



**PENNRIDGE SCHOOL DISTRICT
PERKASIE, PENNSYLVANIA**

AUDIT REPORT

JUNE 30, 2022

PENNRIDGE SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

November 30, 2022

Board of School Directors
Pennridge School District
Perkasie, Pennsylvania

Report on the Audit of 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 Pennridge School District (the District), Perkasie, Pennsylvania, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the 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 Pennridge School District, Perkasie, Pennsylvania, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility

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 GAAS 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 GAAS 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

Board of School Directors
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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.

Report on Summarized Comparative Information

We have previously audited the District's 2021 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in our report dated December 7, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13 and the schedule of the District's proportionate share of the net pension liability - PSERS, schedule of District pension contributions - PSERS, schedule of the District's proportionate share of the net OPEB liability - PSERS, schedule of District OPEB contributions - PSERS, and schedule of changes in the District's net OPEB liability - single employer OPEB plan on pages 58 through 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards on pages 68 and 69 as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the

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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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP

**PENNRIDGE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Our discussion and analysis of the financial performance of the Pennridge School District (the District) provides an overview of the District's financial activities for the fiscal year ended June 30, 2022.

FINANCIAL HIGHLIGHTS

On a full accrual basis, the District contributed \$22.1 million to the total net position, bringing the 2021-2022 full accrual net deficit to \$(43.3) million. The 2021-2022 full accrual statements include the District's share of pension and other postemployment benefits (OPEB) liabilities, as required in accordance with the Governmental Accounting Standards Board (GASB) Codification. The District's net pension liability was \$187.4 million and \$220.5 million as of June 30, 2022 and 2021, respectively. The District's net OPEB liability was \$19.3 million and \$17.8 million as of June 30, 2022 and 2021, respectively.

On a modified accrual basis, the District's governmental funds experienced an increase of \$2.0 million to the 2021-2022 total fund balance. The majority of the fund balance increase resulted from an increase in local and federal grant revenue. This brought the total 2021-2022 governmental fund balances to \$36.9 million. Modified accrual revenues totaled \$150.5 million, modified accrual expenditures totaled \$148.4 million.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and Statement of Activities

The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its overall activities. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the District (except for fiduciary funds held in trust for student purposes) using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the District's net position and changes in it during the fiscal year. The change in net position provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as the District's property tax base, current property tax laws, student enrollment growth, and facility conditions in arriving at a conclusion regarding the overall health of the District.

Entity-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, 2021-2022 liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$43.3 million at the close of the fiscal year.

**PENNRIDGE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

A portion of the District's total net position reflects the net pension liability. The District contributes to the Public School Employees' Retirement System (PSERS), a governmental cost-sharing multiple defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The Commonwealth of Pennsylvania defines the plan benefits, manages the plan, and directs what contributions the District makes to the plan. The Commonwealth reimburses the District for 50% of plan contributions, but this reimbursement is not factored into pension liability calculations. The statutory employer (District) contribution rate for the PSERS plan has risen sharply in the last few years, rising from 5.64% in 2010-2011 to 34.94% in 2021-2022.

A portion of the District's total net position reflects its investment in capital assets. The District uses capital assets to provide services; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A comparative analysis of fiscal year 2021-2022 to 2020-2021 follows:

STATEMENT OF NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Assets:						
Current and other assets	\$ 71,016,950	\$ 67,489,544	\$ 3,151,250	\$ 1,708,661	\$ 74,168,200	\$ 69,198,205
Capital assets	<u>150,648,948</u>	<u>149,189,743</u>	<u>224,969</u>	<u>222,390</u>	<u>150,873,917</u>	<u>149,412,133</u>
Total Assets	<u>221,665,898</u>	<u>216,679,287</u>	<u>3,376,219</u>	<u>1,931,051</u>	<u>255,042,117</u>	<u>218,610,338</u>
Deferred outflows of resources	<u>49,574,000</u>	<u>48,895,886</u>	<u>620,837</u>	<u>612,685</u>	<u>50,194,837</u>	<u>49,508,571</u>
Liabilities:						
Current liabilities	37,585,120	28,491,395	87,034	108,078	37,672,154	28,599,473
Non-current liabilities	<u>241,661,017</u>	<u>290,273,709</u>	<u>3,227,184</u>	<u>3,709,059</u>	<u>244,888,201</u>	<u>293,982,768</u>
Total Liabilities	<u>279,246,137</u>	<u>318,765,104</u>	<u>3,314,218</u>	<u>3,817,137</u>	<u>282,560,355</u>	<u>322,582,241</u>
Deferred inflows of resources	<u>35,310,729</u>	<u>10,705,651</u>	<u>521,820</u>	<u>127,288</u>	<u>35,832,549</u>	<u>10,832,939</u>
Net Position (Deficit):						
Net investment in capital assets	98,354,600	96,529,544	224,969	222,390	98,579,569	96,307,154
Restricted for capital projects	20,375,513	18,369,577	-	-	20,375,513	18,369,577
Unrestricted (Deficit)	<u>(162,047,081)</u>	<u>(178,794,703)</u>	<u>(63,951)</u>	<u>(1,623,079)</u>	<u>(162,111,032)</u>	<u>(179,973,002)</u>
Total Net Position (Deficit)	<u>\$ (43,316,968)</u>	<u>\$ (63,895,582)</u>	<u>\$ 161,018</u>	<u>\$ (1,400,689)</u>	<u>\$ (43,155,950)</u>	<u>\$ (65,296,271)</u>

**PENNRIDGE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Governmental Entity

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The table below reflects the cost of program services and the net cost of those services after taking into account the program revenues for the governmental and business-type activities.

STATEMENT OF ACTIVITIES - EXPENSES

	2022		2021	
	Total Expenses	Net Expenses (Revenue)	Total Expenses	Net Expenses (Revenue)
PROGRAM EXPENSES				
Governmental Activities:				
Instruction	\$ 84,189,877	\$ 68,238,684	\$ 89,474,010	\$ 76,233,789
Support services	11,334,747	6,081,595	10,940,726	5,679,253
Administration	10,349,677	10,349,677	11,052,866	11,052,866
Maintenance	9,517,057	8,227,112	10,801,232	8,976,692
Pupil transportation	6,704,159	4,606,675	6,879,699	4,489,471
Student activities	1,504,713	1,086,463	1,487,855	1,217,090
Community services	72,989	66,409	64,925	64,925
Unallocated depreciation	4,410,515	4,410,515	4,710,127	4,710,127
Interest and fiscal charges	486,541	(114,146)	328,788	(332,435)
Total Governmental Activities	<u>128,570,275</u>	<u>102,952,984</u>	<u>135,740,228</u>	<u>112,091,778</u>
Business-type Activities:				
Food service	<u>3,020,185</u>	<u>(1,555,318)</u>	<u>2,680,246</u>	<u>(564,178)</u>
Total Business-type Activities	<u>3,020,185</u>	<u>(1,555,318)</u>	<u>2,680,246</u>	<u>(564,178)</u>
Total Program Expenses	<u>\$ 131,590,460</u>	<u>\$ 101,397,666</u>	<u>\$ 138,420,474</u>	<u>\$ 111,527,600</u>

Governmental activities experienced a decrease in the total cost of services of \$7,169,953 and a decrease in the net cost of services of \$9,138,794. These changes were attributed to general inflationary growth including rising benefit costs.

Business-type activities experienced an increase of \$339,939 in total service costs and a decrease in net service cost of \$991,140.

**PENNRIDGE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
REVENUES						
Program Revenues:						
Charges for services	\$ 458,828	\$ 208,084	\$ 489,760	\$ 126,317	\$ 948,588	\$ 334,401
Operating grants	25,158,463	23,440,366	4,085,743	3,118,107	29,244,206	26,558,473
Total Program Revenues	25,617,291	23,648,450	4,575,503	3,244,424	30,192,794	26,892,874
General Revenues:						
Taxes	109,001,183	106,076,044	-	-	109,001,183	106,076,044
Grants and entitlements	14,238,473	13,984,547	-	-	14,238,473	13,984,547
Investment earnings	143,939	120,118	6,389	3,450	150,328	123,568
Transfers	-	(43,247)	-	43,247	-	-
Miscellaneous	148,003	115,437	-	-	148,003	115,437
Total General Revenues	123,531,598	120,252,899	6,389	46,697	123,537,987	120,299,596
EXPENSES						
Program Services:						
Instruction	84,189,877	89,474,010	-	-	84,189,877	89,474,010
Support Services:						
Instructional staff support	11,334,747	10,940,726	-	-	11,334,747	10,940,726
Administration	10,349,677	11,052,866	-	-	10,349,677	11,052,866
Maintenance	9,517,057	10,801,232	-	-	9,517,057	10,801,232
Pupil transportation	6,704,159	6,879,699	-	-	6,704,159	6,879,699
Student activities	1,504,73	1,487,855	-	-	1,504,73	1,487,855
Community Service	72,989	64,925	-	-	72,989	64,925
Unallocated depreciation	4,410,515	4,710,127	-	-	4,410,515	4,710,127
Interest/fiscal charges	486,541	328,788	-	-	486,541	328,788
Food service	-	-	3,020,185	2,680,246	3,020,185	2,680,246
Total Expenses	128,570,275	135,740,228	3,020,185	2,680,246	131,590,460	138,420,474
CHANGE IN NET POSITION	\$ 20,578,614	\$ 8,161,121	\$ 1,561,707	\$ 610,875	\$ 22,140,321	\$ 8,771,996

Charges for services increased by approximately \$0.6 million over the previous fiscal year. Operating grants increased by approximately \$2.7 million. Tax revenues also increased by \$2.9 million as a result

**PENNRIDGE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

of increased collection rates and increased assessments value. Total expenses for all categories decreased by approximately \$6.9 million.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end available for spending in future periods. These funds are reported using the modified accrual method of accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources available to spend 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 basic financial statements.

Proprietary Funds

Proprietary funds use the accrual basis of accounting, the same as on the entity-wide statements; therefore, the statements will essentially match the business-type activities portion of the entity-wide statements.

Fiduciary Funds

The District is the trustee, or fiduciary, for funds held on behalf of the District's students. All of the District's fiduciary activities are reported in the Statements of Net Position - Fiduciary Funds on page 24 and the Statements of Activities - Fiduciary Funds on page 25. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Fund Financial Statements

The fund financial statements of the District's major funds begin on page 16 and provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by State statute, while many other funds are established by the District to help manage money for particular purposes and compliance with various grant provisions. The District's three types of funds – governmental, proprietary, and fiduciary – use different accounting approaches as further described in the notes to the financial statements.

The District's governmental funds reported a combined fund balance of \$36.9 million, which is a \$2.0 million increase from the prior year. The majority of the fund balance increase resulted from an increase in grant revenue. The following schedule illustrates the fund balance and the total change in fund balances between 2021-2022 and 2020-2021.

**PENNRIDGE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	Fund Balance		Increase (Decrease)
	2022	2021	
General Fund:			
Nonspendable	\$ 528,539	\$ 534,371	\$ (5,832)
Committed	4,016,120	6,041,781	(1,998,661)
Unassigned	11,965,832	9,934,339	2,031,493
Total General Fund	16,510,491	16,510,491	-
Capital Reserve Fund	20,375,513	18,369,577	2,005,936
TOTAL	<u>\$ 36,886,004</u>	<u>\$ 34,880,068</u>	<u>\$ 2,005,936</u>

There was no change in the District's general fund balance, and the capital projects fund balance increase of \$2.0 million was due to conservative fiscal management in the general fund which allowed funds to be transferred to the capital projects fund for the purchase of capital assets in the capital projects fund.

The District fund balance plan directs the general fund balance to be kept at or about the statutory limit of 8%, and any fund balance contributions over this level are either assigned in the general fund for long-term needs such as PSERS increases, medical insurance, technology, and capital needs, or contributed to the capital projects fund.

