000	214,379
	<u>68,254,000</u>	<u>\$ 8,484,555</u>

**NOTE 8: CHANGES IN LONG-TERM LIABILITIES**

Long-term liability activity for the year ended June 30, 2022, was as follows:

Bonds	Interest Rate	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Series of 2017	1.75 - 5.00%	3/1/2027	\$ 17,550,000	\$ -	\$ (1,170,000)	\$ 16,380,000	\$ 1,225,000
Series A of 2019	3.00%	1/15/2025	27,900,000	-	(6,250,000)	21,650,000	7,005,000
Series of 2020	2.285%	3/1/2034	21,559,000	-	(229,000)	21,330,000	250,000
Series A of 2020	0.920%	2/15/2026	9,981,000	-	(1,087,000)	8,894,000	1,320,000
			<u>76,990,000</u>	<u>-</u>	<u>(8,736,000)</u>	<u>68,254,000</u>	<u>9,800,000</u>
Deferred amounts							
Issuance premium			2,366,983	-	(576,201)	1,790,782	-
<b>TOTAL GENERAL OBLIGATION BONDS</b>			79,356,983	-	(9,312,201)	70,044,782	9,800,000
COMPENSATED ABSENCES			6,263,013	642,349	(292,484)	6,612,878	292,483
NET OPEB LIABILITY			29,316,211	1,680,849	-	30,997,060	-
NET PENSION LIABILITY			463,536,000	-	(83,022,000)	380,514,000	-
<b>TOTAL LONG-TERM LIABILITIES</b>			<u>\$ 578,472,207</u>	<u>\$ 2,323,198</u>	<u>\$ (92,626,685)</u>	<u>\$ 488,168,720</u>	<u>\$ 10,092,483</u>

Debt service for general obligation bonds is funded primarily from real estate taxes. Compensated absences attributable to governmental activities are generally liquidated by the General Fund. Other postemployment benefits costs attributed to governmental activities are also generally liquidated by the General Fund.

**NORTH PENN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022**

NOTE 9: UNEARNED REVENUE

General Fund

Program grants received prior to the incurrence of qualifying expenditures are recorded as unearned revenue. At June 30, 2022, unearned revenue consisted of \$95,799, which represents funds received to be used for future expenditures.

School Nutrition Services Fund

Unearned revenue of \$395,691 in the School Nutrition Services Fund represents the carryover of student deposits and the unspent Supply Chain Grant.

Community Education Fund

Unearned revenue of \$104,839 represents deposits received for 2022-2023 school year programs.

Extended Care Fund

Unearned revenue of \$20,442 represents unapplied credit accounts.

NOTE 10: PENSIONS

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.

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 was established on July 18, 1917, under the provisions of Pamphlet Law, No. 343. Benefit payments to members and contribution provision by employers and employees are specified in the Pennsylvania Public School Employees' Retirement Code ("Code"). The Commonwealth General Assembly has the authority to amend the benefit terms of the PSERS by passing a bill in the Senate and House of Representatives and sending the bills to the Governor for approval. PSERS issues a publicly available financial report that can be obtained at [www.psers.state.pa.us](http://www.psers.state.pa.us).



**NORTH PENN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022**

NOTE 10: PENSIONS (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 became new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E ("Class T-E"), and Membership Class T-F ("Class T-F"). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service.

Benefits are generally equal to two percent or two and one-half percent, depending upon the 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 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 two percent or two and one-half percent, depending upon the 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.

All members are fully vested in their individual balance in the Members' Saving Account. All non-vested members may receive a refund of their individual balance of member contributions and interest from the Members' Savings Account upon termination of public school employment. Vested members who enrolled prior to July 1, 2011 may elect to receive a return of their accumulated contributions and interest upon their retirement which results in a reduced monthly annuity. Vested Class T-E and T-F members cannot withdraw their accumulated contributions and interest from the Members' Savings Account upon their retirement.

Contributions

Member Contributions

Member contribution rates are set by law (redefined with the provisions of Act 9 of 2001 and Act 120) and are dependent upon membership class. Member contribution rate are as follows:

Active members who joined the system prior to July 22, 1983 contributed at 5.25 percent (Membership Class T-C), or at 6.50 percent (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 percent (Membership Class T-C), or at 7.50 percent (Membership Class T-D) of the member's qualifying compensation.

**NORTH PENN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022**

NOTE 10: PENSIONS (CONTINUED)

Contributions (Continued)

Members who joined the system after June 30, 2001 and before July 1, 2011 contribute at 7.50 percent (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the system after June 30, 2011 and before July 1, 2019 automatically contribute at the Membership Class T-E rate of 7.50 percent (base rate) of the member's qualifying compensation. All new hires after June 30, 2011 who elect Class T-F membership contribute at 10.30 percent (base rate) of the member's qualifying compensation. Membership Class TE and T-F are affected by a "shared risk" provision in Act 120 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.50 percent and 9.50 percent, and Membership Class T-F contribution rate to fluctuate between 10.30 percent and 12.30 percent.

Under the "shared risk/gain" provisions, new members hired since July 1, 2011 share some of PSERS' investment risk or investment gain per Act 120 of 2010 and Act 5 of 2017. Under those laws, member contribution rates may fluctuate up or down every three years depending on a review of the Fund's investment performance. Since PSERS investment performance did not meet the Act 120 shared risk benchmark during the last measurement period ended June 30, 2020 the Board certified the following new rates for impacted members for the next three-year period from July 1, 2021 to June 30, 2024: T-E member contribution rate of 8.00%, T-F member contribution rate of 10.80%, T-G member contribution rate of 9.00%, and T-H member contribution rate of 8.25%. The next measurement period will end on June 30, 2023.

Members who joined the system after June 30, 2019 are eligible for Hybrid Defined Benefit and Defined Contribution Membership Classes T-G or T-H or a 100% Defined Contribution option, as enacted by Act 5.

Employer Contributions

The contribution policy is set by the code. The School District's contractually required contribution rate for the fiscal year ended June 30, 2022, was 33.99 percent 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. Included in the District's contractually required contribution rate is the Act 5 contribution rate totaling .15 percent. Contributions to the plan from the School District were \$45,863,878 for the year ended June 30, 2022.

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

At June 30, 2022, the School District reported a total liability of \$380,514,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2020 to June 30, 2021. 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 for all members of the PSERS Plan. At June 30, 2022, the School District's proportion was 0.9268 percent, which was a decrease of 0.0146 percent from its proportion measured as of June 30, 2021.

