

NORTH PENN SCHOOL DISTRICT

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2023

NORTH PENN SCHOOL DISTRICT

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-12
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements:	
Governmental Funds	
Balance Sheet – Governmental Funds	15
Reconciliation of Governmental Funds Balances to Net Position of Governmental Activities	16
Statement of Revenues, Expenditures, and Changes in Fund Balances	17
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	18
Proprietary Funds	
Statement of Net Position	19
Statement of Revenues, Expenses, and Changes in Net Position	20
Statement of Cash Flows	21
Fiduciary Funds	
Statement of Net Position	22
Statement of Changes in Net Position	23
NOTES TO THE BASIC FINANCIAL STATEMENTS	24-55

NORTH PENN SCHOOL DISTRICT

TABLE OF CONTENTS

	Page
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General Fund	57
Notes to the Budgetary Comparison Schedule	58
Schedule of the School District’s Proportionate Share of the Net Pension Liability	59
Schedule of the School District’s Pension Contributions	60
Schedule of the School District’s Proportionate Share of the PSERS Net Other Postemployment Benefits Liability	61
Schedule of the School District’s PSERS Other Postemployment Benefits Plan Contributions	62
Schedule of Changes in the Total Other Postemployment Benefits Plan Liability and Related Ratios	63
SUPPLEMENTARY INFORMATION	
Nonmajor Governmental Funds	
Combining Balance Sheet	65
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	66
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	67-68
Independent Auditor’s Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance in Accordance with The Uniform Guidance	69-71
SUPPLEMENTARY INFORMATION – MAJOR FEDERAL AWARD PROGRAMS AUDIT	
Schedule of Expenditures of Federal and Certain State Awards	73-75
Notes to the Schedule of Expenditures of Federal Awards	76
Schedule of Findings and Questioned Costs	77
Summary of Prior Audit Findings	78



Zelenkofske Axelrod LLC

CERTIFIED PUBLIC ACCOUNTANTS

EXPERIENCE | EXPERTISE | ACCOUNTABILITY

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the North Penn School District (the "District"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

www.zallc.org



To the Board of Directors
North Penn School District
Page 2

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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



To the Board of Directors
North Penn School District
Page 3

Supplementary Information

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

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Zelenkofske Axlerod LLC

ZELENKOFKSKE AXELROD LLC

Jamison, Pennsylvania
December 11, 2023

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, 2023.

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 were \$304.7 million or \$8.5 million above the originally budgeted revenues. The strong revenues reflect real estate tax collection, earned income tax, real estate transfer tax, and higher interest rates leading to much higher investment income. Actual expenditures totaled \$298.6 million and included \$13.0 million that was transferred to the Capital Reserve Fund. Actual expenditures were \$1.8 million under the originally budgeted expenditures. The School District experienced a net \$11.1 million positive variance relative to the original budget. The unassigned fund balance was increased by \$730,080, as a result bringing the total to \$22,474,854. Total fund balances amounted to \$54.6 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary

information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

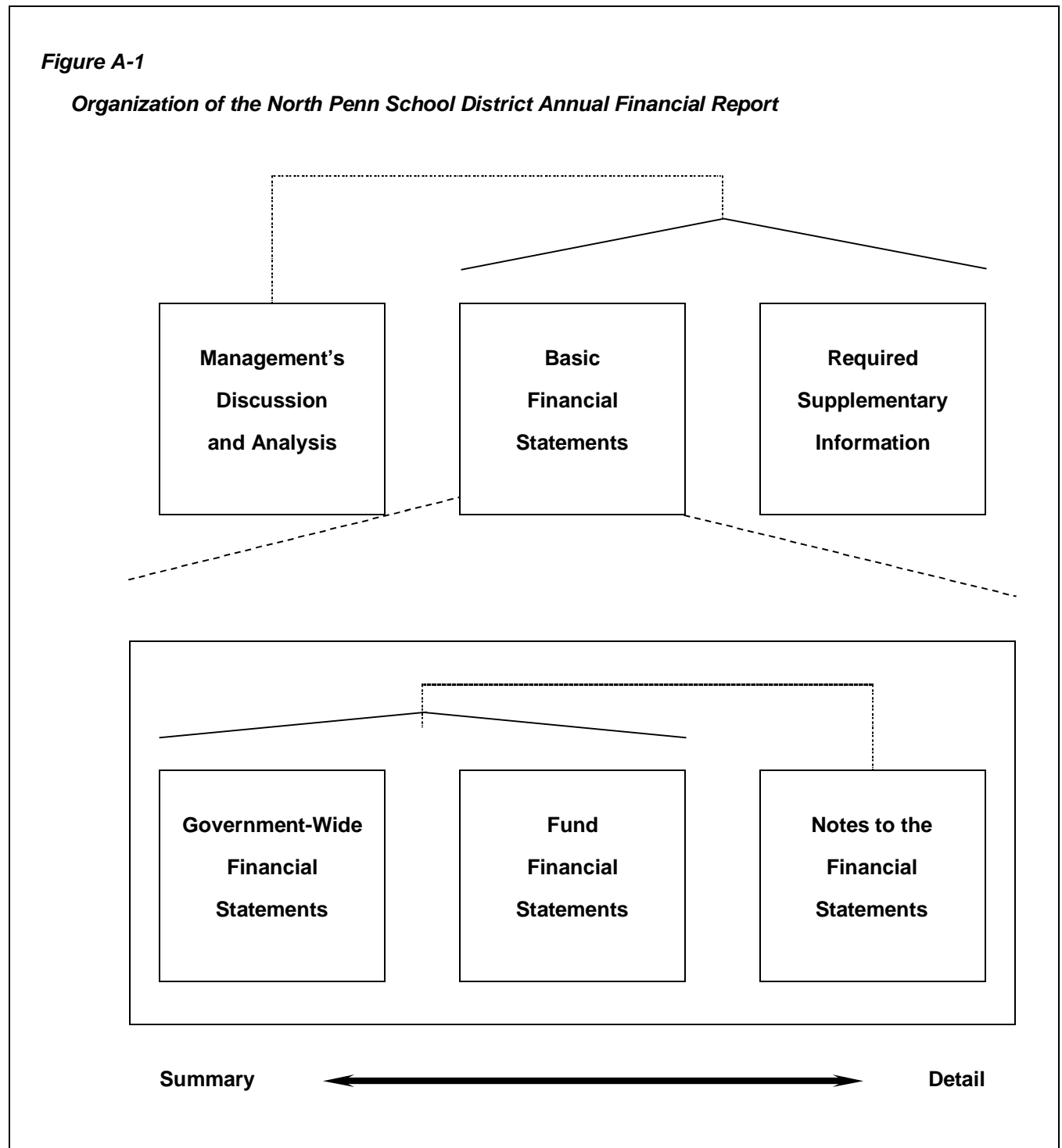


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents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

Figure A-2

Major Features of the Government-Wide and Fund Financial Statements

	Government-Wide Statements	Fund Financial 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

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 \$25.0 million while the net asset deficit of the business-type activities decreased by \$1.7 million (Figure A-4).
- Program-specific revenues in the form of charges for services and grants and contributions accounted for \$60.2 million or 19% of total revenues. General revenues accounted for \$254.3 million or 81% of total revenues (Figure A-4).
- Governmental fund expenses totaled \$292.0 million of which \$182.7 million was spent on instructional services, \$87.7 million was spent on support services, \$3.3 million was spent on non-instructional/student activities/athletic services, \$11.7 million was spent for debt service payments, \$6.3 million was spent on facilities acquisition, construction, and improvement services, and \$0.3 million was for refunds of prior year revenues (See Statement of Revenues, Expenditures, and Changes in Fund Balances for Governmental Funds on page 17).
- 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 three-year agreement with the Board of School Directors that expires June 30, 2025.

NORTH PENN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2023

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

	Governmental Activities		Business-Type Activities		Total District		Total Percentage Change 2023 - 2022
	2023	2022	2023	2022	2023	2022	
Assets							
Current and Other Assets	\$ 129.9	\$ 121.2	\$ 7.8	\$ 6.2	\$ 137.7	\$ 127.4	
Capital Assets, Net	207.6	208.4	0.4	0.3	208.0	208.7	
Total Assets	337.5	329.6	8.2	6.5	345.7	336.1	2.9%
Deferred Outflows of Resources	71.5	90.0	2.2	2.8	73.7	92.8	-20.6%
Liabilities							
Long-Term Liabilities	496.6	475.8	13.3	12.3	509.9	488.1	
Other Liabilities	40.6	40.3	0.9	0.8	41.5	41.1	
Total Liabilities	537.2	516.1	14.2	13.1	551.4	529.2	4.2%
Deferred Inflows of Resources	31.6	88.4	1.0	2.7	32.6	91.1	-64.2%
Net Position							
Net Investment in Capital Assets	154.3	138.4	0.4	0.3	154.7	138.7	
Restricted	23.5	29.6	-	-	23.5	29.6	
Unrestricted	(337.6)	(352.9)	(5.2)	(6.8)	(342.8)	(359.7)	
Total Net Position	\$ (159.8)	\$ (184.9)	\$ (4.8)	\$ (6.5)	\$ (164.6)	\$ (191.4)	-14.0%
Restatement for adoption of GASB 84	-	-	-	-	-	-	
Total Net Position, as restated	\$ (159.8)	\$ (184.9)	\$ (4.8)	\$ (6.5)	\$ (164.6)	\$ (191.4)	-14.0%

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

	Governmental Activities		Business-Type Activities		Total District		Total Percentage Change 2023 - 2022
	2023	2022	2023	2022	2023	2022	
Revenues							
Program Revenues	\$ 50.2	\$ 61.5	\$ 10.0	\$ 11.6	\$ 60.2	\$ 73.1	
Other Revenues	254.3	226.3	-	0.1	254.3	226.4	
Total Revenues	304.5	287.8	10.0	11.7	314.5	299.5	5.0%
Expenses	279.5	266.3	8.3	8.7	287.8	275.0	4.7%
Change in Net Position	\$ 25.0	\$ 21.5	\$ 1.7	\$ 3.0	\$ 26.7	\$ 24.5	9.0%

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 \$7.9 million and total liabilities increased by \$21.1 million due to changes in the net pension and OPEB liabilities. The Governmental Net Position deficit decreased by \$25.0 million (Figure A-3).

The District depends heavily on local taxes to fund the District's programs. For 2022-2023, local sources comprised 77.4% of total revenue, of which current real estate taxes, including interim taxes, were \$197.0 million, delinquent real estate taxes were \$2.2 million, transfer taxes were \$5.4 million and earned income taxes were \$20.8 million. Other revenue comes from state subsidies (20.2%) and federal grants and other sources (2.4%).

