

**REPORT ON
SOUDERTON AREA SCHOOL DISTRICT
SINGLE AUDIT REPORT
FISCAL YEAR ENDED JUNE 30, 2022**

SOUDERTON AREA SCHOOL DISTRICT

Single Audit Report

For the Fiscal Year Ended June 30, 2022

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Single Audit Report

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INTRODUCTORY SECTION



GORMAN & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Members of
American Institute of Certified Public Accountants
Pennsylvania Institute of Certified Public Accountants
Florida Institute of Certified Public Accountants

Members of the Board
Souderton Area School District
760 Lower Road
Souderton, PA 18964-2311

We have performed the Single Audit of the Souderton Area School District for the fiscal year ended June 30, 2022, and have enclosed the Single Audit reporting package.

The Single Audit was done to fulfill the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, which entailed:

1. An audit of the basic financial statements, and our opinion thereon;
2. A review of compliance and of internal control over financial reporting based on an audit of the financial statements performed in accordance with Governmental Auditing Standards, and our report thereon;
3. An examination of the Schedule of Expenditures of Federal Awards and our report thereon; and,
4. An opinion on compliance with requirements applicable to each major program, and a review of internal control over compliance in accordance with the Uniformed Guidance, explained above, and our report thereon.

As part of our report, we have enclosed our management letter.

Respectfully submitted,

Gorman & Associates, P.C.

November 21, 2022



GORMAN & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Members of
American Institute of Certified Public Accountants
Pennsylvania Institute of Certified Public Accountants
Florida Institute of Certified Public Accountants

Board of School Directors
Mr. Frank T. Gallagher, Superintendent
Souderton Area School District
760 Lower Road
Souderton, PA 18964-2311

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Souderton Area School District for the year ended June 30, 2022, and have issued our report thereon dated November 21, 2022.

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether your financial statements are fairly presented, in all material respects, in conformity with the U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities, including having compensating controls in place to ensure our preparation of your financial statements and note disclosures are not materially misstated.

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matter on June 8, 2022.

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Souderton Area School District are described in the notes to the financial statements. Accounting policies adopted during this past year and the existing policies were properly applied. We did not discover any transactions entered into by the District that lacked authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates, which are part of the significant accounting policies, are an integral part of the financial statements and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events may differ significantly from those expected. The most sensitive estimates affecting the financial statements was depreciation taken on capital assets based upon the estimated useful life of each asset and calculated on the straight-line basis of depreciation, and the Actuary's Reports on Other Post-Employment Benefits and Net Pension Liability. We have evaluated the factors and assumptions used to develop these estimates and have determined the estimates to be reasonable in relation to the financial statements taken as a whole.

We wish to inform you that the disclosures in your financial statements are neutral, consistent, and clear. From time to time, certain disclosures are more sensitive than others due to their significance to financial statement users. The most sensitive disclosures involve capital assets and long-term debt.

We have requested certain representations from management that are included in the management representation letter provided to us on November 21, 2022. We advise the governing body to request this letter from management for their review. In conjunction with their representations, we wish to inform you we did not encounter any significant difficulties in dealing with management and had no disagreements with your management. To our knowledge, management did not find a need to converse with any other independent accountant on any related accounting or auditing issue.

In addition, the representation letter provided to us, by management, confirmed there were no uncorrected misstatements. Management has recorded all of our adjusting journal entries, and has agreed to the conversion entries necessary to convert governmental funds and proprietary funds to governmental activities and business-type activities, respectively.

In accordance with auditing standards, generally accepted in the United States of America, we have acquired a sufficient understanding of the District and its environment, including its internal control, to assess the risk of material misstatements of the financial statements whether due to error or fraud, and to design the nature, timing, and extent of further audit procedures that were necessary to express an opinion on the 2021-22 basic financial statements.

Our consideration of the District's internal control components was not designed for the purpose of making detailed recommendations and would not necessarily disclose all significant deficiencies within the components. Our audit procedures have been appropriately adjusted to compensate for any observed significant deficiencies. The following three paragraphs define the three different types of deficiencies that can occur:

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

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.

As the primary purpose of our audit is to form an opinion on the basic financial statements, you will appreciate that reliance must be placed on adequate methods of internal control as your principal safeguard against errors and fraud which audit procedures may not disclose. The objective of internal control over financial reporting is to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use and that financial records are reliable for preparing financial statements in accordance with generally accepted accounting principles and for maintaining the accountability for assets. The concept of reasonable assurance recognizes that the cost of internal control should not exceed the related benefits; to operationalize this concept, management is required to formulate estimates and judgments of the cost/benefit ratios of alternative controls.

There are inherent limitations that should be recognized in considering the potential effectiveness of internal control over financial reporting. Errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, fatigue, and other personnel factors. Control procedures whose effectiveness depends upon the segregation of duties can be circumvented by collusion or by management. What's more, any projection of internal control evaluations to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions or due to the deterioration of the degree of compliance with control procedures.

As an adjunct to our audit, we remained alert throughout for opportunities to enhance internal controls and operating efficiency. These matters were discussed with management as the audit progressed and have subsequently been reviewed in detail to formulate practical recommendations. We wish to thank your staff for their courtesies and cooperation, which facilitated the efficient performance of audit procedures. The remainder of this letter will explain any internal control deficiencies discovered during the audit, other auditor recommendations, and other information pertinent to the District.

A control deficiency is determined to be considered a material weakness or significant deficiency based upon the magnitude of the problem as it pertains to a particular opinion unit. In other words, what is considered a significant deficiency in one fund may only be a control deficiency in another fund of greater size.

The following section in this governance/management letter is separated by categories based on importance, with any material weaknesses or significant deficiencies listed in the beginning:

RECOMMENDATION

Schoolwide Club

During the audit of the student activity fund, we discovered there is a “Schoolwide” club in the high school that does not meet the requirements of being a club. This club is primarily funded through LifeTouch commissions and the money in this account is used for additional purchases such as hallway furniture and student of the month breakfasts. The club has oversight from Student Government and Student Government signs off on any purchases. The Schoolwide club itself does not have any members, officers, or bylaws. It is our recommendation to retire this club and either transfer the money to the general fund or integrate it fully into Student Government.

OTHER INFORMATION

SBITAs (Subscription-Based Information Technology Arrangements)

IT software subscriptions allow governments to benefit from the use of IT software without maintaining a perpetual license or title to the software. Therefore, these arrangements are mutually beneficial for both the vendor and the government. Because of the increased popularity of subscription-based information technology arrangements, GASB issued Statement No. 96 to address the accounting treatment and financial reporting for these agreements.

Currently these types of arrangements are simply expensed when paid however under the new standard a subscription liability is measured as the present value of the total subscription expected to be made to the vendor during the subscription term. The total future payments are discounted using the interest rate the vendor charges the government, which may be the interest rate implicit in the SBITA, or if such a rate is not stated an estimated incremental borrow rate of the government can be used for the present value calculation. In addition to the subscription liability, the government recognized a subscription asset. Subsequently, the government will amortize the subscription asset in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT asset. Amortization of the subscription asset begins at the commencement of the subscription term and is reported as an outflow of resources by the governmental entity.

The new guidance is effective for the 22-23 fiscal year.

Board of School Directors • Mr. Frank T. Gallagher, Superintendent

This letter is required by our standards and has been combined with what we previously referred to as the management letter. The intent of this letter is to communicate with those charged with governance on matters pertaining to the audit and includes information that we believe can help you correct or improve operating efficiency, under the limitations of staff availability, within the School District.

Respectively submitted,

Norman Associates, P.C.

November 21, 2022

REPORT DISTRIBUTION LIST

The Souderton Area School District has distributed copies of the Single Audit Act Package to the following:

ONE COPY TO:
(Electronically Filed)

BUREAU OF THE CENSUS
DATA PREPARATION DIVISION

ONE COPY TO:
(Electronically Filed)

COMMONWEALTH OF PENNSYLVANIA
BUREAU OF AUDITS

ONE COPY TO:

MONTGOMERY COUNTY INTERMEDIATE UNIT
1605 WEST MAIN STREET
NORRISTOWN, PA 19403-3290

FINANCIAL SECTION



GORMAN & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Members of
American Institute of Certified Public Accountants
Pennsylvania Institute of Certified Public Accountants
Florida Institute of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of School Directors
Souderton Area School District
760 Lower Road
Souderton, PA 18964-2311

Report on the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Souderton Area School District, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Souderton Area School 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.

Change in Accounting Principle

As described in Note 2-G to the financial statements, in 2022, the District adopted new accounting guidance, GASB Statement No. 87, Leases. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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 Souderton Area School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* 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 generally accepted auditing standards and *Government Auditing Standards*, 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 Souderton Area School 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 Souderton Area School 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 the management's discussion and analysis on pages 10-20, the schedules associated with the District's Defined Benefit Pension Plan, and the Schedules of the District's OPEB Plans, on pages 86-95, 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Souderton Area School District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost*

Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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 basic financial statements. The 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 combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2022, on our consideration of the Souderton Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the Souderton Area School District's 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 Souderton Area School District's internal control over financial reporting and compliance.

Respectfully submitted,



November 21, 2022

Souderton Area School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplementary Information (RSI)
(UNAUDITED)
For the Year Ended June 30, 2021

The Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Student enrollment decreased by 317 students (about a -4.9% change) for fiscal year 2021-22. The decreased was primarily due to parents moving their children into cyber charter schools or homeschooling due to the pandemic. There continues to be a steady growth in new construction in the District. Thus far, the increase in construction has benefitted the District in terms of additional interim real estate and transfer tax revenue without increasing the number of students. The last enrollment study indicates that the District is well positioned to be able to adequately serve the population even if the new developments yield additional school-age children.

The 2021-22 budget for Souderton Area School District was prepared under the guidelines set forth in Act 1 of 2006. The Board of School Directors balanced the revenue and expenditure budgets with a 0.87% real estate tax rate increase, targeted expenditure reductions and the use of \$2.55 million of assigned fund balance. The adjusted operating results for 2021-22 were favorable compared to budget. Actual revenues exceeded the budget by \$2.2 million due to \$1.8 million of additional Federal, ESSER, funds over what was budgeted even though the district saw a decrease in interest earnings, tuition earnings, community services revenues, and other local revenues due to the COVID 19 pandemic. Actual expenditures were over budget by \$1.7 million mainly due to the expenditure of grant funds received for COVID 19. The total fund balance of the General Fund was approximately \$12.6 million on June 30, 2022, a decrease of \$1.2 million over the prior year. \$2.13 million is assigned to balance the 22-23 budget.

Finally, the statements are significantly affected by GASB Statement No. 68, Accounting and Financial Reporting for Pensions, and to a lesser extent, GASB Statements No. 74 and 75 related to other post employment benefit obligations ("OPEB"). The District is now recognizing a liability for its share of the unfunded pension liability for the Public School Employee Retirement System, or PSERS, of \$162.5 million. This pronouncement has a detrimental impact to the District's net position, yet the District's Board and management expect that the impact of this pronouncement will decline over time as the unfunded liability shrinks. The District further notes that it has no control over the unfunded status of PSERS, and that any action (or inaction) by the Commonwealth's General Assembly could change the District's net position. Although the District's management recognizes that the unfunded PSERS liability does indeed qualify as an accounting liability, it does not consider its effect when evaluating the fiscal strength and solvency of the District's operations.

**Souderton Area School District
Management's Discussion and Analysis**

USING THE ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Souderton Area School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

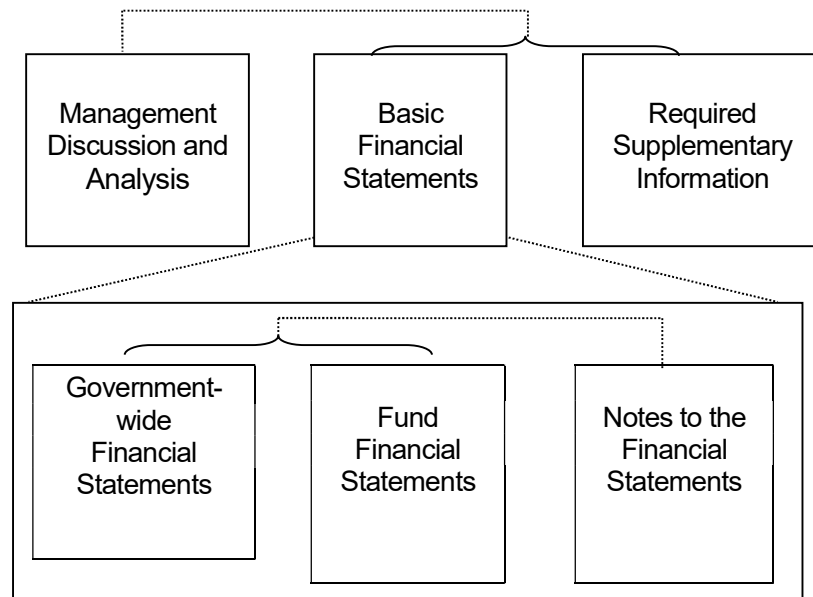
The first two statements are government-wide financial statements - the Statement of Net Position and the Statement of Activities. These provide both long-term and short-term information about the District's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the District's operations in more detail than the government-wide statements. The governmental funds statements tell how general District services were financed in the short term as well as what remains for future spending. Proprietary fund statements offer short and long-term financial information about the activities that the District operates like a business. Fiduciary fund statements provide information about financial relationships where the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong. The fund financial statements are the primary method by which the Board and Management review the District's fiscal position.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Figure A-1 shows how the required parts of the Financial Section are arranged and relate to one another:

**Figure A-1
Required components of
Souderton Area School District's
Financial Report**



**Souderton Area School District
Management's Discussion and Analysis**

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

**Figure A-2
Major Features of Souderton Area School District's
Government-wide and Fund Financial Statements**

		Fund Statements		
	Government-wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as education, administration and community services	Activities the District operates similar to private business - Food Services	Instances in which the District is the trustee or agent to someone else's resources - Scholarship Funds
Required financial statements	Statement of net position Statement of activities	Balance Sheet Statement of revenues, expenditures, and changes in fund balance	Statement of net position Statement of revenues, expenses and changes in net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources 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, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow-outflow information	All revenues and expenses during 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 payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

**Souderton Area School District
Management's Discussion and Analysis**

OVERVIEW OF FINANCIAL STATEMENTS

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 Position includes all of the government's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. 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 is the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources.

Over time, increases or decreases in the District's net position are an indication of whether its financial health is improving or deteriorating, respectively. But to assess the overall health of the District, the reader needs to consider additional factors, such as the increasing property tax base, outlook for future growth, strength of financial policies and planning, and student performance and achievement.

The government-wide financial statements of the District are divided into two categories:

- **Governmental Activities** - All of the District's basic services are included here, such as instruction, administration and community services. Property taxes and state and federal subsidies and grants finance most of these activities.
- **Business Type Activities** -The District operates a food service operation and charges fees to staff, students and visitors to help it cover the costs of the food service operation.

Fund Financial Statements

The District's fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required by state law and by bond requirements.

Governmental funds - Most of the District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary funds - These funds are used to account for the District activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the District charges customers for services it provides - whether to outside customers or to other units in the District - these services are generally reported in proprietary funds. The Food Service Fund is one of the District's proprietary funds and is the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows. The District also operates an Internal Service Fund to account for its health insurance benefit program's revenue and expenditures. The Internal Service Fund is consolidated into the Governmental Activities on the government-wide financial statements

**Souderton Area School District
Management's Discussion and Analysis**

Fiduciary funds - The District is the trustee, or fiduciary, for some scholarship funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position. We exclude these activities from the District's other financial statement because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The district's total governmental activities net position increased by \$8.5 million at June 30, 2022.

**Table A-1
Fiscal Year ended June 30, 2022
Net Position (In Millions)**

	2022			2021		
	Govern- mental Activities	Business- Type Activities	Total Primary Government	Govern- mental Activities	Business- Type Activities	Total Primary Government
Current assets	\$ 69.0	\$ 1.1	70.1	\$ 30.5	\$ 1.0	\$ 31.5
Non-Current assets	159.6	0.4	160.0	156.4	0.4	156.8
Deferred Outflow of Resources	33.4	0.4	33.8	29.9	0.4	30.3
Total Assets	\$ 262.0	\$ 1.9	\$ 263.9	\$ 216.8	\$ 1.8	\$ 218.6
Current and other liabilities	23.9	0.1	24.0	20.3	0.8	21.1
Long-term liabilities	241.1	3.0	244.1	231.6	3.2	234.8
Deferred Inflow of Resources	29.1	0.3	29.4	5.4	0.1	5.5
Total Liabilities	294.1	3.4	297.5	257.3	4.1	261.4
Net Position						
Net Investment in Capital Assets	125.4	0.4	125.8	120.4	0.4	120.8
Retirement of Long-Term Debt	-	-	-	-	-	-
Capital Projects	1.8	-	1.8	1.9	-	1.9
Unrestricted	(159.3)	(1.8)	(161.1)	(162.9)	(2.6)	(165.5)
Total Net Assets	\$ (32.1)	\$ (1.4)	\$ (33.5)	\$ (40.6)	\$ (2.2)	\$ (42.8)

Most of the District's net position is invested in non-current capital assets (buildings, land, and equipment). At June 30, 2022, the District had a balance of approximately \$159.6 million for this class of assets. This is relatively unchanged from June 30, 2022. Unrestricted net position reflects a negative balance of \$32.1 million.

The results of this year's operations as a whole are reported in the Statement of Activities. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the District's activities that are supported by other general revenues. The two largest general revenues are the local real estate taxes assessed on residents and property owners and grants and entitlements not restricted to specific programs. The Basic Education Subsidy provided by the State of Pennsylvania is the largest example of such a grant. Table A-2 takes the information from that Statement and rearranges it slightly, so that you can see our total revenues for the year.

**Souderton Area School District
Management's Discussion and Analysis**

**Table A-2
Fiscal Year ended June 30, 2022
Changes in Net Position (In Thousands)**

	<u>2022</u>			<u>2021</u>		
	<u>Govern- mental Activities</u>	<u>Business- Type Activities</u>	<u>Total Primary Government</u>	<u>Govern- mental Activities</u>	<u>Business- Type Activities</u>	<u>Total Primary Government</u>
REVENUES						
<i>Program revenues</i>						
Charges for services	\$ 1,488	\$ 349	\$ 1,837	\$ 1,060	\$ 273	\$ 1,333
Operating grants and contributions	21,547	\$ 3,191	\$ 24,738	23,836	1,997	25,833
Capital grants and contributions	1,474	\$ -	\$ 1,474	807	-	807
<i>General revenues</i>						
Property taxes	86,332	-	86,332	84,978	-	84,978
Other taxes	12,395	-	12,395	11,284	-	11,284
Grants, subsidies and contributions, unrestricted	12,517	-	12,517	12,065	-	12,065
Other	870	1	871	639	3	642
TOTAL REVENUES	\$ 136,623	\$ 3,541	\$ 140,164	\$ 134,669	\$ 2,273	\$ 136,942
EXPENSES						
Instruction	\$ 82,475	\$ -	\$ 82,475	\$ 84,896	\$ -	\$ 84,896
Instructional student support	11,193	-	11,193	11,245	-	11,245
Administrative and financial support	10,256	-	10,256	10,645	-	10,645
Operation and maintenance of plant	9,212	-	9,212	9,976	-	9,976
Pupil transportation	8,142	-	8,142	7,235	-	7,235
Student activities	1,512	-	1,512	1,389	-	1,389
Community services	-	-	-	8	-	8
Scholarships and Awards	33	-	33	32	-	32
Interest on long-term debt	1,068	-	1,068	1,007	-	1,007
Unallocated depreciation expense	4,230	-	4,230	4,177	-	4,177
Food Services	-	2,733	2,733	-	2,549	2,549
TOTAL EXPENSES	128,121	2,733	130,854	130,610	2,549	133,159
Increase (decrease) in net position	\$ 8,501	\$ 809	\$ 9,310	\$ 4,059	\$ (276)	\$ 3,783

Total governmental activities expenses of \$128.1 million increased year over year and include \$4.2 million of unallocated depreciation expense. Wages and benefits comprise about 2/3 of the total Governmental Activity expenses. The District's contributions to the state retirement system, mandated charter school tuition costs, transportation for students with special needs, and building renovations were the primary drivers of the increase in governmental activities expense. These increases were offset by favorable experience for health insurance claims.

Total Business-Type Activities (food services) expenses of \$2.7 million include the costs necessary to operate the cafeterias in all the schools. The District's hope is to operate food service activities on a break-even basis. Menu prices and operating expenses are reviewed each year and changed to attain this goal. Any excess revenue at year-end is accumulated to offset future large purchases of kitchen and other equipment.

Table A-3 below presents the expenses of both the Governmental Activities and the Business-Type Activities of the District. It shows the District's largest functions and each program's net cost (total cost less revenues generated by activities). This table also shows the net costs offset by the other unrestricted grants, subsidies and contributions to show the remaining financial needs supported by local taxes and other miscellaneous revenues. Unrestricted grants and subsidies of \$12.5 million were available to reduce the cost of services of governmental activities to a net cost of \$91.1 million. Significant unrestricted grants and subsidies include the Basic Education Subsidy, which equaled \$10.3 million for 2021-22.

**Souderton Area School District
Management's Discussion and Analysis**

**Table A-3
Fiscal Year ended June 30, 2022
Governmental Activities (In Thousands)**

Functions/Programs	2022		2021	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 82,475	\$ 66,235	\$ 84,896	\$ 68,291
Instructional student support	11,193	9,006	11,245	8,681
Administrative	10,256	9,259	10,645	8,935
Operation and maintenance	9,212	8,207	9,976	8,867
Pupil transportation	8,142	6,194	7,235	5,108
Student activities	1,512	759	1,389	658
Community services	-	(453)	8	(41)
Scholarships and Awards	33	33	32	32
Interest on long-term debt	1,068	144	1,007	199
Unallocated depreciation expense	4,230	4,229	4,177	4,177
Total governmental activities	\$ 128,121	103,613	\$ 130,610	104,907
Less:				
Unrestricted grants, subsidies		12,517		12,065
Total needs from local taxes and other revenues		\$ 91,096		\$ 92,842

Table A-4 reflects the activities of the Food Service program, the only Business-type activity of the District.

**Table A 4
Fiscal Year ended June 30, 2022
Business-type Activities**

Functions/Programs	2022		2021	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Food Services	\$ 2,732,323	\$ 808,035	\$ 2,548,261	\$ (276,983)
Less:				
Investment earnings & other misc.		777		336
Total business-type activities		\$ 808,812		\$ (276,647)

The Food Service Fund operated at a profit of approximately \$777k in 2021-22. As previously discussed, the pension and OPEB liabilities are not considered by management when evaluating the overall fiscal condition of the Fund. The Food Service Fund is also facing the same dramatic increases in mandated contributions to the employee retirement system and the impact of the recognition of the Fund's proportionate share of the unfunded PSERS liability under GASB No. 68.

**Souderton Area School District
Management's Discussion and Analysis**

THE DISTRICT FUNDS

General Fund

The table below represents a comparative summary of General Fund revenue by source.

	<u>2022</u>	<u>2021</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
Local	\$ 102,239,713	\$ 99,635,292	\$ 2,604,421	2.6%
State Sources	31,514,165	31,288,737	225,428	0.7%
Federal Sources	2,759,858	3,863,370	(1,103,512)	-28.6%
Other Sources	885,566	5,197	880,369	16939.9%
Total Revenue Sources	\$ 137,399,302	\$ 134,792,596	\$ 2,606,706	1.9%

Local Sources – The District relies heavily upon local revenues, accounting for 74% of total revenue in 2022. Revenues from local sources increased by \$2.6 million in 2022.

State Sources – State revenues stayed about the same in 2022 at \$31.5 million. Social Security and pension (PSERS) reimbursements increased based on salaries paid (The Commonwealth provides a 50% reimbursement on the district's contributions to the pension system, and the contribution rate increased from 34.51% to 34.94%).

