

NORTH PENN SCHOOL DISTRICT
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2021

NORTH PENN SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the North Penn School District ("the District") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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To the Board of Directors
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Adoption of Governmental Accounting Standards Board Pronouncements

As described in Note 19 to the financial statements, in 2021 the District adopted the provisions of Governmental Accounting Standards Board's Statement No. 84, "*Fiduciary Activities*" and Statement No. 98, "*The Annual Comprehensive Financial Report*." Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other 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 supplementary information listed in the table of contents and the schedule of expenditures of federal and certain state awards, as required by the audit requirements of Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.



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To the Board of Directors
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The supplementary information and the schedule of expenditures of federal and certain state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, supplemental schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2021, 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 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

ZELENKOFKSKE AXELROD LLC

Jamison, Pennsylvania
November 16, 2021

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, 2021.

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, excluding the bond refunding, were \$276.3 million or \$4.6 million above the original budgeted revenues. The strong revenues reflect the COVID-19-related economic recovery (discussed later) which impacted several key local revenue sources. Actual expenditures, excluding the bond refunding, totaled \$272.0 million and included \$3.5 million that was transferred to the Capital Reserve Fund. Actual expenditures were \$6.1 million under the original budgeted expenditures. The School District experienced a \$10.7 positive variance relative to the original budget. The unassigned fund balance was increased by \$3,645,868 as a result bringing the total to \$21,753,255. Total fund balances amounted to \$42.2 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.
 - ü **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.
 - ü **Proprietary Funds** statements offer short- and long-term financial information about the activities the District operates like businesses, such as School Nutrition Services.
 - ü **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

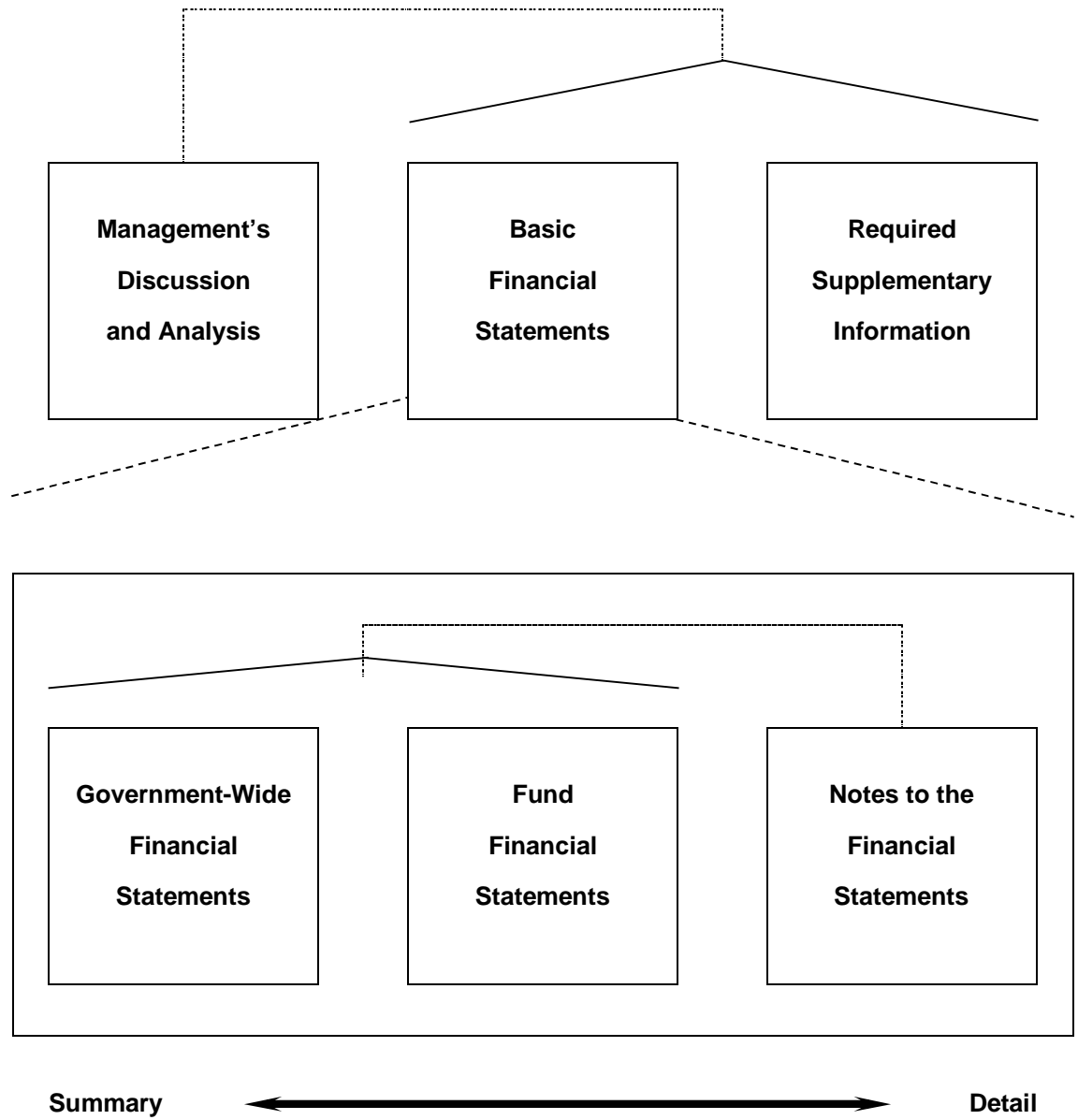


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents 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"> Statement of net assets Statement of activities 	<ul style="list-style-type: none"> Balance sheet Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> Statement of net assets Statement of revenues, expenses and changes in net assets Statement of cash flows 	<ul style="list-style-type: none"> Statement of fiduciary net assets Statement of changes in fiduciary net assets
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 \$11.2 million. The net asset deficit of the business-type activities decreased by \$1.8 million.
- Program specific revenues in the form of charges for services and grants and contributions accounted for \$65.4 million or 23% of total revenues. General revenues accounted for \$219.4 million or 77% of total revenues (Figure A-4).
- Governmental fund expenses totaled \$300.1 million of which \$171.4 million was spent on instructional services, \$76.8 million was spent on support services, \$2.7 million was spent on non-instructional/student activities/athletic services, \$24.0 million was spent for debt service payments, \$24.8 million was spent on facilities acquisition, construction, and improvement services, and \$0.4 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 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 June 30, 2025.
- The District administrators have a one-year agreement with the Board of School Directors that expires 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 2021 - 2020
	2021	2020	2021	2020	2021	2020	
Assets							
Current and Other Assets	\$ 121.1	\$ 131.9	\$ 3.3	\$ 1.4	\$ 124.4	\$ 133.3	
Capital Assets, Net	204.7	189.1	0.3	0.4	205.0	189.5	
Total Assets	325.8	321.0	3.6	1.8	329.4	322.8	2.0%
Deferred Outflows of Resources	131.6	174.9	4.0	5.4	135.6	180.3	-24.8%
Liabilities							
Long-Term Liabilities	563.6	566.5	14.8	14.9	578.4	581.4	
Other Liabilities	44.5	52.7	0.6	0.6	45.1	53.3	
Total Liabilities	608.1	619.2	15.4	15.5	623.5	634.7	-1.8%
Deferred Inflows of Resources	55.7	94.5	1.7	3.0	57.4	97.5	-41.1%
Net Position							
Net Investment in Capital Assets	127.8	74.7	0.3	0.4	128.1	75.1	
Restricted	12.8	23.0	-	-	12.8	23.0	
Unrestricted	(347.0)	(315.5)	(9.8)	(11.7)	(356.8)	(327.2)	
Total Net Position	(206.4)	(217.8)	(9.5)	(11.3)	(215.9)	(229.1)	-5.8%
Restatement for adoption of GASB 84	-	0.2	-	-	-	-	
Total Net Position, as restated	\$ (206.4)	\$ (217.6)	\$ (9.5)	\$ (11.3)	\$ (215.9)	\$ (229.1)	-5.8%

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

	Governmental Activities		Business-Type Activities		Total District		Total Percentage Change 2021 - 2020
	2021	2020	2021	2020	2021	2020	
Revenues							
Program Revenues	\$ 58.3	\$ 55.1	\$ 7.1	\$ 7.1	\$ 65.4	\$ 62.2	
Other Revenues	217.8	210.5	1.6	-	219.4	210.5	
Total Revenues	276.1	265.6	8.7	7.1	284.8	272.7	4.4%
Expenses	264.9	264.3	6.8	9.2	271.7	273.5	-0.7%
Change in Net Position	\$ 11.2	\$ 1.3	\$ 1.9	\$ (2.1)	\$ 13.1	\$ (0.8)	-1737.5%

Governmental Activities

Governmental activities consist of the General Fund, Capital Reserve, Bond Funds, and Special Revenue Fund (Student Sponsored Activities). Total governmental assets increased by \$4.8 million and total liabilities decreased by \$11.1 million due to changes in the net pension and OPEB liabilities. The Governmental Net Position deficit, as restated, decreased by \$11.2 million (Figure A-3).

The District depends heavily on local taxes to fund the District's programs. For 2020-2021, local sources comprised 78.6% of total revenue, of which current real estate taxes, including interim taxes, were \$186.5 million, delinquent real estate taxes were \$2.2 million, transfer taxes were \$4.0 million and earned income taxes were \$18.6 million. Other revenue comes from state subsidies (19.7%) and federal grants and other sources (1.7%).