The increase in the capital projects fund balance reflects that the funds transferred to the capital projects fund was larger than the purchase of capital assets during the year. This is in line with the District's fund balance plan and the long-term capital spending plan. The long-term capital spending plan outlines the known capital projects and illustrates how the capital reserve funds are to be used.

Governmental Funds	Revenues		Change	Percent Change
	2022	2021		
Revenues				
Local	\$109,978,568	\$106,913,810	\$ 3,064,758	2.9%
State	34,325,134	35,125,632	(800,498)	-2.3%
Federal	6,220,044	3,426,189	2,793,855	81.5%
Total	<u>\$150,523,746</u>	<u>\$145,465,631</u>	<u>\$ 5,058,115</u>	<u>3.5%</u>

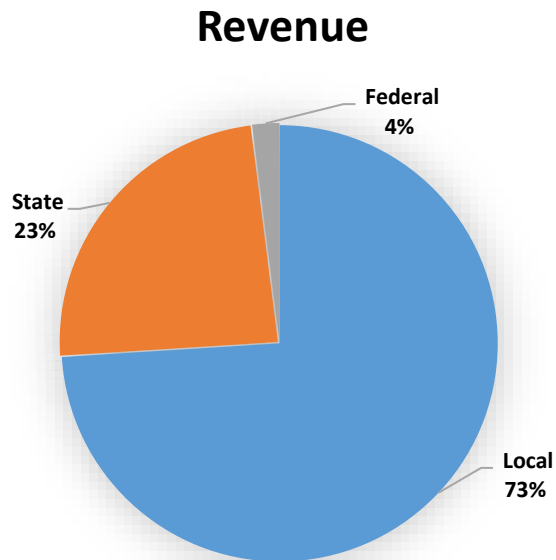
Local revenues increased by approximately \$3.1 million, or 2.9%. The drivers for local revenue increases were current real estate tax revenue and the earned income tax revenue.

State revenues decreased by approximately \$800 thousand, or 2.3%. The District received less state revenue in a number of reimbursable line items and witnessed the elimination of a state safety and security grant which was linked to COVID-19 recovery funds.

**PENNRIDGE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Federal revenues increased by \$2.8 million, or 81.5%. The District received federal COVID-19 relief aid.

The following chart illustrates the distribution of revenue across the revenue sources:



	Expenditures		Change	Percent Change
	2022	2021		
<i>Governmental Expenditures</i>				
Instruction	\$ 88,965,993	\$ 88,261,237	\$ 704,746	0.8%
Support services	42,069,733	40,357,002	1,712,731	4.2%
Operation of non-instructional services	1,664,682	1,531,483	133,199	8.7%
Capital outlays	5,351,623	3,290,103	2,061,520	62.7%
Debt service	10,384,165	11,356,102	(971,937)	-8.6%
Total Expenditures	<u>\$148,436,196</u>	<u>\$144,795,927</u>	<u>\$ 3,640,269</u>	<u>2.5%</u>

Expenditures increased by \$3.6 million, or 2.5%. The District experienced expenditure increases in instruction, support services, operation of non-instructional services, and capital outlays, which were offset by decreases in debt service. Benefit increases were driven by the statutory increase in employer pensions and OPEB contribution rates, which grew from 34.51% to 34.94%. As mentioned, the State provides subsidy payments to partially fund employer pension payments. The State reimburses school

**PENNRIDGE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

districts for 50% of their pension payments incurred. There were additional increases in instructional expenditures and support services for students. All planned capital outlays are replacements of existing infrastructure.

Business-type Activities

Business-type activities include the food service program. This program had an increase in net position of \$1,561,707 due to increases in grant revenues as a result of COVID-19.

GENERAL FUND BUDGETING HIGHLIGHTS

The District's budget is prepared according to Pennsylvania law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal 2022, the District amended its general fund budget several times to accommodate differences from the original budget to the actual expenditures of the District. The District used site-based budgeting, and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, budgeted revenues totaled \$144,790,562, but the District realized actual revenues of \$150,433,670. The budgeted expenditures were \$144,452,908 plus a budgetary reserve of \$337,654. The District expended \$143,084,573 without the need to utilize the budgetary reserve. The District budgets expenditures based upon a long-term strategy of sustainability and held the line on the actual expenditures during the year in support of that strategy.

Capital Assets

The District has \$150.8 million invested in capital assets net of depreciation, nearly all of which is attributable to governmental activities. Depreciation expense for the year was \$4.4 million. Detailed information regarding capital asset activity is included in the notes to the basic financial statements (Note 4).

Debt

At June 30, 2022, the District had \$52.0 million in outstanding general obligation bonds and notes payable. The District had a net decrease of \$583 thousand in bonds and notes during the fiscal year. Detailed information regarding long-term debt activity is included in the notes to the basic financial statements (Note 6).

Under current Commonwealth of Pennsylvania statutes, the District's non-electoral general obligation bonded debt issues are subject to legal limitation based on 225% of the average revenues for the prior three years. At June 30, 2022, the District's general obligation debt was below the legal limit.

**PENNRIDGE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Factors Expected to Have an Effect on Future Operations

- The District continues to receive and monitor assessment appeals by property owners that result in the reduction of real estate assessed values. The rate of decline has slowed, and the District has continued to experience growth in assessed value due to new construction.
- Short-term interest rates are at historical low levels. This is having a negative effect on the District's investment earnings. The District has realized this impact in the 2022 - 2023 budget but has witnessed a dramatic increase in interest rates throughout the year-end closing and audit process.
- Healthcare costs have increased over the past five fiscal years. We expect this to continue into the next fiscal year.
- The District's contribution to the Pennsylvania School Employees' Retirement System is projected to increase over the next several years. The current economic condition suggests that the contribution rate will continue to increase for the foreseeable future.
- The contract with the Pennridge Education Association runs through June 30, 2023. The contract with the Pennridge Education Support Association runs through June 30, 2024.

All of these factors have been considered in preparing the District's budget for the 2022 - 2023 fiscal year.

The District continues to look for opportunities to refinance fixed rate outstanding bonds to a lower fixed rate. A refinancing bond issue was completed during the 2020 - 2021 and 2021 - 2022 fiscal years.

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 Business Administrator at Pennridge School District, Pennridge District Education Center, 1200 North Fifth Street, Perkasi, PA 18944-2295.

PENNRIDGE SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2022
(With Summarized Comparative Data for June 30, 2021)

	Governmental Activities	Business-type Activities	Totals	
			2022	2021
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS:				
Cash and cash equivalents	\$ 54,728,772	\$ 2,313,138	\$ 57,041,910	\$ 52,461,373
Investments	12,557,215	214,983	12,772,198	13,477,883
Taxes receivable, net of allowance	788,703	-	788,703	780,880
Other receivables	707,089	720	707,809	334,949
Due from other governments	1,335,977	568,177	1,904,154	1,129,523
Inventories	427,224	54,232	481,456	477,750
Prepaid items	101,315	-	101,315	165,192
Other assets	370,655	-	370,655	370,655
Land	950,176	-	950,176	950,176
Construction-in-progress	5,956,860	-	5,956,860	4,425,331
Buildings and improvements	244,944,768	-	244,944,768	241,346,427
Furniture, equipment, and vehicles	37,904,187	2,597,236	40,501,423	39,818,170
Accumulated depreciation	(139,107,043)	(2,372,267)	(141,479,310)	(137,127,971)
TOTAL ASSETS	221,665,898	3,376,219	225,042,117	218,610,338
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred outflows related to pension	36,404,939	585,578	36,990,517	36,933,817
Deferred outflows related to OPEB	3,315,955	35,259	3,351,214	2,587,273
Deferred outflows for UBCTS obligation	9,853,106	-	9,853,106	9,987,481
TOTAL DEFERRED OUTFLOWS OF RESOURCES	49,574,000	620,837	50,194,837	49,508,571
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 271,239,898	\$ 3,997,056	\$ 275,236,954	\$ 268,118,909
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)				
LIABILITIES:				
Accounts payable	\$ 1,887,001	\$ 1,599	\$ 1,888,600	\$ 3,249,870
Accrued salaries, payroll withholdings, and benefits	16,049,288	-	16,049,288	13,765,774
Accrued interest payable	73,786	-	73,786	80,081
Retainage payable	-	-	-	17,977
Unearned revenues	2,134,466	85,435	2,219,901	1,638,514
Long-term liabilities:				
Portion due or payable within one year:				
Bonds and notes payable, net	17,308,462	-	17,308,462	9,464,329
UBCTS obligation	132,117	-	132,117	382,928
Portion due or payable after one year:				
Bonds and notes payable, net	34,665,284	-	34,665,284	43,092,203
UBCTS obligation	417,901	-	417,901	9,604,553
Accumulated compensated absences	3,039,774	56,044	3,095,818	3,020,734
Net pension liability	184,426,105	2,997,895	187,424,000	220,492,000
Net OPEB liability	19,111,953	173,245	19,285,198	17,773,278
TOTAL LIABILITIES	279,246,137	3,314,218	282,560,355	322,582,241
DEFERRED INFLOWS OF RESOURCES:				
Deferred inflows related to pension	32,160,439	516,583	32,677,022	7,503,000
Deferred inflows related to OPEB	2,829,688	5,237	2,834,925	3,003,882
Deferred gain on refunding	320,602	-	320,602	326,057
TOTAL DEFERRED INFLOWS OF RESOURCES	35,310,729	521,820	35,832,549	10,832,939
NET POSITION (DEFICIT):				
Net investment in capital assets	98,354,600	224,969	98,579,569	96,529,544
Restricted for capital projects	20,375,513	-	20,375,513	18,369,577
Unrestricted (deficit)	(162,047,081)	(63,951)	(162,111,032)	(180,195,392)
TOTAL NET POSITION (DEFICIT)	(43,316,968)	161,018	(43,155,950)	(65,296,271)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)	\$ 271,239,898	\$ 3,997,056	\$ 275,236,954	\$ 268,118,909

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

**PENNRIDGE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022
(With Summarized Comparative Data for the Year Ended June 30, 2021)**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Deficit			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	
							2022	2021
GOVERNMENTAL ACTIVITIES:								
Instruction	\$ 84,189,877	\$ 9,329	\$15,941,864	\$ -	\$ (68,238,684)	\$ -	\$ (68,238,684)	\$ (76,233,789)
Support services	11,334,747	-	5,253,152	-	(6,081,595)	-	(6,081,595)	(5,679,253)
Administrative and financial support services	10,349,677	-	-	-	(10,349,677)	-	(10,349,677)	(11,052,866)
Operation and maintenance of plant services	9,517,057	187,447	1,102,498	-	(8,227,112)	-	(8,227,112)	(8,976,692)
Pupil transportation	6,704,159	-	2,097,484	-	(4,606,675)	-	(4,606,675)	(4,489,471)
Student activities	1,504,713	255,472	162,778	-	(1,086,463)	-	(1,086,463)	(1,217,090)
Community services	72,989	6,580	-	-	(66,409)	-	(66,409)	(64,925)
Depreciation expense, unallocated	4,410,515	-	-	-	(4,410,515)	-	(4,410,515)	(4,710,127)
Interest on long-term debt	486,541	-	600,687	-	114,146	-	114,146	332,435
TOTAL GOVERNMENTAL ACTIVITIES	<u>128,570,275</u>	<u>458,828</u>	<u>25,158,463</u>	<u>-</u>	<u>(102,952,984)</u>	<u>-</u>	<u>(102,952,984)</u>	<u>(112,091,778)</u>
BUSINESS-TYPE ACTIVITIES:								
Food service	3,020,185	489,760	4,085,743	-	-	1,555,318	1,555,318	564,178
TOTAL BUSINESS-TYPE ACTIVITIES	<u>3,020,185</u>	<u>489,760</u>	<u>4,085,743</u>	<u>-</u>	<u>-</u>	<u>1,555,318</u>	<u>1,555,318</u>	<u>564,178</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 131,590,460</u>	<u>\$ 948,588</u>	<u>\$29,244,206</u>	<u>\$ -</u>	<u>(102,952,984)</u>	<u>1,555,318</u>	<u>(101,397,666)</u>	<u>(111,527,600)</u>
GENERAL REVENUES								
Property taxes levied for general purposes					88,455,091	-	88,455,091	87,130,998
Taxes levied for specific purposes					20,546,092	-	20,546,092	18,945,046
Grants and entitlements not restricted to specific programs					14,238,473	-	14,238,473	13,984,547
Investment earnings					143,939	6,389	150,328	123,568
Miscellaneous					148,003	-	148,003	115,437
TOTAL GENERAL REVENUES					<u>123,531,598</u>	<u>6,389</u>	<u>123,537,987</u>	<u>120,299,596</u>
CHANGE IN NET DEFICIT					20,578,614	1,561,707	22,140,321	8,771,996
NET DEFICIT, BEGINNING OF YEAR					<u>(63,895,582)</u>	<u>(1,400,689)</u>	<u>(65,296,271)</u>	<u>(74,068,267)</u>
NET DEFICIT, END OF YEAR					<u>\$ (43,316,968)</u>	<u>\$ 161,018</u>	<u>\$ (43,155,950)</u>	<u>\$ (65,296,271)</u>