**NORTH PENN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022**

NOTE 10: PENSIONS (CONTINUED)

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

For the year ended June 30, 2022, the School District recognized pension expense of \$25,419,000. At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>GOVERNMENTAL ACTIVITIES</b>		
Differences between expected and actual experience	\$ 271,600	\$ 4,849,030
Changes in assumptions	17,902,320	-
Changes in proportions	16,871,210	18,060,430
Difference between employer contributions and proportionate share of total contributions	172,005	-
Contributions subsequent to the measurement date	44,487,962	-
Net difference between projected and actual investment earnings	-	58,751,930
	\$ 79,705,097	\$ 81,661,390
 <b>BUSINESS-TYPE ACTIVITIES</b>		
Differences between expected and actual experience	\$ 8,400	\$ 149,970
Changes in assumptions	553,680	-
Net difference between projected and actual investment earnings	-	1,817,070
Changes in proportions	521,790	558,570
Difference between employer contributions and proportionate share of total contributions	5,320	-
Contributions subsequent to the measurement date	1,375,916	-
	\$ 2,465,106	\$ 2,525,610

\$45,863,878 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows and resources and deferred inflows of resources related to pensions, and will be recognized in pension expense as follows:

Year Ending June 30,	Governmental Activities	Business-Type Activities	Total
2022	\$ (12,339,080)	\$ (381,621)	\$ (12,720,701)
2023	(7,369,349)	(227,918)	(7,597,267)
2024	(7,347,539)	(227,243)	(7,574,782)
2025	(19,185,087)	(593,353)	(19,778,440)
2026	(203,443)	(6,292)	(209,735)
Thereafter	243	7	250
	\$ (46,444,255)	\$ (1,436,420)	\$ (47,880,675)

**NORTH PENN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022**

NOTE 10: PENSIONS (CONTINUED)

Actuarial Assumptions

The total pension liability as of June 30, 2021 was determined by rolling forward the System's total pension liability as of the June 30, 2020 to June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – Level percent of pay.
- Investment return – 7.00 percent, including inflation of 2.50 percent.
- Salary Growth – Effective average of 4.50 percent, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% pubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study that was performed for the five-year period ended June 30, 2020.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	27.0%	5.2%
Private Equity	12.0%	7.3%
Fixed income	35.0%	1.8%
Commodities	10.0%	2.0%
Absolute return	8.0%	3.1%
Infrastructure/MLPs	8.0%	5.1%
Real estate	10.0%	4.7%
Cash	3.0%	0.1%
Leverage	-13.0%	0.1%
	100%	

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, 2021.

**NORTH PENN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022**

NOTE 10: PENSIONS (CONTINUED)

Discount Rate - The discount used to measure the total pension liability was 7.00 percent. 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 which are actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's and Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents District's Proportionate Share of the net pension liability, calculated using the discount rate of 7.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate.

1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
\$ 499,438,000	\$ 380,514,000	\$ 280,195,000

Act 5 of 2017

On June 12, 2017, the Commonwealth of Pennsylvania Act 5 of 2017 was signed into law. This legislation established a new hybrid defined benefit/defined contribution retirement benefit plan applicable to all school employees who become new members of PSERS on July 1, 2019 and thereafter. The three new plan options under Act 5 are as follows:

Option 1: (Default Hybrid): A side-by-side DB/DC hybrid with a 1.25% multiplier for the DB component. This is the default plan if no election is made by the employee within 90 days. School employees become members of a new Class T-G.

Option 2: (Alternative Hybrid): A side-by-side DB/DC hybrid with a 1% multiplier for the DB component. School employees become members of a new Class T-H.

Option 3: Defined Contribution Plan

The current stand-alone defined benefit plan is no longer available to new members after June 30, 2019.

Payable to the Pension Plan

At June 30, 2022, the District reported a payable of \$17,020,722 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2022.

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.state.pa.us](http://www.psers.state.pa.us).

**NORTH PENN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022**

**NOTE 11: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - 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.

*General Information about the Health Insurance Premium Assistance Program*

**Health Insurance Premium Assistance Program**

The System provides Premium Assistance which, is a governmental cost sharing, 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 the PSERS' Health Options Program. As of June 30, 2022, there were no assumed future benefit increases to participating eligible retirees.

**Premium Assistance Eligibility Criteria**

Retirees of the System can participate in the PSERS Plan 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 services and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

**Plan Description**

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

**Benefits Provided**

Participating eligible retirees are entitled to receive premium assistance payments equal to the lessor 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 district employer or the PSERS' Health Options Program. As of June 30, 2022 there were no assumed future benefit increases to participating eligible retirees.

**NORTH PENN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022**

**NOTE 11: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – PSERS  
(CONTINUED)**

**Contributions**

The School Districts' contractually required contribution rate for fiscal year ended June 30, 2022 was 0.80% of covered payroll, an actuarially determined amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB Plan from the School District were \$1,002,562 for the year ended June 30, 2022.

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

At June 30, 2022, the School District reported a liability of \$21,908,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, 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, 2020 to June 30, 2021. The School District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2022, the School District's proportion was 0.9244 percent, which was an decrease of 0.0172 percent from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the School District recognized OPEB expense of \$1,318,000. At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resource
<b>GOVERNMENTAL ACTIVITIES</b>		
Difference between expected and actual experience	\$ 197,880	\$ -
Change in assumptions	2,263,010	283,240
Net Difference between projected and actual investment earnings	41,710	-
Change in Proportions	3,819,860	3,374,630
Contributions made subsequent to measurement date	972,485	-
Difference between employer contributions and proportionate share of total contributions	686,203	-
	<u>\$ 7,981,148</u>	<u>\$ 3,657,870</u>
<b>BUSINESS-TYPE ACTIVITIES</b>		
Difference between expected and actual experience	\$ 6,120	\$ -
Change in assumptions	69,990	8,760
Net Difference between projected and actual investment earnings	1,290	-
Change in Proportions	118,140	104,370
Contributions made subsequent to measurement date	30,077	-
Difference between employer contributions and proportionate share of total contributions	21,224	-
	<u>\$ 246,841</u>	<u>\$ 113,130</u>

**NORTH PENN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022**

NOTE 11: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – PSERS  
(CONTINUED)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows or Resources Related to OPEB (Continued):

\$1,002,562 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Governmental Activities	Business-Type Activities	Total
2022	\$ 576,866	\$ 17,841	\$ 594,707
2023	572,580	17,709	590,289
2024	711,814	22,015	733,829
2025	640,108	19,797	659,905
2026	568,249	17,575	585,824
Thereafter	281,176	8,697	289,873
	<u>\$ 3,350,793</u>	<u>\$ 103,634</u>	<u>\$ 3,454,427</u>

Actuarial Assumptions

The total OPEB liability as of June 30, 2021 was determined by rolling forward the System's total OPEB liability as of the June 30, 2020 actuarial valuation to June 30, 2021 measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 2.18% - S&P 20 Year Municipal Bond Rate.
- Salary growth – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit and seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- Participation rate:
  - Eligible retirees will elect to participate pre age 65 at 50%.
  - Eligible retirees will elect to participate post age 65 at 70%.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2019 determined the employer contribution rate for fiscal year 2021.
- 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 Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.



**NORTH PENN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022**

**NOTE 11: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – PSERS  
(CONTINUED)**

**Change in Actuarial Assumptions**

The discount rate used to measure the total OPEB liability decreased from 2.66% as of June 30, 2020 to 2.18% as of June 30, 2021.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	79.8%	0.1%
US Core Fixed Income	17.5%	0.7%
Non-US Developed Fixed	2.7%	-0.3%
	100%	

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, 2021.

**Discount Rate**

The discount rate used to measure the total OPEB liability was 2.18%. 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 2.18% which represents the S&P 20 year Municipal Bond Rate at June 30, 2021, was applied to all projected benefit payments to measure the total OPEB liability.