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 \$10.0 million and expenses of approximately \$8.3 million, resulting in a \$1.7 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 District residents. Business-type activities typically receive no support from tax revenues.

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 School Nutrition Services Program was heavily supported by federal and state funding during the year. All students were provided a free breakfast with state funding.

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 continued to improve during the fiscal year. Real estate tax collections remained strong despite continued prolonged installment payments and a continued reduction in the late payment fee from 10% to 5%. The realty transfer tax (\$1.8 million) and earned income tax (\$0.5 million) exceeded the budgeted amounts. Investment income reached a high not seen in at least 10 years and exceeded the budgeted amount by \$4.6 million.

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 necessitates 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 8 propane-powered buses during the 2022-2023 fiscal year, bringing the total propane fleet to 46. Regular improvements to the buildings of the District are ongoing. Major renovation projects at Crawford Stadium and Knapp Elementary School were recently completed. The District is presently planning for a major renovation project at North Penn High School. A referendum in January 2024, will decide which option the District pursues.

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

	Governmental Activities		Business-Type Activities		Total District		Total Percentage Change 2023-2022
	2023	2022	2023	2022	2023	2022	
Land and Site Improvements	\$ 10.8	\$ 10.8	\$ -	\$ -	\$ 10.8	\$ 10.8	
Construction in Progress	4.0	25.1	0.2	-	4.2	25.1	
Buildings, Net	176.9	157.9	-	-	176.9	157.9	
Furniture and Equipment, Net	15.9	10.9	0.3	0.3	16.2	11.2	
	<u>\$ 207.6</u>	<u>\$ 204.7</u>	<u>\$ 0.5</u>	<u>\$ 0.3</u>	<u>\$ 208.1</u>	<u>\$ 205.0</u>	1.5%

Obligations

Long-term obligations increased by \$21.8 million, primarily due to increases in the net pension liability. The short-term debt increased by \$0.5 million due to the schedule of bond, note, and lease obligations. Total outstanding obligations increased by 4.5% (Figure A-6).

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

	2023	2022	Total Percentage Change
Long-Term Obligations			
General Obligation Bonds and Notes	\$ 49.4	\$ 60.3	
Other General Obligations	450.0	417.8	
Total Long-Term Obligations	<u>499.4</u>	<u>478.1</u>	
Short-Term Obligations			
General Obligation Bonds and Notes	10.3	9.8	
Other General Obligations	0.3	0.3	
Total Short-Term Obligations	<u>10.6</u>	<u>10.1</u>	
TOTAL	<u>\$ 510.0</u>	<u>\$ 488.2</u>	4.5%

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 \$6,373,145 in the 2022-2023 fiscal year that offset property taxes for those property owners who qualified for the homestead exemption.

The 2022-2023 school year was another strong year financially for the North Penn School. The District was able to make \$12,983,541 million in transfers to the Capital Reserve Fund from the General Fund to support capital projects. The unassigned fund balance in the General Fund increased from \$21,744,774 to

\$22,474,854. The increase was far greater than the originally budgeted decrease. Total fund balances in the general fund amounted to a fiscally healthy \$54,602,531. The fund balance includes \$28,165,168 committed to Capital Projects which will be a major asset to help address the upcoming high school renovation project and the ten-year capital projects plan.

North Penn School District has committed itself to educational and financial excellence. The District's system of budgeting, internal controls, and long-term financial projections are well-regarded and consistently followed. The District was recognized by the Association of School Business Officials International with the prestigious Meritorious Budget Award for the seventh straight year. The District 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 future direction of the District remains to uphold its high level of quality education while efficiently managing and preserving resources 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, 2023**

	Governmental Activities	Business-Type Activities	Totals
Assets			
Current Assets			
Cash and Cash Equivalents - Unrestricted	\$ 90,220,905	\$ 8,104,418	\$ 98,325,323
Cash and Cash Equivalents - Restricted	9,394,817	-	9,394,817
Investments	1,940,749	-	1,940,749
Taxes Receivable	1,782,083	-	1,782,083
Internal Balances	797,834	(797,834)	-
Due From Custodial Funds	11,409	-	11,409
Due from Other Governments	14,049,989	240,718	14,290,707
Inventories	225,697	196,125	421,822
Other Receivables	569,363	23,374	592,737
Prepaid Expenses	10,993,476	10,379	11,003,855
Capital Assets			
Land	10,491,943	-	10,491,943
Construction in Progress	4,035,482	169,990	4,205,472
Site Improvements	661,917	-	661,917
Building and Building Improvements	337,819,356	-	337,819,356
Furniture and Equipment	48,853,898	1,910,085	50,763,983
Accumulated Depreciation	(194,303,308)	(1,625,325)	(195,928,633)
Total Assets	<u>337,545,610</u>	<u>8,231,930</u>	<u>345,777,540</u>
Deferred Outflows of Resources			
Deferred Amount of Refunding	579,402	-	579,402
Deferred Outflows of Resources, Pension Activity	63,911,613	1,976,647	65,888,260
Deferred Outflows of Resources, OPEB Activity	6,961,314	215,299	7,176,613
Total Deferred Outflows of Resources	<u>71,452,329</u>	<u>2,191,946</u>	<u>73,644,275</u>
Liabilities			
Accounts Payable	6,813,557	140,856	6,954,413
Accrued Interest on Long-Term Debt	746,300	-	746,300
Accrued Salaries and Benefits	33,028,702	26,156	33,054,858
Due to Custodial Funds	9,013	-	9,013
Unearned Revenue	13,439	745,012	758,451
Long-Term Liabilities			
Portion Due or Payable Within One Year			
Bonds Payable, Net	10,279,000	-	10,279,000
Compensated Absences	334,157	-	334,157
Portion Due or Payable After One Year			
Bonds Payable, Net	49,389,580	-	49,389,580
Compensated Absences	6,108,911	-	6,108,911
Net Pension Liability	406,538,640	12,573,360	419,112,000
Net OPEB Obligation	23,985,726	741,827	24,727,553
Total Liabilities	<u>537,247,025</u>	<u>14,227,211</u>	<u>551,474,236</u>
Deferred Inflows of Resources			
Deferred Inflows of Resources, Pension Activity	20,295,310	627,690	20,923,000
Deferred Inflows of Resources, OPEB Activity	11,276,193	348,749	11,624,942
Total Deferred Inflows of Resources	<u>31,571,503</u>	<u>976,439</u>	<u>32,547,942</u>
Net Position			
Net Investment in Capital Assets	154,317,026	454,750	154,771,776
Restricted	23,466,098	-	23,466,098
Unrestricted	(337,603,713)	(5,234,524)	(342,838,237)
Total Net Position	<u>\$ (159,820,589)</u>	<u>\$ (4,779,774)</u>	<u>\$ (164,600,363)</u>

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

**NORTH PENN SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

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	\$ 129,019,217	\$ -	\$ 30,176,453	\$ -	\$ (98,842,764)	\$ -	\$ (98,842,764)
Special Programs	48,876,870	-	7,484,808	-	(41,392,062)	-	(41,392,062)
Vocational Programs	4,796,183	-	-	-	(4,796,183)	-	(4,796,183)
Other Instructional Programs	1,123,468	76,658	8,500,543	-	7,453,733	-	7,453,733
Nonpublic Schools	24,955	-	-	-	(24,955)	-	(24,955)
Support Services							
Pupil Personnel Services	16,147,626	-	1,000,000	-	(15,147,626)	-	(15,147,626)
Instructional Staff Services	10,997,720	-	20,316	-	(10,977,404)	-	(10,977,404)
Administrative Services	14,508,295	-	-	-	(14,508,295)	-	(14,508,295)
Pupil Health Services	6,152,518	-	279,471	-	(5,873,047)	-	(5,873,047)
Business Services	2,600,964	-	-	-	(2,600,964)	-	(2,600,964)
Operation & Maintenance of Plant Services	19,104,317	-	-	-	(19,104,317)	-	(19,104,317)
Operation of Non-Instructional Services							
Student Transportation Services	16,315,903	-	2,207,514	-	(14,108,389)	-	(14,108,389)
Central and Other Support Services	4,400,731	-	-	-	(4,400,731)	-	(4,400,731)
Student Activities and Athletics	3,245,500	111,915	-	-	(3,133,585)	-	(3,133,585)
Community Services	28,140	367,801	-	-	339,661	-	339,661
Miscellaneous	237,743	-	-	-	(237,743)	-	(237,743)
Interest on Long-Term Debt	1,907,399	-	-	-	(1,907,399)	-	(1,907,399)
Total Governmental Activities	279,487,549	556,374	49,669,105	-	(229,262,070)	-	(229,262,070)
Business-Type Activities							
School Nutrition Services	5,737,425	2,181,159	5,100,870	-	-	1,544,604	1,544,604
Extended Care	2,108,637	2,079,779	187,551	-	-	158,693	158,693
Community Education	445,798	470,068	15,968	-	-	40,238	40,238
Total School District Activities	8,291,860	4,731,006	5,304,389	-	-	1,743,535	1,743,535
Total Primary Government	\$ 287,779,409	\$ 5,287,380	\$ 54,973,494	\$ -	(229,262,070)	1,743,535	(227,518,535)
General Revenues and Transfers							
Taxes							
Property Taxes, Levied for General Purposes							
					204,579,308	-	204,579,308
Earned Income							
					20,847,364	-	20,847,364
Public Utility Taxes							
					204,839	-	204,839
Investment Earnings							
					6,770,255	291,970	7,062,225
Grants and Contributions not Restricted to Specific Programs							
					20,784,359	-	20,784,359
Transfers							
					289,185	(289,185)	-
Miscellaneous Income							
					823,553	-	823,553
Total General Revenues and Transfers							
					254,298,863	2,785	254,301,648
Change in Net Position							
					25,036,793	1,746,320	26,783,113
Net Position at Beginning of Year							
					<u>(184,857,382)</u>	<u>(6,526,094)</u>	<u>(191,383,476)</u>
Net Position at End of Year							
					<u>\$ (159,820,589)</u>	<u>\$ (4,779,774)</u>	<u>\$ (164,600,363)</u>

