

NORRISTOWN AREA SCHOOL DISTRICT

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Year Ended June 30, 2022

INTRODUCTORY SECTION

NORRISTOWN AREA SCHOOL DISTRICT

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FINANCIAL SECTION

Independent Auditors' Report

To the Board of School Directors
Norristown Area School District
Norristown, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Norristown Area School District, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the respective 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Norristown Area School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

To the Board of School Directors
Norristown Area School District
Norristown, Pennsylvania

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

To the Board of School Directors
Norristown Area School District
Norristown, Pennsylvania

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 8 through 17, schedule of the school district's proportionate share of the PSERS net pension liability and related ratios on page 65, schedule of the school district's PSERS pension contributions on page 66, schedule of the school district's proportionate share of the PSERS net other postemployment benefit plan liability and related ratios on page 67, schedule of the school district's PSERS other postemployment benefit plan contributions on page 68 and the schedule of changes in the total other postemployment benefit plan liability and related ratios on page 69 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Norristown Area School District's basic financial statements. The supplementary information listed in the table of contents and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

To the Board of School Directors
Norristown Area School District
Norristown, Pennsylvania

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2022, on our consideration of the Norristown Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Norristown Area School District's internal control over financial reporting and compliance.

Maillie LLP

Limerick, Pennsylvania
November 29, 2022

NORRISTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2022

As management of the Norristown Area School District, we offer readers of the Norristown Area School District's financial statements this narrative overview and analysis of the financial activities of the Norristown Area School District for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with the accompanying financial statements and related footnotes.

FINANCIAL HIGHLIGHTS

- General Fund where operating revenues exceeded operating expenses by \$15.2 million; increasing the total Fund Balance to \$42.7 million. The District assigned \$29,000,000 of this general fund balance for future maintenance and capital projects, anticipated tax assessment appeal refunds, and for stabilization of school real estate taxes and transportation costs. And, the unassigned fund balance increased from \$ 9.6 million to \$ 10.6 million.
- The District was able to make a \$9 million transfer to the Capital Reserve Fund during the 2021-22 school year. Capital investments focused on a transformative project at the Norristown Area High School kitchen and cafeteria into modern, branded, student-friendly space. Additionally, several significant upgrades were done to several elementary playgrounds all of which were designed to include innovative nonverbal communication boards that will allow for more inclusive experiences for our students, families, and community.
- NASD continues to participate in the Community Eligibility Provision of the Healthy-Hunger Free Kids Act of 2010, which allows our District to offer free meals to all students in Grades K-12. Additionally, we are pleased to share that we launched a successful summer feeding program in June 2022 and proudly served over 250,000 meals in just a few months.
- And, in July 2022, the Commonwealth of Pennsylvania approved their 2022-23 budget which provided a historical level of new funding for public schools. Our District will receive an additional \$5.5 million in Basic Education and Special Education subsidies.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Norristown Area School District's basic financial statements. The Norristown Area School District's basic financial statements have three components:

1. Government-wide financial statements,
2. Fund financial statements and
3. Notes to the basic financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

NORRISTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2022

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Norristown Area School District's finances in a manner similar to a private-sector business. There are two government-wide statements presented in this report:

- The *statement of net position* presents information on all of the Norristown Area School District's assets and liabilities, with the difference between the two reported as *net position*.
- Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Norristown Area School District is improving or deteriorating. To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.
- The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Norristown Area School District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

In the government-wide financial statements, the District's activities are divided into two categories:

- **Governmental Activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.
- **Business-Type Activities:** The District charges fees to cover the costs of certain services it provides, such as the food service program.

The government-wide financial statements can be found on pages 18 and 19 of this report.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Norristown Area School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Norristown Area School District can be divided into three categories: Governmental Funds, the Proprietary Fund and Fiduciary Funds.

NORRISTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2022

Governmental Funds - Most of the District's basic services are included in Governmental Funds. *Governmental Funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, Governmental Funds financial statements focus on *short-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a district's near-term financing requirements.

Because the focus of Governmental Funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *Governmental Funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Funds balance sheet and the Governmental Funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *Governmental Funds* and *governmental activities*.

The Norristown Area School District maintains three individual Governmental Funds. Information is presented separately on the Governmental Funds balance sheet and on the Governmental Funds statement of revenues, expenditures and changes in fund balances for the General Fund, the Capital Reserve Funds and the Capital Projects Fund, all of which are considered to be major funds.

The Norristown Area School District adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the budget.

The basic Governmental Funds financial statements can be found on pages 20 through 25 of this report.

Proprietary Fund - The Norristown Area School District maintains one type of Proprietary Fund; the Food Service Fund. This fund is an Enterprise Fund. The *Enterprise Fund* is used to report the same functions presented as *business-type activities* in the government-wide financial statements. This fund accounts for the financial transactions related to the food service operation of the District.

The basic Proprietary Fund financial statements can be found on pages 26 through 29 of this report.

Fiduciary Funds - The District is the trustee, or fiduciary, for assets that belong to others, such as Private-Purpose Trust Funds (Scholarship Funds) or Custodial Funds (Student Activity Funds). The District is responsible for ensuring that the assets reported in these funds are used to account for their intended purposes and by those to whom the assets belong. Fiduciary Funds are used for resources held for the benefit of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Norristown Area School District's own programs.

The basic Fiduciary Funds financial statements can be found on pages 30 and 31 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 32 through 64 of this report.

NORRISTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Norristown Area School District, the net position improved by \$39 million during fiscal year 2021-2022. The table below summarizes the net position of the District at June 30, 2022.

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
ASSETS						
Current assets	\$ 90,583,516	\$ 62,189,608	\$ 2,619,506	\$ 1,375,535	\$ 93,203,022	\$ 63,565,143
Capital and other assets	74,636,236	73,980,650	346,852	379,084	74,983,088	74,359,734
TOTAL ASSETS	165,219,752	136,170,258	2,966,358	1,754,619	168,186,110	137,924,877
DEFERRED OUTFLOW OF RESOURCES						
Deferred amounts on refunding	1,865,310	2,226,594	-	-	1,865,310	2,226,594
OPEB activity	3,417,406	3,018,813	56,925	45,000	3,474,331	3,063,813
Pension activity	37,526,000	47,284,000	883,000	114,000	38,409,000	48,398,000
TOTAL DEFERRED OUTFLOW OF RESOURCES	42,808,716	52,529,407	939,925	1,59,000	43,748,641	53,688,407
LIABILITIES						
Long-term liabilities	289,502,450	358,130,608	4,547,940	6,022,145	294,050,390	364,152,753
Other liabilities	40,718,788	31,634,581	175,752	267,305	40,894,540	31,901,886
TOTAL LIABILITIES	330,221,238	389,765,189	4,723,692	6,289,450	334,944,930	396,054,639
DEFERRED INFLOW OF RESOURCES						
OPEB activity	2,263,911	1,452,571	36,616	21,000	2,300,527	1,473,571
Pension activity	50,808,000	11,776,000	1,196,000	277,000	52,004,000	12,053,000
TOTAL DEFERRED INFLOW OF RESOURCES	53,071,911	13,228,571	1,232,616	298,000	54,304,527	13,526,571
NET POSITION						
Net investment in capital assets	(10,898,794)	(15,717,148)	346,852	379,084	(10,551,942)	(15,338,064)
Unrestricted	(164,365,887)	(198,576,947)	(2,396,877)	(4,052,915)	(166,762,764)	(202,629,862)
TOTAL NET POSITION	\$ (175,264,681)	\$ (214,294,095)	\$ (2,050,025)	\$ (3,673,831)	\$ (177,314,706)	\$ (217,967,926)

The District continues to implement cost-containment and revenue-generating strategies to combat the deteriorating financial position. Factors such as unstable state and federal funding, increased pension contributions, rising charter school tuition costs and increased special education mandated program costs continue to contribute to challenges of the District.

In the governmental activities, the District's tax base drives the majority of the revenue generated. The District consists of three municipalities: East Norriton Township, West Norriton Township and the Municipality of Norristown. The local real estate market, in all three municipalities, experienced a residential surge in both 2020-2021 and 2021-2022 as a result of historically low interest rates and high local demand.

NORRISTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2022

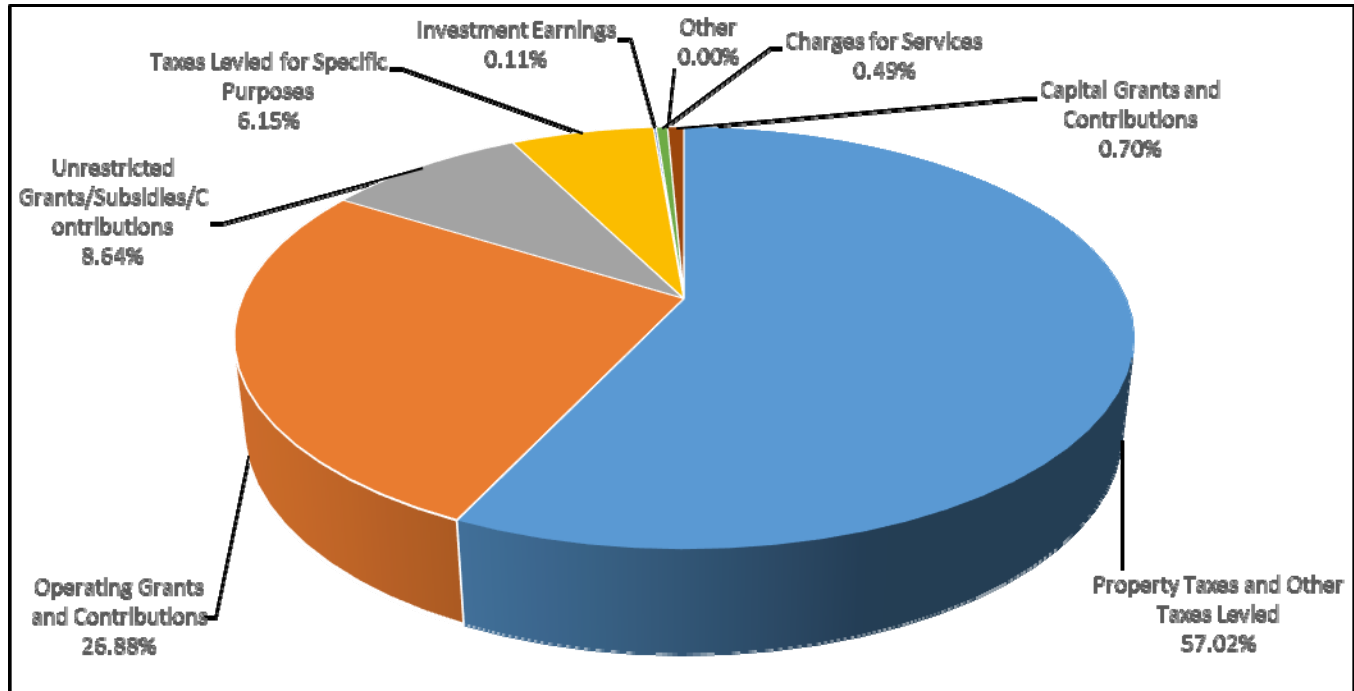
In the business-type activities (Food Services), the operations varied greatly as a result of the COVID school closures. As shared earlier, we launched the implementation of the Community Eligibility Provision of the Healthy-Hunger Free Kids Act of 2010 in September 2016 and continue to operate this program.