**NORTH PENN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022**

**NOTE 11: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – PSERS  
(CONTINUED)**

**Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate**

The following presents the District's net OPEB liability for June 30, 2021, calculated using current Healthcare cost trends as well as what the District's Proportionate Share of the net OPEB liability would be if health cost trends were 1-percentage point lower or 1-percentage higher than the current rate:

	<u>1% Decrease (Between 4% to 6.00%)</u>	<u>Current Trend Rate (Between 5% to 7.00%)</u>	<u>1% Increase (Between 6% to 8.00%)</u>
District's Proportionate Share of net OPEB liability	\$ 21,906,000	\$ 21,908,000	\$ 21,910,000

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

The following presents the District's Proportionate Share of the net OPEB liability, calculated using a discount rate of 2.18%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.18%) or 1 percentage point higher (3.18%) than the current discount rate:

Discount Sensitivity

	<u>1% Decrease 1.18%</u>	<u>Current Discount Rate 2.18%</u>	<u>1% Increase 3.18%</u>
District's Proportionate Share of net OPEB liability	\$ 25,142,000	\$ 21,908,000	\$ 19,244,000

**NOTE 12: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - SINGLE EMPLOYER PLAN**

Plan Description

The School administers a single-employer defined benefit healthcare plan. The plan provides medical insurance benefits to eligible retirees and their spouses. The Board of School Directors has the authority to establish and amend benefit provisions through the collective bargaining process with members of the professional and support staff, an agreement with administrative employees and individual employment contracts with certain employees. The plan does not issue any financial report and is not included in the report of any public employee retirement system or any other entity.

Plan Membership

As of June 30, 2022, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits:	66
Inactive plan member entitled to but not yet receiving benefits:	-
Active total plan members:	<u>1,877</u> 1,943

**NORTH PENN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022**

NOTE 12: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - SINGLE EMPLOYER PLAN  
(CONTINUED)

Funding Policy and Funding Status

The plan is an unfunded plan with no assets accumulated in a trust that meet the criteria in paragraph four of GASB Statement No. 75. The plan is funded on a pay-as-you-go basis; contributions to the plan are equal to benefit payments. For the year ending June 30, 2022 benefit payments paid as they came due were \$224,205.

Benefits Provided

The plan provides the following benefits:

Administrators

Administrators who retired before July 1, 2011 shall be eligible for up to \$1,500 per year reimbursement of premiums for medical and prescription drug insurance for the member only until Medicare age. Superintendents and administrators who retire after July 1, 2011, and who are eligible for PSERS retirement, shall be eligible for participation in medical, prescription drug, dental, and vision insurance until Medicare age. Members are responsible for the full premium until age 70.

Administrators who retire after July 1, 2011 are entitled to participate in group life insurance coverage until age 70. Members are responsible for the full premium.

All Other Employees

All employees other than administrators, who are eligible for PSERS retirement, will be eligible to participate in group coverage for medical and prescription drug insurance until reaching Medicare age. Members are responsible for the full premium.

Total OPEB Liability

The District's total OPEB liability of \$9,089,060 was determined by rolling forward the total OPEB liability as of July 1, 2020 to July 1, 2021 using the actuarial assumptions disclosed below.

Assumptions

The following assumptions and actuarial methods and calculation were used:

Discount Rate – 2.28%, based on S&P Municipal Bond 20 Year High grade Rate Index at July 1, 2021.

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%.

Health Care Cost Trend Rate – 5.5% in 2021 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.

**NORTH PENN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022**

NOTE 12: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS SINGLE EMPLOYER PLAN (CONTINUED)

Assumptions (Continued)

- 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.

Age	Male Rate	Female Rate	Age	Male Rate	Female Rate
25	2.5700%	5.0200%	45	1.3700%	1.6500%
30	2.5700%	4.0200%	50	1.9200%	2.0600%
35	1.5000%	2.8500%	55	3.3800%	3.1100%
40	1.3400%	1.6000%	60	5.5700%	6.4000%

- Mortality – Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation.
- 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 superintendents and CFOs are assumed to elect coverage. 50% of teachers and administrators are 20% of the support staff are assumed to elect coverage. 75% of administrators are assumed to elect live insurance 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.

**NORTH PENN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022**

**NOTE 12: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS SINGLE EMPLOYER PLAN  
(CONTINUED)**

Changes in Assumptions – The discount rate changed from 1.86% to 2.28% and the trend assumption was updated. Assumptions for salary, mortality, withdrawal and retirement were updated based on the new PSERS assumptions.

Changes in the District's total OPEB liability for the fiscal year ended June 30, 2022 were as follow:

Balance at June 30, 2021	\$	8,971,211
Changes for the year		
Service Cost		720,049
Interest Cost		177,998
Difference between Expected and Actual Experience		(276,636)
Change of Assumptions		(279,357)
Benefit Payments		(224,205)
Net Changes		117,849
Balance at June 30, 2022	\$	9,089,060

*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 total OPEB liability would be if it were calculated using discount rate that is 1- percentage point lower (1.28 percent) or 1 percentage point higher 3.28 percent) than the current discount rate:

	1% Decrease 1.28%	Current Discount Rate 2.28%	1% Increase 3.28%
System Total OPEB liability	\$ 9,762,397	\$ 9,089,060	\$ 8,446,171

*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 total OPEB liability would be if it were calculated using healthcare cost trend rate that is 1- percentage point lower (4.5 percent) or 1 percentage point higher (6.5 percent) than the current healthcare cost trend rate:

	1% Decrease 4.50%	Current Trend Rate 5.50%	1% Increase 6.50%
System Total OPEB liability	\$ 8,032,482	\$ 9,089,060	\$ 10,343,094

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - For the year ended June 30, 2023, the School District recognized OPEB expense of \$664,692. At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**NORTH PENN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022**

**NOTE 12: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS SINGLE EMPLOYER PLAN  
(CONTINUED)**

	Deferred Outflows of Resources	Deferred Inflows of Resource
<b>GOVERNMENTAL ACTIVITIES</b>		
Difference between expected and actual experience	\$ 1,044,371	\$ 2,706,011
Change in assumptions	-	406,666
Benefit payments made subsequent to measurement date	251,916	-
	\$ 1,296,287	\$ 3,112,677
 <b>BUSINESS-TYPE ACTIVITIES</b>		
Difference between expected and actual experience	\$ 32,300	\$ 83,691
Change in assumptions	-	12,577
Benefit payments made subsequent to measurement date	7,791	-
	\$ 40,091	\$ 96,268

\$259,707 is reported as deferred outflows of resources related to OPEB resulting from School District benefit payments made subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Governmental Activities	Business-Type Activities
2023	\$ (226,354)	\$ (7,001)
2024	(226,354)	(7,001)
2025	(226,354)	(7,001)
2026	(226,354)	(7,001)
2027	(226,354)	(7,001)
Thereafter	(936,536)	(28,963)
	\$ (2,068,306)	\$ (63,968)

**NOTE 13: COMPENSATED ABSENCES AND EARLY RETIREMENT INCENTIVE PLAN**

School District employees who are required to work on a 12-month schedule are credited with vacation at rates which vary with length of service or job classification. Vacation (for most employee categories) may be taken or accumulated within certain limits and is paid prior to retirement or termination at the employee's current rate of pay.

The liability to current employees is estimated and will change since unused vacation will be paid at the rate of pay in effect at the time of separation. These accumulated leaves are recorded as an expenditure in the period taken or as an accrued expenditure in the fiscal year of separation. Termination compensation payable in future years, which was \$1,982,876 at June 30, 2022, is recorded in compensated absences on the statement of net position.

The School District pays various per diem rates to retirees for unused sick and vacation time. Compensation payable in future years, which was \$6,612,878 at June 30, 2022, is recorded in compensated absences on the statement of net position.