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 \$8.7 million and expenses of approximately \$6.8 million, resulting in a \$1.9 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. However, the General Fund did transfer \$1.5 million to the Extended School Care Program during the year to cover losses in the program related to COVID-19. While not classified as a loan, the expectation is the \$1.5 million will be transferred back to the General Fund as the Extended School Care Program recovers financially.

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 (discussed later). Real estate tax collections remained strong despite prolonged installment payments and a reduction in the late payment fee from 10% to 5%. The realty transfer tax (\$0.6 million) and earned income tax (\$1.3 million) exceeded the budgeted amounts. These results follow a year where, for the first time in nearly ten years, these line items fell short of the budgeted amount. 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 2020-2021 fiscal year, bringing the total propane fleet to 31. 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 2021-2020
	2021	2020	2021	2020	2021	2020	
Land and Site Improvements	\$ 10.8	\$ 8.8	\$ -	\$ -	\$ 10.8	\$ 8.8	
Construction in Progress	25.1	3.8	-	-	25.1	3.8	
Buildings	157.9	165.7	-	-	157.9	165.7	
Furniture and Equipment	10.9	10.9	0.3	0.4	11.2	11.3	
	<u>\$ 204.7</u>	<u>\$ 189.2</u>	<u>\$ 0.3</u>	<u>\$ 0.4</u>	<u>\$ 205.0</u>	<u>\$ 189.6</u>	8.1%

Long-Term Obligations

Long-term obligations decreased by \$11.8 million, primarily due to decreases in the net pension and OPEB liabilities. The short-term debt decreased by \$2.7 million due to the schedule of bond, note, and lease obligations. Total outstanding long-term obligations decreased by 2.4% (Figure A-6).

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

	2021	2020	Total Percentage Change
Long-Term Obligations			
General Obligation Bonds and Notes	\$ 70.6	\$ 80.5	
Other General Obligations	498.9	500.8	
Total Long-Term Obligations	<u>569.5</u>	<u>581.3</u>	
Short-Term Obligations			
General Obligation Bonds and Notes	8.7	11.4	
Other General Obligations	0.3	0.3	
Total Short-Term Obligations	<u>9.0</u>	<u>11.7</u>	
TOTAL	<u>\$ 578.5</u>	<u>\$ 593.0</u>	<u>-2.4%</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 \$5,206,406 in the 2020-2021 fiscal year that offset property taxes for those property owners who qualified for the homestead exemption.

The 2020-2021 school year was another strong year financially for the North Penn School. The District was able to make a \$3.5 million transfer to the Capital Reserve Fund from the General Fund to support capital projects. The unassigned fund balance in the General Fund increased from \$18,107,387 to \$21,753,255. The increase was far greater than the originally budgeted decrease. Total fund balances in the general fund amounted to a fiscally healthy \$42,236,822.

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 sixth straight year. The District also maintained its Aa1 bond rating with Moody's during the fiscal year. 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 during the 2020-21 school year primarily due to the availability of COVID-19 vaccinations. The District started the school year virtually but moved into a hybrid format while allowing for parent/guardian choice. Virtual and hybrid instruction at a district level were replaced with the resumption of in-person instruction to start the 2021-2022 school year.

North Penn School District, like all school districts across the state of Pennsylvania, estimated a decline in local revenue during the year which never came to fruition. The district anticipated a reduction in real estate taxes, transfer taxes, earned income taxes and investment income. Minimal increases to property assessment values, potentially decreasing collection rates, increasing unemployment rates and a significant cut in short term investment rates all contributed to the projected revenue loss for the year. However, District revenues exceeded the original budget figures by \$4.6 million, excluding the bond refunding. The earned income taxes and transfer taxes were particularly strong during the year and exceeded the prior year's revenue.

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.

**NORTH PENN SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2021**

	Governmental Activities	Business-Type Activities	Totals
Assets			
Current Assets			
Cash and Cash Equivalents - Unrestricted	\$ 77,827,609	\$ 3,113,172	\$ 80,940,781
Cash and Cash Equivalents - Restricted	9,442,929	-	9,442,929
Investments	377,489	116	377,605
Taxes Receivable	1,551,555	-	1,551,555
Internal Balances	474,182	(474,182)	-
Due From Custodial Funds	1,464	-	1,464
Due from Other Governments	12,811,678	451,760	13,263,438
Inventories	236,346	179,418	415,764
Other Receivables	530,237	14,380	544,617
Prepaid Expenses	17,883,329	3,000	17,886,329
Capital Assets			
Land	10,491,943	-	10,491,943
Construction in Progress	25,167,985	-	25,167,985
Site Improvements	661,917	-	661,917
Building and Building Improvements	302,965,070	-	302,965,070
Furniture and Equipment	39,996,914	1,814,513	41,811,427
Accumulated Depreciation	(174,575,083)	(1,517,062)	(176,092,145)
Total Assets	<u>325,845,564</u>	<u>3,585,115</u>	<u>329,430,679</u>
Deferred Outflows of Resources			
Deferred Amount of Refunding	1,434,414	-	1,434,414
Deferred Outflows of Resources, Pension Activity	121,465,434	3,756,663	125,222,097
Deferred Outflows of Resources, OPEB Activity	8,702,344	269,145	8,971,489
Total Deferred Outflows of Resources	<u>131,602,192</u>	<u>4,025,808</u>	<u>135,628,000</u>
Liabilities			
Accounts Payable	8,850,210	145,970	8,996,180
Accrued Interest on Long-Term Debt	722,360	-	722,360
Accrued Salaries and Benefits	34,724,679	125,038	34,849,717
Due to Custodial Funds	11,453	-	11,453
Unearned Revenue	182,714	292,880	475,594
Long-Term Liabilities			
Portion Due or Payable Within One Year			
Bonds Payable	8,736,000	-	8,736,000
Compensated Absences	301,030	-	301,030
Portion Due or Payable After One Year			
Bonds Payable	70,620,983	-	70,620,983
Compensated Absences	5,961,983	-	5,961,983
Net Pension Liability	449,629,920	13,906,080	463,536,000
Net OPEB Obligation	28,436,725	879,486	29,316,211
Total Liabilities	<u>608,178,057</u>	<u>15,349,454</u>	<u>623,527,511</u>
Deferred Inflows of Resources			
Deferred Inflows of Resources, Pension Activity	48,349,650	1,495,340	49,844,990
Deferred Inflows of Resources, OPEB Activity	7,337,972	226,948	7,564,920
Total Deferred Inflows of Resources	<u>55,687,622</u>	<u>1,722,288</u>	<u>57,409,910</u>
Net Position			
Net Investment in Capital Assets	127,718,746	297,451	128,016,197
Restricted	12,785,037	-	12,785,037
Unrestricted	(346,921,706)	(9,758,270)	(356,679,976)
Total Net Position	<u>\$ (206,417,923)</u>	<u>\$ (9,460,819)</u>	<u>\$ (215,878,742)</u>

The accompanying notes are integral part of the financial statements.

**NORTH PENN SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

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
Governmental Activities							
Instruction							
Regular Programs	\$ 126,436,493	\$ -	\$ 39,071,669	\$ -	\$ (87,364,824)	\$ -	\$ (87,364,824)
Special Programs	47,187,852	-	6,945,818	-	(40,242,034)	-	(40,242,034)
Vocational Programs	4,294,228	-	-	-	(4,294,228)	-	(4,294,228)
Other Instructional Programs	672,715	166,323	8,241,997	-	7,735,605	-	7,735,605
Nonpublic Schools	20,516	-	-	-	(20,516)	-	(20,516)
Support Services							
Pupil Personnel Services	15,862,564	-	600,000	-	(15,262,564)	-	(15,262,564)
Instructional Staff Services	8,672,228	-	44,586	-	(8,627,642)	-	(8,627,642)
Administrative Services	13,664,535	-	-	-	(13,664,535)	-	(13,664,535)
Pupil Health Services	5,108,642	-	280,451	-	(4,828,191)	-	(4,828,191)
Business Services	2,445,802	-	-	-	(2,445,802)	-	(2,445,802)
Operation & Maintenance of Plant Services	17,050,160	-	-	-	(17,050,160)	-	(17,050,160)
Facilities Acquisition, Construction and Improvement Services	308,099	-	-	-	(308,099)	-	(308,099)
Operation of Non-Instructional Services							
Student Transportation Services	13,437,530	-	2,252,356	-	(11,185,174)	-	(11,185,174)
Central and Other Support Services	4,180,174	-	-	-	(4,180,174)	-	(4,180,174)
Student Activities and Athletics	2,720,775	18,265	-	-	(2,702,510)	-	(2,702,510)
Community Services	39,261	-	689,333	-	650,072	-	650,072
Miscellaneous	378,004	-	-	-	(378,004)	-	(378,004)
Interest on Long-Term Debt	956,120	-	-	-	(956,120)	-	(956,120)
Total Governmental Activities	<u>263,435,698</u>	<u>184,588</u>	<u>58,126,210</u>	<u>-</u>	<u>(205,124,900)</u>	<u>-</u>	<u>(205,124,900)</u>
Business-Type Activities							
School Nutrition Services	4,876,124	21,622	6,221,873	-	-	1,367,371	1,367,371
Extended Care	1,755,276	481,676	221,906	-	-	(1,051,694)	(1,051,694)
Community Education	158,980	147,224	-	-	-	(11,756)	(11,756)
Total School District Activities	<u>6,790,380</u>	<u>650,522</u>	<u>6,443,779</u>	<u>-</u>	<u>-</u>	<u>303,921</u>	<u>303,921</u>
Total Primary Government	<u>\$ 270,226,078</u>	<u>\$ 835,110</u>	<u>\$ 64,569,989</u>	<u>\$ -</u>	<u>(205,124,900)</u>	<u>303,921</u>	<u>(204,820,979)</u>
General Revenues and Transfers							
Taxes							
Property Taxes, Levied for General Purposes							
					197,455,445	-	197,455,445
Earned Income							
					18,609,939	-	18,609,939
Public Utility Taxes							
					194,198	-	194,198
Investment Earnings							
					598,700	4,012	602,712
Grants and Contributions not Restricted to Specific Programs							
					-	88,305	88,305
Receipts from Member Districts							
					-	-	-
Gain on Sale of Capital Assets							
					1,250	-	1,250
Transfers							
					(1,500,000)	1,500,000	-
Miscellaneous Income							
					994,705	2,891	997,596
Total General Revenues and Transfers							
					<u>216,354,237</u>	<u>1,595,208</u>	<u>217,949,445</u>
Change in Net Position							
					11,229,337	1,899,129	13,128,466
Net Position at Beginning of Year, as restated (Note 22)							
					<u>(217,647,260)</u>	<u>(11,359,948)</u>	<u>(229,007,208)</u>
Net Position at End of Year							
					<u>\$ (206,417,923)</u>	<u>\$ (9,460,819)</u>	<u>\$ (215,878,742)</u>