Changes in the Net Position of the District are highlighted in the following table:

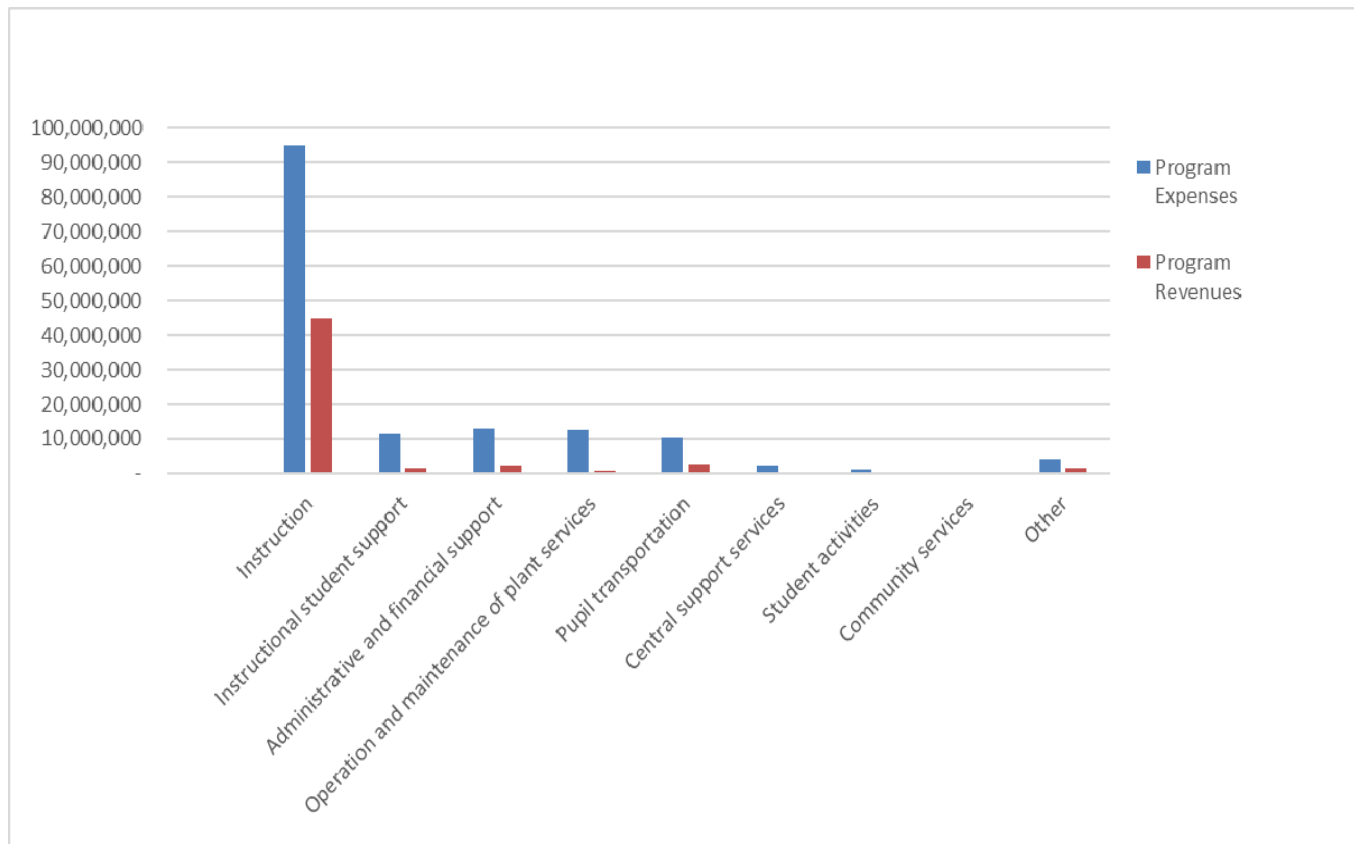
	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
REVENUES						
Charges for services	\$ 924,330	\$ 608,531	\$ 59,159	\$ 21,386	\$ 983,489	\$ 629,917
Operating grants and contributions	50,693,204	38,982,268	7,254,874	6,694,430	57,948,078	45,676,698
Capital grants and contributions	1,318,783	1,436,506	-	-	1,318,783	1,436,506
Property taxes and other taxes levied for general purposes	107,546,988	106,417,012	-	-	107,546,988	106,417,012
Taxes levied for specific purposes	11,605,077	9,939,583	-	-	11,605,077	9,939,583
Unrestricted grants/subsidies/contributions	16,294,349	13,662,573	-	-	16,294,349	13,662,573
Investment earnings	209,203	31,421	2,279	143	211,482	31,564
Other	7,794	5,078	-	-	7,794	5,078
TOTAL REVENUES	188,599,728	171,082,972	7,316,312	6,715,959	195,916,040	177,798,931
EXPENSES						
Instruction	95,140,053	107,604,080	-	-	95,140,053	107,604,080
Instructional student support	11,354,370	11,584,983	-	-	11,354,370	11,584,983
Administrative and financial support services	12,831,586	14,908,924	-	-	12,831,586	14,908,924
Operation and maintenance of plant services	12,423,596	12,283,792	-	-	12,423,596	12,283,792
Pupil transportation	10,210,208	6,147,875	-	-	10,210,208	6,147,875
Central support services	2,187,324	2,252,570	-	-	2,187,324	2,252,570
Student activities	1,019,261	942,639	-	-	1,019,261	942,639
Community services	481,584	223,369	-	-	481,584	223,369
Other	3,922,332	4,413,157	5,692,506	6,862,281	9,614,838	11,275,438
Loss on sale of capital assets	-	-	-	21,792	-	21,792
TOTAL EXPENSES	149,570,314	160,361,389	5,692,506	6,884,073	155,262,820	167,245,462
CHANGE IN NET POSITION	39,029,414	10,721,583	1,623,806	(168,114)	40,653,220	10,553,469
NET POSITION AT BEGINNING OF YEAR						
	<u>(214,294,095)</u>	<u>(225,015,678)</u>	<u>(3,673,831)</u>	<u>(3,505,717)</u>	<u>(217,967,926)</u>	<u>(228,521,395)</u>
NET POSITION AT END OF YEAR						
	<u>\$ (175,264,681)</u>	<u>\$ (214,294,095)</u>	<u>\$ (2,050,025)</u>	<u>\$ (3,673,831)</u>	<u>\$ (177,314,706)</u>	<u>\$ (217,967,926)</u>

NORRISTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2022

Revenues by Source - Governmental Activities 2022



Expenses and Program Revenues - Governmental Activities 2022



NORRISTOWN AREA SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2022

FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

As noted earlier, the Norristown Area School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Norristown Area School District’s *Governmental Funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the Norristown Area School District’s financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

The General Fund is the primary operating fund of the Norristown Area School District. At the end of the current fiscal year, unassigned fund balance increased to \$10,679,190 and total fund balance increased to \$42,769,518. As a measure of the General Fund’s liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance at year end represents 6.16% of total budgeted General Fund expenditures. It should also be noted that the Districts’ unassigned fund balance increased by \$1 million during the 2021-2022 fiscal year.

The distribution or breakdown of Fund Balance of the District’s General Fund at June 30, 2022, is as follows:

GENERAL FUND	
Nonspendable fund balance	
Inventories	\$ 6,515
Prepaid expense	3,083,813
Assigned fund balance	29,000,000
Unassigned fund balance	<u>10,679,190</u>
TOTAL FUND BALANCE	<u>\$ 42,769,518</u>

As shown, in the General Fund, \$32,090,328 has been assigned or set aside for very specific purposes. It should also be highlighted that the total fund balance of the District has been increasing steadily over the past several fiscal years. This increase is attributed to the continued implementation of conservative budgeting processes along with the strategic leverage of federal COVID-relief funding.

NORRISTOWN AREA SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2022

Proprietary Fund

The Norristown Area School District’s Proprietary Fund provides the same type of information found in the government-wide financial statements but in more detail.

The net position of the Food Service Fund amounted to (\$2,050,025) at June 30, 2022.

General Fund Budgetary Highlights

The 2021-2022 General Fund budget included an increase in total revenues and an increase in total expenditures to that of the prior year. For 2021-2022, there were no modifications to the original and final budget.

Major budgetary variances are comprised of the following:

- Total revenues exceeded budgeted amounts by approximately \$16.6 million; with the largest variance noted in local revenues where actual amounts exceeded budgeted amounts by nearly \$7.6 million. This variance in local revenue can primarily be attributed to growth in the local economy which contributed to a continued surge in residential property sales and marked growth in local wages.
- As noted above our 2021-22 revenues exceeded budgeted amounts. Total annual expenses in 2021-22, however, were less than budgeted amounts by approximately \$7.5 million. While much of this is attributable to more conservative budgeting practices, the District did experience some significant staffing challenges which generated significant and unanticipated savings. These labor challenges were not unique to our District, but seemed to be a little more prevalent locally as compared to the experiences of our neighboring Districts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Norristown Area School District’s investment in capital assets for its governmental and business-type activities as of June 30, 2022, amounts to \$74,983,088 (net of accumulated depreciation). The following table shows the breakdown of this figure:

	2022			2021 Totals
	Governmental Activities	Business-Type Activities	Totals	
Land	\$ 411,561	\$ -	\$ 411,561	\$ 411,561
Land improvements	108,542	-	108,542	108,541
Buildings	75,593,103	-	75,593,103	75,593,103
Furniture and equipment	3,390,429	-	3,390,429	7,085,996
Machinery and equipment	1,665,977	1,221,949	2,887,926	2,730,498
Infrastructure	68,547,482	-	68,547,482	64,312,855
Accumulated depreciation	(75,080,858)	(875,097)	(75,955,955)	(75,882,820)
	<u>\$ 74,636,236</u>	<u>\$ 346,852</u>	<u>\$ 74,983,088</u>	<u>\$ 74,359,734</u>

NORRISTOWN AREA SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2022

During 2021-2022, projects focused on COVID mitigation and technology investment as we continued to work through pandemic related challenges. We upgraded HVAC and plumbing fixtures while also investing heavily in electronic resources and technology infrastructure.

Additional information on the Norristown Area School District’s capital assets can be found in Note E on page 41 of this report.

Long-Term Debt

At the end of the current fiscal year, the Norristown Area School District had total bonded debt outstanding of \$80,711,003. This figure represents the outstanding principal due on these obligations,

Norristown Area School District’s outstanding debt at June 30, 2022, is as follows:

General Obligation Bonds and Note	
QSCB 2010 Issue	\$ 6,236,003
G.O.B. 2016 Issue	35,125,000
G.O.B. 2018 Issue	16,460,000
G.O.B. 2019 Issue	16,275,000
G.O.B. 2021 Issue	<u>6,615,000</u>
	<u>\$ 80,711,003</u>

State statutes limit the amount of general obligation debt a governmental entity may issue up to 10% of its total assessed valuation. The current debt limitation for the Norristown Area School District is \$269,981,000, which is significantly in excess of the Norristown Area School District’s outstanding general obligation debt.

Additional information on the Norristown Area School District’s long-term debt can be found in Note G on pages 42 through 44 of this report.

FACTORS BEARING ON THE DISTRICT’S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Both labor shortage and supply chain challenges continue to be experienced by the District and remain an area of concern. From the labor perspective, the attendance and hiring incentives offered in 2020-2021 did not prove to be effective and, as a result, we have increased wage rates in several areas as another strategy to help combat our labor challenges. We also continue to incur higher than normal overtime costs which are the direct result of the need to cover vacancies and absences in critical areas.

NORRISTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2022

- Our District faces the common problem of escalating costs for employee benefits, particularly the medical benefit cost and the retirement expense of the PSERS system. Each of these costs is established by outside influences and is not, in large part, a discretionary cost that can be controlled by the School District.
- The future source of funding for public education remains uncertain, despite the increase in state funding provided with the adoption of the 2022-2023 Commonwealth budget. Our taxpayers continue to be disproportionately burdened because of the inequitable funding system that exists in Pennsylvania.
- The trend toward increasing enrollment in both Charter and Cyber Charter School programs is of growing challenge to our District; particularly because these schools are funded directly through tuition payments from NASD. Under the current state funding formula, the basis of calculating the tuition payments has no basis in what it actually costs to educate a child in the charter school. And, public school districts pay a charter school the same rate for each special needs child, based on the flawed formula, regardless of student differences in educational need, cost or services provided.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Norristown Area School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Norristown Area School District, 401 North Whitehall Road, Norristown, PA 19403-2745.

NORRISTOWN AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2022

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 63,925,694	\$ 1,290,998	\$ 65,216,692
Taxes receivable, net	5,409,206	-	5,409,206
Internal balances	(107,806)	107,806	-
Due from other governments	18,266,094	876,360	19,142,454
Inventories	6,515	344,342	350,857
Other current assets	3,083,813	-	3,083,813
Land	411,561	-	411,561
Capital assets, net	74,224,675	346,852	74,571,527
TOTAL ASSETS	<u>165,219,752</u>	<u>2,966,358</u>	<u>168,186,110</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred amount on refunding, net	1,865,310	-	1,865,310
Deferred outflows of resources, OPEB activity	3,417,406	56,925	3,474,331
Deferred outflows of resources, pension activity	37,526,000	883,000	38,409,000
TOTAL DEFERRED OUTFLOW OF RESOURCES	<u>42,808,716</u>	<u>939,925</u>	<u>43,748,641</u>
LIABILITIES			
Accounts payable	23,943,744	140,581	24,084,325
Due to other governments	1,185,663	-	1,185,663
Accrued interest	1,317,153	-	1,317,153
Accrued salaries and benefits	4,913,401	4,627	4,918,028
Payroll deductions and withholdings	3,554,864	-	3,554,864
Unearned revenue	-	30,544	30,544
Other current liabilities	489,630	-	489,630
Long-term liabilities			
Portion due or payable within one year			
Bonds payable	5,314,333	-	5,314,333
Portion due or payable after one year			
Bonds payable	82,315,344	-	82,315,344
Compensated absences	7,852,357	-	7,852,357
Other postemployment benefits liability	16,662,749	247,940	16,910,689
Net pension liability	182,672,000	4,300,000	186,972,000
TOTAL LIABILITIES	<u>330,221,238</u>	<u>4,723,692</u>	<u>334,944,930</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources, OPEB activity	2,263,911	36,616	2,300,527
Deferred inflows of resources, pension activity	50,808,000	1,196,000	52,004,000
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>53,071,911</u>	<u>1,232,616</u>	<u>54,304,527</u>
NET POSITION			
Net investment in capital assets	(10,898,794)	346,852	(10,551,942)
Unrestricted	(164,365,887)	(2,396,877)	(166,762,764)
TOTAL NET POSITION	<u>\$ (175,264,681)</u>	<u>\$ (2,050,025)</u>	<u>\$ (177,314,706)</u>

See accompanying notes to the basic financial statements.

