

MARPLE NEWTOWN SCHOOL DISTRICT

**FINANCIAL STATEMENTS
AND SINGLE AUDIT**

For the Year Ended June 30, 2022

MARPLE NEWTOWN SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the Board of School Directors
MARPLE NEWTOWN SCHOOL DISTRICT
Newtown Square, Pennsylvania

Opinions

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

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of MARPLE NEWTOWN 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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about MARPLE NEWTOWN SCHOOL DISTRICT's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise

substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than 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 reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MARPLE NEWTOWN 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 any conditions or events, considered in the aggregate, that raise substantial doubt about MARPLE NEWTOWN 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, that planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that were identified during the audit

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of the district's proportionate share of the net pension liability and net other post-employment benefits liability, schedules of district contributions, schedule of changes in other post-employment benefits liability, and budgetary comparison information on pages 4 through 12 and pages 55 through 61, respectively, 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 MARPLE NEWTOWN SCHOOL DISTRICT, Pennsylvania's basic financial statements. The schedule of expenditures of federal awards and certain state grants is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and certain state grants is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2023, on our consideration of the MARPLE NEWTOWN SCHOOL DISTRICT, Pennsylvania'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 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 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 MARPLE NEWTOWN SCHOOL DISTRICT, Pennsylvania's internal control over financial reporting and compliance.

February 7, 2023

MAJOR & MASTRO, LLC
Montgomeryville, Pennsylvania
Certified Public Accountants

A handwritten signature in black ink that reads "Major & Mastro LLC". The signature is written in a cursive, stylized font.

MARPLE NEWTOWN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

FOR THE YEAR ENDED JUNE 30, 2022

INTRODUCTION

As management of the Marple Newtown School District, we offer readers of the Marple Newtown School District's financial statements this narrative overview and analysis of the financial activities of Marple Newtown School District for the fiscal year ended June 30, 2022. **All amounts, unless otherwise indicated, are expressed in thousands of dollars.**

FINANCIAL HIGHLIGHTS

- The liabilities and deferred inflows of resources exceeded the assets and deferred outflows of resources of the Marple Newtown School District at the close of the most recent fiscal year by \$38,804 (negative net position). The negative net position is the result of recording the district's proportionate share of net pension and other post-employment benefits liabilities and deferred pension and other post-employment benefit amounts in accordance with GASB Statement Nos. 68 and 75, which were implemented during 2015 and 2018, respectively.
- As of the close of the current fiscal year, the Marple Newtown School District governmental funds reported combined ending fund balances of \$34,530, a decrease of \$2,169 in comparison with the prior year. This decrease is primarily due to the expenditures of the athletic fields project along with the continued spending of bond proceeds in the capital funds for the two elementary school renovation and addition projects.
- At the end of the current fiscal year, fund balance for the general fund was \$17,782 or 18.15 percent of the total general fund expenditures. Of this amount, \$6,851 is committed for capital projects. The unassigned general fund balance is \$8,128 or 8.30 percent of 2021-2022 general fund expenditures.
- Marple Newtown School District's total debt decreased by \$5,615 during the current fiscal year due to normal annual debt service payments during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Marple Newtown School District's basic financial statements. The accompanying financial statements have been prepared in accordance with GASB Statement Number 34 and present both government-wide and fund level financial statements using both the accrual and modified accrual basis of accounting respectively.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Marple Newtown School District's finances, in a manner similar to a private-sector business.

The *statement of net position* measures and reports all of Marple Newtown School District's assets and liabilities, with the difference between the two reported as *net position*. Capital assets should be depreciated over their estimated useful lives. Net position should be displayed in three components; net investment in capital assets, and restricted and unrestricted net position. Over time, increases or decreases in net position may serve as a useful indicator

MARPLE NEWTOWN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

of whether the financial position of the Marple Newtown School District is improving or deteriorating.

The *statement of activities* presents information showing how the government'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).

The government-wide financial statements distinguish functions of the Marple Newtown School District that are principally supported by school taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (*business-type activities*). The governmental activities of the Marple Newtown School District include the general, and two capital projects funds. The business-type activities of the Marple Newtown School District include the Food Service Fund. The government-wide financial statements for Marple Newtown School District include both governmental activities plus business-type activities.

Fund Financial Statements. 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. Marple Newtown School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Marple Newtown School District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

The District has adopted Governmental Accounting Standard Board (GASB) Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as part of its fiscal year 2010-11 reporting. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

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 fund financial statements focus on *near-term inflows 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 government'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 fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Marple Newtown School District maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and two capital projects funds, all of which are considered to be major funds.

MARPLE NEWTOWN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Marple Newtown 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 this budget.

Proprietary funds. The Marple Newtown School District maintains one type of proprietary fund, an enterprise fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Marple Newtown School District uses enterprise funds to account for its Food Service Fund. Proprietary funds provide the same type of information as the government-wide financial statements only in more detail.