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

**PENNRIDGE SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2022
(With Summarized Comparative Data for June 30, 2021)**

	General Fund	Capital Projects Fund	Totals	
			2022	2021
ASSETS				
Cash and cash equivalents	\$26,985,178	\$13,330,648	\$40,315,826	\$36,774,720
Investments	12,557,215	-	12,557,215	13,263,437
Taxes receivable, net	788,703	-	788,703	780,880
Other receivables	423,355	-	423,355	84,249
Due from other governments	1,335,977	-	1,335,977	881,407
Due from other funds	-	7,267,483	7,267,483	29,140
Inventory	427,224	-	427,224	427,224
Prepaid items	101,315	-	101,315	107,147
TOTAL ASSETS	<u>\$42,618,967</u>	<u>\$20,598,131</u>	<u>\$63,217,098</u>	<u>\$52,348,204</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 658,294	\$ 222,618	\$ 880,912	\$ 2,156,118
Accrued salaries, payroll withholdings, and benefits	16,049,288	-	16,049,288	13,765,774
Retainage payable	-	-	-	17,977
Due to other funds	7,267,483	-	7,267,483	-
Unearned revenue	2,133,411	-	2,133,411	1,528,267
TOTAL LIABILITIES	<u>26,108,476</u>	<u>222,618</u>	<u>26,331,094</u>	<u>17,468,136</u>
FUND BALANCES:				
Nonspendable	528,539	-	528,539	534,371
Restricted	-	20,375,513	20,375,513	18,369,577
Committed	4,016,120	-	4,016,120	6,041,781
Unassigned	11,965,832	-	11,965,832	9,934,339
TOTAL FUND BALANCES	<u>16,510,491</u>	<u>20,375,513</u>	<u>36,886,004</u>	<u>34,880,068</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$42,618,967</u>	<u>\$20,598,131</u>	<u>\$63,217,098</u>	<u>\$52,348,204</u>

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

**PENNRIDGE SCHOOL DISTRICT
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
TO STATEMENT OF NET POSITION
JUNE 30, 2022**

TOTAL GOVERNMENTAL FUND BALANCES	\$ 36,886,004
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Amounts reported for governmental activities in the statement of net position are different because:

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

Land	\$ 950,176	
Construction-in-progress	5,956,860	
Buildings and improvements	244,944,768	
Furniture, equipment, and vehicles	37,904,187	
Accumulated depreciation	<u>(139,107,043)</u>	150,648,948

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:

Accrued interest payable	(73,786)	
Bonds and note payable, net	(51,973,746)	
Lease rental obligations	(550,018)	
Accumulated compensated absences	(3,039,774)	
Net pension liability	(184,426,105)	
Net OPEB liability	<u>(19,111,953)</u>	(259,175,382)

Issuance of debt resulted in deferred charges which will be amortized over the life of new debt but do not represent current rights.	(320,602)
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An agreement for a lease rental obligation resulted in deferred outflows that will be amortized over the life of the agreement.	9,853,106
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An internal service fund is used by the District to charge the cost of health insurance claims to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	14,060,191
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Deferred inflows and outflows of resources related to the District's pension and OPEB plans do not represent current resources or uses of resources and, therefore, are not reported in the funds. Deferred inflows and outflows of resources consist of the following:

Deferred outflows of resources:		
Deferred outflows related to pension	36,404,939	
Deferred outflows related to OPEB	3,315,955	
Deferred inflows of resources:		
Deferred inflows related to pension	(32,160,439)	
Deferred inflows related to OPEB	<u>(2,829,688)</u>	4,730,767

NET DEFICIT OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (43,316,968)</u></u>
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These accompanying notes are an integral part of these financial statements.

PENNRIDGE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022
(With Summarized Comparative Data for the Year Ended June 30, 2021)

	General Fund	Capital Projects Fund	Totals	
			2022	2021
REVENUES				
Local sources	\$109,888,492	\$ 90,076	\$109,978,568	\$106,913,810
State sources	34,325,134	-	34,325,134	35,125,632
Federal sources	6,220,044	-	6,220,044	3,426,189
TOTAL REVENUES	<u>150,433,670</u>	<u>90,076</u>	<u>150,523,746</u>	<u>145,465,631</u>
EXPENDITURES				
Current:				
Instruction	88,965,993	-	88,965,993	88,261,237
Support services	42,069,733	-	42,069,733	40,357,002
Operation of noninstructional services	1,664,682	-	1,664,682	1,531,483
Capital outlay	-	5,351,623	5,351,623	3,290,103
Debt service	10,384,165	-	10,384,165	11,356,102
TOTAL EXPENDITURES	<u>143,084,573</u>	<u>5,351,623</u>	<u>148,436,196</u>	<u>144,795,927</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>7,349,097</u>	<u>(5,261,547)</u>	<u>2,087,550</u>	<u>669,704</u>
OTHER FINANCING USES				
Issuance of debt	8,325,000	-	8,325,000	40,285,000
Payment to refunding agent	(9,303,088)	-	(9,303,088)	(44,204,911)
Bond premium	978,088	-	978,088	4,166,389
Transfer out	(7,267,483)	-	(7,267,483)	(5,677,496)
Transfer in	-	7,267,483	7,267,483	5,634,249
Refund or prior year receipts	(81,614)	-	(81,614)	(22,789)
TOTAL OTHER FINANCING USES	<u>(7,349,097)</u>	<u>7,267,483</u>	<u>(81,614)</u>	<u>180,442</u>
NET CHANGE IN FUND BALANCES	-	2,005,936	2,005,936	850,146
FUND BALANCES, BEGINNING OF YEAR	<u>16,510,491</u>	<u>18,369,577</u>	<u>34,880,068</u>	<u>34,029,922</u>
FUND BALANCES, END OF YEAR	<u>\$ 16,510,491</u>	<u>\$ 20,375,513</u>	<u>\$ 36,886,004</u>	<u>\$ 34,880,068</u>

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

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

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 2,005,936

Capital outlays are reported in governmental funds 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 period. 1,459,205

An internal service fund has been established to account for self-insured healthcare costs. The net revenue is reported with governmental activities. 14,772

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This amount is the net effect of these differences in the treatment of long-term and related items. 9,891,329

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Accrued interest payable	\$ 6,295	
Compensated absences	(46,503)	
Deferred outflows of resources - pensions	(319,134)	
Deferred inflows of resources - pensions	(24,396,429)	
Deferred outflows of resources - OPEB	750,601	
Deferred inflows of resources - OPEB	166,918	
Net pension liability	32,539,069	
Net OPEB liability	(1,493,445)	<u>7,207,372</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 20,578,614

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

PENNRIDGE SCHOOL DISTRICT
BUDGETARY COMPARISON STATEMENT - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	(GAAP Basis)	Final Budget Positive (Negative)
REVENUES				
Local sources	\$107,768,381	\$107,718,243	\$109,888,492	\$ 2,170,249
State sources	34,734,055	34,784,193	34,325,134	(459,059)
Federal sources	2,288,126	2,288,126	6,220,044	3,931,918
TOTAL REVENUES	144,790,562	144,790,562	150,433,670	5,643,108
EXPENDITURES				
Instruction:				
Regular programs	61,792,560	61,792,560	60,602,920	1,189,640
Special programs	23,893,987	23,893,987	24,257,277	(363,290)
Vocational programs	4,033,994	4,033,994	3,536,732	497,262
Other instructional programs	469,685	469,685	563,237	(93,552)
Nonpublic school programs	-	-	5,827	(5,827)
Total Instruction	<u>90,190,226</u>	<u>90,190,226</u>	<u>88,965,993</u>	<u>1,224,233</u>
Support services:				
Pupil personnel services	5,887,221	5,887,221	5,867,858	19,363
Instructional staff services	4,418,525	4,418,525	4,413,171	5,354
Administrative services	9,114,479	9,114,479	9,223,999	(109,520)
Pupil health	1,329,516	1,329,516	1,508,263	(178,747)
Business services	863,703	863,703	923,253	(59,550)
Operation and maintenance of plant services	10,596,175	10,596,175	10,755,817	(159,642)
Student transportation services	7,560,614	7,560,614	7,108,181	452,433
Central support services	1,988,406	1,988,406	1,987,339	1,067
Other support services	363,621	363,621	281,852	81,769
Total Support Services	<u>42,122,260</u>	<u>42,122,260</u>	<u>42,069,733</u>	<u>52,527</u>
Operation of noninstructional services:				
Student activities	1,508,759	1,508,759	1,591,693	(82,934)
Community services	63,868	63,868	72,989	(9,121)
Total Operation of Noninstructional Services	<u>1,572,627</u>	<u>1,572,627</u>	<u>1,664,682</u>	<u>(92,055)</u>
Debt service	10,567,795	10,567,795	10,384,165	183,630
TOTAL EXPENDITURES	144,452,908	144,452,908	143,084,573	1,368,335
EXCESS OF REVENUES OVER EXPENDITURES	337,654	337,654	7,349,097	7,011,443
OTHER FINANCING USES				
Budgetary reserve	(337,654)	(337,654)	-	337,654
Issuance of debt	-	-	8,325,000	8,325,000
Payment to refunding agent	-	-	(9,303,088)	(9,303,088)
Bond premium	-	-	978,088	978,088
Transfer out	-	-	(7,267,483)	(7,267,483)
Refund or prior year receipts	-	-	(81,614)	(81,614)
TOTAL OTHER FINANCING USES	(337,654)	(337,654)	(7,349,097)	(7,011,443)
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE, BEGINNING OF YEAR	16,510,491	16,510,491	16,510,491	-
FUND BALANCE, END OF YEAR	\$ 16,510,491	\$ 16,510,491	\$ 16,510,491	\$ -