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NORRISTOWN AREA SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
Instruction	\$ 95,140,053	\$ 804,699	\$ 43,881,189	\$ -
Instructional student support	11,354,370	-	1,266,538	-
Administrative and financial support services	12,831,586	-	2,059,034	-
Operation and maintenance of plant services	12,423,596	95,780	773,542	-
Pupil transportation	10,210,208	-	2,712,901	-
Central support services	2,187,324	-	-	-
Student activities	1,019,261	-	-	-
Community services	481,584	23,851	-	-
Interest on long-term debt	3,922,332	-	-	1,318,783
TOTAL GOVERNMENTAL ACTIVITIES	149,570,314	924,330	50,693,204	1,318,783
BUSINESS-TYPE ACTIVITIES				
Food service	5,692,506	59,159	7,254,874	-
TOTAL DISTRICT ACTIVITIES	\$ 155,262,820	\$ 983,489	\$ 57,948,078	\$ 1,318,783

GENERAL REVENUES

Property taxes, levied for general purposes, net
Taxes, levied for specific purposes
Grants, subsidies and contributions not restricted
Investment earnings
Miscellaneous income

TOTAL GENERAL REVENUES

CHANGE IN NET POSITION

NET POSITION AT BEGINNING OF YEAR

NET POSITION AT END OF YEAR

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Totals
\$ (50,454,165)	\$ -	\$ (50,454,165)
(10,087,832)	-	(10,087,832)
(10,772,552)	-	(10,772,552)
(11,554,274)	-	(11,554,274)
(7,497,307)	-	(7,497,307)
(2,187,324)	-	(2,187,324)
(1,019,261)	-	(1,019,261)
(457,733)	-	(457,733)
(2,603,549)	-	(2,603,549)
(96,633,997)	-	(96,633,997)
-	1,621,527	1,621,527
(96,633,997)	1,621,527	(95,012,470)
107,546,988	-	107,546,988
11,605,077	-	11,605,077
16,294,349	-	16,294,349
209,203	2,279	211,482
7,794	-	7,794
135,663,411	2,279	135,665,690
39,029,414	1,623,806	40,653,220
(214,294,095)	(3,673,831)	(217,967,926)
\$ (175,264,681)	\$ (2,050,025)	\$ (177,314,706)

NORRISTOWN AREA SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2022

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 52,100,891	\$ 11,595,466	\$ 229,337	\$ 63,925,694
Taxes receivable, net	5,409,206	-	-	5,409,206
Due from other governments	18,266,094	-	-	18,266,094
Inventories	6,515	-	-	6,515
Prepaid expenses	<u>3,083,813</u>	<u>-</u>	<u>-</u>	<u>3,083,813</u>
TOTAL ASSETS	<u>\$ 78,866,519</u>	<u>\$ 11,595,466</u>	<u>\$ 229,337</u>	<u>\$ 90,691,322</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 22,225,835	\$ 1,717,909	\$ -	\$ 23,943,744
Due to other funds	107,806	-	-	107,806
Due to other governments	1,185,663	-	-	1,185,663
Accrued salaries and benefits	4,913,401	-	-	4,913,401
Payroll deductions and withholdings	3,554,864	-	-	3,554,864
Other current liabilities	<u>489,630</u>	<u>-</u>	<u>-</u>	<u>489,630</u>
TOTAL LIABILITIES	<u>32,477,199</u>	<u>1,717,909</u>	<u>-</u>	<u>34,195,108</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue, property taxes	<u>3,619,802</u>	<u>-</u>	<u>-</u>	<u>3,619,802</u>
FUND BALANCES				
Nonspendable, inventories	6,515	-	-	6,515
Nonspendable, prepaid expenses	3,083,813	-	-	3,083,813
Restricted	-	-	229,337	229,337
Assigned	29,000,000	9,877,557	-	38,877,557
Unassigned	<u>10,679,190</u>	<u>-</u>	<u>-</u>	<u>10,679,190</u>
TOTAL FUND BALANCES	<u>42,769,518</u>	<u>9,877,557</u>	<u>229,337</u>	<u>52,876,412</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 78,866,519</u>	<u>\$ 11,595,466</u>	<u>\$ 229,337</u>	<u>\$ 90,691,322</u>

See accompanying notes to the basic financial statements.

NORRISTOWN AREA SCHOOL DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2022

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ <u>52,876,412</u>
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:</p>	
Capital assets	149,717,094
Accumulated depreciation	<u>(75,080,858)</u>
	<u>74,636,236</u>
<p>Deferred charges used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:</p>	
Deferred amount on refunding	3,601,862
Accumulated amortization	<u>(1,736,552)</u>
	<u>1,865,310</u>
<p>Deferred inflows and outflows of resources related to pension activities are not financial resources and therefore not reported in the governmental funds.</p>	
	<u>(13,282,000)</u>
<p>Deferred inflows and outflows of resources related to other post-employment benefit obligations are not financial resources and therefore not reported in the governmental funds.</p>	
	<u>1,153,495</u>
<p>Property taxes receivable will be collected this year but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.</p>	
	<u>3,619,802</u>
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:</p>	
Bonds payable	(87,629,677)
Accrued interest	(1,317,153)
Compensated absences	(7,852,357)
Other postemployment benefits liability	(16,662,749)
Net pension liability	<u>(182,672,000)</u>
	<u>(296,133,936)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u><u>(175,264,681)</u></u>

See accompanying notes to the basic financial statements.

NORRISTOWN AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Local sources	\$ 121,793,191	\$ 22,527	\$ 700	\$ 121,816,418
State sources	43,569,573	-	-	43,569,573
Federal sources	24,736,763	-	-	24,736,763
Refund of prior year expenditures	-	-	25,507	25,507
TOTAL REVENUES	<u>190,099,527</u>	<u>22,527</u>	<u>26,207</u>	<u>190,148,261</u>
EXPENDITURES				
Instruction	101,721,479	-	-	101,721,479
Support services	52,474,193	-	-	52,474,193
Operation of non-instructional services	2,282,695	2,154,083	1,194,342	5,631,120
Debt service, principal, interest and costs	9,333,118	-	-	9,333,118
TOTAL EXPENDITURES	<u>165,811,485</u>	<u>2,154,083</u>	<u>1,194,342</u>	<u>169,159,910</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	24,288,042	(2,131,556)	(1,168,135)	20,988,351
OTHER FINANCING SOURCES (USES)				
Interfund transfers	<u>(9,000,000)</u>	<u>9,000,000</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	15,288,042	6,868,444	(1,168,135)	20,988,351
FUND BALANCES AT BEGINNING OF YEAR	<u>27,481,476</u>	<u>3,009,113</u>	<u>1,397,472</u>	<u>31,888,061</u>
FUND BALANCES AT END OF YEAR	<u>\$ 42,769,518</u>	<u>\$ 9,877,557</u>	<u>\$ 229,337</u>	<u>\$ 52,876,412</u>

See accompanying notes to the basic financial statements.

NORRISTOWN AREA SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2022

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 20,988,351

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

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 and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	4,960,152
Depreciation	<u>(4,314,688)</u>
	<u>645,464</u>

In the statement of activities, certain operating expenses--compensated absences (vacation and sick leave) and termination benefits are measured by the amounts earned during the year. In the Governmental Funds, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).

373,983

Some revenues reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as revenues in Governmental Funds.

(1,523,026)

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 issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Repayment of bond principal	5,104,333
Amortization of bond discounts and premiums	587,854
Amortization of deferred amount on refunding	<u>(361,284)</u>
	<u>5,330,903</u>

SUBTOTAL FORWARD \$ 25,815,675

NORRISTOWN AREA SCHOOL DISTRICT

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

SUBTOTAL FORWARDED \$ 25,815,675

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in Governmental Funds:

Gain on disposal of assets	10,122
Pension plan expense	13,593,000
Other post employment benefit expense	(443,759)
Accrued interest	54,376
	<u>13,213,739</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 39,029,414

See accompanying notes to the basic financial statements.

NORRISTOWN AREA SCHOOL DISTRICT
BUDGETARY COMPARISON STATEMENT
GENERAL FUND
YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual (GAAP Basis)	Variance With Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Local sources	\$ 114,145,000	\$ 114,145,000	\$ 121,793,191	\$ 7,648,191
State sources	39,254,000	39,254,000	43,569,573	4,315,573
Federal sources	20,085,000	20,085,000	24,736,763	4,651,763
TOTAL REVENUES	173,484,000	173,484,000	190,099,527	16,615,527
EXPENDITURES				
Instruction				
Regular programs	71,882,000	71,882,000	67,711,472	4,170,528
Special programs	30,598,000	30,598,000	27,530,468	3,067,532
Vocational programs	5,494,000	5,494,000	4,933,549	560,451
Other instructional programs	1,345,000	1,345,000	1,419,590	(74,590)
Other services	85,000	85,000	126,400	(41,400)
TOTAL INSTRUCTION	109,404,000	109,404,000	101,721,479	7,682,521
Support services				
Pupil personnel services	7,305,000	7,305,000	7,104,962	200,038
Instructional staff services	1,745,000	1,745,000	2,186,656	(441,656)
Administrative services	11,042,000	11,042,000	10,645,187	396,813
Pupil health	2,369,000	2,369,000	2,062,752	306,248
Business services	890,000	890,000	880,900	9,100
Operation and maintenance of plant services	12,845,000	12,845,000	14,115,855	(1,270,855)
Student transportation services	11,782,000	11,782,000	10,839,157	942,843
Central and other support services	4,323,000	4,323,000	4,638,724	(315,724)
TOTAL SUPPORT SERVICES	52,301,000	52,301,000	52,474,193	(173,193)
Operation of non-instructional services				
Student activities	1,440,000	1,440,000	1,755,911	(315,911)
Community services	668,000	668,000	526,784	141,216
TOTAL OPERATION OF NON- INSTRUCTIONAL SERVICES	2,108,000	2,108,000	2,282,695	(174,695)
Debt service				
	9,551,000	9,551,000	9,333,118	217,882
TOTAL EXPENDITURES	173,364,000	173,364,000	165,811,485	7,552,515
EXCESS OF REVENUES OVER EXPENDITURES				
	120,000	120,000	24,288,042	24,168,042
OTHER FINANCING SOURCES (USES)				
Interfund transfers	(120,000)	(120,000)	(9,000,000)	(8,880,000)
TOTAL OTHER FINANCING SOURCES (USES)	(120,000)	(120,000)	(9,000,000)	(8,880,000)
NET CHANGE IN FUND BALANCE				
	-	-	15,288,042	15,288,042
FUND BALANCE AT BEGINNING OF YEAR				
	27,481,476	27,481,476	27,481,476	-
FUND BALANCE AT END OF YEAR				
	\$ 27,481,476	\$ 27,481,476	\$ 42,769,518	\$ 15,288,042

See accompanying notes to the basic financial statements.

NORRISTOWN AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUND

JUNE 30, 2022

	<u>Food Service Fund</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 1,290,998
Due from other governments	876,360
Due from other funds	107,806
Inventories	344,342
TOTAL CURRENT ASSETS	<u>2,619,506</u>
MACHINERY AND EQUIPMENT, net	<u>346,852</u>
TOTAL ASSETS	<u>2,966,358</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources, OPEB activity	56,925
Deferred outflows of resources, pension activity	883,000
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>939,925</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	140,581
Accrued salaries and benefits	4,627
Unearned revenue	30,544
TOTAL CURRENT LIABILITIES	<u>175,752</u>
LONG-TERM LIABILITIES	
Net OPEB liability	247,940
Net pension liability	4,300,000
TOTAL LONG-TERM LIABILITIES	<u>4,547,940</u>
TOTAL LIABILITIES	<u>4,723,692</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources, OPEB activity	36,616
Deferred inflows of resources, pension activity	1,196,000
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,232,616</u>
NET POSITION	
Net investment in capital assets	346,852
Unrestricted	<u>(2,396,877)</u>
TOTAL NET POSITION	<u>\$ (2,050,025)</u>

See accompanying notes to the basic financial statements.

NORRISTOWN AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2022

	<u>Food Service Fund</u>
OPERATING REVENUES	
Food service revenue	\$ <u>59,159</u>
OPERATING EXPENSES	
Salaries	1,498,710
Employee benefits	537,301
Purchased property service	144,202
Other purchased service	1,372
Supplies	3,430,934
Depreciation	68,030
Other operating expenses	<u>11,957</u>
TOTAL OPERATING EXPENSES	<u>5,692,506</u>
OPERATING LOSS	<u>(5,633,347)</u>
NONOPERATING REVENUES	
Earnings on investments	2,279
State sources	484,169
Federal sources	<u>6,770,705</u>
TOTAL NONOPERATING REVENUES	<u>7,257,153</u>
CHANGE IN NET POSITION	1,623,806
NET POSITION AT BEGINNING OF YEAR	<u>(3,673,831)</u>
NET POSITION AT END OF YEAR	<u>\$ <u>(2,050,025)</u></u>

See accompanying notes to the basic financial statements.