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

**NORTH PENN SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and Cash Equivalents - Unrestricted	\$ 79,783,558	\$ -	\$ 79,783,558
Cash and Cash Equivalents - Restricted	-	9,394,817	9,394,817
Investments	1,940,749	-	1,940,749
Taxes Receivable, Net	1,782,083	-	1,782,083
Due from Other Funds	804,000	8,003,966	8,807,966
Due from Custodial Funds	11,074	-	11,074
Due from Other Governments	14,049,989	-	14,049,989
Inventories	225,697	-	225,697
Other Receivables, Net	307,900	5,347	313,247
Prepaid Expenditures	1,036,812	135	1,036,947
Total Assets	\$ 99,941,862	\$ 17,404,265	\$ 117,346,127
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities			
Accounts Payable	\$ 5,601,139	\$ 1,094,721	\$ 6,695,860
Due to Other Funds	8,011,277	1,876	8,013,153
Due to Custodial Funds	9,013	-	9,013
Unearned Revenue	8,447	-	8,447
Accrued Salaries and Benefits	30,689,703	-	30,689,703
Total Liabilities	44,319,579	1,096,597	45,416,176
Deferred Inflows of Resources			
Unavailable Revenue, Property Taxes	1,019,752	-	1,019,752
Fund Balances			
Nonspendable, Prepaid Expenditures	1,036,812	-	1,036,812
Nonspendable, Inventory	225,697	-	225,697
Restricted for Student Activities	-	215,793	215,793
Restricted for Capital Projects	-	16,091,875	16,091,875
Committed to			
Capital Projects	28,165,168	-	28,165,168
Assigned to			
Self-funded Insurance	2,700,000	-	2,700,000
Unassigned	22,474,854	-	22,474,854
Total Fund Balances	54,602,531	16,307,668	70,910,199
Total Liabilities, Deferred Inflows of Resources & Fund Balances	\$ 99,941,862	\$ 17,404,265	\$ 117,346,127

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

**NORTH PENN SCHOOL DISTRICT
REONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2023**

Total Governmental Funds Balances	<u>\$ 70,910,199</u>
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:</p>	
Land	10,491,943
Construction in Progress	4,035,482
Site Improvements	661,917
Building and Building Improvements	337,819,356
Furniture and Equipment	48,853,898
Accumulated Depreciation	<u>(194,303,308)</u>
	<u>207,559,288</u>
<p>Deferred charges used in governmental activities are not financial resources and therefore are not reported in the funds. These consist of:</p>	
Deferred Amount on Refunding	<u>579,402</u>
<p>Deferred inflows and outflows of resources related to pension activities are not financial resources and therefore not reported in the governmental funds.</p>	
	<u>43,616,303</u>
<p>Deferred inflows and outflows of resources related to OPEB activities are not financial resources and therefore not reported in the governmental funds.</p>	
	<u>(4,314,879)</u>
<p>Property taxes receivable will be collected this year but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.</p>	
	<u>1,019,752</u>
<p>The assets and liabilities of certain Internal Service Funds are not included in the fund financial statements but are included in the governmental activities on the statement of net position.</p>	
	<u>18,191,660</u>
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:</p>	
Bonds Payable	(58,454,000)
Bond Premium/Discount, Net of Amortization	(1,214,580)
Accrued Interest	(746,300)
Compensated Absences	(6,443,068)
Net Pension Liability	(406,538,640)
Other Postemployment Benefits	<u>(23,985,726)</u>
	<u>(497,382,314)</u>
Net Position of Governmental Activities	<u><u>\$ (159,820,589)</u></u>

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

**NORTH PENN SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Local Sources	\$ 235,886,455	\$ 707,247	\$ 236,593,702
State Sources	61,499,303	-	61,499,303
Federal Sources	6,422,566	-	6,422,566
Total Revenues	303,808,324	707,247	304,515,571
Expenditures			
Current:			
Instruction	182,730,483	-	182,730,483
Support Services	87,694,623	-	87,694,623
Operation of Non-Instructional Services	28,140	-	28,140
Facilities Acquisition, Construction and Improvement Services	64,219	6,226,414	6,290,633
Student Activities and Athletics	3,005,275	261,428	3,266,703
Refund of Prior Year Revenues	319,068	-	319,068
Debt Service	11,713,515	-	11,713,515
Total Expenditures	285,555,323	6,487,842	292,043,165
Excess (Deficiency) of Revenues Over (Under) Expenditures	18,253,001	(5,780,595)	12,472,406
Other Financing Sources (Uses)			
Transfers In	850,000	12,983,541	13,833,541
Transfers Out	(13,044,356)	-	(13,044,356)
Total Other Financing Sources (Uses)	(12,194,356)	12,983,541	789,185
Net Change in Fund Balances	6,058,645	7,202,946	13,261,591
Fund Balances at Beginning of Year	48,543,886	9,104,722	57,648,608
Fund Balances at End of Year	\$ 54,602,531	\$ 16,307,668	\$ 70,910,199

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

**NORTH PENN SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

Net Changes in Fund Balances - Total Governmental Funds \$ 13,261,591

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	11,418,440
Depreciation	(12,251,185)
Disposals	(17,936)
	<u>(850,681)</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.

(280,414)

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:

169,810

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	(142,580)
Insurance Provision	(4,461,820)
OPEB Plan Expense	(740,345)
Pension Plan Expense	8,132,536
	<u>2,787,791</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.

Amortization of Deferred Charge on Refunding	(427,506)
Repayment of Bond Principal	9,800,000
Amortization of Bond Discounts and Premiums	576,202
	<u>9,948,696</u>

Change in Net Position of Governmental Activities \$ 25,036,793

**NORTH PENN SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2023**

	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	\$ 7,118,549	\$ 629,397	\$ 356,472	\$ 8,104,418	\$ 10,437,347
Due from Other Governments	240,718	-	-	240,718	-
Due from Other Funds	3,178	-	-	3,178	5,844
Other Receivables	4,800	18,574	-	23,374	256,116
Prepaid expenses	1,522	5,960	2,897	10,379	9,956,529
Inventories	196,125	-	-	196,125	-
Total Current Assets	<u>7,564,892</u>	<u>653,931</u>	<u>359,369</u>	<u>8,578,192</u>	<u>20,655,836</u>
Capital Assets, Net	450,285	-	4,465	454,750	-
Total Assets	<u>8,015,177</u>	<u>653,931</u>	<u>363,834</u>	<u>9,032,942</u>	<u>20,655,836</u>
Deferred Outflows of Resources					
Deferred Outflows of Resources - Pension Activity	1,087,156	751,126	138,365	1,976,647	-
Deferred Outflows of Resources - OPEB Activity	133,485	75,355	6,459	215,299	-
Total Deferred Outflows of Resources	<u>1,220,641</u>	<u>826,481</u>	<u>144,824</u>	<u>2,191,946</u>	<u>-</u>
Liabilities					
Accounts Payable	12,610	86,894	41,352	140,856	117,706
Accrued Salaries and Benefits	12,237	13,919	-	26,156	2,338,999
Due to Other Funds	358,436	244,851	197,725	801,012	2,479
Unearned Revenue	629,149	23,007	92,856	745,012	4,992
Long-Term Liabilities					
Net Pension Liability	6,915,348	4,777,877	880,135	12,573,360	-
Other Postemployment Benefits	459,932	259,640	22,255	741,827	-
Total Liabilities	<u>8,387,712</u>	<u>5,406,188</u>	<u>1,234,323</u>	<u>15,028,223</u>	<u>2,464,176</u>
Deferred Inflows of Resources					
Deferred Inflows of Resources - Pension Activity	345,230	238,522	43,938	627,690	-
Deferred Inflows of Resources - OPEB Activity	216,224	122,062	10,463	348,749	-
Total Deferred Inflows of Resources	<u>561,454</u>	<u>360,584</u>	<u>54,401</u>	<u>976,439</u>	<u>-</u>
Net Position					
Net Investment in Capital Assets	450,285	-	4,465	454,750	-
Restricted for Health Claims	-	-	-	-	18,191,660
Unrestricted	(163,633)	(4,286,360)	(784,531)	(5,234,524)	-
Total Net Position	<u>\$ 286,652</u>	<u>\$ (4,286,360)</u>	<u>\$ (780,066)</u>	<u>\$ (4,779,774)</u>	<u>\$ 18,191,660</u>

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

**NORTH PENN SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGE IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2023**

	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	\$ 2,181,159	\$ 2,079,779	\$ 470,068	\$ 4,731,006	\$ -
Premiums transferred from General Fund	-	-	-	-	28,185,458
Other	-	-	-	-	482,663
Total Operating Revenues	<u>2,181,159</u>	<u>2,079,779</u>	<u>470,068</u>	<u>4,731,006</u>	<u>28,668,121</u>
Operating Expenses					
Salaries	2,185,980	1,533,066	168,595	3,887,641	-
Employee Benefits	916,234	467,918	5,582	1,389,734	33,226,672
Purchased professional and technical service	3,539	11,289	128,761	143,589	38,789
Purchased property service	12,842	-	18,089	30,931	-
Other purchased service	3,034	9,899	63,394	76,327	-
Supplies	2,554,770	31,928	15,546	2,602,244	-
Depreciation	54,863	-	3,386	58,249	-
Other operating expenses	6,163	54,537	42,445	103,145	-
Total Operating Expenses	<u>5,737,425</u>	<u>2,108,637</u>	<u>445,798</u>	<u>8,291,860</u>	<u>33,265,461</u>
Operating Income (Loss)	(3,556,266)	(28,858)	24,270	(3,560,854)	(4,597,340)
Nonoperating Revenues					
Contributions	-	-	-	-	-
Investment Income	248,670	31,963	11,337	291,970	635,520
Local Sources	1,724	187,551	15,968	205,243	-
State Sources	805,716	-	-	805,716	-
Federal Sources	4,293,430	-	-	4,293,430	-
Total Nonoperating Revenues	<u>5,349,540</u>	<u>219,514</u>	<u>27,305</u>	<u>5,596,359</u>	<u>635,520</u>
Income (Loss) before transfers	1,793,274	190,656	51,575	2,035,505	(3,961,820)
Transfers In (Out)	-	(350,000)	60,815	(289,185)	(500,000)
Change in Net Position	1,793,274	(159,344)	112,390	1,746,320	(4,461,820)
Net Position at Beginning of Year	<u>(1,506,622)</u>	<u>(4,127,016)</u>	<u>(892,456)</u>	<u>(6,526,094)</u>	<u>22,653,480</u>
Net Position at End of Year	<u>\$ 286,652</u>	<u>\$ (4,286,360)</u>	<u>\$ (780,066)</u>	<u>\$ (4,779,774)</u>	<u>\$ 18,191,660</u>

