

**REPORT ON  
SOUDERTON AREA SCHOOL DISTRICT  
SINGLE AUDIT REPORT  
FISCAL YEAR ENDED JUNE 30, 2023**

**SOUDERTON AREA SCHOOL DISTRICT**

**Single Audit Report**

**For the Fiscal Year Ended June 30, 2023**

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**SOUDERTON AREA SCHOOL DISTRICT**

**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

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, 2023 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.

Respectfully submitted,

*Gorman & Associates, P.C.*

December 22, 2023

***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)

FEDERAL AUDIT CLEARINGHOUSE  
GENERAL SERVICES ADMINISTRATION

ONE COPY TO:  
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COMMONWEALTH OF PENNSYLVANIA  
BUREAU OF AUDITS

ONE COPY TO:

MONTGOMERY COUNTY INTERMEDIATE UNIT  
2 W LAFAYETTE ST  
NORRISTOWN, PA 19401

## **FINANCIAL SECTION**





**GORMAN & ASSOCIATES, P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

Members of  
American Institute of Certified Public Accountants  
Pennsylvania 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, 2023, 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, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 2022-23, the District adopted new accounting guidance, GASB Statement No. 96, SBITA's. 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 6-17, the schedules associated with the District's Defined Benefit Pension Plan, and the Schedules of the District's OPEB Plans, on pages 84-93, 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 28, 2023, 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 28, 2023

**Souderton Area School District**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Required Supplementary Information (RSI)**  
**(UNAUDITED)**  
**For the Year Ended June 30, 2023**

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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 increased by 14 students (about a 0.2% change) for fiscal year 2022-23. The increase was primarily due to first year implementation of full-day kindergarten. 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 2022-23 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 2.80% real estate tax rate increase, targeted expenditure reductions and the use of \$2.13 million of assigned fund balance. The adjusted operating results for 2022-23 were unfavorable compared to the budget. Actual revenues exceeded the budget by \$2.1 million due to earned income tax revenues exceeded the budget by \$1.1 million and a significant increase in interest earnings that exceeded budget by \$1.2 million. Actual expenditures were over budget by \$4.1 million mainly due to the contracted services for special education. The total fund balance of the General Fund was approximately \$8.5 million on June 30, 2023, a decrease of \$4.1 million over the prior year. \$1.96 million is assigned to balance the 23-24 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 \$171.9 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.

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

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**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.

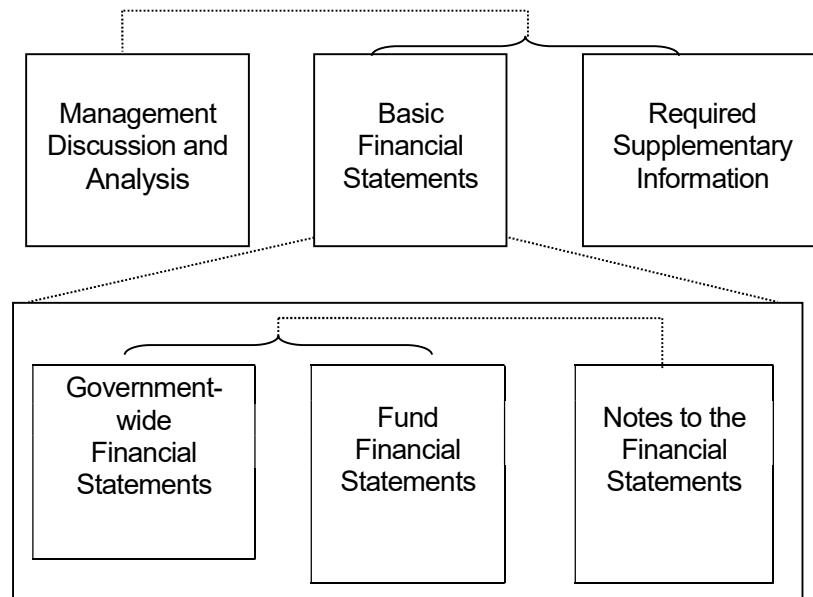
The first two statements are government-wide financial statements - the Statement of Net Position and the Statement of Activities. These provide both long-term and short-term information about the District's overall financial status.

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**

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**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 \$18.8 million at June 30, 2023.

**Table A-1  
Fiscal Year ended June 30, 2023  
Net Position (In Millions)**

	2023			2022		
	Govern- mental Activities	Business- Type Activities	Total Primary Government	Govern- mental Activities	Business- Type Activities	Total Primary Government
Current Assets	\$ 51.3	\$ 1.7	53.0	\$ 69.0	\$ 1.1	70.1
Non-Current Assets	179.0	0.4	179.4	159.6	0.4	160.0
Deferred Outflow of Resources	26.3	0.3	26.6	33.4	0.4	33.8
<b>Total Assets</b>	<b>\$ 256.6</b>	<b>\$ 2.4</b>	<b>\$ 259.0</b>	<b>\$ 216.8</b>	<b>\$ 1.8</b>	<b>\$ 218.6</b>
<hr/>						
Current and Other Liabilities	23.4	0.3	23.7	23.9	0.1	24.0
Long-term Liabilities	246.8	3.0	249.8	241.1	3.0	244.1
Deferred Inflow of Resources	8.1	0.1	8.2	29.1	0.3	29.4
<b>Total Liabilities</b>	<b>278.3</b>	<b>3.4</b>	<b>281.7</b>	<b>257.3</b>	<b>4.1</b>	<b>261.4</b>
<hr/>						
<b>Net Position</b>						
Net Investment in Capital Assets	132.0	0.4	132.4	125.4	0.4	125.8
Retirement of Long-Term Debt	-	-	-	-	-	-
Capital Projects	1.7	-	1.7	1.8	-	1.8
Unrestricted	(155.5)	(1.4)	(156.9)	(159.3)	(1.8)	(161.1)
<b>Total Net Assets</b>	<b>\$ (21.8)</b>	<b>\$ (1.0)</b>	<b>\$ (22.8)</b>	<b>\$ (40.6)</b>	<b>\$ (2.2)</b>	<b>\$ (42.8)</b>

Most of the District's net position is invested in non-current capital assets (buildings, land, and equipment). At June 30, 2023, the District had a balance of approximately \$179.4 million for this class of assets. This is an increase of \$19.4 million from June 30, 2022. Unrestricted net position reflects a negative balance of \$22.8 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, 2023  
Changes in Net Position (In Thousands)**

	<u>2023</u>			<u>2022</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>
<b><u>REVENUES</u></b>						
<i>Program Revenues</i>						
Charges for Services	\$ 1,536	\$ 1,347	\$ 2,883	\$ 1,488	\$ 349	\$ 1,837
Operating Grants and Contributions	22,179	\$ 1,920	\$ 24,099	21,547	3,191	24,738
Capital Grants and Contributions	908	\$ 16	\$ 924	1,474	-	1,474
<i>General Revenues</i>						
Property Taxes	88,738	-	88,738	86,332	-	86,332
Other Taxes	12,614	-	12,614	12,395	-	12,395
Grants, Subsidies and Contributions,						
Unrestricted	13,761	-	13,761	12,517	-	12,517
Other	3,570	28	3,598	870	1	871
<b>TOTAL REVENUES</b>	<b>\$ 143,306</b>	<b>\$ 3,311</b>	<b>\$ 146,617</b>	<b>\$ 134,669</b>	<b>\$ 2,273</b>	<b>\$ 136,942</b>
	-----	-----	-----	-----	-----	-----
<b><u>EXPENSES</u></b>						
Instruction	\$ 84,546	\$ -	\$ 84,546	\$ 82,475	\$ -	\$ 82,475
Instructional Student Support	11,590	-	11,590	11,193	-	11,193
Administrative and Financial Support	9,927	-	9,927	10,256	-	10,256
Operation and Maintenance of Plant	9,955	-	9,955	9,212	-	9,212
Pupil Transportation	8,564	-	8,564	8,142	-	8,142
Student Activities	1,743	-	1,743	1,512	-	1,512
Community Services	-	-	-	-	-	-
Scholarships and Awards	35	-	35	33	-	33
Interest on Long-term Debt	2,265	-	2,265	1,068	-	1,068
Unallocated Depreciation Expense	4,335	-	4,335	4,230	-	4,230
Food Services	-	2,790	2,790	-	2,733	2,733
<b>TOTAL EXPENSES</b>	<b>132,960</b>	<b>2,790</b>	<b>135,750</b>	<b>130,610</b>	<b>2,549</b>	<b>133,159</b>
	-----	-----	-----	-----	-----	-----
<b>Increase (decrease) in net position</b>	<b>\$ 10,346</b>	<b>\$ 521</b>	<b>\$ 10,867</b>	<b>\$ 4,059</b>	<b>\$ (276)</b>	<b>\$ 3,783</b>

Total governmental activities expenses of \$135.8 million increased year over year and include \$4.23 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 \$2.8 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.

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

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 \$13.8 million were available to reduce the cost of services of governmental activities to a net cost of \$94.6 million. Significant unrestricted grants and subsidies include the Basic Education Subsidy, which equaled \$11.9 million for 2022-23.

**Table A-3  
Fiscal Year ended June 30, 2023  
Governmental Activities (In Thousands)**

<b>Functions/Programs</b>	<b>2023</b>		<b>2022</b>	
	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
Instruction	\$ 84,546	\$ 68,168	\$ 82,475	\$ 66,235
Instructional Student Support	11,590	9,636	11,193	9,006
Administrative	9,927	8,897	10,256	9,259
Operation and Maintenance	9,955	9,104	9,212	8,207
Pupil Transportation	8,564	6,253	8,142	6,194
Student Activities	1,743	978	1,512	759
Community Services	-	(556)	-	(453)
Scholarships and Awards	35	35	33	33
Interest on Long-term Debt	2,265	1,487	1,068	144
Unallocated Depreciation Expense	4,335	4,335	4,230	4,229
<b>Total governmental activities</b>	<b>\$ 132,960</b>	<b>\$ 108,337</b>	<b>\$ 128,121</b>	<b>\$ 103,613</b>
Less:				
Unrestricted Grants, Subsidies		13,761		12,065
<b>Total needs from local taxes and other revenues</b>		<b>\$ 94,576</b>		<b>\$ 91,548</b>

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

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, 2023  
Business-type Activities**

<b>Functions/Programs</b>	<b>2023</b>		<b>2022</b>	
	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
Food Services	<b>\$ 2,789,601</b>	\$ 493,199	<b>\$ 2,732,323</b>	\$ 808,035
Less:				
Investment Earnings & Other Misc.		28,245		336
<b>Total business-type activities</b>		<b>\$ 521,444</b>		<b>\$ 808,371</b>

The Food Service Fund operated at a profit of approximately \$521k in 2022-23. 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.

**THE DISTRICT FUNDS**

*General Fund*

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

	<b>2023</b>	<b>2022</b>	<b>Increase/ (Decrease)</b>	<b>Percent Change</b>
Local	\$ 106,151,506	\$ 102,239,713	\$ 3,911,793	3.8%
State Sources	33,675,809	31,514,165	2,161,644	6.9%
Federal Sources	2,156,397	2,759,858	(603,461)	-21.9%
Other Sources	-	885,566	(885,566)	-100.0%
<b>Total Revenue Sources</b>	<b>\$ 141,983,712</b>	<b>\$ 137,399,302</b>	<b>\$ 4,584,410</b>	<b>3.3%</b>

Local Sources – The District relies heavily upon local revenues, accounting for 75% of total revenue in 2023. Revenues from local sources increased by \$3.9 million in 2023.

State Sources – State revenues increased by 6.9% in 2023 to \$33.7 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 34.94% to 35.26%).

Federal Sources – The District's federal revenue decreased by 21.9% in 2023 by approximately \$603,461. This decrease is solely due to the ESSER/CARES multiyear grants because of Covid 19, and a significant portion was spent in 2020-21 and 2021-22.

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

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

	<u>2023</u>	<u>2022</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
Instruction	\$ 90,880,570	\$ 87,144,552	\$ 3,736,018	4.3%
Support Services	41,939,629	39,734,169	2,205,460	5.6%
Non-Instructional Services	1,901,524	1,626,947	274,577	16.9%
Capital Outlay	77,445	15,180	62,265	100.0%
Debt Service	11,406,989	10,034,223	1,372,766	13.7%
Fund Transfers	-	-	-	0.0%
<b>Total Expenditure Sources</b>	<b>\$ 146,206,157</b>	<b>\$ 138,555,071</b>	<b>\$ 7,651,086</b>	<b>5.5%</b>

Instruction – Instructional expenditures are the largest category and make up 62.2% of expenditures. Teacher salary and benefit costs are allocated to this function as well as all student instruction related costs. These costs increased by \$3.7 million or 4.3% from 2021-22 to 2022-23.

Support Services – Expenses for support services increased by 5.6% in 2023 to \$41.9 million.

Non-instructional Services – There was an increase in non-instructional services of approximately \$274,577 in 2023.

Capital Outlay – The increase in this function is due to architect charges paid by General Fund for upcoming projects in 2022-23.

Debt Service – Expenditures in this function increased by 13.7% in 2023 due to the timing of debt payments in the overall debt portfolio schedule and the issuance of GOB Series of 2022.

Fund Transfers – There were no fund transfers in 2022-23.

The Capital Projects Fund is legally restricted to capital improvements and related debt service under Pennsylvania state law. Expenditures in 2023 were \$23.7 million, representing payments for District capital improvements. The fund balance at June 30, 2023 is \$27.3 million.

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

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**CAPITAL ASSETS AND DEBT ADMINISTRATION**

***CAPITAL ASSETS***

On June 30, 2023, the District had \$179.0 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 \$19.3 million from last year.

**Table A-5  
Governmental Activities  
Fiscal Year Ended June 30, 2023  
Capital Assets - Net of Depreciation**

	<u><b>2023</b></u>	<u><b>2022</b></u>
Land	\$ 10,796,447	\$ 10,796,447
Site Improvements	2,917,809	3,059,629
Buildings	134,349,815	136,969,357
Furniture & Equipment	6,002,401	5,888,895
Intangible Right to Use - Equipment	164,068	35,450
Construction in Progress	24,760,822	2,904,238

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, 2023, the District had total outstanding debt of \$69.4 million. The district repaid \$9.1 million of principal in fiscal year 2023. 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, 2023, the District's General Obligation debt is approximately \$224 million below the legal limit.

**Table A-6  
Outstanding Debt**

	<u><b>2023</b></u>	<u><b>2022</b></u>
General Obligation Notes/Bonds:		
- Bonds, Series of 2023	9,865,000	-
- Bonds, Series of 2022	33,100,000	33,100,000
- Bonds, Series of 2021	8,905,000	8,910,000
- Bonds, Series of 2019	\$ 8,195,000	\$ 8,205,000
- Bonds, Series of 2017	7,645,000	11,070,000
- Bonds, Series of 2015	725,000	1,430,000
- Bonds, Series of 2014	935,000	5,860,000
<b>TOTAL</b>	<u><b>\$ 69,370,000</b></u>	<u><b>\$ 68,575,000</b></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**

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**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 2022-24, the Act 1 index (the "cap" on property tax increases) was set at 4.1%, an increase from 3.4% in 2022-23. 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 2023, the Board of School Directors approved a General Fund operating budget of approximately \$147.6 million for the 2023-24 fiscal year. The Board also approved a 4.1% increase in the real estate tax millage rate which was the maximum allowable 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 December 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 2023-24 to 34.00%, a 1.23% decrease from 2022-23. Under current legislation, the employer contribution rate to the system continues to rise incrementally over the next five years, reaching more than 38% in 2030-31. 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 2035-36.