The accompanying notes are integral part of the financial statements.

**NORTH PENN SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021**

	General Fund	2018/2019 Bond Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and Cash Equivalents - Unrestricted	\$ 68,797,946	\$ -	\$ -	\$ 68,797,946
Cash and Cash Equivalents - Restricted	-	5,216,897	4,226,032	9,442,929
Investments	377,489	-	-	377,489
Taxes Receivable, Net	1,551,555	-	-	1,551,555
Due from Other Funds	536,312	-	3,500,000	4,036,312
Due from Custodial Funds	1,464	-	-	1,464
Due from Other Governments	12,811,678	-	-	12,811,678
Inventories	236,346	-	-	236,346
Other Receivables, Net	491,175	-	17,738	508,913
Prepaid Expenditures	740,698	-	-	740,698
Total Assets	\$ 85,544,663	\$ 5,216,897	\$ 7,743,770	\$ 98,505,330
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts Payable	7,610,054	756,703	\$ 389,815	\$ 8,756,572
Due to Other Funds	3,556,331	-	6,155	3,562,486
Due to Custodial Funds	11,453	-	-	11,453
Unearned Revenue	180,879	-	-	180,879
Accrued Salaries and Benefits	30,929,372	-	-	30,929,372
Total Liabilities	42,288,089	756,703	395,970	43,440,762
Deferred Inflows of Resources				
Unavailable Revenue, Property Taxes	1,019,752	-	-	1,019,752
Fund Balances				
Nonspendable, Prepaid Expenditures	740,698	-	-	740,698
Nonspendable, Inventory	236,346	-	-	236,346
Restricted for Student Activities	-	-	162,883	162,883
Restricted for Capital Projects	-	4,460,194	3,563,720	8,023,914
Committed to				
Future Retirement Rate Increase	16,806,523	-	-	16,806,523
Assigned to				
Capital Projects	-	-	3,621,197	3,621,197
Self-funded Insurance	2,700,000	-	-	2,700,000
Unassigned	21,753,255	-	-	21,753,255
Total Fund Balances	42,236,822	4,460,194	7,347,800	54,044,816
Total Liabilities, Deferred Inflows of Resources & Fund Balances	\$ 85,544,663	\$ 5,216,897	\$ 7,743,770	\$ 98,505,330

The accompanying notes are integral part of the financial statements.

**NORTH PENN SCHOOL DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVIES
JUNE 30, 2021**

Total Governmental Funds Balances \$ 54,044,816

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	10,491,943
Construction in Progress	25,167,985
Site Improvements	661,917
Building and Building Improvements	302,965,070
Furniture and Equipment	39,996,914
Accumulated Depreciation	<u>(174,575,083)</u>
	<u>204,708,746</u>

Deferred charges used in governmental activities are not financial resources and therefore are not reported in the funds. These consist of:

Deferred Amount on Refunding	<u>1,434,414</u>
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Deferred inflows and outflows of resources related to pension activities are not financial resources and therefore not reported in the governmental funds.

73,115,784

Deferred inflows and outflows of resources related to OPEB activities are not financial resources and therefore not reported in the governmental funds.

1,364,372

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.

1,019,752

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.

22,303,194

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:

Bonds Payable	(76,990,000)
Bond Premium/Discount, Net of Amortization	(2,366,983)
Accrued Interest	(722,360)
Compensated Absences	(6,263,013)
Net Pension Liability	(449,629,920)
Other Postemployment Benefits	<u>(28,436,725)</u>
	<u>(564,409,001)</u>

Net Position of Governmental Activities \$ (206,417,923)

**NORTH PENN SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021**

	General Fund	2018/2019 Bond Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Local Sources	\$ 217,029,929	\$ 60,508	\$ 99,021	\$ 217,189,458
State Sources	54,362,596	-	-	54,362,596
Federal Sources	4,940,833	-	-	4,940,833
Total Revenues	276,333,358	60,508	99,021	276,492,887
Expenditures				
Current:				
Instruction	171,427,869	-	-	171,427,869
Support Services	76,795,864	-	-	76,795,864
Operation of Non-Instructional Services	39,261	-	-	39,261
Facilities Acquisition, Construction and Improvement Services	12,341	13,607,985	11,150,663	24,770,989
Student Activities and Athletics	2,593,032	-	75,463	2,668,495
Refund of Prior Year Revenues	378,004	-	-	378,004
Debt Service	24,017,301	-	-	24,017,301
Total Expenditures	275,263,672	13,607,985	11,226,126	300,097,783
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,069,686	(13,547,477)	(11,127,105)	(23,604,896)
Other Financing Sources (Uses)				
Issuance of Refunding Bonds	9,981,000	-	-	9,981,000
Insurance Recoveries	30,142	-	-	30,142
Proceeds from Sale of Capital Assets	1,250	-	-	1,250
Transfers In	-	-	5,233,417	5,233,417
Transfers Out	(6,733,417)	-	-	(6,733,417)
Total Other Financing Sources (Uses)	3,278,975	-	5,233,417	8,512,392
Net Change in Fund Balances	4,348,661	(13,547,477)	(5,893,688)	(15,092,504)
Fund Balances at Beginning of Year, as restated (Note 22)	37,888,161	18,007,671	13,241,488	69,137,320
Fund Balances at End of Year	\$ 42,236,822	\$ 4,460,194	\$ 7,347,800	\$ 54,044,816

The accompanying notes are 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, 2021**

Net Changes in Fund Balances - Total Governmental Funds \$ (15,092,504)

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

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.

Capital Outlays	26,478,429
Depreciation	<u>(10,943,854)</u>
	<u>15,534,575</u>

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.

(359,244)

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:

(400,974)

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:

Accrued Interest	315,866
Insurance Provision	852,786
OPEB Plan Expense	(848,757)
Pension Plan Expense	<u>(1,536,724)</u>
	<u>(1,216,829)</u>

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.

Issuance of Refunding Bonds	(9,981,000)
Repayment of Bond Principal	21,220,000
Amortization of Bond Discounts, Premiums and Refunding Loss	1,525,313
	<u>12,764,313</u>

Change in Net Position of Governmental Activities \$ 11,229,337

The accompanying notes are integral part of the financial statements.

**NORTH PENN SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021**

	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
Assets					
Current Assets					
Cash and Cash Equivalents	\$ 2,306,746	\$ 744,623	\$ 61,803	\$ 3,113,172	\$ 9,029,663
Investments	116	-	-	116	-
Due from Other Governments	451,760	-	-	451,760	-
Due from Other Funds	110	-	53,283	53,393	2,939
Other Receivables	584	10,569	3,227	14,380	21,324
Prepaid expenses	-	-	3,000	3,000	17,142,631
Inventories	179,418	-	-	179,418	-
Total Current Assets	<u>2,938,734</u>	<u>755,192</u>	<u>121,313</u>	<u>3,815,239</u>	<u>26,196,557</u>
Capital Assets, Net	284,229	-	13,222	297,451	-
Total Assets	<u>3,222,963</u>	<u>755,192</u>	<u>134,535</u>	<u>4,112,690</u>	<u>26,196,557</u>
Deferred Outflows of Resources					
Deferred Outflows of Resources - Pension Activity	2,066,165	1,427,532	262,966	3,756,663	-
Deferred Outflows of Resources - OPEB Activity	166,870	94,201	8,074	269,145	-
Total Deferred Outflows of Resources	<u>2,233,035</u>	<u>1,521,733</u>	<u>271,040</u>	<u>4,025,808</u>	<u>-</u>
Liabilities					
Accounts Payable	52,422	62,630	30,918	145,970	93,638
Accrued Salaries and Benefits	82,635	38,967	3,436	125,038	3,795,307
Due to Other Funds	309,204	170,165	48,206	527,575	2,583
Unearned Revenue	198,583	15,946	78,351	292,880	1,835
Long-Term Liabilities					
Net Pension Liability	7,648,344	5,284,310	973,426	13,906,080	-
Other Postemployment Benefits	470,419	342,107	66,960	879,486	-
Total Liabilities	<u>8,761,607</u>	<u>5,914,125</u>	<u>1,201,297</u>	<u>15,877,029</u>	<u>3,893,363</u>
Deferred Inflows of Resources					
Deferred Inflows of Resources - Pension Activity	822,443	568,223	104,674	1,495,340	-
Deferred Inflows of Resources - OPEB Activity	140,708	79,432	6,808	226,948	-
Total Deferred Inflows of Resources	<u>963,151</u>	<u>647,655</u>	<u>111,482</u>	<u>1,722,288</u>	<u>-</u>
Net Position					
Net Investment in Capital Assets	284,229	-	13,222	297,451	-
Unrestricted	(4,552,989)	(4,284,855)	(920,426)	(9,758,270)	22,303,194
Total Net Position	<u>\$ (4,268,760)</u>	<u>\$ (4,284,855)</u>	<u>\$ (907,204)</u>	<u>\$ (9,460,819)</u>	<u>\$ 22,303,194</u>