Federal Sources – The District's federal revenue decreased by 28.6% in 2022 by approximately \$1.1 million. This decrease is solely due to the ESSER/CARES multiyear grants because of Covid 19, and a significant portion was spent in 2020-21.

The table below represents a comparative summary of General Fund expenditures by function.

	<u>2022</u>	<u>2021</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
Instruction	\$ 87,144,552	\$ 83,931,534	\$ 3,213,018	3.8%
Support Services	39,734,169	40,023,975	(289,806)	-0.7%
Non-Instructional Services	1,626,947	1,440,232	186,715	13.0%
Capital Outlay	15,180	814,666	(799,486)	100.0%
Debt Service	10,034,223	9,307,856	726,367	7.8%
Fund Transfers	-	-	-	0.0%
Total Expenditure Sources	\$ 138,555,071	\$ 135,518,263	\$ 3,036,808	2.2%

Instruction – Instructional expenditures are the largest category and make up 62.9% of expenditures. Teacher salary and benefit costs are allocated to this function as well as all student instruction related costs. These costs increased by \$3.2 million or 3.8% from 2020-21 to 2021-22.

Support Services – Expenses for support services decreased by 0.7% in 2022 to \$39.7 million.

Non-instructional Services – There was an increase in non-instructional services of approximately \$186,715 in 2022.

Capital Outlay – The decrease in this function is due to architect charges paid by General Fund for upcoming projects in 2020-21.

Debt Service – Expenditures in this function increased by 7.8% in 2022 due to the timing of debt payments in the overall debt portfolio schedule and the issuance of GOB Series of 2021.

Fund Transfers – There were no fund transfers in 21-22.

**Souderton Area School District
Management's Discussion and Analysis**

The Capital Projects Fund is legally restricted to capital improvements and related debt service under Pennsylvania state law. Expenditures in 2022 were \$121,636, representing payments for District capital improvements. The fund balance at June 30, 2022 is \$1.8 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

On June 30, 2022, the District had \$243.4 million invested in a broad range of capital assets, including land, buildings, construction in progress, and furniture and equipment. This amount represents a net increase (including additions, deletions, and depreciation) of \$8.5 million from last year.

**Table A-5
Governmental Activities
Fiscal Year Ended June 30, 2022
Capital Assets - Net of Depreciation**

	<u>2022</u>	<u>2021</u>
Land	\$ 10,796,447	\$ 10,796,447
Site Improvements	3,059,629	3,219,364
Buildings	136,969,357	136,386,326
Furniture & Equipment	5,888,895	4,798,208
Intangible Right to Use - Equipment	35,450	-
Construction in Progress	2,904,238	1,213,541

The most significant change in capital assets was for construction in progress for several school renovation projects and one-to-one devices.

DEBT ADMINISTRATION

As of June 30, 2022, the District had total outstanding debt of \$68.6 million. The district repaid \$8.6 million of principal in fiscal year 2022. Detailed information regarding outstanding bonds payable is presented in the notes to the basic financial statements (Note J).

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 225% of the includable average revenues for the prior three years. On June 30, 2022, the District's General Obligation debt is approximately \$224 million below the legal limit.

**Table A-6
Outstanding Debt**

	<u>2022</u>	<u>2021</u>
General Obligation Notes/Bonds:		
- Bonds, Series of 2022	33,100,000	-
- Bonds, Series of 2021	8,910,000	-
- Bonds, Series of 2019	\$ 8,205,000	\$ 8,215,000
- Bonds, Series of 2017	11,070,000	14,570,000
- Bonds, Series of 2015A	-	1,105,000
- Bonds, Series of 2015	1,430,000	2,125,000
- Bonds, Series of 2014	5,860,000	9,195,000
TOTAL	<u>\$ 68,575,000</u>	<u>\$ 35,210,000</u>

Other obligations include accrued vacation pay and sick leave for specific employees of the District. More detailed information about our long-term liabilities is included in the notes to the financial statements.

**Souderton Area School District
Management's Discussion and Analysis**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Special Session Act 1 of 2006 ("Act 1") enacted property tax reduction legislation in the Commonwealth. This legislation limits the taxing authority of the District. In 2022-23, the Act 1 index (the "cap" on property tax increases) was set at 34%, an increase from 3.0% in 2021-22. Many of the available Act 1 exceptions to the Index "cap" were eliminated or significantly modified. So, the District will have to seek solutions to maintain its current level of educational programming and services without any corresponding revenue enhancements. Act 1 also enacted the use of gaming funds from Pennsylvania casinos to reduce the local property taxes of residents. If this provision of Act 1 were to be repealed, or if there were insufficient funds in the Commonwealth's property tax relief fund, the District's residents with an approved homestead/farmstead exclusion would no longer receive the approximately \$200 credit on their real estate tax bills.

In June 2022, the Board of School Directors approved a General Fund operating budget of approximately \$142.1 million for the 2022-23 fiscal year. The Board also approved a 2.8% increase in the real estate tax millage rate which was under the allowable 3.4% increase per Act 1.

In 2020, Standard & Poor's Rating Services ("S&P") assigned the District's long-term rating as 'A+' and removed the negative outlook in its report. In April of 2022, Moody's Investors Services affirmed its 'Aa3' credit rating. Over the next few years, it is a priority of the Administration to maintain reserve levels while maintaining fiscal responsibility.

The Pennsylvania Public School Employees Retirement System ("PSERS") trustees set the percentage of payroll that all school districts must pay in 2022-23 to 35.26%, a 0.9% increase over 2021-22. Under current legislation, the employer contribution rate to the system continues to rise incrementally over the next five years, reaching more than 37% in 2029-30. This contribution rate is unsustainable for Pennsylvania school districts and the Commonwealth must promptly address this issue with legislation that does not simply reduce the employer contribution rate, but substantively ensures the continuing financial health of PSERS. Recent efforts, including Act 5 of 2017, will not provide any short-term benefits.

Funding from the Commonwealth has not kept pace with the increases in mandated expenditures. PSERS, charter school and special education costs are all rising, but there has been no direct increase in support from the Commonwealth. The lack of increase in this funding requires the District to further expand its reliance on local revenue sources and programming cuts to balance its budgets. If the model for appropriating state funds to school districts is not addressed, it could affect the District's operations.

Facilities maintenance is a priority for the Administration, and management intends to work with the Board of School Directors to establish an ongoing funding stream to replenish the Capital Projects Fund. The District completed a comprehensive facilities plan during the summer of 2020 school year to better prioritize building needs. Funding options for these projects will be discussed during the current school year through a combination of current cash reserves and the potential to borrow with the current debt service schedule ending in 2034-35.

Payments to charter schools increase every year due to both increasing enrollment and the mandated cost of tuition. It is well documented that traditional public schools academically outperform charter schools, yet statewide enrollment – especially in cyber charter schools – continues to rise. This increase, coupled with a flawed funding formula, places a gratuitous burden on the District. District officials actively advocate for charter school reform with elected state officials in Harrisburg, and these efforts are supported by the broader community.

Revenue from earned income and real estate transfer taxes improved again in 2022. As the District is heavily dependent on local revenues, it must vigilantly monitor these sources of revenue to ensure that it can continue to provide high quality educational programming.

Increases in these revenue sources may be able to offset future real estate tax increases if sustained. The 2021-22 fiscal year was the final year of a five-year collective bargaining agreement with the Souderton Area Education Association, the teachers' union and largest employee group in the district. The salaries bargained in this and other collective bargaining agreements represent the

**Souderton Area School District
Management's Discussion and Analysis**

District's largest expenditure and contribute to the increases in other fringe benefits (e.g., Social Security and PSERS).

The District is self-insured for its health (medical and prescription), dental and vision insurance programs. Self-funding exposes the District to fluctuations in its annual expenditures for these insurances, which could have an impact on its financial position. To mitigate this risk, the District purchases stop-loss insurance and monitors its exposure on a monthly basis. The District also implemented the use of an internal service fund to monitor performance and potentially provide rate stabilization in future years.

The comparison of original General Fund budgeted revenue and expenditure categories is as follows:

Revenue Budget

	<u>2022-23</u>	<u>2021-22</u>
Local	74.4%	75.1%
State	24.2%	24.2%
Federal/Other	1.4%	0.7%

Expenditure Budget

	<u>2022-23</u>	<u>2021-22</u>
Instruction	61.2%	61.7%
Support Services	28.9%	28.8%
Non-Instruction/Community	1.3%	1.3%
Facilities, Acquisition and Construction	10.0%	0.0%
Fund Transfers/Debt	8.5%	8.2%

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact the Director of Business Affairs, Souderton Area School District, 760 Lower Road, Souderton, PA 18964.

B A S I C F I N A N C I A L S T A T E M E N T S

Souderton Area School District
Statement of Net Position
As of June 30, 2022

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 62,209,198	\$ 931,811	\$ 63,141,009
Investments	-	-	-
Receivables, net	1,563,891	-	1,563,891
Internal Balances	10,467	1,724	- (1)
Due From Other Governments	4,748,993	120,132	4,869,125
Other Receivables	208,336	12,701	221,037
Inventories	72,489	97,754	170,243
Prepaid Expenses	140,559	-	140,559
Total Current Assets	68,953,933	1,164,122	70,105,864
Non-Current Assets:			
Land	10,796,447	-	10,796,447
Site Improvements (net of depreciation)	3,059,629	-	3,059,629
Building and Bldg. Improvements (net of depreciation)	136,969,357	-	136,969,357
Furniture and Equipment (net of depreciation)	5,888,895	372,098	6,260,993
Intangible Right to Use Equipment (net of amortization)	35,450	-	35,450
Construction in Progress	2,904,238	-	2,904,238
Total Non-Current Assets	159,654,016	372,098	160,026,114
Total Assets	\$ 228,607,949	\$ 1,536,220	\$ 230,131,978
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources - Related to Pension	30,892,566	336,884	31,229,450
Deferred Outflows of Resources - Related to OPEB	2,110,150	69,260	2,179,410
Deferred Amount on Debt Refundings, net	419,381	-	419,381
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 262,030,046	\$ 1,942,364	\$ 263,960,219
LIABILITIES			
Current Liabilities:			
Internal Balances	\$ 1,724	\$ 10,467	\$ - (1)
Intergovernmental Payables	633,878	-	633,878
Accounts Payable	5,418,060	53,524	5,471,584
Current Portion of Long-Term Obligations	9,297,839	-	9,297,839
Accrued Salaries and Benefits	453,940	2,093	456,033
Payroll Deductions and Withholdings	7,274,481	-	7,274,481
Prepayments from Students	502,350	80,470	582,820
Other Current Liabilities	317,038	-	317,038
Total Current Liabilities	23,899,310	146,554	24,033,673
Non-Current Liabilities:			
Bonds and Notes Payable	63,785,253	-	63,785,253
Lease Obligations	7,915	-	7,915
Long-Term Portion of Compensated Absences	2,092,397	-	2,092,397
Net Pension Liability	159,779,814	2,737,041	162,516,855
Net OPEB Liability - Single Employer Plan	5,472,400	18,122	5,490,522
Net OPEB Liability - Multiple Employer Plan	9,362,333	146,614	9,508,947
Other Retirement Benefits	576,254	-	576,254
Total Liabilities	264,975,676	3,048,331	268,011,816
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources - Related to Pension	28,058,997	340,834	28,399,831
Deferred Inflows of Resources - Related to OPEB	1,083,635	-	1,083,635
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	294,118,308	3,389,165	297,495,282
NET POSITION			
Net Investment in Capital Assets	125,443,238	372,098	125,815,336
Restricted For:			
Capital Projects	1,814,930	-	1,814,930
Other Restrictions	-	-	-
Unrestricted (deficit)	(159,346,430)	(1,818,899)	(161,165,329)
TOTAL NET POSITION	(32,088,262)	(1,446,801)	(33,535,063)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 262,030,046	\$ 1,942,364	\$ 263,960,219

The Accompanying Notes are an integral part of these financial statements.

(1) Internal balances represent the amount owed to or from the two types of activities within the Primary Government. Since internal balances do not represent assets or liabilities of the total Primary Government, their balances are eliminated in the "total" column (GASB Statement No. 34, para. 58).

Souderton Area School District
Statement of Activities
For the Year Ended June 30, 2022

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
GOVERNMENTAL ACTIVITIES:							
Instruction	\$ 82,474,864	\$ 192,309	\$ 15,556,575	\$ 490,572	\$ (66,235,408)	\$ -	\$ (66,235,408)
Instructional Student Support	11,193,016	212,408	1,975,113	-	(9,005,495)	-	(9,005,495)
Admin. & Fin'l Support Services	10,256,144	-	937,873	59,443	(9,258,828)	-	(9,258,828)
Oper. & Maint. of Plant Svcs.	9,212,153	-	1,005,560	-	(8,206,593)	-	(8,206,593)
Pupil Transportation	8,142,329	28,126	1,920,608	-	(6,193,595)	-	(6,193,595)
Student activities	1,512,365	602,221	151,475	-	(758,669)	-	(758,669)
Community Services	-	452,594	-	-	452,594	-	452,594
Scholarships and Awards	33,350	-	-	-	(33,350)	-	(33,350)
Interest on Long-Term Debt	1,067,983	-	-	924,035	(143,948)	-	(143,948)
Unallocated Depreciation Expense	4,229,790	-	-	-	(4,229,790)	-	(4,229,790)
TOTAL GOVERNMENTAL ACTIVITIES	128,121,994	1,487,658	21,547,204	1,474,050	(103,613,082)	-	(103,613,082)
BUSINESS-TYPE ACTIVITIES:							
Food Services	2,732,323	349,345	3,191,013	-	-	808,035	808,035
TOTAL PRIMARY GOVERNMENT	\$ 130,854,317	\$ 1,837,003	\$ 24,738,217	\$ 1,474,050	\$ (103,613,082)	\$ 808,035	\$ (102,805,047)
<hr/>							
GENERAL REVENUES:							
Property taxes. Levied for general purposes, net					\$ 86,332,315	\$ -	\$ 86,332,315
Taxes levied for specific purposes					12,394,882	-	12,394,882
Grants, subsidies, & contributions not restricted					12,517,308	-	12,517,308
Investment Earnings					171,653	777	172,430
Miscellaneous Income					697,972	-	697,972
Transfers					-	-	-
TOTAL GENERAL REVENUES, SPECIAL ITEMS, EXTRAORDINARY ITEMS, AND TRANSFERS					112,114,130	777	112,114,907
CHANGES IN NET POSITION					8,501,048	808,812	9,309,860
NET POSITION - BEGINNING					(40,589,310)	(2,255,613)	(42,844,923)
NET POSITION - ENDING					\$ (32,088,262)	\$ (1,446,801)	\$ (33,535,063)

The Accompanying Notes are an integral part of these financial statements.

Souderton Area School District
Balance Sheet
Governmental Funds
As of June 30, 2022

	GENERAL	CAPITAL PROJECTS FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>			
Cash and cash equivalents	\$ 17,558,454	\$ 42,929,343	\$ 60,487,797
Restricted Cash	-	7,737	7,737
Taxes Receivable, net	1,563,891	-	1,563,891
Due from other funds	126	4,400	4,526
Due from Other Governments	4,748,993	-	4,748,993
Other Receivables	126,118	-	126,118
Prepaid Expenditures	140,559	-	140,559
TOTAL ASSETS	\$ 24,138,141	\$ 42,941,480	\$ 67,079,621
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Charges on Refundings, net	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 24,138,141	\$ 42,941,480	\$ 67,079,621
<u>LIABILITIES:</u>			
Due to Other Funds	\$ 598,925	\$ -	\$ 598,925
Due to Other Governments	633,878	-	633,878
Accounts Payable	944,851	3,320,835	4,265,686
Current Portion of Long-Term Debt	196,281	-	196,281
Accrued Salaries and Benefits	453,940	-	453,940
Payroll Deductions and Withholdings	7,274,481	-	7,274,481
Prepayments from Persons or Firms	396,957	-	396,957
Other Current Liabilities	48,870	-	48,870
TOTAL LIABILITIES	10,548,183	3,320,835	13,869,018
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unearned Revenue from Property Taxes	1,036,259	-	1,036,259
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	11,584,442	3,320,835	14,905,277
<u>FUND BALANCES:</u>			
Nonspendable Fund Balance	140,559	-	140,559
Restricted Fund Balance	182,279	39,620,645	39,802,924
Committed Fund Balance	1,000,000	-	1,000,000
Assigned Fund Balance	2,131,053	-	2,131,053
Unassigned Fund Balance	9,099,808	-	9,099,808
TOTAL FUND BALANCES	12,553,699	39,620,645	52,174,344
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 24,138,141	\$ 42,941,480	\$ 67,079,621

The Accompanying Notes are an integral part of these financial statements.

**Souderton Area School District
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
As of June 30, 2022**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 52,174,344
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$243,476,538 and the accumulated depreciation/amortization is \$83,822,522.	159,654,016
This represents deferred outflows of resources resulting in deferred charges on refunding prior bond issues.	419,381
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.	1,036,259
The governmental funds follow the purchase method of inventory; therefore no inventory is reflected on the balance sheet. However, the statement of net position uses the consumption method of inventory.	72,489
The amount reflects the elimination of the Internal Service Fund's assets, liabilities, and equity, including incorporating them into the Governmental Activities column.	1,141,257
This represents deferred outflows of resources, net of deferred inflows of resources pertaining to the Net Pension/OPEB Liability.	3,860,084
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.	<u>(250,446,092)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u>\$ (32,088,262)</u>

The Accompanying Notes are an integral part of these financial statements.

Souderton Area School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2022

	<u>GENERAL</u>	<u>CAPITAL PROJECT FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES			
Local Sources	\$ 102,239,713	\$ 41,199	\$ 102,280,912
State Sources	31,514,165	-	31,514,165
Federal Sources	2,759,858	-	2,759,858
TOTAL REVENUES	<u>136,513,736</u>	<u>41,199</u>	<u>136,554,935</u>
	-----	-----	-----
EXPENDITURES			
Instruction	87,144,552	-	87,144,552
Support Services	39,734,169	634,758	40,368,927
Operation of Non-Instructional Services	1,626,947	-	1,626,947
Capital Outlay	15,180	6,335,706	6,350,886
Debt Service	10,034,223	-	10,034,223
TOTAL EXPENDITURES	<u>138,555,071</u>	<u>6,970,464</u>	<u>145,525,535</u>
	-----	-----	-----
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(2,041,335)</u>	<u>(6,929,265)</u>	<u>(8,970,600)</u>
	-----	-----	-----
OTHER FINANCING SOURCES (USES)			
Proceeds from Bond Issues	-	42,010,000	42,010,000
Bond Premiums	-	3,422,763	3,422,763
Proceeds from Leases	70,899	-	70,899
Transfers In	814,667	-	814,667
Transfers Out	-	(814,667)	(814,667)
TOTAL OTHER FINANCING SOURCES (USES)	<u>885,566</u>	<u>44,618,096</u>	<u>45,503,662</u>
	-----	-----	-----
SPECIAL/EXTRAORDINARY ITEMS			
Special Items	-	-	-
Extraordinary Items - Insurance Recoveries	-	-	-
NET CHANGE IN FUND BALANCES	<u>(1,155,769)</u>	<u>37,688,831</u>	<u>36,533,062</u>
	-----	-----	-----
FUND BALANCES - BEGINNING	<u>13,709,468</u>	<u>1,931,814</u>	<u>15,641,282</u>
	-----	-----	-----
FUND BALANCES - ENDING	<u>\$ 12,553,699</u>	<u>\$ 39,620,645</u>	<u>\$ 52,174,344</u>
	-----	-----	-----

The Accompanying Notes are an integral part of these financial statements.

**Souderton Area School District
Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures, and Changes In Fund Balances
to the Statement of Activities
For the Year Ended June 30, 2022**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ 36,533,062**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Depreciation/Amortization expense	\$ 5,279,474	
less - capital outlays	<u>8,519,603</u>	3,240,129

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred inflows of resources increased by this amount this year.

68,327

Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

8,676,426

In the statement of activities, certain operating expenses--compensated absences (vacations) and special termination benefits (early retirement) - are measured by the amounts earned during the year. In the governmental funds; however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used.

29,272

In the statement of activities, certain operating revenues are recognized when earned versus the revenues using the modified accrual basis of accounting in the fund statements that are recognized when the funds are available. As such, the amount shown here represents the difference between earned revenues and revenues that are earned, but not available.

(220)

SUB-TOTAL IN CHANGES BETWEEN BASIS OF ACCOUNTING **\$ 48,546,996**

**Souderton Area School District
Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures, and Changes In Fund Balances
to the Statement of Activities
For the Year Ended June 30, 2022**

**SUB-TOTAL IN CHANGES BETWEEN BASIS OF ACCOUNTING
(cont'd)**

\$ 48,546,996

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. This would include accumulated interest accreted on capital appreciation bonds. The additional interest accrued in the statement of activities over the amount due is shown here.

289,814

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Refunding bond issues becomes a use of current financial resources in governmental funds, but refundings represent payments of long-term debt in the statement of net position. This figure represents the difference between bond proceeds and refunding payments made to paying agents.

(45,432,763)

Finance Purchases and Lease Obligations provide current financial resources to governmental funds. Executing these obligations increases long-term liabilities in the statement of net position.

(70,899)

An Internal Service Fund is used by the District to charge the health costs of self-insurance to the individual funds. The gain or (loss) of the Internal Service Fund's current operations are reported in the governmental activities.

(1,205,512)

The governmental funds use the purchase method of inventory, where all items purchased are charged to expenditures. However, the statement of activities is reflected on the consumption method of recording inventory type items; therefore, this adjustment reflects the inventory difference.

27,815

The difference between current year pension/OPEB expense reported on the governmental activities column of the government-wide financial statements and the pension/OPEB contributions made this past year reported as expenditures in the governmental funds.

6,345,597

CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 8,501,048

The Accompanying Notes are an integral part of these financial statements.

**Souderton Area School District
Statement of Fund Net Position
Proprietary Funds
As of June 30, 2022**

	FOOD SERVICE	INTERNAL SERVICE FUND
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 931,811	\$ 1,713,664
Due from other funds	4,285	603,143
Due From Other Governments	120,132	-
Other Receivables	10,140	82,218
Inventories	97,754	-
TOTAL CURRENT ASSETS	1,164,122	2,399,025
	-----	-----
NON-CURRENT ASSETS:		
Machinery & Equipment (net)	372,098	-
Other Long-Term Receivables	-	-
TOTAL NON-CURRENT ASSETS	372,098	-
TOTAL ASSETS	\$ 1,536,220	\$ 2,399,025
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred Outflows of Resources - Related to Pension	336,884	-
Deferred Outflows of Resources - Related to OPEB	69,260	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 1,942,364	\$ 2,399,025
	-----	-----
<u>LIABILITIES</u>		
CURRENT LIABILITIES:		
Due to Other Funds	\$ 10,467	\$ -
Accounts Payable	53,524	1,152,073
Accrued Salaries and Benefits	2,093	-
Prepayments from persons	80,470	105,393
TOTAL CURRENT LIABILITIES	146,554	1,257,466
	-----	-----
NON-CURRENT LIABILITIES:		
Net Pension Liability	2,737,041	-
Net OPEB Liability - Single Employer Plan	18,122	-
Net OPEB Liability - Multiple Employer Plan	146,614	-
TOTAL NON-CURRENT LIABILITIES	2,901,777	-
TOTAL LIABILITIES	3,048,331	1,257,466
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred Inflows of Resources - Related to Pension	340,834	-
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	3,389,165	1,257,466
	-----	-----
<u>FUND NET POSITION</u>		
Net Investment in Capital Assets	372,098	-
Unrestricted	(1,818,899)	1,141,559
TOTAL FUND NET POSITION	(1,446,801)	1,141,559
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND NET POSITION	\$ 1,942,364	\$ 2,399,025

The Accompanying Notes are an integral part of these financial statements.