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 2023. The District also saw a significant increase in interest earnings, as interest rates increased significantly during 2022-23. 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 2022-23 fiscal year was the first 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**

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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><b>2022-23</b></u>	<u><b>2021-22</b></u>
Local	74.8%	74.4%
State	23.7%	24.2%
Federal/Other	1.5%	1.4%

**Expenditure Budget**

	<u><b>2022-23</b></u>	<u><b>2021-22</b></u>
Instruction	62.2%	61.2%
Support Services	28.7%	28.9%
Non-Instruction/Community	1.3%	1.3%
Facilities, Acquisition and Construction	0.1%	10.0%
Fund Transfers/Debt	7.8%	8.5%

**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, 2023**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 44,188,073	\$ 1,308,074	\$ 45,496,147
Investments	-	-	-
Receivables, net	1,262,849	-	1,262,849
Internal Balances	94,306	207,935	- (1)
Due From Other Governments	5,113,810	62,642	5,176,452
Other Receivables	329,670	12,998	342,668
Inventories	69,207	88,924	158,131
Prepaid Expenses	212,150	-	212,150
<b>Total Current Assets</b>	<b>51,270,065</b>	<b>1,680,573</b>	<b>52,648,397</b>
<b>Non-Current Assets:</b>			
Land	10,796,447	-	10,796,447
Site Improvements (net of depreciation)	2,917,809	-	2,917,809
Building and Bldg. Improvements (net of depreciation)	134,349,815	-	134,349,815
Furniture and Equipment (net of depreciation)	6,002,401	443,790	6,446,191
Intangible Right to Use Equipment (net of amortization)	164,068	-	164,068
Construction in Progress	24,760,822	-	24,760,822
<b>Total Non-Current Assets</b>	<b>178,991,362</b>	<b>443,790</b>	<b>179,435,152</b>
<b>Total Assets</b>	<b>\$ 230,261,427</b>	<b>\$ 2,124,363</b>	<b>\$ 232,083,549</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows of Resources - Related to Pension	25,461,939	273,038	25,734,977
Deferred Outflows of Resources - Related to OPEB	651,301	44,577	695,878
Deferred Amount on Debt Refundings, net	201,505	-	201,505
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 256,576,172</b>	<b>\$ 2,441,978</b>	<b>\$ 258,715,909</b>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Internal Balances	\$ 207,935	\$ 94,306	\$ - (1)
Intergovernmental Payables	529,480	-	529,480
Accounts Payable	3,820,854	84,515	3,905,369
Current Portion of Long-Term Obligations	9,503,701	-	9,503,701
Accrued Salaries and Benefits	415,565	1,841	417,406
Payroll Deductions and Withholdings	7,517,959	-	7,517,959
Prepayments from Students	533,585	101,204	634,789
Other Current Liabilities	893,831	-	893,831
<b>Total Current Liabilities</b>	<b>23,422,910</b>	<b>281,866</b>	<b>23,402,535</b>
<b>Non-Current Liabilities:</b>			
Bonds and Notes Payable	63,741,212	-	63,741,212
Lease Obligations	55,309	-	55,309
Long-Term Portion of Compensated Absences	2,050,763	-	2,050,763
Net Pension Liability	169,029,443	2,825,260	171,854,703
Net OPEB Liability - Single Employer Plan	4,245,731	12,106	4,257,837
Net OPEB Liability - Multiple Employer Plan	7,085,481	124,947	7,210,428
Other Retirement Benefits	612,271	-	612,271
<b>Total Liabilities</b>	<b>270,243,120</b>	<b>3,244,179</b>	<b>273,185,058</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows of Resources - Related to Pension	5,081,591	116,228	5,197,819
Deferred Inflows of Resources - Related to OPEB	3,030,098	6,928	3,037,026
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>278,354,809</b>	<b>3,367,335</b>	<b>281,419,903</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	132,029,860	443,790	132,473,650
<b>Restricted For:</b>			
Capital Projects	1,713,369	-	1,713,369
Unrestricted (deficit)	(155,521,866)	(1,369,147)	(156,891,013)
<b>TOTAL NET POSITION</b>	<b>(21,778,637)</b>	<b>(925,357)</b>	<b>(22,703,994)</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>\$ 256,576,172</b>	<b>\$ 2,441,978</b>	<b>\$ 258,715,909</b>

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, 2023**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>GOVERNMENTAL ACTIVITIES:</b>							
Instruction	\$ 84,546,013	\$ 147,463	\$ 16,091,989	\$ 101,182	\$ (68,205,379)	\$ -	\$ (68,205,379)
Instructional Student Support	11,590,039	221,472	1,732,832	-	(9,635,735)	-	(9,635,735)
Admin. & Fin'l Support Services	9,926,936	-	1,029,599	-	(8,897,337)	-	(8,897,337)
Oper. & Maint. of Plant Svcs.	9,955,384	-	821,867	29,167	(9,104,350)	-	(9,104,350)
Pupil Transportation	8,564,134	18,277	2,292,882	-	(6,252,975)	-	(6,252,975)
Student activities	1,743,330	592,655	172,277	-	(978,398)	-	(978,398)
Community Services	-	556,454	-	-	556,454	-	556,454
Scholarships and Awards	35,150	-	-	-	(35,150)	-	(35,150)
Interest on Long-Term Debt	2,264,920	-	-	777,950	(1,486,970)	-	(1,486,970)
Unallocated Depreciation Expense	4,334,512	-	-	-	(4,334,512)	-	(4,334,512)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>132,960,418</b>	<b>1,536,321</b>	<b>22,141,446</b>	<b>908,299</b>	<b>(108,374,352)</b>	<b>-</b>	<b>(108,374,352)</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>							
Food Services	2,789,601	1,347,164	1,919,687	15,949	-	493,199	493,199
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 135,750,019</b>	<b>\$ 2,883,485</b>	<b>\$ 24,061,133</b>	<b>\$ 924,248</b>	<b>\$ (108,374,352)</b>	<b>\$ 493,199</b>	<b>\$ (107,881,153)</b>
-----							
<b>GENERAL REVENUES:</b>							
Property taxes. Levied for general purposes, net					\$ 88,737,942	\$ -	\$ 88,737,942
Taxes levied for specific purposes					12,613,568	-	12,613,568
Grants, subsidies, & contributions not restricted					13,761,588	-	13,761,588
Investment Earnings					3,011,180	31,765	3,042,945
Miscellaneous Income					565,686	-	565,686
Special item - Gain (Loss) on sale of capital assets					(5,987)	(3,520)	(9,507)
Transfers					-	-	-
<b>TOTAL GENERAL REVENUES, SPECIAL ITEMS, EXTRAORDINARY ITEMS, AND TRANSFERS</b>					<b>118,683,977</b>	<b>28,245</b>	<b>118,712,222</b>
<b>CHANGES IN NET POSITION</b>					<b>10,309,625</b>	<b>521,444</b>	<b>10,831,069</b>
<b>NET POSITION - BEGINNING</b>					<b>(32,088,262)</b>	<b>(1,446,801)</b>	<b>(33,535,063)</b>
<b>NET POSITION - ENDING</b>					<b>\$ (21,778,637)</b>	<b>\$ (925,357)</b>	<b>\$ (22,703,994)</b>

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

**Souderton Area School District**  
**Balance Sheet**  
**Governmental Funds**  
**As of June 30, 2023**

	<b>GENERAL</b>	<b>CAPITAL PROJECTS FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 14,229,843	\$ 29,497,308	\$ 43,727,151
Restricted Cash	-	7,742	7,742
Taxes Receivable, net	1,262,849	-	1,262,849
Due from other funds	95,050	-	95,050
Due from Other Governments	5,113,810	-	5,113,810
Other Receivables	92,159	-	92,159
Prepaid Expenditures	212,150	-	212,150
<b>TOTAL ASSETS</b>	<b>\$ 21,005,861</b>	<b>\$ 29,505,050</b>	<b>\$ 50,510,911</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Deferred Charges on Refundings, net	-	-	-
<b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 21,005,861</b>	<b>\$ 29,505,050</b>	<b>\$ 50,510,911</b>
<b><u>LIABILITIES:</u></b>			
Due to Other Funds	\$ 1,825,944	\$ -	\$ 1,825,944
Due to Other Governments	529,480	-	529,480
Accounts Payable	621,610	2,194,982	2,816,592
Current Portion of Long-Term Debt	221,659	-	221,659
Accrued Salaries and Benefits	415,565	-	415,565
Payroll Deductions and Withholdings	7,517,959	-	7,517,959
Prepayments from Persons or Firms	440,925	-	440,925
Other Current Liabilities	2,722	-	2,722
<b>TOTAL LIABILITIES</b>	<b>11,575,864</b>	<b>2,194,982</b>	<b>13,770,846</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Unearned Revenue from Property Taxes	966,218	-	966,218
<b>TOTAL LIABILITIES &amp; DEFERRED INFLOWS OF RESOURCES</b>	<b>12,542,082</b>	<b>2,194,982</b>	<b>14,737,064</b>
<b><u>FUND BALANCES:</u></b>			
Nonspendable Fund Balance	212,150	-	212,150
Restricted Fund Balance	370,410	27,310,068	27,680,478
Committed Fund Balance	1,000,000	-	1,000,000
Assigned Fund Balance	1,962,218	-	1,962,218
Unassigned Fund Balance	4,919,001	-	4,919,001
<b>TOTAL FUND BALANCES</b>	<b>8,463,779</b>	<b>27,310,068</b>	<b>35,773,847</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 21,005,861</b>	<b>\$ 29,505,050</b>	<b>\$ 50,510,911</b>

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, 2023**

<b>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</b>	<b>\$ 35,773,847</b>
<b>Amounts reported for governmental activities in the statement of net position are different because:</b>	
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 \$268,310,679 and the accumulated depreciation/amortization is \$89,319,317.	178,991,362
This represents deferred outflows of resources resulting in deferred charges on refunding prior bond issues.	201,505
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.	966,218
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.	69,207
The amount reflects the elimination of the Internal Service Fund's assets, liabilities, and equity, including incorporating them into the Governmental Activities column.	1,211,033
This represents deferred outflows of resources, net of deferred inflows of resources pertaining to the Net Pension/OPEB Liability.	18,001,552
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.	(256,993,361)
<b>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ (21,778,637)</u></b>

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, 2023**

	<u>GENERAL</u>	<u>CAPITAL PROJECT FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>REVENUES</b>			
Local Sources	\$ 106,151,506	\$ 1,397,100	\$ 107,548,606
State Sources	33,675,809	-	33,675,809
Federal Sources	<u>2,119,083</u>	<u>-</u>	<u>2,119,083</u>
<b>TOTAL REVENUES</b>	<u>141,946,398</u> -----	<u>1,397,100</u> -----	<u>143,343,498</u> -----
<b>EXPENDITURES</b>			
Instruction	90,880,570	-	90,880,570
Support Services	41,939,629	303,522	42,243,151
Operation of Non-Instructional Services	1,901,524	-	1,901,524
Capital Outlay	77,445	23,403,614	23,481,059
Debt Service	<u>11,406,989</u>	<u>-</u>	<u>11,406,989</u>
<b>TOTAL EXPENDITURES</b>	<u>146,206,157</u>	<u>23,707,136</u>	<u>169,913,293</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(4,259,759)</u>	<u>(22,310,036)</u>	<u>(26,569,795)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from Bond Issues	-	9,865,000	9,865,000
Refunding Bond Proceeds	-	-	-
Bond Premiums	-	134,459	134,459
Proceeds from Leases	167,264	-	167,264
Transfers In	-	-	-
Sale/Compensation for Fixed Assets	-	-	-
Payment to bond refunding escrow agent	-	-	-
Bond Discounts	-	-	-
Refunds of Prior Year Receipts	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>167,264</u>	<u>9,999,459</u>	<u>10,166,723</u>
<b>SPECIAL/EXTRAORDINARY ITEMS</b>			
Special Items	-	-	-
Extraordinary Items - Insurance Recoveries	<u>2,575</u>	<u>-</u>	<u>2,575</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(4,089,920)</u>	<u>(12,310,577)</u>	<u>(16,400,497)</u>
<b>FUND BALANCES - BEGINNING</b>	<u>12,553,699</u>	<u>39,620,645</u>	<u>52,174,344</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 8,463,779</u>	<u>\$ 27,310,068</u>	<u>\$ 35,773,847</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, 2023**

**NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** **\$ (16,400,497)**

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	\$ 5,550,676	
less - capital outlays	<u>24,894,012</u>	19,343,336

In the statement of activities, only the gain on the sale of the capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of fixed assets sold. (5,987)

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. (70,042)

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. 9,159,386

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. 41,634

**SUB-TOTAL IN CHANGES BETWEEN BASIS OF ACCOUNTING** **\$ 12,067,830**

**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, 2023**

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

\$ 12,067,830

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.

(17,317)

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.

(9,999,459)

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.

(167,264)

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.

69,776

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.

(3,283)

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.

8,359,342

**CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES**

**\$ 10,309,625**

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, 2023**

	<b>FOOD SERVICE</b>	<b>INTERNAL SERVICE FUND</b>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 1,308,074	\$ 453,180
Due from other funds	207,935	1,618,009
Due From Other Governments	62,642	-
Other Receivables	12,998	236,768
Inventories	88,924	-
<b>TOTAL CURRENT ASSETS</b>	1,680,573	2,307,957
	-----	-----
<b>NON-CURRENT ASSETS:</b>		
Machinery & Equipment (net)	443,790	-
Other Long-Term Receivables	-	-
<b>TOTAL NON-CURRENT ASSETS</b>	443,790	-
	-----	-----
<b>TOTAL ASSETS</b>	\$ 2,124,363	\$ 2,307,957
	-----	-----
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>		
Deferred Outflows of Resources - Related to Pension	273,038	-
Deferred Outflows of Resources - Related to OPEB	44,577	-
	-----	-----
<b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 2,441,978</b>	<b>\$ 2,307,957</b>
	-----	-----
<b><u>LIABILITIES</u></b>		
<b>CURRENT LIABILITIES:</b>		
Due to Other Funds	\$ 94,306	\$ -
Accounts Payable	84,515	1,003,962
Accrued Salaries and Benefits	1,841	-
Prepayments from persons	101,204	92,660
<b>TOTAL CURRENT LIABILITIES</b>	281,866	1,096,622
	-----	-----
<b>NON-CURRENT LIABILITIES:</b>		
Net Pension Liability	2,825,260	-
Net OPEB Liability - Single Employer Plan	12,106	-
Net OPEB Liability - Multiple Employer Plan	124,947	-
<b>TOTAL NON-CURRENT LIABILITIES</b>	2,962,313	-
	-----	-----
<b>TOTAL LIABILITIES</b>	3,244,179	1,096,622
	-----	-----
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>		
Deferred Inflows of Resources - Related to Pension	116,228	-
Deferred Inflows of Resources - Related to OPEB	6,928	-
	-----	-----
<b>TOTAL LIABILITIES &amp; DEFERRED INFLOWS OF RESOURCES</b>	3,367,335	1,096,622
	-----	-----
<b><u>FUND NET POSITION</u></b>		
Net Investment in Capital Assets	443,790	-
Unrestricted	(1,369,147)	1,211,335
<b>TOTAL FUND NET POSITION</b>	(925,357)	1,211,335
	-----	-----
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND NET POSITION</b>	<b>\$ 2,441,978</b>	<b>\$ 2,307,957</b>
	-----	-----

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, 2023**

	<b>FOOD SERVICE</b>	<b>INTERNAL SERVICE FUND</b>
<b>OPERATING REVENUES:</b>		
Food Service Revenue	\$ 1,279,003	\$ -
Charges for Services	-	15,102,030
Other Operating Revenues	68,161	29,050
<b>TOTAL OPERATING REVENUES</b>	<u>1,347,164</u>	<u>15,131,080</u>
	-----	-----
<b>OPERATING EXPENSES:</b>		
Salaries	537,366	-
Employee Benefits	323,415	-
Purchased Professional and Technical Services	727,117	-
Purchased Property Service	107,417	-
Other Purchased Services	3,541	-
Supplies	1,028,564	-
Depreciation	60,364	-
Dues and Fees	1,817	-
Claims and Judgments	-	15,061,304
<b>TOTAL OPERATING EXPENSES</b>	<u>2,789,601</u>	<u>15,061,304</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(1,442,437)</u>	<u>69,776</u>
	-----	-----
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Earnings on investments	31,765	-
Contributions and Donations	15,949	-
Gain/Loss on Sale of Fixed Assets	(3,520)	-
State Sources	305,338	-
Federal Sources	1,614,349	-
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>1,963,881</u>	<u>-</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS</b>	521,444	69,776
Transfers in (out)	-	-
<b>CHANGES IN FUND NET POSITION</b>	<u>521,444</u>	<u>69,776</u>
<b>FUND NET POSITION - BEGINNING</b>	<u>(1,446,801)</u>	<u>1,141,559</u>
<b>FUND NET POSITION - ENDING</b>	<u><u>\$ (925,357)</u></u>	<u><u>\$ 1,211,335</u></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, 2023**

	<b>FOOD SERVICE</b>	<b>INTERNAL SERVICE FUND</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Users	\$ 1,072,495	\$ -
Cash Received from Assessments made to Other Funds	-	13,932,614
Cash Received from Earnings on Investments	-	29,050
Cash Received from Other Operating Revenue	68,161	-
Cash Payments to Employees for Services	(929,646)	-
Cash Payments for Insurance Claims	-	(14,756,167)
Cash Payments to Suppliers for Goods and Services	(1,448,289)	-
Cash Payments to Other Operating Expenses	(1,817)	(465,981)
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<b>(1,239,096)</b>	<b>(1,260,484)</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
State Sources	299,152	-
Federal Sources	1,404,069	-
<b>NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES</b>	<b>1,703,221</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of Equipment	(135,576)	-
Contributions and Donations	15,949	-
<b>NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(119,627)</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Earnings on Investments	31,765	-
<b>NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES</b>	<b>31,765</b>	<b>-</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>376,263</b>	<b>(1,260,484)</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>931,811</b>	<b>1,713,664</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 1,308,074</b>	<b>\$ 453,180</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>		
<b>OPERATING INCOME (LOSS)</b>	<b>\$ (1,442,437)</b>	<b>\$ 69,776</b>
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>		
Depreciation and Net Amortization	60,364	-
Donated Commodities Used	273,956	-
<b>CHANGE IN ASSETS AND LIABILITIES:</b>		
(Increase) Decrease in Accounts Receivable	(2,858)	(154,550)
(Increase) Decrease in Advances to Other Funds	(203,650)	(1,014,866)
(Increase) Decrease in Inventories	8,830	-
(Increase) Decrease in Deferred Outflows of Resources - Change in Proportion of NPL	39,364	-
(Increase) Decrease in Deferred Outflows of Resources - Current Year Pension Contributions	5,188	-
(Increase) Decrease in Deferred Outflows of Resources - Change in Assumptions	47,766	-
(Increase) Decrease in Deferred Outflows of Resources - Diff. between Expected vs Actual Experience	(2,652)	-
Increase (Decrease) in Accounts Payable	30,991	(148,111)
Increase (Decrease) in Accrued Salaries and Benefits	(252)	-
Increase (Decrease) in Advances from Other Funds	83,839	-
Increase (Decrease) in Net Pension Liability	88,219	-
Increase (Decrease) in Net OPEB Liability - Single Employer Plan	(6,016)	-
Increase (Decrease) in Net OPEB Liability - Multiple Employer Plan	(21,667)	-
Increase (Decrease) in Deferred Inflows of Resources - Diff. in projected vs actual Invest. Earnings	(218,756)	-
Increase (Decrease) in Deferred Inflows of Resources - Diff. in projected vs actual Contributions	(59)	-
Increase (Decrease) in Other Current Liabilities	20,734	(12,733)
<b>TOTAL ADJUSTMENTS</b>	<b>203,341</b>	<b>(1,330,260)</b>
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<b>\$ (1,239,096)</b>	<b>\$ (1,260,484)</b>