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

**NORTH PENN SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2023**

	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	\$ 2,260,763	\$ 2,119,203	\$ 461,368	\$ 4,841,334	\$ 28,668,121
Premiums Transferred from General Fund	-	-	-	-	3,618,615
Cash Payments to Employees for Services	(3,405,887)	(2,167,628)	(235,706)	(5,809,221)	(32,471,383)
Cash Payments to Suppliers for Goods and Services	(2,155,074)	(108,331)	(246,900)	(2,510,305)	-
Cash Payments for Other Operating Expenses	-	-	(120,308)	(120,308)	(162,475)
Net Cash Used By Operating Activities	<u>(3,300,198)</u>	<u>(156,756)</u>	<u>(141,546)</u>	<u>(3,598,500)</u>	<u>(347,122)</u>
Cash Flows From Noncapital Financing Activities					
Local Sources	1,724	187,551	76,783	266,058	-
State Sources	805,716	-	-	805,716	-
Federal Sources	4,293,430	-	-	4,293,430	-
Net Cash Provided by Noncapital Financing Activities	<u>5,100,870</u>	<u>187,551</u>	<u>76,783</u>	<u>5,365,204</u>	<u>-</u>
Cash Flows From Investing Activities					
Interest Received	248,670	31,963	11,335	291,968	635,520
Gain on Disposal of Capital Assets	-	-	8,701	8,701	-
Purchase of Capital Assets	(182,378)	-	-	(182,378)	-
Transfers available for Operating Purposes	-	(350,000)	-	(350,000)	(500,000)
Investment Transfers	2,599	-	-	2,599	-
Net Cash Provided By Investing Activities	<u>68,891</u>	<u>(318,037)</u>	<u>20,036</u>	<u>(229,110)</u>	<u>135,520</u>
Net Increase In Cash and Cash Equivalents	<u>1,869,563</u>	<u>(287,242)</u>	<u>(44,727)</u>	<u>1,537,594</u>	<u>(211,602)</u>
Cash and Cash Equivalents At Beginning Of Year	<u>5,248,986</u>	<u>916,639</u>	<u>401,199</u>	<u>6,566,824</u>	<u>10,648,949</u>
Cash and Cash Equivalents at End of Year	<u>\$ 7,118,549</u>	<u>\$ 629,397</u>	<u>\$ 356,472</u>	<u>\$ 8,104,418</u>	<u>\$ 10,437,347</u>
Reconciliation of Operating Loss To Net Cash Used By Operating Activities					
Operating Loss	\$ (3,556,266)	\$ (28,858)	\$ 24,270	\$ (3,560,854)	\$ (4,597,340)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities					
Depreciation	54,863	-	(5,314)	49,549	-
Donated Foods	-	-	-	-	-
Pension Expense	(138,337)	(95,579)	(17,607)	(251,523)	-
OPEB Expense (Increase) Decrease in	89,059	(26,274)	(39,888)	22,897	-
(Increase) Decrease in					
Due From Other Funds	(3,178)	-	-	(3,178)	(5,615)
Due From Other Governments	65,291	-	-	65,291	-
Prepays	(1,522)	(4,560)	32,934	26,852	3,642,423
Other Receivables	(3,346)	(14,131)	463	(17,014)	(156,425)
Inventories	(11,223)	-	-	(11,223)	-
Increase (Decrease) in					
Due to Other Funds	17,659	53,555	(120,771)	(49,557)	(435)
Unearned Revenue	233,458	2,565	(11,983)	224,040	4,992
Accrued Salaries	(47,342)	(34,201)	(4,034)	(85,577)	755,289
Accounts Payable	686	(9,273)	384	(8,203)	9,989
Net Cash Used By Operating Activities	<u>\$ (3,300,198)</u>	<u>\$ (156,756)</u>	<u>\$ (141,546)</u>	<u>\$ (3,598,500)</u>	<u>\$ (347,122)</u>
Supplemental Disclosures					
Noncash Activities					
Donated Foods	<u>\$ 678,113</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**NORTH PENN SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2023**

	Private Purpose Trust Funds	Custodial Funds
	Scholarship Trust Funds	Student Activities
Assets		
Cash and Cash Equivalents	\$ 261,534	\$ 373,540
Investments	260,069	-
Due from other funds	-	18
Other Receivables	-	10,095
Prepaid Expense	-	730
Total Assets	521,603	384,383
Liabilities		
Accounts payable	-	169,202
Unearned Revenue	83,080	-
Due to other funds	-	11,436
Total Liabilities	83,080	180,638
Net Position		
Restricted for Student Activities	-	203,745
Held in Trust for Benefits and Other Purposes	438,523	-
Total Net Position	\$ 438,523	\$ 203,745

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

**NORTH PENN SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023**

	Private Purpose Trust Funds	Custodial Funds
	Scholarship Trust Funds	Student Activities
Additions		
Revenue from Local Sources	\$ -	\$ 752,131
Donations	-	8,014
Net Investment Gain	(51,450)	10,465
Total Additions	(51,450)	770,610
Deductions		
Payments for Student Activities	-	701,023
Scholarships Awarded and Fees Paid	10,750	-
Total Deductions	10,750	701,023
Change in Net Position	(62,200)	69,587
Net Position At Beginning of Year	500,723	134,158
Net Position At End of Year	\$ 438,523	\$ 203,745

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

**NORTH PENN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

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, 2023**

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 (Nonmajor 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 collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments are recorded only when payment is due. The financial statements for Governmental Funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e. expenditures and other financing 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, 2023**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation and Accounting (Continued)

Fund Financial Statements (Continued)

services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Funds are reported using the economic resources measurement focus.

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

Fund Accounting

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

Governmental Funds

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

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

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

Proprietary Funds

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

**NORTH PENN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023**

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. 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

The PA School Code of 1949, as amended, authorizes the District to invest funds in: 1) United States Treasury Bills, 2) short-term obligations of the United States government or its agencies, 3) deposits in accounts insured by the Federal Deposit Insurance Corporation or NCUA, and 4) Obligations of the United States or its agencies backed by the full faith and credit, obligations of the Commonwealth of PA backed by full faith and credit, or any political subdivision of the Commonwealth backed by the full faith and credit of the political subdivision.

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, 2023**

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, 2023**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Term Obligations

In the government-wide financial statements and Proprietary Fund Types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or Proprietary Fund Type statement of net position. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized during the period in which they were incurred.

In the fund financial statements, Governmental Funds recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences

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

Fund Balance

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

Net Position

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has three items that qualify for reporting in this category. They are the deferred charge on reported refunding in the government-wide statement of net position and the deferred charge outflow related to pension and OPEB activity, reported in the government-wide state of net position and the proprietary fund statement of net position. A deferred charge on refunding results from the difference in carrying value of refunded debt and its reacquisition prices. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

**NORTH PENN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023**

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, student activities, and health claims.

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 capital project costs.

**NORTH PENN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023**

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. Fund balance types in this category include Capital Projects and Self-Insurance.

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 and 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. 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, \$4,836,914 was covered by federal depository insurance, and \$105,885,463 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, 2023**

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, 2023 the School District had the following investments and maturities:

Investment Type	Balance	Investment Maturities Less Than One Year
State Investment Pools	\$ 1,940,749	\$ 1,940,749
Stocks	260,069	-
	\$ 2,200,818	\$ 1,940,749

The District was the recipient of a stock donation into the Private Trust Fund. The balance of the account on June 30, 2023 was \$260,069.

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, 2023, is \$1,940,749. 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, 2023, the School District’s investment in the state investment pool was rated AAAM by Standard & Poor’s.

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

**NORTH PENN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023**

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 0.5% 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, 2023, 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	Self-Insurance Fund
Real Estate Taxes	\$ 1,167,737	\$ -	\$ -	\$ -	\$ -
Earned Income Tax	32,456	-	-	-	-
Real Estate Transfer Tax	581,890	-	-	-	-
Federal Subsidies	3,367,250	-	196,326	-	-
State Subsidies	10,682,739	-	44,392	-	-
Other Receivables	307,900	5,347	4,800	18,574	256,116
	<u>\$ 16,139,972</u>	<u>\$ 5,347</u>	<u>\$ 245,518</u>	<u>\$ 18,574</u>	<u>\$ 256,116</u>

**NORTH PENN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023**

NOTE 5: INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances of June 30, 2023, is as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 804,000	\$ 8,011,277
General Fund (Due from Custodial Funds)	11,074	-
Nomajor Governmental Funds	8,003,966	1,876
Extended Care Fund	-	244,851
Nutrition Services Fund	3,178	358,436
Community Education Fund	-	197,725
Self Insurance	5,844	2,479
Custodial Funds	18	11,436
	<u>\$ 8,828,080</u>	<u>\$ 8,828,080</u>

Due to/from Other Funds

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

Interfund Transfers

<u>Transfer In</u>	<u>Transfer Out</u>	
Capital Reserve Fund	General Fund	\$ 12,983,541
General Fund	Self-Insurance	350,000
General Fund	Extended Care Fund	500,000
Community Education Fund	General Fund	60,815
		<u>\$ 13,894,356</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, 2023**

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	\$ 10,491,943	\$ -	\$ -	\$ 10,491,943
Construction in Progress	33,504,358	6,227,118	(35,695,994)	4,035,482
TOTAL CAPITAL ASSETS NOT BEING DEPECIATED	43,996,301	6,227,118	(35,695,994)	14,527,425
Capital Assets being depreciated				
Site Improvements	661,917	-	-	661,917
Buildings and building improvements	303,968,301	35,359,033	(1,507,978)	337,819,356
Furniture and Equipment	44,767,865	5,528,283	(1,442,250)	48,853,898
TOTAL CAPITAL ASSETS BEING DEPRECIATED	349,398,083	40,887,316	(2,950,228)	387,335,171
Accumulated Depreciation				
Site improvements	(397,130)	(32,037)	-	(429,167)
Buildings and building improvements	(153,342,295)	(9,021,562)	1,490,042	(160,873,815)
Furniture and equipment	(31,244,990)	(3,197,586)	1,442,250	(33,000,326)
TOTAL ACCUMULATED DEPRECIATION	(184,984,415)	(12,251,185)	2,932,292	(194,303,308)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	164,413,668	28,636,131	(17,936)	193,031,863
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	\$ 208,409,969	\$ 34,863,249	\$ (35,713,930)	\$ 207,559,288
BUSINESS TYPE ACTIVITIES				
Capital assets not being depreciated				
Construction in Progress	\$ -	\$ 169,990	\$ -	\$ 169,990
TOTAL CAPITAL ASSETS NOT BEING DEPECIATED	-	169,990	-	169,990
Capital Assets being depreciated				
Furniture	1,906,397	12,388	(8,700)	1,910,085
TOTAL CAPITAL ASSETS BEING DEPRECIATED	1,906,397	12,388	(8,700)	1,910,085
Accumulated depreciation	(1,575,776)	(58,249)	8,700	(1,625,325)
TOTAL ACCUMULATED DEPRECIATION	(1,575,776)	(58,249)	8,700	(1,625,325)
BUSINESS TYPE ACTIVITES CAPITAL ASSETS, NET	330,621	124,129	-	454,750
Total Capital Assets, net	\$ 208,740,590	\$ 34,987,378	\$ (35,713,930)	\$ 208,014,038

Depreciation expense was charged to governmental functions as follows:

INSTRUCTION		
Regular Programs		6,607,903
Special Programs		950,619
Other Instructional Programs		479,015
SUPPORT		
Support		67,953
Support-Instruction		35,007
Admin		496,800
Pupil Health		62,737
Business		95,930
Plant		1,077,387
Transportation		1,834,245
Central		484,977
OPERATION OF NON-INSTRUCTIONAL SERVICES		
Non Instruction		58,612
		<u>\$ 12,251,185</u>

**NORTH PENN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023**

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, 2023, the outstanding balance of general obligation bonds and notes issued was \$58,454,000.