Souderton Area School District
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2022

	FOOD SERVICE	INTERNAL SERVICE FUND
OPERATING REVENUES:		
Food Service Revenue	\$ 333,240	\$ -
Charges for Services	-	11,592,508
Other Operating Revenues	16,105	8,064
TOTAL OPERATING REVENUES	<u>349,345</u>	<u>11,600,572</u>
	-----	-----
OPERATING EXPENSES:		
Salaries	574,805	-
Employee Benefits	361,470	-
Purchased Professional and Technical Services	571,593	-
Purchased Property Service	73,885	-
Other Purchased Services	1,115	-
Supplies	1,093,251	-
Depreciation	55,019	-
Dues and Fees	1,185	-
Claims and Judgments	-	12,806,084
TOTAL OPERATING EXPENSES	<u>2,732,323</u>	<u>12,806,084</u>
OPERATING INCOME (LOSS)	<u>(2,382,978)</u>	<u>(1,205,512)</u>
	-----	-----
NON-OPERATING REVENUES (EXPENSES)		
Earnings on investments	777	-
State Sources	189,592	-
Federal Sources	3,001,421	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>3,191,790</u>	<u>-</u>
	-----	-----
INCOME (LOSS) BEFORE CONTRIBUTIONS	808,812	(1,205,512)
Transfers in (out)	-	-
CHANGES IN FUND NET POSITION	<u>808,812</u>	<u>(1,205,512)</u>
	-----	-----
FUND NET POSITION - BEGINNING	<u>(2,255,613)</u>	<u>2,347,071</u>
	-----	-----
FUND NET POSITION - ENDING	<u>\$ (1,446,801)</u>	<u>\$ 1,141,559</u>

The Accompanying Notes are an integral part of these financial statements.

Souderton Area School District
Statement of Cash Flows
Proprietary Funds
As of June 30, 2022

	FOOD SERVICE	INTERNAL SERVICE FUND
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Users	\$ 720,386	\$ -
Cash Received from Assessments made to Other Funds	-	10,922,176
Cash Received from Earnings on Investments	-	8,064
Cash Received from Other Operating Revenue	16,105	-
Cash Payments to Employees for Services	(961,568)	-
Cash Payments for Insurance Claims	-	(12,120,084)
Cash Payments to Suppliers for Goods and Services	(2,217,722)	-
Cash Payments to Other Operating Expenses	(1,185)	(390,301)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(2,443,984)	(1,580,145)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State Sources	190,128	-
Federal Sources	2,766,595	-
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	2,956,723	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Equipment	(36,700)	-
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(36,700)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Earnings on Investments	777	-
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	777	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	476,816	(1,580,145)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	454,995	3,293,809
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 931,811	\$ 1,713,664
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
OPERATING INCOME (LOSS)	\$ (2,382,978)	\$ (1,205,512)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Depreciation and Net Amortization	55,019	-
Donated Commodities Used	199,695	-
CHANGE IN ASSETS AND LIABILITIES:		
(Increase) Decrease in Accounts Receivable	(11,907)	(67,189)
(Increase) Decrease in Advances to Other Funds	399,053	(603,143)
(Increase) Decrease in Inventories	(12,383)	-
(Increase) Decrease in Deferred Outflows of Resources - Change in Proportion of NPL	(41,491)	-
(Increase) Decrease in Deferred Outflows of Resources - Current Year Pension Contributions	52,983	-
(Increase) Decrease in Deferred Outflows of Resources - Change in Assumptions	(106,082)	-
(Increase) Decrease in Deferred Outflows of Resources - Diff. in Projected vs Actual Invest. Earnings	123,724	-
(Increase) Decrease in Deferred Outflows of Resources - Diff. between Expected vs Actual Experience	(4,762)	-
Increase (Decrease) in Accounts Payable	22,961	300,532
Increase (Decrease) in Accrued Salaries and Benefits	(3,145)	-
Increase (Decrease) in Advances from Other Funds	(657,948)	-
Increase (Decrease) in Net Pension Liability	(341,226)	-
Increase (Decrease) in Net OPEB Liability - Single Employer Plan	(4,390)	-
Increase (Decrease) in Net OPEB Liability - Multiple Employer Plan	13,228	-
Increase (Decrease) in Deferred Inflows of Resources - Diff. in projected vs actual Invest. Earnings	301,234	-
Increase (Decrease) in Deferred Inflows of Resources - Diff. in projected vs actual Contributions	537	-
Increase (Decrease) in Deferred Inflows of Resources - Diff. in Expected vs Actual Experience	(15,904)	-
Increase (Decrease) in Other Current Liabilities	(30,202)	(4,833)
TOTAL ADJUSTMENTS	(61,006)	(374,633)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ (2,443,984)	\$ (1,580,145)

The Accompanying Notes are an integral part of these financial statements.

**Souderton Area School District
Statement of Fiduciary Net Position
Fiduciary Funds
As of June 30, 2022**

	<u>CUSTODIAL FUNDS</u>
ASSETS	
Cash and cash equivalents	\$ 244,505
Other Current Assets	<u>-</u>
TOTAL ASSETS	244,505

LIABILITIES	
Accounts Payable	\$ 6,009
Due to Other Funds	2,561
Other Current Liabilities	<u>1,914</u>
TOTAL LIABILITIES	10,484
 NET POSITION	
Restricted for	
Individuals, organizations, and other governments	<u>234,021</u>
 TOTAL LIABILITIES AND FUND NET POSITION	 <u>\$ 244,505</u>

The Accompanying Notes are an integral part of these financial statements.

Souderton Area School District
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2022

	CUSTODIAL FUNDS
ADDITIONS	
Contribution - Students	\$ 151,196
Contributions - Other	3,904
Special Events	109,459
Other Income	125,249
INVESTMENT EARNINGS:	
Interest and Dividends	131
Net increase (decrease) in fair value of investments	-
Less investment expense	-
TOTAL ADDITIONS	<u>389,939</u> -----
DEDUCTIONS	
Administrative expense	-
Payments for student club activities	<u>387,982</u>
TOTAL DEDUCTIONS	<u>387,982</u>
CHANGES IN NET POSITION	1,957
NET POSITION - BEGINNING OF YEAR	<u>232,064</u>
NET POSITION - END OF YEAR	<u><u>\$ 234,021</u></u>

The Accompanying Notes are an integral part of these financial statements.

Souderton Area School District
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual -
General Fund
For the Year Ended June 30, 2022

	BUDGET AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	(BUDGETARY BASIS)	FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Local Sources	\$ 100,823,201	\$ 100,823,201	\$ 102,239,713	\$ 1,416,512
State Sources	32,563,319	32,563,319	31,514,165	(1,049,154)
Federal Sources	935,632	935,632	2,759,858	1,824,226
TOTAL REVENUES	<u>134,322,152</u>	<u>134,322,152</u>	<u>136,513,736</u>	<u>2,191,584</u>
EXPENDITURES				
Regular Instruction	57,786,593	56,500,927	57,947,046	(1,446,119)
Special Programs	23,990,469	26,610,699	26,610,699	-
Vocational Programs	1,753,941	1,746,644	1,746,644	-
Other Instructional Programs	608,376	702,681	702,681	-
Non-Public School Programs	-	5,240	5,240	-
Adult Education Programs	147,827	132,242	132,242	-
Pupil Personnel Services	5,618,632	5,447,675	5,447,675	-
Instructional Staff Services	5,098,110	4,656,482	4,656,482	-
Administrative Services	5,782,437	5,538,956	5,538,956	-
Pupil Health	1,475,737	1,591,227	1,591,227	-
Business Services	1,031,116	1,045,518	1,045,518	-
Operation & Maintenance of Plant Services	10,019,815	9,929,678	9,929,678	-
Student Transportation Services	7,346,395	8,142,329	8,142,329	-
Central Support Services	3,362,628	3,301,127	3,301,127	-
Other Support Services	82,838	81,177	81,177	-
Student Activities	1,927,065	1,593,597	1,593,597	-
Scholarships and Awards	31,550	33,350	33,350	-
Facilities, Acquisition and Construction	11,200	15,180	15,180	-
Debt Service	9,807,911	9,807,911	10,034,223	(226,312)
TOTAL EXPENDITURES	<u>135,882,640</u>	<u>136,882,640</u>	<u>138,555,071</u>	<u>(1,672,431)</u>
Excess (deficiency) of revenues over expenditures	<u>(1,560,488)</u>	<u>(2,560,488)</u>	<u>(2,041,335)</u>	<u>519,153</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Leases	-	-	70,899	70,899
Transfers In	-	-	814,667	814,667
Sale/Compensation for Fixed Assets	2,500	2,500	-	(2,500)
Budgetary Reserve	(1,000,000)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(997,500)</u>	<u>2,500</u>	<u>885,566</u>	<u>883,066</u>
Special Items	-	-	-	-
Extraordinary Items - Insurance Recoveries	10,000	10,000	-	(10,000)
NET CHANGE IN FUND BALANCES	<u>(2,547,988)</u>	<u>(2,547,988)</u>	<u>(1,155,769)</u>	<u>1,392,219</u>
FUND BALANCE - JULY 1, 2021	<u>14,911,263</u>	<u>14,911,263</u>	<u>13,709,468</u>	<u>(1,201,795)</u>
FUND BALANCE - JUNE 30, 2022	<u>\$ 12,363,275</u>	<u>\$ 12,363,275</u>	<u>\$ 12,553,699</u>	<u>\$ 190,424</u>

The Accompanying Notes are an integral part of these financial statements.

**Souderton Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2022**

Note 1 - Description of the School District and Reporting Entity

School District

The Souderton Area School District (SASD) includes an area of 49 square miles in Upper Bucks and Montgomery Counties. It is the largest school district in square miles, in the County. The District is situated midway between the cities of Allentown and Philadelphia. Due to its locale the District has the best of both worlds: proximity to the city while in a semi-rural setting. Six municipalities are within the boundaries of the SASD: the two boroughs of Souderton and Telford and the four townships of Franconia, Lower Salford, Upper Salford and Salford. Souderton Area was a growing community with farmlands becoming home sites at a steady pace in the late 1990's and early 2000's. Of late, the student population is in decline and is projected to continue declining for the foreseeable future.

The Souderton Area School District is a unit established, organized and empowered by the Commonwealth of Pennsylvania for the express purpose of carrying out, on the local level, the Commonwealth's obligation to public education, as established by the constitution of the Commonwealth and by the School Law Code of the same (Article II; Act 150, July 8, 1968).

As specified under the School Law Code of the Commonwealth of Pennsylvania, this and all other school districts of the state "shall be and hereby are vested as, bodies corporate, with all necessary powers to carry out the provisions of this act." (Article II, Section 211).

Board of School Directors

The public school system of the Commonwealth shall be administered by a board of school directors, to be elected or appointed, as hereinafter provided. At each election of school directors, each qualified voter shall be entitled to cast one vote for each school director to be elected.

The Souderton Area School District is governed by a board of nine School Directors who are residents of the School District and who are elected every two years, on a staggered basis, for a four-year term.

The Board of School Directors has the power and duty to establish, equip, furnish, and maintain a sufficient number of elementary, secondary, and other schools necessary to educate every person, residing in such district, between the ages of six and twenty-one years, who may attend.

In order to establish, enlarge, equip, furnish, operate, and maintain any schools herein provided, or to pay any school indebtedness which the school district is required to pay, or to pay any indebtedness that may at any time hereafter be created by the school district, the board of school directors are vested with all the necessary authority and power annually to levy and collect the necessary taxes required and granted by the legislature, in addition to the annual State appropriation, and are vested with all necessary power and authority to comply with and carry out any or all of the provisions of the Public School Code of 1949.

Administration

The Superintendent of Schools shall be the executive officer of the Board of School Directors and, in that capacity shall administer the School District in conformity with Board policies and the School Laws of Pennsylvania. The Superintendent shall be directly responsible to, and therefore appointed by, the Board of School Directors. The Superintendent shall be responsible for the overall administration, supervision, and operation of the School District.

The Director of Business Affairs, recommended by the Superintendent and appointed by the Board of School Directors, shall supervise and coordinate all business aspects of the School District. In this capacity, he or she shall be responsible to insure that all work accomplished by him/her, or by persons under his/her supervision, is in the best interests of the Souderton Area School District. The Director of Business Affairs is directly responsible to the Superintendent.

Souderton Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2022

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Souderton Area School District, this includes general operations, food service, and student related activities of the School District.

Souderton Area School District is a municipal Corporation governed by an elected nine-member board. As required by generally accepted accounting principles, these financial statements are to present Souderton Area School District (the primary government) and organizations for which the primary government is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are financially dependent on the School District in that the School District approved the budget, the issuance of debt, or the levying of taxes. The Souderton Area School District does not have any component units.

Joint Ventures

North Montco Technical Career Center

The School District is a participating member of the North Montco Technical Career Center (NMTCC). The NMTCC 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 directors of each participating district must approve the NMTCC's annual operating budget. Each participating district pays a pro-rata share of the NMTCC's operating costs based on the number of students attending the NMTCC for each District. The District's share of the NMTCC's operating costs for 2021-22 was \$1,746,644.

On dissolution of the North Montco Technical Career Center, the net position of NMTCC 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 Tax Equalization Board. However, the District does not have an equity interest in NMTCC as defined by GASB Statement No. 14, except a residual interest in the net position upon dissolution that should not be reflected on the basic financial statements. Complete financial statements for the NMTCC can be obtained from the NMTCC's administrative office at 1265 Sumneytown Pike, Lansdale, PA 19446.

Jointly Governed Organizations

Montgomery County Intermediate Unit

The School District is a participating member of the Montgomery County Intermediate Unit (MCIU). The MCIU is run by a joint committee consisting of members from each participating district. Each participating district must approve the MCIU's annual operating budget. The MCIU is a self-sustaining organization that provides services for fees to participating districts. As such, the District has no on-going financial interest or financial responsibility in the MCIU. The MCIU contracts with participating districts to supply special education services, computer services, and acts as a conduit for certain federal programs.

Souderton Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2022

Note 2 - Summary of Significant Accounting Policies

The financial statements of the District have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. On June 15, 1987, the GASB issued a codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced. GASB Statement No. 62 was issued to include all prior Financial Accounting Standards Board's statements and interpretations, along with the predecessors statements and, interpretations, pertaining to governments into the hierarchy of the Government Accounting Standards Board's jurisdiction.

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net position, a statement of activities, and fund financial statements which provide a more detailed level of financial information.

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

The statement of net position presents the financial condition of the governmental and business-type activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities and for one business-type activity of the School District. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business activity or governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

Souderton Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2022

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or may not be used. Deferred outflows of resources is recorded in a particular governmental fund where costs are spent for a future period. Current Liabilities are assigned to the governmental fund from which they will be paid. Deferred inflows of resources is recorded in a particular governmental fund that has received resources for a future period. The difference between the sum of assets and deferred outflows of resources minus the sum of liabilities and deferred inflows of resources is reported as fund balance. The following are the School District's major governmental funds:

General Fund

The general fund should be used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Funds

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term proceeds of specific revenue sources establish that one or more specific restricted or committed revenues should be the foundation for a special revenue fund. The restricted or committed proceeds of specific revenue sources should be expected to continue to comprise a substantial portion of the inflows reported in the fund. Other resources also may be reported in the fund if those resources are restricted, committed, or assigned to the specified purpose of the fund. Under this definition, the District does not have any special revenue funds.

Capital Project Funds

Capital project funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital project funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or governments.

The District has the following Capital Project Funds. These funds are reported in combination in the governmental fund statements:

Capital Reserve Fund

This fund was created in accordance with Section 1432 of the Municipal Code. The Municipal Code restricts how the resources are spent within this fund.

2021 Construction Fund

This fund was established with the issuance of the General Obligation Bonds Series of 2021. Proceeds of the Bonds will be used for various renovations projects.

2022 Construction Fund

This fund was established with the issuance of the General Obligation Bonds Series of 2022. Proceeds of the Bonds will be used for various renovations projects.

Proprietary Funds Proprietary funds focus on the determination of changes in net position, financial position, and cash flows and are classified as enterprise funds. The Proprietary Funds of the School District have operating and nonoperating revenues and/or expenses. Transactions for which cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are reported as nonoperating revenues and/or expenses, including subsidies received from the state and federal government for school lunches, donated commodities, and amounts received for fica and retirement subsidies. Operating revenues reported are consistent with the fees or charges incurred based on the intent of the individual proprietary fund.

**Souderton Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2022**

Enterprise Funds

Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The School District's major enterprise fund is:

Food Service Fund

This fund accounts for the financial transactions related to the food service operations of the School District.

Internal Service Funds

Internal Service funds may be used to account for any activity for which other accounting funds of the District are charged a fee for services performed internally to the District. The District has chosen to create this fund to handle the self-insurance needs of the employees.

Fiduciary Funds Fiduciary funds reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: Pension (and other employee benefit) trust funds, investment trust funds, Private-purpose trust funds and Custodial funds.

Student Activity Fund – This fund is considered a custodial fund and is reported as such in the Statement of Net Position Fiduciary Funds and the Statement of Changes in Fiduciary Net Position. Custodial funds are used to report fiduciary activities that are not required to be reported in one of the other three Fiduciary fund types.

C. Measurement Focus

Government-wide Financial Statements *The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the School District are included on the statement of net position.*

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet, along with deferred outflows of resources or deferred inflows of resources required to be reported. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation's with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all enterprise funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities, including required deferred outflows of resources or required deferred inflows of resources, associated with the operation of these funds are included on the statement of fund net position. The statement of revenues, expenses, and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its enterprise activities.

Souderton Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2022

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

E. Budgetary Process

An operating budget is adopted prior to the beginning of each year for the General Fund on the modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required.

In accordance with Act 1 of 2006, the Board shall annually decide the budget option to be used for the following fiscal year. The Board shall approve either the Accelerated Budget Process Option or the Board Resolution Option. This election is typically made at its January or February business meeting.

Accelerated Budget Process Option

Under this option, a preliminary budget must be prepared 150 days prior to the primary election. Under this Option, the preliminary budget must be available for public inspection at least 110 days prior to the primary election. The Board shall give public notice of its intent to adopt the preliminary budget at least 10 days prior to the adoption. The adoption must occur at least 90 days prior to the primary election.

If the preliminary budget exceeds the increase authorized by the Index, an application for an exception may be filed with either a Court of Common Pleas with jurisdiction or PDE and made available for public inspection. The Board may opt to forego applying for an exception by submitting a referendum question seeking voter approval for a tax increase, in accordance with Act 1.

The final budget shall include any necessary changes from the adopted preliminary budget. Any reduction required as the result of the failure of referendum shall be clearly stated. The final budget shall be made available for public inspection at least 20 days prior to final adoption. The Board shall annually adopt the final budget by a majority vote of all members of the Board prior to June 30.

Board Resolution Option

Souderton Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2022

Under the Board Resolution Option, the Board shall adopt a resolution that it will not raise the rate of any tax for the following fiscal year by more than the Index. Such resolution shall be adopted no later than 110 days prior to the primary election. At least 30 days prior to adoption of the final budget the Board shall prepare a proposed budget. The proposed budget shall be available for public inspection at least 20 days prior to adoption of the budget. The Board shall give public notice of its intent to adopt at least 10 days prior to adoption of the proposed budget. The Board shall annually adopt the final budget by a majority vote of all members of the Board by June 30.

Legal budgetary control is maintained at the sub-function/major object level. The PA School Code allows the School Board to make budgetary transfers between major function and major object codes only within the last nine months of the fiscal year, unless there is a two-thirds majority of the Board approving the transfer. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the PDE 2028 when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all 2021-22 budget transfers.

F. Use of Estimates

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

G. Changes in Accounting Principles

During the 2021-22 fiscal year the School District implemented the following new generally accepted accounting principles:

GASB Statement No. 87 (Leases). The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement requires certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

GASB Statement No. 89 (Accounting for Interest Cost Incurred before the End of a Construction Period). The objectives of the statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before construction ends. This standard requires expensing interest costs when incurred rather than capitalizing the costs.

GASB Statement No. 92 (Omnibus 2020). The primary objective is to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including (1) effective date of Statement No 87, Leases for interim financial reports (2) Reporting of intra-entity transfers between primary government employer and a component unit defined benefit pension plan or defined benefit OPEB plan (3) Applicability of certain requirements of Statement No 84 (4) Measurement of liabilities related to AROs (5) Reporting risk pools for amounts that are recoverable from reinsurers or excess insurers (6) Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. (7) Terminology used to refer to derivative instruments.

GASB Statement No. 93 (Replacement of Interbank Offered Rates). The objective of this Statement is to address the issue the London Interbank Offered Rate (LIBOR) is being replaced with an interbank offered rate (IBOR).

Souderton Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2022

GASB Statement No. 97 (Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32). The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

GASB Statement No. 98, (The Annual Comprehensive Financial Report). - This Statement establishes the term *annual comprehensive financial report* and its acronym *ACFR*. That new term and acronym replace instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local government.

H. 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 and additions to/deductions from the Public School Employees' Retirement System's fiduciary net position have been determined on the same basis as they are reported by the Public School Employees' Retirement System. 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.

I. Other Postemployment Benefits

Multiple Employer Cost Sharing OPEB Plan

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.

Single Employer OPEB Plan

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information was obtained from the Actuary Report conducted by Conrad Siegel. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The single employer plan is not funded.

J. Assets, Liabilities, and Net Position

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Proprietary Fund type considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents.

Souderton Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2022

In accordance to GASB Statement No. 72, investments generally are to be measured at fair value. An investment is defined as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has the present service capacity based solely on its ability to generate cash or to be sold to generate cash. Investments not measured at fair value continue to include, for example, money market investments, 2a7-like external investment pools, investments in life insurance contracts, common stock meeting the criteria for applying the equity method, unallocated insurance contracts, and synthetic guaranteed investment contracts.

A government is permitted in certain circumstances to establish the fair value of an investment that does not have a readily determinable fair value by using the net asset value per share of the investment.

This Statement requires measurement at acquisition value (an entry price) for donated capital assets, donated works of art, historical treasures, and similar assets. These assets were previously required to be measured at fair value.

Fair Value is measured using a hierarchy of inputs using valuation techniques. The hierarchy has three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices, that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs.

The valuation techniques should be consistent with one or more of the following approaches: the market approach, the cost approach, or the income approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The cost approach reflects the amount that would be required to replace the present service capacity of an asset. The income approach converts future amounts (such as cash flows or income and expenses) to a single current (discounted) amount.

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are 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".

Property Tax Levy

Property taxes, which were levied during the fiscal year ended June 30, 2022, are recognized as revenue in the fund financial statements when received by the District during the fiscal year and also estimated to be received by the District within sixty (60) days after the fiscal year ended.

Property taxes that were levied during the current fiscal year, which are not estimated to be received within sixty (60) days after the fiscal year-end, are recorded as receivable and deferred inflows of resources in the fund financial statements.

In the government-wide financial statements, all property taxes levied during the fiscal year are recognized as revenue, net of estimated uncollectible amount.

Inventories

On government-wide financial statements, inventories are to be presented at the lower of cost or market on a first-in, first-out basis, and are expensed when used. As of June 30, 2022, there was \$72,486 in inventory shown on the governmental activities column of the government-wide statement of net position and \$97,754 is shown as inventory in the business-type activities column of the government-wide statement of net position.

Souderton Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2022

Inventory type items in governmental funds utilize the purchase method, that is, they are charged to expenditures when purchased. There was no physical inventory taken as of June 30, 2022; therefore, there is no nonspendable fund balance in the General Fund for the inventory.

Inventory type items in Proprietary Funds use the consumption method, in which items are purchased for inventory and charged to expenses when used. The only Proprietary Fund of the District is the Food Service Fund. Inventory within this fund includes donated commodities, which are valued at U.S.D.A.'s approximate costs.

Inventories on hand at June 30, 2022, consist of:

Donated Commodities	\$ 46,095
Purchased Food	38,658
Purchased Supplies	13,001
TOTAL	\$ 97,754

Prepaid Expenses

In both the government-wide and fund financial statements, prepaid expenses are recorded as assets in the specific governmental fund in which future benefits will be derived.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements. Capital assets utilized by the enterprise funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition values as of the date received. The School District maintains a capitalization threshold of four thousand (\$4,000) dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets utilized by the enterprise funds is also capitalized.