The accompanying notes are 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, 2021**

	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
Operating Revenues					
Charges for Service	\$ 21,622	\$ 481,676	\$ 147,224	\$ 650,522	\$ -
Premiums transferred from General Fund	-	-	-	-	30,372,463
Other	2,154	737	-	2,891	88,444
Total Operating Revenues	23,776	482,413	147,224	653,413	30,460,907
Operating Expenses					
Salaries	1,868,214	1,068,926	78,522	3,015,662	-
Employee Benefits	1,085,649	666,967	3,482	1,756,098	29,581,751
Purchased professional and technical service	4,034	2,564	34,636	41,234	37,275
Purchased property service	16,844	-	17,590	34,434	-
Other purchased service	191	434	1,415	2,040	-
Supplies	1,844,633	5,709	506	1,850,848	-
Depreciation	53,561	-	5,372	58,933	-
Other operating expenses	2,998	10,676	17,457	31,131	27
Total Operating Expenses	4,876,124	1,755,276	158,980	6,790,380	29,619,053
Operating Income (Loss)	(4,852,348)	(1,272,863)	(11,756)	(6,136,967)	841,854
Nonoperating Revenues					
Contributions	88,305	-	-	88,305	-
Investment Income	3,008	925	79	4,012	10,932
Local Sources	3,026	219,908	-	222,934	-
State Sources	-	1,998	-	1,998	-
Federal Sources	6,218,847	-	-	6,218,847	-
Total Nonoperating Revenues	6,313,186	222,831	79	6,536,096	10,932
Income (Loss) before transfers	1,460,838	(1,050,032)	(11,677)	399,129	852,786
Transfers In (Out)	-	1,500,000	-	1,500,000	-
Change in Net Position	1,460,838	449,968	(11,677)	1,899,129	852,786
Net Position at Beginning of Year	(5,729,598)	(4,734,823)	(895,527)	(11,359,948)	21,450,408
Net Position at End of Year	\$ (4,268,760)	\$ (4,284,855)	\$ (907,204)	\$ (9,460,819)	\$ 22,303,194

The accompanying notes are integral part of the financial statements.

**NORTH PENN SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2021**

	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
Cash Flows From Operating Activities					
Cash Received from Users	\$ 23,776	\$ 482,413	\$ 147,224	\$ 653,413	\$ -
Premiums Transferred from General Fund	-	-	-	-	30,460,907
Cash Payments to Employees for Services	(2,861,145)	(1,673,062)	(127,212)	(4,661,419)	-
Cash Payments to Suppliers for Goods and Services	(1,505,336)	(220,885)	(24,534)	(1,750,755)	(30,671,821)
Cash Payments for Other Operating Expenses	(208,294)	(3,132)	32,199	(179,227)	634,843
Net Cash Used By Operating Activities	<u>(4,550,999)</u>	<u>(1,414,666)</u>	<u>27,677</u>	<u>(5,937,988)</u>	<u>423,929</u>
Cash Flows From Noncapital Financing Activities					
Local Sources	3,026	219,908	-	222,934	-
State Sources	-	1,998	-	1,998	-
Federal Sources	5,856,974	-	-	5,856,974	-
Net Cash Provided by Noncapital Financing Activities	<u>5,860,000</u>	<u>221,906</u>	<u>-</u>	<u>6,081,906</u>	<u>-</u>
Cash Flows From Investing Activities					
Interest Received	3,008	925	79	4,012	10,932
Transfers available for Operating Purposes	-	1,500,000	-	1,500,000	-
Contributions Received	88,305	-	-	88,305	-
Net Cash Provided By Investing Activities	<u>91,313</u>	<u>1,500,925</u>	<u>79</u>	<u>1,592,317</u>	<u>10,932</u>
Net Increase In Cash and Cash Equivalents	<u>1,400,314</u>	<u>308,165</u>	<u>27,756</u>	<u>1,736,235</u>	<u>434,861</u>
Cash and Cash Equivalents At Beginning Of Year	<u>906,432</u>	<u>436,458</u>	<u>34,047</u>	<u>1,376,937</u>	<u>8,594,802</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,306,746</u>	<u>\$ 744,623</u>	<u>\$ 61,803</u>	<u>\$ 3,113,172</u>	<u>\$ 9,029,663</u>
Reconciliation of Operating Loss To Net Cash Used By Operating Activities					
Operating Loss	\$ (4,852,348)	\$ (1,272,863)	\$ (11,756)	\$ (6,136,967)	\$ 841,854
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities					
Depreciation	53,561	-	5,372	58,933	-
Donated Foods	361,873	-	-	361,873	-
Pension Expense	48,841	50,242	(51,563)	47,520	-
OPEB Expense (Increase) Decrease in (Increase) Decrease in	12,849	10,482	2,921	26,252	-
Investments	(116)	-	-	(116)	-
Due From Other Funds	9,351	-	-	9,351	-
Due From Other Governments	(244,329)	35,100	(56,510)	(265,739)	-
Prepays	-	1,000	(3,000)	(2,000)	(2,920,030)
Other Receivables	4,889	(4,448)	-	441	633,911
Inventories	(10,027)	-	-	(10,027)	-
Increase (Decrease) in					
Due to Other Funds	(277,943)	(33,784)	31,976	(279,751)	932
Unearned Revenue	(30,717)	(264,949)	76,335	(219,331)	1,835
Accrued Salaries	31,029	2,107	3,436	36,572	1,837,975
Accounts Payable	342,088	62,447	30,466	435,001	27,452
Net Cash Used By Operating Activities	<u>\$ (4,550,999)</u>	<u>\$ (1,414,666)</u>	<u>\$ 27,677</u>	<u>\$ (5,937,988)</u>	<u>\$ 423,929</u>
Supplemental Disclosures					
Noncash Activities					
Donated Foods	<u>\$ 361,873</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are 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, 2021**

	Private Purpose Trust Funds	Custodial Funds
	Scholarship Trust Funds	Student Activities
Assets		
Cash and Cash Equivalents	\$ 251,026	\$ 280,122
Investments	253,001	-
Due from other funds	-	11,453
Due from primary government	-	-
Total Assets	504,027	291,575
Liabilities		
Accounts payable	-	172,033
Unearned Revenue	83,080	-
Due to other funds	-	1,464
Total Liabilities	83,080	\$ 173,497
Net Position		
Restricted for Student Activities	-	118,078
Held in Trust for Benefits and Other Purposes	420,947	-
Total Net Position	420,947	118,078

The accompanying notes are 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, 2021**

	Private Purpose Trust Funds	Custodial Funds
	<u>Scholarship Trust Funds</u>	<u>Student Activities</u>
Additions		
Revenue from Local Sources	\$ -	\$ 62,215
Donations	-	2,590
Other Operating Revenues	-	54
Net Investment Gain	35,497	179
Total Additions	<u>35,497</u>	<u>65,038</u>
Deductions		
Payments for Student Activities	-	112,810
Scholarships Awarded and Fees Paid	10,000	-
Total Deductions	<u>10,000</u>	<u>112,810</u>
Change in Net Position	<u>25,497</u>	<u>(47,772)</u>
Net Position At Beginning of Year, as restated (Note 22)	<u>395,450</u>	<u>165,850</u>
Net Position At End of Year	<u>\$ 420,947</u>	<u>\$ 118,078</u>

The accompanying notes are integral part of the financial statements.

**NORTH PENN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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, 2021**

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, 2021**

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.

Trust 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.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs.

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, 2021

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, 2021**

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, 2021**

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 accumulated earned but unused vacation and sick pay benefits. The benefits are accrued when incurred in the government-wide, Proprietary Funds and Fiduciary 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, 2021**

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, 2021**

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, \$1,356,182 was covered by federal depository insurance, and \$91,428,048 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, 2021**

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, 2021 the School District had the following investments and maturities:

Investment Type	Balance	Investment Maturities <u>Less Than</u> <u>One Year</u>
State Investment Pools	\$ 377,605	\$ 377,605
Stocks	253,001	-
	<u>\$ 630,606</u>	<u>\$ 377,605</u>

The District was the recipient of a stock donation into the Private Trust Fund. The balance of the account on June 30, 2021 was \$253,001.

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, 2021, is \$377,605. 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, 2021, 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 issue that is in excess of 5% of the School District’s total investments.