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

PENNRIDGE SCHOOL DISTRICT
STATEMENTS OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2022 AND 2021

	Food Service Fund		Internal Service Fund	
	2022	2021	2022	2021
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS:				
Cash and cash equivalents	\$ 2,313,138	\$ 1,223,959	\$ 14,412,946	\$ 14,462,694
Investments	214,983	214,446	-	-
Accounts receivable	720	754	283,734	249,946
Due from other governments	568,177	248,116	-	-
Prepaid expenses	-	-	-	58,045
Inventories	54,232	50,526	-	-
Other asset	-	-	370,655	370,655
Furniture and equipment	2,597,236	2,653,833	-	-
Accumulated depreciation	(2,372,267)	(2,431,443)	-	-
TOTAL ASSETS	3,376,219	1,960,191	15,067,335	15,141,340
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred outflows related to pension	585,578	590,766	-	-
Deferred outflows related to OPEB	35,259	21,919	-	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	620,837	612,685	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 3,997,056	\$ 2,572,876	\$ 15,067,335	\$ 15,141,340
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
LIABILITIES:				
Accounts payable	\$ 1,599	\$ -	\$ 1,006,089	\$ 1,093,752
Due to other funds	-	29,140	-	-
Unearned revenues	85,435	108,078	1,055	2,169
Long-term liabilities:				
Portion due or payable within one year:				
Accumulated compensated absences	56,044	27,463	-	-
Portion due or payable after one year:				
Net pension liability	2,997,895	3,526,826	-	-
Net OPEB liability	173,245	154,770	-	-
TOTAL LIABILITIES	3,314,218	3,846,277	1,007,144	1,095,921
DEFERRED INFLOWS OF RESOURCES:				
Deferred inflows related to pension	516,583	120,012	-	-
Deferred inflows related to OPEB	5,237	7,276	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	521,820	127,288	-	-
NET POSITION:				
Investment in capital assets	224,969	222,390	-	-
Unrestricted (deficit)	(63,951)	(1,623,079)	14,060,191	14,045,419
TOTAL NET POSITION (DEFICIT)	161,018	(1,400,689)	14,060,191	14,045,419
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 3,997,056	\$ 2,572,876	\$ 15,067,335	\$ 15,141,340

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

PENNRIDGE SCHOOL DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	Food Service Fund		Internal Service Fund	
	2022	2021	2022	2021
OPERATING REVENUES				
Food service revenues	\$ 489,760	\$ 126,317	\$ -	\$ -
Charges for health insurance	-	-	14,026,715	13,566,577
Total Operating Revenues	<u>489,760</u>	<u>126,317</u>	<u>14,026,715</u>	<u>13,566,577</u>
OPERATING EXPENSES				
Salaries	927,649	881,437	-	-
Employee benefits	494,199	458,678	-	-
Purchased professional and technical services	11,380	3,882	-	-
Purchased property service	42,353	36,491	-	-
Other operating expenses	42,891	1,587	-	-
Other purchased service	4,506	7,114	-	-
Self insurance claims	-	-	14,013,273	13,694,170
Supplies	1,453,587	1,238,457	-	-
Depreciation	43,620	52,600	-	-
Total Operating Expenses	<u>3,020,185</u>	<u>2,680,246</u>	<u>14,013,273</u>	<u>13,694,170</u>
OPERATING (LOSS) INCOME	<u>(2,530,425)</u>	<u>(2,553,929)</u>	<u>13,442</u>	<u>(127,593)</u>
NONOPERATING REVENUES				
Earnings on investments	6,389	3,450	1,330	1,341
State sources	137,978	231,761	-	-
Federal sources	3,947,765	2,886,346	-	-
Total Nonoperating Revenues	<u>4,092,132</u>	<u>3,121,557</u>	<u>1,330</u>	<u>1,341</u>
OPERATING TRANSFERS				
Transfer in	-	43,247	-	-
TOTAL OPERATING TRANSFERS	<u>-</u>	<u>43,247</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	1,561,707	610,875	14,772	(126,252)
NET POSITION, BEGINNING OF YEAR	<u>(1,400,689)</u>	<u>(2,011,564)</u>	<u>14,045,419</u>	<u>14,171,671</u>
NET POSITION, END OF YEAR	<u>\$ 161,018</u>	<u>\$ (1,400,689)</u>	<u>\$14,060,191</u>	<u>\$14,045,419</u>

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

PENNRIDGE SCHOOL DISTRICT
STATEMENTS OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	Food Service Fund		Internal Service Fund	
	2022	2021	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 467,151	\$ 121,159	\$13,991,813	\$13,609,340
Payments to suppliers	(1,376,912)	(1,117,979)	58,045	(58,711)
Payments to employees	(1,517,343)	(1,450,636)	-	-
Cash payments for health insurance costs	-	-	(14,100,936)	(13,832,663)
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	(2,427,104)	(2,447,456)	(51,078)	(282,034)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfer from other fund	-	43,247	-	-
State sources	121,696	234,179	-	-
Federal sources	3,434,934	2,494,782	-	-
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	3,556,630	2,772,208	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchase of capital assets	(46,199)	(14,610)	-	-
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(46,199)	(14,610)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Earnings on investments	6,389	3,450	1,330	1,341
Purchase of investments	(537)	(775)	-	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	5,852	2,675	1,330	1,341
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,089,179	312,817	(49,748)	(280,693)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,223,959	911,142	14,462,694	14,743,387
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,313,138	\$ 1,223,959	\$14,412,946	\$14,462,694
RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH USED BY OPERATING ACTIVITIES:				
Operating (loss) income	\$ (2,530,425)	\$ (2,553,929)	\$ 13,442	\$ (127,593)
Adjustments to reconcile operating loss to net cash (used) provided by operating activities:				
Depreciation	43,620	52,600	-	-
Donated commodities	209,052	218,415	-	-
Decrease (Increase) in:				
Accounts receivable	34	6,861	(33,788)	40,594
Inventories	(3,706)	4,797	-	-
Prepaid expenses	-	-	58,045	(58,045)
Other assets	-	-	-	(666)
Deferred outflows related to pension	5,188	(132,032)	-	-
Deferred outflows related to OPEB	(13,340)	5,145	-	-
Increase (Decrease) in:				
Accounts payable	1,599	(408)	(87,663)	(138,493)
Due to other funds	(29,140)	(53,252)	-	-
Unearned revenues	(22,643)	(12,019)	(1,114)	2,169
Compensated absences	28,581	1,802	-	-
Net pension liability	(528,931)	225,325	-	-
Net OPEB liability	18,475	(115,092)	-	-
Deferred inflows related to pension	396,571	(71,611)	-	-
Deferred inflows related to OPEB	(2,039)	(24,058)	-	-
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	\$ (2,427,104)	\$ (2,447,456)	\$ (51,078)	\$ (282,034)
SUPPLEMENTAL DISCLOSURE				
Noncash noncapital financing activity:				
USDA donated commodities	\$ 209,052	\$ 218,415	\$ -	\$ -

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

**PENNRIDGE SCHOOL DISTRICT
STATEMENTS OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2022 AND 2021**

	Private-Purpose Trust		Custodial Fund	
	2022	2021	2022	2021
ASSETS				
Cash	\$ 9,673	\$ 2,337	\$ 271,025	\$ 190,823
Investments	12,445	21,136	-	-
TOTAL ASSETS	<u><u>\$ 22,118</u></u>	<u><u>\$ 23,473</u></u>	<u><u>\$ 271,025</u></u>	<u><u>\$ 190,823</u></u>
LIABILITIES AND NET POSITION:				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 55
NET POSITION	<u>22,118</u>	<u>23,473</u>	<u>271,025</u>	<u>190,768</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 22,118</u></u>	<u><u>\$ 23,473</u></u>	<u><u>\$ 271,025</u></u>	<u><u>\$ 190,823</u></u>

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

**PENNRIDGE SCHOOL DISTRICT
STATEMENTS OF ACTIVITIES - FIDUCIARY FUNDS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	Private-Purpose Trust		Custodial Fund	
	2022	2021	2022	2021
ADDITIONS				
Contributions	\$ -	\$ -	\$ 347,340	\$ 96,637
Interest income	95	113	-	-
TOTAL ADDITIONS	95	113	347,340	96,637
DEDUCTIONS				
Student activities	-	-	267,136	112,876
Scholarships awarded	1,450	2,750	-	-
TOTAL DEDUCTIONS	1,450	2,750	267,136	112,876
CHANGE IN NET POSITION	(1,355)	(2,637)	80,204	(16,239)
NET POSITION, BEGINNING OF YEAR	23,473	26,110	190,821	207,007
NET POSITION, END OF YEAR	<u>\$ 22,118</u>	<u>\$ 23,473</u>	<u>\$ 271,025</u>	<u>\$ 190,768</u>

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

PENNRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Pennridge School District (the District), located in Bucks County, Pennsylvania, encompasses an area of approximately 94 square miles in Upper Bucks County and operates under and is pursuant to the Pennsylvania School Code, and is classified as a school district of the second class under the Code. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding sources. The daily operation and management of the District is carried out by the administrative staff of the District, headed by the Superintendent of Schools who is appointed by the Board of School Directors.

The financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles.

Reporting Entity

The criteria for determining the activities, organizations, and functions of government to be included in the financial statements of the reporting entity, as set forth in GASB's *Codification of Governmental Accounting and Financial Reporting Standards* (GASB Codification), relate to financial accountability. In evaluating the District as a reporting entity, management has addressed all potential component units which may or may not fall within the District's financial accountability. The criteria used to evaluate component units for possible inclusion as part of the District's reporting entity are financial accountability and the nature and significance of the relationship. The District is considered to be an independent reporting entity and has no component units.

Basis of Presentation

Entity-wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements distinguish between activities that are governmental and those that are considered business-type. These statements include the financial activities of the primary government, except for fiduciary funds.

The entity-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as further defined under proprietary funds below. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the entity-wide statements and the statements of governmental funds.

PENNBRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The entity-wide statement of activities presents a comparison between expenses and program revenues for each function of the business-type activities of the District and for each governmental program. Expenses are those that are specifically associated with a service or program and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the District.

Except for interfund activity and balances between the funds that underlie governmental activities and the funds that underlie business-type activities, which are reported as transfers and internal balances, the effect of interfund activity has been removed from these statements.

The entity-wide financial statements report net position in one of three components. Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of borrowings attributable to acquiring, constructing, or improving those assets. Net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Those restrictions affect net position arising from the capital projects fund. Unrestricted net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted."

Fund Financial Statements

During the school year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Fiduciary fund financial statements are presented by fund type.

Governmental Funds

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

PENNRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The District reports the following major governmental funds:

The **General Fund** is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Capital Projects Fund** is used to account for all financial resources restricted, committed, or assigned to expenditures for capital outlays, including fixed asset acquisitions, construction, and improvements.

Revenue Recognition

In applying the "susceptible to accrual concept" under the modified accrual basis, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenue and similar revenue streams to be available if collected within 60 days of the end of the fiscal period. Revenue from federal, state, and other grants designated for payment of specific District expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as unearned revenues until earned.

Other revenues, including certain other charges for services and miscellaneous revenues, are recorded as revenue when received in cash because they generally are not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt which has not matured are recognized when paid. Liabilities for compensated absences and special termination benefits are recognized as fund liabilities to the extent they mature each period. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Proprietary Funds

Proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are financed primarily by user charges. The economic resources measurement focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Allocations of certain costs, such as

PENNRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

depreciation, are recorded in proprietary funds. The District does not attempt to allocate all "building-wide costs" to the enterprise fund. Thus, general fund expenditures which partially benefit the enterprise fund (utilities, janitorial services, insurance, etc.) are not recognized proportionately in the enterprise fund. Similarly, the enterprise fund does not recognize a cost for the building space it occupies.

The District's proprietary funds consist of the food service fund and the internal service fund. The food service fund is a major enterprise fund used to account for operations where the intent of the governmental entity is to recover the costs of providing goods and services to the District's student population and staff primarily through user charges. This fund is used to account for the District's food service operations that are financed and operated in a manner similar to private business enterprises. The fund accounts for all revenues, food purchases, and costs and expenses for the Food Service Program. The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis. The District's only internal service fund is used to account for the operation of the District's self-insurance program for employee medical and prescription drug claims on a cost reimbursement basis.

Fiduciary Funds

Fiduciary funds account for the assets held by the District as a trustee or agent for individuals, private organizations, and/or governmental units and are, therefore, not available to support the District's own programs. The District accounts for these assets as custodial funds and trust funds. The trust fund accounts for monies contributed for scholarships and memorials. The fiduciary funds use the same measurement focus as the proprietary funds.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments consist of external investment pools and treasury bonds backed by the federal government. The investments are recorded at amortized cost. External investment pools and treasury bonds are nonparticipating interest earning investment contracts which are exempt from measurement at fair value.