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, 2023**

	<b>CUSTODIAL FUNDS</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 280,602
Other Receivables	<u>2,225</u>
<b>TOTAL ASSETS</b>	<u>282,827</u>
	-----
<b>LIABILITIES</b>	
Accounts Payable	\$ 850
Due to Other Funds	744
Other Current Liabilities	<u>2,214</u>
<b>TOTAL LIABILITIES</b>	<u>3,808</u>
<b>NET POSITION</b>	
Restricted for	
Individuals, organizations, and other governments	<u>279,019</u>
<b>TOTAL LIABILITIES AND FUND NET POSITION</b>	<u><u>\$ 282,827</u></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, 2023**

	<b>CUSTODIAL FUNDS</b>
<b>ADDITIONS</b>	
Contribution - Students	\$ 226,315
Contributions - Other	4,180
Special Events	303,918
Other Income	53,362
<b>INVESTMENT EARNINGS:</b>	
Interest and Dividends	620
Net increase (decrease) in fair value of investments	-
Less investment expense	-
<b>TOTAL ADDITIONS</b>	<u>588,395</u> -----
<b>DEDUCTIONS</b>	
Administrative expense	-
Payments for student club activities	<u>543,397</u>
<b>TOTAL DEDUCTIONS</b>	<u>543,397</u>
<b>CHANGES IN NET POSITION</b>	44,998
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>234,021</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ 279,019</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, 2023**

	<b>BUDGET AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE WITH</b>
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>(BUDGETARY BASIS)</b>	<b>FINAL BUDGET</b>
				<b>POSITIVE</b>
				<b>(NEGATIVE)</b>
<b>REVENUES</b>				
Local Sources	\$ 103,999,949	\$ 103,999,949	\$ 106,151,506	\$ 2,151,557
State Sources	34,045,431	34,045,431	33,675,809	(369,622)
Federal Sources	1,917,407	1,917,407	2,119,083	201,676
<b>TOTAL REVENUES</b>	<b>139,962,787</b>	<b>139,962,787</b>	<b>141,946,398</b>	<b>1,983,611</b>
<b>EXPENDITURES</b>				
Regular Instruction	60,810,467	57,713,202	57,727,723	(14,521)
Special Programs	23,770,155	26,413,803	30,499,127	(4,085,324)
Vocational Programs	1,666,244	1,735,102	1,735,101	1
Other Instructional Programs	610,344	772,128	772,127	1
Non-Public School Programs	-	9,766	9,766	-
Adult Education Programs	160,686	136,727	136,726	1
Pupil Personnel Services	5,731,888	5,811,318	5,811,313	5
Instructional Staff Services	5,150,173	5,081,457	5,081,455	2
Administrative Services	6,002,107	5,914,746	5,914,743	3
Pupil Health	1,466,021	1,625,966	1,625,964	2
Business Services	1,068,093	1,021,887	1,021,884	3
Operation & Maintenance of Plant Services	10,363,033	10,500,522	10,500,521	1
Student Transportation Services	7,903,630	8,564,135	8,564,134	1
Central Support Services	3,239,399	3,338,942	3,338,938	4
Other Support Services	82,575	80,678	80,677	1
Student Activities	1,858,311	1,866,376	1,866,374	2
Scholarships and Awards	32,500	35,150	35,150	-
Facilities, Acquisition and Construction	96,200	77,445	77,445	-
Debt Service	11,094,514	11,406,990	11,406,989	1
<b>TOTAL EXPENDITURES</b>	<b>141,106,340</b>	<b>142,106,340</b>	<b>146,206,157</b>	<b>(4,099,817)</b>
Excess (deficiency) of revenues over expenditures	(1,143,553)	(2,143,553)	(4,259,759)	(2,116,206)
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from Leases	-	-	167,264	167,264
Sale/Compensation for Fixed Assets	2,500	2,500	-	(2,500)
Budgetary Reserve	(1,000,000)	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(997,500)</b>	<b>2,500</b>	<b>167,264</b>	<b>164,764</b>
Special Items	-	-	-	-
Extraordinary Items - Insurance Recoveries	10,000	10,000	2,575	(7,425)
<b>NET CHANGE IN FUND BALANCES</b>	<b>(2,131,053)</b>	<b>(2,131,053)</b>	<b>(4,089,920)</b>	<b>(1,958,867)</b>
<b>FUND BALANCE - JULY 1, 2022</b>	<b>12,507,812</b>	<b>12,507,812</b>	<b>12,553,699</b>	<b>45,887</b>
<b>FUND BALANCE - JUNE 30, 2023</b>	<b>\$ 10,376,759</b>	<b>\$ 10,376,759</b>	<b>\$ 8,463,779</b>	<b>\$ (1,912,980)</b>

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, 2023**

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**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, 2023**

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***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 2022-23 was \$1,735,101.

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, 2023**

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**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, 2023**

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**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.

2023 Construction Fund

This was established with the issuance of the General Obligation Bonds Series of 2023. Proceeds of the Bond will be used for various renovation 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

**Souderton Area School District**  
**Notes to Basic Financial Statements**  
**Fiscal Year Ended June 30, 2023**

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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.

### **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

**Souderton Area School District**  
**Notes to Basic Financial Statements**  
**Fiscal Year Ended June 30, 2023**

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position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its enterprise activities.

***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.

**Souderton Area School District  
Notes to Basic Financial Statements  
Fiscal Year Ended June 30, 2023**

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***Board Resolution Option***

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 2022-23 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 2022-23 fiscal year the School District implemented the following new generally accepted accounting principles:

GASB Statement No. 81 (Conduit Debt Obligations). The objective of this Statement is provides 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.

GASB Statement No. 94 (PPP's). The objectives of the statement are 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.

GASB Statement No. 96 (SBITA's). - 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.

GASB 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.

**Souderton Area School District**  
**Notes to Basic Financial Statements**  
**Fiscal Year Ended June 30, 2023**

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**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.

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.

**Souderton Area School District**  
**Notes to Basic Financial Statements**  
**Fiscal Year Ended June 30, 2023**

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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, 2023, 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, 2023, there was \$69,207 in inventory shown on the governmental activities column of the government-wide statement of net position and \$88,924 is shown as inventory in the business-type activities column of the government-wide statement of net position.

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, 2023; 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, 2023, consist of:

Donated Commodities	\$	34,649
Purchased Food		30,615
Purchased Supplies		23,660
<b>TOTAL</b>	<b>\$</b>	<b>88,924</b>

**Souderton Area School District**  
**Notes to Basic Financial Statements**  
**Fiscal Year Ended June 30, 2023**

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***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	Business-Type Activities
	Estimated Lives	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

***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.

**Souderton Area School District**  
**Notes to Basic Financial Statements**  
**Fiscal Year Ended June 30, 2023**

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**Leases**

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.

***SBITAs (Subscription Based Information Technology Arrangements)***

Occasionally the District enters into Subscription-Based Information Technology Arrangements. These arrangements grant the District the right to access use of software that is hosted by third-party vendors over a specified contract term. Unlike traditional software, the District does not take physical possession of or have the right to control the software; instead, it accesses the uses the software remotely.

In the entity-wide financial statements, SBITAs are reported as intangible assets based on the present value of future subscription payments to be made over the life of the arrangement. Correspondingly, a liability is recognized for the future payments, and it is amortized over the life of the SBITA. The amortization expense related to the intangible asset and any interest expense associated with the recognized liability are reported in the Statement of Activities.

In the fund financial statements, under the modified accrual basis of accounting, expenditures are recognized for SBITA payments when they are due. Therefore, no intangible asset or corresponding liability is reported in the governmental fund statements. The expenditures related to SBITA payments are recognized in the fund's Statement of Revenues, Expenditures, and Changes in Fund Balances in the period they payment is due.

***Other 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.



**Souderton Area School District**  
**Notes to Basic Financial Statements**  
**Fiscal Year Ended June 30, 2023**

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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.

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, 2023, 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, 2023**

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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 \$256,993,361 differences are:

Bonds payable	\$ 69,370,000
Less: Issuance discount (to be amortized as interest expense)	(339)
Add: Issuance premium (to be amortized as a contra to interest expense)	3,591,551
Accrued interest payable	891,109
Lease Obligations	117,351
Net Pension Liability	169,029,443
Other Retirement Benefits	612,271
Net OPEB Liability - Single Employer Plan	4,245,731
Net OPEB Liability - Multiple Employer Plan	7,085,481
Compensated absences	<u>2,050,763</u>
Net adjustment to reduce "fund balance - total governmental funds" to arrive at "net position" - governmental activities	<b><u>\$ 256,993,361</u></b>

**Souderton Area School District**  
**Notes to Basic Financial Statements**  
**Fiscal Year Ended June 30, 2023**

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***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, 2023**

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

	<b>TOTAL GOVERN- MENTAL FUNDS</b>	<b>LONG-TERM REVENUES/ EXPENSES</b>	<b>CAPITAL RELATED ITEMS</b>	<b>LONG-TERM DEBT TRANS- ACTIONS</b>	<b>TOTAL FOR STATEMENT OF ACTIVITIES</b>
<b>REVENUES AND OTHER SOURCES</b>					
<b>LOCAL SOURCES:</b>					
Property Taxes	\$ 88,807,984	\$ (70,042)	\$ -	\$ -	\$ 88,737,942
Taxes levied for specific purposes	12,613,568	-	-	-	12,613,568
Interest and investment earnings	3,011,180	-	-	-	3,011,180
Miscellaneous	526,402	-	-	-	526,402
Contributions and Donations	39,284	-	-	-	39,284
Charges for Services	1,314,849	-	-	-	1,314,849
Grants, subsidies & contributions not restricted	13,761,588	-	-	-	13,761,588
Transfers in from Internal Service Fund	-	-	-	-	-
Bond Premium	134,459	-	-	(134,459)	-
Proceeds of Bond Issues	9,865,000	-	-	(9,865,000)	-
Proceeds from Leases	167,264	-	-	(167,264)	-
Proceeds from Refunding of Bonds	-	-	-	-	-
<b>INTERMEDIATE SOURCES:</b>					
Charges for Services	-	-	-	-	-
Operating grants and contributions	-	-	-	-	-
<b>STATE SOURCES:</b>					
Operating & Capital grants and contributions	19,914,221	-	-	-	19,914,221
<b>FEDERAL SOURCES:</b>					
Operating & Capital grants and contributions	3,356,996	-	-	-	3,356,996
<b>SPECIAL AND EXTRAORDINARY SOURCES:</b>					
Insurance Recoveries	-	-	-	-	-
Gain or (Loss) on disposal of assets	-	-	(5,987)	-	(5,987)
<b>TOTAL REVENUES</b>	<b>153,512,795</b>	<b>(70,042)</b>	<b>(5,987)</b>	<b>(10,166,723)</b>	<b>143,270,043</b>
<b>EXPENDITURES/EXPENSES</b>					
Instruction	90,880,569	(6,234,849)	(99,707)	-	84,546,013
Instructional Student Support	12,518,732	(883,171)	(45,522)	-	11,590,039
Admin. & Fin'l Support Services	10,553,152	(663,136)	36,920	-	9,926,936
Oper. & Maint. Of Plant Svcs.	10,607,133	(569,782)	(81,967)	-	9,955,384
Pupil Transportation	8,564,134	-	-	-	8,564,134
Student activities	1,866,374	(116,531)	(6,513)	-	1,743,330
Community Services	-	-	-	-	-
Scholarships and Awards	35,150	-	-	-	35,150
Capital Outlay	23,481,059	-	(23,481,059)	-	-
Debt Service	11,406,989	-	-	(9,142,069)	2,264,920
Bond Discount	-	-	-	-	-
Depreciation - unallocated	-	-	4,334,512	-	4,334,512
Transfers Out to Other Funds	-	-	-	-	-
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>169,913,292</b>	<b>(8,467,469)</b>	<b>(19,343,336)</b>	<b>(9,142,069)</b>	<b>132,960,418</b>
<b>NET CHANGE FOR THE YEAR</b>	<b>\$ (16,400,497)</b>	<b>\$ 8,397,427</b>	<b>\$ 19,337,349</b>	<b>\$ (1,024,654)</b>	<b>\$ 10,309,625</b>

**Souderton Area School District**  
**Notes to Basic Financial Statements**  
**Fiscal Year Ended June 30, 2023**

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**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, 2023, except the net position for governmental activities and business-type activities (Food Service Fund) have deficits of \$21,778,637 and \$925,357, respectively.

**C. Excess of Expenditures over Appropriate in Individual Funds**

During the reported fiscal period, the General Fund, guided by its legally established budget, recorded expenditures that surpassed the budgeted appropriations by \$4,099,817. Due to the significant needs of special education students coming out of COVID-19, the District had an increased demand for services from contracted professionals to support these students. Due to the limited supply of resources, these services also saw significant increases in the rates for these services that was not anticipated. The District did increase the budget in these areas for 2023-24 as well as hired some additional district employees to help mitigate some of the need for these contacted services going forward.

**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, 2023. 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, 2023, \$15,305,326 of the District's bank balance of \$16,305,326, and restricted cash \$15,291 was exposed to custodial credit risk as follows:

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Uninsured and uncollateralized	\$ 17,692
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	15,287,634
<b>TOTAL</b>	<b><u>\$ 15,305,326</u></b>

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**Souderton Area School District**  
**Notes to Basic Financial Statements**  
**Fiscal Year Ended June 30, 2023**

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*Reconciliation to Financial Statements*

Uncollateralized Amount above	\$ 15,305,326
Plus: Insured Amount	1,000,000
Less: Outstanding Checks	<u>(1,120,715)</u>
Carrying Amount - Cash Balances	15,184,611
Plus: Petty Cash	150
Deposit in Pooled Investments Considered Cash Equivalents	30,591,988
Deposit in Money Market Mutual Funds Considered Cash Equivalents	-
Less: Certificates of Deposit considered Investments by School Code	<u>-</u>
<b>TOTAL CASH PER FINANCIAL STATEMENTS</b>	<b><u>\$ 45,776,749</u></b>

*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, 2023**

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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, 2023, the District had the following investments:

<i>Investment</i>	<b>Maturities</b>	<b>Fair Value</b>
PLGIT/PLGIT PLUS		\$ 30,530,079
PSDLAF		61,909
<b>TOTAL</b>		<b>\$ 30,591,988</b>

**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, 2023, 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, 2023**

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Total Investments Above	\$ 30,591,988
Less: Deposits in Investment Pool Considered Cash Equivalents	30,591,988
Deposits in Money Market Funds Considered Cash Equivalents	-
<b>Total Investments Per Financial Statements</b>	<b>\$ -</b>

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***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, 2023. 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 \$2,937,071,655. In accordance with Act 1 of 2006, the District received \$2,825,975 in property tax reduction funds for the 2022-23 fiscal year. The tax rate for the year was \$3.144 per \$1,000 of assessed valuation or 31.44 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, 2023**

*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**

	<b>GENERAL FUND</b>	<b>CAPITAL PROJECT FUNDS</b>	<b>FOOD SERVICE FUND</b>	<b>INTERNAL SERVICE FUNDS</b>	<b>CUSTODIAL FUNDS</b>	<b>TOTAL</b>
<b>RECEIVABLES:</b>						
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	1,262,849	-	-	-	-	1,262,849
Accounts	92,159	-	12,998	236,768	2,225	344,150
Intergovernmental	5,113,810	-	62,642	-	-	5,176,452
<b>GROSS RECEIVABLES</b>	<b>6,468,818</b>	<b>-</b>	<b>75,640</b>	<b>236,768</b>	<b>2,225</b>	<b>6,783,451</b>
Less: Allowance for Uncollectibles	-	-	-	-	-	-
<b>NET RECEIVABLES</b>	<b>\$ 6,468,818</b>	<b>\$ -</b>	<b>\$ 75,640</b>	<b>\$ 236,768</b>	<b>\$ 2,225</b>	<b>\$ 6,783,451</b>

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**

	<b>UNAVAILABLE</b>	<b>UNEARNED</b>
Delinquent Property Taxes - General Fund	\$ 966,218	\$ -
Grants drawdowns prior to meeting eligibility requirements	-	-
<b>TOTAL</b>	<b>\$ 966,218</b>	<b>\$ -</b>

**Souderton Area School District**  
**Notes to Basic Financial Statements**  
**Fiscal Year Ended June 30, 2023**

*Capital Assets*

Capital asset balances and activity for the year ending June 30, 2023:

**CAPITAL ASSET BALANCES AND CURRENT YEAR ACTIVITY**

	<b>BEGINNING BALANCE</b>	<b>INCREASES</b>	<b>DECREASES</b>	<b>ENDING BALANCE</b>
<b>GOVERNMENTAL ACTIVITIES:</b>				
Capital Assets not being depreciated:				
Land	\$ 10,796,447	\$ -	\$ -	\$ 10,796,447
Construction in Progress	2,904,238	23,471,981	(1,615,397)	24,760,822
Total Capital Assets not being depreciated	<u>13,700,685</u>	<u>23,471,981</u>	<u>(1,615,397)</u>	<u>35,557,269</u>
Capital Assets being depreciated/amortized:				-
Site Improvements	6,729,462	18,374	-	6,747,836
Buildings and Improvements	199,076,308	1,597,021	-	200,673,329
Furniture and Equipment	23,899,185	1,208,017	(59,870)	25,047,332
Intangible Right to Use - Equipment	70,899	214,014	-	284,913
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED/AMORTIZED</b>	<u>229,775,854</u>	<u>3,037,426</u>	<u>(59,870)</u>	<u>232,753,410</u>
Less accumulated depreciation/amortization for:				
Site Improvements	(3,669,833)	(160,194)	-	(3,830,027)
Buildings and Improvements	(62,106,951)	(4,216,563)	-	(66,323,514)
Furniture and Equipment	(18,010,290)	(1,088,524)	53,883	(19,044,931)
Intangible Right to Use - Equipment	(35,449)	(85,396)	-	(120,845)
<b>TOTAL ACCUMULATED DEPRECIATION/AMORTIZATION</b>	<u>(83,822,523)</u>	<u>(5,550,677)</u>	<u>53,883</u>	<u>(89,319,317)</u>
<b>NET OF ACCUMULATED DEPRECIATION/AMORTIZATION</b>	<u>145,953,331</u>	<u>(2,513,251)</u>	<u>(5,987)</u>	<u>143,434,093</u>
<b>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION/AMORTIZATION</b>	<u><b>\$ 159,654,016</b></u>	<u><b>\$ 20,958,730</b></u>	<u><b>\$ (1,621,384)</b></u>	<u><b>\$ 178,991,362</b></u>
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Capital Assets being depreciated:				
Furniture and Equipment	\$ 2,096,722	\$ 135,576	\$ (43,248)	\$ 2,189,050
Less accumulated depreciation	<u>(1,724,624)</u>	<u>(60,364)</u>	<u>39,728</u>	<u>(1,745,260)</u>
<b>BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION</b>	<u><b>\$ 372,098</b></u>	<u><b>\$ 75,212</b></u>	<u><b>\$ (3,520)</b></u>	<u><b>\$ 443,790</b></u>

**Souderton Area School District**  
**Notes to Basic Financial Statements**  
**Fiscal Year Ended June 30, 2023**

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

Instruction	\$ 393,182
Instructional Student Support	239,827
Admin. & Fin'l Support Services	438,159
Oper. & Maint. of Plant Svcs.	135,917
Student activities	9,080
Depreciation - unallocated	<u>4,334,512</u>
<b>TOTAL DEPRECIATION FOR GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 5,550,677</u></b>

The District's governmental activities scrapped \$59,870 of capital assets during the year, with accumulated depreciation of \$53,870, this resulted in a net loss on disposition of \$5,987 for the year. The business-type activities scrapped \$43,248 of capital assets during the year, with accumulated depreciation of \$39,728, resulting in a net loss on disposition of \$3,520.

**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, 2023.

<u>VENDOR</u>	<u>CONTRACT AMOUNT</u>	<u>EXPENDED TO 6/30/23</u>	<u>OUTSTANDING COMMITMENTS</u>
<b>INDIAN VALLEY SCHOOL RENOVATIONS</b>			
Penn Bulders	\$ 10,309,500	\$ 1,492,765	\$ 8,816,735
<b>ASBESTOS ABATEMENT - FRANCONIA</b>			-
Sargent Enterprises INC	<u>277,424</u>	<u>182,350</u>	<u>95,074</u>
<b>GESA - Guaranteed Energy Savings Project</b>			-
SitelogIQ	<u>38,254,901</u>	<u>24,284,660</u>	<u>13,970,241</u>
<b>GRAND TOTAL</b>	<b><u>\$ 48,841,825</u></b>	<b><u>\$ 25,959,775</u></b>	<b><u>\$ 22,882,050</u></b>

**Souderton Area School District**  
**Notes to Basic Financial Statements**  
**Fiscal Year Ended June 30, 2023**

**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, 2023.

	<b>INTERFUND RECEIVABLES</b>	<b>INTERFUND PAYABLES</b>
General Fund	\$ 95,050	\$ 1,825,944
Capital Project (Capital Reserve) Fund	-	-
Enterprise (Food Service) Fund	207,935	94,306
Internal Service Fund	1,618,009	-
Custodial (Activity) Fund	-	744
<b>TOTAL</b>	<b>\$ 1,920,994</b>	<b>\$ 1,920,994</b>

The District also made the following interfund transfers during the fiscal year ended June 30, 2023:

	<b>TRANSFER IN</b>	<b>TRANSFER OUT</b>
General Fund	\$ -	\$ -
Capital Reserve Fund	-	-
<b>TOTAL</b>	<b>\$ -</b>	<b>\$ -</b>

**Souderton Area School District**  
**Notes to Basic Financial Statements**  
**Fiscal Year Ended June 30, 2023**

**Long-Term Liabilities**

Long-term liability balances and activity for the year ended June 30, 2023, were:

	<b>CHANGES IN LONG-TERM LIABILITIES</b>				
	<b>BEGINNING BALANCE</b>	<b>ADDITIONS</b>	<b>REDUCTIONS</b>	<b>ENDING BALANCE</b>	<b>AMOUNTS DUE WITHIN ONE YEAR</b>
<b><u>GOVERNMENTAL ACTIVITIES</u></b>					
<b>General Obligation Debt:</b>					
<i>Bonds and notes payable:</i>					
Bonds	\$ 72,855,253	\$ 10,001,822	\$ 9,895,863	\$ 72,961,212	\$ 9,220,000
Notes	-	-	-	-	-
<b>Total general obligation debt</b>	<b>72,855,253</b>	<b>10,001,822</b>	<b>9,895,863</b>	<b>72,961,212</b>	<b>9,220,000</b>
<i>Other liabilities:</i>					
Lease Obligations	39,473	167,264	89,386	117,351	62,042
<i>Vested employee benefits:</i>					
Vacation pay	201,628	-	15,448	186,180	31,447
Sick pay	2,087,050	-	808	2,086,242	190,212
Net OPEB Liability - Single Employer Plan	5,472,400	-	1,226,669	4,245,731	-
Net OPEB Liability - Multiple Employer Plan	9,362,333	-	2,276,852	7,085,481	-
Net Pension Liability	159,779,814	9,249,629	-	169,029,443	-
Other retirement benefits	576,254	36,017	-	612,271	-
<b>Total other liabilities</b>	<b>177,518,952</b>	<b>9,452,910</b>	<b>3,609,163</b>	<b>183,362,699</b>	<b>283,701</b>
<b>TOTAL GOVERNMENTAL ACTIVITY</b>					
<b>LONG-TERM LIABILITIES</b>	<b>\$ 250,374,205</b>	<b>\$ 19,454,732</b>	<b>\$ 13,505,026</b>	<b>\$ 256,323,911</b>	<b>\$ 9,503,701</b>
<b><u>BUSINESS TYPE ACTIVITIES</u></b>					
<i>Other liabilities:</i>					
<i>Vested employee benefits:</i>					
Vacation pay	-	-	-	-	-
Net OPEB Liability - Single Employer Plan	18,122	-	6,016	12,106	-
Net OPEB Liability - Multiple Employer Plan	146,614	-	21,667	124,947	-
Net Pension Liability	2,737,041	88,219	-	2,825,260	-
Sick pay	-	-	-	-	-
<b>TOTAL BUSINESS-TYPE ACTIVITY</b>					
<b>LONG-TERM LIABILITIES</b>	<b>\$ 2,901,777</b>	<b>\$ 88,219</b>	<b>\$ 27,683</b>	<b>\$ 2,962,313</b>	<b>\$ -</b>

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:

<b>GOVERNMENTAL ACTIVITIES:</b>	<b>EXPENSE</b>	<b>PAID</b>
General obligation debt	\$ 2,264,791	\$ 2,247,475
Leases	129	129
Refund of prior year receipts	-	-
<b>TOTAL INTEREST PAID BY GOVERNMENTAL ACTIVITIES</b>	<b>\$ 2,264,920</b>	<b>\$ 2,247,604</b>

**Souderton Area School District**  
**Notes to Basic Financial Statements**  
**Fiscal Year Ended June 30, 2023**

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**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, 2023, the value of the lease liability was \$7,915. 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, 2023 was \$70,889 with accumulated amortization of \$35,449.

The future principal and interest lease payments as of June 30, 2023, are as follows:

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
2023-24	\$ 7,915	\$ 7
<b>TOTAL OUTSTANDING</b>	<b>\$ 7,915</b>	<b>\$ 7</b>

**SBITA – Teachers Curriculum – MS Social Studies licensing**

On September 8, 2022, the District entered a 6-year subscription for the licensing of Middle School Social Studies curriculum materials. An initial subscription liability was recorded in the amount of \$128,351. As of June 30, 2023, the value of the subscription liability was \$83,775. The District is required to make yearly fixed payments of \$43,265. The lease has an interest rate of 2.184%. The value of the right to use asset as of June 30, 2023 was \$128,351 with accumulated amortization of \$21,392.

The remaining principal and interest lease payments as of June 30, 2023, are as follows:

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
2023-24	\$ 41,435	\$ 1,830
2024-25	42,340	925
<b>TOTAL OUTSTANDING</b>	<b>\$ 83,775</b>	<b>\$ 2,755</b>

**SBITA – KnowBe4 – Security Awareness Training**

On July 1, 2022, the District entered a 3-year subscription for security awareness training. An initial subscription liability was recorded in the amount of \$38,913. As of June 30, 2023, the value of the subscription liability was \$25,661. The District is required to make yearly fixed payments of \$13,252. The lease has an interest rate of 2.184%. The value of the right to use asset as of June 30, 2023 was \$38,913 with accumulated amortization of \$12,971.

The remaining principal and interest lease payments as of June 30, 2023, are as follows:

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
2023-24	\$ 12,692	\$ 1,830
2024-25	12,969	925
<b>TOTAL OUTSTANDING</b>	<b>\$ 25,661</b>	<b>\$ 2,754</b>

**Souderton Area School District**  
**Notes to Basic Financial Statements**  
**Fiscal Year Ended June 30, 2023**

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**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, 2023, are:

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
2023-24	\$ 935,000	\$ 10,519
<b>SUB-TOTAL</b>	935,000	<b>\$ 10,519</b>
Less: Unamortized Bond Discount	(627)	
<b>TOTAL OUTSTANDING</b>	<b>\$ 934,373</b>	

**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, 2023, are:

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
2023-24	\$ 725,000	\$ 7,975
<b>SUB-TOTAL</b>	725,000	<b>\$ 7,975</b>
Unamortized Bond Premium	1,488	
<b>TOTAL OUTSTANDING</b>	<b>\$ 726,488</b>	

**Souderton Area School District**  
**Notes to Basic Financial Statements**  
**Fiscal Year Ended June 30, 2023**

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**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, 2023, are:

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
2023-24	\$ 3,585,000	\$ 248,375
2024-25	4,060,000	86,250
<b>SUB-TOTAL</b>	7,645,000	<b>\$ 334,625</b>
Plus: Unamortized Bond Premium	160,739	
<b>TOTAL OUTSTANDING</b>	<b>\$ 7,805,739</b>	

**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, 2023 are:

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
2023-24	\$ 3,965,000	\$ 310,625
2024-25	4,230,000	105,750
<b>SUB-TOTAL</b>	8,195,000	<b>\$ 416,375</b>
Plus: Unamortized Bond Premium	293,784	
<b>TOTAL OUTSTANDING</b>	<b>\$ 8,488,784</b>	

**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.



**Souderton Area School District**  
**Notes to Basic Financial Statements**  
**Fiscal Year Ended June 30, 2023**

The outstanding debt service requirements at June 30, 2023 are:

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
2023-24	\$ 5,000	\$ 298,000
2024-25	5,000	297,900
2025-26	755,000	278,975
2026-27	795,000	240,225
2027-28	820,000	208,050
2028-33	4,515,000	648,675
2033-35	2,010,000	60,750
<b>SUB-TOTAL</b>	8,905,000	<b>\$ 2,032,575</b>
Plus: Unamortized Bond Premium	860,033	
<b>TOTAL OUTSTANDING</b>	<b>\$ 9,765,033</b>	

**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, 2023 are:

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
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
2027-28	2,910,000	1,127,300
2028-33	16,910,000	3,397,725
2033-35	7,885,000	318,500
<b>SUB-TOTAL</b>	33,100,000	<b>\$ 10,455,350</b>
Plus: Unamortized Bond Premium	2,141,047	
<b>TOTAL OUTSTANDING</b>	<b>\$ 35,241,047</b>	

**General Obligation Bonds – Series of 2023**

On February 9, 2023, the District issued \$9,865,000 of General Obligation Bonds - Series of 2023. Proceeds of the Bonds were used towards: (1) renovations and improvements to Franconia Elementary School (2) renovations and improvements 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 the school facilities and school buildings and (5) paying the costs and expenses related to the issuance of the Bonds.

**Souderton Area School District**  
**Notes to Basic Financial Statements**  
**Fiscal Year Ended June 30, 2023**

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, 2024 to September 1, 2035. The outstanding debt service requirements, using fixed interest rates ranging from 3.50 to 5.0% with total interest indebtedness of \$3,386,890.

The outstanding debt service requirements as of June 30, 2023 are:

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
2023-24	\$ -	\$ 380,282
2024-25	5,000	358,256
2025-26	425,000	347,506
2026-27	445,000	325,756
2027-28	465,000	303,006
2028-33	2,630,000	1,220,655
2033-36	5,895,000	451,429
<b>SUB-TOTAL</b>	9,865,000	<b>\$ 3,386,890</b>
Plus: Unamortized Bond Premium	134,459	
<b>TOTAL OUTSTANDING</b>	<b>\$ 9,999,459</b>	

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:

<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>
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
<b>TOTAL</b>	<b>\$ 893,700</b>	<b>\$ 100,101</b>

**Souderton Area School District**  
**Notes to Basic Financial Statements**  
**Fiscal Year Ended June 30, 2023**

**Combined General Obligation Debt**

The combined general debt obligations for subsequent years are:

**Bonds**

<b>Fiscal Year Ended June 30</b>	<b>GO Bonds - 2014</b>		<b>GO Bonds - 2015</b>		<b>GO Bonds - 2017</b>		<b>GO Bonds - 2019</b>	
	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>
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	-	-	-	-	-	-	-	-
2028	-	-	-	-	-	-	-	-
2029-2033	-	-	-	-	-	-	-	-
2034-2036	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>\$ 10,519</b>	<b>\$ 935,000</b>	<b>\$ 7,975</b>	<b>\$ 725,000</b>	<b>\$ 334,625</b>	<b>\$ 7,645,000</b>	<b>\$ 416,375</b>	<b>\$ 8,195,000</b>

**Bonds - Continued**

<b>Fiscal Year Ended June 30</b>	<b>GO Bonds - 2021</b>		<b>GO Bonds - 2022</b>		<b>GO Bonds - 2023</b>		<b>Total Bonds</b>	
	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>
2024	\$ 298,000	\$ 5,000	\$ 1,469,675	\$ 5,000	\$ 380,282	\$ -	\$ 2,725,451	\$ 9,220,000
2025	297,900	5,000	1,469,425	5,000	358,256	5,000	2,317,581	8,305,000
2026	278,975	755,000	1,403,675	2,625,000	347,506	425,000	2,030,156	3,805,000
2027	240,225	795,000	1,269,050	2,760,000	325,756	445,000	1,835,031	4,000,000
2028	208,050	820,000	1,127,300	2,910,000	303,006	465,000	1,638,356	4,195,000
2029-2033	648,675	4,515,000	3,397,725	16,910,000	1,220,655	2,630,000	5,267,055	24,055,000
2034-2036	60,750	2,010,000	318,500	7,885,000	451,429	5,895,000	830,679	15,790,000
<b>TOTAL</b>	<b>\$ 2,032,575</b>	<b>\$ 8,905,000</b>	<b>\$ 10,455,350</b>	<b>\$ 33,100,000</b>	<b>\$ 3,386,890</b>	<b>\$ 9,865,000</b>	<b>\$ 16,644,309</b>	<b>\$ 69,370,000</b>

**Souderton Area School District  
Notes to Basic Financial Statements  
Fiscal Year Ended June 30, 2023**

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***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 \$190,212, 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 \$1,896,030 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, 2023, that will use currently available financial resources is \$31,447, 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, 2023, of \$154,703, 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](http://www.psers.pa.gov).

**Souderton Area School District  
Notes to Basic Financial Statements  
Fiscal Year Ended June 30, 2023**

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**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.