Fiduciary Funds. Fiduciary Funds are used to account for resources held for the benefit of parties outside of the school district. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support Marple Newtown School District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

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 Marple Newtown School District, liabilities and deferred inflows of resources exceeded the assets and deferred outflows of resources of the Marple Newtown School at the close of the most recent fiscal year by \$38,804 (negative net position).

On a government-wide basis, net position increased \$17,816 from last fiscal year's net position.

MARPLE NEWTOWN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Marple Newtown School District's Net Position 2022

The following table reflects the current and prior year's information.

	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Current & other assets	\$ 46,421	\$ 50,068	\$ 1,351	\$ 562	\$ 47,772	\$ 50,630
Capital assets	131,519	126,158	16	10	131,535	126,168
Total assets	<u>\$ 177,940</u>	<u>\$ 176,226</u>	<u>\$ 1,367</u>	<u>\$ 572</u>	<u>\$ 179,307</u>	<u>\$ 176,798</u>
Deferred outflows of resources	<u>\$ 22,861</u>	<u>\$ 25,910</u>	<u>\$ 171</u>	<u>\$ 176</u>	<u>\$ 23,032</u>	<u>\$ 26,086</u>
Long-term liabilities						
outstanding	\$ 209,889	\$ 237,747	\$ 1,038	\$ 1,127	\$ 210,927	\$ 238,874
Other liabilities	18,713	16,697	(15)	164	18,698	16,861
Total liabilities	<u>\$ 228,602</u>	<u>\$ 254,444</u>	<u>\$ 1,023</u>	<u>\$ 1,291</u>	<u>\$ 229,625</u>	<u>\$ 255,735</u>
Deferred inflows of resources	<u>\$ 11,001</u>	<u>\$ 4,313</u>	<u>\$ 96</u>	<u>\$ 30</u>	<u>\$ 11,097</u>	<u>\$ 4,343</u>
Net Position:						
Invested in capital assets,						
net of related debt	\$ 31,473	\$ 22,263	\$ 16	\$ 10	\$ 31,489	\$ 22,273
Restricted	16,642	20,636			16,642	20,636
Unrestricted	(86,919)	(99,520)	404	(583)	(86,515)	(100,103)
Total net position	<u>\$ (38,804)</u>	<u>\$ (56,621)</u>	<u>\$ 420</u>	<u>\$ (573)</u>	<u>\$ (38,384)</u>	<u>\$ (57,194)</u>

The restricted net position is comprised of \$16,378 representing the amount restricted in the Capital Projects Funds for future capital needs, and \$264 for taxes paid under protest.

Governmental activities. Governmental activities increased Marple Newtown School District net position by \$17,817 for the current year.

Business type activity. The business-type activity increased net position by \$994 for the current year.

MARPLE NEWTOWN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Marple Newtown School District Changes in Net Position – 2022

The following table reflects the revenues and expenses for the current and prior year (as adjusted).

	Governmental Activities		Business-type Activities		Totals	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenues:						
Program Revenues:						
Charges for Services	\$ 2,134	\$ 1,929	\$ 434	\$ 166	\$ 2,568	\$ 2,095
Operating Grants	14,967	13,431	2,136	1,271	17,103	14,702
Capital Grants	283	283			283	283
General Revenues:						
Taxes	78,246	75,348			78,246	75,348
Grants, not restricted to specific programs	2,899	3,537			2,899	3,537
Investment and other Income	81	44	1	1	82	45
Total Revenues	<u>98,610</u>	<u>94,572</u>	<u>2,571</u>	<u>1,438</u>	<u>101,181</u>	<u>96,010</u>
Expenses:						
Depreciation	6,398	5,559			6,398	5,559
ROU Amortization	1,749				1,749	
Instruction	41,604	48,944			41,604	48,944
Instructional Student Support	6,805	8,754			6,805	8,754
Administration & Financial Support Services	7,092	8,696			7,092	8,696
Operation and Maintenance of Plant Services	7,459	7,732			7,459	7,732
Pupil Transportation	4,617	5,954			4,617	5,954
Student Activities	1,371	1,457			1,371	1,457
Community Services	47	45			47	45
Interest on long-term debt	3,651	3,450			3,651	3,450
Food Service			1,577	1,027	1,577	1,027
Total Expenses	<u>80,793</u>	<u>90,591</u>	<u>1,577</u>	<u>1,027</u>	<u>82,370</u>	<u>91,618</u>
Change in Net Position	17,817	3,981	994	411	18,811	4,392
Beginning Net Position	(56,621)	(60,602)	(573)	(984)	(57,194)	(61,586)
Ending Net Position	<u>\$ (38,804)</u>	<u>\$ (56,621)</u>	<u>\$ 421</u>	<u>\$ (573)</u>	<u>\$ (38,383)</u>	<u>\$ (57,194)</u>

Compared to 2020-21 tax revenue increased \$2,898 in 2021-22. This increase is primarily due to an approximate \$4,900 increase from a higher rate of taxation and the housing market offset by a \$2,000 write down in deferred revenue due to a settlement.