All reported capital assets, except land, certain land improvements, and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Site Improvements	10 - 20 years	10 - 20 years
Buildings and Improvements	20 - 50 years	20 - 50 years
Furniture and Equipment	5 - 20 years	5 - 20 years
Vehicles	8 years	8 years
Right-to-use Equipment	Length of Lease	Length of Lease

Souderton Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2022

Compensated Absences

The School District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. In enterprise funds, the entire amount of compensated absences is reported as a fund liability.

Leases

The District is a lessee for a noncancellable lease of equipment. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of \$20,000 or more.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

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 or proprietary fund type statement of net position. Bond premiums and discounts, and deferred amounts on refundings are deferred and amortized over the life of the bonds using modification of the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Any deferred amount on refundings are reported as deferred outflows of resources and amortized over the life of the bond issue. Bond issuance costs are expensed in the year they are incurred.

**Souderton Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2022**

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

Reclassification

Certain amounts have been reclassified to conform to the June 30, 2022, presentation of government-wide financial statements on the accrual basis of accounting versus the governmental fund financial statements reported on the modified accrual basis of accounting.

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net Investment in Capital Assets component of Net Position is comprised of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. In addition, any deferred outflows of resources and/or deferred inflows of resources related to such capital assets or liabilities associated with the capital assets should also be added to or deducted from the overall Net Investment in Capital Assets. The restricted component of Net Position is used when there are limitations imposed on their use either through the enabling legislation adopted by a higher governmental authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining component of Net Position is unrestricted.

The School District applies restricted resources first when an expense is incurred for purposes for which both the restricted and unrestricted components of net position are available.

Fund Balance Categories

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Below are the potential categories of fund balance the government may use with their definitions, the actual categories used is explained in Note 8 to the financial statements:

Nonspendable Fund Balance

This category includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance

Fund balance should be reported as restricted when constraints placed on the use of resources are externally imposed by creditors, grantors, contributors, or other government laws or regulations, or the constraint is imposed by enabling legislation or constitutional provisions.

Committed Fund Balance

This category pertains to amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. The committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action.

Souderton Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2022

This government's governing body is the School Board and the formal action taken to commit resources is done by resolution.

Assigned Fund Balance

This category includes all remaining amounts that are reported in governmental funds, except the general fund, that are not classified in one of the above-mentioned categories. In the general fund, this category represents the District's intent to use resources for a specific purpose, which does not require formal action by the governing body. The District's policy dictates the Superintendent or Director of Business Affairs is responsible to make these assignments.

Unassigned Fund Balance

This category of fund balance represents the residual classification for the general fund after segregating resources used in the other categories listed above. Unassigned fund balance will only be shown in other governmental funds if those governmental funds have a negative net fund balance.

The District's policy on fund balance does not dictate which category of unrestricted fund balance is spent first, when resources are available to be spent in various categories. As such, committed amounts will be reduced first, followed by assigned amounts, and then unassigned amounts. The District's policy also does not dictate whether restricted (nonspendable or restricted) or unrestricted (committed, assigned, and unassigned) is spent first when resources are available in both categories. As such, in these circumstances, restricted will be assumed to have been spent first followed by the unrestricted categories.

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction. The proprietary funds did not receive any capital contributions during this fiscal year.

Note 3 - Reconciliation of government-Wide and Fund Financial Statements

A. *Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position.*

The governmental fund balance sheet includes a reconciliation between "fund balance -total governmental funds" and "net position - governmental activities" as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds".

The details of the \$250,446,092 differences are:

Bonds payable	\$ 68,575,000
Less: Issuance discount (to be amortized as interest expense)	(2,702)
Add: Issuance premium (to be amortized as a contra to interest expense)	4,282,955
Accrued interest payable	268,168
Lease Obligations	39,473
Net Pension Liability	159,779,814
Other Retirement Benefits	576,254
Net OPEB Liability - Single Employer Plan	5,472,400
Net OPEB Liability - Multiple Employer Plan	9,362,333
Compensated absences	2,092,397
Net adjustment to reduce "fund balance - total governmental funds" to arrive at "net position" - governmental activities"	<u>\$ 250,446,092</u>

Souderton Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2022

B. Explanation of Differences between Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Statement of Activities

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and district-wide statements certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. Differences between the governmental funds statement of revenues, expenditures, and changes in fund balance and the statement of activities fall into one of three broad categories. The amounts shown in the columns on the following page represent long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the statement of activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis whereas the accrual basis of accounting is used on the statement of activities. The long-term expenses reported below recognize the change in vested employee benefits.

- a) Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the statement of activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis whereas the accrual basis of accounting is used on the statement of activities. The long-term expenses reported below recognize the change in vested employee benefits.
- b) Capital related differences include (1) the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the statement of activities, and (2) the difference between recording an expenditure for the purchase of capital items in the governmental fund statements, and capitalization and recording of depreciation expense on those items as recorded in the statement of activities.
- c) Long-term debt transaction differences occur because long-term debt proceeds are recorded as revenue and both interest and principal payments are recorded as expenditures in the governmental fund statements. In the statement of activities, long-term debt proceeds are recorded as a liability; principal payments are recorded as a reduction of liabilities.

Souderton Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2022

Explanation of Differences between Governmental Fund Statements and District-Wide Statements

	TOTAL GOVERN- MENTAL FUNDS	LONG-TERM REVENUES/ EXPENSES	CAPITAL RELATED ITEMS	LONG-TERM DEBT TRANS- ACTIONS	TOTAL FOR STATEMENT OF ACTIVITIES
REVENUES AND OTHER SOURCES					
LOCAL SOURCES:					
Property Taxes	\$ 86,263,988	\$ 68,327	\$ -	\$ -	\$ 86,332,315
Taxes levied for specific purposes	12,394,882	-	-	-	12,394,882
Interest and investment earnings	171,873	(220)	-	-	171,653
Miscellaneous	654,225	-	-	-	654,225
Contributions and Donations	43,747	-	-	-	43,747
Charges for Services	1,275,250	-	-	-	1,275,250
Grants, subsidies & contributions not restricted	12,517,308	-	-	-	12,517,308
Bond Premium	3,422,763	-	-	(3,422,763)	-
Proceeds of Bond Issues	42,010,000	-	-	(42,010,000)	-
Proceeds from Leases	70,899	-	-	(70,899)	-
STATE SOURCES:					
Operating & Capital grants and contributions	18,996,857	-	-	-	18,996,857
FEDERAL SOURCES:					
Operating & Capital grants and contributions	4,236,805	-	-	-	4,236,805
TOTAL REVENUES	182,058,597	68,107	-	(45,503,662)	136,623,042
EXPENDITURES/EXPENSES					
Instruction	87,144,552	(3,884,111)	(785,577)	-	82,474,864
Instructional Student Support	11,695,384	(542,597)	40,229	-	11,193,016
Admin. & Fin'l Support Services	10,595,096	(366,393)	27,441	-	10,256,144
Oper. & Maint. Of Plant Svcs.	9,936,118	(340,033)	(383,932)	-	9,212,153
Pupil Transportation	8,142,329	-	-	-	8,142,329
Student activities	1,593,597	(64,037)	(17,195)	-	1,512,365
Scholarships and Awards	33,350	-	-	-	33,350
Capital Outlay	6,350,886	-	(6,350,886)	-	-
Debt Service	10,034,223	-	-	(8,966,240)	1,067,983
Depreciation - unallocated	-	-	4,229,790	-	4,229,790
TOTAL EXPENDITURES/EXPENSES	145,525,535	(5,197,171)	(3,240,130)	(8,966,240)	128,121,994
NET CHANGE FOR THE YEAR	\$ 36,533,062	\$ 5,265,278	\$ 3,240,130	\$ (36,537,422)	\$ 8,501,048

**Souderton Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2022**

Note 4 - Stewardship, Compliance, and Accountability

A. Compliance with Finance Related Legal and Contractual Provisions

The District has no material violations of finance related legal and contractual provisions.

B. Deficit Fund balance or net position of individual funds.

No individual fund contains a deficit fund balance or net position at June 30, 2022, except the net position for governmental activities and business-type activities (Food Service Fund) have deficits of \$32,088,262 and \$1,446,801, respectively.

C. Excess of Expenditures over Appropriate in Individual Funds

The General Fund, which has a legally adopted budget, had excess expenditures over appropriations of \$1,672,431. The district received \$2,151,814 in additional Federal and State funds due to various COVID-19 related grants that were not budgeted for since these specific grants were not in existence at the time the original budget was adopted. Section 609 of the PA School Code allows for the over expending of appropriations when additional Federal and State funds are made available when not originally budgeted for.

D. Budgetary Compliance

The District's only legally adopted budget is for the General Fund. All budgetary transfers were made within the last nine months of the fiscal year. The District cancels all purchase orders open at year-end; therefore, it does not have any outstanding encumbrances at June 30, 2022. In addition, the District includes a portion of the prior year's fund balance represented by unappropriated liquid assets remaining in the fund as budgeted revenue in the succeeding year. The results of operations on a GAAP basis do not recognize the fund balance allocation as revenue as it represents prior period's excess of revenues over expenditures.

Note 5 - Detailed Notes on all Funds and Account Groups

Assets

Cash

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District does not have a policy for custodial credit risk. As of June 30, 2022, \$14,830,652 of the District's bank balance of \$15,605,663, and restricted cash \$7,737 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 17,162
Collateralized with securities held by the pledging financial institution	-
Uninsured and collateral held by the pledging bank's trust department not in the District's name	14,821,227
TOTAL	\$ 14,838,389

Souderton Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2022

Reconciliation to Financial Statements

Uncollateralized Amount above	\$ 14,838,389
Plus: Insured Amount	767,274
Less: Outstanding Checks	<u>(220,188)</u>
Carrying Amount - Cash Balances	15,385,475
Plus: Petty Cash	150
Deposit in Pooled Investments Considered Cash Equivalents	47,999,889
Deposit in Money Market Mutual Funds Considered Cash Equivalents	-
Less: Certificates of Deposit considered Investments by School Code	<u>-</u>
TOTAL CASH PER FINANCIAL STATEMENTS	<u>\$ 63,385,514</u>

Investments

Permitted investments for Souderton Area School District are defined in the Public School Code of 1949, as amended by Act 10 of 2016 as:

1. United States Treasury Bills;
2. Short-term obligations of the United States Government or its agencies or instrumentalities;
3. Deposits in savings accounts or time deposits or share accounts of institutions insured by the F.D.I.C; and,
4. Obligations of the United States of America or any of its agencies or instrumentalities, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities or any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities.
5. Obligations, participations or other instruments of any Federal Agency, instrumentality or United States government sponsored enterprise, including those issued or fully guaranteed as the principal and interest by Federal agencies, instrumentalities or United States government sponsored enterprises, if the debt obligations are rated at least "A" or its equivalent by at least two nationally recognized statistical ratings organizations.
6. Repurchase agreements with respect to United States Treasury bills or obligations, participations or other instruments of or guaranteed by the United States or any Federal agency, instrumentality or United States government sponsored enterprise.
7. Negotiable certificates of deposit or other evidences of deposit, with a remaining maturity of three years or less, issued by a nationally or State-chartered bank, a Federal or State savings and loan association or a State-licensed branch of a foreign bank. For obligations with a maturity of one year or less, the debt obligations of the issuing institution or its parent must be rated in the top short-term rating category by at least two nationally recognized statistical ratings organizations. For obligations with a maturity in excess of one year, the senior debt obligations of the issuing institution or its parent must be rated at least "A" or its equivalent by at least two nationally recognized statistical ratings organizations.
8. Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances, if the bankers' acceptances do not exceed 180 days maturity and the accepting bank is rated in the top short-term category by at least two nationally recognized statistical ratings organizations.

Souderton Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2022

9. Commercial paper issued by corporations or other business entities organized in accordance with Federal or State law, with a maturity not to exceed 270 days, if the paper is rated in the top short-term category by at least two nationally recognized statistical ratings organizations.
10. Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933 and, if all of the following conditions are met:
- The investments of the company are the authorized investments listed above.
 - The investment company is managed in accordance with 17 CFR 270.2a-7 (related to money market funds).
 - The investment company is rated in the highest category by a nationally recognized rating agency.
11. Savings or demand deposits placed in accordance with the following conditions:
- The money is initially deposited and invested through a federally insured institution having a place of business in this Commonwealth, which is selected by the public corporation or municipal authority.
 - The selected institution arranges for the redeposit of the money in savings or demand deposits in one or more financial institutions insured by the Federal Deposit Insurance Corporation, for the account of the public corporation or municipal authority.
 - The full amount of principal and any accrued interest of each such deposit is insured by the Federal Deposit Insurance Corporation.
 - On the same date that the money is redeposited pursuant to above, the selected institution receives an amount of deposits from customers of other financial institutions equal to or greater than the amount of money initially invested through the selected institution by the public corporation or municipal authority.

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

<i>Investment</i>	Maturities	Fair Value
PLGIT/PLGIT PLUS		\$ 47,940,774
PSDLAF		59,116
TOTAL		\$ 47,999,890

Interest Rate Risk

The District has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The District has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2022, the District's investment in PLGIT and PSDLAF was rated AAAM by Standard & Poor's.

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer. The district has no investments subject to custodial credit risk.

Souderton Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2022

Total Investments Above	\$ 47,999,890
Less: Deposits in Investment Pool Considered Cash Equivalents	47,999,890
Deposits in Money Market Funds Considered Cash Equivalents	-
Total Investments Per Financial Statements	\$ -

Fair Value Reporting

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District did not have any recurring fair value investments at June 30, 2022. The District did have Cash Equivalents in 2a7-like external investment pools, which GASB Statement No. 72 allows to be recorded at amortized cost as provided in paragraph 16 of GASB Statement No. 31.

Property Taxes

Property taxes are levied on July 1, on the assessed value listed, as of that date, for all taxable real property located in the District. Assessed values are established by the County Board of Assessments. All taxable real property was assessed at \$2,923,844,305. In accordance with Act 1 of 2006, the District received \$2,264,465 in property tax reduction funds for the 2021-22 fiscal year. The tax rate for the year was \$3.05837 per \$1,000 of assessed valuation or 30.5837 mills.

The property tax calendar is:

July 1	- Full year tax assessed for current year.
July 1 - August 31	- Discount period during which a 2% discount is allowed.
September 1 - October 31	- Face amount of tax is due
November 1 - December 31	- A 10% penalty is added to all payments.
December 31	- All unpaid taxes become delinquent and are turned over to the County Tax Claim Bureau for Collection.

The School District, in accordance with GAAP, recognized the delinquent and unpaid taxes receivable reduced by an allowance for uncollectible taxes as determined by the administration. A portion of the net amount estimated to be collectible, which was measurable and available within 60 days, was recognized as revenue and the balance deferred in the fund financial statements.

Souderton Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2022

Receivables

Receivables, as of year end, for the government's individual major funds and non-major and fiduciary funds, in the aggregate, including the applicable allowances for uncollectible accounts, are:

Schedule on Receivables for major, nonmajor, and fiduciary funds

	GENERAL FUND	CAPITAL PROJECT FUNDS	FOOD SERVICE FUND	INTERNAL SERVICE FUNDS	CUSTODIAL FUNDS	TOTAL
RECEIVABLES:						
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	1,563,891	-	-	-	-	1,563,891
Accounts	126,118	-	10,140	82,218	-	218,476
Intergovernmental	4,748,993	-	120,132	-	-	4,869,125
GROSS RECEIVABLES	6,439,002	-	130,272	82,218	-	6,651,492
Less: Allowance for Uncollectibles	-	-	-	-	-	-
NET RECEIVABLES	\$ 6,439,002	\$ -	\$ 130,272	\$ 82,218	\$ -	\$ 6,651,492

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred inflows of resources reported in the governmental funds were:

Schedule on Deferred Inflows of Resources - Unavailable and Unearned

	UNAVAILABLE	UNEARNED
Delinquent Property Taxes - General Fund	\$ 1,036,259	\$ -
Grants drawdowns prior to meeting eligibility requirements	-	-
TOTAL	\$ 1,036,259	\$ -

Souderton Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2022

Capital Assets

Capital asset balances and activity for the year ending June 30, 2022:

CAPITAL ASSET BALANCES AND CURRENT YEAR ACTIVITY

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
GOVERNMENTAL ACTIVITIES:				
Capital Assets not being depreciated:				
Land	\$ 10,796,447	\$ -	\$ -	\$ 10,796,447
Construction in Progress	1,213,541	6,357,643	(4,666,946)	2,904,238
Total Capital Assets not being depreciated	12,009,988	6,357,643	(4,666,946)	13,700,685
Capital Assets being depreciated/amortized:				
Site Improvements	6,729,462	-	-	6,729,462
Buildings and Improvements	194,390,687	4,685,621	-	199,076,308
Furniture and Equipment	21,826,799	2,072,386	-	23,899,185
Intangible Right to Use - Equipment	-	70,899	-	70,899
TOTAL CAPITAL ASSETS BEING DEPRECIATED/AMORTIZED	222,946,948	6,828,906	-	229,775,854
Less accumulated depreciation/amortization for:				
Site Improvements	(3,510,098)	(159,735)	-	(3,669,833)
Buildings and Improvements	(58,004,361)	(4,102,590)	-	(62,106,951)
Furniture and Equipment	(17,028,591)	(981,699)	-	(18,010,290)
Intangible Right to Use - Equipment	-	(35,449)	-	(35,449)
TOTAL ACCUMULATED DEPRECIATION/AMORTIZATION	(78,543,050)	(5,279,473)	-	(83,822,523)
NET OF ACCUMULATED DEPRECIATION/AMORTIZATION	144,403,898	1,549,433	-	145,953,331
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION/AMORTIZATION	\$ 156,413,886	\$ 7,907,076	\$ (4,666,946)	\$ 159,654,016
BUSINESS-TYPE ACTIVITIES:				
Capital Assets being depreciated:				
Furniture and Equipment	\$ 2,060,022	\$ 36,700	\$ -	\$ 2,096,722
Less accumulated depreciation	(1,669,605)	(55,019)	-	(1,724,624)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	\$ 390,417	\$ (18,319)	\$ -	\$ 372,098

Souderton Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2022

*** DEPRECIATION EXPENSE WAS CHARGED TO GOVERNMENTAL FUNCTIONS AS FOLLOWS:**

Instruction	\$ 322,552
Instructional Student Support	167,129
Admin. & Fin'l Support Services	430,189
Oper. & Maint. of Plant Svcs.	122,246
Pupil Transportation	-
Student activities	7,567
Community Services	-
Scholarships and Awards	-
Depreciation - unallocated	4,229,790
TOTAL DEPRECIATION FOR GOVERNMENTAL ACTIVITIES	\$ 5,279,473

The district's governmental activities and business type activities did not dispose of any equipment during the year.

Commitments

Encumbrances

Any encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities but represent budgetary accounting controls. The General Fund Budget is maintained on the modified accrual basis of accounting, except that budgetary basis expenditures include any encumbrances issued for goods or services not received at year-end and not terminated.

The actual results of operations are presented in accordance with GAAP and the District's accounting policies do not recognize encumbrances as expenditures until the period in which the goods or services are actually received and a liability is incurred. If budgetary encumbrances exist at year-end, they are included in the fund financial statements to reflect actual revenues and expenditures on a budgetary basis consistent with the District's legally adopted budget.

Construction Commitments

The District had the following outstanding construction commitments at June 30, 2022.

<u>VENDOR</u>	<u>CONTRACT AMOUNT</u>	<u>EXPENDED TO 6/30/22</u>	<u>OUTSTANDING COMMITMENTS</u>
INDIAN VALLEY SCHOOL RENOVATIONS			
Penn Bulders	\$ 10,309,500	\$ -	\$ 10,309,500
ASBESTOS ABATEMENT - FRANCONIA			-
Sargent Enterprises INC	277,424	-	277,424
GRAND TOTAL	\$ 10,586,924	\$ -	\$ 10,586,924

Souderton Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2022

Short-Term Debt

Interfund balances between funds represent temporary loans recorded at year end subsequent to a final allocation of expenses. The balances generally are paid shortly after year end. Transfers represent funds set aside for the anticipation of future capital needs.

Interfund receivables and payables

The following interfund receivables and payables were in existence on June 30, 2022.

	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund	\$ 126	\$ 598,925
Capital Project (Capital Reserve) Fund	4,400	-
Enterprise (Food Service) Fund	4,285	10,467
Internal Service Fund	603,143	-
Custodial (Activity) Fund	-	2,562
TOTAL	\$ 611,954	\$ 611,954

The District also made the following interfund transfers during the fiscal year ended June 30, 2022:

	TRANSFER IN	TRANSFER OUT
General Fund	\$ 814,667	\$ -
Capital Project (2021) Fund	-	814,667
TOTAL	\$ 814,667	\$ 814,667

Souderton Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2022

Long-Term Liabilities

Long-term liability balances and activity for the year ended June 30, 2022, were:

CHANGES IN LONG-TERM LIABILITIES					
	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	AMOUNTS DUE WITHIN ONE YEAR
GOVERNMENTAL ACTIVITIES					
General Obligation Debt:					
<i>Bonds and notes payable:</i>					
Bonds	\$ 36,709,156	\$ 45,437,887	\$ 9,291,790	\$ 72,855,253	\$ 9,070,000
Notes	-	-	-	-	-
Total general obligation debt	36,709,156	45,437,887	9,291,790	72,855,253	9,070,000
<i>Other liabilities:</i>					
Lease Obligations	-	70,899	31,426	39,473	31,558
<i>Vested employee benefits:</i>					
Vacation pay	151,284	50,344	-	201,628	49,773
Sick pay	2,144,678	-	57,628	2,087,050	146,508
Net OPEB Liability - Single Employer Plan	5,404,930	67,470	-	5,472,400	-
Net OPEB Liability - Multiple Employer Plan	8,298,615	1,063,718	-	9,362,333	-
Net Pension Liability	187,178,524	-	27,398,710	159,779,814	-
Other retirement benefits	625,609	-	49,355	576,254	-
Total other liabilities	203,803,640	1,252,431	27,537,119	177,518,952	227,839
TOTAL GOVERNMENTAL ACTIVITY					
LONG-TERM LIABILITIES	\$ 240,512,796	\$ 46,690,318	\$ 36,828,909	\$ 250,374,205	\$ 9,297,839
BUSINESS TYPE ACTIVITIES					
<i>Other liabilities:</i>					
<i>Vested employee benefits:</i>					
Vacation pay	-	-	-	-	-
Net OPEB Liability - Single Employer Plan	22,512	-	4,390	18,122	-
Net OPEB Liability - Multiple Employer Plan	133,386	13,228	-	146,614	-
Net Pension Liability	3,078,267	-	341,226	2,737,041	-
Sick pay	-	-	-	-	-
TOTAL BUSINESS-TYPE ACTIVITY					
LONG-TERM LIABILITIES	\$ 3,234,165	\$ 13,228	\$ 345,616	\$ 2,901,777	\$ -

Payments on bonds and notes are made by the general fund. Vested employee benefits will be liquidated by governmental and proprietary funds. The School District currently does not have any bonds or notes payable in business-type activities.

Total Interest paid and accrued during the year:

GOVERNMENTAL ACTIVITIES:	EXPENSE	PAID
General obligation debt	\$ 1,067,723	\$ 1,357,537
Leases	260	260
Refund of prior year receipts	-	-
TOTAL INTEREST PAID BY GOVERNMENTAL ACTIVITIES	\$ 1,067,983	\$ 1,357,797

Lease - Sharp Copiers – Fraser Advanced

On July 1, 2021, The District entered into a 27-month lease as lessee for the acquisition and use of Sharp copiers. An initial lease liability was recorded in the amount of \$70,889 during the current fiscal year. As of June 30, 2022, the value of the lease liability was \$39,472. The District is required to make 27 monthly fixed payments of \$2,641. The lease has an interest rate of 0.514%. The Equipment has a two-year estimated useful life. The value of the right to use asset as of June 30, 2022 was \$35,449 with accumulated amortization of \$35,449.