NORRISTOWN AREA SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

YEAR ENDED JUNE 30, 2022

	<u>Food Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from users	\$ 62,165
Cash payments to employees for services	(2,331,516)
Cash payments to suppliers for goods and services	(3,393,230)
Cash payments for other operating expenses	(11,957)
NET CASH USED BY OPERATING ACTIVITIES	<u>(5,674,538)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State sources	495,605
Federal sources	6,475,448
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>6,971,053</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	<u>(35,798)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on investments	<u>2,279</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,262,996
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>28,002</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,290,998</u>

NORRISTOWN AREA SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

YEAR ENDED JUNE 30, 2022

	<u>Food Service Fund</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (5,633,347)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	68,030
Pension expense	(319,000)
OPEB expense	(1,514)
Donated commodities	417,300
(Increase) Decrease in	
Due from other funds	20,382
Inventories	(134,836)
Increase (Decrease) in	
Accounts payable	(99,186)
Accrued salaries and benefits	4,627
Unearned revenue	<u>3,006</u>
NET CASH USED BY OPERATING ACTIVITIES	\$ <u><u>(5,674,538)</u></u>
SUPPLEMENTAL DISCLOSURES	
Noncash activities	
Donated commodities	\$ 417,300

See accompanying notes to the basic financial statements.

NORRISTOWN AREA SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2022

	Private- Purpose Trust Fund	<u>Custodial Fund</u> Student Activity Funds
ASSETS		
Cash and cash equivalents	\$ <u>872,264</u>	\$ <u>106,082</u>
NET POSITION		
Restricted for custodial purposes	\$ -	\$ 106,082
Restricted for other purposes	<u>872,264</u>	<u>-</u>
	<u>\$ 872,264</u>	<u>\$ 106,082</u>

See accompanying notes to the basic financial statements.

NORRISTOWN AREA SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2022

	Private- Purpose Trust Fund	Custodial Fund Student Activity Funds
ADDITIONS		
Gifts and contributions	\$ 18,919	\$ 116,040
Investment income	2,164	115
TOTAL ADDITIONS	<u>21,083</u>	<u>116,155</u>
DEDUCTIONS		
Scholarships awarded	40,805	-
School sponsored activities	-	113,614
TOTAL DEDUCTIONS	<u>40,805</u>	<u>113,614</u>
CHANGE IN NET POSITION	(19,722)	2,541
NET POSITION AT BEGINNING OF YEAR	<u>891,986</u>	<u>103,541</u>
NET POSITION AT END OF YEAR	<u>\$ 872,264</u>	<u>\$ 106,082</u>

See accompanying notes to the basic financial statements.

NORRISTOWN AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Norristown Area School District (the "District") complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

Reporting Entity

The District was established under the laws of the Commonwealth of Pennsylvania as a School District of the Second Class. The District exists to provide education and related services to the residents who reside in Norristown and East and West Norriton Townships, Pennsylvania.

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. This report presents the activities of the Norristown Area School District. The District is not a component unit of another reporting entity nor does it have any component units.

Basis of Presentation

Government-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 activities. These statements exclude fiduciary activities.

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

The government-wide statement of activities presents a comparison between expenses and program revenues for each different identifiable activity 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.

NORRISTOWN AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 program. 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.

Internal activity is limited to interfund transfers, which are eliminated to avoid “doubling-up” revenues and expenses. Services provided and used are not eliminated.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of Governmental and Enterprise Funds financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Fiduciary Funds financial statements are represented 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. 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 Reserve Fund* is used to account for the acquisition, construction and renovation of major capital facilities.

The *Capital Projects Fund* is used to account for the acquisition, construction and renovation of major capital facilities.

Revenue Recognition - In applying the susceptible to accrual concept under the modified accrual basis, certain revenue sources are deemed both measurable and available (i.e., collectible within the current year or within 60 days from year-end and available to pay obligations of the current period). This includes property taxes, interest earnings, real estate transfer taxes, earned income taxes and certain fees for services. Revenues for state and federally funded projects are recognized at the time the expenditures are made or when received in advance.

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

NORRISTOWN AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expenditure Recognition - The measurement focus of Governmental Funds 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, as well as expenditures related to compensated absences, are recognized when payment is due. Allocations of costs, such as depreciation and amortization, are not recognized in the Governmental Funds.

Proprietary Fund - The Proprietary Fund is accounted for using the accrual basis of accounting. This fund accounts for operations that are primarily financed by user charges. The economic resource 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 depreciation, are recorded in the Proprietary Fund. 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 proportionately recognized with the Enterprise Fund. Similarly, the Enterprise Fund does not recognize a cost for the building space it occupies.

The District's only Proprietary Fund is the Food Service Fund, which is a major Enterprise Fund. This fund accounts for the revenues and costs of feeding students; it distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. The principal operating revenues of this fund are food service charges. Operating expenses for this fund include food production costs, supplies and administrative costs. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Funds - Fiduciary Funds are restricted to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and other funds.

The District has one Private-Purpose Trust Fund that accounts for activities in various scholarship funds, the sole purpose of which is to provide annual scholarships to particular students as prescribed by donor stipulations. In addition, the District has one Custodial Fund, which accounts for funds held on behalf of students of the District. The fund accounts for programs operated and sponsored by the various student clubs and organizations.

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 and no restrictions on withdrawals.

NORRISTOWN AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments consist of government investment pools. The investments are reported at amortized cost basis in accordance with GASB 79.

Property Taxes

Property taxes are assessed against individual properties based on property ownership as of July 1. Taxes are levied on July 1 and payable in the following periods:

July 1 to August 31.....	Discount period, 2% of gross levy
September 1 to October 31.....	Face period
November 1 to collection.....	Penalty period, 10% of gross levy
February 28.....	Lien date

The tax on real estate for public school purposes for fiscal 2021-2022 was 39.204 mills (\$39.20 for \$1,000 of assessed valuation) for the entire District.

Inventories

Inventories of Governmental Funds are recorded as expenditures when consumed rather than when purchased. Inventory of food and milk in the Food Service Fund consists of supplies purchased and donated foods received from the federal government. Donated foods are valued at their fair market value in accordance with the *Manual of Accounting for Pennsylvania School Systems - Food Service Fund*. Food and supplies are carried at cost using the first-in, first-out method.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental and business-type activities columns in the government-wide financial statements and in the Proprietary Fund financial statements. Capital assets are defined by the District as those assets costing more than \$5,000. 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 asset lives are not capitalized.

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

NORRISTOWN AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

	<u>Years</u>
Site improvements	15-20
School buildings	40-50
Furniture and equipment	5-10
Machinery and equipment	8-10
Infrastructure	15-20

Compensated Absences

The District's policies regarding vacation, personal and sick time permit employees to accumulate earned but unused time. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. A liability for these amounts is reported in Governmental Funds only if they have matured, for example, as a result of employee resignations and retirements.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The School District has three items that qualifies for reporting in this category. They are the deferred amount on refunding, the deferred outflow related to pension activity and the deferred outflow related to OPEB activity.

- Deferred amount on refunding, which is reported net of accumulated amortization on the government-wide statement of net position. The deferred amount on refunding is the result of deferred charges on debt refundings. A deferred charge on refunding results from the difference in the carrying value of refunded debt, reacquisition price, and any unamortized premium/discount on the refunded debt. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred outflow of resources related to pension activity, which is reported in the government-wide statement of net position and the proprietary fund statement of net position. The deferred outflow of resources related to pension activity is the result of differences between expected and actual experience, changes in proportions, changes in assumptions and actual contributions subsequent to the measurement date.

NORRISTOWN AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Deferred outflow of resources related to OPEB activity, which is reported in the government-wide statement of net position and the proprietary fund statement of net position. The deferred outflow of resources related to OPEB activity is the result of differences between expected and actual experience, changes in assumptions, changes in proportions, and actual contributions subsequent to the measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has three items that qualify for reporting in this category. They are unavailable revenues, the deferred inflow related to pension activity and the deferred inflow related to OPEB activity.

- Unavailable revenues are reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes.
- Deferred inflows related to pension activity, are reported in the government-wide statement of net position and the proprietary fund statement of net position. The deferred inflow of resources related to pension activity is the result of differences between expected and actual experience, the net difference between projected and actual investment earnings and changes in proportions.
- Deferred inflows related to OPEB activity, are reported in the government-wide statement of net position and the proprietary fund statement of net position. The deferred inflow of resources related to OPEB activity is the result of changes in assumptions, changes in proportions, differences between expected and actual experience and the differences between employer contributions and the proportionate share of total contributions reported by the OPEB plan.

Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the government-wide financial statements and in the Proprietary Fund financial statements. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized during the current period.

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, generally are reported as debt service expenditures.

NORRISTOWN AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position Flow Assumption - Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and Proprietary Funds financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Net Position/Fund Balances - The government-wide and business-type activities financial statements utilize a net position presentation. Net position is categorized as invested in capital assets (net of related debt), restricted and unrestricted.

- **Net Investment in Capital Assets** - This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.
- **Restricted Net Position** - This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** - This category represents net position of the District not restricted for any project or other purpose.

The District has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent.

- **Nonspendable Fund Balance** - Amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.
- **Restricted Fund Balance** - Amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government) through constitutional provisions, or by enabling legislation.
- **Committed Fund Balance** - Amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., School Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same level of action to remove or change the constraint. This formal action is a School Board of Directors approved resolution.

NORRISTOWN AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Assigned Fund Balance** - Amounts the District intends to use for a specific purpose, but are neither restricted nor committed. Assignments of fund balance are created by the Chief Financial Officer pursuant to authorization established by the School Board of Directors.
- **Unassigned Fund Balance** - Amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed for their intended purposes. The District has not established a formal policy for its use of unrestricted fund balance amounts. As such, the District uses committed fund balances first, followed by assigned resources and then unassigned resources, as appropriate opportunities arise.

Use of Estimates

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

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

An annual budget is adopted for the General Fund on the modified accrual basis of accounting. All annual appropriations lapse at the end of the fiscal year. Project-length financial plans are adopted for the Capital Projects Fund.

NOTE C - CASH AND INVESTMENTS

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the government’s deposits may not be returned to it. The District does not have a policy for custodial credit risk. As of June 30, 2022, the District’s bank balance of \$66,563,305 was exposed to custodial credit risk as follows:

FDIC Insured	\$ 521,526
Uninsured and uncollateralized	3,392,386
Pennsylvania School District Liquid Asset Fund (PSDLAF)	93,142
Pennsylvania Local Government Investment Trust (PLGIT)	<u>62,556,251</u>
	<u><u>\$ 66,563,305</u></u>

NORRISTOWN AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE C - CASH AND INVESTMENTS (Continued)

The Pennsylvania School District Liquid Asset Fund (PSDLAF) and Pennsylvania Local Government Investment Trust (PLGIT) are 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 its objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization and is subject to an independent annual audit.

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

Credit Risk - The District has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2022, PSDLAF and the PLGIT were rated as AAAm by a nationally recognized statistical rating organization:

The District places no limit on the amount the District may invest in any one issuer.

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 security that are in the possession of an outside party. The District has no investment subject to custodial credit risk.

Fair Value Measurement

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are those that lack significant observable inputs. The District did not have any recurring fair value measurements as of June 30, 2022.

NOTE D - UNEARNED REVENUE

Governmental Funds report unearned revenue in connection with receivables for revenues that are considered to not be available to liquidate liabilities of the current period. Governmental Funds also defer revenue recognition with resources that have been received but not yet earned.

NORRISTOWN AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE E - CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 411,561	\$ -	\$ -	\$ 411,561
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>411,561</u>	<u>-</u>	<u>-</u>	<u>411,561</u>
Capital assets being depreciated				
Land improvements	108,542	-	-	108,542
Buildings	75,593,103	-	-	75,593,103
Furniture and equipment	7,085,996	572,718	(4,268,286)	3,390,428
Machinery and equipment	1,525,946	152,806	(12,775)	1,665,977
Infrastructure	64,312,855	4,234,628	-	68,547,483
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>148,626,442</u>	<u>4,960,152</u>	<u>(4,281,061)</u>	<u>149,305,533</u>
Accumulated depreciation				
Land improvements	(71,516)	(4,140)	-	(75,656)
Buildings	(48,547,641)	(1,429,041)	-	(49,976,682)
Furniture and equipment	(6,795,439)	(84,525)	4,278,408	(2,601,556)
Machinery and equipment	(762,270)	(116,119)	12,775	(865,614)
Infrastructure	(18,880,487)	(2,680,863)	-	(21,561,350)
TOTAL ACCUMULATED DEPRECIATION	<u>(75,057,353)</u>	<u>(4,314,688)</u>	<u>4,291,183</u>	<u>(75,080,858)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>73,569,089</u>	<u>645,464</u>	<u>10,122</u>	<u>74,224,675</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	<u>\$ 73,980,650</u>	<u>\$ 645,464</u>	<u>\$ 10,122</u>	<u>\$ 74,636,236</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Machinery and equipment	\$ 1,204,551	\$ 35,798	\$ (18,400)	\$ 1,221,949
Accumulated depreciation	<u>(825,467)</u>	<u>(68,030)</u>	<u>18,400</u>	<u>(875,097)</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	<u>\$ 379,084</u>	<u>\$ (32,232)</u>	<u>\$ -</u>	<u>\$ 346,852</u>

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

GOVERNMENTAL ACTIVITIES		
Instruction		\$ 2,825,718
Instructional student support		315,413
Administrative and financial support services		387,316
Operation and maintenance of plant services		485,140
Pupil transportation		301,101
		<u>4,314,688</u>
BUSINESS-TYPE ACTIVITIES		
Food service operations		68,030
		<u>\$ 4,382,718</u>

NORRISTOWN AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE F - INTERFUND TRANSACTIONS

The composition of interfund balances as of June 30, 2022, is as follows:

<u>Receivable By</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
Food Service Fund	\$ <u>107,806</u>	General Fund	\$ <u>107,806</u>
	\$ <u>107,806</u>		\$ <u>107,806</u>

Interfund balances between the General Fund and the other funds represent temporary loans recorded at year-end subsequent to a final allocation of expenses. The balances are generally repaid shortly after year-end.