MARPLE NEWTOWN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Financial Analysis of the Governmental Funds

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

Governmental Funds. The focus of the Marple Newtown 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 Marple Newtown 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.

As of the end of the current fiscal year, the Marple Newtown School District's governmental funds reported combined ending fund balance of \$34,530, a decrease of \$2,169 in comparison with the prior year. This balance consists of \$16,748 remaining in the capital projects funds, \$6,851 committed for capital projects, \$2,533 assigned, \$264 restricted, and \$5 nonspendable. The unassigned general fund balance is \$8,128 or 8.30 percent of 2021-22 general fund expenditures.

The general fund is the chief operating fund of Marple Newtown School District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$8,128 or 8.30% of 2021-2022 expenditures and the total general fund balance is \$17,782. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 8.30% of total general fund expenditures, while total general fund balance represents 18.15% of that same amount.

Proprietary funds. Marple Newtown School District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

General Fund Budgetary Highlights and significant changes

- The District's general fund revenues for the fiscal year ended June 30, 2022 were \$105,024.
- The general fund revenue budget (adjusted) compared to actual revenue is over budget by \$7,461. \$7,461 includes a positive variance of \$4,507 which is due to a new lease accounting standard and is offset by a negative variance in expenditures of \$4,507. As a result the remaining positive variance of \$2,955 is primarily due to the following:
 - \$1,582 Interim Real Estate Taxes
 - \$1,017 Real Estate Transfer Taxes
 - \$705 Delinquent Real Estate Taxes
- This year's expenditure and other financing uses variance is expected to be approximately \$5,367 over budget which represents 0.41% of the final adjusted budget. This variance includes the results of a \$4,972 year-end transfer of excess fund balance committed in the prior year for capital improvements and is not a line item appropriation in the 2021-22 fiscal year budget. It also includes \$4,507 of expenditures as a result of the new lease accounting standard noted above. Disregarding the new

MARPLE NEWTOWN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

lease standard and budget transfer, expenditures were \$4,112 less than budgeted primarily due the following:

- \$1,035 personnel savings
- \$1,600 of employee benefit savings largely due to self insured medical plan
- \$777 of supplies and tuition savings
- \$700 of other savings against the budget

Capital Asset and Debt Administration

Capital assets. Marple Newtown School District's investment in capital assets for its governmental and business type activities as of June 30, 2022 amount to \$128,777 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, site improvements, buildings and building improvements, and property and equipment.

Major capital asset events during the current fiscal year include the following:

- Building and site improvements at the various district buildings.
- High School Athletic Field renovations

Marple Newtown School District's Capital Assets – 2022 (net of accumulated depreciation)

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 143	\$ 143	\$	\$	\$ 143	\$ 143
Site Improvements	1,242	1,404			1,242	1,404
Construction in Progress	9,186	718			9,186	718
Building & Bldg. Improvements	117,339	122,914			117,339	122,914
Machinery & Equipment	850	979	17	13	867	988
Total	<u>\$ 128,760</u>	<u>\$ 126,158</u>	<u>\$ 17</u>	<u>\$ 16</u>	<u>\$128,777</u>	<u>\$ 94,197</u>

MARPLE NEWTOWN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Long Term Debt. At the end of the current fiscal year, the Marple Newtown School District had total bonded debt outstanding of \$84,855. Of this amount, \$84,855 comprises debt backed by the full faith and credit of the government.

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
General Obligation Bonds	\$ 84,855	\$ 90,470	\$	\$	\$ 84,855	\$ 90,470
Total	<u>\$ 84,855</u>	<u>\$ 90,470</u>	<u>\$</u>	<u>\$</u>	<u>\$ 84,855</u>	<u>\$ 90,470</u>

Marple Newtown School District's debt decreased by \$5,615 during the 2021-2022 fiscal year due to normal debt service payments.

Marple Newtown School District has improved its rating and was recently provided with an Aa1 rating from Moody's Investor service for its recent (June 2019) general obligation debt. Moody's Investors Service affirmed this rating in its annual issuer comment dated November 29, 2021.

State statutes limit the amount of general obligation debt a governmental entity may issue to 225% of a 3-year average of revenues. The current debt limitation for Marple Newtown School District is estimated at \$214,204 which is in excess of Marple Newtown School District's outstanding general obligation debt. Due to the growing student population and aging facilities, the school district is in the process of reviewing the need for additional capital improvements which could require the school district to increase its current debt level.

Economic Factors

- The most current unemployment rate for the Philadelphia Metro Area (August 2022), which the Marple Newtown School District is located, is currently 5.9 percent, which is a slight decrease from a rate of 8.5 percent a year ago. This is higher than the state's average unemployment rate of 4.1 percent, and higher than the national average of 3.5 percent. (BLS 2022). It is important to point out that although the district is within the Philadelphia Metro Area, the unemployment rate for Delaware County, in which the district lies, is 4.6%. (BLS 2022)
- The most current CPI-U index for the Philadelphia Area, which the Marple Newtown School District is located, is 8.1 percent compared to a national index of 8.2 percent for the same October 2022 time period.