Property Taxes

Based upon the assessment provided by the County, the tax collectors bill and collect property taxes on behalf of the District. The District's tax rate for the year ended June 30, 2022

PENNBRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

was 135.25 mills (\$135.25 for \$1,000 of assessed valuation) as levied by the Board of School Directors. Taxes are levied on July 1 and are payable in the following periods:

July - August 31	-	Discount period, 2% of gross levy
September 1 - October 31	-	Face period
November 1 - December 31	-	Penalty period, 10% of gross levy
January 1	-	Lien date

Receivables/Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Prepaid Items and Inventories

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

All inventories are valued at the lower of cost (first-in, first-out method) or market.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the entity-wide and proprietary fund financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

Buildings and building improvements	50 years
Furniture, equipment, and vehicles	5 - 15 years

PENNRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Compensated Absences

District policies permit employees to accumulate earned but unused vacation and personal and sick days as stipulated in each bargaining unit's contract. The liability for these compensated absences is recorded as long-term liabilities in the entity-wide financial statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report the compensated absence liability payable from expendable available financial resources.

Long-term Obligations

In the entity-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are netted against outstanding principal balances and amortized over the life of the bonds. Bond issuance costs are expensed when incurred. Deferred amounts on refunding are recorded as a deferred inflow or outflow of resources and amortized over the life of the old debt or the life of the new debt, whichever is shorter. All amortized amounts are amortized using the straight-line method.

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. Premiums received and discounts paid on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has four items that qualify for reporting in this category on the government-wide statements. The deferred loss on refunding is reported in the government-wide statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price, and this amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflow from lease rental obligation is the result of the debt obligation issued by the District for capital improvements to the Upper Bucks County Technical School. The amount is deferred in accordance with the debt payment schedules. Also, certain changes to the net pension liability and net OPEB liability are required to be amortized over a period of years; the unamortized portions of these changes are reflected as deferred outflows of resources on the entity-wide statement of net position.

PENNRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category on the government-wide statements. Certain changes to the net pension liability and net OPEB liability are required to be amortized over a period of years; the unamortized portions of these changes are reflected as deferred inflows of resources on the entity-wide statement of net position. The governmental funds report unavailable revenues from one source: property taxes. These amounts are reflected as deferred inflows of resources on the general fund balance sheet and recognized as an inflow of resources in the period that the amounts become available.

Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first and then unrestricted resources as they are needed.

Fund balances of the governmental funds are classified, if applicable, as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions approved by the Board of Directors.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Finance Committee, the Superintendent, or the Business Administrator may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net investment in capital assets consist of capital

PENNBRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first and then unrestricted resources as they are needed.

Use of Estimates in the Preparation of Financial Statements

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

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. However, presentation of prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the District's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

An annual 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. The Pennsylvania Department of Education (PDE) issues a schedule of actions for school districts for the development of the annual budget under Act 1. One deadline is the action to resolve to keep any tax increase in the real estate tax millage rate below the index announced by the PDE. Prior to that deadline, management submits to the School Board for consideration a draft operating budget projection or other information to review for the fiscal year commencing the following July 1. The School Board determines if it will approve a resolution to keep any tax increase below the index.

If the School Board adopts the resolution, management submits to the School Board prior to May 31 a proposed operating budget for the fiscal year commencing the following July 1.

PENNBRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont'd)

The operating budget includes proposed expenditures and the means of financing them for the general fund. A public hearing is conducted to obtain taxpayer comments.

If the School Board does not adopt the resolution, management prepares and submits a proposed operating budget for the fiscal year commencing the following July 1 in accordance with the deadlines established by PDE under Act 1. These deadlines will vary with the setting of the spring municipal election date each year. In either case, prior to June 30, the budget is legally enacted through adoption of a resolution.

Legal budgetary control is maintained by the School Board at the departmental level. Transfers between departments, whether between funds or within a fund, or revisions that alter the total revenues and expenditures of any fund, must be approved by the School Board. Unused appropriations lapse at the end of each fiscal year.

Excess of Expenditures Over Appropriations

General fund functions incurred expenditures in excess of appropriations in the following amounts for the year ended June 30, 2022:

Special programs	\$ 363,290
Other instructional programs	\$ 93,552
Nonpublic school programs	\$ 5,827
Administrative services	\$ 109,520
Pupil health	\$ 178,747
Business services	\$ 59,550
Operation and maintenance of plant services	\$ 159,642
Student activities	\$ 82,934
Community services	\$ 9,121

The excess of expenditures over appropriations were offset by other expenditure category appropriations which did not exceed their budgeted amounts.

NOTE 3 DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The District does not have a policy for custodial credit risk but adheres to the requirements of Act 72 of the Commonwealth of Pennsylvania. At June 30, 2022, the carrying amount of the District's deposits was \$57,319,490, and the bank balance was \$58,296,852. Of the bank balance, \$259,673 was covered by federal depository insurance,

PENNBRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 3 DEPOSITS AND INVESTMENTS (cont'd)

and \$2,552,066 was exposed to custodial credit risk because it was uninsured, and the collateral held by the depository's agent was not in the District's name. Of the remaining \$55,485,113 in cash deposits of the District, \$40,593,045 is held with the Pennsylvania School District Liquid Asset Fund (PSDLAF) and \$14,892,068 is held with the Pennsylvania Local Government Investment Trust (PLGIT). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF and PLGIT act like money market mutual funds in that their objective is to maintain a stable net asset value of \$1 per share, is rated AAAM by a nationally recognized rating organization, and is subject to an independent annual audit.

Investments

Under Section 440.1 of the Public School Code of 1949, as amended, the District is permitted to invest its monies as follows: Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America; (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth; (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision; (d) shares of an investment company registered under the Investment Company Act of 1940; or (e) deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation (FDIC), the Federal Savings and Loan Insurance Corporation (FSLIC), or the National Credit Union Share Insurance Fund (NCUSIF) to the extent that such accounts are so insured and for any amounts above the insured maximum, provided that approved collateral as provided by law is pledged by the depository.

The District's investments at June 30, 2022 were as follows:

<u>Investments Measured at Amortized Costs</u>		<u>Less than One Year</u>	<u>One to Five Years</u>
PLGIT	\$ 6,829,112	\$ -	\$ -
Treasury bonds	3,019,541	3,019,541	-
Certificates of deposit	2,935,990	2,935,990	-
Total at Amortized Cost	<u>\$ 12,784,643</u>	<u>\$ 5,955,531</u>	<u>\$ -</u>
Total Investments	<u>\$ 12,784,643</u>		

The District is invested in the PLGIT, a 2a7-like pool. The amortized cost, which approximates fair value of the pool, is determined by the pool's share price. The District has no regulatory oversight for the pools, which are governed by the Board of Trustees. PLGIT is administered by PFM Asset Management, LLC, and the pool is audited annually by Ernst & Young LLP, an independent certified public accountant.

PENNRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 3 DEPOSITS AND INVESTMENTS (cont'd)

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's policy for managing custodial credit risk is to adhere to the Pennsylvania Statutes authorizing the types of allowed investments.

Interest Rate Risk

The District's investment policy follows the Pennsylvania School Code as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The District's investment policy follows the Pennsylvania School Code in limiting its investment choices to those with certain credit ratings. All certificates of deposit and money market funds are fully covered by FDIC insurance.

Concentration Risk

The District places no limit on the amount it may invest in any one issuer. More than 5% of the District's investments are with PLGIT.

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 950,176	\$ -	\$ -	\$ 950,176
Construction-in-progress	4,425,331	5,129,870	(3,598,341)	5,956,860
Total Capital Assets Not Being Depreciated	<u>5,375,507</u>	<u>5,129,870</u>	<u>(3,598,341)</u>	<u>6,907,036</u>
Capital assets being depreciated:				
Buildings and improvements	241,346,427	3,598,341	-	244,944,768
Furniture, equipment, and vehicles	37,164,737	739,850	-	37,904,187
Total Capital Assets Being Depreciated	<u>278,510,764</u>	<u>4,338,191</u>	<u>-</u>	<u>282,848,955</u>
Less accumulated depreciation	134,696,528	4,410,515	-	139,107,043
Total Capital Assets Being Depreciated, Net	<u>143,814,236</u>	<u>(72,324)</u>	<u>-</u>	<u>143,741,912</u>
Governmental Activities Assets, Net	<u>\$149,189,743</u>	<u>\$ 5,057,546</u>	<u>\$(3,598,341)</u>	<u>\$150,648,948</u>

PENNRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 4 CAPITAL ASSETS (cont'd)

	Beginning Balance	Increases	Deletions	Ending Balance
<i>Business-type Activities</i>				
Capital assets being depreciated:				
Furniture and equipment	\$ 2,653,833	\$ 46,199	\$ (102,796)	\$ 2,597,236
Less accumulated depreciation	2,431,443	43,620	(102,796)	2,372,267
Business-type Activities Assets, Net	<u>\$ 222,390</u>	<u>\$ 2,579</u>	<u>\$ -</u>	<u>\$ 224,969</u>

Depreciation expense was charged to functions/programs of the District as follows:

Governmental Activities:

Depreciation expense, unallocated \$ 4,410,515

Business-type Activities:

Food service \$ 43,620

NOTE 5 INTERNAL RECEIVABLES, PAYABLES, AND TRANSFERS

The general fund transferred \$7,267,483 to the capital projects fund at the end of the year ended June 30, 2022 to support future capital projects. The transfer was recorded as an interfund balance between the general and capital projects fund.

NOTE 6 GENERAL LONG-TERM LIABILITIES

The following summarizes the changes in the long-term liabilities for the year for the year ended June 30, 2022:

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Due Within One Year
<i>Governmental Activities</i>					
Bonds and notes payable	\$ 52,556,532	\$ 9,303,088	\$ 9,885,874	\$ 51,973,746	\$ 17,308,462
UBCTS obligation	9,987,481	-	9,438,463	550,018	132,117
Compensated absences	2,993,271	46,503	-	3,039,774	-
Net pension liability	216,965,174	-	32,539,069	184,426,105	-
Net OPEB liability	17,618,508	1,493,445	-	19,111,953	-
Totals	<u>\$300,120,966</u>	<u>\$ 10,843,036</u>	<u>\$ 51,863,406</u>	<u>\$259,101,596</u>	<u>\$ 17,440,579</u>
<i>Business-type Activities</i>					
Compensated absences	\$ 27,463	\$ 28,581	\$ -	\$ 56,044	\$ -
Net pension liability	3,526,826	-	528,931	2,997,895	-
Net OPEB liability	154,770	18,475	-	173,245	-
Totals	<u>\$ 3,709,059</u>	<u>\$ 47,056</u>	<u>\$ 528,931</u>	<u>\$ 3,227,184</u>	<u>\$ -</u>

PENNBRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 6 GENERAL LONG-TERM LIABILITIES (cont'd)

Long-term liabilities of the governmental activities are anticipated to be liquidated by the general fund. Business-type activities long-term liabilities are anticipated to be liquidated by the food service fund.