Act 5 of 2017 (Act 5) introduced a hybrid benefit with two membership classes and a separate defined contribution plan for individuals who become new members on or after July 1, 2019. Act 5 created two new hybrid membership classes, Membership Class T-G (Class T-G) and Membership Class T-H (Class T-H) and the separate defined contribution membership class, Membership Class DC (Class DC). To qualify for normal retirement, Class T-G and Class T-H members must work until age 67 with a minimum of 3 years of credited service. Class T-G may also qualify for normal retirement by attaining a total combination of age and service that is equal to or greater than 97 with a minimum of 35 years of credited service.

Benefits are generally between to 1% to 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:

**Souderton Area School District  
Notes to Basic Financial Statements  
Fiscal Year Ended June 30, 2023**

<b>Member Contribution Rates</b>				
<b>Membership Class</b>	<b>Continuous Employment Since</b>	<b>Defined Benefit (DB) Contribution Rate</b>	<b>DC Contribution Rate</b>	<b>Total Contribution Rate</b>
<b>T-C</b>	Prior to July 22, 1983	5.25%	N/A	5.25%
				6.25%
<b>T-C</b>	On or after July 22, 1983	6.25%	N/A	6.25%
<b>T-D</b>	Prior to July 22, 1983	6.50%	N/A	6.50%
<b>T-D</b>	On or after July 22, 1983	7.50%	N/A	7.50%
<b>T-E</b>	On or after July 1, 2011	7.50% base rate with shared risk provision	N/A	Prior to 7/1/21: 7.50% After 7/1/21: 8.00%
<b>T-F</b>	On or after July 1, 2011	10.30% base rate with shared risk provision	N/A	Prior to 7/1/21: 10.30% After 7/1/21: 10.80%
<b>T-G</b>	On or after July 1, 2019	5.50% base rate with shared risk provision	2.75%	Prior to 7/1/21: 8.25% After 7/1/21: 9.00%
<b>T-H</b>	On or after July 1, 2019	4.50% base rate with shared risk provision	3.00%	Prior to 7/1/21: 7.50% After 7/1/21: 8.25%
<b>DC</b>	On or after July 1, 2019	N/A	7.50%	7.50%

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

**Employer Contributions:**

The school districts' contractually required contribution rate for the fiscal year ended June 30, 2023 was 34.31% 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 \$20,250,806 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$171,854,703 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2021 to June 30, 2022. The 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, 2023, the District's proportion was 0.3910 percent, which was a decrease of 0.0092 percent from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the District recognized pension expense of \$11,895,149. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**Souderton Area School District**  
**Notes to Basic Financial Statements**  
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<b>Sources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between Proportionate Share vs Actual		
Paid Separately Finance Liabilities	\$ -	\$ 2,072
Changes in Assumptions	5,191,000	-
Net difference between projected and actual contributions made	-	227,386
Net difference between projected and actual earnings on pension plan investments	-	2,949,000
Difference between expected and actual experience	-	1,425,000
Changes in proportion of the Net Pension Liability	-	464,000
District contributions subsequent to the measurement date	20,250,806	-
Total	<u>\$ 25,441,806</u>	<u>\$ 5,067,458</u>

\$20,250,806 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	<b><u>Amount</u></b>
2023	\$ 968,000
2024	782,216
2025	(5,660,129)
2026	4,059,478
Thereafter	(26,023)
Total	<u>\$ 123,542</u>

***Changes in Actuarial Assumptions***

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

- Valuation Date - June 30, 2021
- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 7.00%, includes inflation at 2.75%.
- 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.

**Souderton Area School District**  
**Notes to Basic Financial Statements**  
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- The discount rate used to measure the Total Pension Liability was 7.00% as of June 30, 2021 and as of June 30, 2022.
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
  - Salary growth rate - decreased from 5.00% to 4.50%.
  - Real wage growth and merit or seniority increases (components for salary growth) - decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
  - Mortality rates - Previously based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of 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, 2022 valuation were based on the results of an actuarial experience study that was performed for the five year 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, 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.

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

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2022.



**Souderton Area School District  
Notes to Basic Financial Statements  
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**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:

	<b>1% Decrease 6.00%</b>	<b>Current Discount Rate 7.00%</b>	<b>1% Increase 8.00%</b>
District's proportionate share of the net pension liability	\$ 224,842,000	\$ 173,834,000	\$ 130,827,000

**Pension Plan Fiduciary Net Position**

Detailed information about PSERS' fiduciary net position is available in PSERS Annual Comprehensive Financial Report which can be found on the System's website at [www.psers.pa.gov](http://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, 2023, the School District recognized revenue of \$10,365,109 as reimbursement from the State for its current year pension payments

**Payables to the Pension Plan**

As of June 30, 2023, the School District had \$7,167,838 included in accrued wages liability, of which \$7,074,468 is for the contractually required contribution for the second quarter of 2023 and \$93,370 is related to the accrued payroll liability for wages incurred as of June 30, 2023.

***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.

**Souderton Area School District**  
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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 \$49,601 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$612,271 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022.

For the year ended June 30, 2023, the District recognized pension expense of \$71,584. The following table reflects the changes to the pension obligation during the year:

	<b><u>2022-23</u></b>
<b>Total Defined Contribution Pension Liability - beginning</b>	<b>\$ 576,254</b>
Service Cost	38,967
Interest	13,741
Changes in Benefit Terms	-
Difference between expected and actual experience	140,767
Changes in assumptions	(134,329)
Benefit payments	<u>(23,129)</u>
Net change in total Pension Liability	<u>36,017</u>
<b>Total Defined Contribution Pension Liability - ending</b>	<b><u>\$ 612,271</u></b>
Interest Rate	4.06%
Plan Members	43
Covered Payroll	\$ 5,253,458

**Actuarial Assumptions**

The total pension liability as of June 30, 2023 was determined by the actuarial valuation on July 1, 2022, 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 – 4.06%.

**Souderton Area School District**  
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The actuarial assumptions used in the July 1, 2022 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.

*Schedule on Defined Contribution Pension Deferred Outflows/Inflows*

<b>Sources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes in Assumptions	\$ -	\$ 116,764
Net difference between projected and actual investment earnings	-	-
Difference between expected and actual experience	229,973	-
Changes in proportion of the net defined contribution pension liability	-	-
District contributions subsequent to the measurement date	49,601	-
<b>Total</b>	<b>\$ 279,574</b>	<b>\$ 116,764</b>

*Funded Status and Funding Process*

The funded status of the benefits as of June 30, 2023, was as follows:

	<b>Retirement Incentive Benefit Governmental Activity</b>
Actuarial accrued liability (a)	\$ 612,271
Actuarial value of plan assets (b)	-
Unfunded actuarial accrued liability (a) - (b)	<u>\$ 612,271</u>
Funded Ratio (b) / (a)	0.0%
Covered payroll	\$ 5,253,458
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll.	11.7%

*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 off 4.06%, 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 (3.06%) or 1-percentage point higher (5.06%) than the current rate, using the net defined contribution liability reported by the actuary before adjusting for differences on projected vs actual contributions made.

**Souderton Area School District  
Notes to Basic Financial Statements  
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	<b>1% Decrease 3.06%</b>	<b>Current Discount Rate 4.06%</b>	<b>1% Increase 5.06%</b>
District's proportionate share of the net OPEB Pension liability	\$ 639,218	\$ 612,271	\$ 585,012

***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, 2022 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

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

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

**Souderton Area School District**  
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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](http://www.psers.pa.gov).

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program.

Contributions

Employer Contributions:

The school districts' contractually required contribution rate for the fiscal year ended June 30, 2023 was 0.75% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$442,673 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$7,210,428 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2021 to June 30, 2022. The 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, 2023, the District's proportion was 0.3912 percent, which was a decrease of 0.0095 percent from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the District recognized OPEB expense of \$232,403. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**Souderton Area School District**  
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<u>Sources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Proportionate Share vs Actual		
Paid Separately Finance Liabilities	\$ 1,043	\$ -
Changes in Assumptions	-	901,000
Net difference between projected and actual contributions made	-	1,551
Net difference between projected and actual investment earnings	20,000	-
Difference between expected and actual experience	27,000	-
Changes in proportion of the Net OPEB Liability	19,000	-
District contributions subsequent to the measurement date	<u>442,673</u>	<u>-</u>
Total	<u>\$ 509,716</u>	<u>\$ 902,551</u>

\$442,673 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year ended June 30:</b>	<b><u>Amount</u></b>
2023	\$ (160,000)
2024	(113,601)
2025	(165,748)
2026	(181,089)
2027	(214,314)
Thereafter	<u>(756)</u>
Total	<u>\$ (835,508)</u>

***Actuarial Assumptions***

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

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 4.09% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.

**Souderton Area School District  
Notes to Basic Financial Statements  
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- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- Participation rate:
  - Eligible retirees will elect to participate Pre age 65 at 50%
  - Eligible retirees will elect to participate Post age 65 at 70%

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

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2020 determined the employer contribution rate for fiscal year 2022.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: The actual data for retirees benefiting under the Plan as of June 30, 2021 was used in lieu of the 63% utilization assumption for eligible retirees.
- 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.

<b>OPEB - Asset Class</b>	<b>Long-Term</b>	
	<b>Target Allocation</b>	<b>Expected Real Rate of Return</b>
Cash	100.0%	0.5%
	100%	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2022.

**Discount Rate**

The discount rate used to measure the Total OPEB Liability was 4.09%. Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish

**Souderton Area School District**  
**Notes to Basic Financial Statements**  
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reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 4.09% which represents the S&P 20-year Municipal Bond Rate at June 30, 2022, was applied to all projected benefit payments to measure the total OPEB liability.

**Sensitivity of the 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, 2022, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2022, 93,293 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2022, 582 members were receiving less than 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, 2022, 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:

	<b>1% Decrease</b>	<b>Current Trend Rate</b>	<b>1% Increase</b>
System net OPEB liability	\$ 7,200,000	\$ 7,201,000	\$ 7,202,000

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

	<b>1% Decrease 3.09%</b>	<b>Current Discount Rate 4.09%</b>	<b>1% Increase 5.09%</b>
District's proportionate share of the net OPEB liability	\$ 8,144,000	\$ 7,201,000	\$ 6,412,000

**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](http://www.psers.pa.gov).



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**Payables to the Multiple Employer OPEB Plan**

As of June 30, 2023, the School District had \$155,777 included in accrued wages liability, of which \$153,748 is for the contractually required contribution for the second quarter of 2023 and \$2,029 is related to the accrued payroll liability for wages incurred as of June 30, 2023.

**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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<b>Summary of Plan Provisions</b>			
<b>Group</b>	<b>Eligibility</b>	<b>Coverage and Premium Sharing</b>	<b>Duration</b>
<b><u>I. ADMINISTRATORS</u></b>			
A) Former Superintendents	N/A – Already retired	<ul style="list-style-type: none"> <li>Coverage: Medical, Prescription Drug, Dental, Vision and Life Insurance.</li> <li>Premium Sharing: District pays 100% of the 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.</li> <li>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.</li> </ul>	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"> <li>Coverage: Medical, Prescription Drug, Dental, Vision and Life Insurance.</li> <li>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.</li> </ul> <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"> <li>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.</li> </ul>	<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>

**Souderton Area School District  
Notes to Basic Financial Statements  
Fiscal Year Ended June 30, 2023**

C) All other Administrators	Same as IB	<ul style="list-style-type: none"> <li>Coverage: Medical, Prescription Drug, and Life Insurance.</li> <li>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.</li> <li>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.</li> </ul>	<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"> <li>Coverage: Medical, Prescription Drug, Dental, Vision and Life Insurance</li> <li>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 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% 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.</li> <li>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.</li> </ul>	<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>
<b><u>II. All Other Employees</u></b>	Same as IB	<ul style="list-style-type: none"> <li>Coverage: Medical, Prescription Drug, and Life Insurance</li> <li>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.</li> <li>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.</li> </ul>	<p>Member is covered until age 65</p> <p>Spouse is covered until age 65</p>

**Souderton Area School District  
Notes to Basic Financial Statements  
Fiscal Year Ended June 30, 2023**

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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%

**Souderton Area School District**  
**Notes to Basic Financial Statements**  
**Fiscal Year Ended June 30, 2023**

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Employees Covered by Benefit Terms

At June 30, 2023, the following employees were covered by the benefit terms:

Active Participants	756
Vested Former Participants	0
Retired Participants	<u>79</u>
Total	835

Total OPEB Liability

The School's total OPEB liability under this single employer plan of \$4,257,837, was measured as of June 30, 2023, and was determined by an actuarial valuation as of July 1, 2022.

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:

<b>Single Employer OPEB Healthcare Benefit</b>	
Actuarial Valuation Date	7/1/2022
Actuarial Cost Method	Entry Age Normal
Interest Rate	4.06%
Projected salary increases	4.00% to 6.75%
Healthcare inflation rate	6.5% in 2022, 6.0% in 2023, 5.5% in 2024-2025. Rates gradually decrease from 5.4% in 2026 to 3.9% 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, 2022.	

**Souderton Area School District**  
**Notes to Basic Financial Statements**  
**Fiscal Year Ended June 30, 2023**

Mortality rates are assumed pre-retirement and post-retirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into the tables are rates projected generationally using Scale MP-2021 to reflect mortality improvement.

*Changes in the Total OPEB Liability*

	<u><b>2022-23</b></u>
<b>Total OPEB Liability</b>	
Service Cost	\$ 352,549
Interest	130,490
Changes in Benefit Terms	-
Difference between expected and actual experience	(130,883)
Changes in assumptions	(1,363,628)
Benefit payments	<u>(221,213)</u>
Net change in total OPEB Liability	(1,232,685)
Total OPEB Liability - beginning	<u>5,490,522</u>
<b>Total OPEB Liability - ending</b>	<u><u>\$ 4,257,837</u></u>
 Covered employee payroll	 <u><u>\$ 54,787,432</u></u>

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

For the year ended June 30, 2023, the School recognized OPEB expense of \$264,653. At June 30, 2023, the School reported deferred outflows of resource and deferred inflows of resources related to this single employer OPEB plan from the following sources:

<u><b>Sources</b></u>	<u><b>Deferred Outflows of Resources</b></u>	<u><b>Deferred Inflows of Resources</b></u>
Changes in Assumptions	\$ -	\$ 1,050,282
Net difference between projected and actual investment earnings	-	-
Difference between expected and actual experience	-	1,046,695
Changes in proportion of the Net OPEB Liability	-	-
District contributions subsequent to the measurement date	<u>148,664</u>	<u>-</u>
Total	<u><u>\$ 148,664</u></u>	<u><u>\$ 2,096,977</u></u>

**Souderton Area School District**  
**Notes to Basic Financial Statements**  
**Fiscal Year Ended June 30, 2023**

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:

<b>Year ended June 30:</b>	<b><u>Amount</u></b>
2024	\$ (218,386)
2025	(218,386)
2026	(218,386)
2027	(218,386)
2028	(218,386)
Thereafter	<u>(1,005,047)</u>
Total	<u>\$ (2,096,977)</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 (3.06%) or 1-percentage point higher (5.06%) than the current discount rate:

	<b><u>1% Decrease</u></b> <b><u>3.06%</u></b>	<b><u>Current</u></b> <b><u>Discount Rate</u></b> <b><u>4.06%</u></b>	<b><u>1% Increase</u></b> <b><u>5.06%</u></b>
District's proportionate share of the net OPEB liability	\$ 4,620,550	\$ 4,257,837	\$ 3,917,916

**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:

	<b><u>1% Decrease</u></b>	<b><u>Current</u></b> <b><u>Trend Rate</u></b>	<b><u>1% Increase</u></b>
System net OPEB liability	\$ 3,772,469	\$ 4,257,837	\$ 4,828,973

**Souderton Area School District**  
**Notes to Basic Financial Statements**  
**Fiscal Year Ended June 30, 2023**

**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 &amp; 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>
RECONCILIATION OF NET CHANGE	CURRENT YR	CURRENT YR	CURRENT YR	CURRENT YR	CURRENT YR
IN DEFERRED OUTFLOWS/INFLOWS	BALANCE	BALANCE	BALANCE	BALANCE	BALANCE
Change in Proportion	\$ (477,597)	\$ -	\$ -	\$ 17,722	\$ (459,875)
Current Year Contributions	20,066,466	49,601	147,942	438,643	20,702,652
Change in Assumption	5,115,899	(116,764)	(1,049,153)	(895,208)	3,054,774
Diff in Projected Vs Actual Contributions	(224,769)	-	-	(1,544)	(226,313)
Difference in Investment Earnings	(2,866,227)	-	-	19,705	(2,846,522)
Diff. between Expected vs Actual Experience	(1,394,162)	229,973	(1,084,193)	26,246	(2,222,136)
Diff. between Prop. Share vs Actual POS	(2,072)	-	-	1,043	(1,029)
<b>Net Pension Liability</b>	<b>\$ 169,029,443</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 169,029,443</b>
<b>Net Defined Contribution Pension Liability</b>	<b>\$ -</b>	<b>\$ 612,271</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 612,271</b>
<b>Net OPEB Liability</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,245,731</b>	<b>\$ 7,085,481</b>	<b>\$ 11,331,212</b>
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 &amp; 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>
RECONCILIATION OF NET CHANGE	CURRENT YR	CURRENT YR	CURRENT YR	CURRENT YR	CURRENT YR
IN DEFERRED OUTFLOWS/INFLOWS	BALANCE	BALANCE	BALANCE	BALANCE	BALANCE
Change in Proportion	\$ 13,597	\$ -	\$ -	\$ 1,278	\$ 14,875
Current Year Contributions	184,340	-	722	4,030	189,092
Change in Assumption	75,101	-	(1,129)	(5,792)	68,180
Diff in Projected Vs Actual Contributions	(2,617)	-	-	(7)	(2,624)
Difference in Investment Earnings	(82,773)	-	-	295	(82,478)
Diff. between Expected vs Actual Experience	(30,838)	-	37,498	754	7,414
Diff. between Prop. Share vs Actual POS	-	-	-	-	-
<b>Net Pension Liability</b>	<b>\$ 2,825,260</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,825,260</b>
<b>Net Defined Contribution Pension Liability</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net OPEB Liability</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 12,106</b>	<b>\$ 124,947</b>	<b>\$ 137,053</b>