Legislative changes

On June 12, 2017 the most recent pension reform was passed and signed into law. The legislation is Act 5 of 2017 (formerly SB1).

MARPLE NEWTOWN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Act 5 changes the retirement's benefits of all school employees hired on or after July 1, 2019. Act 5 will not impact the pension benefits of current employees or retirees. For more details on the new benefit levels provided for in the act please follow this link: <http://www.legis.state.pa.us/cfdocs/legis/li/uconsCheck.cfm?yr=2017&sessInd=0&act=5>

The employer contribution rate for 2022-2023 has been set and budgeted at 35.26%. The employer contribution rate for the upcoming 2023-2024 2024 cycle is being projected at 35.69%.

On November 23, 2010 Pension Reform Legislation was signed into law. The legislation is now known as Act 120 of 2010. Act 120 includes a series of actuarial and funding changes to the public school employee's retirement system ("PSERS") and benefit reductions for individuals who become new members of PSERS on or after July 1, 2011. Act 120 will not impact the pension benefits of current or retired PSERS members.

Act 1 of 2006. This legislation changed how school districts in Pennsylvania plan, prepare, and approve their budgets and corresponding tax increases. Participation in this law is mandatory.

This law is referred to as the Taxpayer Relief Act that intends to utilize gaming revenue and a local tax shift to an earned income or personal income tax to fund the plan. The law also provides that all school districts must allow an option to taxpayers to pay their real estate taxes in installments beginning with the 2007-2008 fiscal year (PSBA, 2006). To date, this has not presented any significant challenges to the district's cash flow.

The most significant requirement under Act 1 is the limitation on school real estate tax increases. The School District will have to seek approval from the voters if it intends to increase taxes over a set inflationary index provided by the Pennsylvania Department of Education. The index for 2023-2024 budget year is 4.1%. Any tax increase that is proposed that exceeds this index must either meet several exceptions provided for in the Act or be approved by the voters. The school district increased the real estate tax rate 2.89% for the 22-23 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Marple Newtown School District's finances for all those with an interest in the district's finances. Questions concerning any of the information should be addressed to the Marple Newtown School District, Business Office, 38 Media Line Road, Suite 210, Newtown Square, PA 19073.

MARPLE NEWTOWN SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2022

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 21,169,832	\$ 1,003,470	\$ 22,173,302
Cash-restricted	264,374		264,374
Investments	19,946,566		19,946,566
Taxes receivable, net	1,177,857		1,177,857
Due from other governments	3,139,479	289,859	3,429,338
Prepaid expenses	162,264		162,264
Other receivables, net	560,307	3,536	563,843
Inventories		54,210	54,210
Total Current Assets	<u>46,420,679</u>	<u>1,351,075</u>	<u>47,771,754</u>
Noncurrent assets:			
Capital assets:			
Land	142,627		142,627
Construction in progress	9,186,229		9,186,229
Site improvements	4,080,308		4,080,308
Buildings and building improvements	181,637,354		181,637,354
Machinery and equipment	9,109,149	602,404	9,711,553
Accumulated depreciation	(75,395,524)	(585,818)	(75,981,342)
Right to use asset	4,507,104		4,507,104
Accumulated amortization	(1,748,475)		(1,748,475)
Total Noncurrent Assets	<u>131,518,772</u>	<u>16,586</u>	<u>131,535,358</u>
TOTAL ASSETS	<u>177,939,451</u>	<u>1,367,661</u>	<u>179,307,112</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	4,022,884		4,022,884
Deferred amounts related to pensions	17,193,210	161,848	17,355,058
Deferred amounts - other post-employment benefits	<u>1,644,678</u>	<u>9,087</u>	<u>1,653,765</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>22,860,772</u>	<u>170,935</u>	<u>23,031,707</u>
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued expenses	6,673,227	25,699	6,698,926
Accrued salaries and benefits	4,077,187		4,077,187
Accrued interest	314,139		314,139
Unearned revenue	135,414	22,355	157,769
Internal balances	63,500	(63,500)	-
Portion due or payable within one year			
Bonds payable	5,900,000		5,900,000
Lease Obligations	1,285,888		1,285,888
Accumulated compensated absences	263,747		263,747
Total Current Liabilities	<u>18,713,102</u>	<u>(15,446)</u>	<u>18,697,656</u>
Long-term Liabilities:			
Portion due or payable after one year			
Bonds payable	91,580,270		91,580,270
Lease Obligations	1,649,943		1,649,943
Accumulated compensated absences	1,620,159		1,620,159
Other post-employment benefits	10,792,094	56,626	10,848,720
Net pension liability	104,247,074	981,325	105,228,399
Total Long-term Liabilities	<u>209,889,540</u>	<u>1,037,951</u>	<u>210,927,491</u>
TOTAL LIABILITIES	<u>228,602,642</u>	<u>1,022,505</u>	<u>229,625,147</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred amounts related to pensions	10,025,625	94,376	10,120,001
Deferred amounts - other post-employment benefits	<u>976,106</u>	<u>1,157</u>	<u>977,263</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>11,001,731</u>	<u>95,533</u>	<u>11,097,264</u>
NET POSITION			
Net investment in capital assets	31,472,662	16,586	31,489,248
Restricted for			
Capital projects	16,378,139		16,378,139
Taxes paid under protest	264,374		264,374
Unrestricted	<u>(86,919,325)</u>	<u>403,972</u>	<u>(86,515,353)</u>
TOTAL NET POSITION	<u>\$ (38,804,150)</u>	<u>\$ 420,558</u>	<u>\$ (38,383,592)</u>