**NORTH PENN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**

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, 2021, 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	\$ 1,170,094	\$ -	\$ -	\$ -	\$ -	\$ -
Earned Income Tax	36,298	-	-	-	-	-
Real Estate Transfer Tax	345,163	-	-	-	-	-
Federal Subsidies	3,399,536	-	451,760	-	-	-
State Subsidies	9,412,142	-	-	-	-	-
Other Receivables	491,175	17,738	584	10,569	3,227	21,324
	<u>\$ 14,854,408</u>	<u>\$ 17,738</u>	<u>\$ 452,344</u>	<u>\$ 10,569</u>	<u>\$ 3,227</u>	<u>\$ 21,324</u>

**NORTH PENN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**

NOTE 5: INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

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

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 537,776	\$ (3,567,784)
Nonmajor Governmental Funds	3,500,000	(6,155)
Nutrition Services Fund	110	(309,204)
Extended Care Fund	-	(170,165)
Community Education Fund	53,283	(48,206)
Self Insurance	2,939	(2,583)
Custodial Funds	11,453	(1,464)
	<u>\$ 4,105,561</u>	<u>\$ (4,105,561)</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

Transfer In		Transfer Out	
Capital Reserves Fund	General Fund		\$ 5,233,417
Extended Care	General Fund		1,500,000
			<u>\$ 6,733,417</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, 2021**

NOTE 6: CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets not being depreciated				
Land	\$ 8,431,732	\$ 2,060,211	\$ -	\$ 10,491,943
Construction in Progress	3,849,406	22,697,161	(1,378,582)	25,167,985
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	12,281,138	24,757,372	(1,378,582)	35,659,928
Capital Assets being depreciated				
Site Improvements	661,917	-	-	661,917
Buildings and building improvements	302,267,889	697,181	-	302,965,070
Furniture and Equipment	40,849,498	2,402,458	(3,255,042)	39,996,914
TOTAL CAPITAL ASSETS BEING DEPRECIATED	343,779,304	3,099,639	(3,255,042)	343,623,901
Accumulated Depreciation				
Site improvements	(330,221)	(33,526)	-	(363,747)
Buildings and building improvements	(136,570,123)	(8,538,844)	-	(145,108,967)
Furniture and equipment	(29,985,927)	(2,371,484)	3,255,042	(29,102,369)
TOTAL ACCUMULATED DEPRECIATION DEPRECIATED, NET	(166,886,271)	(10,943,854)	3,255,042	(174,575,083)
GOVERNMENTAL ACTIVITIES CAPITAL	\$ 189,174,171	\$ 16,913,157	\$ (1,378,582)	\$ 204,708,746
BUSINESS TYPE ACTIVITIES				
Capital assets being depreciated Furniture	\$ 1,814,513	\$ -	\$ -	\$ 1,814,513
Accumulated depreciation	(1,458,129)	(58,933)	-	(1,517,062)
BUSINESS TYPE ACTIVITIES CAPITAL ASSETS, NET	356,384	(58,933)	-	297,451
Total Capital Assets, net	\$ 189,530,555	\$ 16,854,224	\$ (1,378,582)	\$ 205,006,197

Depreciation expense was charged to governmental functions as follows:

INSTRUCTION	
Regular Programs	\$ 5,727,010
Special Programs	923,497
Other Instructional Programs	405,926
SUPPORT	
Support	96,079
Support-Instruction	49,497
Admin	423,360
Pupil Health	60,428
Business	93,229
Plant	988,974
Transportation	1,689,820
Central	438,102
OPERATION OF NON-INSTRUCTIONAL SERVICES	
Non Instruction	47,932
	<u>\$ 10,943,854</u>

**NORTH PENN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**

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, 2021, the outstanding balance of general obligation bonds and notes issued was \$76,990,000.

In October of 2020, the School District issued General Obligations Notes, Series A of 2020 in the amount of \$9,981,000. The proceeds were used for the current refunding of the General Obligation Bonds Series of 2016 in the amount of \$9,825,000.

The School District paid bond issuance costs in the amount of \$57,750. The Bonds mature serially through February 15, 2026 and carry an interest rate of 0.920%.

This refunding transaction resulted in an estimated cash flow savings of \$299,980 and an estimated economic gain of \$21,428 for the School District.

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

Year Ending June 30,	Principal	Interest
2022	\$ 8,736,000	\$ 2,174,748
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
2027-2031	17,654,000	2,191,553
2032-2036	9,242,000	425,558
	<u>76,990,000</u>	<u>\$ 10,659,303</u>

NOTE 8: CHANGES IN LONG-TERM LIABILITIES

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

GENERAL OBLIGATION BONDS AND NOTES	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds					
Series of 2016 2.00% 2/15/2026	\$ 9,825,000	\$ -	\$ (9,825,000)	\$ -	\$ -
Series of 2017 1.75 - 5.00% 3/1/2027	17,555,000	-	(5,000)	17,550,000	1,170,000
Series A of 2017 1.35 - 5.00% 3/1/2021	11,385,000	-	(11,385,000)	-	-
Series A of 2019 3.00% 1/15/2025	27,905,000	-	(5,000)	27,900,000	6,250,000
Series of 2020 2.285% 3/1/2034	21,559,000	-	-	21,559,000	229,000
Series A of 2020 0.920% 2/15/2026	-	9,981,000	-	9,981,000	1,087,000
	<u>88,229,000</u>	<u>9,981,000</u>	<u>(21,220,000)</u>	<u>76,990,000</u>	<u>8,736,000</u>
Deferred amounts					
Issuance premium	3,726,424	-	(1,359,441)	2,366,983	-
TOTAL GENERAL OBLIGATION BONDS AND NOTES	<u>91,955,424</u>	<u>9,981,000</u>	<u>(22,579,441)</u>	<u>79,356,983</u>	<u>8,736,000</u>
COMPENSATED ABSENCES	5,862,039	702,004	(301,030)	6,263,013	301,030
NET OPEB LIABILITY	28,620,865	695,346	-	29,316,211	-
NET PENSION LIABILITY	<u>466,563,000</u>	<u>-</u>	<u>(3,027,000)</u>	<u>463,536,000</u>	<u>-</u>
TOTAL LONG-TERM LIABILITIES	<u>\$ 593,001,328</u>	<u>\$ 11,378,350</u>	<u>\$ (25,907,471)</u>	<u>\$ 578,472,207</u>	<u>\$ -</u>

**NORTH PENN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**

NOTE 8: CHANGES IN LONG-TERM LIABILITIES (CONTINUED)

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.

NOTE 9: UNEARNED REVENUE

General Fund

Program grants received prior to the incurrence of qualifying expenditures are recorded as unearned revenue. At June 30, 2021, unearned revenue consisted of \$180,879, which represents funds received to be used for future expenditures.

School Nutrition Services Fund

Unearned revenue of \$198,583 in the School Nutrition Services Fund represents the carryover of student deposits.

Community Education Fund

Unearned revenue of \$78,351 represents deposits received for 2021-2022 school year programs.

Extended Care Fund

Unearned revenue of \$15,946 represents unapplied credit accounts.

Self-Insurance Fund

Unearned revenue of \$1,835 represents COBRA payments for 2021-2022 school year.

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.

The Pennsylvania Public School Employees' Retirement System ("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.

**NORTH PENN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**

NOTE 10: PENSIONS (CONTINUED)

General Information about the Pension Plan (Continued)

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.

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").

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 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.

**NORTH PENN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**

NOTE 10: PENSIONS (CONTINUED)

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.

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.

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, 2021, was 33.69 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 .18 percent. Contributions to the plan from the School District were \$43,868,446 for the year ended June 30, 2021.

**NORTH PENN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**

NOTE 10: PENSIONS (CONTINUED)

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

At June 30, 2021, the School District reported a total liability of \$463,536,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2019 to June 30, 2020. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll for all members of the PSERS Plan. At June 30, 2021, the School District's proportion was 0.9414 percent, which was a decrease of 0.0559 percent from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the School District recognized pension expense of \$47,104,000. At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
GOVERNMENTAL ACTIVITIES		
Differences between expected and actual experience	\$ 1,176,610	\$ -
Changes in proportions	64,643,710	48,349,650
Difference between employer contributions and proportionate share of total contributions	4,108,581	-
Contributions subsequent to the measurement date	42,552,393	-
Net difference between projected and actual investment earnings	8,984,140	-
	<u>\$ 121,465,434</u>	<u>\$ 48,349,650</u>
BUSINESS-TYPE ACTIVITIES		
Differences between expected and actual experience	\$ 36,390	\$ -
Net difference between projected and actual investment earnings	277,860	-
Changes in proportions	1,999,290	1,495,340
Difference between employer contributions and proportionate share of total contributions	127,070	-
Contributions subsequent to the measurement date	1,316,053	-
	<u>\$ 3,756,663</u>	<u>\$ 1,495,340</u>

\$43,868,446 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, 2022. 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
2021	\$ 1,721,896	\$ 53,255	\$ 1,775,151
2022	4,880,811	150,953	5,031,764
2023	9,928,830	307,077	10,235,907
2024	9,951,002	307,763	10,258,765
2025	4,080,528	126,202	4,206,730
Thereafter	324	20	344
	<u>\$ 30,563,391</u>	<u>\$ 945,270</u>	<u>\$ 31,508,661</u>

**NORTH PENN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**

NOTE 10: PENSIONS (CONTINUED)

Actuarial Assumptions

The total pension liability as of June 30, 2020 was determined by rolling forward the System's total pension liability as of the June 30, 2019 to June 30, 2020 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 – 7.25 percent, including inflation of 2.75 percent.
- Salary Growth – Effective average of 5.00 percent, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

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

**NORTH PENN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**

NOTE 10: PENSIONS (CONTINUED)

Discount Rate - The discount used to measure the total pension liability was 7.25 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 7.25 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 (6.25 percent) or one percentage point higher (8.25 percent) than the current rate.