**NORTH PENN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022**

**NOTE 14: COMMITMENTS AND CONTINGENCIES**

There are a number of tax assessment appeals in the Court of Common Pleas of Montgomery County from the decisions of the Board of Assessment Appeals. Legal counsel for the School District cannot give an opinion on the outcome of these appeals nor can they reasonable estimate the financial impact.

**NOTE 15: 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 worker’s compensation and employee health and accident insurance. Settlement claims resulting from these risks have not exceeded commercial insurance coverage in the past three years.

**NOTE 16: JOINT VENTURE**

The School District is a participating member of the North Montco Technical Career Center (the “Center”). The Center is run by a joint committee consisting of members from each participating district. No participating district appoints a majority of the joint committee. The Board of School Directors of each participating district must approve the Center’s annual operating budget. Each participating district pays a pro rata share of the Center’s operating costs based on the number of students attending the Center from each district. The School District’s share of the Center’s operating and debt service costs for 2021-2022 was \$4,538,915.

On dissolution of the Center, the net position of the Center will be shared on a pro rata basis of each participating district’s current market value of taxable real property as certified by the Pennsylvania State Equalization Board. However, the School District does not have an equity interest in the Center, as defined by GASB Statement No. 14, except a residual interest in net assets upon dissolution that should not be reflected on the basic financial statements. Complete financial statements for the Center can be obtained from the Center’s administrative office.

The District entered into a long-term sublease agreement with the Center through May 2031 for a portion of the debt service payments on the Center’s School Lease Revenue Bonds, Series of 2015, which were refunded in current year with the issuance of a 2021 Note.

Future minimum sublease payments (net of projected state subsidy) are as follows:

2023	\$	179,762
2024		179,707
2025		180,889
2026		179,800
2027		179,962
2028-2031		719,826
	\$	1,619,946

**NORTH PENN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022**

**NOTE 17: DONATED FOODS**

The School Nutrition Services Fund generally contains inventories which consist of both food commodities donated by the federal government and other food and supply inventories. Donated food inventory is valued at last unit cost in accordance with the recommendations of the Food Nutrition Service of the Department of Agriculture and are expensed as used. There was \$672,147 in donated foods received during the year ended June 30, 2022.

**NOTE 18: SELF-INSURANCE**

In July 2011, the School District elected to sponsor a self-insured employee welfare benefit plan for health care coverage. An administrative services agreement was signed with a third-party insurance company (claims administrator) to administer the costs and claims associated with the plan. The agreement required the School District to establish a deposit with the administrator. These funds are reported as prepaid expenses on the statement of net position in the amount of \$13,598,952. The deposit will be used to pay claims, retention charges and broker commissions incurred prior to but paid after the date of determination. The deposit is intended to secure only the School District's obligations to the claims administrator and has no effect, application, or operating regarding the School District's direct obligation to the benefit program. The claims administrator may, in its discretion, require a greater or lesser deposit amount from the School District to secure the School District's obligations under the agreement. If the claims administrator requires a lesser amount, the School District will receive a refund or credit.

The Self-Insurance Plan reported a liability for the years ended June 30, 2022 and June 30, 2021 as follows:

<u>Liability as of 6-30-21</u>	<u>Incurred Claims</u>	<u>Payments Made</u>	<u>Liability as of 6-30-22</u>
\$ 3,795,307	\$ 25,749,198	\$ (27,960,795)	\$ 1,583,710

<u>Liability as of 6-30-20</u>	<u>Incurred Claims</u>	<u>Payments Made</u>	<u>Liability as of 6-30-21</u>
\$ 1,957,332	\$ 29,581,751	\$ (27,743,776)	\$ 3,795,307

**NOTE 19: ADOPTED ACCOUNTING PRONOUNCEMENTS**

In June 2017, the GASB issued Statement No. 87, *Leases*. Adoption of this pronouncement had no effect on the District's financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. Adoption of this pronouncement had no effect on the District's financial statements.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*, which is effective on the dates identified below (GASB No. 95 postponed the effective dates on certain portions of this Statement). Adoption of this pronouncement had no effect on the District's financial statements.



**NORTH PENN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022**

**NOTE 19: ADOPTED ACCOUNTING PRONOUNCEMENTS (CONTNUED)**

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates (regarding LIBOR)*. Sections of this Statement are required to be adopted in two phases by the District for the year ended June 30, 2022 and ending June 30, 2023. Adoption of the 2022 sections had no effect on the District's financial statements.

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*, of which the sections related to LIBOR, SNAP distributions, nonmonetary transactions, pledges of future revenues, clarification of certain provisions in Statement 34, and terminology updates related to Statements 53 and 63 were adopted during the year. Adoption of this pronouncement had no effect of the District's financial statements.

**NOTE 20: NEW ACCOUNTING PRONOUNCEMENTS**

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*, which is effective for fiscal years beginning after December 15, 2021 (GASB No. 95 postponed the effective date one year from December 15, 2020 to 2021).

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*, which is effective on the dates identified below (GASB No. 95 postponed the effective dates on certain portions of this Statement). Adoption of this pronouncement is effective for fiscal years beginning after June 15, 2022.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*, which is effective for fiscal years beginning after June 15, 2021, except for paragraphs 11b, 13, and 14 which are effective at later dates (GASB No. 95 postponed the effective date by one year from June 15, 2020, to 2021). Adoption of this pronouncement is effective for fiscal years beginning after June 15, 2022.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which is effective for fiscal years beginning after June 15, 2022.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, which is effective for fiscal years beginning after June 15, 2022.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, which is effective immediately for paragraphs 4 and 5 of the Statement, and effective for fiscal years beginning after June 15, 2021 for paragraphs 6-9 of the Statement and for all other requirements. The District is required to adopt a portion of Statement No. 97 immediately, with the balance adopted for its 2023 financial statements.

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*, which is effective on the dates identified below. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The Statement addresses a variety of topics and includes specific provisions about the following:

**NORTH PENN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022**

NOTE 20: NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. The District is required to adopt the provisions of Statement No. 100 for its fiscal year 2024 financial statements.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. The District is required to adopt the provisions of Statement No. 100 for its fiscal year 2025 financial statements.

NOTE 21: SUBSEQUENT AND CONTINUING EVENTS

The District has evaluated subsequent events for disclosure or recording through December 13, 2022, the date the audit was ready for release.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**NORTH PENN SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Local sources	\$218,876,813	\$ 218,876,813	\$ 222,296,752	\$ 3,419,939
State sources	56,669,088	56,669,088	55,882,161	(786,927)
Federal sources	10,296,297	10,296,297	8,079,615	(2,216,682)
Interest	10,000	10,000	527,730	517,730
Total Revenues	<u>285,852,198</u>	<u>285,852,198</u>	<u>286,786,258</u>	<u>934,060</u>
<b>Expenditures</b>				
Current:				
Instruction	182,988,736	184,593,301	177,693,260	6,900,041
Support	84,955,481	85,321,064	82,328,638	2,992,426
Operation of Non-Instructional Services	3,419,154	3,428,930	2,910,082	518,848
Refund of Prior Year Revenues	367,972	367,972	148,513	219,459
Debt Service	10,921,850	10,921,850	10,910,748	11,102
Total Expenditures	<u>282,653,193</u>	<u>284,633,117</u>	<u>273,991,241</u>	<u>10,641,876</u>
<b>Other Financing Sources (Uses):</b>				
Budgetary Reserve	(4,000,000)	(2,020,076)	-	2,020,076
Insurance Recoveries	-	-	-	-
Bond Premium Proceeds	-	-	-	-
Proceeds from Sale of Capital Assets	-	-	-	-
Transfers In	-	-	500,000	500,000
Transfers Out	<u>(4,987,953)</u>	<u>(4,987,953)</u>	<u>(6,987,953)</u>	<u>(2,000,000)</u>
Total Other Financing Sources (Uses)	<u>(8,987,953)</u>	<u>(7,008,029)</u>	<u>(6,487,953)</u>	<u>520,076</u>
Net Change in Fund Balance	(5,788,948)	(5,788,948)	6,307,064	12,096,012
Fund Balance at Beginning of Year	<u>37,888,161</u>	<u>42,236,822</u>	<u>42,236,822</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 32,099,213</u>	<u>\$ 36,447,874</u>	<u>\$ 48,543,886</u>	<u>\$ 12,096,012</u>