See accompanying notes to the basic financial statements

MARPLE NEWTOWN SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
GOVERNMENTAL ACTIVITIES							
Instruction	\$ 41,604,630	\$ 1,680	\$ 7,403,113	\$	\$ (34,199,837)	\$	\$ (34,199,837)
Instructional student support	6,805,765	1,991,034	3,549,601		(1,265,130)		(1,265,130)
Administrative support services	7,091,562		971,077		(6,120,485)		(6,120,485)
Operation and maintenance of plant services	7,459,177	142,095	697,842	282,570	(6,336,670)		(6,336,670)
Pupil transportation	4,616,623		2,059,432		(2,557,191)		(2,557,191)
Student activities	1,371,400		286,179		(1,085,221)		(1,085,221)
Community services	46,856				(46,856)		(46,856)
Interest on long-term debt	3,651,108				(3,651,108)		(3,651,108)
Right to use amortization	1,748,475				(1,748,475)		(1,748,475)
Unallocated depreciation *	6,398,385				(6,398,385)		(6,398,385)
TOTAL GOVERNMENTAL ACTIVITIES	80,793,981	2,134,809	14,967,244	282,570	(63,409,358)		(63,409,358)
BUSINESS-TYPE ACTIVITIES							
Food service	1,576,587	433,960	2,135,581			992,954	992,954
	<u>\$ 82,370,568</u>	<u>\$ 2,568,769</u>	<u>\$ 17,102,825</u>	<u>\$ 282,570</u>			(62,416,404)
GENERAL REVENUES							
Property taxes, levied for general purposes					75,568,638		75,568,638
Public utility taxes					70,699		70,699
Transfer taxes					2,606,714		2,606,714
Grants and entitlements not restricted to specific programs					2,899,033		2,899,033
Investment earnings					80,859	862	81,721
TOTAL GENERAL REVENUES					81,225,943	862	81,226,805
CHANGE IN NET POSITION					17,816,585	993,816	18,810,401
NET POSITION AT BEGINNING OF YEAR					(56,620,735)	(573,258)	(57,193,993)
NET POSITION AT END OF YEAR					<u>\$ (38,804,150)</u>	<u>\$ 420,558</u>	<u>\$ (38,383,592)</u>

* - This amount excludes the depreciation that is included in the direct expenses of the various programs.

See accompanying notes to the basic financial statements

MARPLE NEWTOWN SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2022

	General Fund	Capital Projects Fund I	Capital Projects Fund II	Totals
ASSETS				
Cash and cash equivalents	\$ 13,424,461	\$ 6,945,842	\$ 799,529	\$ 21,169,832
Cash-restricted	264,374			264,374
Investments	10,037,888	9,908,678		19,946,566
Taxes receivable, net	1,206,959			1,206,959
Due from other governments	3,139,479			3,139,479
Interfund receivable	13,684			13,684
Prepaid expenses	4,617	89,584	68,063	162,264
Other receivables	560,307			560,307
TOTAL ASSETS	<u>\$ 28,651,769</u>	<u>\$ 16,944,104</u>	<u>\$ 867,592</u>	<u>\$ 46,463,465</u>
LIABILITIES				
Accounts payable and accrued expenses	\$ 5,609,661	\$ 565,965	\$ 497,601	\$ 6,673,227
Unearned revenue	135,414			135,414
Accrued salaries and benefits	4,077,187			4,077,187
Interfund payable	77,184			77,184
TOTAL LIABILITIES	<u>9,899,446</u>	<u>565,965</u>	<u>497,601</u>	<u>10,963,012</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - real estate taxes	<u>970,058</u>	<u>-</u>	<u>-</u>	<u>970,058</u>
FUND BALANCES				
Restricted:				
Tax appeals	264,374			264,374
Capital projects		16,378,139	369,991	16,748,130
Nonspendable:				
Prepaid expenses	4,617			4,617
Assigned				
Encumbrances	33,868			33,868
Assigned for capital expenditures	2,500,000			2,500,000
Assigned for food service				-
Committed:				
Capital projects	6,851,406			6,851,406
Unassigned	<u>8,128,000</u>			<u>8,128,000</u>
TOTAL FUND BALANCES	<u>17,782,265</u>	<u>16,378,139</u>	<u>369,991</u>	<u>34,530,395</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 28,651,769</u>	<u>\$ 16,944,104</u>	<u>\$ 867,592</u>	<u>\$ 46,463,465</u>