<u>Transfer In</u>	<u>Amount</u>	<u>Transfer Out</u>	<u>Amount</u>
Capital Reserve Fund	\$ 9,000,000	General Fund	\$ 9,000,000

The amount transferred between the General Fund and Capital Reserve Fund is to set aside funds for future capital projects.

NOTE G - GENERAL LONG-TERM DEBT

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

	<u>Balance July 1, 2021</u>	<u>Additions/ Refundings</u>	<u>Reductions/ Maturities</u>	<u>Balance June 30, 2022</u>	<u>Amount Due Within One Year</u>
GOVERNMENTAL ACTIVITIES					
GENERAL OBLIGATION BONDS					
Bonds payable	\$ 85,815,336	\$ -	\$ (5,104,333)	\$ 80,711,003	\$ 5,314,333
Deferred amounts					
Issuance premium	7,506,528	-	(587,854)	6,918,674	-
TOTAL GENERAL OBLIGATION BONDS	<u>93,321,864</u>	<u>-</u>	<u>(5,692,187)</u>	<u>87,629,677</u>	<u>5,314,333</u>
NET OPEB LIABILITY	<u>16,631,737</u>	<u>31,012</u>	<u>-</u>	<u>16,662,749</u>	<u>-</u>
NET PENSION LIABILITY	<u>245,055,000</u>	<u>-</u>	<u>(62,383,000)</u>	<u>182,672,000</u>	<u>-</u>
COMPENSATED ABSENCES	<u>8,226,340</u>	<u>761,478</u>	<u>(1,135,461)</u>	<u>7,852,357</u>	<u>-</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 363,234,941</u>	<u>\$ 792,490</u>	<u>\$ (69,210,648)</u>	<u>\$ 294,816,783</u>	<u>\$ 5,314,333</u>
BUSINESS-TYPE ACTIVITIES					
NET PENSION LIABILITY	\$ 5,769,000	\$ -	\$ (1,469,000)	\$ 4,300,000	\$ -
NET OPEB LIABILITY	<u>253,145</u>	<u>-</u>	<u>(5,205)</u>	<u>247,940</u>	<u>-</u>
TOTAL BUSINESS-TYPE ACTIVITIES	<u>\$ 6,022,145</u>	<u>\$ -</u>	<u>\$ (1,474,205)</u>	<u>\$ 4,547,940</u>	<u>\$ -</u>

NORRISTOWN AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE G - GENERAL LONG-TERM DEBT (Continued)

Payments of long-term debt from bonds and notes payable are funded by the General Fund, while long-term debt from compensated absences is paid out of the fund from which the liability was incurred, typically the General Fund and Food Service Fund. The School District's combined net nonelectoral debt and net lease rental debt incurred on behalf of the School District, may not exceed 225% of the School District's "Borrowing Base". The Borrowing Base is calculated as the annual arithmetic average of the Total Revenues, less deductions or exceptions, for the three full fiscal years next preceding the date of incurring debt.

General Obligation Bonds

General Obligation Bond, Series of 2010 Qualified School Construction Bonds, maturing on September 15, 2027, bearing interest at 5.00%, interest payable semiannually on March 15 and September 15; proceeds used for renovation projects at Gotwals Elementary School and Norristown Area High School. \$ 6,236,003

General Obligation Bond, Series of 2016, maturing on September 1, 2033, bearing an interest rate of 3% - 5%, interest payable semiannually on March 1 and September 1, proceeds used to refund the outstanding General Obligation Bonds, Series 2006, and to pay the costs of issuing the bond. The advance refunding was undertaken to reduce total debt payments by \$7,568,972 and resulted in an economic gain of \$6,221,649. 35,125,000

General Obligation Bond, Series of 2018, maturing on September 1, 2038, bearing an interest rate of 2% - 5%, interest payable semiannually on March 1 and September 1, proceeds used for renovations projects at all schools in the district. 16,460,000

General Obligation Bond, Series of 2019, maturing on October 1, 2031, bearing an interest rate of 2.22% - 3.15%, interest payable semiannually on April 1 and October 1, proceeds used to refund the School District's Tax-Exempt Installment Purchase Certificates of Participation Series of 2012 and to pay the cost of issuing the bond. The refunding was undertaken to reduce total debt payments by \$910,300 and resulted in an economic gain of \$814,573. 16,275,000

SUBTOTAL FORWARD \$ 74,096,003

NORRISTOWN AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE G - GENERAL LONG-TERM DEBT (Continued)

SUBTOTAL FORWARDED \$ 74,096,003

General Obligation Bond, Series of 2021, maturing on November 15, 2031, bearing an interest rate of 2% - 4.0%, interest payable semiannually on May 15 and November 15, proceeds used for refunding of the School District's 2015 lease purchase agreement and for the construction of an addition to expand the high school's food storage facilities and replacement of equipment in the same location.

6,615,000

\$ 80,711,003

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

Year Ending June 30,	Principal	Interest	Less Federal Subsidy	Totals
2023	\$ 5,314,333	\$ 3,785,477	\$ (753,480)	\$ 8,346,330
2024	5,469,333	3,611,396	(753,480)	8,327,249
2025	5,634,333	3,428,939	(753,480)	8,309,792
2026	5,819,333	3,237,548	(753,480)	8,303,401
2027	6,024,333	3,036,094	(753,480)	8,306,947
2028 to 2032	32,444,338	8,191,242	(376,740)	40,258,840
2033 to 2037	15,390,000	2,630,000	-	18,020,000
2038 to 2039	4,615,000	233,625	-	4,848,625
	<u>\$ 80,711,003</u>	<u>\$ 28,154,321</u>	<u>\$ (4,144,140)</u>	<u>\$ 104,721,184</u>

NORRISTOWN AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE H - INVESTMENT IN CAPITAL ASSETS

Net investment in capital assets at June 30, 2022, is as follows:

	Governmental Activities	Business-type Activities
CAPITAL ASSETS	\$ 149,717,094	\$ 1,221,949
Accumulated depreciation	<u>(75,080,858)</u>	<u>(875,097)</u>
NET CAPITAL ASSETS	<u>74,636,236</u>	<u>346,852</u>
 DEFERRED AMOUNT ON REFUNDING	 <u>1,865,310</u>	 <u>-</u>
 TOTAL OUTSTANDING DEBT	 87,629,677	 -
Principal unspent	<u>(229,337)</u>	<u>-</u>
	<u>87,400,340</u>	<u>-</u>
 NET INVESTMENT IN CAPITAL ASSETS	 \$ <u><u>(10,898,794)</u></u>	 \$ <u><u>346,852</u></u>

NORRISTOWN AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE I - PENSION PLAN

Summary of Significant Accounting Policies

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

General Information About the Pension Plan

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

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 become new members on or after July 1, 2011. Act 120 created two membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum three years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending on membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

NORRISTOWN AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE I - PENSION PLAN (Continued)

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

Contributions

Members Contributions

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

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

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

Employer Contributions

The School District's contractually required contribution rate for the fiscal year ended June 30, 2022, was 33.99% of covered payroll, actuarially determined as an amount that, when combined with employee contributions is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the plan from the District were \$20,485,000 for the year ended June 30, 2022.

NORRISTOWN AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE I - PENSION PLAN (Continued)

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

At June 30, 2022, the District reported a liability of \$186,972,000 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 School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2022, the District's proportion was 0.4554%, which was a decrease of 0.0540% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the District recognized pension expense of (\$13,912,000). At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
GOVERNMENTAL ACTIVITIES		
Difference between expected and actual experience	\$ 135,000	\$ 2,400,000
Changes in assumptions	8,860,000	-
Net difference between projected and actual investment earnings	-	29,077,000
Changes in proportions	8,517,000	19,331,000
Contributions subsequent to the measurement date	<u>20,014,000</u>	<u>-</u>
	<u>\$ 37,526,000</u>	<u>\$ 50,808,000</u>
BUSINESS-TYPE ACTIVITIES		
Difference between expected and actual experience	\$ 3,000	\$ 56,000
Changes in assumptions	209,000	-
Net difference between projected and actual investment earnings	-	685,000
Changes in proportions	200,000	455,000
Contributions subsequent to the measurement date	<u>471,000</u>	<u>-</u>
	<u>\$ 883,000</u>	<u>\$ 1,196,000</u>

NORRISTOWN AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE I - PENSION PLAN (Continued)

\$20,485,000 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the new pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2022	\$ (8,709,000)	\$ (205,000)
2023	(6,250,000)	(147,000)
2024	(6,239,000)	(147,000)
2025	<u>(12,098,000)</u>	<u>(285,000)</u>
	<u>\$ (33,296,000)</u>	<u>\$ (784,000)</u>

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

- Valuation Date - June 30, 2020
- Actuarial Cost Method - Entry Age Normal - level % of pay.
- Investment Return - 7.00%, includes inflation at 2.50%.
- Salary Increases - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- The discount rate used to measure the Total Pension Liability decreased from 7.25% as of June 30, 2020 to 7.00% as of June 30, 2021.
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
 - Salary growth rate – decreased from 5.00% to 4.50%.
 - Real wage growth and merit or seniority increases (components for salary growth) -decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
 - Mortality rates - Previously based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

NORRISTOWN AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE I - PENSION PLAN (Continued)

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

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

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

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

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

NORRISTOWN AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE I - PENSION PLAN (Continued)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 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%
School District's proportionate share of the net pension liability	\$ <u>245,408,000</u>	\$ <u>186,972,000</u>	\$ <u>137,679,000</u>

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

NOTE J - JOINT VENTURE

The District is a participating member of the Center for Technical Studies (the "Vo-Tech"). The Board of Directors from each member district must approve the Vo-Tech's annual budget. Each member pays an allocated share of operating costs of the Vo-Tech based on the number of students attending from each district. For the fiscal year ended June 30, 2022, the District's share of operating costs was \$3,273,198. The financial statements of the Vo-Tech are available from the Center for Technical Studies located at 821 Plymouth Road, Plymouth Meeting, PA 19462.

The District has entered into a lease agreement with the Vo-Tech to provide rental payments to retire the Vo-Tech's outstanding debt obligations. The lease agreement provides that in the event the Vo-Tech either retires all of its outstanding obligations which were issued to finance school facilities construction or acquisition or accumulates sufficient reserves to cover such obligations prior to the expiration of the applicable schedules, there will be no subsequently scheduled rental payments made. Future rental payments are as follows:

Year Ending June 30,	
2023	\$ 469,238
2024	470,408
	<u>939,646</u>
Interest requirements	<u>(47,146)</u>
	<u>\$ 892,500</u>

NORRISTOWN AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE K - CONTINGENCIES AND COMMITMENTS

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 expenditures 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 L - 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. There were no significant reductions in insurance coverages in the 2021-2022 year. Settlement amounts have not exceeded insurance coverage for the current year or the four prior years.

NOTE M - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Expenditures exceeded appropriations in the following areas of the General Fund:

<u>Function/Program</u>	<u>Amount</u>
Other instructional programs	\$ 74,590
Other services	41,400
Instructional staff services	441,656
Operation and maintenance of plant services	1,270,855
Central and other support services	315,724
Student activities	315,911

These excess expenditures were funded by greater than anticipated revenues and fund balance.

NOTE N - OTHER POSTEMPLOYMENT BENEFITS - PSERS

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

NOTE N - OTHER POSTEMPLOYMENT BENEFITS - PSERS (Continued)

General Information about the Health Insurance Premium Assistance Program

Health Insurance Premium Assistance Program

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

Premium Assistance Eligibility Criteria

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

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

Pension Plan Description

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

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

NORRISTOWN AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE N - OTHER POSTEMPLOYMENT BENEFITS - PSERS (Continued)

Employers Contributions

The school districts' contractually required contribution rate for the fiscal year ended June 30, 2022 was 0.80% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$482,000 for the year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of \$10,780,000 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 the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2022, the District's proportion was 0.4548%, which was a decrease of 0.0543% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the District recognized OPEB expense of \$526,000. 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>
GOVERNMENTAL ACTIVITIES		
Difference between expected and actual experience	\$ 97,700	\$ -
Changes in assumptions	1,121,596	140,688
Net difference between projected and actual investment earnings	20,517	-
Changes in proportions	707,348	1,399,064
Difference between employer contributions and proportionate share of total contributions	-	15,632
Contributions subsequent to the measurement date	<u>470,914</u>	<u>-</u>
	<u>\$ 2,418,075</u>	<u>\$ 1,555,384</u>

NORRISTOWN AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE N - OTHER POSTEMPLOYMENT BENEFITS - PSERS (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
BUSINESS-TYPE ACTIVITIES		
Difference between expected and actual experience	\$ 2,300	\$ -
Changes in assumptions	26,404	3,312
Net difference between projected and actual investment earnings	483	-
Changes in proportions	16,652	32,936
Difference between employer contributions and proportionate share of total contributions	-	368
Contributions subsequent to the measurement date	<u>11,086</u>	<u>-</u>
	<u>\$ 56,925</u>	<u>\$ 36,616</u>

\$482,000 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2023	\$ 50,000	\$ 1,000
2024	52,000	1,000
2025	41,000	1,000
2026	136,000	3,000
2027	101,777	3,223
Thereafter	<u>11,000</u>	<u>-</u>
	<u>\$ 391,777</u>	<u>\$ 9,223</u>

NORRISTOWN AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE N - OTHER POSTEMPLOYMENT BENEFITS - PSERS (Continued)

Actuarial Assumptions

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

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 2.18% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 4.50%, 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 Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate Pre age 65 at 50%.
 - Eligible retirees will elect to participate Post age 65 at 70%.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study that was performed for the five year the period ending June 30, 2015.