The District's long-term debt consisted of the following:

General Obligation Notes

Series of 2003A, maturing through August 1, 2023, bearing a variable interest rate of .06% as of June 30, 2021, interest payable monthly.	\$ 200,000
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Series of 2004C, maturing through August 1, 2023, bearing a variable interest rate of .06% as of June 30, 2021, interest payable monthly.	5,300,000
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General Obligation Bonds

Series A of 2020, maturing through August 15, 2028, bearing interest ranging from 4.00% to 5.00%, interest payable semi-annually on February 15 and August 15.	22,420,000
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Series B of 2020, maturing through August 15, 2023, bearing interest ranging from 0.44 % to 0.58 %, interest payable semi annually on February 15 and August 15.	11,280,000
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Series of 2022, maturing through June 30, 2027, bearing interest ranging from 2% to 4%. Interest payable semi-annually on May 15 and November 15. Issued to advance refund Series of CR2014 VoTech for a cash flow savings of \$2,358,770.	<u>8,325,000</u>
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TOTAL	<u><u>\$ 47,525,000</u></u>
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Bonds and Notes payable is comprised of the following:

Bonds and Notes payable, at face	\$ 47,525,000
Unamortized premium	<u>4,448,746</u>

Bonds and Notes payable, net	<u><u>\$ 51,973,746</u></u>
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PENNRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 6 GENERAL LONG-TERM LIABILITIES (cont'd)

Amounts due in one year	\$ 17,308,462
Amounts due after one year	<u>34,665,284</u>
Bonds and Notes payable, net	<u>\$ 51,973,746</u>

Presented below is a summary of debt service requirements to maturity by years:

<u>Year Ending June 30,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2023	\$ 16,690,000	\$ 1,975,189	\$ 18,665,189
2024	11,185,000	1,407,627	12,592,627
2025	3,075,000	964,200	4,039,200
2026	5,640,000	748,800	6,388,800
2027	6,060,000	509,850	6,569,850
2028 - 2029	<u>4,875,000</u>	<u>351,900</u>	<u>5,226,900</u>
	<u>\$ 47,525,000</u>	<u>\$ 5,957,566</u>	<u>\$ 53,482,566</u>

NOTE 7 PENSION PLAN

Plan Description

The District contributes to the Public School Employees' Retirement System (PSERS), 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 annual comprehensive financial report that includes the financial statements and required supplementary information for the plan. A copy of this report may be obtained by writing to the Public School Employees' Retirement System, P.O. Box 125, Harrisburg, Pennsylvania, 17108-0125, or by visiting the PSERS website at www.psers.state.pa.us.

Benefits Provided

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

PENNRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 7 PENSION PLAN (cont'd)

work until age 65 with a minimum of three years of service, or attain a total combination and age and service that is equal to or greater than 92, with a minimum of 35 years of service.

Benefits are generally equal to 2% or 2½%, depending upon the membership class, of the member's final average salary as defined in the Code, multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested, and early retirement may be elected. For Class T-E and Class T-F members, the right to benefits is vested after 10 years of service. Benefit terms may be amended by passing bills in the Pennsylvania Senate and House of Representatives and sending them to the Governor for approval.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2½%, depending upon the membership class, of the member's final average salary as defined in the Code, multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

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

Member Contributions

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

Members who joined the system on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.

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

Members who joined the system after June 30, 2011 automatically contribute at the Class T-E rate of 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.30% (base rate) of the member's qualifying compensation. Class T-E and T-F are affected by a "shared risk" provision in

PENNBRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 7 PENSION PLAN (cont'd)

Act 120 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.50% and 9.50%, and Membership Class T-F contribution rate to fluctuate between 10.30% and 12.30%.

Employer Contributions

The District's contractually required annual contribution is based on an actuarially determined amount that, when combined with the 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. For the year ended June 30, 2022, the rate of the employer contribution was 34.94% of covered payroll, which was comprised of 33.99% for pension contributions, 0.15% for defined contribution plan, and 0.80% for healthcare contributions. The District's contribution to PSERS for pension for the year ended June 30, 2022 was \$22,372,517.

Pension Liability and Expense, and Deferred Outflows and Inflows of Resources

At June 30, 2022, the District reported a liability of \$187,424,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by rolling forward the system's total pension liability as of June 30, 2020 to June 30, 2021. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2022, the District's proportion was 0.4565%, which was an increase of 0.0087% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the District recognized pension expense of \$14,421,839. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ -	\$29,834,000
Change in assumptions	9,091,000	-
Difference between expected and actual experience	138,000	2,462,000
Changes in proportions	5,389,000	-
Differences between employer contributions and proportionate share of total contributions	-	381,022
Contributions subsequent to the date of measurement	22,372,517	-
	<u>\$36,990,517</u>	<u>\$32,677,022</u>

PENNBRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 7 PENSION PLAN (cont'd)

An amount of \$22,372,517 is reported as deferred outflows of resources resulting from the District's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts will be reported as deferred outflows of resources and deferred inflows of resources related to pensions and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2023	\$ (3,654,000)
2024	(2,022,386)
2025	(2,743,636)
2026	<u>(9,639,000)</u>
	<u>\$ (18,059,022)</u>

Actuarial Assumptions

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

- Actuarial cost method – entry age normal, level percentage of pay
- Investment return – 7.00%, including inflation of 2.75%
- Salary increases – effective average of 4.50%, which reflects an allowance for inflation of 2.50%, real wage growth, and for merit or seniority increases of 2.00%
- Mortality rates were based on the RP-2014 Mortality Tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. 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 long-term expected rate of return on pension plan investments was determined using the building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS Board of Directors. Plan assets are managed with a long-term

PENNRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 7 PENSION PLAN (cont'd)

objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

For the year ended June 30, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 24.58%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global public equity	27.0%	5.2%
Private equity	12.0%	7.3%
Fixed income	35.0%	1.8%
Commodities	10.0%	2.0%
Absolute return	8.0%	3.1%
Infrastructure/MLPs	8.0%	5.1%
Real estate	10.0%	4.7%
Cash	3.0%	0.1%
Leverage	(13.0%)	0.1%
	<u>100.0%</u>	

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

Sensitivity of the District's 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

PENNRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 7 PENSION PLAN (cont'd)

that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate.

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Proportionate share of the net pension liability	\$ 246,001,000	\$ 187,424,000	\$ 138,012,000

Pension Plan Fiduciary Net Position

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

NOTE 8 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN

Health Insurance Premium Assistance Program

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

Premium Assistance Eligibility Criteria

Retirees of the system can participate in the premium assistance program if they satisfy the following criteria:

- Have 24½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

PENNBRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 8 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN
(cont'd)

Plan Description

The District contributes to the Public School Employees' Retirement System (PSERS), 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 annual comprehensive financial report that includes the financial statements and required supplementary information for the plan. A copy of this report may be obtained by writing to the Public School Employees' Retirement System, P.O. Box 125, Harrisburg, Pennsylvania, 17108-0125, or by visiting the PSERS website at www.psers.state.pa.us.

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2021, there were no assumed future benefit increases to participating eligible retirees. Benefit terms may be amended by passing bills in the Pennsylvania Senate and House of Representatives and sending them to the Governor for approval.

Employer Contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2022 was 0.80% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$505,344 for the year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of \$10,831,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the system's total OPEB liability as of June 30, 2020 to June 30, 2021. The District's proportion of

PENNRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 8 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN
(cont'd)

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, 2021, the District's proportion was 0.4570%, which was an increase of 0.0092% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the District recognized OPEB expense of \$698,894. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ 21,000	\$ -
Change in the proportionate share of the net pension liability	423,000	173,000
Change in assumptions	1,154,000	144,000
Difference between expected and actual experience	101,000	-
Difference between employer contributions and proportionate share of total contributions	-	10,426
Contributions subsequent to the date of measurement	505,344	-
	<u>\$ 2,204,344</u>	<u>\$ 327,427</u>

An amount of \$505,344 is reported as deferred outflows of resources resulting from the District's contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts will be reported as deferred outflows of resources and deferred inflows of resources related to pensions and will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2023	\$ 230,000
2024	225,571
2025	286,572
2026	238,572
2027	220,572
Thereafter	170,286
	<u>\$ 1,371,573</u>

PENNRIDGE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 8 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN
(cont'd)

Actuarial Assumptions

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

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

The following assumptions were used to determine the contribution rate:

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

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

PENNBRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 8 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN
(cont'd)

health insurance account that are sufficient for the payment of premium assistance benefits for each succeeding year.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Cash	79.8%	0.1%
U.S. Core Fixed Income	17.5%	0.7%
Non-U.S. Developed Fixed	2.7%	(0.3)%
	<u>100.0%</u>	

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

Discount Rate

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

Sensitivity of the System's 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, 2021, 93,392 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2021, 611 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on healthcare cost trends as depicted below.

PENNBRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 8 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM OTHER POSTEMPLOYMENT BENEFITS PLAN
(cont'd)

The following presents the system's net OPEB liability for June 30, 2022, calculated using current healthcare cost trends, as well as what the system's net OPEB liability would be if its healthcare cost trends were one percentage point lower or one percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
System's net OPEB liability	\$ 10,830,000	\$ 10,831,000	\$ 10,832,000

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

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

	<u>1% Decrease 1.18%</u>	<u>Current Discount Rate 2.18%</u>	<u>1% Increase 3.18%</u>
Proportionate share of the net OPEB liability	\$ 12,430,000	\$ 10,831,000	\$ 9,514,000

OPEB 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.

NOTE 9 SINGLE EMPLOYER OTHER POSTEMPLOYMENT BENEFITS PLAN

Plan Description

The District administers a single employer defined benefit healthcare plan (the Retiree Health Plan) for employees who meet the eligibility requirements upon retirement. The District's retired employees are allowed to continue coverage for themselves and their dependents in the

PENNBRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 9 SINGLE EMPLOYER OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

employer's group health plan until the retired employee reaches Medicare age. In order to obtain coverage, retired employees must provide payment equal to the premium determined for the purpose of COBRA. Under GASB Statement No. 75, retiree benefits are viewed as a form of deferred compensation. As such, the benefits are treated as being earned over the working lifetime of the employee so that the cost is fully charged to operations by the earliest date of eligibility under the plan. A plan report is available in the District office.

Funding Policy

The contribution requirements of plan members are established and may be amended by the Board of School Directors. The District has no assets accumulated in a trust or equivalent arrangement for the purpose of administering the OPEB plan. The required contribution is based on projected pay-as-you-go financing requirements, with any additional amount to prefund as determined annually by the Board of School Directors. For fiscal year 2022, the District paid \$279,981 to plan members eligible for receiving benefits.

Actuarial Assumptions and Other Inputs

The total OPEB liability was measured as of July 1, 2021. The total OPEB liability as of July 1, 2021 was determined by an actuarial valuation as of July 1, 2020 and rolled forward to the July 1, 2021 measurement date using the actuarial assumptions noted below.

Discount Rate

The discount used to measure the total OPEB liability was 2.28% and 1.86% for the measurement dates of July 1, 2021 and July 1, 2020, respectively, based on S&P Municipal Bond 20-year High Grade Rate Index.

Salary Increases

An assumption for salary increases is used only for spreading contributions over future pay under the entry age normal cost method. For this purpose, salary increases are composed of a 2.5% cost of living adjustment, 1% real wage growth, and for teachers and administrators, a merit increase which varies by age from age from 0.00% to 2.75%.

Withdrawal

Rates of withdrawal vary by age, gender, and years of service. Sample rates for employees with more than 10 years of service are shown below. Rates for new employees start at 22.9% for both men and women and decrease with age and service.

PENNBRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 9 SINGLE EMPLOYER OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

<u>Age</u>	<u>Male Rate</u>	<u>Female Rate</u>
25	2.57%	5.02%
30	2.57%	4.02%
35	1.50%	2.85%
40	1.34%	1.60%
45	1.37%	1.65%
50	1.92%	2.06%
55	3.38%	3.11%
60	5.57%	6.40%

Mortality Rates

Separate rates are assumed preretirement and postretirement using the RP-2014 Mortality Tables for Males and Females.

Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.

Disability

No disability was assumed.

Retirement

Assumed retirement rates are based on PSERS plan experience and vary by age, service, and gender.