**NORTH PENN SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO THE BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED JUNE 30, 2022**

**NOTE 1: 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 Capital Project Funds.

1. In January, the School District must make the Act 1 preliminary budget available for public inspection 20 days prior to the School Board vote.
2. The School Board of Directors must approve the Act 1 preliminary budget 90 days prior to the Pennsylvania primary election.
3. The operating budget includes proposed expenditures and the means of financing them for the fiscal year commencing the following July 1.
4. Public hearings are conducted at the School District offices to obtain taxpayer comments.
5. Prior to July 1, the budget is legally enacted through passage of an ordinance.
6. The Business Manager is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the School Board.
7. Formal budgetary integration is employed as a management control device during the year for the General Funds. Formal budgetary integration is not employed for the Special Revenue Funds. Formal budgetary integration is also not employed for the Debt Service Fund because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
8. Budgeted amounts are as originally adopted or as amended by the School Board.

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).

**NOTE 2: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended June, 30, 2022, expenditures exceeded appropriations in the following General Fund department levels:

Transfers Out	\$2,000,000
---------------	-------------

The excess transfers out were funded by available fund balance in the general fund.

**NORTH PENN SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE SCHOOL DISTRICT'S  
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
LAST EIGHT FISCAL YEARS**

	<u>Measurement Date</u>							
	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
District's proportion of the net pension liability	0.9268%	0.9414%	0.9973%	0.8500%	1.1055%	0.7548%	0.9051%	0.8931%
District's proportionate share of the net pension liability	\$ 380,514,000	\$ 463,536,000	\$ 466,563,000	\$ 408,042,000	\$ 545,989,000	\$ 374,055,000	\$ 392,046,000	\$ 353,497,000
District's covered payroll	\$ 131,038,126	\$ 129,190,879	\$ 137,541,880	\$ 114,469,452	\$ 147,188,129	\$ 97,749,376	\$ 116,454,969	\$ 113,971,850
District's proportionate share of the net pension liability as a percentage of its covered payroll	290.38%	358.80%	339.22%	356.46%	370.95%	382.67%	336.65%	310.16%
Plan fiduciary net position as a percentage of the total pension liability	63.67%	54.32%	55.66%	54.00%	51.84%	50.14%	46.54%	57.24%

\* This schedule is intended to illustrate information for 10 years. However, until a 10 year trend is compiled, the School is presenting information for those years for which information is available.

**NORTH PENN SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE SCHOOL DISTRICT'S  
PENSION CONTRIBUTIONS  
LAST EIGHT FISCAL YEARS**

	<u>June30, 2022</u>	<u>June30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 45,863,878	\$ 43,868,446	\$ 43,214,349	\$ 44,661,000	\$ 38,963,000	\$ 35,740,000	\$ 29,998,000	\$ 23,825,000
Contributions in relation to the contractually required contribution	<u>45,863,878</u>	<u>43,868,446</u>	<u>43,214,349</u>	<u>44,661,000</u>	<u>38,963,000</u>	<u>35,740,000</u>	<u>29,998,000</u>	<u>23,825,000</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 141,696,722	\$ 131,038,126	\$ 129,190,879	\$ 137,541,880	\$ 114,469,452	\$ 147,188,129	\$ 97,749,376	\$ 116,454,969
Contributions as a percentage of covered payroll	32.37%	33.48%	33.45%	32.47%	34.04%	24.28%	30.69%	20.46%

\* This schedule is intended to illustrate information for 10 years. However, until a 10 year trend is compiled, the School is presenting information for those years for which information is available.

**NORTH PENN SCHOOL DISTRICT  
REQUIRED SUPPLEMENTAL INFORMATION  
SCHEDULE OF SCHOOL DISTRICT'S PSERS OTHER POSTEMPLOYMENT  
BENEFITS PLAN CONTRIBUTIONS  
LAST FIVE FISCAL YEARS**

	Measurement Date				
	2021	2020	2019	2018	2017
District's proportion of the net OPEB liability	0.9244%	0.9416%	0.9973%	0.8500%	1.1055%
District's proportionate share of the net OPEB liability	\$ 21,908,000	\$ 20,345,000	\$ 21,211,000	\$ 17,722,000	\$ 22,524,000
District's covered payroll	\$ 131,038,126	\$ 129,190,879	\$ 137,541,880	\$ 114,469,452	\$ 147,188,129
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	16.72%	15.75%	15.42%	15.48%	15.30%
Plan fiduciary net position as a percentage of the total OPEB liability	5.30%	5.69%	5.56%	5.56%	5.73%

\* This schedule is intended to illustrate information for 10 years. However, until a 10 year trend is compiled, the School is presenting information for those years for which information is available.



**NORTH PENN SCHOOL DISTRICT  
REQUIRED SUPPLEMENTAL INFORMATION  
SCHEDULE OF SCHOOL DISTRICT'S PSERS OTHER POSTEMPLOYMENT  
BENEFITS PLAN CONTRIBUTIONS  
LAST FIVE FISCAL YEARS**

	<b>Measurement Date</b>				
	<b>June30, 2022</b>	<b>June30, 2021</b>	<b>June 30, 2020</b>	<b>June 30, 2019</b>	<b>June 30, 2018</b>
Contractually determined contribution	\$ 1,002,562	\$ 368,574	\$ 1,088,131	\$ 1,143,000	\$ 323,295
Contributions in relation to the contractually determined contribution	1,002,562	368,574	1,088,131	1,143,000	323,295
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 141,696,722	\$ 131,038,126	\$ 129,190,879	\$ 137,541,880	\$ 114,469,452
Contributions as a percentage of covered payroll	0.71%	0.28%	0.84%	0.83%	0.28%

\* This schedule is intended to illustrate information for 10 years. However, until a 10 year trend is compiled, the School is presenting information for those years for which information is available.