See accompanying notes to the basic financial statements

MARPLE NEWTOWN SCHOOL DISTRICT

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES

JUNE 30, 2022

TOTAL GOVERNMENTAL FUND BALANCES \$ 34,530,395

Amounts reported for governmental activities on the statement of net position are different because of the following:

Capital assets and right to use assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 131,518,772

Some of the District's revenues will be collected after year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds. 940,956

Deferred charges on refunding are recorded as other financing uses in the Governmental funds, the statement of net position includes these amounts as deferred outflows of resources 4,022,884

Deferred outflows and inflows of resources related to pensions and other post-employment benefits are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions	17,193,210
Deferred inflows of resources related to pensions	(10,025,625)
Deferred outflows - other post-employment benefits	1,644,678
Deferred inflows - other post-employment benefits	(976,106)

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

Accrued interest	(314,139)
Bonds and notes payable	(97,480,270)
Lease obligations	(2,935,831)
Other post-employment benefits	(10,792,094)
Net pension liability	(104,247,074)
Accumulated compensated absences	(1,883,906)

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (38,804,150)

MARPLE NEWTOWN SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2022

	General Fund	Capital Projects Fund I	Capital Projects Fund II	Totals
REVENUES				
Revenues:				
Local sources	\$ 82,214,121	\$ 23,560	\$ 1,105	\$ 82,238,786
State sources	15,918,648			15,918,648
Federal sources	2,383,693			2,383,693
TOTAL REVENUES	<u>100,516,462</u>	<u>23,560</u>	<u>1,105</u>	<u>100,541,127</u>
EXPENDITURES				
Expenditures:				
Instruction	49,808,411			49,808,411
Support services	35,035,134	130,664		35,165,798
Operation of non-instructional services	1,689,858			1,689,858
Capital outlay		8,879,673	249,792	9,129,465
Debt service				
Interest	4,237,452			4,237,452
Principal	7,186,273			7,186,273
TOTAL EXPENDITURES	<u>97,957,128</u>	<u>9,010,337</u>	<u>249,792</u>	<u>107,217,257</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>2,559,334</u>	<u>(8,986,777)</u>	<u>(248,687)</u>	<u>(6,676,130)</u>
OTHER FINANCING SOURCES (USES)				
Transfers to (from) other funds	(4,971,771)	4,971,771		-
Leases issued	4,507,104			4,507,104
TOTAL OTHER FINANCING SOURCES (USES)	<u>(464,667)</u>	<u>4,971,771</u>	<u>-</u>	<u>4,507,104</u>
NET CHANGE IN FUND BALANCES	2,094,667	(4,015,006)	(248,687)	(2,169,026)
FUND BALANCE AT BEGINNING OF YEAR	<u>15,687,598</u>	<u>20,393,145</u>	<u>618,678</u>	<u>36,699,421</u>
FUND BALANCE AT END OF YEAR	<u>\$ 17,782,265</u>	<u>\$ 16,378,139</u>	<u>\$ 369,991</u>	<u>\$ 34,530,395</u>

See accompanying notes to the basic financial statements

MARPLE NEWTOWN SCHOOL DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2022

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (6,676,130)
Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense and capital outlays:	
Capital outlay	9,402,274
Depreciation expense	(6,799,762)
Leases are reported as an expense in the governmental funds, but are shown as right to use assets on the statement of activities.	4,507,104
Amortization of right to use assets is included in the governmental activities in the statement of activities.	(1,748,475)
Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in Governmental Funds.	(1,930,564)
Repayment of leases is an expenditure in the Governmental Funds, but the repayment reduces lease liabilities in the statement of net position.	1,571,273
Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position.	5,615,000
Premiums are amortized over the lives of the bonds in the Statement of Activities, but are recorded as other financing uses in the Governmental Funds.	900,484
Compensated absences do not require the use of current financial resources, therefore, are not reported as expenditures in Governmental Funds.	(121,265)
Other Post-employment benefits do not require the use of current financial resources, therefore, are not reported as expenditures in Governmental Funds.	(484,835)
Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension related benefits earned net of employee contributions is reported as pension expense.	
District pension contributions	13,252,698
Cost of pension benefits earned, net of employee contributions	305,770
Interest is reported as an expenditure when due in the Governmental Funds, but is accrued on outstanding debt in the statement of activities.	23,013
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 17,816,585</u>