<u>Age</u>	<u>Age 55 and 25 Years of Service</u>		<u>Superannuation</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
55	19%	19%	27%	10%
56	17%	17%	32%	30%
57	17%	17%	32%	30%
58	17%	17%	32%	35%
59	22%	21%	31%	36%
60	14%	17%	31%	36%
61	29%	30%	29%	31%
62	51%	61%	51%	61%
63	26%	26%	26%	26%
64	21%	22%	21%	22%
65	100%	100%	100%	100%

PENNRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 9 SINGLE EMPLOYER OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

Percent of Eligible Retirees Electing Coverage in Plan

One hundred percent of administrators, sixty-five percent of teachers, and forty percent of the support staff are assumed to elect coverage.

Percent Married at Retirement

Sixty-five percent of administrators, forty percent of teachers, and fifteen percent of the support staff are assumed to be married and have a spouse covered by the plan at retirement. Non-spouse dependents are deemed to be immaterial.

Spouse Age

Wives are assumed to be two years younger than their husbands.

Per Capita Claims Cost

The per capita claims cost for medical and prescription drugs is based on the expected portion of the group's overall cost attributed to individuals in the specified age and gender brackets. Dental and vision costs are assumed to not vary with age or gender. The resulting costs are as follows:

<u>Age</u>	<u>Medical and Prescription Drug Combined</u>	
	<u>Male</u>	<u>Female</u>
45 - 49	\$ 5,887	\$ 8,501
50 - 54	\$ 7,796	\$ 9,608
55 - 59	\$ 9,495	\$ 10,053
60 - 64	\$ 12,391	\$ 11,549
65+	\$ 15,865	\$ 14,783

Retiree Contributions

Retiree contributions are assumed to increase at the same rate as the healthcare cost trend rate.

Healthcare Cost Trend

The healthcare cost trend was 5.5% in 2020 and through 2023. Rates gradually decrease from 5.4% in 2024 to 4.0% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

Actuarial Value of Assets

The actuarial value of assets was equal to the market value of assets.

PENNRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 9 SINGLE EMPLOYER OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

Actuarial Cost Method – Entry Age Normal

Under the entry age normal cost method, the normal cost is the present value of benefits allocated to the year following the valuation date. Benefits are allocated on a level basis over the earnings of an individual between the date of hire and the assumed retirement age. The accrued liability as of the valuation date is the excess of the present value of future benefits over the present value of future normal cost. The unfunded accrued liability is the excess of the accrued liability over the actuarial value of assets. Actuarial gains and losses serve to reduce or increase the unfunded accrued liability.

Participant Data

Participant data is based on census information as of July 2022. The plan consisted of 1,090 participants, in which 1,050 were active and 40 were retired as of July 2022.

Sensitivity Analysis

The following presents the net OPEB liability, calculated using the valuation discount rate as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

	1% Decrease 1.28%	Current Discount Rate 2.28%	1% Increase 3.28%
Total OPEB liability	\$ 9,022,079	\$ 8,454,198	\$ 7,912,226
Fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 9,022,079</u>	<u>\$ 8,454,198</u>	<u>\$ 7,912,226</u>

The following presents the net OPEB liability, calculated using the valuation healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one percentage point lower each year or one percentage point higher each year than the current rate.

	1% Decrease	Current Rate	1% Increase
Total OPEB liability	\$ 7,492,800	\$ 8,454,198	\$ 9,589,688
Fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 7,492,800</u>	<u>\$ 8,454,198</u>	<u>\$ 9,589,688</u>

PENNRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 9 SINGLE EMPLOYER OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

Changes in Total OPEB Liability

Total OPEB liability - beginning	\$ 8,097,278
Service cost	711,425
Interest	161,021
Differences between expected and actual experience	-
Effect of changes of assumptions	(235,545)
Benefit payments	(279,981)
Net change	<u>356,920</u>
Total OPEB liability - ending	<u>\$ 8,454,198</u>

The amount of OPEB expense for the single employer plan recognized by the District was \$686,942 for the year ended June 30, 2022. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change in assumptions	\$ 845,400	\$ 652,152
Contributions subsequent to the date of measurement	<u>301,470</u>	<u>-</u>
	<u>\$ 1,146,870</u>	<u>\$ 2,507,499</u>

Change in Assumptions

The discount rate changed from 1.86% to 2.28%.

An amount of \$301,470 is reported as deferred outflows of resources resulting from the District's contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts will be reported as deferred outflows of resources and deferred inflows of resources related to OPEB and will be recognized in OPEB expense as follows:

PENNBRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 9 SINGLE EMPLOYER OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

<u>Year Ending June 30,</u>	
2023	\$ (185,504)
2024	(185,504)
2025	(185,504)
2026	(185,504)
2027	(185,504)
Thereafter	<u>(734,579)</u>
	<u>\$ (1,662,099)</u>

NOTE 10 NET OTHER POSTEMPLOYMENT BENEFITS LIABILITY

The District's aggregate net OPEB liability and deferred inflows and outflows of resources are as follows:

	<u>Net OPEB Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
District Plan (See Note 9)	\$ 8,454,198	\$ 1,146,870	\$ 2,507,499
PSERS Plan (See Note 8)	<u>10,831,000</u>	<u>2,204,344</u>	<u>327,426</u>
Total	<u>\$ 19,285,198</u>	<u>\$ 3,351,214</u>	<u>\$ 2,834,925</u>

NOTE 11 JOINT VENTURES

The District is one of three member school districts of the Upper Bucks County Technology School (UBCTS). The UBCTS provides vocational-technical training and education to participating students of the member school districts. The UBCTS is controlled and governed by the UBCTS Joint Committee, which is comprised of school board members of all the member school districts. No member school district exercises specific control over the fiscal policies or operations of the UBCTS. The District's share of annual operating costs for the UBCTS fluctuates, based upon the percentage of enrollment of each member school district. The amount paid for these services in the year ended June 30, 2022 was \$9,829,383, which has been reported in the District's general fund. Complete financial statements for the UBCTS can be obtained from the Administrative Office at 3115 Ridge Road, Perkasie, PA 18944.

The UBCTS has issued bonds for capital improvements to the facilities owned and operated by the UBCTS. The District's obligations on these bonds total \$577,383 and annual debt service requirements to maturity are as follows:

PENNRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 11 JOINT VENTURES (cont'd)

Future District rental payments are:

<u>Year Ending June 30,</u>	
2023	\$ 155,831
2024	152,556
2025	151,406
2026	144,954
Total	<u>604,747</u>
Less: interest requirements	<u>(27,364)</u>
Outstanding rental payments	<u>\$ 577,383</u>

NOTE 12 COMMITMENTS

Capital Improvement Commitments

As of June 30, 2022 anticipated construction commitments are as follows:

	<u>Contract Amount</u>	<u>Completed at 06/30/2022</u>	<u>Commitment</u>
Capital projects	<u>\$ 9,056,191</u>	<u>\$ 5,956,860</u>	<u>\$ 3,099,331</u>

NOTE 13 FUND BALANCES

As of June 30, 2022, fund balances are composed of the following:

	<u>General Fund</u>	<u>Capital Projects Funds</u>	<u>Total Governmental Funds</u>
Non-spendable:			
Prepaids	\$ 101,315	\$ -	\$ 101,315
Inventory	427,224	-	427,224
Restricted:			
Capital projects	-	20,375,513	20,375,513
Committed:			
Future retirement rate increase	4,016,120	-	4,016,120
Unassigned	<u>11,965,832</u>	<u>-</u>	<u>11,965,832</u>
Total Fund Balances	<u>\$ 16,510,491</u>	<u>\$ 20,375,513</u>	<u>\$ 36,886,004</u>

PENNRIDGE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 14 UNCERTAINTIES

Government Grants and Awards

The District participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The District is potentially liable for any expenditure which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

NOTE 15 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs except for workers' compensation, for which the District retains risk of loss. For insured programs, there were no significant reductions in insurance coverages during the 2021-2022 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 16 DEFICIT NET POSITION

For governmental activities, business-type activities, and the food service fund, the unrestricted net deficit amount of \$162,367,683 (governmental activities) and \$63,951 (business-type activities and the food service fund), respectively, includes the effect of the deferring the recognition of pension and OPEB contributions made subsequent to the measurement date of the net pension and net OPEB liabilities, the unamortized portion of contributions made in excess of the District's share of its proportionate contributions to its pension plan, and the deferred outflows resulting from the change in the District's share of the net pension and OPEB liabilities. This is offset by the District's actuarially determined pension and OPEB liabilities and the deferred inflows resulting from the differences between projected and actual investment earnings.

NOTE 17 SUBSEQUENT EVENTS

The District has evaluated all subsequent events through November 30, 2022, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

PENNRIDGE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Pennsylvania Public School Employees' Retirement System (PSERS)

	MEASUREMENT DATE							
	JUNE 30, 2021	JUNE 30, 2020	JUNE 30, 2019	JUNE 30, 2018	JUNE 30, 2017	JUNE 30, 2016	JUNE 30, 2015	JUNE 30, 2014
District's proportion of the net pension liability	0.4565%	0.4478%	0.4412%	0.4355%	0.4545%	0.4400%	0.4413%	0.4488%
District's proportion of the net pension liability - dollar value	\$ 187,424,000	\$ 220,492,000	\$ 206,405,000	\$ 209,062,000	\$ 224,470,000	\$ 218,050,000	\$ 191,150,000	\$ 177,638,000
District's covered employee payroll	\$ 64,795,610	\$ 63,074,463	\$ 58,646,410	\$ 60,505,645	\$ 58,966,620	\$ 56,982,668	\$ 56,783,151	\$ 57,268,932
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	289.25%	349.57%	351.95%	345.52%	380.67%	382.66%	345.17%	310.18%
Plan fiduciary net position as a percentage of the total pension liability	63.67%	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%

Note: The above information is presented as of the plan's measurement date.

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**PENNRIDGE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
Pennsylvania Public School Employees' Retirement System (PSERS)**

	<u>JUNE 30, 2022</u>	<u>JUNE 30, 2021</u>	<u>JUNE 30, 2020</u>	<u>JUNE 30, 2019</u>	<u>JUNE 30, 2018</u>	<u>JUNE 30, 2017</u>	<u>JUNE 30, 2016</u>	<u>JUNE 30, 2015</u>
Contractually required contribution	\$ 22,372,517	\$ 21,713,016	\$ 21,041,641	\$ 19,735,000	\$ 18,572,000	\$ 16,914,000	\$ 14,543,000	\$ 11,433,000
Contributions in relation to the contractually required contribution	<u>22,372,517</u>	<u>21,713,016</u>	<u>21,041,641</u>	<u>19,735,000</u>	<u>18,572,000</u>	<u>16,914,000</u>	<u>14,543,000</u>	<u>11,433,000</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 65,820,880	\$ 64,795,610	\$ 63,074,463	\$ 58,646,410	\$ 60,505,645	\$ 58,966,620	\$ 56,982,668	\$ 56,783,151
Contributions as a percentage of covered employee payroll	33.99%	33.51%	33.36%	33.65%	30.69%	29.20%	25.52%	20.13%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

PENNRIDGE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
Pennsylvania Public School Employees' Retirement System (PSERS)

	MEASUREMENT DATE				
	JUNE 30, 2021	JUNE 30, 2020	JUNE 30, 2019	JUNE 30, 2018	JUNE 30, 2017
District's proportion of the net OPEB liability	0.4570%	0.4478%	0.4413%	0.4355%	0.4545%
District's proportion of the net OPEB liability - dollar value	\$ 10,831,000	\$ 9,676,000	\$ 9,384,000	\$ 9,080,000	\$ 9,260,000
District's covered employee payroll	\$ 64,795,610	\$ 63,074,463	\$ 58,646,410	\$ 60,505,645	\$ 58,966,620
District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	16.72%	15.34%	16.00%	15.01%	15.70%
Plan fiduciary net position as a percentage of the total pension liability	5.30%	5.69%	5.56%	5.73%	5.73%

Note: The above information is presented as of the plan's measurement date.