Souderton Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2022

The future principal and interest lease payments as of June 30, 2022, are as follows:

FISCAL YEAR	PRINCIPAL	INTEREST
2022-23	\$ 31,557	\$ 129
2023-24	7,915	7
TOTAL OUTSTANDING	\$ 39,472	\$ 136

General Obligation Bonds – Series of 2014

On May 29, 2014, the District issued \$9,700,000 of General Obligation Bonds – Series of 2014. The proceeds will be used: (1) to advance refund a portion of the School District's outstanding GOB Series of 2005 and (2) pay the costs of issuing the bonds.

In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with a paying agent. The bonds mature from November 15, 2015 to November 15, 2023. Interest rates are at .35% to 2.25% with total interest indebtedness of \$1,640,731.

The outstanding debt service requirements at June 30, 2022, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2022-23	\$ 4,925,000	\$ 73,366
2023-24	935,000	10,519
SUB-TOTAL	5,860,000	\$ 83,885
Less: Unamortized Bond Discount	(2,702)	
TOTAL OUTSTANDING	\$ 5,857,298	

General Obligation Bonds – Series of 2015

On January 6, 2015, the District issued \$5,665,000 of General Obligation Bonds – Series of 2015. The proceeds will be used: (1) to advance refund a portion of the School District's outstanding GOB Series A of 2009 and (2) pay the costs of issuing the bonds.

In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with a paying agent. The bonds mature from March 1, 2015 to March 1, 2023. Interest rates range from .23% to 4.00% with total interest indebtedness of \$616,217.

The outstanding debt service requirements at June 30, 2022, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2022-23	\$ 705,000	\$ 24,353
2023-24	725,000	7,975
SUB-TOTAL	1,430,000	\$ 32,328
Unamortized Bond Premium	5,845	
TOTAL OUTSTANDING	\$ 1,435,845	

Souderton Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2022

General Obligation Bonds – Series of 2017

On February 15, 2017, the District issued \$21,440,000 of General Obligation Bonds – Series of 2017. The proceeds will be used: (1) to advance refund a portion of the School District's outstanding GOB Series of 2009 and (2) finance the construction and other project costs for an addition and renovation to E. Merton Crouthamel Elementary school and (3) pay the costs of issuing the bonds.

In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with a paying agent. The bonds mature from May 1, 2017 to November 1, 2024. Interest rates range from .87% to 5.00% with total interest indebtedness of \$4,628,292.

The outstanding debt service requirements at June 30, 2022, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2022-23	\$ 3,425,000	\$ 401,550
2023-24	3,585,000	248,375
2024-25	4,060,000	86,250
SUB-TOTAL	11,070,000	\$ 736,175
Plus: Unamortized Bond Premium	353,626	
TOTAL OUTSTANDING	\$ 11,423,626	

General Obligation Bonds – Series of 2019

On July 29, 2019 the District issued \$8,230,000 of General Obligation Bonds Series of 2019. The proceeds will be used: (1) refund the Districts, General Obligation Series of 2013 currently outstanding in the principal amount of \$9,375,000 and (2) pay the cost incurred by the District in connection with the issuance of the Bonds.

In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with a paying agent. The Bonds matures from September 15, 2019 to September 15, 2024. The outstanding debt service requirements, using fixed interest rates ranging of 5.0% with total interest indebtedness of \$1,906,081.

The outstanding debt service requirements at June 30, 2022 are:

FISCAL YEAR	PRINCIPAL	INTEREST
2022-23	\$ 10,000	\$ 410,000
2023-24	3,965,000	310,625
2024-25	4,230,000	105,750
SUB-TOTAL	8,205,000	\$ 826,375
Plus: Unamortized Bond Premium	583,071	
TOTAL OUTSTANDING	\$ 8,788,071	

Souderton Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2022

General Obligation Bonds – Series of 2021

On July 6, 2021 the District issued \$8,910,000 of General Obligation Bonds- Series of 2021. Proceeds of the Bonds were used for the acquisition and construction renovations and improvements to existing school facilities of the District and to pay the costs associated with the issuance of the Bonds.

In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with a paying agent. The Bonds matures from September 1, 2022 to September 1, 2034. Fixed interest rates ranging from 2.0 to 3.0% with total interest indebtedness of \$2,525,301.

The outstanding debt service requirements at June 30, 2022 are:

FISCAL YEAR	PRINCIPAL	INTEREST
2022-23	\$ -	\$ 194,626
2023-24	5,000	298,100
2024-25	5,000	298,000
2025-26	5,000	297,900
2026-27	755,000	278,975
2027-32	4,240,000	919,200
2032-35	3,900,000	238,500
SUB-TOTAL	8,910,000	\$ 2,525,301
Plus: Unamortized Bond Premium	986,167	
TOTAL OUTSTANDING	\$ 9,896,167	

General Obligation Bonds – Series of 2022

On June 16, 2022 the District issued \$33,100,000 of General Obligation Bonds- Series of 2022. Proceeds of the Bonds were used for (1) renovations and improvements to be made to Franconia Elementary School (2) renovations and improvements to be made to Indian Valley Middle School (3) guaranteed energy savings contracts related to the renovations and improvements to be made to the school facilities (4) various other capital improvements to school facilities and school buildings and (5) paying the costs and expenses related to the issuances of the Bonds.

In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with a paying agent. The Bonds matures from September 1, 2022 to September 1, 2034. Fixed interest rates ranging from 4.0 to 5.0% with total interest indebtedness of \$11,496,458.

The outstanding debt service requirements at June 30, 2022 are:

FISCAL YEAR	PRINCIPAL	INTEREST
2022-23	\$ -	\$ 1,041,108
2023-24	5,000	1,469,675
2024-25	5,000	1,469,425
2025-26	2,625,000	1,403,675
2026-27	2,760,000	1,269,050
2027-32	16,110,000	4,135,425
2032-35	11,595,000	708,100
SUB-TOTAL	33,100,000	\$ 11,496,458
Plus: Unamortized Bond Premium	2,354,245	
TOTAL OUTSTANDING	\$ 35,454,245	

Souderton Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2022

The School District general obligation bonds and notes contain a provision that in the event of default for nonpayment of principal and interest, the School Code allows for the Commonwealth of Pennsylvania to withhold monies from the School District's subsidies and pay any past due amounts directly to the paying agent for payment to the bond or note holders.

North Montco Technical Career Center GRB – Series of 2015

Lease Rental Debt

The North Montco Vocational-Technical School was created and operates under Articles of Agreement by and among participating school districts located in Montgomery County, Pennsylvania. Under the Articles of Agreement adopted September 21, 1964, later revised, June 25, 2009, between North Montco Vocational-Technical School and the participating school districts, the annual operating expenses of Vo-Tech School are allocated to and paid by the participating school districts.

The lease rental debt owed by the School District to the Authority is equal to the District's pro rata share of the bond principal and interest of the Authority's revenue bonds. This debt is considered lease rental debt of the School District, but is not reported as long-term debt on the District's financial statements. The following table represents the estimated future obligations for this debt:

FISCAL YEAR	PRINCIPAL	INTEREST
2022-23	\$ 100,800	\$ 23,628
2023-24	102,600	21,531
2024-25	105,300	19,321
2025-26	107,100	16,998
2026-27	109,800	14,475
2027-28	112,500	11,723
2028-29	115,200	8,763
2029-30	118,800	5,454
2030-31	122,400	1,836
TOTAL	\$ 994,500	\$ 123,729

Souderton Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2022

Combined General Obligation Debt

The combined general debt obligations for subsequent years are:

Bonds

Fiscal Year Ended June 30	GO Bonds - 2014		GO Bonds - 2015		GO Bonds - 2017		GO Bonds - 2019	
	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal
2023	\$ 73,366	\$ 4,925,000	\$ 24,353	\$ 705,000	\$ 401,550	\$ 3,425,000	\$ 410,000	\$ 10,000
2024	10,519	935,000	7,975	725,000	248,375	3,585,000	310,625	3,965,000
2025	-	-	-	-	86,250	4,060,000	105,750	4,230,000
2026	-	-	-	-	-	-	-	-
2027	-	-	-	-	-	-	-	-
2027-2032	-	-	-	-	-	-	-	-
2032-2035	-	-	-	-	-	-	-	-
TOTAL	\$ 83,885	\$ 5,860,000	\$ 32,328	\$ 1,430,000	\$ 736,175	\$ 11,070,000	\$ 826,375	\$ 8,205,000

Bonds - Continued

Fiscal Year Ended June 30	GO Bonds - 2021		GO Bonds - 2022		Total Bonds	
	Interest	Principal	Interest	Principal	Interest	Principal
2023	\$ 298,100	\$ 5,000	\$ 1,041,108	\$ -	\$ 2,248,477	\$ 9,070,000
2024	298,000	5,000	1,469,675	5,000	2,345,169	9,220,000
2025	297,900	5,000	1,469,425	5,000	1,959,325	8,300,000
2026	278,975	755,000	1,403,675	2,625,000	1,682,650	3,380,000
2027	240,225	795,000	1,269,050	2,760,000	1,509,275	3,555,000
2027-2032	782,025	4,375,000	4,135,425	16,110,000	4,917,450	20,485,000
2032-2035	135,450	2,970,000	708,100	11,595,000	843,550	14,565,000
TOTAL	\$ 2,330,675	\$ 8,910,000	\$ 11,496,458	\$ 33,100,000	\$ 15,505,896	\$ 68,575,000

**Souderton Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2022**

Compensated Absences

Sick-Pay

Under the District's various bargaining agreements and plans, professional and eligible support personnel accumulate unused sick days from year to year based on their classification. These accumulated sick days are non-vesting during the employee's tenure. Upon retirement, certain classes of employees are eligible for remuneration for unused sick days under the bargaining agreements.

The District maintains records of each employee's accumulated sick days that are vested with employees who are eligible to retire, and for those under the administrative plan. The amount recorded in the General Fund for governmental employees, which will use currently available financial resources, is \$146,508, including FICA tax (net of reimbursement). This amount is reflected as a current liability in the governmental activities column of the government-wide statement of net position. The remaining sick leave termination benefit of \$1,940,542 including FICA tax (net of reimbursement), is recorded as a long-term liability in the governmental activities column of the government-wide statement of net position.

Vacation Leave

Unused vacation leave is paid upon an employee's termination. The District maintains records of each employee's accumulated vacation days. In accordance with GASB Statement No. 16, the portion of vacation pay earned at June 30, 2022, that will use currently available financial resources is \$49,773, including fica tax and retirement contributions (net of reimbursement), which has been recorded in the General Fund. This amount is also shown as a current liability in the governmental activities column of the government-wide statement of net position. The remaining vacation pay earned at June 30, 2022, of \$151,855, including fica tax and retirement contributions (net of reimbursement), is recorded as a long-term liability in the governmental activities column of the government-wide statement of net position.

Defined Benefit Pension Plan

Public School Employees' Retirement System (PSERS) Pension Plan

Summary of Significant Accounting Policies

Pensions

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

General Information about the Pension Plan

Plan description

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

Souderton Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2022

Benefits provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

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

Contributions

Member Contributions:

The contribution rates based on qualified member compensation for virtually all members are presented below:

Member Contribution Rates				
Membership Class	Continuous Employment Since	Defined Benefit (DB) Contribution Rate	DC Contribution Rate	Total Contribution Rate
T-C	Prior to July 22, 1983	5.25%	N/A	5.25%
				6.25%
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% base rate with shared risk provision	N/A	7.50%
T-F	On or after July 1, 2011	10.30% base rate with shared risk provision	N/A	10.30%
T-G	On or after July 1, 2019	5.50% base rate with shared risk provision	2.75%	8.25%
T-H	On or after July 1, 2019	4.50% base rate with shared risk provision	3.00%	7.50%
DC	On or after July 1, 2019	N/A	7.50%	7.50%

Souderton Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2022

Shared Risk Program Summary

Membership Class	Defined Benefit (DB) 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 districts' contractually required contribution rate for the fiscal year ended June 30, 2022 was 34.14% 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 pension plan from the District were \$19,598,025 for the year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of \$162,516,855 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2020 to June 30, 2021. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2022, the District's proportion was 0.4002 percent, which was an increase of 0.0108 percent from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the District recognized pension expense of \$12,869,703. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Sources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Proportionate Share vs Actual		
Paid Separately Finance Liabilities	\$ 24,649	\$ -
Changes in Assumptions	7,970,000	-
Net difference between projected and actual contributions made	-	206,831
Net difference between projected and actual earnings on pension plan investments	-	26,155,000
Difference between expected and actual experience	-	2,038,000
Changes in proportion of the Net Pension Liability	3,488,000	-
District contributions subsequent to the measurement date	19,598,025	-
Total	<u>\$ 31,080,674</u>	<u>\$ 28,399,831</u>

Souderton Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2022

\$19,598,025 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	<u>Amount</u>
2022	\$ (4,633,000)
2023	(1,827,825)
2024	(1,930,758)
2025	(8,494,103)
Thereafter	<u>(31,496)</u>
Total	<u>\$ (16,917,182)</u>

Changes in Actuarial Assumptions

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

- Valuation Date - June 30, 2020
- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 7.00%, includes inflation at 2.50%.
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- The discount rate used to measure the Total Pension Liability decreased from 7.25% as of June 30, 2020 to 7.00% as of June 30, 2021.
- 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 the MP-2015 Mortality 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, 2021 valuation were based on the results of an actuarial experience study that was performed for the five year the period ending June 30, 2020.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns,

Souderton Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2022

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 Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	27.0%	5.2%
Private Equity	12.0%	7.3%
Fixed Income	35.0%	1.8%
Commodities	10.0%	2.0%
Absolute return	8.0%	3.1%
Infrastructure/MLPs	8.0%	5.1%
Real estate	10.0%	4.7%
Cash	3.0%	1.0%
Leverage	-13.0%	1.0%
	100%	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2021.

Discount rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the 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 proportionate share of the net pension liability to changes in the discount rate

The following presents the net pension liability, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

**Souderton Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2022**

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
District's proportionate share of the net pension liability	\$ 215,662,000	\$ 164,309,000	\$ 120,991,000

Pension plan fiduciary net position

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at www.psers.pa.gov.

State Funding

The Commonwealth of Pennsylvania generally reimburses the School District for 50%-60% of its retirement expense. This arrangement does not meet the criteria of a special funding situation in accordance with GASB standards. Therefore, the net pension liabilities and related pension expense represent 100% of the School District's share of these amounts. During the year ended June 30, 2022, the School District recognized revenue of \$9,949,526 as reimbursement from the State for its current year pension payments

Payables to the Pension Plan

As of June 30, 2022, the School District had \$6,935,117 included in accrued wages liability, of which \$6,834,433 is for the contractually required contribution for the second quarter of 2022 and \$100,685 is related to the accrued payroll liability for wages incurred as of June 30, 2022.

Defined Contributions Pension Plan

Retirement Severance Benefits

Under various contracts with administrators, support staff and custodians a lump sum payment is offered upon retirement. The payment is based on a flat amount per year of service reduced by a per diem amount based on the number of sick days used in each year.

The lump sum payment shall be paid in full to the employee in one payment on the date to be determined by the employee after the employees' effective date of retirement. In the event of death of the employee, the lump sum payment will be paid in full to the employee's estate.

In accordance with Government Accounting Standards Board Statement No. 73, this benefit is considered a pension plan. The following is a summary of plan provisions:

Employer Contributions

The school district pays this benefit on a pay-as-you-go basis. It does not accumulate funds into any trust for future benefits. Contributions to the pension plan from the District were \$23,129 for the year ended June 30, 2022.

Souderton Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2022

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

At June 30, 2022, the District reported a liability of \$576,254 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 an actuarial valuation as of January 1, 2020.

For the year ended June 30, 2022, the District recognized pension expense of \$68,431. The following table reflects the changes to the pension obligation during the year:

	<u>2021-22</u>
Total Defined Contribution Pension Liability - beginning	\$ 625,609
Service Cost	38,688
Interest	11,451
Changes in Benefit Terms	-
Difference between expected and actual experience	-
Changes in assumptions	(9,630)
Benefit payments	(89,864)
Net change in total Pension Liability	<u>(49,355)</u>
Total Defined Contribution Pension Liability - ending	<u>\$ 576,254</u>
Interest Rate	2.28%
Plan Members	40
Covered Payroll	\$ 4,614,735

Actuarial Assumptions

The total pension liability as of June 30, 2022 was determined by the actuarial valuation on January 1, 2020, with rolling forward the System's total pension liability using the following actuarial assumptions, applied to all periods included in the measurement.

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 2.28%.

The actuarial assumptions used in the January 1, 2020 valuation were based on the experience study conducted by the actuary, including the assumed retirement rates based on PSERS plan experience and vary by age, service, and gender.

Souderton Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2022

Schedule on Defined Contribution Pension Deferred Outflows/Inflows

Sources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ 6,579	\$ -
Net difference between projected and actual investment earnings	-	-
Difference between expected and actual experience	119,068	-
Changes in proportion of the net defined contribution pension liability	-	-
District contributions subsequent to the measurement date	23,129	-
Total	\$ 148,776	\$ -

Funded Status and Funding Process

The funded status of the benefits as of June 30, 2022, was as follows:

	Retirement Incentive Benefit Governmental Activity
Actuarial accrued liability (a)	\$ 576,254
Actuarial value of plan assets (b)	-
Unfunded actuarial accrued liability (a) - (b)	\$ 576,254
Funded Ratio (b) / (a)	0.0%
Covered payroll	\$ 4,614,735
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll.	12.5%

Sensitivity of the District's Proportion Share of the Net Defined Contribution Pension Liability in the Discount Rate:

The following presents the District's proportionate share of the net defined contribution pension liability calculated using the discount rate of 2.28%, as well as what the District's proportionate share of the net defined contribution pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.28%) or 1-percentage point higher (3.28%) than the current rate, using the net defined contribution liability reported by the actuary before adjusting for differences on projected vs actual contributions made.

	1% Decrease 1.28%	Current Discount Rate 2.28%	1% Increase 3.28%
District's proportionate share of the net OPEB Pension liability	\$ 598,960	\$ 576,254	\$ 552,918

**Souderton Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2022**

Other Post-Employment Benefits

Public School Employees' Retirement System (PSERS) Multiple Employer OPEB Plan on Health Insurance Premium Assistance Program

Summary of Significant Accounting Policies

Other Postemployment Benefits

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' fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Health Insurance Premium Assistance Program

Health Insurance Premium Assistance Program

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2020 there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

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

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

Pension Plan description

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

Souderton Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2022

Benefits provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2021, there were no assumed future benefit increases to participating eligible retirees.

Contributions

Employer Contributions:

The school districts' contractually required contribution rate for the fiscal year ended June 30, 2022 was 0.80% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$459,239 for the year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of \$9,508,947 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2020 to June 30, 2021. The 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 District's proportion was 0.4007 percent, which was an increase of 0.0111 percent from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the District recognized OPEB expense of \$627,729. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Sources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Proportionate Share vs Actual		
Paid Separately Finance Liabilities	\$ 1,544	\$ -
Changes in Assumptions	884,000	-
Net difference between projected and actual contributions made	631	-
Net difference between projected and actual investment earnings	19,000	-
Difference between expected and actual experience	88,000	-
Changes in proportion of the Net OPEB Liability	243,000	-
District contributions subsequent to the measurement date	459,239	-
Total	\$ 1,695,414	\$ -

Souderton Area School District
Notes to Basic Financial Statements
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\$459,239 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	<u>Amount</u>
2022	\$ 212,000
2023	210,729
2024	258,725
2025	205,578
2026	190,237
Thereafter	<u>158,906</u>
Total	<u>\$ 1,236,175</u>

Actuarial Assumptions

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

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 2.18% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 4.5%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on 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, 2020 valuation were based on the results of an actuarial experience study that was performed for the five year the period ending June 30, 2015.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2019 determined the employer contribution rate for fiscal year 2021.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.

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

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

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

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

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2021.

Discount rate

The discount rate used to measure the Total OPEB Liability was 2.18%. Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 2.18% which represents the S&P 20-year Municipal Bond Rate at June 30, 2021, was applied to all projected benefit payments to measure the total OPEB liability.

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2021, 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. As of June 30, 2021, 93,392 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2020, 611 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

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

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	1% Decrease	Current Trend Rate	1% Increase
System net OPEB liability	\$ 9,495,000	\$ 9,496,000	\$ 9,497,000

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate

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

	1% Decrease 1.18%	Current Discount Rate 2.18%	1% Increase 3.18%
District's proportionate share of the net OPEB liability	\$ 10,898,000	\$ 9,496,000	\$ 8,342,000

OPEB plan fiduciary net position

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at www.psers.pa.gov.

Payables to the Multiple Employer OPEB Plan

As of June 30, 2022, the School District had \$162,510 included in accrued wages liability, of which \$160,151 is for the contractually required contribution for the second quarter of 2022 and \$ is related to the accrued payroll liability for wages incurred as of June 30, 2022.

Single Employer OPEB Plan

In accordance with the PA School Code of 1949, as amended, medical coverage is provided to eligible retirees and spouses with the retiree paying the full active premium rate for coverage until age 65. This benefit has an implicit rate subsidy, since the retiree pays the premium at the insurance carrier's global rate charged to the School District versus an age-adjusted rate, as defined in the GASB Statement.