STATEMENT OF NET POSITION	
<i>Governmental &amp; Business-Type Activities</i>	<i>Total</i>
	<u>DR OR (CR)</u>
RECONCILIATION OF NET CHANGE	CURRENT YR
IN DEFERRED OUTFLOWS/INFLOWS	BALANCE
Change in Proportion	\$ (445,000)
Current Year Contributions	20,891,744
Change in Assumption	3,122,954
Diff in Projected Vs Actual Contributions	(228,937)
Difference in Investment Earnings	(2,929,000)
Diff. between Expected vs Actual Experience	(2,214,722)
Diff. between Prop. Share vs Actual POS	(1,029)
<b>Net Pension Liability</b>	<b>\$ 171,854,703</b>
<b>Net Defined Contribution Pension Liability</b>	<b>\$ 612,271</b>
<b>Net OPEB Liability</b>	<b>\$ 11,468,265</b>

RECONCILIATION TO FINANCIAL STATEMENTS		
	<i>Governmental Activities</i>	<i>Business-Type Activities</i>
<i>Pension - Pension and Defined Contribution Plans</i>		
Net Pension Liability	\$ 169,029,443	\$ 2,825,260
Net Defined Contribution Pension Liability	612,271	-
Deferred Outflow Related to Pension	(25,461,939)	(273,038)
Deferred Inflows Related to Pension	5,081,591	116,228
<b>Total liab. Net deferred inflows/outflows</b>	<b>\$ 149,261,366</b>	<b>\$ 2,668,450</b>
<i>OPEB - Single &amp; Multiple Employer Plans</i>		
Net OPEB Liability	\$ 11,331,212	\$ 137,053
Deferred Outflows Related to OPEB	(651,301)	(44,577)
Deferred Inflows Related to OPEB	3,030,098	6,928
<b>Total liab. Net deferred inflows/outflows</b>	<b>\$ 13,710,009</b>	<b>\$ 99,404</b>



**Souderton Area School District**  
**Notes to Basic Financial Statements**  
**Fiscal Year Ended June 30, 2023**

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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, 2023, 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, 2023, 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 has \$212,150 in prepaid expenditures.

*Restricted Fund Balance*

The Capital Projects Funds' have \$25,596,699 of restrictions on the use of resources.

The Capital Reserve Fund's \$1,714,989 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 \$370,410 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 \$1,962,218 assigned to balance the 2023-24 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 \$132,029,860. The business-type activities column reflects \$443,790 invested in capital assets with no related debt. The governmental activities have \$1,713,369 restricted for future capital projects.

**Souderton Area School District  
Notes to Basic Financial Statements  
Fiscal Year Ended June 30, 2023**

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**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, 2023.

*Litigation*

In accordance with management, there are no legal matters that could materially affect the financial position of the District as of June 30, 2023.

**Note 10 – New Accounting Pronouncements**

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

- 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, 2023**

	<u>2022-23</u>	<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)	0.3910%	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)	\$ 173,834,000	\$ 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	59,023,044	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	294.52%	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	61.34%	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, 2023**

	<u>2022-23</u>	<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>
Contractually required contribution	\$ 20,250,806	\$ 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
Contributions in relation to the contractually required contribution	<u>20,250,806</u>	<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>
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	\$ 59,023,044	\$ 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
Contributions as a percentage of covered employee payroll	34.31%	34.14%	33.69%	33.45%	32.60%	31.74%	29.20%	25.00%	20.50%	16.00%

**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, 2023**

	<u>2022-23</u>	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>
<b>Total Defined Contribution Pension Liability - beginning</b>	<u>\$ 576,254</u>	<u>\$ 625,609</u>	<u>\$ 521,804</u>	<u>\$ 538,707</u>	<u>\$ 785,941</u>	<u>\$ 877,192</u>
Service Cost	38,967	38,688	32,889	33,008	53,464	58,343
Interest	13,741	11,451	17,423	16,117	24,773	21,811
Changes in Benefit Terms	-	-	23,415	-	(240,884)	-
Difference between expected and actual experience	140,767	-	60,928	-	296	-
Changes in assumptions	(134,329)	(9,630)	35,903	(9,041)	3,608	(61,374)
Benefit payments	<u>(23,129)</u>	<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>36,017</u>	<u>(49,355)</u>	<u>103,805</u>	<u>(16,903)</u>	<u>(247,234)</u>	<u>(91,251)</u>
<b>Total Defined Contribution Pension Liability - ending</b>	<u>\$ 612,271</u>	<u>\$ 576,254</u>	<u>\$ 625,609</u>	<u>\$ 521,804</u>	<u>\$ 538,707</u>	<u>\$ 785,941</u>
Interest Rate	4.06%	2.28%	1.86%	3.36%	2.98%	3.13%
Plan Members	43	40	40	39	39	41
Covered Payroll	\$ 5,253,458	\$ 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, 2023**

	<u><b>2022-23</b></u>	<u><b>2021-22</b></u>	<u><b>2020-21</b></u>	<u><b>2019-20</b></u>	<u><b>2018-19</b></u>	<u><b>2017-18</b></u>
District's proportionate share of the net defined contribution pension liability (asset)	\$ 612,271	\$ 576,254	\$ 625,609	\$ 521,804	\$ 538,707	\$ 785,941
District's covered employee payroll	\$ 5,253,458	\$ 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	11.65%	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, 2023**

	<u>2022-23</u>	<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	0.3912%	0.4007%	0.3896%	0.3884%	0.3939%	0.3871%	0.3823%
District's proportionate share of the net OPEB liability (asset)	\$ 7,201,000	\$ 9,496,000	\$ 8,418,000	\$ 8,261,000	\$ 8,213,000	\$ 7,887,000	\$ 8,235,000
District's covered-employee payroll	57,522,883	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	12.52%	16.72%	14.77%	15.15%	15.34%	14.94%	15.96%
Plan fiduciary net position as a percentage of the total OPEB liability	6.86%	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, 2023**

	<u>2022-23</u>	<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>
Contractually required contribution	\$ 442,673	\$ 459,239	\$ 467,306	\$ 458,016	\$ 444,396	\$ 438,212	\$ 428,226	\$ 414,787	\$ 435,143	\$ 430,549
Contributions in relation to the contractually required contribution	<u>442,673</u>	<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>
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	\$ 59,023,044	\$ 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
Contributions as a percentage of covered employee payroll	0.75%	0.80%	0.82%	0.84%	0.83%	0.83%	0.83%	0.84%	0.90%	0.93%

**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, 2023**

	<u>2022-23</u>	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>
<b>Total OPEB Liability</b>						
Service Cost	\$ 352,549	\$ 356,391	\$ 290,785	\$ 295,502	\$ 400,739	\$ 398,956
Interest	130,490	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	(130,883)	-	(651,900)	-	(750,504)	-
Changes in assumptions	(1,363,628)	(187,349)	652,453	(183,011)	(103,011)	97,193
Benefit payments	<u>(221,213)</u>	<u>(211,411)</u>	<u>(232,671)</u>	<u>(208,422)</u>	<u>(249,203)</u>	<u>(230,360)</u>
Net change in total OPEB Liability	(1,232,685)	63,080	79,612	66,882	(1,497,414)	430,673
Total OPEB Liability - beginning	<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>	<u>6,347,689</u>
<b>Total OPEB Liability - ending</b>	<b><u>\$ 4,257,837</u></b>	<b><u>\$ 5,490,522</u></b>	<b><u>\$ 5,427,442</u></b>	<b><u>\$ 5,347,830</u></b>	<b><u>\$ 5,280,948</u></b>	<b><u>\$ 6,778,362</u></b>
 Covered employee payroll	 <u>\$ 54,787,432</u>	 <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	 7.77%	 11.05%	 10.92%	 10.61%	 10.48%	 14.25%

**Souderton Area School District  
Notes to Required Supplementary Information  
Fiscal Year Ended June 30, 2023**

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**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, 2021
- Actuarial cost method -- Entry Age Normal -- level % of pay.
- Investment return -- 7.00% includes inflation at 2.75%.
- 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 was 7.0% as of June 30, 2021 and as of June 30, 2022.
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
  - Salary growth rate - decreased from 5.00% to 4.50%.
  - Real wage growth and merit or seniority increases (components for salary growth) - decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
  - Mortality rates - previously based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of 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 2.18% as of June 30, 2021 to 4.09% as of June 30, 2022.

**Souderton Area School District  
Notes to Required Supplementary Information  
Fiscal Year Ended June 30, 2023**

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**Methods and Assumptions used in Calculations of Actuarially Determined Contributions**

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 – 4.09% - 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, 2020 determined the employer contribution rate for fiscal year 2022.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- 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 2.28% to 4.06%. The trend assumption was updated. Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

**Souderton Area School District**  
**Notes to Required Supplementary Information**  
**Fiscal Year Ended June 30, 2023**

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*Methods and Assumptions Used in Calculations of Actuarially Determined Contributions*

- Actuarial Cost Method – Entry Age Normal
- Salary Increases – 4.00% to 6.25%
- Healthcare cost trend rate – 6.5% in 2022, 6.0% in 2023 and 5.5% in 2024-25. Rates gradually decrease from 5.4% in 2026 to 3.9% in 2075 based on the Society of Actuaries Long-Run Medical Cost Trend Model
- Asset Valuation Method – Pay as you go basis
- Discount Rate – The rate of 4.06% is based on S&P Municipal Bond 20-year high grade rate index at July 1, 2022.

## **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, 2023**

	<b>CAPITAL RESERVE FUND</b>	<b>2021 CONSTRUCTION BOND FUND</b>	<b>2022 CONSTRUCTION BOND FUND</b>	<b>2023 CONSTRUCTION BOND FUND</b>	<b>TOTAL CAPITAL PROJECT FUNDS</b>
<b><u>ASSETS</u></b>					
Cash and cash equivalents	\$ 1,714,989	\$ 1,669	\$ 17,786,251	\$ 9,994,399	\$ 29,497,308
Restricted Cash	-	7,742	-	-	7,742
Due from other funds	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 1,714,989</b>	<b>\$ 9,411</b>	<b>\$ 17,786,251</b>	<b>\$ 9,994,399</b>	<b>\$ 29,505,050</b>
<b><u>LIABILITIES</u></b>					
Accounts Payable	\$ 1,620	\$ -	\$ 2,193,362	\$ -	\$ 2,194,982
<b>TOTAL LIABILITIES</b>	<b>1,620</b>	<b>-</b>	<b>2,193,362</b>	<b>-</b>	<b>2,194,982</b>
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<b>FUND BALANCES:</b>					
Restricted Fund Balance	1,713,369	9,411	15,592,889	9,994,399	27,310,068
<b>TOTAL FUND BALANCES</b>	<b>1,713,369</b>	<b>9,411</b>	<b>15,592,889</b>	<b>9,994,399</b>	<b>27,310,068</b>
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<b>\$ 1,714,989</b>	<b>\$ 9,411</b>	<b>\$ 17,786,251</b>	<b>\$ 9,994,399</b>	<b>\$ 29,505,050</b>

**Souderton Area School District**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**All Capital Project Funds**  
**For the Year Ended June 30, 2023**

	<b>CAPITAL RESERVE FUND</b>	<b>2021 CAPITAL PROJECTS FUND</b>	<b>2022 CAPITAL PROJECTS FUND</b>	<b>2023 CAPITAL PROJECTS FUND</b>	<b>TOTAL CAPITAL PROJECT FUNDS</b>
<b>REVENUES</b>					
Local Sources	\$ 68,118	\$ 17,678	\$ 1,119,455	\$ 191,849	\$ 1,397,100
<b>TOTAL REVENUES</b>	<u>68,118</u>	<u>17,678</u>	<u>1,119,455</u>	<u>191,849</u>	<u>1,397,100</u>
	-----	-----	-----	-----	-----
<b>EXPENDITURES</b>					
Support Services	60,661	15,184	30,768	196,909	303,522
Capital Outlay	<u>109,018</u>	<u>2,773,812</u>	<u>20,520,784</u>	<u>-</u>	<u>23,403,614</u>
<b>TOTAL EXPENDITURES</b>	<u>169,679</u>	<u>2,788,996</u>	<u>20,551,552</u>	<u>196,909</u>	<u>23,707,136</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(101,561)</u>	<u>(2,771,318)</u>	<u>(19,432,097)</u>	<u>(5,060)</u>	<u>(22,310,036)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds of long-term capital-related debt	-	-	-	9,865,000	9,865,000
Bond Premium	-	-	-	134,459	134,459
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES AND USES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,999,459</u>	<u>9,999,459</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(101,561)</u>	<u>(2,771,318)</u>	<u>(19,432,097)</u>	<u>9,994,399</u>	<u>(12,310,577)</u>
<b>FUND BALANCES - BEGINNING</b>	<u>1,814,930</u>	<u>2,780,729</u>	<u>35,024,986</u>	<u>-</u>	<u>39,620,645</u>
<b>FUND BALANCES - ENDING</b>	<u><b>\$ 1,713,369</b></u>	<u><b>\$ 9,411</b></u>	<u><b>\$ 15,592,889</b></u>	<u><b>\$ 9,994,399</b></u>	<u><b>\$ 27,310,068</b></u>



**Souderton Area School District  
General Fund  
Schedule on Tax Collectors' Receipts  
For the Year Ended June 30, 2023**

	<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>
<b><u>Current Real Estate Taxes</u></b>							
Assessed Value	\$ 866,642,387	\$ 1,144,130,114	\$ 211,137,790	\$ 290,501,060	\$ 204,436,390	\$ 220,223,914	\$ 2,937,071,655
Millage Rate	<u>0.03144</u>	<u>0.03144</u>	<u>0.03144</u>	<u>0.03144</u>	<u>0.03144</u>	<u>0.03144</u>	<u>0.03144</u>
Total Tax to be Collected	27,247,237	35,971,451	6,638,171	9,133,353	6,427,480	6,923,840	92,341,532
Less: Act 1 Deduction	<u>896,072</u>	<u>938,846</u>	<u>213,057</u>	<u>317,063</u>	<u>237,347</u>	<u>223,590</u>	<u>2,825,975</u>
Total Taxable Duplicate	26,351,165	35,032,605	6,425,114	8,816,290	6,190,133	6,700,250	89,515,557
Plus - Additions	36,148	40,540	9,409	2,856	31,322	5,292	125,567
Penalties	<u>25,998</u>	<u>34,994</u>	<u>9,437</u>	<u>12,021</u>	<u>6,913</u>	<u>4,918</u>	<u>94,281</u>
Total Taxes to be Collected	26,413,311	35,108,139	6,443,960	8,831,167	6,228,368	6,710,460	89,735,405
Less - Discounts	485,969	642,535	117,741	161,392	113,675	120,967	1,642,279
Reductions	8	652	2,400	732	3	-	3,795
Exonerations/Exemptions	-	-	-	-	-	-	-
Deletions	-	33,151	6,724	-	3,828	-	43,703
Refunds	-	-	-	-	-	-	117,861
Returned to County	168,482	199,894	52,665	115,528	36,388	49,519	622,476
Outstanding	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,808</u>	<u>-</u>	<u>4,592</u>	<u>7,400</u>
<b>Net Current Real Estate Taxes Collected</b>	<u>\$ 25,758,852</u>	<u>\$ 34,231,907</u>	<u>\$ 6,264,430</u>	<u>\$ 8,550,707</u>	<u>\$ 6,074,474</u>	<u>\$ 6,535,382</u>	<u>\$ 87,297,891</u>
<b>Current Interim Real Estate Taxes Collected</b>	<u>\$ 60,435</u>	<u>\$ 479,197</u>	<u>\$ 4,188</u>	<u>\$ 2,414</u>	<u>\$ 7,426</u>	<u>\$ 7,757</u>	<u>\$ 561,417</u>
<b><u>Current Per Capita Taxes</u></b>							
No. of Persons Assessed	9,605	10,868	2,162	5,113	3,481	2,024	33,253
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	96,050	108,680	21,620	51,130	34,810	20,240	332,530
Plus - Additions	-	-	-	10	30	30	70
Penalties	<u>118</u>	<u>169</u>	<u>37</u>	<u>143</u>	<u>70</u>	<u>49</u>	<u>586</u>
<b>Taxes to be Collected</b>	96,168	108,849	21,657	51,283	34,910	20,319	333,186
Less - Discounts	1,644	1,744	360	632	492	347	5,219
Exonerations	2,360	1,350	-	1,010	969	140	5,829
Refunds	-	-	-	-	-	-	-
Deletions	-	2,460	350	2,000	1,780	-	6,590
Returned to Delinquent Collector	4,990	10,360	1,470	11,460	5,290	400	33,970
Reductions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Current Per Capita Taxes Collected</b>	<u>\$ 87,174</u>	<u>\$ 92,935</u>	<u>\$ 19,477</u>	<u>\$ 36,181</u>	<u>\$ 26,379</u>	<u>\$ 19,432</u>	<u>\$ 281,578</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, 2023**