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

Year Ending June 30,	Principal	Interest
2024	\$ 10,279,000	\$ 1,624,259
2025	10,581,000	1,321,171
2026	10,698,000	1,008,499
2027	6,960,000	728,878
2028	2,580,000	455,538
2029-2033	14,205,000	1,360,695
2034-2037	3,151,000	72,000
	<u>58,454,000</u>	<u>\$ 6,571,040</u>

NOTE 8: CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2023, was as follows:

Bonds	Interest Rate	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Series of 2017	1.75 - 5.00%	3/1/2027	\$ 16,380,000	\$ -	\$ (1,225,000)	\$ 15,155,000	\$ 1,345,000
Series A of 2019	3.00%	1/15/2025	21,650,000	-	(7,005,000)	14,645,000	7,205,000
Series of 2020	2.285%	3/1/2034	21,330,000	-	(250,000)	21,080,000	277,000
Series A of 2020	0.920%	2/15/2026	8,894,000	-	(1,320,000)	7,574,000	1,452,000
			<u>68,254,000</u>	<u>-</u>	<u>(9,800,000)</u>	<u>58,454,000</u>	<u>10,279,000</u>
Deferred amounts							
Issuance premium			1,790,782	-	(576,202)	1,214,580	-
TOTAL GENERAL OBLIGATION BONDS			70,044,782	-	(10,376,202)	59,668,580	10,279,000
COMPENSATED ABSENCES			6,612,878	-	(169,810)	6,443,068	334,157
NET OPEB LIABILITY			30,997,060	-	(6,269,507)	24,727,553	-
NET PENSION LIABILITY			380,514,000	38,598,000	-	419,112,000	-
TOTAL LONG-TERM LIABILITIES			<u>\$ 488,168,720</u>	<u>\$ 38,598,000</u>	<u>\$ (16,815,519)</u>	<u>\$ 509,951,201</u>	<u>\$ 10,613,157</u>

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

**NORTH PENN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023**

NOTE 9: UNEARNED REVENUE

General Fund

Program grants received prior to the incurrence of qualifying expenditures are recorded as unearned revenue. At June 30, 2023, unearned revenue consisted of \$8,447, which represents funds received to be used for future expenditures.

School Nutrition Services Fund

Unearned revenue of \$629,149 in the School Nutrition Services Fund represents the carryover of student deposits and the unspent Supply Chain Grant.

Community Education Fund

Unearned revenue of \$92,856 represents deposits received for 2023-2024 school year programs.

Extended Care Fund

Unearned revenue of \$23,007 represents unapplied credit accounts.

NOTE 10: PENSIONS

Summary of Significant Accounting Policies

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

PSERS is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania.

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

**NORTH PENN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023**

NOTE 10: PENSIONS (CONTINUED)

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62, with at least one year of credited service, (b) age 60 with 30 or more years of credited service, or (c) 35 or more years of service regardless of age. Act 120 of 2010 ("Act 120") preserves the benefits of existing members and introduced benefit reductions for individuals who became new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E ("Class T-E"), and Membership Class T-F ("Class T-F"). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service.

Act 5 of 2017 (Act 5) introduced a hybrid benefit with two membership classes and a separate defined contribution plan for individuals who become new members on or after July 1, 2019. Act 5 created two new hybrid membership classes, Membership Class T-G (Class T-G) and Membership Class T-H (Class T-H) and the separate defined contribution membership class, Membership Class DC (Class DC). To qualify for normal retirement, Class T-G and Class T-H members must work until age 67 with a minimum of 3 years of credited service. Class T-G may also qualify for normal retirement by attaining a total combination of age and service that is equal to or greater than 97 with a minimum of 35 years of credited service. The current stand-alone defined benefit plan is no longer available to new members after June 30, 2019.

Benefits are generally equal to 1% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and T-F members, the right to benefits is vested after ten years of service.

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

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

**NORTH PENN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023**

NOTE 10: PENSIONS (CONTINUED)

Contributions

Member Contributions

Member Contribution Rates				
Membership Class	Continuous Employment Since	Defined Benefit Contribution Rate	Defined Contribution Rate	Total Contribution Rate
T-C	Prior to July 22, 1983	5.25%	N/A	5.25%
T-C	On or after July 22, 1983	6.25%	N/A	6.25%
T-D	Prior to July 22, 1983	6.50%	N/A	6.50%
T-D	On or after July 22, 1983	7.50%	N/A	7.50%
T-E	On or after July 1, 2011	7.50%*	N/A	Prior to 7/1/21: 7.50% After 7/1/21: 8.00%
T-F	On or after July 1, 2011	10.30%*	N/A	Prior to 7/1/21: 10.30% After 7/1/21: 10.80%
T-G	On or after July 1, 2019	5.50%*	N/A	Prior to 7/1/21: 8.25% After 7/1/21: 9.00%
T-H	On or after July 1, 2019	4.50%*	N/A	Prior to 7/1/21: 7.50% After 7/1/21: 8.25%
DC	On or after July 1, 2019	N/A	7.50%	7.50%

**This contribution rate is subject to a shared risk provision below.*

Shared Risk Program Summary				
Membership Class	Defined Benefit Base Rate	Shared Risk Increment	Minimum	Maximum
T-E	7.50%	+/- 0.50%	5.50%	9.50%
T-F	10.30%	+/- 0.50%	8.30%	12.30%
T-G	5.50%	+/- 0.75%	2.50%	8.50%
T-H	4.50%	+/- 0.75%	1.50%	7.50%

Employer Contributions

The School District's contractually required contribution rate for the fiscal year ended June 30, 2023, was 34.51% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the plan from the District were \$46,557,868 for the year ended June 30, 2023.

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

At June 30, 2023, the School District reported a total liability of \$419,112,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2021 to June 30, 2022. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions for all members of the PSERS Plan. At June 30, 2022, the School District's proportion was 0.9427 percent, which was an increase of 0.0159 percent from its proportion measured as of June 30, 2021.

**NORTH PENN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023**

NOTE 10: PENSIONS (CONTINUED)

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

For the year ended June 30, 2023, the School District recognized pension expense of \$29,580,000. At June 30, 2023, 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	\$ 184,300	\$ 3,516,250
Changes in assumptions	12,139,550	-
Changes in proportions	5,334,030	9,882,360
Difference between employer contributions and proportionate share of total contributions	1,092,601	-
Contributions subsequent to the measurement date	45,161,132	-
Net difference between projected and actual investment earnings	-	6,896,700
	\$ 63,911,613	\$ 20,295,310
BUSINESS-TYPE ACTIVITIES		
Differences between expected and actual experience	\$ 5,700	\$ 108,750
Changes in assumptions	375,450	-
Net difference between projected and actual investment earnings	-	213,300
Changes in proportions	164,970	305,640
Difference between employer contributions and proportionate share of total contributions	33,793	-
Contributions subsequent to the measurement date	1,396,734	-
	\$ 1,976,647	\$ 627,690

\$46,557,866 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, 2024. 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
2023	\$ 728,628	\$ 22,535	\$ 751,163
2024	750,811	23,221	774,032
2025	(11,289,828)	(349,170)	(11,638,998)
2026	8,930,463	276,200	9,206,663
2027	(697,701)	(21,578)	(719,279)
Thereafter	32,798	1,014	33,812
	\$ (1,544,829)	\$ (47,778)	\$ (1,592,607)

**NORTH PENN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023**

NOTE 10: PENSIONS (CONTINUED)

Actuarial Assumptions

The total pension liability as of June 30, 2022 was determined by rolling forward the System's total pension liability as of the June 30, 2021 to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

- Investment rate of return was 7.0%
- The inflation assumption was 2.75%
- Salary growth was an effective range of 4.5%, which was comprised of inflation of 2.5% and 2.0% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale
- The discount rate used to measure the Total Pension Liability was 7.00% as of June 30, 2021 and as of June 30, 2022.
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
 - Salary growth rate – decreased from 5.00% to 4.50%
 - Real wage growth and merit or seniority increases (components for salary growth) – decreased from 2.75% and 2.25% to 2.50% and 2.00% respectively.
 - Mortality rates – Previously based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of MP-2015 Morality Improvement Scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study that was performed for the five-year period ended June 30, 2020.

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

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

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, 2022.

**NORTH PENN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023**

NOTE 10: PENSIONS (CONTINUED)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	28.0%	5.3%
Private Equity	12.0%	8.0%
Fixed income	33.0%	2.3%
Commodities	9.0%	2.3%
Infrastructure/MLPs	9.0%	5.4%
Real estate	11.0%	4.6%
Absolute return	6.0%	3.5%
Cash	3.0%	0.5%
Leverage	-11.0%	0.5%
	100%	

Discount Rate - The discount used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates which are actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
\$ 542,093,000	\$ 419,112,000	\$ 315,424,000

Payable to the Pension Plan

At June 30, 2023, the District reported a payable of \$17,482,900 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2023.

Plan Fiduciary Net Position

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, 2023**

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

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

General Information about the Health Insurance Premium Assistance Program

Health Insurance Premium Assistance Program

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2022, there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

Retirees of the System can participate in the PSERS Plan if they satisfy the following criteria:

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

For Class DC members to become eligible for premium assistance, they must satisfy the following criteria:

- Attain Medicare eligibility with 24 ½ or more eligibility points, or
- Have 15 or more eligibility points and terminated after age 67, and
- Have received all or part of their distributions.