1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
\$ 573,492,000	\$ 463,536,000	\$ 370,388,000

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, 2021, the District reported a payable of \$16,057,057 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2021.

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.

**NORTH PENN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**

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, 2020, 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 postemployment benefits pension plan that provides premium assistance to eligible public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.pa.gov.

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the 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, 2020 there were no assumed future benefit increases to participating eligible retirees.

**NORTH PENN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**

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

Contributions

The School Districts' contractually required contribution rate for fiscal year ended June 30, 2021 was 0.82% 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 District were \$368,524 for the year ended June 30, 2021.

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

At June 30, 2021, the School District reported a liability of \$20,345,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2019 to June 30, 2020. The 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 of all School Districts in the PSERS Plan. At June 30, 2021, the School District's proportion was 0.9416 percent, which was an decrease of 0.0557 percent from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the School District recognized OPEB expense of \$1,618,000. At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resource
GOVERNMENTAL ACTIVITIES		
Difference between expected and actual experience	\$ 181,390	\$ -
Change in assumptions	804,130	432,620
Net Difference between projected and actual investment earnings	33,950	-
Change in Proportions	5,298,140	3,990,580
Contributions made subsequent to measurement date	357,468	-
Difference between employer contributions and proportionate share of total contributions	650,362	-
	<u>\$ 7,325,440</u>	<u>\$ 4,423,200</u>
BUSINESS-TYPE ACTIVITIES		
Difference between expected and actual experience	\$ 5,610	\$ -
Change in assumptions	24,870	13,380
Net Difference between projected and actual investment earnings	1,050	-
Change in Proportions	163,860	123,420
Contributions made subsequent to measurement date	11,056	-
Difference between employer contributions and proportionate share of total contributions	20,114	-
	<u>\$ 226,560</u>	<u>\$ 136,800</u>

**NORTH PENN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**

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):

\$368,524 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Governmental Activities	Business-Type Activities	Total
2021	\$ 461,021	\$ 14,258	\$ 475,279
2022	456,117	14,107	470,224
2023	451,752	13,972	465,724
2024	593,547	18,537	612,084
2025	520,540	16,099	536,639
Thereafter	61,795	1,641	63,436
	<u>\$ 2,544,772</u>	<u>\$ 78,614</u>	<u>\$ 2,623,386</u>

Actuarial Assumptions

The total OPEB liability as of June 30, 2020 was determined by rolling forward the System's total OPEB liability as of the June 30, 2019 actuarial valuation to June 30, 2020 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 – 2.66% - S&P 20 Year Municipal Bond Rate.
- Salary growth – Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit 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 the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate pre age 65 at 50%.
 - Eligible retirees will elect to participate post age 65 at 70%.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2018 determined the employer contribution rate for fiscal year 2020.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2014 Morality 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, 2021**

**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 2.79% as of June 30, 2019 to 2.66% as of June 30, 2020.

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 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	50.3%	-1.0%
US Core Fixed Income	46.5%	-0.1%
Non-US Developed Fixed	3.2%	-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, 2020.

Discount Rate

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

**NORTH PENN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**

**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, 2020, 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:

	1% Decrease (Between 4% to 6.50%)	Current Trend Rate (Between 5% to 7.50%)	1% Increase (Between 6% to 8.50%)	
District's Proportionate Share of net OPEB liability	\$ 20,343,000	\$ 20,345,000	\$ 20,347,000	

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 2.66%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.66%) or 1 percentage point higher (3.66%) than the current discount rate:

Discount Sensitivity

	1% Decrease 1.66%	Current Discount Rate 2.66%	1% Increase 3.66%	
District's Proportionate Share of net OPEB liability	\$ 23,197,000	\$ 20,345,000	\$ 17,984,000	

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, 2021, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits:	54
Inactive plan member entitled to but not yet receiving benefits:	-
Active total plan members:	<u>1,889</u>
	1,943

**NORTH PENN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**

**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, 2021 benefit payments paid as they came due were \$205,172.

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 \$8,971,211 was measured as of July 1, 2020 and used actuarial assumptions for the valuation date of July 1, 2019.

Assumptions

The following assumptions and actuarial methods and calculation were used:

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

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

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

**NORTH PENN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**

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, 2021**

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

Changes in Assumptions – The discount rate changed from 3.36% to 1.86% 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, 2021 were as follow:

Balance at June 30, 2020		\$	7,409,865
Changes for the year			
Service Cost			521,222
Interest Cost			262,750
Change of Assumptions			982,546
Benefit Payments			<u>(205,172)</u>
Net Changes			<u>1,561,346</u>
Balance at June 30, 2021		\$	<u>8,971,211</u>

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

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using discount rate that is 1-percentage point lower (0.86 percent) or 1 percentage point higher (2.86 percent) than the current discount rate:

	1% Decrease 0.86%		Current Discount Rate 1.86%		1% Increase 2.86%
System Total OPEB liability	\$ 9,633,797	\$	8,971,211	\$	8,337,220

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	\$ 7,828,676	\$	8,971,211	\$	10,338,701

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - For the year ended June 30, 2021, the School District recognized OPEB expense of \$596,950. At June 30, 2021, 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, 2021**

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

	Deferred Outflows of Resources	Deferred Inflows of Resource
GOVERNMENTAL ACTIVITIES		
Difference between expected and actual experience	\$ -	\$ 2,738,916
Change in assumptions	1,159,425	175,856
Benefit payments made subsequent to measurement date	217,479	-
	\$ 1,376,904	\$ 2,914,772
 BUSINESS-TYPE ACTIVITIES		
Difference between expected and actual experience	\$ -	\$ 84,709
Change in assumptions	35,859	5,439
Benefit payments made subsequent to measurement date	6,726	-
	\$ 42,585	\$ 90,148

\$224,205 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Governmental Activities	Business-Type Activities
2021	\$ (181,411)	\$ (5,611)
2022	(181,411)	(5,611)
2023	(181,411)	(5,611)
2024	(181,411)	(5,611)
2025	(181,411)	(5,611)
Thereafter	(848,291)	(26,236)
	\$ (1,755,347)	\$ (54,289)

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 \$1,875,082 at June 30, 2021, 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 \$6,263,013 at June 20, 2021, is recorded in compensated absences on the statement of net position.

**NORTH PENN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**

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 reasonably 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 2020-2021 was \$4,294,228.

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:

2022	\$	158,913
2023		179,762
2024		179,707
2025		180,889
2026		179,800
2027-2031		899,789
	<u>\$</u>	<u>1,778,860</u>

**NORTH PENN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**

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 \$361,873 in donated foods received during the year ended June 30, 2021.

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 \$17,142,631. 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, 2021 and June 30, 2020 as follows:

<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

<u>Liability as of 6-30-19</u>	<u>Incurred Claims</u>	<u>Payments Made</u>	<u>Liability as of 6-30-20</u>
\$ 1,610,845	\$ 27,908,115	\$ (27,561,628)	\$ 1,957,332

**NORTH PENN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**

NOTE 19: ADOPTED ACCOUNTING PRONOUNCEMENTS

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The District has implemented the effects of this Statement for the reporting period ended June 30, 2021.

The adoption of this statement requires the replacement of Agency Funds with Custodial Funds and the presentation of the Statement of Changes in Fiduciary Net Position for the Custodial Funds. The adoption of this statement resulted in a restatement of Fund Balance and Net Position as discussed in Note 22.

In October 2021, the GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. The District has implemented the effects of this Statement for the reporting period ended June 30, 2021.

This Statement establishes the term *annual comprehensive financial report* and its acronym *ACFR*. That new term and acronym release replace instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local government.

NOTE 20: NEW ACCOUNTING PRONOUNCEMENTS

In June 2017, the GASB issued Statement No. 87, *Leases*. The District is required to adopt Statement No. 87 for its fiscal year 2022 financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The District is required to adopt Statement No. 89 for its fiscal 2022 financial statements.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The District is required to adopt Statement No. 91 for its fiscal 2023 financial statements.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The District is required to adopt Statement No. 92 for its fiscal 2022 financial statements.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The District is required to adopt Statement No. 93 for its fiscal 2022 financial statements.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The District is required to adopt Statement No. 94 for its fiscal 2023 financial statements.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The District is required to adopt Statement No. 96 for its fiscal 2023 financial statements.

In May 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a suppression of GASB Statement No. 32*. The District is required to adopt Statement No. 96 for its fiscal 2023 financial statements.

District management is in the process of analyzing these pending changes in accounting principles and the impact they will have on the District's financial reporting process.

**NORTH PENN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**

NOTE 21: RISKS AND UNCERTAINTIES

As the effects of the Coronavirus pandemic continue to evolve and are dependent upon future developments, the impact of the Coronavirus on the District’s operations and financial results are uncertain at this time.