The following assumptions were used to determine the contribution rate:

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

Investments

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

NORRISTOWN AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE N - OTHER POSTEMPLOYMENT BENEFITS - PSERS (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	79.8%	0.1%
US Core Fixed Income	17.5%	0.7%
Non-US Developed Fixed	<u>2.7%</u>	-0.3%
	<u><u>100.0%</u></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 District’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, 2021, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2021, 93,392 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 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.

NORRISTOWN AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE N - OTHER POSTEMPLOYMENT BENEFITS - PSERS (Continued)

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

	<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Rate</u>	<u>1%</u> <u>Increase</u>
District's proportionate share of the net OPEB liability	\$ <u>10,779,000</u>	\$ <u>10,780,000</u>	\$ <u>10,781,000</u>

Sensitivity of the District's Net OPEB Liability to Change in Healthcare Cost Trend Rates

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

	<u>1%</u> <u>Decrease</u> <u>1.18%</u>	<u>Current</u> <u>Discount</u> <u>Rate</u> <u>2.18%</u>	<u>1%</u> <u>Increase</u> <u>3.18%</u>
District's proportionate share of the net OPEB liability	\$ <u>12,372,000</u>	\$ <u>10,780,000</u>	\$ <u>9,470,000</u>

OPEB Plan Fiduciary Net Position

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

NOTE O - OTHER POSTEMPLOYMENT BENEFITS - SINGLE EMPLOYER PLAN

Plan Description

The District provides medical and dental insurance benefits to eligible retired employees, spouses and dependents through a single-employer defined benefit plan. The benefits, benefits level, employee contribution and employer contribution are administered by the Board and can be amended by the Board through its personnel manual and union contracts. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a stand-alone financial report. The activity of the plan is reported in the District's General Fund.

NORRISTOWN AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE O - OTHER POSTEMPLOYMENT BENEFITS - SINGLE EMPLOYER PLAN (Continued)

Plan Membership - At the July 1, 2020 actuarial valuation date, plan membership consisted of the following:

Active plan members	806
Retired participants	<u>45</u>
	<u><u>851</u></u>

Funding Policy and Funding Status

The District negotiates the contribution percentage between the District and employees through union contracts and its personnel policy. The required contribution rates of the employer and the members vary depending on the applicable agreement. The District currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the plan are paid by the District.

Benefits Provided

The District's retired employees are allowed to continue coverage for themselves and their dependents in the 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.

1. Cabinet Members, Association of Administrators and Supervisors
 - a. Retire prior to August 1, 2006
 - i. Coverage: Medical, Prescription Drug, Dental, Vision and Life
 - ii. Premium Sharing: District pays full premium for life insurance in the amount of \$20,000. Member must pay \$100 per month plus any premium amount for his or her coverage that is greater than the premium for the base plan for up to 10 years. In addition, if member has family coverage, member must pay the difference between family coverage and 2-party coverage. After 10 years, member must pay full premium.
 - b. Retire after August 1, 2006
 - i. Coverage: Medical, Prescription Drug, Dental, Vision and Life
 - ii. Premium Sharing: District pays full premium for life insurance in the amount of \$20,000. The member may continue coverage for Medical, Prescription Drug, Dental and Vision by paying the full premium as determined for the purpose of COBRA.

NORRISTOWN AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE O - OTHER POSTEMPLOYMENT BENEFITS - SINGLE EMPLOYER PLAN (Continued)

2. Education Association
 - a. Retire prior to August 1, 2006
 - i. Coverage: Medical, Prescription Drug, Dental, Vision
 - ii. Premium Sharing: Member must pay \$100 per month plus any premium amount for his or her coverage that is greater than the premium for the base plan for up to 10 years. In addition, if member has family coverage, member must pay the difference between family coverage and 2-party coverage. After 10 years, member must pay full premium.
 - b. Retire after August 1, 2006
 - i. Coverage and Premium Sharing are in accordance with Act 110/43.
3. All Other Employees
 - i. Coverage and Premium Sharing are in accordance with Act 110/43.

Assumptions

The following assumptions and actuarial methods and calculation were used:

Discount Rate – 2.28%, based on S&P Municipal Bond 20 Year High Grade Rate Index at July 1, 2022.

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

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

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.

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

NORRISTOWN AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE O - OTHER POSTEMPLOYMENT BENEFITS - SINGLE EMPLOYER PLAN (Continued)

Mortality - Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation.

Disability - No disability was assumed.

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

Percent of Eligible Retirees Electing Coverage in Plan - 50% of all employees are assumed to elect coverage for Medical, Prescription Drug, and Dental and Vision at retirement. 100% of Administrators are assumed to elect Life Insurance at retirement.

Percent Married at Retirement - 40% of employees are assumed to be married and have a spouse covered by the plan at retirement. Non-spouse dependents are deemed to be immaterial.

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

Retiree Contributions - Retiree Contributions are assumed to increase at the same rate as the Health Care Cost Trend Rate.

Actuarial Value of Assets - Equal to the Market Value of Assets.

Actuarial Cost Method - Entry Age Normal - Under the Entry Age Normal Cost Method, the Normal Cost is the present value of benefits allocated to the year following the valuation date. Benefits are allocated on a level basis over the earnings of an individual between the date of hire and the assumed retirement age. The Accrued Liability as of the valuation date is the excess of the present value of future benefits over the present value of future Normal Cost. The Unfunded Accrued Liability is the excess of the Accrued Liability over the Actuarial Value of Assets. Actuarial gains and losses serve to reduce or increase the Unfunded Accrued Liability.

NORRISTOWN AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE O - OTHER POSTEMPLOYMENT BENEFITS – SINGLE EMPLOYER PLAN (Continued)

Changes in the Total OPEB Liability

Balance at July 1, 2020	\$ <u>5,884,882</u>
Changes for the year	
Service cost	477,091
Interest cost	116,811
Changes in assumptions	(197,111)
Benefit payments	<u>(150,984)</u>
Net changes	<u>245,807</u>
Balance at July 1, 2021	\$ <u><u>6,130,689</u></u>

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

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

	1% Decrease <u>1.28%</u>	Current Discount Rate <u>2.28%</u>	1% Increase <u>3.28%</u>
Total OPEB liability	\$ <u>6,606,076</u>	\$ <u>6,130,689</u>	\$ <u>5,677,883</u>

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

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate

	1% Decrease <u> </u>	Current Discount Rate <u> </u>	1% Increase <u> </u>
Total OPEB liability	\$ <u>5,332,884</u>	\$ <u>6,130,689</u>	\$ <u>7,087,486</u>

NORRISTOWN AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE O - OTHER POSTEMPLOYMENT BENEFITS – SINGLE EMPLOYER PLAN (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - For the year ended June 30, 2022, the School District recognized OPEB expense of \$439,245. At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences in experience	\$ 93,147	\$ 403,151
Changes in assumptions	735,280	305,376
Contributions subsequent to measurement date	<u>170,904</u>	<u>-</u>
	<u>\$ 999,331</u>	<u>\$ 708,527</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2023	\$ 16,247
2024	16,247
2025	16,247
2026	16,247
2027	16,247
Thereafter	<u>38,665</u>
	<u>\$ 119,900</u>

NOTE P - SELF-INSURANCE

The District is self-insured for its medical, dental and hospitalization benefits and prescription drug benefits. The monthly premium is revised annually in July for the upcoming fiscal year beginning July 1 and is based upon actual cost plus basis per third-party administrator.

NORRISTOWN AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE Q - FUND BALANCES

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

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Capital Reserve Fund</u>	<u>Total Governmental Funds</u>
Nonspendable				
Inventories	\$ 6,515	\$ -	\$ -	\$ 6,515
Prepaid expenses	3,083,813	-	-	3,083,813
Restricted				
Capital projects	-	229,337	-	229,337
Assigned				
Tax assessment appeals	2,000,000	-	-	2,000,000
Future maintenance and improvements	17,000,000	-	-	17,000,000
Transportation stabilization	2,000,000	-	-	2,000,000
Revenue stabilization	3,000,000	-	-	3,000,000
Future capital projects-kitchens/cafeterias	5,000,000	-	9,877,557	14,877,557
Unassigned	<u>10,679,190</u>	<u>-</u>	<u>-</u>	<u>10,679,190</u>
TOTAL FUND BALANCES	<u>\$ 42,769,518</u>	<u>\$ 229,337</u>	<u>\$ 9,877,557</u>	<u>\$ 52,876,412</u>

REQUIRED SUPPLEMENTARY INFORMATION

NORRISTOWN AREA SCHOOL DISTRICT
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE
SHARE OF THE PSERS NET PENSION LIABILITY AND RELATED RATIOS
LAST EIGHT FISCAL YEARS

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
School District's proportion of the net pension liability (asset)	<u>0.4554%</u>	<u>0.5094%</u>	<u>0.4729%</u>	<u>0.4754%</u>
School District's proportionate share of the net pension liability (asset)	<u>\$ 186,972,000</u>	<u>\$ 250,824,000</u>	<u>\$ 221,235,000</u>	<u>\$ 228,216,000</u>
School District's covered payroll	<u>\$ 64,479,860</u>	<u>\$ 65,449,316</u>	<u>\$ 65,216,396</u>	<u>\$ 64,024,239</u>
School District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	<u>289.97%</u>	<u>383.23%</u>	<u>339.23%</u>	<u>356.45%</u>
The plan's fiduciary net position as a percentage of the total pension liability	<u>63.67%</u>	<u>54.32%</u>	<u>55.66%</u>	<u>54.00%</u>

NOTES TO THE SCHEDULE

The amounts presented for each fiscal year were determined as of the end of the previous fiscal year.

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>0.5221%</u>	<u>0.4928%</u>	<u>0.4985%</u>	<u>0.4943%</u>
\$ <u>257,857,000</u>	\$ <u>244,216,000</u>	\$ <u>215,927,000</u>	\$ <u>195,647,000</u>
\$ <u>69,513,759</u>	\$ <u>63,822,226</u>	\$ <u>64,136,539</u>	\$ <u>63,071,268</u>
<u>370.94%</u>	<u>382.65%</u>	<u>336.67%</u>	<u>310.20%</u>
<u>51.84%</u>	<u>50.14%</u>	<u>54.36%</u>	<u>57.24%</u>

NORRISTOWN AREA SCHOOL DISTRICT
SCHEDULE OF THE SCHOOL DISTRICT'S PSERS PENSION CONTRIBUTIONS
LAST EIGHT FISCAL YEARS

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 20,485,000	\$ 20,983,000	\$ 21,460,000	\$ 21,247,000
Contributions in relation to the contractually required contribution	<u>20,485,000</u>	<u>20,983,000</u>	<u>21,460,000</u>	<u>21,247,000</u>
Contribution (excess) deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	<u>\$ 60,267,726</u>	<u>\$ 64,479,860</u>	<u>\$ 65,449,316</u>	<u>\$ 65,216,396</u>
Contributions as a percentage of covered payroll	<u>33.99%</u>	<u>32.54%</u>	<u>32.79%</u>	<u>32.58%</u>

NOTE TO THE SCHEDULE

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 20,352,000	\$ 20,308,000	\$ 15,944,000	\$ 12,825,000
<u>20,352,000</u>	<u>20,308,000</u>	<u>15,944,000</u>	<u>12,825,000</u>
\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
\$ <u>64,024,239</u>	\$ <u>69,513,759</u>	\$ <u>63,822,226</u>	\$ <u>64,136,539</u>
<u>31.79%</u>	<u>29.21%</u>	<u>24.98%</u>	<u>20.00%</u>

NORRISTOWN AREA SCHOOL DISTRICT

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE PSERS NET OTHER POSTEMPLOYMENT BENEFIT PLAN LIABILITY AND RELATED RATIOS LAST FIVE FISCAL YEARS

	<u>2022</u>	<u>2021</u>
SCHOOL DISTRICT'S PROPORTION OF THE NET OPEB LIABILITY (ASSET)	<u>0.4548%</u>	<u>0.5091%</u>
SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)	<u>\$ 10,780,000</u>	<u>\$ 11,000,000</u>
SCHOOL DISTRICT'S COVERED PAYROLL	<u>\$ 64,479,860</u>	<u>\$ 65,449,316</u>
SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET) AS A PERCENTAGE OF ITS COVERED PAYROLL	<u>16.72%</u>	<u>16.81%</u>
THE PLAN'S FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL OPEB LIABILITY	<u>5.30%</u>	<u>5.69%</u>

NOTES TO THE SCHEDULE

The amounts presented for each fiscal year were determined as of the end of the previous fiscal year.

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.