<b>6000 - Revenue from Local Sources</b>		<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
6111	Current Real Estate Taxes	\$ 86,837,334	\$ 87,297,891	\$ 460,557
6112	Interim Real Estate Taxes	636,105	561,417	(74,688)
6113	Public Utility Realty Tax	90,000	93,571	3,571
6114	Payment in Lieu of Taxes	340,000	350,499	10,499
6120	Current Per Capita Taxes - 511	141,700	140,789	(911)
6141	Current Per Capita Taxes - 679	141,700	140,789	(911)
6151	Earned Income Tax	9,000,000	10,144,361	1,144,361
6153	Real Estate Transfer Tax	1,700,000	1,716,847	16,847
6411	Delinquent Real Estate Taxes	931,000	948,676	17,676
6420	Delinquent Per Capita Taxes - 511	9,500	13,356	3,856
6441	Delinquent Per Capita Taxes - 679	9,500	13,356	3,856
6510	Interest	400,000	1,614,081	1,214,081
6710	Admissions	55,700	79,179	23,479
6740	Fees	592,200	504,394	(87,806)
6750	Student Activity - Special Events	-	1,322	1,322
6790	Other Student Activity Income	4,000	7,760	3,760
6832	I/U Services - Federal IDEA	1,242,400	1,237,713	(4,687)
6837	Federal COVID Related Revenue Received as Pass Through	-	200	200
6910	Rentals	130,000	151,466	21,466
6920	Contributions	112,081	39,284	(72,797)
6942	Summer School Tuition	-	110	110
6943	Adult Education Tuition	95,000	84,977	(10,023)
6944	Receipts from Other LEA's - Education	200,000	19,900	(180,100)
6945	Receipts From Out-of-State LEAs	2,500	-	(2,500)
6961	Transportation Services provided to other LEAs	40,000	18,277	(21,723)
6962	Other Services Provided Other PA LEAs	50,000	42,476	(7,524)
6969	All Other Services Provided Other Governments	25,000	-	(25,000)
6980	Revenue from Community Services	515,500	556,454	40,954
6990	Miscellaneous	538,729	286,345	(252,384)
6991	Refunds of Prior Yr. Expenditures	20,000	7,549	(12,451)
6992	Energy Efficiency Revenues	40,000	41,644	1,644
6999	Other Revenues Not Specified Above	100,000	36,823	(63,177)
<b>TOTAL REVENUE FROM LOCAL SOURCES</b>		<b>103,999,949</b>	<b>106,151,506</b>	<b>2,151,557</b>
<b>7000 - Revenue from State Sources</b>				
7111	Basic Education - Formula	10,937,309	10,943,080	5,771
7112	Basic Education - Social Security	2,222,926	2,091,257	(131,669)
7160	Orphan Tuition	250,000	158,224	(91,776)
7250	Migratory Children	-	40	40
7271	Special Education	3,657,063	3,682,432	25,369
7311	Transportation (Regular and Additional)	1,928,550	1,998,963	70,413
7312	Transportation (Nonpublic and Charter School)	338,800	289,135	(49,665)
7320	Rentals	799,368	777,950	(21,418)
7330	Health Services	124,000	120,304	(3,696)
7340	State Property Tax Reduction Allocation	2,818,508	2,818,508	-
7505	Ready to Learn Grant	524,477	524,477	-
7599	Other State Revenues	-	625	625
7820	Retirement Revenue	10,444,430	10,270,814	(173,616)
<b>TOTAL REVENUE FROM STATE SOURCES</b>		<b>34,045,431</b>	<b>33,675,809</b>	<b>(369,622)</b>

**Souderton Area School District**  
**General Fund - Budget vs Actual**  
**Statement of Revenue, Expenditures, and Changes in Fund Balance**  
**For the Year Ended June 30, 2023**

<b>8000 - Revenue from Federal Sources</b>		<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
8514	Title I	370,992	370,992	-
8515	Title II	115,975	116,309	334
8516	Title III	66,634	102,757	36,123
8517	Title IV	32,624	34,247	1,623
8744	ARP ESSER III	1,076,182	1,064,590	(11,592)
8751	ARP ESSER Learning Loss	-	145,473	145,473
8752	ARP ESSER Summer Programs	-	12,748	12,748
8753	ARP ESSER Afterschool Programs	-	18,183	18,183
8810	Medical Assistance Reimbursements (Access)	250,000	249,000	(1,000)
8820	Medical Assistance Reimbursement for Health-Related	5,000	4,784	(216)
<b>TOTAL REVENUE FROM FEDERAL SOURCES</b>		<b>1,917,407</b>	<b>2,119,083</b>	<b>201,676</b>
<b>9000 - Other Financing Sources</b>				
9220	Lease Proceeds	-	167,264	167,264
9400	Sale of or Compensation for Loss of Fixed Assets	2,500	-	(2,500)
<b>TOTAL REVENUE FROM OTHER FINANCING SOURCES</b>		<b>2,500</b>	<b>167,264</b>	<b>164,764</b>
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>		<b>\$ 139,965,287</b>	<b>\$ 142,113,662</b>	<b>\$ 2,148,375</b>
<b>1000 - Instruction</b>				
1110	Regular Programs - Elem./Secondary	57,116,325	57,130,846	(14,521)
1190	Federally Funded Regular Programs	596,877	596,877	-
1210	Life Skills Support	515,140	1,209,566	(694,426)
1211	Life Skills Support - Public	1,477,640	1,476,727	913
1221	Deaf or Hearing Impaired Support	1,604	1,504	100
1224	Blind or Visually Impaired Support	955	954	1
1225	Speech & Language Impaired	1,553,597	1,517,846	35,751
1231	Emotional Support - Public	765,689	1,617,145	(851,456)
1233	Autistic Support	3,080,805	3,849,641	(768,836)
1241	Learning Support - Public	8,853,036	9,967,296	(1,114,260)
1243	Gifted Support	895,404	895,404	-
1260	Physical Support	594,738	594,738	-
1270	Multi-Handicapped Support	598,187	555,192	42,995
1280	Early Intervention Support	94,829	94,828	1
1290	Other Support	7,982,179	8,718,286	(736,107)
1390	Other Vocational Education Programs	1,735,102	1,735,101	1
1430	Homebound Instruction	371,861	371,861	-
1441	Adjudicated/Court Placed Programs	8,542	8,542	-
1491	Aquatics	85,003	85,003	-
1492	Summer Rec.	306,722	306,721	1
1500	Nonpublic School Programs	9,766	9,766	-
1690	Other Adult Education Programs	136,727	136,726	1
Total Instruction		86,780,728	90,880,570	(4,099,842)
<b>2000 - Support Services</b>				
2111	Supervision of Pupil Personnel Services	374,505	374,504	1
2120	Guidance Services	2,598,210	2,598,209	1
2126	Placement Services	47,752	47,752	-
2130	Attendance Services	715,713	715,713	-
2140	Psychological Services	1,410,494	1,410,493	1
2160	Social Work Services	565,557	565,556	1
2170	Student Accounting Services	99,087	99,086	1
2190	Other Pupil Personnel Services	-	-	-
2211	Supervision of Educational Media Services	156,176	156,176	-
2220	Technology Support Services	1,107,784	1,107,784	-
<b>SUB-TOTAL - SUPPORT SERVICES</b>		<b>7,075,278</b>	<b>7,075,273</b>	<b>5</b>

**Souderton Area School District**  
**General Fund - Budget vs Actual**  
**Statement of Revenue, Expenditures, and Changes in Fund Balance**  
**For the Year Ended June 30, 2023**

		<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>SUB-TOTAL - SUPPORT SERVICES (CARRIED FORWARD)</b>		<b>\$ 7,075,278</b>	<b>\$ 7,075,273</b>	<b>\$ 5</b>
2240	Computer Assisted Instruction Services	107,764	107,764	-
2250	School Library Services	1,370,898	1,370,897	1
2260	Instructional & Curriculum Dev. Service	1,484,819	1,484,818	1
2271	Instructional Staff Development	853,177	853,177	-
2280	Nonpublic Support Services	839	839	-
2310	Board Services	159,343	159,344	(1)
2330	Tax Assessment & Collection Service	285,673	285,672	1
2350	Legal Services	143,024	143,023	1
2360	Office of the Superintendent Services	481,981	481,980	1
2370	Community Relations Services	1,680	1,680	-
2380	Office of the Principal Services	4,819,783	4,819,783	-
2390	Other Administration Services	23,262	23,261	1
2420	Medical Services	288,857	288,856	1
2440	Support Services - Health	1,331,936	1,331,936	-
2450	Non-Public Health Services	5,173	5,172	1
2511	Supervision of Fiscal Services	477,126	477,126	-
2513	Receiving and Disbursing Funds	46,066	46,065	1
2514	Payroll Services	117,308	117,308	-
2515	Financial Accounting Services	179,006	179,006	-
2519	Other Fiscal Services	26,505	26,504	1
2520	Purchasing Services	86,860	86,860	-
2540	Printing, Publishing, and Duplicating Services	89,016	89,015	1
2610	Supervision of Operation and Maintenance of Plant	-	-	-
2611	Supervision of Operation and Maintenance of Plant	279,441	279,441	-
2620	Operation of Building Services	6,906,027	6,906,027	-
2630	Care and Upkeep of Grounds	331,605	331,605	-
2650	Vehicle Operation and Maintenance Services	60,455	60,455	-
2660	Security Services	779,407	779,407	-
2690	Other Operation and Maintenance	2,143,587	2,143,586	1
2720	Vehicle Operation Services	7,440,776	7,440,776	-
2750	Non-Public Transportation	1,123,359	1,123,358	1
2818	System-Wide Technology Services	196,144	196,144	-
2821	Information Services	148,359	148,358	1
2831	Supervision of Staff Services	476,017	476,016	1
2833	Staff Accounting Services	17,899	17,898	1
2834	Staff Development Services - Non-Instructional	375	375	-
2835	Health Services	79,258	79,258	-
2836	Staff Development Services - Non-Instructional, Non Certified	18,912	18,912	-
2839	Other Staff Services	136,957	136,956	1
2840	Data Processing Services	2,265,021	2,265,021	-
2900	Other Support Services	80,678	80,677	1
	<b>Total Support Services</b>	<b>41,939,651</b>	<b>41,939,629</b>	<b>22</b>
<b><u>3000 - Operation of Non-Instructional Services</u></b>				
3210	School Sponsored Student Activities	325,944	325,943	1
3250	School Sponsored Athletics	1,540,432	1,540,431	1
3400	Scholarships and Awards	35,150	35,150	-
	<b>Total Non-Instructional Services</b>	<b>1,901,526</b>	<b>1,901,524</b>	<b>2</b>

**Souderton Area School District**  
**General Fund - Budget vs Actual**  
**Statement of Revenue, Expenditures, and Changes in Fund Balance**  
**For the Year Ended June 30, 2023**

		<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b><u>4000 - Facilities Acquisition, Construction and Improvement Services</u></b>				
4200	Existing Site Improvement Services	-	-	-
4600	Existing Building Improvement Services	<u>77,445</u>	<u>77,445</u>	<u>-</u>
	Total Facilities Acquisition, Construction, and Improvement Services	77,445	77,445	-
<b><u>5000 - Other Expenditures and Financing Uses</u></b>				
5110	Debt Service	11,317,475	11,317,475	-
5140	Leases	89,515	89,514	1
5900	Budgetary Reserve	<u>-</u>	<u>-</u>	<u>-</u>
	Total Other Expenditures and Financing Uses	<u>11,406,990</u>	<u>11,406,989</u>	<u>1</u>
	<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<b><u>\$ 142,106,340</u></b>	<b><u>\$ 146,206,157</u></b>	<b><u>\$ (4,099,817)</u></b>
	<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<b>\$ 139,965,287</b>	<b>\$ 142,113,662</b>	<b>\$ 2,148,375</b>
	<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<b><u>142,106,340</u></b>	<b><u>146,206,157</u></b>	<b><u>(4,099,817)</u></b>
	<b>NET REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$ (2,141,053)</b>	<b>\$ (4,092,495)</b>	<b>\$ (1,951,442)</b>
	<b>Special Items</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>Extraordinary Items - Insurance Recoveries</b>	<b><u>10,000</u></b>	<b><u>2,575</u></b>	<b><u>(7,425)</u></b>
	<b>NET REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES AFTER SPECIAL ITEMS AND EXTRAORDINARY ITEMS</b>	<b>(2,131,053)</b>	<b>(4,089,920)</b>	<b>(1,958,867)</b>
	<b>FUND BALANCE - JULY 1, 2022</b>	<b><u>12,507,812</u></b>	<b><u>12,553,699</u></b>	<b><u>45,887</u></b>
	<b>FUND BALANCE - JUNE 30, 2023</b>	<b><u>\$ 10,376,759</u></b>	<b><u>\$ 8,463,779</u></b>	<b><u>\$ (1,912,980)</u></b>

**Souderton Area School District  
Student Activity Fund  
Statement of Changes in Fiduciary Net Position  
For the Year Ended June 30, 2023**

**ADDITIONS**

Interest Income	\$ 620	
Admissions	222,379	
Book Store Sales	14,007	
Student Organization Membership Dues and Fees	3,936	
Special Events	303,918	
Contributions/Donation	4,180	
Other Activity Income	39,355	
<b>TOTAL ADDITIONS</b>		<b>\$ 588,395</b>

**DEDUCTIONS**

Professional and Technical Services	9,505	
Rental	10,960	
Contracted Carriers	69,570	
Printing	11,516	
Travel	340	
Other Miscellaneous Purchased Services	163,094	
General Supplies	86,203	
Utilities	3,860	
Food	53,088	
Books and Periodicals	6,701	
Supplies & Fees - Technology Related	8,401	
Dues and Fees	1,672	
Donations to Municipal and Community Service Organizations	80,429	
Scholarships	10,877	
Miscellaneous Expenses	27,181	
<b>TOTAL DEDUCTIONS</b>		<b>543,397</b>

**NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION** **44,998**

**FUND NET POSITION - JULY 1, 2022** **234,021**

**FUND NET POSITION - JUNE 30, 2023** **\$ 279,019**

**Student Activity Fund  
Statement of Fiduciary Net Position  
As of June 30, 2023**

**ASSETS**

Cash and Cash Equivalents	\$ 280,602	
<b>TOTAL ASSETS</b>		<b>\$ 282,827</b>

**LIABILITIES**

Accounts Payable	\$ 850	
Due to Other Funds	744	
Other Current Liabilities	2,214	
<b>TOTAL LIABILITIES</b>		<b>3,808</b>

**NET POSITION**

Restricted for		
Individuals, organizations, and other governments		279,019

**TOTAL LIABILITIES AND FUND NET POSITION** **\$ 282,827**

**Souderton Area School District  
Capital Reserve Fund  
Statement of Revenues and Expenditures  
For the Year Ended June 30, 2023**

**FUND BALANCE - JULY 1, 2022** **\$ 1,814,930**

**REVENUES AND OTHER FINANCING SOURCES**

Interest	\$ 68,118	68,118
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<b>TOTAL FUNDS AVAILABLE</b>		<b>1,883,048</b>
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**EXPENDITURES**

**SUPPORT SERVICES:**

Repairs & Maintenance	40,081	
Construction Services	10,730	
Supplies	9,850	

**CAPITAL OUTLAY:**

Professional Services	1,620	
Construction Services	62,398	
Equipment	45,000	169,679

**FUND BALANCE - JUNE 30, 2023** **\$ 1,713,369**

**Capital Projects Fund - 2023  
Statement of Revenues and Expenditures  
For the Year Ended June 30, 2023**

**FUND BALANCE - JULY 1, 2022** **\$ -**

**REVENUES AND OTHER FINANCING SOURCES**

Interest	\$ 191,849	
Proceeds from Bonds	9,865,000	
Bond Premiums	134,459	10,191,308

<b>TOTAL FUNDS AVAILABLE</b>		<b>10,191,308</b>
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**EXPENDITURES**

**SUPPORT SERVICES:**

Professional Services	\$ 195,709	
Printing	1,200	196,909

**FUND BALANCE - JUNE 30, 2023** **\$ 9,994,399**

**Souderton Area School District  
Capital Projects Fund - 2022  
Statement of Revenues and Expenditures  
For the Year Ended June 30, 2023**

**FUND BALANCE - JULY 1, 2022** \$ 35,024,986

**REVENUES AND OTHER FINANCING SOURCES**

Interest	\$ 1,119,455	1,119,455
<b>TOTAL FUNDS AVAILABLE</b>		36,144,441

**EXPENDITURES**

**INSTRUCTIONAL SERVICES:**

**SUPPORT SERVICES:**

Insurance	\$ 28,108	
Supplies	2,660	

**CAPITAL OUTLAY:**

Professional Services	210,030	
Other Property Services	2,000	
Construction Services	20,294,788	
Communications	1,212	
Equipment	12,754	20,551,552