NOTE 22: RESTATEMENT

The beginning net position of the Special Revenue Fund and Custodial Funds has been restated for the implementation of GASB 84. The adoption of this statement requires the replacement of Agency Funds with Custodial Funds, the presentation of the Statement of Changes in Fiduciary Net Position for the Custodial Funds, and the reclassification of certain accounts from fiduciary to governmental. The adoption of this statement resulted in a restatement of Fund Balance and Net Position as shown below:

	Governmental Activities	Special Revenue Fund -Student Sponsored Activities	Custodial Funds
Begining Net Position, previously reported	\$ (217,807,623)	\$ -	\$ -
Net Adjustment for adoption of GASB 84	160,363	160,363	165,850
Beginning Net Position, as restated	\$ (217,647,260)	\$ 160,363	\$ 165,850

NOTE 23: SUBSEQUENT AND CONTINUING EVENTS

The District has evaluated subsequent events for disclosure or recording through November 16, 2021, 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, 2021**

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local sources	\$ 211,719,222	\$ 211,719,222	\$ 217,029,929	\$ 5,310,707
State sources	54,885,476	54,885,476	54,362,596	(522,880)
Federal sources	5,112,172	5,112,172	4,940,833	(171,339)
Total Revenues	<u>271,716,870</u>	<u>271,716,870</u>	<u>276,333,358</u>	<u>4,616,488</u>
Expenditures				
Current:				
Instruction	173,688,409	174,678,414	171,427,869	3,250,545
Support	81,297,622	83,493,921	76,795,864	6,698,057
Operation of Non-Instructional Services	3,418,265	3,400,324	2,644,634	755,690
Refund of Prior Year Revenues	367,972	367,972	378,004	(10,032)
Debt Service	14,176,386	14,176,386	24,017,301	(9,840,915)
Total Expenditures	<u>272,948,654</u>	<u>276,117,017</u>	<u>275,263,672</u>	<u>853,345</u>
Other Financing Sources (Uses):				
Budgetary Reserve	(3,460,049)	(271,687)	-	271,687
Insurance Recoveries	-	-	30,142	30,142
Bond Premium Proceeds	-	-	9,981,000	9,981,000
Proceeds from Sale of Capital Assets	-	-	1,250	1,250
Transfers Out	<u>(1,733,417)</u>	<u>(1,733,417)</u>	<u>(6,733,417)</u>	<u>(5,000,000)</u>
Total Other Financing Sources (Uses)	<u>(5,193,466)</u>	<u>(2,005,104)</u>	<u>3,278,975</u>	<u>5,284,079</u>
Net Change in Fund Balance	(6,425,250)	(6,405,251)	4,348,661	10,753,912
Fund Balance at Beginning of Year	<u>41,114,415</u>	<u>41,114,415</u>	<u>37,888,161</u>	<u>(3,226,254)</u>
Fund Balance at End of Year	<u>\$ 34,689,165</u>	<u>\$ 34,709,164</u>	<u>\$ 42,236,822</u>	<u>\$ 7,527,658</u>

**NORTH PENN SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2021**

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, 2021, expenditures exceeded appropriations in the following General Fund department levels:

Debt Service:	\$9,840,915
Refund of Prior Year Revenues	\$10,032
Transfers Out	\$5,000,000

The excess debt service expenditures were funded by the District's issuance of General Obligation Note Series A of 2020. The excess refunds of prior year revenues and 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 SEVEN FISCAL YEARS**

	<u>Measurement Date</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	0.9414%	0.9973%	0.8500%	1.1055%	0.7548%	0.9051%	0.8931%
District's proportionate share of the net pension liability	\$ 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	\$ 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	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	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 SEVEN 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>
Contractually required contribution	\$ 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	43,868,446	43,214,349	44,661,000	38,963,000	35,740,000	29,998,000	23,825,000
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 132,161,494	\$ 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	33.19%	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 THE SCHOOL DISTRICT'S PROPORTIONATE
SHARE OF THE PSERS NET OTHER POSTEMPLOYMENT BENEFITS LIABILITY
LAST FOUR FISCAL YEARS**

	Measurement Date			
	2020	2019	2018	2017
District's proportion of the net OPEB liability	0.9416%	0.9973%	0.8500%	1.1055%
District's proportionate share of the net OPEB liability	\$ 20,345,000	\$ 21,211,000	\$ 17,722,000	\$ 22,524,000
District's covered payroll	\$ 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	15.75%	15.42%	15.48%	15.30%
Plan fiduciary net position as a percentage of the total OPEB liability	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 FOUR 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>
Contractually determined contribution	\$ 368,574	\$ 1,088,131	\$ 1,143,000	\$ 323,295
Contributions in relation to the contractually determined contribution	368,574	1,088,131	1,143,000	323,295
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 132,161,494	\$ 129,190,879	\$ 137,541,880	\$ 114,469,452
Contributions as a percentage of covered payroll	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 FOUR FISCAL YEARS**

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

Changes of Assumptions

- The discount rate changed from 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, 2021**

	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	
Assets							
Cash and Cash Equivalents - Restricted	\$ 496,504	\$ 2,631,471	\$ 651,016	\$ 79,226	\$ 195,546	\$ 172,269	\$ 4,226,032
Due from Other Funds	3,500,000	-	-	-	-	-	3,500,000
Other Receivables	-	-	-	-	6,546	11,192	17,738
Total Assets	\$ 3,996,504	\$ 2,631,471	\$ 651,016	\$ 79,226	\$ 202,092	183,461	\$ 7,743,770
Liabilities, Deferred Inflows of Resources and Fund Balances							
Liabilities							
Accounts Payable	\$ 372,479	\$ -	\$ -	\$ -	\$ -	17,336	\$ 389,815
Due to Other Funds	2,828	-	-	-	85	3,242	6,155
Total Liabilities	375,307	-	-	-	85	20,578	395,970
Fund Balances							
Restricted for student activities	-	-	-	-	-	162,883	162,883
Restricted for capital projects	-	2,631,471	651,016	79,226	202,007	-	3,563,720
Assigned to capital projects	3,621,197	-	-	-	-	-	3,621,197
Total Fund Balances	3,621,197	2,631,471	651,016	79,226	202,007	162,883	7,347,800
Total Liabilities, Deferred Inflows of Resources & Fund Balances	\$ 3,996,504	\$ 2,631,471	\$ 651,016	\$ 79,226	\$ 202,092	\$ 183,461	\$ 7,743,770

**NORTH PENN SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2021**

	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 und	
Revenues							
Local Sources	\$ 9,201	\$ 6,560	\$ 1,765	\$ 3,010	\$ 502	\$ 77,983	\$ 99,021
Total Revenues	<u>9,201</u>	<u>6,560</u>	<u>1,765</u>	<u>3,010</u>	<u>502</u>	<u>77,983</u>	<u>99,021</u>
Expenditures							
Facilities Acquisition, Construction and Improvement Services	9,694,728	-	152,684	1,303,166	85	-	11,150,663
Student Activities and Athletics	-	-	-	-	-	75,463	75,463
Total Expenditures	<u>9,694,728</u>	<u>-</u>	<u>152,684</u>	<u>1,303,166</u>	<u>85</u>	<u>75,463</u>	<u>11,226,126</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(9,685,527)</u>	<u>6,560</u>	<u>(150,919)</u>	<u>(1,300,156)</u>	<u>417</u>	<u>2,520</u>	<u>(11,127,105)</u>
Other Financing Sources (Uses)							
Transfers In (Out)	5,233,417	-	-	-	-	-	5,233,417
Total Other Financing Sources (Uses)	<u>5,233,417</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,233,417</u>
Net Change in Fund Balances	<u>(4,452,110)</u>	<u>6,560</u>	<u>(150,919)</u>	<u>(1,300,156)</u>	<u>417</u>	<u>2,520</u>	<u>(5,893,688)</u>
Fund Balances at Beginning of Year, as restated (Note 22)	8,073,307	2,624,911	801,935	1,379,382	201,590	160,363	13,241,488
Fund Balances at End of Year	<u>\$ 3,621,197</u>	<u>\$ 2,631,471</u>	<u>\$ 651,016</u>	<u>\$ 79,226</u>	<u>\$ 202,007</u>	<u>\$ 162,883</u>	<u>\$ 7,347,800</u>



Zelenkofske Axlerod LLC

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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, 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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 16, 2021.

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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

830 Sir Thomas Court, Suite 100, Harrisburg, PA 17109
3800 McKnight East Drive, Suite 3805, Pittsburgh, PA 15237
34745 Burbage Road, Frankford, DE 19945

2370 York Road, Suite A-5, Jamison, PA 18929
420 Chinquapin Round Road, Suite 2-i, Annapolis, MD 21401
210 Tollgate Hill Road, Greensburg, PA 15601



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

Zelenkofske Axelrod LLC

ZELENKOFKSKE AXELROD LLC

Jamison, Pennsylvania
November 16, 2021



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

We have audited the North Penn School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2021. 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.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.