<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>0.4729%</u>	<u>0.4754%</u>	<u>0.5221%</u>
\$ <u>10,058,000</u>	\$ <u>9,912,000</u>	\$ <u>10,637,000</u>
\$ <u>65,216,396</u>	\$ <u>64,024,239</u>	\$ <u>69,513,759</u>
<u>15.42%</u>	<u>15.48%</u>	<u>15.30%</u>
<u>5.56%</u>	<u>5.56%</u>	<u>5.73%</u>

NORRISTOWN AREA SCHOOL DISTRICT
SCHEDULE OF THE SCHOOL DISTRICT'S PSERS OTHER POSTEMPLOYMENT
BENEFIT PLAN CONTRIBUTIONS
LAST FIVE FISCAL YEARS

	<u>2022</u>	<u>2021</u>
CONTRACTUALLY REQUIRED CONTRIBUTION	\$ 482,000	\$ 513,000
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	<u>482,000</u>	<u>513,000</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$ <u>-</u>	\$ <u>-</u>
SCHOOL DISTRICT'S COVERED PAYROLL	\$ <u>60,267,726</u>	\$ <u>64,479,860</u>
CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL	<u>0.80%</u>	<u>0.80%</u>

NOTE TO THE SCHEDULE

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.

<u>2020</u>	<u>2019</u>	<u>2018</u>
\$ 540,000	\$ 541,000	\$ 532,000
<u>540,000</u>	<u>541,000</u>	<u>532,000</u>
\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
\$ <u><u>65,449,316</u></u>	\$ <u><u>65,216,396</u></u>	\$ <u><u>64,024,239</u></u>
<u><u>0.83%</u></u>	<u><u>0.83%</u></u>	<u><u>0.83%</u></u>

NORRISTOWN AREA SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE TOTAL OTHER POSTEMPLOYMENT
BENEFIT PLAN LIABILITY AND RELATED RATIOS
LAST FIVE FISCAL YEARS

	<u>2022</u>	<u>2021</u>
TOTAL OPEB LIABILITY		
Service cost	\$ 477,091	\$ 365,390
Interest	116,811	187,432
Differences in experience	-	(476,451)
Changes of assumptions	(197,111)	681,298
Benefits payments	<u>(150,984)</u>	<u>(187,073)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	245,807	570,596
 TOTAL OPEB LIABILITY, BEGINNING	 <u>5,884,882</u>	 <u>5,314,286</u>
 TOTAL OPEB LIABILITY, ENDING	 <u>\$ 6,130,689</u>	 <u>\$ 5,884,882</u>
 COVERED PAYROLL	 <u>\$ 64,479,860</u>	 <u>\$ 65,449,316</u>
 TOTAL OPEB LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	 <u>9.51%</u>	 <u>8.99%</u>

NOTES TO THE SCHEDULE

No assets are accumulated in a trust to pay benefits related to this plan.

Changes in assumptions:

1. In the 2021 actuarial valuation, the discount rate changed from 1.86% to 2.28%. The trend assumption was updated.
2. In the 2020 actuarial valuation, the discount rate changed from 3.36% to 1.86%. The trend assumption was updated.
3. In the 2019 actuarial valuation, the discount rate changed from 2.98% to 3.36%. The trend assumption was updated. Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.
4. In the 2018 actuarial valuation, the discount rate changed from 3.13% to 2.98%. The trend assumption was updated. Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.
5. In the 2017 actuarial valuation, the discount rate changed from 2.49% to 3.13%. The trend assumption was updated. Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.

<u>2020</u>	<u>2019</u>	<u>2018</u>
\$ 365,789	\$ 351,290	\$ 330,514
161,550	155,740	111,644
-	134,543	-
(160,456)	957	245,992
<u>(235,521)</u>	<u>(183,382)</u>	<u>(256,540)</u>
131,362	459,148	431,610
<u>5,182,924</u>	<u>4,723,776</u>	<u>4,292,166</u>
\$ <u>5,314,286</u>	\$ <u>5,182,924</u>	\$ <u>4,723,776</u>
\$ <u>65,216,396</u>	\$ <u>64,024,239</u>	\$ <u>69,513,759</u>
<u>8.15%</u>	<u>8.10%</u>	<u>6.80%</u>

SUPPLEMENTARY INFORMATION SECTION

NORRISTOWN AREA SCHOOL DISTRICT
SCHEDULE OF REAL ESTATE TAX SETTLEMENTS
2021 TAX DUPLICATE
YEAR ENDED JUNE 30, 2022

	<u>Totals</u>	<u>Norristown</u>	<u>East Norriton</u>	<u>West Norriton</u>
CHARGES AGAINST TAX COLLECTORS				
Original real estate assessment	\$ 2,834,219,580	\$ 887,885,762	\$ 962,223,783	\$ 984,110,035
MILLS LEVIED BY SCHOOL BOARD				
(39.204 mills)	39.204	39.204	39.204	39.204
TOTAL TAX LEVY	<u>111,112,744</u>	<u>34,808,673</u>	<u>37,723,021</u>	<u>38,581,050</u>
CREDITS TO TAX COLLECTORS				
Adjustments to duplicate (at face)	(75,850)	(90,537)	4,151	10,536
Homestead Credits	<u>(2,828,138)</u>	<u>(870,504)</u>	<u>(927,774)</u>	<u>(1,029,860)</u>
TAX LEVY, adjusted	<u>\$ 108,208,756</u>	<u>\$ 33,847,632</u>	<u>\$ 36,799,398</u>	<u>\$ 37,561,726</u>
REAL ESTATE TAX COLLECTED				
Net amount collected at 2% discount	\$ 93,673,000	\$ 27,187,450	\$ 31,730,700	\$ 34,754,850
Amounts collected at face	7,054,675	2,584,598	3,277,576	1,192,501
Amounts collected including 10% penalty	2,181,610	1,125,600	548,380	507,630
TOTAL COLLECTIONS	<u>102,909,285</u>	<u>30,897,648</u>	<u>35,556,656</u>	<u>36,454,981</u>
Add 2% discount deducted	1,873,460	543,749	634,614	695,097
Less 10% penalty included	<u>(218,161)</u>	<u>(112,560)</u>	<u>(54,838)</u>	<u>(50,763)</u>
FACE AMOUNT OF TAXES COLLECTED	104,564,584	31,328,837	36,136,432	37,099,315
UNCOLLECTED TAXES (at face amount)	<u>3,644,172</u>	<u>2,518,795</u>	<u>662,966</u>	<u>462,411</u>
TOTAL TAX LEVY ACCOUNTED FOR	<u>\$ 108,208,756</u>	<u>\$ 33,847,632</u>	<u>\$ 36,799,398</u>	<u>\$ 37,561,726</u>
PERCENT OF TAXES COLLECTED	<u>96.63%</u>	<u>92.56%</u>	<u>98.20%</u>	<u>98.77%</u>

Independent Auditors' 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

To the Board of School Directors
Norristown Area School District
Norristown, Pennsylvania

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Norristown Area School District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Norristown Area School District's basic financial statements, and have issued our report thereon dated November 29, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Norristown Area School 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 Norristown Area School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Norristown Area School District's internal control.

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

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

To the Board of School Directors
Norristown Area School District
Norristown, Pennsylvania

Report on Compliance and Other Matters

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

Purpose of this Report

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

Maillie LLP

Limerick, Pennsylvania
November 29, 2022

Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance

To the Board of School Directors
Norristown Area School District
Norristown, Pennsylvania

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Norristown Area School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Norristown Area School District's major federal programs for the year ended June 30, 2022. Norristown Area School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (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 Auditors' Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

To the Board of School Directors
Norristown Area School District
Norristown, Pennsylvania

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Norristown Area School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 Norristown Area School 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 Norristown Area School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Norristown Area School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Norristown Area School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

To the Board of School Directors
Norristown Area School District
Norristown, Pennsylvania

Report on Internal Control Over Compliance

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

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

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

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

Maillie LLP

Limerick, Pennsylvania
November 29, 2022

**SUPPLEMENTARY INFORMATION - MAJOR FEDERAL
AWARD PROGRAMS AUDIT**

NORRISTOWN AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

Federal Grantor/ Pass-Through Grantor/Program Title	Source Code	Federal Assistance Listing Number	Pass- Through Grantor's Number	Grant Period Beginning/ Ending Dates	Program or Award Amount
U.S. DEPARTMENT OF EDUCATION					
Gaining Early Awareness and Readiness for Undergraduate Programs - Partnership Grant	D	84.334	N/A	September 1, 2020 to September 1, 2021	\$ 1,062,526
Gaining Early Awareness and Readiness for Undergraduate Programs - Partnership Grant	D	84.334	N/A	September 1, 2021 to September 1, 2022	1,020,000
Passed through PASSHE - PA State System of Higher Education					
Gaining Early Awareness and Readiness for Undergraduate Programs	I	84.334	N/A	September 1, 2020 to September 1, 2021	140,049
Gaining Early Awareness and Readiness for Undergraduate Programs	I	84.334	N/A	September 1, 2021 to September 1, 2022	151,650
Gaining Early Awareness and Readiness for Undergraduate Programs	I	84.334	N/A	September 1, 2021 to September 1, 2022	601,345
TOTAL GEAR UP (ALN # 84.334)					
School Climate Transformation Grant	D	84.184	N/A	October 1, 2020 to September 1, 2021	703,132
School Climate Transformation Grant	D	84.184	N/A	October 1, 2021 to September 1, 2022	749,948
TOTAL SCTG (ALN # 84.184)					
Passed through the Pennsylvania Department of Education					
Title I, Improving Basic Programs 19-20	I	84.010	013-200284	July 1, 2019 to September 30, 2020	2,387,712
Title I, Improving Basic Programs 20-21	I	84.010	013-210284	July 1, 2020 to September 30, 2021	2,580,026
Title I, Improving Basic Programs 21-22	I	84.010	013-220284	July 1, 2021 to September 30, 2022	2,917,526
Title I, Delinquent Program 19-20	I	84.010	107-200284	July 1, 2019 to September 30, 2020	43,655
Title I, Delinquent Program 20-21	I	84.010	107-210284	July 1, 2020 to September 30, 2021	105,640
Title I, Delinquent Program 21-22	I	84.010	107-220284	July 1, 2021 to September 30, 2022	45,150
Title I, Program Improvement Set Aside	I	84.010	042-200284	October 1, 2020 to September 30, 2021	330,911
Title I, Program Improvement Set Aside	I	84.010	042-210284	October 1, 2021 to September 30, 2022	380,106
TOTAL TITLE I (ALN # 84.010)					
Title II, Improving Teacher Quality 20-21	I	84.367	020-210284	July 1, 2020 to September 30, 2021	354,350
Title II, Improving Teacher Quality 21-22	I	84.367	020-220284	July 1, 2021 to September 30, 2022	356,857
TOTAL TITLE II (ALN # 84.367)					
SUBTOTAL FORWARD					

<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2021</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2022</u>	<u>Amounts Passed Through To Sub- Recipient</u>
\$ 431,361	\$ 163,373	\$ 267,988	\$ 267,988	\$ -	\$ -
602,043	-	799,884	799,884	197,841	-
45,975	38,488	7,487	7,487	-	-
23,435	-	54,389	54,389	30,954	-
<u>-</u>	<u>-</u>	<u>111,855</u>	<u>111,855</u>	<u>111,855</u>	<u>-</u>
<u>1,102,814</u>	<u>201,861</u>	<u>1,241,603</u>	<u>1,241,603</u>	<u>340,650</u>	<u>-</u>
224,210	118,062	106,148	106,148	-	-
<u>446,298</u>	<u>-</u>	<u>610,298</u>	<u>610,298</u>	<u>164,000</u>	<u>-</u>
<u>670,508</u>	<u>118,062</u>	<u>716,446</u>	<u>716,446</u>	<u>164,000</u>	<u>-</u>
(2,463)	(7,682)	5,219	5,219	-	-
690,927	546,106	96,708	96,708	(48,113)	-
2,148,428	-	1,991,928	1,991,928	(156,500)	-
8,713	(13,242)	21,955	21,955	-	-
7,546	(30,183)	24,461	24,461	(13,268)	-
12,040	-	-	-	(12,040)	-
220,607	26,254	194,353	194,353	-	-
<u>240,325</u>	<u>-</u>	<u>291,385</u>	<u>291,385</u>	<u>51,060</u>	<u>-</u>
<u>3,326,123</u>	<u>521,253</u>	<u>2,626,009</u>	<u>2,626,009</u>	<u>(178,861)</u>	<u>-</u>
(5,801)	(26,976)	21,175	21,175	-	-
<u>356,857</u>	<u>-</u>	<u>322,485</u>	<u>322,485</u>	<u>(34,372)</u>	<u>-</u>
<u>351,056</u>	<u>(26,976)</u>	<u>343,660</u>	<u>343,660</u>	<u>(34,372)</u>	<u>-</u>
\$ <u>5,450,501</u>	\$ <u>814,200</u>	\$ <u>4,927,718</u>	\$ <u>4,927,718</u>	\$ <u>291,417</u>	\$ <u>-</u>