**NORTH PENN SCHOOL DISTRICT  
REQUIRED SUPPLEMENTAL INFORMATION  
SCHEDULE OF CHANGES IN THE TOTAL OTHER POSTEMPLOYMENT BENEFIT PLAN LIABILITY AND RELATED RATIOS – SINGLE  
EMPLOYER PLAN  
LAST FIVE FISCAL YEARS**

	Measurement Date				
	2021	2020	2019	2018	2017
Total OPEB liability					
Service cost	\$ 720,049	\$ 521,222	\$ 782,829	\$ 722,217	\$ 666,971
Interest	177,998	262,750	316,102	306,533	223,783
Change in benefit terms	-	-	94	-	(2,527)
Changes of assumptions	(279,357)	982,546	(217,553)	8,956	431,851
Differences between expected and actual experience	(276,636)	-	(3,141,478)	-	(308,591)
Benefit payments	(224,205)	(205,172)	(337,679)	(221,071)	(307,357)
Net change in total OPEB liability	117,849	1,561,346	(2,597,685)	816,635	704,130
Total OPEB liability - beginning	8,971,211	7,409,865	10,007,550	9,190,915	8,486,785
Total OPEB liability - ending	<u>\$ 9,089,060</u>	<u>\$ 8,971,211</u>	<u>\$ 7,409,865</u>	<u>\$ 10,007,550</u>	<u>\$ 9,190,915</u>
Covered payroll	\$ 131,844,692	\$ 126,547,566	\$ 126,547,566	\$ 116,833,571	\$ 116,833,571
District's total OPEB liability as a percentage of covered payroll	6.89%	7.09%	5.86%	8.57%	7.87%

Changes of Assumptions

- The discount rate changed from 1.86% to 2.28% in 2021, 3.36% to 1.86% in 2020, 2.98% to 3.36% in 2019 and from 3.13% to 2.98% in 2018.

\* This schedule is intended to illustrate information for 10 years. However, until a 10 year trend is compiled, the School is presenting information for those years for which information is available.

NOTE

No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75.

## **SUPPLEMENTARY INFORMATION SECTION**

**NORTH PENN SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2022**

	Capital Projects Funds					Special Revenue Fund	Total Nonmajor Governmental Funds
	Capital Reserve Fund	2017/2018 Bond Fund	2016/2017 Bond Fund	2014/2015 Bond Fund	2013 Bond Fund	Student Sponsored Activities Fund	
<b>Assets</b>							
Cash and Cash Equivalents - Restricted	\$ 4,107,408	\$ 2,642,847	\$ 653,831	\$ 52,832	\$ 202,692	\$ 189,772	\$ 7,849,382
Due from Other Funds	2,000,000	-	-	-	-	100	2,000,100
Other Receivables	725	-	-	-	-	1,163	1,888
Prepaid Expense	-	-	-	-	-	4,293	4,293
Total Assets	<u>\$ 6,108,133</u>	<u>\$ 2,642,847</u>	<u>\$ 653,831</u>	<u>\$ 52,832</u>	<u>\$ 202,692</u>	<u>195,328</u>	<u>\$ 9,855,663</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>							
<b>Liabilities</b>							
Accounts Payable	\$ 747,303	\$ -	\$ -	\$ -	\$ -	\$ 982	\$ 748,285
Due to Other Funds	-	-	-	-	-	2,656	2,656
Total Liabilities	<u>747,303</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,638</u>	<u>750,941</u>
<b>Fund Balances</b>							
Restricted for student activities	-	-	-	-	-	191,690	191,690
Restricted for capital projects	-	2,642,847	653,831	52,832	202,692	-	3,552,202
Assigned to capital projects	5,360,830	-	-	-	-	-	5,360,830
Total Fund Balances	<u>5,360,830</u>	<u>2,642,847</u>	<u>653,831</u>	<u>52,832</u>	<u>202,692</u>	<u>191,690</u>	<u>9,104,722</u>
Total Liabilities, Deferred Inflows of Resources & Fund Balances	<u>\$ 6,108,133</u>	<u>\$ 2,642,847</u>	<u>\$ 653,831</u>	<u>\$ 52,832</u>	<u>\$ 202,692</u>	<u>\$ 195,328</u>	<u>\$ 9,855,663</u>

**NORTH PENN SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2022**

	Capital Projects Funds				Special Revenue Fund	Total Nonmajor Governmental Funds
	Capital Reserve Fund	2017/2018 Bond Fund	2016/2017 Bond Fund	2014/2015 Bond Fund	2013 Bond Fund	
<b>Revenues</b>						
Local Sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 193,315
Interest	20,689	11,376	2,815	308	872	833
<b>Total Revenues</b>	<u>20,689</u>	<u>11,376</u>	<u>2,815</u>	<u>308</u>	<u>872</u>	<u>194,148</u>
<b>Expenditures</b>						
Facilities Acquisition, Construction and Improvement Services	5,269,009	-	-	26,702	187	-
Student Activities and Athletics	-	-	-	-	-	165,341
<b>Total Expenditures</b>	<u>5,269,009</u>	<u>-</u>	<u>-</u>	<u>26,702</u>	<u>187</u>	<u>165,341</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(5,248,320)</u>	<u>11,376</u>	<u>2,815</u>	<u>(26,394)</u>	<u>685</u>	<u>28,807</u>
<b>Other Financing Sources (Uses)</b>						
Transfers In (Out)	6,987,953	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>6,987,953</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	1,739,633	11,376	2,815	(26,394)	685	28,807
Fund Balances at Beginning of Year	3,621,197	2,631,471	651,016	79,226	202,007	162,883
<b>Fund Balances at End of Year</b>	<u>\$ 5,360,830</u>	<u>\$ 2,642,847</u>	<u>\$ 653,831</u>	<u>\$ 52,832</u>	<u>\$ 202,692</u>	<u>\$ 191,690</u>
	<u>\$ 9,104,722</u>					<u>\$ 9,104,722</u>



# Zelenkofske Axlerod LLC

CERTIFIED PUBLIC ACCOUNTANTS

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**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**

**INDEPENDENT AUDITOR'S REPORT**

Board of School Directors  
North Penn School District  
Lansdale, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of North Penn School District ("the District") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 13, 2022.

**Internal Control Over Financial Reporting**

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

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

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



# *Zelenkofske Axlerod LLC*

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## **Compliance and Other Matters**

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

*Zelenkofske Axlerod LLC*

ZELENKOFKSKE AXELROD LLC

Jamison, Pennsylvania  
December 13, 2022



# Zelenkofske Axlerod LLC

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**REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM, AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

**INDEPENDENT AUDITOR'S REPORT**

Board of School Directors  
North Penn School District  
Lansdale, Pennsylvania

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

***Opinion on Each Major Federal Program***

We have audited North Penn School District's (the "District") compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on the District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (Government Auditing Standards); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

***Responsibilities of Management for Compliance***

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





***Auditor's Responsibilities for the Audit of Compliance***

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

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

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

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



# *Zelenkofske Axlerod LLC*

CERTIFIED PUBLIC ACCOUNTANTS

EXPERIENCE | EXPERTISE | ACCOUNTABILITY

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's primary government financial statements. We issued our report thereon dated December 13, 2022, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's primary government financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the primary government financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the primary government financial statements. The information has been subjected to the auditing procedures applied in the audit of the primary government financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the primary government financial statements or to the primary government financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the primary government financial statements as a whole.