See accompanying notes to the basic financial statements

MARPLE NEWTOWN SCHOOL DISTRICT

STATEMENT OF NET POSITION
PROPRIETARY FUND

JUNE 30, 2022

	Enterprise Fund
	Food
	Service Fund
	<hr/>
ASSETS	
CURRENT ASSETS	
Cash	\$ 1,003,470
Due from other governments	289,859
Other receivables	3,536
Interfund receivable	77,184
Inventories	<u>54,210</u>
TOTAL CURRENT ASSETS	<u>1,428,259</u>
PROPERTY AND EQUIPMENT	602,404
Accumulated depreciation	<u>(585,818)</u>
PROPERTY AND EQUIPMENT, Net	<u>16,586</u>
TOTAL ASSETS	<u>1,444,845</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts related to pensions	161,848
Deferred amounts - other post-employment benefits	<u>9,087</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>170,935</u>
CURRENT LIABILITIES	
Interfund payable	13,684
Accounts payable	25,699
Unearned revenues	<u>22,355</u>
TOTAL CURRENT LIABILITIES	<u>61,738</u>
LONG-TERM LIABILITIES	
Net pension liability	981,325
Other post-employment benefits	<u>56,626</u>
TOTAL LONG-TERM LIABILITIES	<u>1,037,951</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred amounts related to pensions	94,376
Deferred amounts - other post-employment benefits	<u>1,157</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>95,533</u>
NET POSITION	
Net investment in capital assets	16,586
Unrestricted	<u>403,972</u>
TOTAL NET POSITION	<u><u>\$ 420,558</u></u>

See accompanying notes to the basic financial statements

MARPLE NEWTOWN SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND**

FOR THE YEAR ENDED JUNE 30, 2022

	<u>Enterprise Fund</u> <u>Food</u> <u>Service Fund</u>
OPERATING REVENUES	<u>\$ 433,960</u>
OPERATING EXPENSES	
Payroll and benefits	548,749
Food service management	898,892
Supplies	105,862
Purchased services	14,534
Other operating expenses	5,660
Depreciation	<u>2,890</u>
TOTAL OPERATING EXPENSES	<u>1,576,587</u>
OPERATING LOSS	<u>(1,142,627)</u>
NONOPERATING REVENUES	
Earnings on investments	862
State sources	133,256
Federal sources	<u>2,002,325</u>
TOTAL NONOPERATING REVENUES	<u>2,136,443</u>
CHANGES IN NET POSITION	993,816
NET POSITION AT BEGINNING OF YEAR	<u>(573,258)</u>
NET POSITION AT END OF YEAR	<u><u>\$ 420,558</u></u>

See accompanying notes to the basic financial statements

MARPLE NEWTOWN SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

FOR THE YEAR ENDED JUNE 30, 2022

	Enterprise Fund Food Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 441,258
Payments to suppliers	(1,034,369)
Payments to employees	<u>(567,561)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(1,160,672)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Net transfer from other funds	(169,112)
State sources	133,072
Federal sources	<u>1,962,255</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>1,926,215</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of equipment	<u>(9,693)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on investments	<u>862</u>
NET INCREASE IN CASH	756,712
CASH AT BEGINNING OF YEAR	<u>246,758</u>
CASH AT END OF YEAR	<u><u>\$ 1,003,470</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (1,142,627)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	2,890
(Increase) decrease in assets:	
Receivables	7,298
Inventory	2,242
Increase (decrease) in liabilities:	
Accounts payable	(11,663)
Net pension and OPEB liability	<u>(18,812)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (1,160,672)</u></u>
Schedule of noncash noncapital financing activities	
Donated commodities received	\$ 97,216
Donated commodities used	\$ 95,527

See accompanying notes to the basic financial statements

MARPLE NEWTOWN SCHOOL DISTRICT

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS**

JUNE 30, 2022

	<u>Scholarship Trust Fund</u>	<u>Custodial Fund</u>
ASSETS		
Cash and cash equivalents	<u>\$ 135,466</u>	<u>\$ 146,361</u>
TOTAL ASSETS	<u>135,466</u>	<u>146,361</u>
LIABILITIES		
Accounts Payable	<u> </u>	<u> 33</u>
TOTAL LIABILITIES	<u>-</u>	<u>33</u>
NET POSITION		
Reserved for scholarships	135,466	
Reserved for custodial purposes	<u> </u>	<u>146,328</u>
TOTAL NET POSITION	<u><u>\$ 135,466</u></u>	<u><u>\$ 146,328</u></u>