Plan Description: Souderton Area School District has one single-employer defined benefit plan with the pertinent descriptions shown on the tables below:

**Souderton Area School District
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Summary of Plan Provisions			
Group	Eligibility	Coverage and Premium Sharing	Duration
<u>I. ADMINISTRATORS</u>			
A) Former Superintendents	N/A – Already retired	<ul style="list-style-type: none"> Coverage: Medical, Prescription Drug, Dental, Vision and Life Insurance. Premium Sharing: District pays 100% of premium for Medical, Prescription Drug, Dental and Vision until the earlier of the member's death or May 31, of the year negotiated in each of the member's contracts (2022). Afterwards, the member may continue coverage, but he must pay 100% of the premium for Medical, Prescription Drug, Dental and Vision. However, if member or spouse is over 65 and covered by Medicare, member or spouse pays 50% of the premium for Medical and 100% of the premium for Prescription Drug. Life insurance is provided in the amount of \$5,000 on the member's life only. For one member, District pays 100% of the premium for Life Insurance for duration of contract, and member pays 100% of the premium afterwards. For other member, member pays 100% of the premium for Life Insurance. Dependents: Family included. If retiree dies, spouse may continue coverage. In such case, spouse may continue coverage for life by paying the full premium, unless over 65, then spouse pays 50% of the premium for Medical and 100% of premium for Prescription Drug. 	Coverage is for life
B) Cabinet Administrators (Superintendent, assistant superintendent, directors of human resources, business affairs, curriculum, pupil services, & technology)	<p>Must meet one of the following conditions to be eligible:</p> <p>i) Must have 10 years of service with the district and be eligible for PSERS retirement</p> <p>ii) Act 110/43</p>	<ul style="list-style-type: none"> Coverage: Medical, Prescription Drug, Dental, Vision and Life Insurance. Premium Sharing: If member has at least 10 years of service with district and is eligible for retirement through PSERS, the district pays 100% of the single coverage premium for one year for Medical, Prescription Drug, Dental and Vision. If retiring after July 1, 2016, the district pays the employer share for two party coverage for two years only. Member must pay for any amount over the subsidized premium. After subsidy period, member may continue coverage by paying 100% of the premium until age 65. Life insurance is provided in the amount of \$5,000 on the member's life only. Member must pay 100% of the premium for Life insurance. Spouse must pay the full premium for coverage until age 65. <p>If the member does not meet the requirements for the district subsidy but requirements are met for the ACT 110/43 benefit, the member and spouse may continue coverage by paying the full premium until age 65.</p> <p>For members retiring prior to December 30, 2018, if member is over 65 and covered by Medicare, member pays 50% of the premium for Medical and 100% of the premium for Prescription Drug. If spouse is over 65 and covered by Medicare and the member retired before July 1, 2012, spouse pays 50% of the premium for Medical and 100% of premium for Prescription Drug. for members retiring December 30, 2018 or after, no coverage is available for members/spouses after age 65.</p> <ul style="list-style-type: none"> Dependents: Spouse included. If retiree dies, for those retiring before July 1, 2012, spouse may continue coverage for life by paying the full premium, unless over age 65, then spouse pays 50% of the premium for Medical and 100% of premium for Prescription Drug. If retiree dies, for those retiring after July 1, 2012, spouse may continue coverage until age 65 by paying the full premium. For members retiring after July 1, 2018, no coverage is available for members/spouses after age 65. 	<p>Members and spouses retiring prior to December 30, 2018 can receive coverage for life.</p> <p>Members and spouses retiring December 30, 2018 or after can receive coverage until age 65.</p>

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C) All other Administrators	Same as IB	<ul style="list-style-type: none"> Coverage: Medical, Prescription Drug, and Life Insurance. Premium Sharing: If member has at least 10 years of service with district and is eligible for retirement through PSERS, the district pays 100% of the single coverage premium for one year for Medical, Prescription Drug, Dental and Vision. After subsidy period, member may continue coverage by paying 100% of the premium until age 65. Life insurance is provided in the amount of \$5,000 on the member's life only. Member must pay 100% of premium for Life insurance. Spouse must pay the full premium for coverage until age 65. If the member does not meet the requirements for the district subsidy but requirements are met for the Act 110/43 benefit, the member and spouse may continue coverage by paying the full premium until age 65. If member is over 65 and covered by Medicare, member pays 50% of the premium for Medical and 100% for the premium for Prescription Drug. If spouse is over 65 and covered by Medicare, and the member retired before July 1, 2012, spouse pays 50% of the premium for Medical and 100% of premium for Prescription Drug. Dependents: Spouse included. If retiree dies, for those retiring before July 1, 2012, spouse may continue coverage for life by paying the full premium unless over 65 and covered by Medicare, then spouse pays 50% of the premium for Medical and 100% of the premium for Prescription Drug. If retiree dies, for those retiring on or after July 1, 2012, spouse may continue coverage until age 65 by paying the full premium. 	<p>Members retiring prior to July 1, 2018 can receive coverage for life.</p> <p>Members retiring July 1, 2018 and after can receive coverage until age 65.</p> <p>If members retired before July 1, 2012, spouse can receive coverage for life.</p> <p>If member retired between July 1, 2012 and July 1, 2018, spouse is covered until age 65.</p>
D) Administrative Assistants to Cabinet	Same as IB	<ul style="list-style-type: none"> Coverage: Medical, Prescription Drug, Dental, Vision and Life Insurance Premium sharing: If member has at least 10 years of service with district and is eligible for retirement through PSERS, the district pays 100% of the single coverage premium for one year for Medical, Prescription Drug, Dental and Vision. Member must pay for any amount over the single coverage premium. After one year, member may continue coverage, but must pay 100% of the premium until age 65. Member pays 100% of premium for life insurance in the amount of \$5,000 on the member's life only. Dental and vision coverage is only available to those retiring after July 1, 2010. If member does not meet the requirements for the district subsidy but requirements are met for the Act 110/43 benefit, the member and spouse may continue coverage by paying the full premium until age 65. If member is over 65 and covered by Medicare, member pays 50% of the premium for Medical and 100% of the premium for Prescription Drug. If spouse is over 65 and covered by Medicare, spouse pays 50% of the premium for Medical and 100% of premium for Prescription Drug. Dependents: Family included. If retiree dies, spouse may continue coverage. In such case, spouse may continue coverage for life by paying the full premium, unless over 65, then spouse pays 50% of the premium for Medical and 100% of premium for Prescription Drug. 	<p>Members and spouses retiring prior to July 1, 2019 can receive coverage for life.</p> <p>Members and spouses retiring on or after July 1, 2019 can receive coverage until age 65.</p>
<u>II. All Other Employees</u>	Same as IB	<ul style="list-style-type: none"> Coverage: Medical, Prescription Drug, and Life Insurance Premium sharing: Member and family must pay 100% of the premium. Member pays 100% of premium for life insurance in the amount of \$5,000 on the member's life only. Dependents: Family included. If retiree dies, spouse gets to continue coverage until the earlier of age 65 or two years. In such case, spouse pays full premium. 	<p>Member is covered until age 65</p> <p>Spouse is covered until age 65</p>

**Souderton Area School District
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Notes: Act 110/43 Eligibility: All employees are eligible for this benefit upon retirement with 30 years of PSERS service or upon superannuation retirement.

PSERS Retirement:

- 1) Pension Class T-C or T-D: An employee is eligible for PSERS retirement if he (or she) is eligible for either: i) PSERS early retirement while under 62 with 5 years of PSERS Service or ii) PSERS superannuation retirement upon reaching age 60 with 30 years of PSERS service, age 62 with 1 year of PSERS service or 35 years of PSERS service regardless of age. In general, these pension classes apply to individuals who were members of PSERS prior to July 1, 2011.
- 2) Pension Class T-E or T-F: An employee is eligible for PSERS retirement if he (or she) is eligible for either: i) PSERS early retirement while under 65 with 10 years of PSERS Service or ii) PSERS superannuation retirement upon reaching age 65 with 3 years of PSERS service, or upon attainment of a total combination of age plus service equal to or greater than 92 a minimum of 35 years of PSERS service. In general, these pension classes apply to individuals who became members of PSERS on or after July 1, 2011 and prior to July 1, 2019.
- 3) Pension Class T-G: An employee is eligible for PSERS retirement if he (or she) is eligible for either: i) PSERS early retirement while under 67 with 10 years of PSERS Service or ii) PSERS superannuation retirement upon reaching age 67 with 3 years of PSERS service upon attainment of a total combination of age plus service equal to or greater than 97 with a minimum of 35 years of PSERS service. In general, this pension class applies to individuals who became members of PSERS on or after July 1, 2019.
- 4) Pension Class T-H: An employee is eligible for PSERS retirement if he (or she) is eligible for either: i) PSERS early retirement while under 67 with 10 years of PSERS Service or ii) PSERS superannuation retirement upon reaching age 67 with 3 years of PSERS service. In general, this pension class applies to individuals who became members of PSERS on or after July 1, 2019.
- 5) All individuals except for those in Pension Class T-G are eligible for a special early retirement upon reaching age 55 with 25 years of PSERS service. Individuals in Pension Class T-G are eligible for a special early retirement upon reaching age 57 with 25 years of PSERS service.

Coordination with Medicare Benefits: Medicare pays primary.

Cash Payments: Cash payments are not GASB 75 liabilities. Financial incentives for Administrators are valued under GASB 73.*

*The final schedule of this valuation contains supplemental calculations under GASB 73. The benefit provision is as follows:

Administrators who qualify for PSERS retirement and have 10 or more years of service with the district as an administrator are entitled to a one-time payment equal to a percentage of the average of the individual's last three years salary depending on the number of years of service with the district as follows:

For administrators hired prior to July 1, 2015:

At least 25 years: 45%
At least 20 years but fewer than 25 years: 40%
At least 15 years but fewer than 20 years: 30%
At least 10 years but fewer than 15 years: 20%

For administrators hired on or after July 1, 2015:

At least 25 years: 25%
At least 20 years but fewer than 25 years: 20%
At least 15 years but fewer than 20 years: 15%
At least 10 years but fewer than 15 years: 10%

For administrators retiring after December 30, 2018, the maximum one-time payment shall not exceed \$50,000.

For Administrative Assistants to Cabinet Members

At least 25 years: 20%
At least 20 years but fewer than 25 years: 15%
At least 15 years but fewer than 20 years: 10%
At least 10 years but fewer than 15 years: 5%

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Employees Covered by Benefit Terms

At June 30, 2022, the following employees were covered by the benefit terms:

Active Participants	767
Vested Former Participants	0
Retired Participants	<u>79</u>
Total	846

Total OPEB Liability

The School's total OPEB liability under this single employer plan of \$5,490,522, was measured as of June 30, 2022, and was determined by an actuarial valuation as of July 1, 2020.

Actuarial Assumptions and other Inputs

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the benefits and the annual required contributions of the employer are subject to continual revision, actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress, presented as required supplementary information, provides multiyear trend information that shows whether the actuarial value of plan Net Position is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the district and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Single Employer OPEB Healthcare Benefit	
Actuarial Valuation Date	7/1/2020
Actuarial Cost Method	Entry Age Normal
Interest Rate	2.28%
Projected salary increases	3.50% to 6.25%
Healthcare inflation rate	5.5% in 2021 through 2023. Rates gradually decrease from 5.4% in 2024 to 4.0% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
Asset Valuation Method	pay as you go basis
The discount rate is based on S&P Municipal Bond 20-year high grade rate index at July 1, 2021.	

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Mortality rates are assumed pre-retirement and post-retirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into our retirement table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.

Changes in the Total OPEB Liability

	<u>2021-22</u>
Total OPEB Liability	
Service Cost	\$ 356,391
Interest	105,449
Changes in Benefit Terms	-
Difference between expected and actual experience	-
Changes in assumptions	(187,349)
Benefit payments	(211,411)
Net change in total OPEB Liability	63,080
Total OPEB Liability - beginning	5,427,442
Total OPEB Liability - ending	<u><u>\$ 5,490,522</u></u>
 Covered employee payroll	 <u><u>\$ 49,690,789</u></u>

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

For the year ended June 30, 2022, the School recognized OPEB expense of \$367,997. At June 30, 2022, the School reported deferred outflows of resource and deferred inflows of resources related to this single employer OPEB plan from the following sources:

<u>Sources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	\$ 222,734	\$ -
Net difference between projected and actual investment earnings	-	-
Difference between expected and actual experience	-	1,043,586
Changes in proportion of the Net OPEB Liability	-	-
District contributions subsequent to the measurement date	221,213	-
Total	<u><u>\$ 443,947</u></u>	<u><u>\$ 1,043,586</u></u>

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Amounts reported as deferred outflows of resources and deferred inflows of resources related to this single employer OPEB plan will be recognized in OPEB expense as follows:

Year ended June 30:	<u>Amount</u>
2023	\$ (93,843)
2024	(93,843)
2025	(93,843)
2026	(93,843)
2027	(93,843)
Thereafter	<u>(351,637)</u>
Total	<u>\$ (820,852)</u>

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

The following presents the total OPEB liability of the School's single employer OPEB plan, as well as what the School's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.28%) or 1-percentage point higher (3.28%) than the current discount rate:

	<u>1% Decrease</u> <u>1.28%</u>	<u>Current</u> <u>Discount Rate</u> <u>2.28%</u>	<u>1% Increase</u> <u>3.28%</u>
District's proportionate share of the net OPEB liability	\$ 5,944,935	\$ 5,490,522	\$ 5,064,889

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

The following presents the total OPEB liability of the School's single employer OPEB plan, as well as what the School's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current</u> <u>Trend Rate</u>	<u>1% Increase</u>
System net OPEB liability	\$ 4,783,903	\$ 5,490,522	\$ 6,335,982

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Combined Deferred Outflows/Inflows on Pensions and OPEB

As a result of having multiple pension and other post-employment benefit plans, the following schedule is prepared to illustrate the individual components reflected on the Statement of Net Position:

GOVERNMENTAL ACTIVITIES					
	<i>Pension - GASB 68</i>	<i>Pension - GASB 73</i>	<i>Single Employer OPEB - GASB 75</i>	<i>Multiple Employer OPEB - GASB 75</i>	<i>Pension & OPEB Total</i>
	<u>DR OR (CR)</u>	<u>DR OR (CR)</u>	<u>DR OR (CR)</u>	<u>DR OR (CR)</u>	<u>DR OR (CR)</u>
	<u>CURRENT YR</u>	<u>CURRENT YR</u>	<u>CURRENT YR</u>	<u>CURRENT YR</u>	<u>CURRENT YR</u>
<u>RECONCILIATION OF NET CHANGE IN DEFERRED OUTFLOWS/INFLOWS</u>	<u>BALANCE</u>	<u>BALANCE</u>	<u>BALANCE</u>	<u>BALANCE</u>	<u>BALANCE</u>
Change in Proportion	\$ 3,437,150	\$ -	\$ -	\$ 239,611	\$ 3,676,761
Current Year Contributions	19,413,288	23,129	215,999	454,910	20,107,326
Change in Assumption	7,868,703	6,579	219,119	872,966	8,967,367
Diff in Projected Vs Actual Contributions	(204,133)	-	-	616	(203,517)
Difference in Investment Earnings	(25,853,480)	-	-	18,714	(25,834,766)
Diff. between Expected vs Actual Experience	(2,001,384)	119,068	(1,083,635)	86,671	(2,879,280)
Diff. between Prop. Share vs Actual POS	24,649	-	-	1,544	26,193
Net Pension Liability	\$ 159,779,814	\$ -	\$ -	\$ -	\$ 159,779,814
Net Defined Contribution Pension Liability	\$ -	\$ 576,254	\$ -	\$ -	\$ 576,254
Net OPEB Liability	\$ -	\$ -	\$ 5,472,400	\$ 9,362,333	\$ 14,834,733
BUSINESS-TYPE ACTIVITIES					
	<i>Pension - GASB 68</i>	<i>Pension - GASB 73</i>	<i>Single Employer OPEB - GASB 75</i>	<i>Multiple Employer OPEB - GASB 75</i>	<i>Pension & OPEB Total</i>
	<u>DR OR (CR)</u>	<u>DR OR (CR)</u>	<u>DR OR (CR)</u>	<u>DR OR (CR)</u>	<u>DR OR (CR)</u>
	<u>CURRENT YR</u>	<u>CURRENT YR</u>	<u>CURRENT YR</u>	<u>CURRENT YR</u>	<u>CURRENT YR</u>
<u>RECONCILIATION OF NET CHANGE IN DEFERRED OUTFLOWS/INFLOWS</u>	<u>BALANCE</u>	<u>BALANCE</u>	<u>BALANCE</u>	<u>BALANCE</u>	<u>BALANCE</u>
Change in Proportion	\$ 50,850	\$ -	\$ -	\$ 3,389	\$ 54,239
Current Year Contributions	184,737	-	5,214	4,329	194,280
Change in Assumption	101,297	-	3,615	11,034	115,946
Diff in Projected Vs Actual Contributions	(2,698)	-	-	15	(2,683)
Difference in Investment Earnings	(301,520)	-	-	286	(301,234)
Diff. between Expected vs Actual Experience	(36,616)	-	40,049	1,329	4,762
Diff. between Prop. Share vs Actual POS	-	-	-	-	-
Net Pension Liability	\$ 2,737,041	\$ -	\$ -	\$ -	\$ 2,737,041
Net Defined Contribution Pension Liability	\$ -	\$ -	\$ -	\$ -	\$ -
Net OPEB Liability	\$ -	\$ -	\$ 18,122	\$ 146,614	\$ 164,736

STATEMENT OF NET POSITION	
<i>Governmental & Business-Type Activities</i>	<i>Total</i>
	<u>DR OR (CR)</u>
	<u>CURRENT YR</u>
<u>RECONCILIATION OF NET CHANGE IN DEFERRED OUTFLOWS/INFLOWS</u>	<u>BALANCE</u>
Change in Proportion	\$ 3,731,000
Current Year Contributions	20,301,606
Change in Assumption	9,083,313
Diff in Projected Vs Actual Contributions	(206,200)
Difference in Investment Earnings	(26,136,000)
Diff. between Expected vs Actual Experience	(2,874,518)
Diff. between Prop. Share vs Actual POS	26,193
Net Pension Liability	\$ 162,516,855
Net Defined Contribution Pension Liability	\$ 576,254
Net OPEB Liability	\$ 14,999,469

RECONCILIATION TO FINANCIAL STATEMENTS		
	<i>Governmental Activities</i>	<i>Business-Type Activities</i>
<i>Pension - Pension and Defined Contribution Plans</i>		
Net Pension Liability	\$ 159,779,814	\$ 2,737,041
Net Defined Contribution Pension Liability	576,254	-
Deferred Outflow Related to Pension	(30,892,566)	(336,884)
Deferred Inflows Related to Pension	28,058,997	340,834
Total liab. Net deferred inflows/outflows	\$ 157,522,499	\$ 2,740,991
<i>OPEB - Single & Multiple Employer Plans</i>		
Net OPEB Liability	\$ 14,834,733	\$ 164,736
Deferred Outflows Related to OPEB	(2,110,150)	(69,260)
Deferred Inflows Related to OPEB	1,083,635	-
Total liab. Net deferred inflows/outflows	\$ 13,808,218	\$ 95,476

Souderton Area School District
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Note 6 - Risk Management

The District is subject to risk of loss from employee acts, property damage, personal injury, auto accidents, theft, etc. The District covers those risks through the purchase of commercial insurance. The Souderton Area School District is a participating member of a Workers' Compensation Consortium. The Consortium is comprised of 81 member School Districts which jointly self-assume their workers' compensation liabilities. Each District is required to make contributions to the Consortium based on formulae set forth in the contract. Each member school district individually retains sole liability up to a retention level, which is fixed annually by multiplying its Experience Modification Factor times the last audited fiscal year payroll of the member. The result is then multiplied by a contribution rate, which is the same for all members. Even though the member school districts contribute to a central fund, they remain individually liable for any workers' compensation claims.

Above the level of retention, the Consortium pays claims up to the level of coverage of \$100,000 for the year ended June 30, 2022, provided by an excess insurance policy. Claims above the maximum coverage of excess insurance are paid by the members of the Consortium through additional assessments against members.

The members of the Consortium are required to participate in deficiencies and are subject to periodic assessments by the Executive Committee, as required.

At June 30, 2022, the most recent available financial statements, the Consortium did not have a deficit, in which the ultimate responsibility to pay for a deficit belongs to the member districts.

Note 7 - Fund Balance Allocations

Nonspendable Fund Balance

The General Fund had \$140,559 in prepaid expenditures.

Restricted Fund Balance

The Capital Projects Funds' have \$39,620,645 of restrictions on the use of resources.

The Capital Reserve Fund's \$1,814,930 fund balance at year end is restricted because of enabling legislation under the Municipal Code in Pennsylvania. Section 1432 of this Code restricts the use of resources for limited purposes. In addition, the General Fund has \$182,279 restricted for unspent donations/scholarships.

Committed Fund Balance

The general fund has committed \$1,000,000 for future capital projects.

Assigned Fund Balance

The General Fund has \$2,131,053 assigned to balance the 2022-23 budget.

Note 8 - Net Position Restrictions

The portion of net position for governmental activities, shown on the government-wide statement of net position invested in capital assets, including unspent proceeds, net of related debt is \$125,443,238. The business-type activities column reflects \$372,098 invested in capital assets with no related debt. The governmental activities have \$1,814,930 restricted for future capital projects.

Souderton Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2022

Note 9 - Contingencies

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and a condition specified in the grant agreements, and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund, or other applicable funds. However, in the opinion of management any such disallowed claims will not have a material adverse effect on the overall financial position of the School District as of June 30, 2022.

Litigation

In accordance with management, there are no legal matters that could materially affect the financial position of the District as of June 30, 2022.

Note 10 – New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued the following standards, which have not yet been implemented:

- Statement No. 91, *Conduit Debt Obligations* – The primary objective is to provide a single method of reporting conduit debt obligations by issuers associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. Effective date: Periods beginning after December 15, 2021.
- Statement No. 94, *PPP's* – The primary objective of this Statement is to improve financial reporting related to public-private and public-public partnership arrangements (PPPs). A PPP is defined in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. Effective date: Periods beginning after June 15, 2022.
- Statement No. 96, *Subscription-Based Information Technology Arrangements* – This statement provided guidance on accounting and financial reporting for subscription-based information technology arrangements (SBITAs). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to use subscription asset – and intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Effective date: Periods beginning after June 15, 2022
- Statement No. 99, *Omnibus 2022* - 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. Effective Dates: Requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022. Requirements related to financial guarantees and the classification and reporting of derivative instruments with in the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023.

Souderton Area School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2022

- Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62* - The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Effective Date: for fiscal years beginning after June 15, 2023.
- Statement No. 101, *Compensated Absences* - The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. Effective Date: for fiscal years beginning after December 15, 2023.

**REQUIRED
SUPPLEMENTAL INFORMATION**

Souderton Area School District
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED JUNE 30, 2022

	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>
District's proportion of the net pension liability (asset)	0.4002%	0.3894%	0.3884%	0.3939%	0.3871%	0.3823%	0.3769%	0.3628%
District's proportionate share of the net pension liability (asset)	\$ 164,309,000	\$ 191,737,000	\$ 181,704,000	\$ 189,092,000	\$ 191,183,000	\$ 189,456,000	\$ 163,255,000	\$ 143,599,000
District's covered employee payroll	57,404,876	56,988,567	54,525,768	53,541,657	52,796,621	51,593,511	49,379,469	48,349,097
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	286.23%	336.45%	333.24%	353.17%	362.11%	367.21%	330.61%	297.00%
Plan fiduciary net position as a percentage of the total pension liability	63.67%	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%

**SOUDERTON AREA SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>
Contractually required contribution	\$ 19,598,025	\$ 19,199,448	\$ 18,238,869	\$ 17,454,580	\$ 16,757,648	\$ 15,065,305	\$ 12,344,867	\$ 9,911,565	\$ 7,407,253	\$ 5,522,545
Contributions in relation to the contractually required contribution	<u>19,598,025</u>	<u>19,199,448</u>	<u>18,238,869</u>	<u>17,454,580</u>	<u>16,757,648</u>	<u>15,065,305</u>	<u>12,344,867</u>	<u>9,911,565</u>	<u>7,407,253</u>	<u>5,522,545</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 57,404,876	\$ 56,988,567	\$ 54,525,768	\$ 53,541,657	\$ 52,796,621	\$ 51,593,511	\$ 49,379,469	\$ 48,349,097	\$ 46,295,334	\$ 48,022,128
Contributions as a percentage of covered employee payroll	34.14%	33.69%	33.45%	32.60%	31.74%	29.20%	25.00%	20.50%	16.00%	11.50%

SOUDERTON AREA SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S DEFINED CONTRIBUTION PENSION LIABILITY
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED JUNE 30, 2022

	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>
Total Defined Contribution Pension Liability - beginning	<u>\$ 625,609</u>	<u>\$ 521,804</u>	<u>\$ 538,707</u>	<u>\$ 785,941</u>	<u>\$ 877,192</u>
Service Cost	38,688	32,889	33,008	53,464	58,343
Interest	11,451	17,423	16,117	24,773	21,811
Changes in Benefit Terms	-	23,415	-	(240,884)	-
Difference between expected and actual experience	-	60,928	-	296	-
Changes in assumptions	(9,630)	35,903	(9,041)	3,608	(61,374)
Benefit payments	<u>(89,864)</u>	<u>(66,753)</u>	<u>(56,987)</u>	<u>(88,491)</u>	<u>(110,031)</u>
Net change in total Pension Liability	<u>(49,355)</u>	<u>103,805</u>	<u>(16,903)</u>	<u>(247,234)</u>	<u>(91,251)</u>
Total Defined Contribution Pension Liability - ending	<u>\$ 576,254</u>	<u>\$ 625,609</u>	<u>\$ 521,804</u>	<u>\$ 538,707</u>	<u>\$ 785,941</u>
Interest Rate	2.28%	1.86%	3.36%	2.98%	3.13%
Plan Members	40	40	39	39	41
Covered Payroll	\$ 4,614,735	\$ 4,614,735	\$ 4,365,531	\$ 4,365,531	\$ 4,500,011

SOUDERTON AREA SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET DEFINED CONTRIBUTION PENSION LIABILITY
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED JUNE 30, 2022

	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>
District's proportionate share of the net defined contribution pension liability (asset)	\$ 576,254	\$ 625,609	\$ 521,804	\$ 538,707	\$ 785,941
District's covered employee payroll	\$ 4,614,735	\$ 4,614,735	\$ 4,365,531	\$ 4,365,531	\$ 4,500,011
District's proportionate share of the net defined contribution pension liability (asset) as a percentage of its covered employee payroll	12.49%	13.56%	11.95%	12.34%	17.47%

SOUDERTON AREA SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
MULTIPLE EMPLOYER OPEB PLAN
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED JUNE 30, 2022