*Zelenkofske Axlerod LLC*

ZELENKOFKSKE AXELROD LLC

Jamison, Pennsylvania  
December 13, 2022

**SUPPLEMENTARY INFORMATION – MAJOR FEDERAL AWARD PRGRAMS AUDIT**

**NORTH PENN SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL  
AND CERTAIN STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2022**

Federal Grantor/ Pass-Through Grantor/Program Title	Source Code	Federal Assistance Listing Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Dates	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue at June 30, 2021	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue at June 30, 2022	Amount Passed Through to Subrecipients
<b>U.S. DEPARTMENT OF EDUCATION Passed through the Pennsylvania Department of Education</b>											
Title I Improving Basic Programs	I	84.010	13-210289	August 28, 2020 to September 30, 2021	\$ 1,244,744	\$ 351,680	\$ 144,101	\$ 207,579	\$ 207,579	-	\$ -
Title I Improving Basic Programs	I	84.010	13-220289	August 31, 2021 to September 30, 2022	1,426,216	408,667	-	996,489	996,489	587,822	-
Total Title I					2,670,960	760,347	144,101	1,204,068	1,204,068	587,822	-
Title II Improving Teacher Quality	I	84.367	20-210289	August 28, 2020 to September 30, 2021	280,218	140,010	(38,133)	238,147	238,147	60,004	-
Title II Improving Teacher Quality	I	84.367	20-220289	August 31, 2021 to September 30, 2022	287,734	82,188	-	36,703	36,703	(45,485)	-
Total Title II					567,952	222,198	(38,133)	274,850	274,850	14,519	-
Title III Language Inst LEP/Immigrant Students	I	84.365	10-200289	August 29, 2019 to September 30, 2020	134,985	-	(19,163)	19,163	19,163	-	-
Title III Language Inst LEP/Immigrant Students	I	84.365	10-210289	August 28, 2020 to September 30, 2021	152,669	76,334	9,250	55,873	55,873	(11,211)	-
Title III Language Inst LEP/Immigrant Students	I	84.365	10-220289	August 31, 2021 to September 30, 2022	165,492	46,696	-	59,756	59,756	13,060	-
Total Title III					453,146	123,030	(9,913)	134,792	134,792	1,849	-
Title IV Student Support and Academic Enrichment	I	84.424	144-210289	August 28, 2020 to September 30, 2021	90,882	12,983	4,121	8,862	8,862	-	-
Title IV Student Support and Academic Enrichment	I	84.424	144-220289	August 31, 2021 to September 30, 2022	93,806	26,786	-	58,114	58,114	31,328	-
Total Title IV					184,688	39,769	4,121	66,976	66,976	31,328	-
COVID-19 Special Education Impact Mitigation	I	84.425	C 252-200289	March 13, 2020 to September 30, 2021	151,535	111,657	(12,578)	124,235	124,235	-	-
COVID-19 CARES Act ESSER	I	84.425	D 200-200289	March 13, 2020 to September 30, 2021	984,263	915,593	147,105	768,488	768,488	-	-
COVID-19 ESSER II	I	84.425	D 200-210289	March 13, 2020 to September 30, 2023	4,606,262	4,070,650	1,744,486	2,861,776	2,861,776	535,612	-
American Rescue Plan ESSER	I	84.425	U 223-210289	March 13, 2020 to September 30, 2024	9,317,136	508,207	49,128	801,404	801,404	342,325	-
American Rescue Plan ESSER - Set Aside	I	84.425	U 225-210289	March 13, 2020 to September 30, 2024	724,150	39,500	-	24,888	24,888	(14,612)	-
American Rescue Plan ESSER HCY	I	84.425	W 225-210289	July 1, 2020 to September 30, 2024	48,164	3,705	-	30,275	30,275	26,570	-
Total Education Sabalization Fund					15,831,510	5,649,312	1,928,141	4,611,066	4,611,066	889,895	-
Total State Department of Education					19,708,256	6,794,656	2,028,317	6,291,752	6,291,752	1,525,413	-

See Notes to Schedule of Federal and Certain State Awards

**NORTH PENN SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL  
AND CERTAIN STATE AWARDS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2022**

Federal Grantor/ Pass-Through Grantor/Program Title	Source Code	Federal Assistance Listing Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Dates	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue at June 30, 2021	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue at June 30, 2022	Amount Passed Through to Subrecipients
<b>Passed through the Lancaster-Lebanon Intermediate Unit</b>											
District Coaches Leadership Stipend 2020-21	I	84.027	062-210033	July 1, 2020 to September 30, 2021	2,000	2,000	2,000	-	-	-	-
Multi-tiered System of Support	I	84.027	062-220033	July 1, 2021 to September 30, 2022	10,000	-	-	8,508	8,508	8,508	-
Universal Design for Learning Implementation Grant	I	84.027	062-220000	July 1, 2021 to September 30, 2023	6,000	3,000	-	397	397	(2,603)	-
Total Lancaster-Lebanon Intermediate Unit					18,000	5,000	2,000	8,905	8,905	5,905	-
<b>Passed through the Montgomery County Intermediate Unit</b>											
IDEA - Part B	I	84.027	N/A	July 1, 2020 to June 30, 2021	2,268,453	1,026,016	1,026,016	-	-	-	-
IDEA - Part B	I	84.027	N/A	July 1, 2021 to June 30, 2022	2,287,353	1,223,878	-	2,287,353	2,287,353	1,063,475	-
Total IDEA - Part B					4,555,806	2,249,894	1,026,016	2,287,353	2,287,353	1,063,475	-
IDEA - SECTION 619	I	84.391	N/A	July 1, 2020 to June 30, 2021	13,206	13,206	13,206	-	-	-	-
IDEA - SECTION 619	I	84.391	N/A	July 1, 2021 to June 30, 2022	10,976	10,092	-	10,976	10,976	884	-
IDEA - American Rescue Plan	I	84.027	N/A	July 1, 2021 to September 30, 2023	536,539	125,526	-	162,596	162,596	37,070	-
Total Montgomery County Intermediate Unit					5,116,527	2,398,718	1,039,222	2,460,925	2,460,925	1,101,429	-
Total Special Education					5,134,527	2,403,718	1,041,222	2,469,830 *	2,469,830	1,107,334	-
<b>Passed through the Pennsylvania Commission on Crime and Delinquency</b>											
COVID-19 School Health and Safety Grants Part 2	I	84.425	N/A	March 13, 2020 to September 30, 2022	374,355	-	1,050	296,570	296,570	297,620	-
Total PA Commission on Crime and Delinquency					374,355	-	1,050	296,570	296,570	297,620	-
Total U.S. Department of Education					25,217,138	9,198,374	3,070,589	9,058,152	9,058,152	2,930,367	-

See Notes to Schedule of Federal and Certain State Awards

**NORTH PENN SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL  
AND CERTAIN STATE AWARDS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2022**

Federal Grantor/ Pass-Through Grantor/Program Title	Source Code	Federal Assistance Listing Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Dates	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue at June 30, 2021	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue at June 30, 2022	Amount Passed Through to Subrecipients
<b>FEDERAL COMMUNICATIONS COMMISSION</b>											
<b>Passed through US Treasury</b>											
Emergency Connectivity Fund	I	32.009	N/A	July 1, 2021 to June 30, 2022	121,390	121,390	-	121,390	121,390	-	-
Total US Department of Treasury					<u>121,390</u>	<u>121,390</u>	<u>-</u>	<u>121,390</u>	<u>121,390</u>	<u>-</u>	<u>-</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>											
<b>Passed through the Pennsylvania Department of Public Welfare</b>											
Medical Assistance Reimbursement	I	93.778	N/A	July 1, 2020 to June 30, 2021	83,437	51,474	51,474	-	-	-	-
Medical Assistance Reimbursement	I	93.778	N/A	July 1, 2021 to June 30, 2022	93,113	43,150	-	93,113	93,113	49,963	-
Total Medicaid Cluster					<u>176,550</u>	<u>94,624</u>	<u>51,474</u>	<u>93,113</u>	<u>93,113</u>	<u>49,963</u>	<u>-</u>
<b>Passed through the Pennsylvania Department of Public Welfare</b>											
Child Care and Development Block Grant	I	93.575	N/A	N/A	692,993	692,993	-	692,993	692,993	-	-
Total CCOF Cluster					<u>692,993</u>	<u>692,993</u>	<u>-</u>	<u>692,993</u>	<u>692,993</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Health and Human Services					<u>990,933</u>	<u>909,007</u>	<u>51,474</u>	<u>907,496</u>	<u>907,496</u>	<u>49,963</u>	<u>-</u>