Plan Description

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

**NORTH PENN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023**

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

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.

Employer Contributions

The School Districts' contractually required contribution rate for fiscal year ended June 30, 2023 was 0.75% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB Plan from the School District were \$1,011,834 for the year ended June 30, 2023.

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

At June 30, 2023, the School District reported a liability of \$17,305,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, 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, 2021 to June 30, 2022. The School District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2022, the School District's proportion was 0.9401 percent, which was an increase of 0.0157 percent from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the School District recognized OPEB expense of \$505,000. At June 30, 2023, 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	\$ 154,230	\$ 90,210
Change in assumptions	1,863,370	3,964,390
Net Difference between projected and actual investment earnings	45,590	-
Change in Proportions	2,611,240	2,407,540
Contributions made subsequent to measurement date	981,479	-
Difference between employer contributions and proportionate share of total contributions	92,575	-
	<u>\$ 5,748,484</u>	<u>\$ 6,462,140</u>
BUSINESS-TYPE ACTIVITIES		
Difference between expected and actual experience	\$ 4,771	\$ 2,791
Change in assumptions	57,630	122,610
Net Difference between projected and actual investment earnings	1,410	-
Change in Proportions	80,760	74,460
Contributions made subsequent to measurement date	30,355	-
Difference between employer contributions and proportionate share of total contributions	2,863	-
	<u>\$ 177,789</u>	<u>\$ 199,861</u>

**NORTH PENN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023**

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

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

\$1,011,834 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, 2024. 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
2023	\$ (365,871)	\$ (11,316)	\$ (377,187)
2024	(228,549)	(7,069)	(235,618)
2025	(301,474)	(9,324)	(310,798)
2026	(374,535)	(11,584)	(386,119)
2027	(440,857)	(13,635)	(454,492)
Thereafter	16,151	501	16,652
	<u>\$ (1,695,135)</u>	<u>\$ (52,427)</u>	<u>\$ (1,747,562)</u>

Actuarial Assumptions

The total OPEB liability as of June 30, 2022 was determined by rolling forward the System’s total OPEB liability as of the June 30, 2021 to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 4.09% - S&P 20 Year Municipal Bond Rate.
- Salary growth – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit and seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS’ experience and projected using a modified version of the MP-2020 Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate pre age 65 at 50%.
 - Eligible retirees will elect to participate post age 65 at 70%.

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

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2020 determined the employer contribution rate for fiscal year 2022.
- 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.

**NORTH PENN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023**

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

- Mortality Tables for Males and Females, adjusted to reflect PSERS’ experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

Change in Actuarial Assumptions

The discount rate used to measure the total OPEB liability increased from 2.18% as of June 30, 2021 to 4.09% as of June 30, 2022.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	100%	0.5%
	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, 2022.

Discount Rate

The discount rate used to measure the total OPEB liability was 4.09%. 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 4.09% which represents the S&P 20 year Municipal Bond Rate at June 30, 2022, was applied to all projected benefit payments to measure the total OPEB liability.

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2022, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200 per year. As of June 30, 2022, 93,293 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2022, 582 members were receiving less than \$1,200 per year cap is a smaller percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

**NORTH PENN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023**

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

The following presents the District’s net OPEB liability for June 30, 2022, 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 6.00%)	Current Trend Rate (Between 5% to 7.00%)	1% Increase (Between 6% to 8.00%)
District's Proportionate Share of net OPEB liability	\$ 17,303,000	\$ 17,305,000	\$ 17,306,000

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 4.09%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.09%) or 1 percentage point higher (5.09%) than the current discount rate:

Discount Sensitivity

	1% Decrease 3.09%	Current Discount Rate 4.09%	1% Increase 5.09%
District's Proportionate Share of net OPEB liability	\$ 19,570,000	\$ 17,305,000	\$ 15,410,000

Payable to the Pension Plan

At June 30, 2023, the District reported a payable of \$379,953 for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2023.

Plan Fiduciary Net Position

OPEB 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.

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.

**NORTH PENN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023**

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

Plan Membership

As of June 30, 2023, plan membership consisted of the following:

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

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, 2023 benefit payments paid as they came due were \$292,282.

Benefits Provided

The plan provides the following benefits:

Administrators

Superintendents and administrators 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.

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 \$7,422,553 was determined by rolling forward the total OPEB liability as of July 1, 2021 to July 1, 2022 using the actuarial assumptions disclosed below.

Assumptions

The following assumptions and actuarial methods and calculation were used:

Discount Rate – 4.06%, based on S&P Municipal Bond 20 Year High grade Rate Index at July 1, 2022.

**NORTH PENN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023**

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

- Percent of Eligible Retirees Electing Coverage in Plan – 100% of superintendents and CFOs are assumed to elect coverage. 50% of teachers and administrators and 20% of the support staff are assumed to elect coverage. 75% of administrators are assumed to elect life 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.

Changes in Assumptions – The discount rate changed from 2.28% to 4.06% and the trend assumption was updated. Assumptions for salary, mortality, withdrawal and retirement were updated based on the new PSERS assumptions.

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

Balance at June 30, 2022	\$	9,089,060
Changes for the year		
Service Cost		671,287
Interest Cost		219,328
Difference between Expected and Actual Experience		-
Change of Assumptions		(2,297,415)
Benefit Payments		(259,707)
Net Changes		(1,666,507)
Balance at June 30, 2023	\$	7,422,553

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 (3.06 percent) or 1 percentage point higher (5.06 percent) than the current discount rate:

**NORTH PENN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023**

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

	1% Decrease 3.06%		Current Discount Rate 4.06%		1% Increase 5.06%
System Total OPEB liability	\$ 7,995,490	\$	7,422,553	\$	6,881,049

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 5.50%		Current Trend Rate 6.50%		1% Increase 7.50%
System Total OPEB liability	\$ 6,570,904	\$	7,422,553	\$	8,428,622

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - For the year ended June 30, 2023, the School District recognized OPEB expense of \$465,809. At June 30, 2023, 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	\$ -	\$ 2,404,769
Change in assumptions	929,316	2,409,284
Benefit payments made subsequent to measurement date	283,514	-
	\$ 1,212,830	\$ 4,814,053
BUSINESS-TYPE ACTIVITIES		
Difference between expected and actual experience	\$ -	\$ 74,374
Change in assumptions	28,742	74,514
Benefit payments made subsequent to measurement date	8,768	-
	\$ 37,510	\$ 148,888

\$292,282 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**NORTH PENN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023**

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

Year Ending June 30,	Governmental Activities	Business-Type Activities
2024	\$ (412,062)	\$ (12,744)
2025	(412,062)	(12,744)
2026	(412,062)	(12,744)
2027	(412,062)	(12,744)
2028	(412,062)	(12,744)
Thereafter	<u>(1,824,427)</u>	<u>(56,426)</u>
	<u>\$ (3,884,737)</u>	<u>\$ (120,146)</u>

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 \$1,912,104 at June 30, 2023, 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 \$6,443,068 at June 30, 2023, is recorded in compensated absences on the statement of net position.

NOTE 14: COMMITMENTS AND CONTINGENCIES

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

NOTE 15: RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the School District to purchase commercial insurance for the risks of loss to which it is exposed, including worker's compensation and employee health and accident insurance. Settlement claims resulting from these risks have not exceeded commercial insurance coverage in the past three years.

**NORTH PENN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023**

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 2022-2023 was \$4,796,183.

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:

2024	\$	179,707
2025		180,889
2026		179,800
2027		179,962
2028		179,770
2029-2031		540,056
	<u>\$</u>	<u>1,440,184</u>

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 \$678,113 in donated foods received during the year ended June 30, 2023.

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 \$9,956,529. 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.

**NORTH PENN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023**

NOTE 18: SELF-INSURANCE (CONTINUED)

The Self-Insurance Plan reported a liability for the years ended June 30, 2023 and June 30, 2022 as follows:

<u>Liability</u> as of 6-30-22	<u>Incurred</u> <u>Claims</u>	<u>Payments</u> <u>Made</u>	<u>Liability</u> as of 6-30-23
\$ 1,583,710	\$ 33,981,961	\$ (33,226,672)	\$ 2,338,999

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

NOTE 19: ADOPTED ACCOUNTING PRONOUNCEMENTS

In May 2019, the GASB issued Statement No. 91, *Omnibus*. Adoption of this pronouncement had no effect on the District's financial statements.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. Adoption of this pronouncement had no effect on the District's financial statements.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. Adoption of this pronouncement had no effect on the District's financial statements.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The adoption of the remaining requirements had no effect on the District's financial statements.

The District adopted certain requirements of the provisions of GASB issued Statement No. 99, *Omnibus 2022*. The adoption of these requirements did not result in modification of previously reported amounts.

NOTE 20: NEW ACCOUNTING PRONOUNCEMENTS

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

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

**NORTH PENN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023**

NOTE 20: NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

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

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

NOTE 21: SUBSEQUENT AND CONTINUING EVENTS

The District has evaluated subsequent events for disclosure or recording through December 11, 2023, 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, 2023**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts GAAP Basis	Final Budget Positive (Negative)
Revenues				
Local sources	\$ 227,397,433	\$ 227,397,433	\$ 235,886,455	\$ 8,489,022
State sources	59,932,596	59,932,596	61,499,303	1,566,707
Federal sources	7,978,908	7,978,908	6,422,566	(1,556,342)
Total Revenues	<u>295,308,937</u>	<u>295,308,937</u>	<u>303,808,324</u>	<u>8,499,387</u>
Expenditures				
Current:				
Instruction	187,449,458	187,305,595	182,730,483	4,575,112
Support	91,789,853	92,536,812	87,694,623	4,842,189
Operation of Non-Instructional Services	3,382,079	3,834,006	3,416,702	417,304
Debt Service	12,081,218	11,713,515	11,713,515	-
Total Expenditures	<u>294,702,608</u>	<u>295,389,928</u>	<u>285,555,323</u>	<u>9,834,605</u>
Other Financing Sources (Uses):				
Budgetary Reserve	(1,500,000)	(812,680)	-	812,680
Proceeds from Sale of Capital Assets	10,000	10,000	-	(10,000)
Transfers In	-	-	850,000	850,000
Transfers Out	<u>(4,183,541)</u>	<u>(4,183,541)</u>	<u>(13,044,356)</u>	<u>(8,860,815)</u>
Total Other Financing Sources (Uses)	<u>(5,673,541)</u>	<u>(4,986,221)</u>	<u>(12,194,356)</u>	<u>(7,208,135)</u>
Net Change in Fund Balance	(5,067,212)	(5,067,212)	6,058,645	11,125,857
Fund Balance at Beginning of Year	<u>48,543,886</u>	<u>48,543,886</u>	<u>48,543,886</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 43,476,674</u>	<u>\$ 43,476,674</u>	<u>\$ 54,602,531</u>	<u>\$ 11,125,857</u>