NORRISTOWN AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

Federal Grantor/ Pass-Through Grantor/Program Title	Source Code	Federal Assistance Listing Number	Pass- Through Grantor's Number	Grant Period Beginning/ Ending Dates	Program or Award Amount
U.S. DEPARTMENT OF EDUCATION					
SUBTOTAL FORWARDED					
Passed through the Pennsylvania Department of Education					
Title III, Language Instruction 19-20	I	84.365	010-200284	July 1, 2019 to September 30, 2020	\$ 198,786
Title III, Language Instruction 20-21	I	84.365	010-210284	July 1, 2020 to September 30, 2021	204,351
Title III, Language Instruction 21-22	I	84.365	010-220284	July 1, 2021 to September 30, 2022	218,730
TOTAL TITLE III (ALN # 84.365)					
Title IV, Student Support & Academic Enrich. 20-21	I	84.424	144-210284	July 1, 2020 to September 30, 2021	181,948
Title IV, Student Support & Academic Enrich. 21-22	I	84.424	144-220284	July 1, 2021 to September 30, 2022	194,476
TOTAL TITLE IV (ALN # 84.424)					
COVID- CARES - ESSER 1	I	84.425D	200-20-0284	2019-2020	1,970,516
COVID - GEER - Spec Ed Minigrant	I	84.425C	252-20-0284	2019-2020	55,692
COVID - GEER - ATSI	I	84.425C	254-20-0284	2019-2020	205,272
COVID- CARES ACT - ESSER 2	I	84.425D	200-21-0284	March 13, 2020 to September 30, 2023	9,555,202
COVID - ARP ESSER 3	I	84.425U	223-21-0284	March 13, 2020 to September 30, 2024	19,327,410
COVID- ARP ESSER 7% - LEARNING LOSS	I	84.425	225-21-0284	March 13, 2020 to September 30, 2024	1,072,981
COVID- ARP ESSER 7% - SUMMER SCHOOL	I	84.425	225-21-0284	March 13, 2020 to September 30, 2024	214,596
COVID- ARP ESSER 7% - AFTER SCHOOL	I	84.425	225-21-0284	March 13, 2020 to September 30, 2024	214,596
COVID - ARP HOMELESS YOUTH	I	84.425W	181-21-2282		100,380
COVID - ARP ESSER Set Asides	I	84.425C	224-21-0284	2020-2021	299,299
Passed through the PA Commission on Crime & Delinquency					
COVID - PCCD 20-21 School Safety Grant-Rd 2	I	84.425D	2020-ES-01-35183	March 13, 2020 to September 30, 2022	243,378
TOTAL COVID (ALN # 84.425)					
Passed through the Montgomery County Intermediate Unit					
IDEA 2020-21	I	84.027	N/A	July 1, 2020 to September 30, 2021	1,596,121
IDEA 2021-2022	I	84.027	N/A	July 1, 2021 to September 30, 2022	1,631,649
IDEA ARP	I	84.027	N/A	July 1, 2021 to September 30, 2022	380,801
TOTAL SPECIAL EDUCATION CLUSTER (ALN # 84.027)					
TOTAL U.S. DEPARTMENT OF EDUCATION					

<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2021</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2022</u>	<u>Amounts Passed Through To sub- Recipient</u>
\$ 5,450,501	\$ 814,200	\$ 4,927,718	\$ 4,927,718	\$ 291,417	\$ -
-	(5,538)	5,538	5,538	-	-
-	(1,782)	1,782	1,782	-	-
<u>174,984</u>	<u>-</u>	<u>212,030</u>	<u>212,030</u>	<u>37,046</u>	<u>-</u>
<u>174,984</u>	<u>(7,320)</u>	<u>219,350</u>	<u>219,350</u>	<u>37,046</u>	<u>-</u>
129,963	129,963	-	-	-	-
<u>51,860</u>	<u>-</u>	<u>194,476</u>	<u>194,476</u>	<u>142,616</u>	<u>-</u>
<u>181,823</u>	<u>129,963</u>	<u>194,476</u>	<u>194,476</u>	<u>142,616</u>	<u>-</u>
-	(33,390)	3,720	3,720	(29,670)	-
29,312	6,212	23,100	23,100	-	-
162,057	(24,753)	186,810	186,810	-	-
3,999,852	-	5,411,954	5,411,954	1,412,102	-
1,405,630	-	9,273,236	9,273,236	7,867,606	-
182,081	-	147,293	147,293	(34,788)	-
36,416	-	91,307	91,307	54,891	-
-	-	9,851	9,851	9,851	-
5,148	-	-	-	(5,148)	-
16,325	-	111,062	111,062	94,737	-
<u>227,584</u>	<u>87,328</u>	<u>140,296</u>	<u>140,296</u>	<u>40</u>	<u>-</u>
<u>6,064,405</u>	<u>35,397</u>	<u>15,398,629</u>	<u>15,398,629</u>	<u>9,369,621</u>	<u>-</u>
885,381	885,381	-	-	-	-
898,065	-	1,631,649	1,631,649	733,584	-
<u>380,801</u>	<u>-</u>	<u>380,801</u>	<u>380,801</u>	<u>-</u>	<u>-</u>
<u>2,164,247</u>	<u>885,381</u>	<u>2,012,450</u>	<u>2,012,450</u>	<u>733,584</u>	<u>-</u>
\$ <u>14,035,960</u>	\$ <u>1,857,621</u>	\$ <u>22,752,623</u>	\$ <u>22,752,623</u>	\$ <u>10,574,284</u>	\$ <u>-</u>

NORRISTOWN AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

Federal Grantor/ Pass-Through Grantor/Program Title	Source Code	Federal Assistance Listing Number	Pass- Through Grantor's Number	Grant Period Beginning/ Ending Dates	Program or Award Amount
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Passed through the Pennsylvania Department of Public Welfare					
Medical Assistance Program--Indirect Access 21-22	I	93.778	N/A	July 1, 2021 to June 30, 2022	\$ 69,828
TOTAL MEDICAID CLUSTER (ALN # 93.778)					
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
U.S. DEPARTMENT OF AGRICULTURE					
Passed through the Pennsylvania Department of Agriculture					
National School Lunch Program (U.S.D.A Commodities)	I	10.555	N/A	July 1, 2020 to June 30, 2021	N/A
Passed through the Pennsylvania Department of Education					
National School Lunch Program 20-21	I	10.555	N/A	July 1, 2020 to June 30, 2021	N/A
National School Lunch Program 21-22	I	10.555	N/A	July 1, 2021 to June 30, 2022	N/A
National School Lunch Program - Supply Chain Assist.	I	10.555	N/A	July 1 2021 to June 30, 2022	N/A
Subtotal ALN # 10.555					
National School Breakfast Program 20-21	I	10.553	N/A	July 1, 2020 to June 30, 2021	N/A
National School Breakfast Program 21-22	I	10.553	N/A	July 1, 2021 to June 30, 2022	N/A
Subtotal ALN # 10.553					
TOTAL CHILD NUTRITION CLUSTER					
Fresh Fruits & Vegetables Program 21-22	I	10.582	N/A	July 1, 2020 to June 30, 2021	N/A
TOTAL FRESH FRUIT AND VEGETABLE PROGRAM (ALN # 10.582)					
P-EBT Admin Funds	I	10.649	N/A	July 1, 2021 to June 30, 2022	N/A
TOTAL P-EBT Admin Funds (ALN #10.649)					
TOTAL U.S. DEPARTMENT OF AGRICULTURE					

<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2021</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2022</u>	<u>Amounts Passed Through To sub- Recipient</u>
\$ <u>69,828</u>	\$ <u>-</u>	\$ <u>69,828</u>	\$ <u>69,828</u>	\$ <u>-</u>	\$ <u>-</u>
<u>69,828</u>	<u>-</u>	<u>69,828</u>	<u>69,828</u>	<u>-</u>	<u>-</u>
<u>69,828</u>	<u>-</u>	<u>69,828</u>	<u>69,828</u>	<u>-</u>	<u>-</u>
418,092	(18,454)	417,300	417,300	(19,246)	-
598,396	598,396	-	-	-	-
3,697,988	-	4,270,066	4,270,066	572,078	-
<u>149,010</u>	<u>-</u>	<u>149,010</u>	<u>149,010</u>	<u>-</u>	<u>-</u>
<u>4,863,486</u>	<u>579,942</u>	<u>4,836,376</u>	<u>4,836,376</u>	<u>552,832</u>	<u>-</u>
373,128	373,128	-	-	-	-
<u>1,488,836</u>	<u>-</u>	<u>1,732,065</u>	<u>1,732,065</u>	<u>243,229</u>	<u>-</u>
<u>1,861,964</u>	<u>373,128</u>	<u>1,732,065</u>	<u>1,732,065</u>	<u>243,229</u>	<u>-</u>
<u>6,725,450</u>	<u>953,070</u>	<u>6,568,441</u>	<u>6,568,441</u>	<u>796,061</u>	<u>-</u>
<u>162,275</u>	<u>-</u>	<u>196,448</u>	<u>196,448</u>	<u>34,173</u>	<u>-</u>
<u>162,275</u>	<u>-</u>	<u>196,448</u>	<u>196,448</u>	<u>34,173</u>	<u>-</u>
<u>5,814</u>	<u>-</u>	<u>5,814</u>	<u>5,814</u>	<u>-</u>	<u>-</u>
<u>5,814</u>	<u>-</u>	<u>5,814</u>	<u>5,814</u>	<u>-</u>	<u>-</u>
\$ <u>6,893,539</u>	\$ <u>953,070</u>	\$ <u>6,770,703</u>	\$ <u>6,770,703</u>	\$ <u>830,234</u>	\$ <u>-</u>

NORRISTOWN AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

Federal Grantor/ Pass-Through Grantor/Program Title	Source Code	Federal Assistance Listing Number	Pass- Through Grantor's Number	Grant Period Beginning/ Ending Dates	Program or Award Amount
U.S. DEPARTMENT OF EDUCATION					
TOTALS FEDERAL AWARDS FORWARDED					
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
TOTALS FEDERAL AWARDS FORWARDED					
U.S. DEPARTMENT OF AGRICULTURE					
TOTALS FEDERAL AWARDS FORWARDED					
FEDERAL COMMUNICATIONS COMMISSION					
Emergency Connectivity Fund Program	D	32.009	ECF202100461	2021	\$ 334,920
TOTAL FEDERAL COMMUNICATIONS COMMISSION (ALN # 32.009)					
TOTAL FEDERAL AWARDS					

Source Codes:

- D = Direct funding
- I = Indirect funding

See accompanying notes to the schedule of expenditures of federal awards.

<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2021</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2022</u>	<u>Amounts Passed Through To sub- Recipient</u>
\$ <u>14,035,960</u>	\$ <u>1,857,621</u>	\$ <u>22,752,623</u>	\$ <u>22,752,623</u>	\$ <u>10,574,284</u>	\$ <u>-</u>
<u>69,828</u>	<u>-</u>	<u>69,828</u>	<u>69,828</u>	<u>-</u>	<u>-</u>
<u>6,893,539</u>	<u>953,070</u>	<u>6,770,703</u>	<u>6,770,703</u>	<u>830,234</u>	<u>-</u>
<u>334,920</u>	<u>-</u>	<u>334,920</u>	<u>334,920</u>	<u>-</u>	<u>89,820</u>
<u>334,920</u>	<u>-</u>	<u>334,920</u>	<u>334,920</u>	<u>-</u>	<u>89,820</u>
\$ <u><u>21,334,247</u></u>	\$ <u><u>2,810,691</u></u>	\$ <u><u>29,928,074</u></u>	\$ <u><u>29,928,074</u></u>	\$ <u><u>11,404,518</u></u>	\$ <u><u>89,820</u></u>

NORRISTOWN AREA SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

NOTE A - ORGANIZATION AND SCOPE

The federal programs as listed in the schedule of expenditures of federal awards are accounted for by the District in the General Fund for U.S. Department of Education, U.S. Department of Health and Human Services and U.S. Department of Treasury programs and in the Food Service Fund for U.S. Department of Agriculture programs.

NOTE B - BASIS OF ACCOUNTING

The District uses the modified accrual method of recording transactions. Revenues are recorded when measurable and available. Expenditures are recorded when incurred.

NOTE C - DONATED FOOD

Donated food has been valued according to market value estimates provided by the U.S.D.A.

NOTE D - PROGRAM DISCLOSURES

U.S. Department of Education

Funds passed through the Pennsylvania Department of Education under Title I are used primarily to provide education to economically disadvantaged children. Funds received under other grants are used to support instructional programs.

U.S. Department of Agriculture

Funds passed through the Pennsylvania Departments of Education and Agriculture are used to provide nutritional meals to economically disadvantaged children.

NOTE E - INDIRECT COST RATES

The District has not elected to use the 10% de minimis indirect cost rate as allowed in the Uniform Guidance, Section 414.

NORRISTOWN AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: **Unmodified**

Internal control over financial reporting:

Significant deficiencies identified: **No**

Significant deficiencies identified that are considered to be material weaknesses: **No**

Noncompliance material to financial statements noted: **No**

Federal Awards

Internal control over major programs:

Significant deficiencies identified: **No**

Significant deficiencies identified that are considered to be material weaknesses: **No**

Type of auditors' report issued on compliance for major programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance: **No**

Identification of major programs:

Program	Federal Assistance Listing Number
IDEA	84.027
Education Stabilization Fund	84.425
Emergency Connectivity Fund	32.009
GEAR-Up	84.334

The threshold used for distinguishing Types A and B programs was \$750,000.

Auditee qualified as a low-risk auditee: **Yes**

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

NORRISTOWN AREA SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2022

None.