See Notes to Schedule of Federal and Certain State Awards

**NORTH PENN SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL  
AND CERTAIN STATE AWARDS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2022**

Federal Grantor/ Pass-Through Grantor/Program Title	Source Code	Federal Assistance Listing Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Dates	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue at June 30, 2021	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue at June 30, 2022	Amount Passed Through to Subrecipients	
<b>U.S. DEPARTMENT OF AGRICULTURE</b>												
<b>Department of Education</b>												
National School Lunch Program	I	10.555	N/A	July 1, 2020 to June 30, 2021	N/A	12,564	12,564	-	-	-	-	
National School Lunch Program	I	10.555	N/A	July 1, 2021 to June 30, 2022	N/A	4,776,184	-	4,971,955	4,971,955	195,771	-	
National School Lunch Program	S	N/A	N/A	July 1, 2021 to June 30, 2022	N/A	144,072	-	149,767	149,767	5,695	-	
National School Lunch Program - Supply Chain Assistance	I	10.555	N/A	July 1, 2021 to June 30, 2023	N/A	253,513	-	-	-	(253,513)	-	
National School Lunch Program - SNP Emergency Operating Costs	I	10.555	N/A	July 1, 2021 to June 30, 2022	N/A	85,849	-	85,849	85,849	-	-	
National School Breakfast Program	I	10.553	N/A	July 1, 2021 to June 30, 2022	N/A	1,541,858	-	1,608,520	1,608,520	66,662	-	
National School Breakfast Program	S	N/A	N/A	July 1, 2021 to June 30, 2022	N/A	60,566	-	63,125	63,125	2,559	-	
Summer Food Program	I	10.559	N/A	July 1, 2020 to June 30, 2021	N/A	439,196	439,196	-	-	-	-	
Summer Food Program	I	10.559	N/A	July 1, 2021 to June 30, 2022	N/A	508,495	-	542,335	542,335	33,840	-	
Child and Adult Care Food Program	I	10.558	N/A	July 1, 2021 to June 30, 2022	N/A	7,177	-	8,659	8,659	1,482	-	
CACRP Unaffiliated Emergency Operating Costs	I	10.558	N/A	July 1, 2021 to June 30, 2022	N/A	6,722	-	6,722	6,722	-	-	
P-EBT Local Admin Funds	I	10.649	N/A	July 1, 2021 to June 30, 2022	N/A	3,063	-	3,063	3,063	-	-	
Total State Department of Education						<u>7,839,259</u>	<u>451,760</u>	<u>7,439,995</u>	<u>7,439,995</u>	<u>52,496</u>	<u>-</u>	
<b>Agriculture</b>												
Value of U.S.D.A. donated commodities National School Lunch Program	I	10.555	N/A	July 1, 2021 to June 30, 2022		628,315 (A)	- (B)	628,315 (C)	628,315 (D)	-	-	
Value of U.S.D.A. donated commodities Summer Food Service Program	I	10.559	N/A	July 1, 2021 to June 30, 2022		43,832 (A)	- (B)	43,832 (C)	43,832 (D)	-	-	
Total State Department of Agriculture						<u>672,147</u>	<u>-</u>	<u>672,147</u>	<u>672,147</u>	<u>-</u>	<u>-</u>	
Total U.S. Department of Agriculture						<u>8,511,406</u>	<u>451,760</u>	<u>8,112,142</u>	<u>8,112,142</u>	<u>52,496</u>	<u>-</u>	
Total Child Nutrition Cluster (E)						<u>8,494,444</u>	<u>451,760</u>	<u>8,093,698</u>	<u>8,093,698</u> *	<u>51,014</u>	<u>-</u>	
<b>TOTAL FEDERAL AND STATE AWARDS</b>						<u>\$ 26,208,071</u>	<u>\$ 18,618,787</u>	<u>\$ 3,573,823</u>	<u>\$ 18,077,790</u>	<u>\$ 18,077,790</u>	<u>\$ 3,032,826</u>	<u>\$ -</u>

**Footnotes:**

**Source Codes:**

- (A) Total amount of commodities received from Department of Agriculture.
- (B) Beginning inventory at July 1, 2021
- (C) Total amount of commodities used
- (D) Ending inventory at June 30, 2022
- (E) Total Child Nutrition Cluster includes only Assistance Listing Numbers 10.553, 10.555 and 10.559.

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

See Notes to Schedule of Federal and Certain State Awards

**NORTH PENN SCHOOL DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL  
AND CERTAIN STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2022**

**NOTE 1           SCOPE OF THIS SCHEDULE**

The federal programs as listed in the schedule of expenditures of federal awards are accounted for by the School District in the General Fund for U.S. Department of Education, U.S. Department of Health and Human Services, U.S. Department of Treasury, and in the Food Service Fund for U.S. Department of Agriculture programs.

**NOTE 2           REPORTING ENTITY**

The North Penn School District (the "District") is the reporting entity for financial reporting purposes as detailed in Note 1 to the District's basic financial statements. For purposes of preparing the schedule of expenditures of federal awards and certain state awards, the District's reporting entity is the same that was used for financial reporting.

**NOTE 3           NONMONETARY FEDERAL AWARDS – DONATED COMMODITIES**

The Commonwealth of Pennsylvania distributes federal surplus food to institutions (schools, hospitals, and prisons) and to the needy. Expenditures reported in the schedule of expenditures of federal awards under Assistance Listing #10.555 represent surplus food consumed by the District during the 2021-2022 fiscal year. The District has food commodities totaling \$672,147 as of June 30, 2022.

**NOTE 4           INDIRECT COST RATES**

The School District has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE 5           BASIS OF ACCOUNTING**

All expenditures included in the schedule of expenditures of federal and certain state awards are presented on the basis that expenditures are reported to the respective federal and state grantor agencies. Accordingly, certain expenditures are recorded when paid and certain other expenditures are recorded when the federal obligation is determined.



**NORTH PENN SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2022**

I. Section I - Summary of Auditor's Results

*Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes \_\_\_ no X
- Significant deficiencies identified that are not considered to be material weakness(es)?  
Yes \_\_\_\_\_ none reported X

Noncompliance material to financial statements noted? Yes \_\_\_ No X

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? Yes \_\_\_ no X
- Significant deficiencies identified that are not considered to be material weakness(es)?  
Yes \_\_\_ none reported X

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? yes \_\_\_ no X

Identification of major programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553,10.555, 10.559	Child Nutrition Cluster
84.027	Special Education Cluster

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

Auditee qualified as low-risk auditee? Yes X no \_\_\_

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

**None to be reported.**

Section III. Findings and questioned costs for federal awards.

**None to be reported.**

**NORTH PENN SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2022**

No findings were reported.