**NORTH PENN SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2023**

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, 2023, expenditures exceeded appropriations in the following General Fund department levels:

Transfers Out	\$8,860,815
---------------	-------------

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

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

	<u>Measurement Date</u>								
	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
District's proportion of the net pension liability	0.9427%	0.9268%	0.9414%	0.9973%	0.8500%	1.1055%	0.7548%	0.9051%	0.8931%
District's proportionate share of the net pension liability	\$ 419,112,000	\$ 380,514,000	\$ 463,536,000	\$ 466,563,000	\$ 408,042,000	\$ 545,989,000	\$ 374,055,000	\$ 392,046,000	\$ 353,497,000
District's covered payroll	\$ 138,242,529	\$ 131,038,126	\$ 129,190,879	\$ 137,541,880	\$ 114,469,452	\$ 147,188,129	\$ 97,749,376	\$ 116,454,969	\$ 113,971,850
District's proportionate share of the net pension liability as a percentage of its covered payroll	303.17%	290.38%	358.80%	339.22%	356.46%	370.95%	382.67%	336.65%	310.16%
Plan fiduciary net position as a percentage of the total pension liability	61.34%	63.67%	54.32%	55.66%	54.00%	51.84%	50.14%	46.54%	57.24%

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

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

	<u>June 30, 2023</u>	<u>June 30, 2022</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	\$ 46,557,868	\$ 46,990,271	\$ 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	46,557,868	46,990,271	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>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 141,874,585	\$ 138,242,529	\$ 131,038,126	\$ 129,190,879	\$ 137,541,880	\$ 114,469,452	\$ 147,188,129	\$ 97,749,376	\$ 116,454,969
Contributions as a percentage of covered payroll	32.82%	33.99%	33.48%	33.45%	32.47%	34.04%	24.28%	30.69%	20.46%

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

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

	Measurement Date					
	2022	2021	2020	2019	2018	2017
District's proportion of the net OPEB liability	0.9401%	0.9244%	0.9416%	0.9973%	0.8500%	1.1055%
District's proportionate share of the net OPEB liability	\$ 17,305,000	\$ 21,908,000	\$ 20,345,000	\$ 21,211,000	\$ 17,722,000	\$ 22,524,000
District's covered payroll	\$ 138,242,529	\$ 131,038,126	\$ 129,190,879	\$ 137,541,880	\$ 114,469,452	\$ 147,188,129
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	12.52%	16.72%	15.75%	15.42%	15.48%	15.30%
Plan fiduciary net position as a percentage of the total OPEB liability	5.30%	5.30%	5.69%	5.56%	5.56%	5.73%

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

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

	Measurement Date					
	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Contractually determined contribution	\$ 1,011,834	\$ 1,002,562	\$ 368,574	\$ 1,088,131	\$ 1,143,000	\$ 323,295
Contributions in relation to the contractually determined contribution	1,011,834	1,002,562	368,574	1,088,131	1,143,000	323,295
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 141,874,585	\$ 138,242,529	\$ 131,038,126	\$ 129,190,879	\$ 137,541,880	\$ 114,469,452
Contributions as a percentage of covered payroll	0.71%	0.73%	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 SIX FISCAL YEARS**

	Measurement Date					
	2022	2021	2020	2019	2018	2017
Total OPEB liability						
Service cost	\$ 671,287	\$ 720,049	\$ 521,222	\$ 782,829	\$ 722,217	\$ 666,971
Interest	219,328	177,998	262,750	316,102	306,533	223,783
Change in benefit terms	-	-	-	94	-	(2,527)
Changes of assumptions	(2,297,415)	(279,357)	982,546	(217,553)	8,956	431,851
Differences between expected and actual experience	-	(276,636)	-	(3,141,478)	-	(308,591)
Benefit payments	(259,707)	(224,205)	(205,172)	(337,679)	(221,071)	(307,357)
Net change in total OPEB liability	(1,666,507)	117,849	1,561,346	(2,597,685)	816,635	704,130
Total OPEB liability - beginning	9,089,060	8,971,211	7,409,865	10,007,550	9,190,915	8,486,785
Total OPEB liability - ending	<u>\$ 7,422,553</u>	<u>\$ 9,089,060</u>	<u>\$ 8,971,211</u>	<u>\$ 7,409,865</u>	<u>\$ 10,007,550</u>	<u>\$ 9,190,915</u>
Covered payroll	\$ 131,844,692	\$ 131,844,692	\$ 126,547,566	\$ 126,547,566	\$ 116,833,571	\$ 116,833,571
District's total OPEB liability as a percentage of covered payroll	5.63%	6.89%	7.09%	5.86%	8.57%	7.87%

Changes of Assumptions

- The discount rate changed from 2.18% to 4.06% in 2023, 2.28% to 2.18% in 2022, 1.86% to 2.28% in 2021, 3.36% to 1.86% in 2020, 2.98% to 3.36% in 2019 and from 3.13% to 2.98% in 2018.

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

NOTE

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

SUPPLEMENTARY INFORMATION SECTION

**NORTH PENN SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2023**

	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	\$ 5,469,581	\$ 2,751,258	\$ 680,651	\$ 54,264	\$ 211,006	\$ 228,057	\$ 9,394,817
Due from Other Funds	8,000,000	-	-	-	-	3,966	8,003,966
Other Receivables	-	-	-	-	-	5,347	5,347
Prepaid Expense	-	-	-	-	-	135	135
Total Assets	\$ 13,469,581	\$ 2,751,258	\$ 680,651	\$ 54,264	\$ 211,006	237,505	\$ 17,404,265
Liabilities, Deferred Inflows of Resources and Fund Balances							
Liabilities							
Accounts Payable	\$ 1,074,766	\$ -	\$ -	\$ -	\$ -	19,955	\$ 1,094,721
Due to Other Funds	119	-	-	-	-	1,757	1,876
Total Liabilities	1,074,885	-	-	-	-	21,712	1,096,597
Fund Balances							
Restricted for student activities	-	-	-	-	-	215,793	215,793
Restricted for capital projects	12,394,696	2,751,258	680,651	54,264	211,006	-	16,091,875
Total Fund Balances	12,394,696	2,751,258	680,651	54,264	211,006	215,793	16,307,668
Total Liabilities, Deferred Inflows of Resources & Fund Balances	\$ 13,469,581	\$ 2,751,258	\$ 680,651	\$ 54,264	\$ 211,006	\$ 237,505	\$ 17,404,265

**NORTH PENN SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2023**

	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	
Revenues							
Local Sources	\$ 276,019	\$ 108,411	\$ 26,820	\$ 2,152	\$ 8,314	\$ 285,531	\$ 707,247
Total Revenues	<u>276,019</u>	<u>108,411</u>	<u>26,820</u>	<u>2,152</u>	<u>8,314</u>	<u>285,531</u>	<u>707,247</u>
Expenditures							
Facilities Acquisition, Construction and Improvement Services	6,225,694	-	-	720	-	-	6,226,414
Student Activities and Athletics	-	-	-	-	-	261,428	261,428
Total Expenditures	<u>6,225,694</u>	<u>-</u>	<u>-</u>	<u>720</u>	<u>-</u>	<u>261,428</u>	<u>6,487,842</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(5,949,675)</u>	<u>108,411</u>	<u>26,820</u>	<u>1,432</u>	<u>8,314</u>	<u>24,103</u>	<u>(5,780,595)</u>
Other Financing Sources (Uses)							
Transfers In (Out)	<u>12,983,541</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,983,541</u>
Total Other Financing Sources (Uses)	<u>12,983,541</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,983,541</u>
Net Change in Fund Balances	7,033,866	108,411	26,820	1,432	8,314	24,103	7,202,946
Fund Balances at Beginning of Year	<u>5,360,830</u>	<u>2,642,847</u>	<u>653,831</u>	<u>52,832</u>	<u>202,692</u>	<u>191,690</u>	<u>9,104,722</u>
Fund Balances at End of Year	<u>\$ 12,394,696</u>	<u>\$ 2,751,258</u>	<u>\$ 680,651</u>	<u>\$ 54,264</u>	<u>\$ 211,006</u>	<u>\$ 215,793</u>	<u>\$ 16,307,668</u>



Zelenkofske Axlerod LLC

CERTIFIED PUBLIC ACCOUNTANTS

EXPERIENCE | EXPERTISE | ACCOUNTABILITY

**REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITOR'S REPORT

Board of School Directors
North Penn School District
Lansdale, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of North Penn School District ("the District") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 11, 2023.

Internal Control Over Financial Reporting

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

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

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



Zelenkofske Axlerod LLC

CERTIFIED PUBLIC ACCOUNTANTS

EXPERIENCE | EXPERTISE | ACCOUNTABILITY

Compliance and Other Matters

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

Purpose of this Report

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

Zelenkofske Axlerod LLC

ZELENKOFKSKE AXELROD LLC

Jamison, Pennsylvania
December 11, 2023



Zelenkofske Axlerod LLC

CERTIFIED PUBLIC ACCOUNTANTS

EXPERIENCE | EXPERTISE | ACCOUNTABILITY

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

INDEPENDENT AUDITOR'S REPORT

Board of School Directors
North Penn School District
Lansdale, Pennsylvania

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited North Penn School District's (the "District") compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on the District's major federal programs for the year ended June 30, 2023. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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



Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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



Zelenkofske Axlerod LLC

CERTIFIED PUBLIC ACCOUNTANTS

EXPERIENCE | EXPERTISE | ACCOUNTABILITY

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

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

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's primary government financial statements. We issued our report thereon dated December 11, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's primary government financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the primary government financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the primary government financial statements. The information has been subjected to the auditing procedures applied in the audit of the primary government financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the primary government financial statements or to the primary government financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the primary government financial statements as a whole.