Zelenkofske Axlerod LLC

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Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

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

Zelenkofske Axlerod LLC

ZELENKOFKSKE AXELROD LLC

Jamison, Pennsylvania
November 16, 2020

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

NORTH PENN SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AND CERTAIN STATE AWARDS
YEAR ENDED JUNE 30, 2021

Federal Grantor/ Pass-Through Grantor/Program Title	Source Code	Federal CFDA 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, 2020	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue at June 30, 2021	Amount Passed Through to Subrecipients
U.S. DEPARTMENT OF EDUCATION											
Passed through the Pennsylvania Department of Education											
Title I Improving Basic Programs	I	84.010	13-200289	July 1, 2019 to June 30, 2020	\$ 1,193,049	\$ 170,387	\$ 102,662	\$ 67,725	\$ 67,725	\$ -	\$ -
Title I Improving Basic Programs	I	84.010	13-210289	July 1, 2020 to June 30, 2021	1,244,744	893,064	-	1,037,165	1,037,165	144,101	-
Total Title I					2,437,793	1,063,451	102,662	1,104,890	1,104,890	144,101	-
Title II Improving Teacher Quality	I	84.367	20-200289	July 1, 2019 to June 30, 2020	272,522	154,684	(9,702)	164,386	164,386	-	-
Title II Improving Teacher Quality	I	84.367	20-210289	July 1, 2020 to June 30, 2021	280,218	80,204	-	42,071	42,071	(38,133)	-
Total Title II					552,740	234,888	(9,702)	206,457	206,457	(38,133)	-
Title III Language Inst LEP/Immigrant Students	I	84.365	10-190289	July 1, 2018 to June 30, 2019	135,887	-	(21,380)	21,380	21,380	-	-
Title III Language Inst LEP/Immigrant Students	I	84.365	10-200289	July 1, 2019 to June 30, 2020	134,985	67,492	8,274	40,055	40,055	(19,163)	-
Title III Language Inst LEP/Immigrant Students	I	84.365	10-210289	July 1, 2020 to June 30, 2021	152,669	76,335	-	85,585	85,585	9,250	-
Total Title III					423,541	143,827	(13,106)	147,020	147,020	(9,913)	-
Title IV Student Support and Academic Enrichment	I	84.424	144-200289	July 1, 2019 to September 30, 2020	91,298	13,043	11,239	1,804	1,804	-	-
Title IV Student Support and Academic Enrichment	I	84.424	144-210289	July 1, 2020 to September 30, 2021	90,882	77,899	-	82,020	82,020	4,121	-
Total Title IV					182,180	90,942	11,239	83,824	83,824	4,121	-
COVID-19 Special Education Impact Mitigation	I	84.425	C 252-200289	March 13, 2020 to September 30, 2021	151,535	39,878	-	27,300	27,300 *	(12,578)	-
COVID-19 CARES Act ESSER	I	84.425	D 200-200289	March 13, 2020 to September 30, 2021	984,263	68,670	-	215,775	215,775 *	147,105	-
COVID-19 ESSER II	I	84.425	D 200-210289	March 13, 2020 to September 30, 2023	Not Yet Awarded	-	-	1,744,486	1,744,486 *	1,744,486	-
American Rescue Plan Elementary and Secondary Schools Emergency Relief Fund	I	84.425	U 223-210289	March 13, 2020 to September 30, 2024	Not Yet Awarded	-	-	49,128	49,128 *	49,128	-
Total Education Sabilization Fund					1,135,798	108,548	-	2,036,689	2,036,689	1,928,141	-
Total State Department of Education					4,732,052	1,641,656	91,093	3,578,880	3,578,880	2,028,317	-

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, 2021**

Federal Grantor/ Pass-Through Grantor/Program Title	Source Code	Federal CFDA 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, 2020	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue at June 30, 2021	Amount Passed Through to Subrecipients
Passed through the Lancaster-Lebanon Intermediate Unit											
Dyslexia Screening and Early Literacy Intervention Pilot Program Expansion	I	84.027	N/A	July 1, 2019 to September 30, 2020	40,000	39,935	39,935	-	-	-	-
Dyslexia Screening and Early Literacy Intervention Pilot Program Expansion	I	84.027	062-210033	July 1, 2020 to September 30, 2021	40,000	40,000	-	40,000	40,000	-	-
District Coaches Leadership Stipend 2020-21	I	84.027	062-210033	July 1, 2020 to September 30, 2021	2,000	-	-	2,000	2,000	2,000	-
Total Lancaster-Lebanon Intermediate Unit					82,000	79,935	39,935	42,000	42,000	2,000	-
Passed through the Montgomery County Intermediate Unit											
IDEA - Part B	I	84.027	N/A	July 1, 2019 to June 30, 2020	2,202,227	682,767	682,767	-	-	-	-
IDEA - Part B	I	84.027	N/A	July 1, 2020 to June 30, 2021	2,268,453	1,242,437	-	2,268,453	2,268,453	1,026,016	-
Total IDEA - Part B					4,470,680	1,925,204	682,767	2,268,453	2,268,453	1,026,016	-
IDEA - SECTION 619	I	84.391	N/A	July 1, 2020 to June 30, 2021	13,206	-	-	13,206	13,206	13,206	-
Total Montgomery County Intermediate Unit					4,483,886	1,925,204	682,767	2,281,659	2,281,659	1,039,222	-
Total Special Education					4,565,886	2,005,139	722,702	2,323,659	2,323,659	1,041,222	-
Passed through the Pennsylvania Commission on Crime and Delinquency											
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	1,050	1,050	-
Total PA Commission on Crime and Delinquency					374,355	-	-	1,050	1,050	1,050	-
Total U.S. Department of Education					9,672,293	3,646,795	813,795	5,903,589	5,903,589	3,070,589	-
SUBTOTAL FORWARD					9,672,293	3,646,795	813,795	5,903,589	5,903,589	3,070,589	-

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, 2021**

Federal Grantor/ Pass-Through Grantor/Program Title	Source Code	Federal CFDA 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, 2020	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue at June 30, 2021	Amount Passed Through to Subrecipients
U.S. DEPARTMENT OF TREASURY											
Passed through the Pennsylvania Commission on Crime and Delinquency											
COVID-19 Coronavirus Relief Fund	I	21.019	2020-CS-01-33453	March 1, 2020 to October 30, 2020	602,775	602,775	-	602,775	602,775	*	-
Passed through the Montgomery County Intermediate Unit											
COVID-19 Coronavirus Relief Fund	I	21.019	N/A	March 1, 2020 to December 30, 2020	1,625,619	1,625,619	-	1,625,619	1,625,619	*	-
Passed through Montgomery County											
COVID-19 Coronavirus Relief Fund	I	21.019	N/A	March 1, 2020 to November 30, 2020	81,900	29,008	-	29,008	29,008	*	-
Total US Department of Treasury					<u>2,310,294</u>	<u>2,257,402</u>	<u>-</u>	<u>2,257,402</u>	<u>2,257,402</u>	<u>-</u>	<u>-</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES											
Passed through the Pennsylvania Department of Public Welfare											
Medical Assistance Reimbursement	I	93.778	N/A	July 1, 2019 to June 30, 2020	57,326	32,874	32,874	-	-	-	-
Medical Assistance Reimbursement	I	93.778	N/A	July 1, 2020 to June 30, 2021	83,437	31,963	-	83,437	83,437	51,474	-
Total Medicaid Cluster					<u>140,763</u>	<u>64,837</u>	<u>32,874</u>	<u>83,437</u>	<u>83,437</u>	<u>51,474</u>	<u>-</u>
Passed through the Pennsylvania Department of Public Welfare											
Child Care and Development Block Grant	I	93.575	N/A	July 1, 2019 to June 30, 2020	72,300	35,100	35,100	-	-	-	-
Total CCOF Cluster					<u>72,300</u>	<u>35,100</u>	<u>35,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Passed through the Montgomery County											
Child Care and Development Block Grant	I	93.575	N/A	N/A	18,000	18,000	-	18,000	18,000	-	-
Child Care and Development Block Grant	I	93.575	N/A	N/A	172,900	172,900	-	172,900	172,900	-	-
Total U.S. Department of Health and Human Services					<u>403,963</u>	<u>290,837</u>	<u>67,974</u>	<u>274,337</u>	<u>274,337</u>	<u>51,474</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, 2021**

Federal Grantor/ Pass-Through Grantor/Program Title	Source Code	Federal CFDA 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, 2020	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue at June 30, 2021	Amount Passed Through to Subrecipients	
U.S. DEPARTMENT OF AGRICULTURE												
Department of Education												
Child Nutrition Cluster												
National School Lunch Program	I	10.555	N/A	July 1, 2020 to June 30, 2021	N/A	261,260	-	248,696	248,696	(12,564)	-	
Department of Education												
Child Nutrition Cluster												
Summer Food Program	I	10.559	N/A	July 1, 2019 to July 1, 2020 to	N/A	207,431	207,431	-	-	-	-	
Child Nutrition Cluster	I	10.559	N/A	July 1, 2020 to June 30, 2021	N/A	5,595,714	-	5,156,518	5,156,518	(439,196)	-	
Summer Food Program												
Total Child Nutrition Cluster						6,064,405	207,431	5,405,214	5,405,214	(451,760)	-	
Total State Department of Education						6,064,405	207,431	5,405,214	5,405,214	(451,760)	-	
Agriculture												
Value of U.S.D.A. donated commodities	I	10.555	N/A	July 1, 2020 to June 30, 2021		354,457 (A)	- (B)	354,457 (C)	354,457 (D)	-	-	
National School Lunch Program												
Value of U.S.D.A. donated commodities	I	10.555	N/A	July 1, 2020 to June 30, 2021		7,416 (A)	- (B)	7,416 (C)	7,416 (D)	-	-	
Summer Food Service Program												
Total State Department of Agriculture						361,873	-	361,873	361,873	-	-	
Total U.S. Department of Agriculture						6,426,278	207,431	5,767,087	5,767,087	(451,760)	-	
TOTAL FEDERAL AND STATE AWARDS						\$ 12,386,550	\$ 12,621,312	\$ 1,089,200	\$ 14,202,415	\$ 14,202,415	\$ 2,670,303	\$ -

Footnotes:

- (A) Total amount of commodities received from Department of Agriculture.
- (B) Beginning inventory at July 1, 2020
- (C) Total amount of commodities used
- (D) Ending inventory at June 30, 2021

Source Codes:

- 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, 2021**

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 CFDA #10.555 represent surplus food consumed by the District during the 2020-2021 fiscal year. The District has food commodities totaling \$361,873 as of June 30, 2021.

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, 2021**

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>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.019	CARES Act
84.425	Elementary and Secondary Schools Emergency Relief Fund

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, 2021**

No findings were reported.