**FUND BALANCE - JUNE 30, 2023** **\$ 15,592,889**

**Capital Projects Fund - 2021  
Statement of Revenues and Expenditures  
For the Year Ended June 30, 2023**

**FUND BALANCE - JULY 1, 2022** \$ 2,780,729

**REVENUES AND OTHER FINANCING SOURCES**

Interest	\$ 17,678	17,678
<b>TOTAL FUNDS AVAILABLE</b>		2,798,407

**EXPENDITURES**

**SUPPORT SERVICES:**

Construction Services	950	
Equipment	9,429	
Supplies	4,805	

**CAPITAL OUTLAY:**

Professional Services	18,933	
Printing	29	
Construction Services	2,754,850	2,788,996

**FUND BALANCE - JUNE 30, 2023** **\$ 9,411**



**Souderton Area School District**  
**Food Service Fund**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**For the Year Ended June 30, 2023**

**REVENUES**

Student Sales	\$ 698,838	
Daily School Breakfast	4,854	
Daily Adult Sales	30,332	
Ala Carte - Lunch	443,458	
Ala Carte - Breakfast	15,963	
Special Events	85,558	
Rebates	19,901	
Summer Camp	48,260	
State Subsidy	191,628	
Federal Subsidy	1,340,393	
Fica Revenue	19,415	
Retirement Revenue	94,295	
Contributions	15,949	
Donated Commodities	273,956	
Interest income	31,765	
Gain or (Loss) on Sale of Capital Assets	<u>(3,520)</u>	
<b>TOTAL REVENUES</b>		<b>\$ 3,311,045</b>

**COST OF GOODS SOLD**

Beginning Inventory	97,754	
Purchases	994,482	
Ending Inventory	<u>(88,924)</u>	
<b>TOTAL COST OF GOODS SOLD</b>		<b><u>1,003,312</u></b>
<b>GROSS PROFIT</b>		<b>2,307,733</b>
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**SALARY AND BENEFIT EXPENSES**

Clerical	46,060	
Managers	197,753	
Custodial/Maintenance	293,553	
Benefits	<u>323,415</u>	
		860,781

**OPERATING EXPENSES**

Professional Services	727,117	
Communications	2,861	
Repairs and Maintenance	107,417	
Travel	680	
Supplies	25,252	
Dues and Fees	1,817	
Depreciation	<u>60,364</u>	
<b>TOTAL EXPENSES</b>		<b><u>925,508</u></b>
		<b><u>1,786,289</u></b>

**CHANGES IN FUND NET POSITION** 521,444

**FUND NET POSITION - BEGINNING** (1,446,801)

**FUND NET POSITION - ENDING** **\$ (925,357)**

**Souderton Area School District**  
**Internal Service Fund**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**For the Year Ended June 30, 2023**

**REVENUES**

Services Provided Other Funds	\$ 15,102,030	
Interest income	<u>29,050</u>	
<b>TOTAL REVENUES</b>		<b>\$ 15,131,080</b>

**OPERATING EXPENSES**

Medical Claims	9,992,193	
Dental Claims	675,369	
Vision Claims	156,646	
Self-Insured Rx Benefits	2,666,388	
New HS Other Insurance	1,104,727	
Dues and Fees	<u>465,981</u>	

<b>TOTAL EXPENSES</b>	<u>15,061,304</u>
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<b>CHANGES IN FUND NET POSITION</b>	69,776
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<b>FUND NET POSITION - BEGINNING</b>	<u>1,141,559</u>
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<b>FUND NET POSITION - ENDING</b>	<u><b>\$ 1,211,335</b></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, 2023**

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2023-24	\$ 10,519	\$ 935,000
<b>TOTAL OUTSTANDING</b>	<b>\$ 10,519</b>	<b>\$ 935,000</b>

**Schedule on General Obligation Bonds - Series of 2015**  
**Dated as of January 6, 2015**  
**For the Year Ended June 30, 2023**

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2023-24	\$ 7,975	\$ 725,000
<b>TOTAL OUTSTANDING</b>	<b>\$ 7,975</b>	<b>\$ 725,000</b>

**Schedule on General Obligation Bonds - Series of 2017**  
**Dated as of February 15, 2017**  
**For the Year Ended June 30, 2023**

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2023-24	\$ 248,375	\$ 3,585,000
2024-25	86,250	4,060,000
<b>TOTAL OUTSTANDING</b>	<b>\$ 334,625</b>	<b>\$ 7,645,000</b>

**Schedule on General Obligation Bonds - Series of 2019**  
**Dated as of July 29, 2019**  
**For the Year Ended June 30, 2023**

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2023-24	\$ 310,625	\$ 3,965,000
2024-25	105,750	4,230,000
<b>TOTAL OUTSTANDING</b>	<b>\$ 416,375</b>	<b>\$ 8,195,000</b>

**Souderton Area School District**  
**Schedule on General Obligation Bonds - Series of 2021**  
**Dated as of July 6, 2021**  
**For the Year Ended June 30, 2023**

<b><u>FISCAL YEAR</u></b>	<b><u>INTEREST</u></b>	<b><u>PRINCIPAL</u></b>
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
<b>TOTAL OUTSTANDING</b>	<b>\$ 2,032,575</b>	<b>\$ 8,905,000</b>

**Schedule on General Obligation Bonds - Series of 2022**  
**Dated as of June 16, 2022**  
**For the Year Ended June 30, 2023**

<b><u>FISCAL YEAR</u></b>	<b><u>INTEREST</u></b>	<b><u>PRINCIPAL</u></b>
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
<b>TOTAL OUTSTANDING</b>	<b>\$ 10,455,350</b>	<b>\$ 33,100,000</b>

**Souderton Area School District**  
**Schedule on General Obligation Bonds - Series of 2023**  
**Dated as of February 9, 2023**  
**For the Year Ended June 30, 2023**

<b><u>FISCAL YEAR</u></b>	<b><u>INTEREST</u></b>	<b><u>PRINCIPAL</u></b>
2023-24	\$ 380,282	\$ -
2024-25	358,256	5,000
2025-26	347,506	425,000
2026-27	325,756	445,000
2027-28	303,006	465,000
2028-29	279,131	490,000
2029-30	259,231	510,000
2030-31	243,631	530,000
2031-32	227,581	540,000
2032-33	211,081	560,000
2033-34	193,697	575,000
2034-35	175,044	595,000
2025-36	82,688	4,725,000
<b>TOTAL OUTSTANDING</b>	<b><u>\$ 3,386,890</u></b>	<b><u>\$ 9,865,000</u></b>

**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, 2023**

<b>FEDERAL GRANTOR PROJECT TITLE</b>	<b>SOURCE CODE</b>	<b>FEDERAL ALN</b>	<b>GRANTOR PASS THROUGH NUMBER</b>	<b>GRANT PERIOD</b>	<b>AWARD AMOUNT</b>	<b>TOTAL RECEIVED</b>	<b>ACCRUED OR (DEFERRED) AT 7/01/22</b>	<b>REVENUE</b>	<b>EXPENDI- TURES</b>	<b>ACCRUED OR (DEFERRED) AT 6/30/23</b>	<b>FOOT- NOTES</b>
<b><u>U. S. DEPARTMENT OF EDUCATION</u></b>											
<b><u>PASSED THROUGH THE PA DEPARTMENT OF EDUCATION (PDE)</u></b>											
TITLE IA - IMPROVING BASIC PROGRAMS	I	84.010	FA-013-22-0392	7/1/21-9/30/22	\$ 437,185	\$ 93,682	\$ 93,682	\$ -	\$ -	\$ -	2
TITLE IA - IMPROVING BASIC PROGRAMS	I	84.010	FA-013-23-0392	7/1/22-9/30/23	\$ 370,992	317,993	-	370,992	370,992	52,999	
<b>TOTAL TITLE I PROGRAM</b>						411,675	93,682	370,992	370,992	52,999	
<b><u>PASSED THROUGH THE PDE</u></b>											
TITLE IIA - SUPPORTING EFFECTIVE INSTRUCTION	I	84.367	FA-020-22-0392	7/1/21-9/30/22	\$ 127,661	27,570	26,898	672	672	-	2
TITLE IIA - SUPPORTING EFFECTIVE INSTRUCTION	I	84.367	FA-020-23-0392	7/1/22-9/30/23	\$ 115,637	115,975	-	115,637	115,637	(338)	5
<b>TOTAL TITLE II PROGRAM</b>						143,545	26,898	116,309	116,309	(338)	
<b><u>PASSED THROUGH THE PDE</u></b>											
TITLE III - LANGUAGE INSTRUCTION	I	84.365	FA-010-21-0392	7/1/20-9/30/21	\$ 75,444	10,778	10,778	-	-	-	2
TITLE III - LANGUAGE INSTRUCTION	I	84.365	FA-010-22-0392	7/1/21-9/30/22	\$ 72,313	46,808	(11,705)	58,513	58,513	-	
TITLE III - LANGUAGE INSTRUCTION	I	84.365	FA-010-23-0392	7/1/22-9/30/23	\$ 70,655	28,557	-	44,244	44,244	15,687	
<b>TOTAL TITLE III PROGRAM</b>						86,143	(927)	102,757	102,757	15,687	
<b><u>PASSED THROUGH THE PDE</u></b>											
TITLE IVA - STUDENT SUPPORT AND ACADEMIC ENRICHMENT	I	84.424	FA-144-22-0392	7/1/21-9/30/22	\$ 38,615	23	23	-	-	-	2
TITLE IVA - STUDENT SUPPORT AND ACADEMIC ENRICHMENT	I	84.424	FA-144-23-0392	7/1/22-9/30/23	\$ 34,247	32,624	-	34,247	34,247	1,623	
<b>TOTAL TITLE IV PROGRAM</b>						32,647	23	34,247	34,247	1,623	
<b><u>PASSED THROUGH THE PDE</u></b>											
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	1,185,472	219,185	1,064,590	1,064,590	98,303	2
COVID-19 AMERICAN RESCUE PLAN ACT - ESSER FUND (7% SEA RESERVE)	I	84.425U	FA-225-21-0392	3/13/20-9/30/24	\$ 298,093	102,978	(13,522)	176,404	176,404	59,904	
COVID-19 AMERICAN RESCUE PLAN ACT - ESSER FUND - HOMELESS CHILDREN & YOUTH	I	84.425W	FA-181-21-2398	7/1/21-9/30/24	\$ 17,507	16,160	16,160	-	-	-	
<b>TOTAL EDUCATION STABILIZATION FUND</b>						1,304,610	221,823	1,240,994	1,240,994	158,207	
<b><u>PASSED THROUGH THE MONTGOMERY COUNTY I.U.</u></b>											
IDEA, PART B	I	84.027	N/A	7/1/21-6/30/22	\$ 1,193,628	-	-	-	-	-	2
IDEA, PART B	I	84.027	N/A	7/1/22-6/30/23	\$ 1,235,035	801,715	-	1,235,035	1,235,035	433,320	1
COVID-19 ARP-IDEA	I	84.027X	N/A	7/1/21-9/30/24	\$ 279,987	-	-	-	-	-	1
IDEA SECTION 619 - PRESCHOOL	I	84.173	N/A	7/1/21-6/30/22	\$ 3,332	-	-	-	-	-	1
IDEA SECTION 619 - PRESCHOOL	I	84.173	N/A	7/1/22-6/30/23	\$ 2,678	2,678	-	2,678	2,678	-	1
<b>TOTAL IDEA CLUSTER</b>						804,393	-	1,237,713	1,237,713	433,320	
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>						2,783,013	341,499	3,103,012	3,103,012	661,498	

SOURCE: D-DIRECT; I-INDIRECT

**Souderton Area School District  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2023 (Continued)**

FEDERAL GRANTOR PROJECT TITLE	SOURCE CODE	FEDERAL ALN	GRANTOR PASS THROUGH NUMBER	GRANT PERIOD	AWARD AMOUNT	TOTAL RECEIVED	ACCRUED OR (DEFERRED) AT 7/01/22	REVENUE	EXPENDI- TURES	ACCRUED OR (DEFERRED) AT 6/30/23	FOOT- NOTES
<b>U.S. DEPARTMENT OF TREASURY</b>											
<b>PASSED THROUGH THE MONTGOMERY COUNTY RECOVERY OFFICE</b>											
COVID-19 CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	I	21.027	N/A	3/3/21-12-31/26	\$ 267,040	-	-	200	200	200	2
<b>TOTAL U.S. DEPARTMENT OF TREASURY</b>						-	-	200	200	200	
						-	-	-	-	-	
<b>U.S DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</b>											
<b>PASSED THROUGH THE PA DEPARTMENT OF PUBLIC WELFARE</b>											
TITLE 19 - MEDICAL REIMBURSEMENT	I	93.778	N/A	10/1/20-09/30/21	N/A	10,858	6,074	4,784	4,784	-	2
<b>TOTAL U.S. DEPT. OF HEALTH AND HUMAN SERVICES</b>						10,858	6,074	4,784	4,784	-	
						-	-	-	-	-	
<b>U. S. DEPT. OF AGRICULTURE</b>											
<b>PASSED THROUGH THE PDE</b>											
NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/01/21-6/30/22	N/A	99,266	99,266	-	-	-	2
NATIONAL SCHOOL LUNCH	I	10.555	N/A	7/01/22-6/30/23	N/A	929,666	-	972,613	972,613	42,947	
AFTER SCHOOL SNACK	I	10.555	N/A	7/01/21-6/30/22	N/A	-	-	-	-	-	
AFTER SCHOOL SNACK	I	10.555	N/A	7/01/22-6/30/23	N/A	6,043	-	6,105	6,105	62	
COVID-19 NATIONAL SCHOOL LUNCH - SUPPLY CHAIN ASSISTANCE	I	10.555	N/A	N/A	N/A	159,814	-	159,814	159,814	-	
BREAKFAST PROGRAM	I	10.553	N/A	7/01/21-6/30/22	N/A	17,545	17,545	-	-	-	
BREAKFAST PROGRAM	I	10.553	N/A	7/01/22-6/30/23	N/A	80,767	-	84,686	84,686	3,919	
SEVERE NEED BREAKFAST	I	10.553	N/A	7/01/21-6/30/22	N/A	-	-	-	-	-	
SEVERE NEED BREAKFAST	I	10.553	N/A	7/01/22-6/30/23	N/A	110,340	-	116,547	116,547	6,207	
<b>PASSED THROUGH THE PA DEPARTMENT OF AGRICULTURE</b>											
NATIONAL SCHOOL LUNCH - USDA COMMODITIES	I	10.555	N/A	7/01/22-6/30/23	N/A	262,511	(46,095)	273,956	273,956	(34,650)	2
<b>TOTAL CHILD NUTRITION CLUSTER</b>						1,665,952	70,716	1,613,721	1,613,721	18,485	3
						-	-	-	-	-	
<b>PASSED THROUGH THE PDE</b>											
COVID-19 STATE PANDEMIC ELECTRONIC BENEFIT TRANSFER (P-EBT) ADMIN. COSTS	I	10.649	N/A	N/A	N/A	628	-	628	628	-	2
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>						1,666,580	70,716	1,614,349	1,614,349	18,485	
<b>TOTAL FEDERAL FINANCIAL AWARDS</b>						\$ 4,460,451	\$ 418,289	\$ 4,722,345	\$ 4,722,345	\$ 680,183	

SOURCE: D-DIRECT; I- INDIRECT



**Souderton Area School District**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2023**

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**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, 2023. 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 2.4% of its total general fund revenue in federal awards, and 48.8% 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	\$ 5,493,700	\$ 3,205,692
Montgomery County I.U.	2,714,660	1,237,713
Montgomery County Recovery Office	267,040	200
PA Department of Public Welfare	N/A	4,784
PA Department of Agriculture	N/A	273,956
Totals	\$ 8,475,400	\$ 4,722,345

3. The District received non-monetary assistance from the U.S. Department of Agriculture of \$262,511 in the form of commodities. These commodities are valued at U.S.D.A.'s approximate costs. During the 2022-23 fiscal year, the District used \$273,956, in commodities, and established a year-end inventory of \$34,650 at June 30, 2023.

**Souderton Area School District**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2023**

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4. 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.
5. Of the \$115,975 in Title II grant funds received in the 2022-23 fiscal year, \$338 was the result of an overpayment by the Pennsylvania Department of Education. As of June 30, 2023, \$338 is due back to PDE.

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**FINANCIAL STATEMENT RECONCILIATION**

General Fund Federal Source Revenues	\$ 2,119,083
Federal Grants in Local Sources	1,237,913
Food Service Fund Federal Revenue	<u>1,614,349</u>
<b>Total Federal Revenue, per financial statements</b>	4,971,345
Less - Medical Access Reimbursement	<u>(249,000)</u>
<b>Federal Revenue on SEFA</b>	<b><u>\$ 4,722,345</u></b>

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**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, 2023, 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 28, 2023.

**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, Pennsylvania  
November 28, 2023



**GORMAN & ASSOCIATES, P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

Members of  
American Institute of Certified Public Accountants  
Pennsylvania 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, 2023. 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, 2023.

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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**

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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, Pennsylvania  
November 28, 2023

**Souderton Area School District  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2023**

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**Section I – Summary of Auditor Results**

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**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
84.425U, 84.425W	Education Stabilization Fund

Percentage of programs tested to total awards 26.3%

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, 2023**

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**Section II – Financial Statement Findings**

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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**

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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.