Zelenkofske Axlerod LLC

ZELENKOFKSKE AXELROD LLC

Jamison, Pennsylvania
December 11, 2023

SUPPLEMENTARY INFORMATION – MAJOR FEDERAL AWARD PROGRAMS AUDIT

**NORTH PENN SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL
AND CERTAIN STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

Federal Grantor/ Pass-Through Grantor/Program Title	Source Code	Federal Assistance Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Dates	Program or Award Amount	Total Received for the Year	(Deferred) Revenue at June 30, 2022	Revenue Recognized	Expenditures	(Deferred) Revenue at June 30, 2023	Amount Passed Through to Subrecipients
U.S. Department of Education											
<i>Passed through the Pennsylvania Department of Education</i>											
Title I Improving Basic Programs	I	84.010	013-220289	8/31/2021 - 9/30/2023	\$ 1,426,216	\$ 1,017,549	\$ 587,822	\$ 429,727	\$ 429,727	\$ -	\$ -
Title I Improving Basic Programs	I	84.010	013-230289	9/2/2022 - 9/30/2023	1,214,804	-	-	984,574	984,574	984,574	-
Subtotal						1,017,549	587,822	1,414,301	1,414,301	984,574	-
Title II Improving Teacher Quality	I	84.367	020-210289	8/28/2020 - 9/30/2022	280,218	60,004	60,004	-	-	-	-
Title II Improving Teacher Quality	I	84.367	020-220289	8/31/2021 - 9/30/2023	287,734	164,435	(45,485)	251,031	251,031	41,111	-
Title II Improving Teacher Quality	I	84.367	020-230289	9/2/2022 - 9/30/2023	244,958	-	-	55,961	55,961	55,961	-
Subtotal						224,439	14,519	306,992	306,992	97,072	-
Title III Language Inst LEP/Immigrant Students	I	84.365	010-210289	8/28/2020 - 9/30/2022	152,669	-	(11,211)	11,211	11,211	-	-
Title III Language Inst LEP/Immigrant Students	I	84.365	010-220289	8/31/2021 - 9/30/2023	165,492	106,865	13,060	94,222	94,222	417	-
Title III Language Inst LEP/Immigrant Students	I	84.365	010-230289	9/2/2022 - 9/30/2023	177,549	-	-	15,103	15,103	15,103	-
Subtotal						106,865	1,849	120,536	120,536	15,520	-
Title IV Student Support and Academic Enrichment	I	84.424	144-220289	8/31/2021 - 9/30/2023	93,806	67,020	31,328	35,692	35,692	-	-
Title IV Student Support and Academic Enrichment	I	84.424	144-230289	9/2/2022 - 9/30/2023	112,140	-	-	23,676	23,676	23,676	-
Subtotal						67,020	31,328	59,368	59,368	23,676	-
Education Stabilization Fund											
CARES Act - Elementary & Secondary School Emergency Relief Fund II	I	84.425 D	200-210289	3/13/2020 - 9/30/2023	4,606,262	535,612	535,612	-	-	-	-
American Rescue Plan - Elementary & Secondary School Emergency Relief Fund III	I	84.425 D	223-210289	3/13/2020 - 9/30/2024	9,317,136	2,710,440	342,325	3,003,334	3,003,334	635,219	-
American Rescue Plan - ESSER III set asides	I	84.425 U	225-210289	3/13/2020 - 9/30/2024	724,150	78,998	(14,612)	190,719	190,719	97,109	-
American Rescue Plan - Homeless Children & Youth	I	84.425 U	181-212287	7/1/2021 - 9/30/2024	48,164	34,579	26,570	17,889	17,889	9,880	-
						3,359,629	889,895	3,211,942	3,211,942	742,208	-

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, 2023**

Federal Grantor/ Pass-Through Grantor/Program Title	Source Code	Federal Assistance Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Dates	Program or Award Amount	Total Received for the Year	(Deferred) Revenue at June 30, 2022	Revenue Recognized	Expenditures	(Deferred) Revenue at June 30, 2023	Amount Passed Through to Subrecipients
<i>Passed through the Montgomery County Intermediate Unit</i>											
<i>Special Education Cluster (IDEA)</i>											
IDEA - Special Education - Grants to States	I	84.027	062-22-0023	7/1/2021 - 6/30/2022	2,287,353	1,063,475	1,063,475	-	-	-	-
IDEA - Special Education - Grants to States	I	84.027	062-23-0023	7/1/2022 - 6/30/2023	2,377,495	1,419,856	-	2,377,495	2,377,495	957,639	-
American Rescue Plan - IDEA Speical Education Grants to States	I	84.027	062-22-0023	7/1/2021 - 9/30/2023	536,539	37,070	37,070	373,943	373,943	373,943	-
Section 619 IDEA-b Special Education Grants to States	I	84.173	n/a	7/1/2021 - 6/30/2022	10,976	884	884	-	-	-	-
Section 619 IDEA-b Special Education Grants to States	I	84.173	n/a	7/1/2022 - 6/30/2023	12,566	-	-	12,566	12,566	12,566	-
Subtotal						<u>2,521,285</u>	<u>1,101,429</u>	<u>2,764,004</u>	<u>2,764,004</u>	<u>1,344,148</u>	<u>-</u>
<i>Passed through the Lancaster-Lebanon Intermediate Unit</i>											
Multi-tiered System of Support	I	84.027	062-220033	7/1/2021 - 9/30/2022	10,000	-	8,508	-	-	-	-
Universal Design for Learning Implementation Grant	I	84.027	062-220000	7/1/2021 - 9/30/2023	6,000	3,000	(2,603)	5,603	5,603	-	-
Subtotal						<u>3,000</u>	<u>5,905</u>	<u>5,603</u>	<u>5,603</u>	<u>-</u>	<u>-</u>
Total Special Education Cluster						<u>2,524,285</u>	<u>1,107,334</u>	<u>2,769,607</u>	<u>2,769,607</u>	<u>1,344,148</u>	<u>-</u>
<i>Passed through the Pennsylvania Commission on Crime and Delinquency</i>											
COVID-19 School Health and Safety Grant	I	84.425		3/13/2020 - 9/30/2023	374,355	374,355	297,620	76,735	76,735	-	-
Total U.S. Department of Education						<u>7,674,142</u>	<u>2,930,367</u>	<u>7,959,481</u>	<u>7,959,481</u>	<u>3,207,198</u>	<u>-</u>
U.S. Department of Health and Human Services											
<i>Passed through the Pennsylvania Department of Human Services</i>											
Medical Assistance Program	I	93.778		7/1/2021 - 6/30/2022	93,113	49,963	49,963	-	-	-	-
Medical Assistance Program	I	93.778		7/1/2022 - 6/30/2023	74,107	37,832	-	74,107	74,107	36,275	-
Total U.S. Department of Health and Human Services						<u>87,795</u>	<u>49,963</u>	<u>74,107</u>	<u>74,107</u>	<u>36,275</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, 2023**

Federal Grantor/ Pass-Through Grantor/Program Title	Source Code	Federal Assistance Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Dates	Program or Award Amount	Total Received for the Year	(Deferred) Revenue at June 30, 2022	Revenue Recognized	Expenditures	(Deferred) Revenue at June 30, 2023	Amount Passed Through to Subrecipients
U.S. Department of Agriculture											
<i>Child Nutrition Cluster</i>											
<i>Passed through the Pennsylvania Department of Education</i>											
National School Lunch Program	I	10.555		7/1/2021 - 6/30/2022		195,771	195,771	-	-	-	-
National School Lunch Program	I	10.555		7/1/2022 - 6/30/2023		2,332,280	-	2,448,857	2,448,857	116,577	-
National School Lunch Program	S	N/A		7/1/2021 - 6/30/2022		5,695	5,695	-	-	-	-
National School Lunch Program	S	N/A		7/1/2022 - 6/30/2023		119,174	-	128,270	128,270	9,096	-
National School Lunch Program - Supply Chain Assistance	I	10.555		7/1/2021 - 6/30/2023		-	(253,513)	121,883	121,883	(131,630)	-
National School Lunch Program - Supply Chain Assistance	I	10.555		7/1/2022 - 6/30/2023		336,308	-	-	-	(336,308)	-
National School Breakfast Program	I	10.553		7/1/2021 - 6/30/2022		66,662	66,662	-	-	-	-
National School Breakfast Program	I	10.553		7/1/2022 - 6/30/2023		772,916	-	816,935	816,935	44,019	-
National School Breakfast Program	S	N/A		7/1/2021 - 6/30/2022		2,559	2,559	-	-	-	-
National School Breakfast Program	S	N/A		7/1/2022 - 6/30/2023		642,150	-	677,446	677,446	35,296	-
Summer Food Program	I	10.559		7/1/2021 - 6/30/2022		33,840	33,840	-	-	-	-
Summer Food Program	I	10.559		7/1/2022 - 6/30/2023		191,284	-	227,014	227,014	35,730	-
Child and Adult Care Food Program	I	10.558		7/1/2021 - 6/30/2022		1,482	1,482	-	-	-	-
P-EBT Local Admin Funds	I	10.649		7/1/2022 - 6/30/2023		628	-	628	628	-	-
Subtotal						<u>4,700,749</u>	<u>52,496</u>	<u>4,421,033</u>	<u>4,421,033</u>	<u>(227,220)</u>	<u>-</u>
<i>Passed through the Pennsylvania Department of Agriculture</i>											
National School Lunch Program	I	10.555		7/1/2022 - 6/30/2023		678,113	-	678,113	678,113	-	-
Subtotal						<u>678,113</u>	<u>-</u>	<u>678,113</u>	<u>678,113</u>	<u>-</u>	<u>-</u>
Total child nutrition cluster						<u>5,378,862</u>	<u>52,496</u>	<u>5,099,146</u>	<u>5,099,146</u>	<u>(227,220)</u>	<u>-</u>
Total U.S. Department of Agriculture						<u>5,378,862</u>	<u>52,496</u>	<u>5,099,146</u>	<u>5,099,146</u>	<u>(227,220)</u>	<u>-</u>
Total Federal Awards						<u>\$ 13,140,799</u>	<u>\$ 3,032,826</u>	<u>\$ 13,132,734</u>	<u>\$ 13,132,734</u>	<u>\$ 3,016,253</u>	<u>\$ -</u>

Source code
I = Indirect
S = State
* = Denotes Major program tested

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, 2023**

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 and certain state awards under Assistance Listing #10.555 represent surplus food consumed by the District during the 2022-2023 fiscal year. The District received food commodities totaling \$678,113 as of June 30, 2023.

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, 2023**

I. Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes ___ No X

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.425	Elementary & Secondary School Emergency Relief Fund
84.010	Title I Improving Basic Programs

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, 2023**

No findings were reported.