	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>
District's proportion of the net OPEB liability	0.4007%	0.3896%	0.3884%	0.3939%	0.3871%	0.3823%
District's proportionate share of the net OPEB liability (asset)	\$ 9,496,000	\$ 8,418,000	\$ 8,261,000	\$ 8,213,000	\$ 7,887,000	\$ 8,235,000
District's covered-employee payroll	56,800,509	56,988,567	54,525,768	53,541,657	52,796,621	51,593,511
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered employee payroll	16.72%	14.77%	15.15%	15.34%	14.94%	15.96%
Plan fiduciary net position as a percentage of the total OPEB liability	5.30%	5.69%	5.56%	5.56%	5.73%	5.47%

**SOUDERTON AREA SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
MULTIPLE EMPLOYER OPEB PLAN
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>
Contractually required contribution	\$ 459,239	\$ 467,306	\$ 458,016	\$ 444,396	\$ 438,212	\$ 428,226	\$ 414,787	\$ 435,143	\$ 430,549	\$ 412,987
Contributions in relation to the contractually required contribution	<u>459,239</u>	<u>467,306</u>	<u>458,016</u>	<u>444,396</u>	<u>438,212</u>	<u>428,226</u>	<u>414,787</u>	<u>435,143</u>	<u>430,549</u>	<u>412,987</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 57,404,876	\$ 56,988,567	\$ 54,525,768	\$ 53,541,657	\$ 52,796,621	\$ 51,593,511	\$ 49,379,469	\$ 48,349,097	\$ 46,295,334	\$ 48,022,128
Contributions as a percentage of covered employee payroll	0.80%	0.82%	0.84%	0.83%	0.83%	0.83%	0.84%	0.90%	0.93%	0.86%

SOUDERTON AREA SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
SINGLE EMPLOYER HEALTH INSURANCE PLAN
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED JUNE 30, 2022

	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>
Total OPEB Liability					
Service Cost	\$ 356,391	\$ 290,785	\$ 295,502	\$ 400,739	\$ 398,956
Interest	105,449	185,223	162,813	220,480	164,884
Changes in Benefit Terms	-	(164,278)	-	(1,015,915)	-
Difference between expected and actual experience	-	(651,900)	-	(750,504)	-
Changes in assumptions	(187,349)	652,453	(183,011)	(103,011)	97,193
Benefit payments	(211,411)	(232,671)	(208,422)	(249,203)	(230,360)
Net change in total OPEB Liability	63,080	79,612	66,882	(1,497,414)	430,673
Total OPEB Liability - beginning	5,427,442	5,347,830	5,280,948	6,778,362	6,347,689
Total OPEB Liability - ending	<u>\$ 5,490,522</u>	<u>\$ 5,427,442</u>	<u>\$ 5,347,830</u>	<u>\$ 5,280,948</u>	<u>\$ 6,778,362</u>
 Covered employee payroll	 <u>\$ 49,690,789</u>	 <u>\$ 49,690,789</u>	 <u>\$ 50,380,376</u>	 <u>\$ 50,380,376</u>	 <u>\$ 47,560,984</u>
 Total OPEB Liability as a percentage of covered employee payroll	 11.05%	 10.92%	 10.61%	 10.48%	 14.25%

Souderton Area School District
Notes to Required Supplementary Information
Fiscal Year Ended June 30, 2022

Public School Employees' Retirement System

Changes of Benefit Terms

None

Changes in assumptions

The actuarially determined contributions, by PSERS, are calculated as of the June 30 preceding the fiscal year in which contributions are made. It does not include an adjustment made for the difference between projected vs actual contributions or separately financed liabilities. The following methods and assumptions were used to determine contribution rates reported:

- Valuation Date -- June 30, 2020
- Actuarial cost method -- Entry Age Normal -- level % of pay.
- Investment return -- 7.00% includes inflation at 2.50%.
- Salary growth -- Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend 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 decreases from 7.25% as of June 30, 2020 to 7.00% as of June 30, 2021.
- 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 the MP-2015 Mortality 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.

Proportionate Share of the Net Pension Liability

The amount reported as the District's proportionate share of the net pension liability (asset) does not include the adjustment for the difference between projected vs actual contributions made and the adjustment for the difference between proportionate share vs actual paid separately financed liabilities.

Other Post-Employment Benefits -- Teachers Health Insurance Assistance

Changes of Benefit Terms

None

Changes in Assumptions

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

Methods and Assumptions used in Calculations of Actuarially Determined Contributions

Souderton Area School District
Notes to Required Supplementary Information
Fiscal Year Ended June 30, 2022

The actuarially determined contributions, by PSERS, are calculated as of the June 30 preceding the fiscal year in which contributions are made. It does not include an adjustment made for the difference between projected vs actual contributions or separately financed liabilities.

The following methods and assumptions were used to determine contribution rates reported:

- Investment return – 2.18% - S&P 20 Year Municipal Bond Rate.
- Salary increases – Effective average of 4.5%, which reflects an allowance for inflation of 2.50%, and 2.00% for real wage growth and merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSER'S experience and projected using a modified version of the MP-2020 Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate Pre age 65 at 50%
 - Eligible retirees will elect to participate Post age 65 at 70%

The Following Assumptions were Used to Determine the Contribution Rate:

- The results of the actuarial valuation as of June 30, 2019 determined the employer contribution rate for fiscal year 2021.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality Tables for Males and Females, adjusted to reflect PSER'S experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

Proportionate Share of the Net OPEB Liability

The amount reported as the District's proportionate share of the net opeb liability (asset) does not include the adjustment for the difference between projected vs actual contributions made and the adjustment for the difference between proportionate share vs actual paid separately financed liabilities.

Other Post-Employment Benefits – Single Employer Healthcare Plan

Changes of Benefit Terms

None

Changes in Assumptions

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

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

- Actuarial Cost Method – Entry Age Normal
- Salary Increases – 3.50% to 6.25%
- Healthcare cost trend rate – 5.5% in 2021 to 2023. Rates gradually decrease from 5.4% in 2024 to 4.0% in 2075 based on the Society of Actuaries Long-Run Medical Cost Trend Model

Souderton Area School District
Notes to Required Supplementary Information
Fiscal Year Ended June 30, 2022

- Asset Valuation Method – Pay as you go basis
- Discount Rate – The rate of 2.28% is based on S&P Municipal Bond 20-year high grade rate index at July 1, 2021.

S U P P L E M E N T A L I N F O R M A T I O N S E C T I O N

**Souderton Area School District
Combining Balance Sheet
All Capital Project Funds
For the Year Ended June 30, 2022**

	CAPITAL PROJECTS FUND	2021 CONSTRUCTION BOND FUND	2022 CONSTRUCTION BOND FUND	TOTAL CAPITAL PROJECT FUNDS
<u>ASSETS</u>				
Cash and cash equivalents	\$ 1,810,530	\$ 6,093,827	\$ 35,024,986	\$ 42,929,343
Restricted Cash	-	7,737	-	7,737
Due from other funds	4,400	-	-	4,400
TOTAL ASSETS	\$ 1,814,930	\$ 6,101,564	\$ 35,024,986	\$ 42,941,480
<u>LIABILITIES</u>				
Accounts Payable	\$ -	\$ 3,320,835	\$ -	\$ 3,320,835
TOTAL LIABILITIES	-	3,320,835	-	3,320,835
	-----	-----	-----	-----
FUND BALANCES:				
Restricted Fund Balance	1,814,930	2,780,729	35,024,986	39,620,645
TOTAL FUND BALANCES	1,814,930	2,780,729	35,024,986	39,620,645
TOTAL LIABILITIES & FUND BALANCES	\$ 1,814,930	\$ 6,101,564	\$ 35,024,986	\$ 42,941,480

Souderton Area School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
All Capital Project Funds
For the Year Ended June 30, 2022

	CAPITAL RESERVE FUND	2021 CAPITAL PROJECTS FUND	2022 CAPITAL PROJECTS FUND	TOTAL CAPITAL PROJECT FUNDS
REVENUES				
Local Sources	\$ 4,752	\$ 16,940	\$ 19,507	\$ 41,199
TOTAL REVENUES	<u>4,752</u>	<u>16,940</u>	<u>19,507</u>	<u>41,199</u>
	-----	-----	-----	-----
EXPENDITURES				
Support Services	6,440	179,552	448,766	634,758
Capital Outlay	<u>115,196</u>	<u>6,220,510</u>	<u>-</u>	<u>6,335,706</u>
TOTAL EXPENDITURES	<u>121,636</u>	<u>6,400,062</u>	<u>448,766</u>	<u>6,970,464</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(116,884)</u>	<u>(6,383,122)</u>	<u>(429,259)</u>	<u>(6,929,265)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds of long-term capital-related debt	-	8,910,000	33,100,000	42,010,000
Bond Premium	-	1,068,518	2,354,245	3,422,763
Transfers out	<u>-</u>	<u>(814,667)</u>	<u>-</u>	<u>(814,667)</u>
TOTAL OTHER FINANCING SOURCES AND USES	<u>-</u>	<u>9,163,851</u>	<u>35,454,245</u>	<u>44,618,096</u>
NET CHANGE IN FUND BALANCES	<u>(116,884)</u>	<u>2,780,729</u>	<u>35,024,986</u>	<u>37,688,831</u>
FUND BALANCES - BEGINNING	<u>1,931,814</u>	<u>-</u>	<u>-</u>	<u>1,931,814</u>
FUND BALANCES - ENDING	<u><u>\$ 1,814,930</u></u>	<u><u>\$ 2,780,729</u></u>	<u><u>\$ 35,024,986</u></u>	<u><u>\$ 39,620,645</u></u>

**Souderton Area School District
General Fund
Schedule on Tax Collectors' Receipts
For the Year Ended June 30, 2022**

	<u>Franconia Township</u>	<u>Lower Salford Township</u>	<u>Salford Township</u>	<u>Souderton Borough</u>	<u>Telford Borough</u>	<u>Upper Salford Township</u>	<u>Total</u>
<u>Current Real Estate Taxes</u>							
Assessed Value	\$ 862,883,477	\$ 1,135,910,534	\$ 210,904,260	\$ 290,487,800	\$ 204,249,240	\$ 219,408,994	\$ 2,923,844,305
Millage Rate	<u>0.0305837</u>	<u>0.0305837</u>	<u>0.0305837</u>	<u>0.0305837</u>	<u>0.0305837</u>	<u>0.0305837</u>	<u>0.0305837</u>
Total Tax to be Collected	26,390,169	34,740,347	6,450,168	8,884,192	6,246,697	6,710,064	89,421,637
Less: Act 1 Deduction	<u>715,268</u>	<u>752,644</u>	<u>167,458</u>	<u>257,682</u>	<u>191,986</u>	<u>179,377</u>	<u>2,264,415</u>
Total Taxable Duplicate	25,674,901	33,987,703	6,282,710	8,626,510	6,054,711	6,530,687	87,157,222
Plus - Additions	63,223	67,979	9,882	5	7,744	9,701	158,534
Penalties	<u>25,298</u>	<u>31,791</u>	<u>7,745</u>	<u>11,931</u>	<u>10,247</u>	<u>10,767</u>	<u>97,779</u>
Total Taxes to be Collected	25,763,422	34,087,473	6,300,337	8,638,446	6,072,702	6,551,155	87,413,535
Less - Discounts	483,648	636,049	115,835	157,004	112,164	107,625	1,612,325
Reductions	15,703	7,326	4,207	13,239	18,858	8,968	68,301
Exonerations/Exemptions	-	-	-	-	-	-	-
Deletions	-	27,293	7,100	-	-	-	34,393
Refunds	-	-	-	-	-	-	155,173
Returned to County	155,782	256,597	40,006	115,929	33,471	68,970	670,755
Outstanding	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Current Real Estate Taxes Collected	<u>\$ 25,108,289</u>	<u>\$ 33,160,208</u>	<u>\$ 6,133,189</u>	<u>\$ 8,352,274</u>	<u>\$ 5,908,209</u>	<u>\$ 6,365,592</u>	<u>\$ 84,872,588</u>
Current Interim Real Estate Taxes Collected	<u>\$ 130,455</u>	<u>\$ 154,169</u>	<u>\$ 15,234</u>	<u>\$ 13,940</u>	<u>\$ 19,181</u>	<u>\$ 15,192</u>	<u>\$ 348,171</u>
<u>Current Per Capita Taxes</u>							
No. of Persons Assessed	9,597	10,864	2,158	5,057	3,518	2,061	33,255
Tax Rate	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 10</u>
Taxable Valuation	95,970	108,640	21,580	50,570	35,180	20,610	332,550
Plus - Additions	20	-	-	-	40	30	90
Penalties	<u>133</u>	<u>143</u>	<u>32</u>	<u>148</u>	<u>46</u>	<u>52</u>	<u>554</u>
Taxes to be Collected	96,123	108,783	21,612	50,718	35,266	20,692	333,194
Less - Discounts	1,644	1,744	365	647	495	349	5,244
Exonerations	370	1,580	-	1,250	1,090	140	4,430
Refunds	-	-	-	-	-	-	10
Deletions	1,980	2,730	180	1,250	1,850	230	8,220
Returned to Delinquent Collector	4,860	10,030	1,360	11,030	5,420	450	33,150
Reductions	<u>-</u>	<u>-</u>	<u>60</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60</u>
Net Current Per Capita Taxes Collected	<u>\$ 87,269</u>	<u>\$ 92,699</u>	<u>\$ 19,647</u>	<u>\$ 36,541</u>	<u>\$ 26,411</u>	<u>\$ 19,523</u>	<u>\$ 282,080</u>

Souderton Area School District
General Fund - Budget vs Actual
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2022

6000 - Revenue from Local Sources		<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
6111	Current Real Estate Taxes	\$ 84,450,601	\$ 84,872,588	\$ 421,987
6112	Interim Real Estate Taxes	700,000	348,171	(351,829)
6113	Public Utility Realty Tax	90,000	94,162	4,162
6114	Payment in Lieu of Taxes	340,000	340,345	345
6120	Current Per Capita Taxes - 511	141,700	141,040	(660)
6141	Current Per Capita Taxes - 679	141,700	141,040	(660)
6151	Earned Income Tax	8,350,000	9,555,132	1,205,132
6153	Real Estate Transfer Tax	1,450,000	2,102,695	652,695
6411	Delinquent Real Estate Taxes	981,000	1,043,229	62,229
6420	Delinquent Per Capita Taxes - 511	9,500	10,234	734
6441	Delinquent Per Capita Taxes - 679	9,500	10,234	734
6510	Interest	250,000	130,674	(119,326)
6710	Admissions	79,700	68,368	(11,332)
6740	Fees	460,500	527,679	67,179
6790	Other Student Activity Income	3,500	6,174	2,674
6832	I/U Services - Federal IDEA	1,382,300	1,196,960	(185,340)
6833	Federal ARP Act IDEA Revenue Received as Pass Through	-	279,987	279,987
6910	Rentals	160,000	113,875	(46,125)
6920	Contributions	56,300	43,747	(12,553)
6941	Regular Day School Tuition	-	3,058	3,058
6942	Summer School Tuition	500	145	(355)
6943	Adult Education Tuition	110,000	79,730	(30,270)
6944	Receipts from Other LEA's - Education	350,000	19,263	(330,737)
6945	Receipts From Out-of-State LEAs	4,500	-	(4,500)
6961	Transportation Services provided to other LEAs	40,000	28,126	(11,874)
6962	Other Services Provided Other PA LEAs	40,000	90,113	50,113
6969	All Other Services Provided Other Governments	50,000	-	(50,000)
6980	Revenue from Community Services	472,900	452,594	(20,306)
6990	Miscellaneous	454,000	257,048	(196,952)
6991	Refunds of Prior Yr. Expenditures	20,000	67,862	47,862
6992	Energy Efficiency Revenues	50,000	54,507	4,507
6999	Other Revenues Not Specified Above	175,000	160,933	(14,067)
TOTAL REVENUE FROM LOCAL SOURCES		100,823,201	102,239,713	1,416,512
7000 - Revenue from State Sources				
7111	Basic Education - Formula	10,410,922	10,251,773	(159,149)
7112	Basic Education - Social Security	2,336,717	2,019,585	(317,132)
7160	Orphan Tuition	250,000	72,208	(177,792)
7271	Special Education	3,427,843	3,418,973	(8,870)
7311	Transportation (Regular and Additional)	1,800,000	1,645,823	(154,177)
7312	Transportation (Nonpublic and Charter School)	355,000	244,860	(110,140)
7320	Rentals	784,706	924,035	139,329
7330	Health Services	124,000	-	(124,000)
7340	State Property Tax Reduction Allocation	2,265,535	2,265,535	-
7361	School Safety and Security Grants	250,000	195,000	(55,000)
7505	Ready to Learn Grant	524,477	524,477	-
7599	Other State Revenues	-	2,370	2,370
7820	Retirement Revenue	10,034,119	9,949,526	(84,593)
TOTAL REVENUE FROM STATE SOURCES		32,563,319	31,514,165	(1,049,154)

Souderton Area School District
General Fund - Budget vs Actual
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2022

<u>8000 - Revenue from Federal Sources</u>		<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
8514	Title I	437,186	476,349	39,163
8515	Title II	127,388	138,629	11,241
8516	Title III	77,466	62,922	(14,544)
8517	Title IV	38,592	40,013	1,421
8741	ESSER I - Relief Funds	-	1,424	1,424
8744	ARP ESSER III	-	1,823,059	1,823,059
8752	ARP ESSER Learning Loss	-	29,837	29,837
8754	ARP ESSER Homeless Children and Youth Funds	-	17,507	17,507
8810	Medical Assistance Reimbursements (Access)	250,000	157,700	(92,300)
8820	Medical Assistance Reimbursement for Health-Related	5,000	12,418	7,418
TOTAL REVENUE FROM FEDERAL SOURCES		935,632	2,759,858	1,824,226
<u>9000 - Other Financing Sources</u>				
9220	Lease Proceeds	-	70,899	70,899
9330	Capital Projects Fund Transfers	-	814,667	814,667
9400	Sale of or Compensation for Loss of Fixed Assets	2,500	-	(2,500)
TOTAL REVENUE FROM OTHER FINANCING SOURCES		2,500	885,566	883,066
TOTAL REVENUES AND OTHER FINANCING SOURCES		\$ 134,324,652	\$ 137,399,302	\$ 3,074,650
<u>1000 - Instruction</u>				
1110	Regular Programs - Elem./Secondary	55,895,622	57,341,741	(1,446,119)
1190	Federally Funded Regular Programs	605,305	605,305	-
1210	Life Skills Support	499,258	499,258	-
1211	Life Skills Support - Public	1,312,441	1,312,441	-
1221	Deaf or Hearing Impaired Support	400	400	-
1224	Blind or Visually Impaired Support	-	-	-
1225	Speech & Language Impaired	1,540,331	1,540,331	-
1231	Emotional Support - Public	1,268,055	1,268,055	-
1233	Autistic Support	3,158,045	3,158,045	-
1241	Learning Support - Public	7,788,907	7,788,907	-
1243	Gifted Support	859,589	859,589	-
1260	Physical Support	490,247	490,247	-
1270	Multi-Handicapped Support	512,502	512,502	-
1280	Early Intervention Support	142,129	142,129	-
1290	Other Support	9,038,795	9,038,795	-
1390	Other Vocational Education Programs	1,746,644	1,746,644	-
1430	Homebound Instruction	328,859	328,859	-
1441	Adjudicated/Court Placed Programs	53,302	53,302	-
1491	Aquatics	48,988	48,988	-
1492	Summer Rec.	271,532	271,532	-
1500	Nonpublic School Programs	5,240	5,240	-
1690	Other Adult Education Programs	132,242	132,242	-
Total Instruction		85,698,433	87,144,552	(1,446,119)
<u>2000 - Support Services</u>				
2111	Supervision of Pupil Personnel Services	363,408	363,408	-
2120	Guidance Services	2,401,489	2,401,489	-
2126	Placement Services	63,670	63,670	-
2130	Attendance Services	675,419	675,419	-
2140	Psychological Services	1,344,967	1,344,967	-
2160	Social Work Services	511,769	511,769	-
2170	Student Accounting Services	86,953	86,953	-
2211	Supervision of Educational Media Services	159,142	159,142	-
2220	Technology Support Services	997,129	997,129	-
SUB-TOTAL - SUPPORT SERVICES		6,603,946	6,603,946	-

Souderton Area School District
General Fund - Budget vs Actual
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2022

		<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
SUB-TOTAL - SUPPORT SERVICES (CARRIED FORWARD)		\$ 6,603,946	\$ 6,603,946	\$ -
2240	Computer Assisted Instruction Services	2,612	2,612	-
2250	School Library Services	1,293,469	1,293,469	-
2260	Instructional & Curriculum Dev. Service	1,193,646	1,193,646	-
2271	Instructional Staff Development	1,010,484	1,010,484	-
2310	Board Services	138,557	138,557	-
2330	Tax Assessment & Collection Service	305,292	305,292	-
2350	Legal Services	133,554	133,554	-
2360	Office of the Superintendent Services	490,858	490,858	-
2370	Community Relations Services	3,008	3,008	-
2380	Office of the Principal Services	4,447,631	4,447,631	-
2390	Other Administration Services	20,056	20,056	-
2420	Medical Services	298,841	298,841	-
2440	Support Services - Health	1,282,472	1,282,472	-
2450	Non-Public Health Services	4,704	4,704	-
2490	Other Health Services	5,210	5,210	-
2511	Supervision of Fiscal Services	526,228	526,228	-
2513	Receiving and Disbursing Funds	42,592	42,592	-
2514	Payroll Services	103,951	103,951	-
2515	Financial Accounting Services	174,124	174,124	-
2519	Other Fiscal Services	15,072	15,072	-
2520	Purchasing Services	86,303	86,303	-
2540	Printing, Publishing, and Duplicating Services	97,248	97,248	-
2610	Supervision of Operation and Maintenance of Plant	-	-	-
2611	Supervision of Operation and Maintenance of Plant	286,009	286,009	-
2620	Operation of Building Services	6,465,346	6,465,346	-
2630	Care and Upkeep of Grounds	431,975	431,975	-
2650	Vehicle Operation and Maintenance Services	69,224	69,224	-
2660	Security Services	787,753	787,753	-
2690	Other Operation and Maintenance	1,889,371	1,889,371	-
2720	Vehicle Operation Services	7,035,744	7,035,744	-
2750	Non-Public Transportation	1,106,585	1,106,585	-
2818	System-Wide Technology Services	159,213	159,213	-
2821	Information Services	141,296	141,296	-
2830	Staff Services	38	38	-
2831	Supervision of Staff Services	457,981	457,981	-
2833	Staff Accounting Services	16,885	16,885	-
2834	Staff Development Services - Non-Instructional	6,687	6,687	-
2835	Health Services	72,737	72,737	-
2836	Staff Development Services - Non-Instructional, Non Certified	6,718	6,718	-
2839	Other Staff Services	138,995	138,995	-
2840	Data Processing Services	2,300,577	2,300,577	-
2900	Other Support Services	81,177	81,177	-
	Total Support Services	39,734,169	39,734,169	-
3000 - Operation of Non-Instructional Services				
3210	School Sponsored Student Activities	268,933	268,933	-
3250	School Sponsored Athletics	1,324,664	1,324,664	-
3400	Scholarships and Awards	33,350	33,350	-
	Total Non-Instructional Services	1,626,947	1,626,947	-

**Souderton Area School District
General Fund - Budget vs Actual
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2022**