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**PENNRIDGE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
Pennsylvania Public School Employees' Retirement System (PSERS)**

	<u>JUNE 30, 2022</u>	<u>JUNE 30, 2021</u>	<u>JUNE 30, 2020</u>	<u>JUNE 30, 2019</u>	<u>JUNE 30, 2018</u>
Contractually required contribution	\$ 505,344	\$ 531,324	\$ 529,825	\$ 502,000	\$ 486,000
Contributions in relation to the contractually required contribution	<u>505,344</u>	<u>531,324</u>	<u>529,825</u>	<u>502,000</u>	<u>486,000</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 65,820,880	\$ 64,795,610	\$ 63,074,463	\$ 58,646,410	\$ 60,505,645
Contributions as a percentage of covered employee payroll	0.80%	0.82%	0.84%	0.86%	0.80%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**PENNRIDGE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY
SINGLE EMPLOYER OPEB PLAN**

	MEASUREMENT DATE			
	July 1, 2021	July 1, 2020	July 1, 2019	July 1, 2018
TOTAL OPEB LIABILITY				
Service cost	\$ 711,425	\$ 594,800	\$ 589,776	\$ 659,173
Interest on total OPEB liability	161,021	283,011	240,652	283,824
Difference between expected and actual experience	-	(1,288,439)	-	(1,212,972)
Effect of assumption changes or inputs	(235,545)	817,681	(207,562)	(380,345)
Benefit payments	(279,981)	(300,923)	(256,412)	(291,654)
NET CHANGE IN TOTAL OPEB LIABILITY	356,920	106,130	366,454	(941,974)
TOTAL OPEB LIABILITY, BEGINNING OF YEAR	8,097,278	7,991,148	7,624,694	8,566,668
TOTAL OPEB LIABILITY, END OF YEAR	<u>\$ 8,454,198</u>	<u>\$ 8,097,278</u>	<u>\$ 7,991,148</u>	<u>\$ 7,624,694</u>
Covered employee payroll	\$ 61,092,453	\$ 57,200,232	\$ 57,200,232	\$ 57,200,232
District's net OPEB liability as a percentage of covered payroll	13.84%	14.16%	13.97%	13.33%
Expected average remaining service years of all participants	14	14	14	14

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

SINGLE AUDIT SUPPLEMENT



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

November 30, 2022

Board of School Directors
Pennridge School District
Perkasie, Pennsylvania

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

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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.

Board of Directors
Pennridge School District

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.

Compliance and Other Matters

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

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

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP



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

November 30, 2022

Board of School Directors
Pennridge School District
Perkasie, Pennsylvania

Report on Compliance for Major Federal Program

Opinion on Major Federal Program

We have audited the Pennridge School District's (the District) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2022. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and recommendations.

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

Basis for Opinion on Each Major Federal Program

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

Board of School Directors
Pennridge School District

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

Responsibilities of Management for Compliance

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

Auditor's Responsibility for the Audit of Compliance

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

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

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

Board of School Directors
Pennridge School District

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.

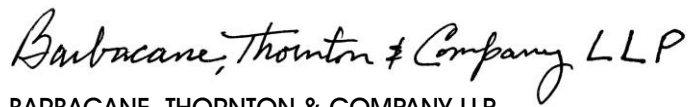
Report on Internal Control Over Compliance

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

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

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

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.


BARBACANE, THORNTON & COMPANY LLP

**PENNRIDGE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

FEDERAL GRANTOR/PROJECT TITLE	SOURCE CODE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	GRANT PERIOD BEGINNING / ENDING DATES	GRANT AMOUNT	TOTAL RECEIVED FOR YEAR	ACCRUED (UNEARNED) REVENUE 07/01/2021	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (UNEARNED) REVENUE 06/30/2022	PASSED THROUGH TO SUB-RECIPIENTS
U.S. DEPARTMENT OF EDUCATION											
Passed through Pennsylvania Department of Education											
Title I - Grants to Local Education Agencies	I	84.010	13-200328	07/01/20 - 09/30/21	\$ 684,741	\$ 204,798	\$ 51,200	\$ 153,598	\$ 153,598	\$ -	\$ -
Title I - Grants to Local Education Agencies	I	84.010	13-210328	07/01/21 - 09/30/22	828,720	532,748	-	591,943	591,943	59,195	-
Total CFDA # 84.010						737,546	51,200	745,541	745,541	59,195	-
Total Title I Cluster						737,546	51,200	745,541	745,541	59,195	-
Title II - Improving Teacher Quality	I	84.367	20-210328	07/01/20 - 09/30/21	151,995	81,633	-	81,633	81,633	-	-
Title II - Improving Teacher Quality	I	84.367	20-210328	07/01/21 - 09/30/22	161,519	80,759	-	92,297	92,297	11,537	-
Total CFDA # 84.367						162,392	-	173,930	173,930	11,537	-
Title III - Language Instruction LEP/Immigrant Students	I	84.365	10-210328	07/01/20 - 09/30/21	23,459	8,216	-	8,216	8,216	-	-
Title III - Language Instruction LEP/Immigrant Students	I	84.365	10-210328	07/01/21 - 09/30/22	38,517	13,756	-	16,507	16,507	2,751	-
Total CFDA # 84.365						21,972	-	24,723	24,723	2,751	-
Title IV - Student Support and Academic Enrichment	I	84.424	144-210328	07/01/20 - 09/30/21	43,631	34,693	3,356	31,337	31,337	-	-
Total CFDA # 84.424						34,693	3,356	31,337	31,337	-	-
Education Stabilization Fund:											
Governor's Emergency Education Relief Fund	I	84.425C	252-20-0017	03/12/21 - 09/30/22	19,646	13,097	-	13,097	13,097	-	-
Total CFDA #84.425C						13,097	-	13,097	13,097	-	-
Elementary and Secondary School Emergency Relief:											
CRRSA - ESSER II	I	84.425D	200-21-0017	03/12/20 - 09/30/23	2,503,094	2,503,093	116,423	2,386,670	2,386,670	-	-
ARP ESSER III	I	84.425U	200-21-0017	03/13/20 - 09/30/24	5,535,562	276,166	-	873,141	873,141	596,975	-
ARP ESSER Homeless Children and Youth	I	84.425W	200-21-0017	03/13/20 - 09/30/24	25,550	1,310	-	1,310	1,310	-	-
ARP ESSER 7%	I	84.425U	200-21-0017	03/13/20 - 09/30/24	393,511	21,464	-	21,464	21,464	-	-
Total ESSER - PDE						2,802,033	116,423	3,282,585	3,282,585	596,975	-
Passed through Berks County Intermediate Unit											
IDEA	I	84.027	N/A	07/1/21 - 09/30/22	1,568,497	1,568,497	-	1,568,497	1,568,497	-	-
Total CFDA # 84.027						1,568,497	-	1,568,497	1,568,497	-	-
Total IDEA Cluster						1,568,497	-	1,568,497	1,568,497	-	-
TOTAL U.S. DEPARTMENT OF EDUCATION						5,340,230	170,979	5,839,710	5,839,710	670,458	-
U.S. Department of Health and Human Services											
Passed Through Pennsylvania Department of Public Welfare:											
Medical Assistance Program	I	93.778	N/A	07/1/19 - 06/30/20	N/A	28,327	28,327	-	-	-	-
Medical Assistance Program	I	93.778	N/A	07/1/20 - 06/30/21	N/A	63,449	-	63,449	63,449	-	-
Total CFDA# 93.778						91,776	28,327	63,449	63,449	-	-
Total U.S. Department of Health and Human Services						91,776	28,327	63,449	63,449	-	-

**PENNRIDGE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

FEDERAL GRANTOR/PROJECT TITLE	SOURCE CODE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	GRANT PERIOD BEGINNING / ENDING DATES	GRANT AMOUNT	TOTAL RECEIVED FOR YEAR	ACCRUED (UNEARNED) REVENUE 07/01/2021	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (UNEARNED) REVENUE 06/30/2022	PASSED THROUGH TO SUB- RECIPIENTS
U.S. DEPARTMENT OF AGRICULTURE											
Passed through Pennsylvania Department of Agriculture National School Lunch Program	I	10.555	N/A	07/1/21 - 06/30/22	N/A	209,052	-	209,052	209,052	-	-
Passed through Pennsylvania Department of Education National School Lunch Program	I	10.555	N/A	07/1/21 - 06/30/22	N/A	2,370,043	247,476	2,673,822	2,673,822	551,255	-
Supply Chain Assistance	I	10.555	N/A	07/1/21 - 06/30/22	N/A	123,825	-	123,825	123,825	-	-
Emergency Operating Costs	I	10.555	N/A	07/1/21 - 06/30/22	N/A	41,343	-	41,343	41,343	-	-
Total CFDA # 10.555						2,535,211	247,476	2,838,990	2,838,990	551,255	-
Summer Food Program	I	10.559	N/A	07/1/21 - 06/30/22	N/A	248,116	-	248,116	248,116	-	-
Total CFDA # 10.559						248,116	-	248,116	248,116	-	-
Breakfast Program	I	10.553	N/A	07/1/21 - 06/30/22	N/A	648,544	-	648,544	648,544	-	-
Total CFDA # 10.553						648,544	-	648,544	648,544	-	-
Total Child Nutrition Cluster						3,640,923	247,476	3,944,702	3,944,702	551,255	-
P-EBT Administrative Funds	I	10.649	N/A	07/1/21 - 06/30/22	N/A	3,063	-	3,063	3,063	-	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE						3,643,986	247,476	3,947,765	3,947,765	551,255	-
TOTAL FEDERAL AWARDS						\$ 9,075,992	\$ 446,782	\$ 9,850,924	\$ 9,850,924	\$ 1,221,713	\$ -

Source Code:

I - Indirect Funding

PENNRIDGE SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A SCOPE OF THIS SCHEDULE

The schedule of expenditures of federal awards reflects federal expenditures for all individual grants which were active during the fiscal year.

NOTE B BASIS OF ACCOUNTING

The District uses the modified accrual method of recording transactions except as noted for the accounting of donated commodities in Note C. Revenues are recorded when measurable and available. Expenditures are recorded when incurred.

NOTE C NONMONETARY FEDERAL AWARDS - DONATED FOOD

The Commonwealth of Pennsylvania distributes federal surplus food to institutions (schools, hospitals, and prisons) and to the needy. Expenditures reported in the schedule of expenditures of federal awards under CFDA #10.555, includes surplus food consumed by the District during the 2021-2022 fiscal year.

NOTE D INDIRECT COST RATE

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

NOTE E ACCESS PROGRAM

The ACCESS Program is a medical assistance program that reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. The amount of ACCESS funding recognized for the year ended June 30, 2022 was \$316,885.

PENNRIDGE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS

PART A - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued [*unmodified, qualified, adverse, or disclaimer*]:

Unmodified

Internal control over financial reporting:

- | | | |
|---|-------------------|----------------------------|
| • Material weakness(es) identified? | <u> </u> Yes | <u> X </u> No |
| • Significant deficiency(ies) identified? | <u> </u> Yes | <u> X </u> None reported |
| • Noncompliance material to financial statements noted? | <u> </u> Yes | <u> X </u> No |

Federal Awards

Internal control over major program:

- | | | |
|---|-------------------|----------------------------|
| • Material weakness(es) identified? | <u> </u> Yes | <u> X </u> No |
| • Significant deficiency(ies) identified? | <u> </u> Yes | <u> X </u> None reported |

Type of auditor's report issued on compliance for major program [*unmodified, qualified, adverse, or disclaimer*]:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?

 Yes X No

Identification of major program:

CFDA Numbers

Name of Federal Program or Cluster

84.425C, 84.425D, 84.425U, 84.425W

Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 X Yes No

PENNRIDGE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

PART B - FINDINGS RELATED TO FINANCIAL STATEMENTS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

PART C - FINDINGS RELATED TO FEDERAL AWARDS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.