		<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>4000 - Facilities Acquisition, Construction and Improvement Services</u>				
4200	Existing Site Improvement Services	-	-	-
4600	Existing Building Improvement Services	<u>15,180</u>	<u>15,180</u>	<u>-</u>
	Total Facilities Acquisition, Construction, and Improvement Services	15,180	15,180	-
<u>5000 - Other Expenditures and Financing Uses</u>				
5110	Debt Service	9,807,911	10,002,537	(194,626)
5140	Leases	<u>-</u>	<u>31,686</u>	<u>(31,686)</u>
	Total Other Expenditures and Financing Uses	<u>9,807,911</u>	<u>10,034,223</u>	<u>(226,312)</u>
	TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 136,882,640</u>	<u>\$ 138,555,071</u>	<u>\$ (1,672,431)</u>
	TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 134,324,652	\$ 137,399,302	\$ 3,074,650
	TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>136,882,640</u>	<u>138,555,071</u>	<u>(1,672,431)</u>
	NET REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	\$ (2,557,988)	\$ (1,155,769)	\$ 1,402,219
	Special Items	-	-	-
	Extraordinary Items - Insurance Recoveries	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>
	NET REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES AFTER SPECIAL ITEMS AND EXTRAORDINARY ITEMS	(2,547,988)	(1,155,769)	1,392,219
	FUND BALANCE - JULY 1, 2021	<u>14,911,263</u>	<u>13,709,468</u>	<u>(1,201,795)</u>
	FUND BALANCE - JUNE 30, 2022	<u>\$ 12,363,275</u>	<u>\$ 12,553,699</u>	<u>\$ 190,424</u>

**Souderton Area School District
Student Activity Fund
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2022**

ADDITIONS

Interest Income	\$ 131	
Admissions	139,628	
Book Store Sales	8,487	
Student Organization Membership Dues and Fees	11,568	
Special Events	109,459	
Contributions/Donation	3,904	
Other Activity Income	116,762	
TOTAL ADDITIONS		\$ 389,939

DEDUCTIONS

Professional and Technical Services	18,860	
Repairs and Maintenance Services	176	
Rental	39,405	
Contracted Carriers	42,428	
Printing	14,046	
Travel	7,598	
Other Miscellaneous Purchased Services	81,495	
General Supplies	80,416	
Utilities	773	
Food	36,248	
Books and Periodicals	3,814	
Supplies & Fees - Technology Related	600	
Uncapitalized Equipment	7,987	
Dues and Fees	6,360	
Donations to Municipal and Community Service Organizations	23,849	
Scholarships	7,947	
Miscellaneous Expenses	15,980	
TOTAL DEDUCTIONS		387,982

NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION **1,957**

FUND NET POSITION - JULY 1, 2021 **232,064**

FUND NET POSITION - JUNE 30, 2022 **\$ 234,021**

**Student Activity Fund
Statement of Fiduciary Net Position
As of June 30, 2022**

ASSETS

Cash and Cash Equivalents	\$ 244,505	
TOTAL ASSETS		\$ 244,505

LIABILITIES

Accounts Payable	\$ 6,009	
Due to Other Funds	2,561	
Other Current Liabilities	1,914	
TOTAL LIABILITIES		10,484

NET POSITION

Restricted for		
Individuals, organizations, and other governments		234,021

TOTAL LIABILITIES AND FUND NET POSITION **\$ 244,505**

**Souderton Area School District
Capital Reserve Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2022**

FUND BALANCE - JULY 1, 2021 \$ 1,931,814

REVENUES AND OTHER FINANCING SOURCES

Interest \$ 4,752 4,752

TOTAL FUNDS AVAILABLE 1,936,566

EXPENDITURES

SUPPORT SERVICES:

Professional Services 6,440

CAPITAL OUTLAY:

Professional Services 6,995

Other Property Services 108,201 121,636

FUND BALANCE - JUNE 30, 2022 **\$ 1,814,930**

**Capital Projects Fund - 2022
Statement of Revenues and Expenditures
For the Year Ended June 30, 2022**

FUND BALANCE - JULY 1, 2021 \$ -

REVENUES AND OTHER FINANCING SOURCES

Interest \$ 19,507

Proceeds from Bonds 33,100,000

Bond Premiums 2,354,245 35,473,752

TOTAL FUNDS AVAILABLE 35,473,752

EXPENDITURES

SUPPORT SERVICES:

Professional Services 447,566

Printing 1,200 448,766

FUND BALANCE - JUNE 30, 2022 **\$ 35,024,986**

**Souderton Area School District
Capital Projects Fund - 2021
Statement of Revenues and Expenditures
For the Year Ended June 30, 2022**

FUND BALANCE - JULY 1, 2021		\$	-
<u>REVENUES AND OTHER FINANCING SOURCES</u>			
Interest	\$	16,940	
Proceeds from Bonds		8,910,000	
Bond Premiums		<u>1,068,518</u>	<u>9,995,458</u>
TOTAL FUNDS AVAILABLE			9,995,458
<u>EXPENDITURES</u>			
SUPPORT SERVICES:			
Professional Services		178,035	
Printing		1,200	
Dues and Fees		317	
CAPITAL OUTLAY:			
Professional Services		1,412,662	
Printing		7,382	
Supplies		914	
Construction Services		4,799,552	
OTHER FINANCING USES:			
Transfers to General Fund		<u>814,667</u>	<u>7,214,729</u>
FUND BALANCE - JUNE 30, 2022		\$	<u>2,780,729</u>

Souderton Area School District
Food Service Fund
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2022

REVENUES

Student Sales	\$ 28,812	
Daily School Breakfast	431	
Daily Adult Sales	7,764	
Ala Carte - Lunch	219,515	
Ala Carte - Breakfast	12,540	
Special Events	64,178	
Rebates	16,105	
State Subsidy	73,684	
Federal Subsidy	2,778,183	
Fica Revenue	21,086	
Retirement Revenue	94,822	
Donated Commodities	223,238	
Interest income	<u>777</u>	
TOTAL REVENUES		\$ 3,541,135

COST OF GOODS SOLD

Beginning Inventory	61,827	
Purchases	1,118,372	
Ending Inventory	<u>(97,754)</u>	
TOTAL COST OF GOODS SOLD		<u>1,082,445</u>
GROSS PROFIT		<u>2,458,690</u>

SALARY AND BENEFIT EXPENSES

Clerical	46,260	
Managers	175,311	
Custodial/Maintenance	353,234	
Benefits	<u>361,470</u>	936,275

OPERATING EXPENSES

Professional Services	571,593	
Communications	778	
Repairs and Maintenance	73,885	
Travel	234	
Supplies	8,556	
Printing	103	
Supplies and Fees - Technology	2,250	
Dues and Fees	1,185	
Depreciation	<u>55,019</u>	<u>713,603</u>
TOTAL EXPENSES		<u>1,649,878</u>

CHANGES IN FUND NET POSITION 808,812

FUND NET POSITION - BEGINNING (2,255,613)

FUND NET POSITION - ENDING **\$ (1,446,801)**

Souderton Area School District
Internal Service Fund
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2022

REVENUES

Services Provided Other Funds	\$ 11,592,508	
Interest income	<u>8,064</u>	
TOTAL REVENUES		\$ 11,600,572

OPERATING EXPENSES

Medical Claims	8,022,387	
Dental Claims	711,174	
Vision Claims	129,757	
Self-Insured Rx Benefits	2,466,654	
New HS Other Insurance	1,085,811	
Dues and Fees	<u>390,301</u>	

TOTAL EXPENSES	<u>12,806,084</u>
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CHANGES IN FUND NET POSITION	(1,205,512)
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FUND NET POSITION - BEGINNING	<u>2,347,071</u>
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FUND NET POSITION - ENDING	<u>\$ 1,141,559</u>
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Souderton Area School District
Schedule on General Obligation Bonds - Series of 2014
Dated as of May 29, 2014
For the Year Ended June 30, 2022

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2022-23	\$ 73,366	\$ 4,925,000
2023-24	10,519	935,000
TOTAL OUTSTANDING	\$ 83,885	\$ 5,860,000

Schedule on General Obligation Bonds - Series of 2015
Dated as of January 6, 2015
For the Year Ended June 30, 2022

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2022-23	\$ 24,353	\$ 705,000
2023-24	7,975	725,000
TOTAL OUTSTANDING	\$ 32,328	\$ 1,430,000

Schedule on General Obligation Bonds - Series of 2017
Dated as of February 15, 2017
For the Year Ended June 30, 2022

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2022-23	\$ 401,550	\$ 3,425,000
2023-24	248,375	3,585,000
2024-25	86,250	4,060,000
TOTAL OUTSTANDING	\$ 736,175	\$ 11,070,000

Schedule on General Obligation Bonds - Series of 2019
Dated as of July 29, 2019
For the Year Ended June 30, 2022

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2022-23	\$ 410,000	\$ 10,000
2023-24	310,625	3,965,000
2024-25	105,750	4,230,000
TOTAL OUTSTANDING	\$ 826,375	\$ 8,205,000

Souderton Area School District
Schedule on General Obligation Bonds - Series of 2021
Dated as of July 6, 2021
For the Year Ended June 30, 2022

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2022-23	\$ 298,100	\$ 5,000
2023-24	298,000	5,000
2024-25	297,900	5,000
2025-26	278,975	755,000
2026-27	240,225	795,000
2027-28	208,050	820,000
2028-29	183,075	845,000
2029-30	157,275	875,000
2030-31	130,575	905,000
2031-32	103,050	930,000
2032-33	74,700	960,000
2033-34	45,450	990,000
2034-35	15,300	1,020,000
TOTAL OUTSTANDING	<u>\$ 2,330,675</u>	<u>\$ 8,910,000</u>

Schedule on General Obligation Bonds - Series of 2022
Dated as of June 16, 2022
For the Year Ended June 30, 2022

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2022-23	\$ 1,041,108	\$ -
2023-24	1,469,675	5,000
2024-25	1,469,425	5,000
2025-26	1,403,675	2,625,000
2026-27	1,269,050	2,760,000
2027-28	1,127,300	2,910,000
2028-29	978,050	3,060,000
2029-30	821,175	3,215,000
2030-31	673,700	3,355,000
2031-32	535,200	3,570,000
2032-33	389,600	3,710,000
2033-34	238,100	3,865,000
2034-35	80,400	4,020,000
TOTAL OUTSTANDING	<u>\$ 11,496,458</u>	<u>\$ 33,100,000</u>

S I N G L E A U D I T S E C T I O N

Souderton Area School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

FEDERAL GRANTOR PROJECT TITLE	SOURCE CODE	FEDERAL ALN	GRANTOR PASS THROUGH NUMBER	GRANT PERIOD	AWARD AMOUNT	TOTAL RECEIVED	ACCRUED OR (DEFERRED) AT 7/01/21	REVENUE	EXPENDI- TURES	ACCRUED OR (DEFERRED) AT 6/30/22	FOOTNOTES
U. S. DEPARTMENT OF EDUCATION											
<u>PASSED THROUGH THE PA DEPARTMENT OF EDUCATION (PDE)</u>											
TITLE IA - IMPROVING BASIC PROGRAMS	I	84.010	FA-013-21-0392	7/1/20-9/30/21	\$ 514,209	\$ 104,910	\$ 65,746	\$ 39,164	\$ 39,164	\$ -	2
TITLE IA - IMPROVING BASIC PROGRAMS	I	84.010	FA-013-22-0392	7/1/21-9/30/22	\$ 437,185	343,503	-	437,185	437,185	93,682	
TOTAL TITLE I PROGRAM						448,413	65,746	476,349	476,349	93,682	
<u>PASSED THROUGH THE PDE</u>											
TITLE IIA - SUPPORTING EFFECTIVE INSTRUCTION	I	84.367	FA-020-21-0392	7/1/20-9/30/21	\$ 130,430	46,012	34,372	11,640	11,640	-	2
TITLE IIA - SUPPORTING EFFECTIVE INSTRUCTION	I	84.367	FA-020-22-0392	7/1/21-9/30/22	\$ 127,661	100,091	-	126,989	126,989	26,898	
TOTAL TITLE II PROGRAM						146,103	34,372	138,629	138,629	26,898	
<u>PASSED THROUGH THE PDE</u>											
TITLE III - LANGUAGE INSTRUCTION	I	84.365	FA-010-21-0392	7/1/20-9/30/21	\$ 75,444	26,944	(11,400)	49,122	49,122	10,778	2
TITLE III - LANGUAGE INSTRUCTION	I	84.365	FA-010-22-0392	7/1/21-9/30/22	\$ 72,313	25,505	-	13,800	13,800	(11,705)	
TOTAL TITLE III PROGRAM						52,449	(11,400)	62,922	62,922	(927)	
<u>PASSED THROUGH THE PDE</u>											
TITLE IVA - STUDENT SUPPORT AND ACADEMIC ENRICHMENT	I	84.424	FA-144-21-0392	7/1/20-9/30/21	\$ 33,417	-	(1,398)	1,398	1,398	-	2
TITLE IVA - STUDENT SUPPORT AND ACADEMIC ENRICHMENT	I	84.424	FA-144-22-0392	7/1/21-9/30/22	\$ 38,615	38,592	-	38,615	38,615	23	
TOTAL TITLE IV PROGRAM						38,592	(1,398)	40,013	40,013	23	
<u>PASSED THROUGH THE PA COMMISSION ON CRIME AND DELINQ. (PCCD)</u>											
COVID-19 ELEMENTARY AND SECONDARY SCHOOL EMERGENCY RELIEF	I	84.425D	2020-ES-01-35042	3/13/20-9/30/22	\$ 195,688	1,931	507	1,424	1,424	-	2
<u>PASSED THROUGH THE PDE</u>											
COVID-19 ELEMENTARY AND SECONDARY SCHOOL EMERGENCY RELIEF	I	84.425D	FA-200-21-0392	3/13/20-9/30/23	\$ 1,896,144	1,717,700	1,717,700	-	-	-	2
COVID-19 AMERICAN RESCUE PLAN ACT - ESSER FUND (ARP-ESSER)	I	84.425U	FA-223-21-0392	3/13/20-9/30/24	\$ 3,835,351	1,603,874	-	1,823,059	1,823,059	219,185	
COVID-19 ARP-ESSER - 7% SEA RESERVE	I	84.425U	FA-225-21-0392	3/13/20-9/30/24	\$ 298,093	43,359	-	29,837	29,837	(13,522)	
COVID-19 ARP-ESSER - HOMELESS CHILDREN & YOUTH	I	84.425W	FA-181-21-2398	7/1/21-9/30/24	\$ 17,507	1,347	-	17,507	17,507	16,160	
TOTAL EDUCATION STABILIZATION FUND						3,368,211	1,718,207	1,871,827	1,871,827	221,823	
<u>PASSED THROUGH THE MONTGOMERY COUNTY I.U.</u>											
IDEA, PART B	I	84.027	N/A	7/1/20-6/30/21	\$ 1,236,962	322,853	322,853	-	-	-	2
IDEA, PART B	I	84.027	N/A	7/1/21-6/30/22	\$ 1,193,628	1,193,628	-	1,193,628	1,193,628	-	1
COVID-19 ARP-IDEA	I	84.027X	N/A	7/1/21-9/30/24	\$ 279,987	279,987	-	279,987	279,987	-	1
IDEA SECTION 619 - PRESCHOOL	I	84.173	N/A	7/1/20-6/30/21	\$ 5,394	-	-	-	-	-	1
IDEA SECTION 619 - PRESCHOOL	I	84.173	N/A	7/1/21-6/30/22	\$ 3,332	3,332	-	3,332	3,332	-	1
TOTAL IDEA CLUSTER						1,799,800	322,853	1,476,947	1,476,947	-	
TOTAL U.S. DEPARTMENT OF EDUCATION						5,853,568	2,128,380	4,066,687	4,066,687	341,499	

SOURCE: D-DIRECT; I-INDIRECT

**Souderton Area School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022**

<u>FEDERAL GRANTOR PROJECT TITLE</u>	<u>SOURCE CODE</u>	<u>FEDERAL ALN</u>	<u>GRANTOR PASS THROUGH NUMBER</u>	<u>GRANT PERIOD</u>	<u>AWARD AMOUNT</u>	<u>TOTAL RECEIVED</u>	<u>ACCRUED OR (DEFERRED) AT 7/01/21</u>	<u>REVENUE</u>	<u>EXPENDI- TURES</u>	<u>ACCRUED OR (DEFERRED) AT 6/30/22</u>	<u>FOOTNOTES</u>
<u>U.S DEPARTMENT OF HEALTH & HUMAN SERVICES</u>											
<u>PASSED THROUGH THE PA DEPARTMENT OF PUBLIC WELFARE</u>											
TITLE 19 - MEDICAL REIMBURSEMENT	I	93.778	N/A	10/1/20-09/30/21	N/A	15,092	8,748	12,418	12,418	6,074	2
TOTAL U.S. DEPT. OF HEALTH AND HUMAN SERVICES						15,092	8,748	12,418	12,418	6,074	
						-----	-----	-----	-----	-----	
<u>U. S. DEPT. OF AGRICULTURE</u>											
<u>PASSED THROUGH THE PDE</u>											
NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/1/20-6/30/21	N/A	89,002	89,002	-	-	-	2
NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/1/21-6/30/22	N/A	2,118,019	-	2,217,285	2,217,285	99,266	
AFTER SCHOOL SNACK	I	10.555	N/A	7/1/20-6/30/21	N/A	-	-	-	-	-	
AFTER SCHOOL SNACK	I	10.555	N/A	7/1/21-6/30/22	N/A	285	-	285	285	-	
COVID-19 NATIONAL SCHOOL LUNCH - SUPPLY CHAIN ASSISTANCE	I	10.555	N/A	N/A	N/A	119,152	-	119,152	119,152	-	
COVID-19 NATIONAL SCHOOL LUNCH - SNP EMERGENCY OPERATING COSTS	I	10.555	N/A	N/A	N/A	100,633	-	100,633	100,633	-	
BREAKFAST PROGRAM	I	10.553	N/A	7/1/20-6/30/21	N/A	7,122	7,122	-	-	-	
BREAKFAST PROGRAM	I	10.553	N/A	7/1/21-6/30/22	N/A	297,816	-	315,361	315,361	17,545	
SEVERE NEED BREAKFAST	I	10.553	N/A	7/1/20-6/30/21	N/A	9,098	9,098	-	-	-	
SEVERE NEED BREAKFAST	I	10.553	N/A	7/1/21-6/30/22	N/A	22,404	-	22,404	22,404	-	
<u>PASSED THROUGH THE PA DEPARTMENT OF AGRICULTURE</u>											
NATIONAL SCHOOL LUNCH - USDA COMMODITIES	I	10.555	N/A	7/1/21-6/30/22	N/A	223,238	(22,552)	199,695	199,695	(46,095)	2, 3, 4
TOTAL CHILD NUTRITION CLUSTER						2,986,769	82,670	2,974,815	2,974,815	70,716	
						-----	-----	-----	-----	-----	
<u>PASSED THROUGH THE PDE</u>											
COVID-19 STATE PANDEMIC ELECTRONIC BENEFIT TRANSFER (P-EBT) ADMIN. COSTS	I	10.649	N/A	N/A	N/A	3,063	-	3,063	3,063	-	2
TOTAL U.S. DEPARTMENT OF AGRICULTURE						2,989,832	82,670	2,977,878	2,977,878	70,716	
						-----	-----	-----	-----	-----	
TOTAL FEDERAL FINANCIAL AWARDS						\$ 8,858,492	\$ 2,219,798	\$ 7,056,983	\$ 7,056,983	\$ 418,289	

SOURCE: D-DIRECT; I-INDIRECT

Souderton Area School District
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Souderton Area School District under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Souderton Area School District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Souderton Area School District.

Note 2 - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is presented on the budgetary basis of accounting for all federal awards charged to governmental funds and on the accrual basis of accounting for all federal awards charged to proprietary funds, as contemplated by generally accepted accounting principles.

Note 3 - Organization and Scope

The District recognized 3.2% of its total general fund revenue in federal awards, and 84.1% of its total enterprise fund revenue.

Note 4 - Indirect Costs

The District did not charge any indirect costs to any of their federal grants and programs during this fiscal year. As such, the District did not use the 10% de minimis cost rate.

Note 5 - Program Disclosure – Footnotes

1. The federal awards passed through the Montgomery County Intermediate Unit, under the U.S. Department of Education heading, is part of a consortium of participating school districts. In accordance with directions from the Commonwealth of Pennsylvania, these awards are reported on the basic financial statements as local source revenue.
2. The Federal Grants were passed through the following entities in the totals below:

<u>Passed through</u>	<u>Total Awards</u>	<u>Total Expenditures</u>
PA Department of Education	\$ 7,476,369	\$ 5,366,499
PA Commission on Crime and Delinquency	195,688	1,424
Montgomery County I.U.	2,719,303	1,476,947
PA Department of Public Welfare	N/A	12,418
PA Department of Agriculture	N/A	199,695
Totals	\$ 10,391,360	\$ 7,056,983

3. The District received non-monetary assistance from the U.S. Department of Agriculture of \$223,238 in the form of commodities. These commodities are valued at U.S.D.A.'s approximate costs. During the 2021-22 fiscal year, the District used \$199,695, in commodities, and established a year-end inventory of \$46,095 at June 30, 2022.

Souderton Area School District
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

4. The amount recognized as revenue in the Schedule of Expenditures of Federal Awards, under the U.S. Department of Agriculture heading, represents the commodities used, versus the commodities received, which are recognized as revenue in the basic financial statements.
5. The Medical Access grant passed through the PA Department of Education is reflected as federal source revenue on the basic financial statements; however, pursuant to instructions from the Commonwealth of PA, it is not reported as revenue on the Schedule of Expenditures of Federal Awards.

FINANCIAL STATEMENT RECONCILIATION

General Fund Federal Source Revenues	\$ 2,759,858
Federal Grants in Local Sources	1,476,947
Food Service Fund Federal Revenue	<u>3,001,421</u>
Total Federal Revenue, per financial statements	7,238,226
Less - Medical Access Reimbursement	(157,700)
Change in Donated Commodities	<u>(23,543)</u>
Federal Revenue on SEFA	<u>\$ 7,056,983</u>



GORMAN & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Members of
American Institute of Certified Public Accountants
Pennsylvania Institute of Certified Public Accountants
Florida Institute of Certified Public Accountants

**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 GOVERNMENT AUDITING
STANDARDS**

Board of School Directors
Souderton Area School District
760 Lower Road
Souderton, PA 18964-2311

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison statement of the general fund of the Souderton Area School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Souderton Area School District's basic financial statements, and have issued our report thereon dated November 21, 2022.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,



Northampton, PA
November 21, 2022



GORMAN & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Members of
American Institute of Certified Public Accountants
Pennsylvania Institute of Certified Public Accountants
Florida Institute of Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of School Directors
Souderton Area School District
760 Lower Road
Souderton, PA 18964-2311

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Souderton Area School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Souderton Area School District's major federal programs for the year ended June 30, 2022. Souderton Area School 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, Souderton Area School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations 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 Souderton Area School 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 of the Souderton Area School 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 Souderton Area School 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 Souderton Area School 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 generally accepted auditing standards, *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 Souderton Area School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 Souderton Area School 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 Souderton Area School 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 Souderton Area School 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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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 have not been 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.

Souderton Area School District

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.

Respectfully submitted,



Northampton, PA
November 21, 2022

**Souderton Area School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022**

Section I – Summary of Auditor Results

Financial Statements

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) Identified? ☐ yes ☒ no
- Significant Deficiencies identified that are not considered to be material weaknesses? ☐ yes ☒ none reported
- Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major programs:

- Material weakness(es) Identified? ☐ yes ☒ no
- Significant Deficiencies identified that are not considered to be material weaknesses? ☐ yes ☒ none reported

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 section 200.516 of the Uniform Guidance? ☐ yes ☒ no

Identification of major program:

Assistance Listing Numbers	Name of Federal Program(s) or Cluster
10.553, 10.555	Child Nutrition Cluster
84.425D, 84.425U, 84.425W	Education Stabilization Fund

Percentage of programs tested to total awards 68.7%

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

Auditee qualified as low-risk auditee? ☒ yes ☐ no

**Souderton Area School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022**

Section II – Financial Statement Findings

There were no findings discovered, relating to the financial statements, which are required to be reported in accordance with generally accepted government auditing standards.

Section III – Findings and Questioned Costs of Federal Awards

There were no findings discovered, relating to federal awards, which are required to be reported in accordance with Uniform Guidance, Section 200.516.

Audit Follow-Up Procedures

We did not perform any follow-up procedures since there were no findings in the previous year.