See accompanying notes to the basic financial statements

MARPLE NEWTOWN SCHOOL DISTRICT

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND**

FOR THE YEAR ENDED JUNE 30, 2022

	<u>Scholarship Trust Fund</u>	<u>Custodial Fund</u>
ADDITIONS		
Local contributions	\$ 36,836	\$ 177,003
Interest earnings	<u>153</u>	<u>166</u>
TOTAL ADDITIONS	<u>36,989</u>	<u>177,169</u>
DEDUCTIONS		
Fees paid and scholarships awarded	27,206	
Student activity expenses	<u></u>	<u>163,783</u>
TOTAL DEDUCTIONS	<u>27,206</u>	<u>163,783</u>
CHANGE IN NET POSITION	9,783	13,386
NET POSITION AT BEGINNING OF YEAR - restated	<u>125,683</u>	<u>132,942</u>
NET POSITION AT END OF YEAR	<u><u>\$ 135,466</u></u>	<u><u>\$ 146,328</u></u>

See accompanying notes to the basic financial statements

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of MARPLE NEWTOWN SCHOOL DISTRICT (the District) are prepared in accordance with the accounting system and procedures prescribed for school districts by the Commonwealth of Pennsylvania, Department of Education, which conforms to generally accepted accounting principles as applicable to governmental units.

Financial Reporting Entity

In evaluating the District as a reporting entity, management has addressed all potential component units for which the District may or may not be financially accountable, and, as such, be includable within the District's financial statements. In accordance with Statement of Governmental Accounting Standards Board (GASB) No. 14, as amended by GASB No. 61, the District is financially accountable if it appoints a voting majority of the organization's governing board (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burden on the District. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on this criteria, there have been no component units defined within our reporting entity.

Basis of Presentation and Accounting

Government-Wide Financial Statements

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

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the Proprietary Fund financial statements but differs from the manner in which Governmental Funds financial statements are prepared. Governmental Funds financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for Governmental Funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Basis of Presentation and Accounting, continued

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program 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 of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements

Fund financial statements report detailed information about the District. The focus of Governmental and Proprietary Funds financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Marple Newtown School District does not have any nonmajor funds. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Government Funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. The financial statements for Governmental Funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Basis of Presentation and Accounting, continued

All Proprietary Fund Types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the government's proprietary fund are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Funds are reported using the economic resources measurement focus.

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

Fund Accounting

The accounts of the District are organized on the basis of funds, each of which constitutes a separate accounting entity. The operations of each fund are accounted for within a separate set of self-balancing accounts. The various funds of the District are grouped into the categories governmental, proprietary, and fiduciary.

Governmental Fund Types

Governmental Funds are those through which most governmental functions of the District are financed. The acquisition, use, and balances of the District's expendable financial resources and the related liabilities are accounted for through governmental funds types:

General Fund

The General Fund is for the general operations of the District and all financial transactions not required to be accounted for in another fund.

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Governmental Fund Types, continued

Capital Projects Funds

Capital Projects Fund I – The Capital Projects fund is used to account for financial resources to be used for the acquisition or construction of capital facilities and other capital assets.

Capital Projects Fund II – The Capital Projects fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and improvements in accordance with the applicable general obligation bond agreements.

Proprietary Fund Type

Enterprise (Food Service) Fund

The Enterprise Fund accounts for the District's Food Service operations, which is maintained to account for operations that are financed and operated in a manner similar to a private business enterprise. The fund accounts for all revenues, food purchases, costs, and expenses for the food service program on the accrual method of accounting. This method recognizes expenses when incurred and revenues when earned. All proprietary activities are accounted for using GASB pronouncements as established by GASB No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 1989 FASB and AICPA Pronouncements*.

Fiduciary Fund Types

Trust Fund

The Trust Fund accounts for assets held by the District in a trustee capacity or as an agent for individuals and private organizations.

Custodial Fund

Custodial Funds are used to account for assets held by the District as an agent for other funds and student clubs and other activities. Transactions are accounted for using the accrual basis of accounting. The District's Custodial Fund consists of the Student Activities Fund.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Cash and Cash Equivalents

For the purposes of reporting cash flows for proprietary fund financial statements, cash and cash equivalents include cash on hand, amounts due from banks and highly-liquid investments with original maturities of less than 90 days.

Investments

Investments are stated at amortized cost, which approximates fair value, the amount at which a financial instrument could be exchanged in a current transaction between parties, other than in a forced or liquidation sale. This method of valuation is in compliance with GASB Statement #31, as amended by GASB 72, Accounting and Financial Reporting for Certain Investments and for External Investment Pools.

Inventories

Food service inventory is presented at the lower of cost or market. Cost is determined on a first in first out basis and is expensed when used.

Capital Assets

Capital assets, which includes land, site improvements, buildings, building improvements, property and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Right to use assets are recorded at the present value of the lease liability plus any additional costs paid to place the asset in service.

Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

The District defines capital assets as assets with an initial, individual cost equal to or greater than \$2,500 and an estimated useful life in excess of one year. Depreciation has been calculated on each class of depreciable property using the straight-line method.

Estimated useful lives are as follows:

	<u>Years</u>
Site improvements	10-20
Buildings and building improvements	25-50
Machinery and equipment	5-20

Right to use assets are amortized over the smaller of the useful life of the asset or the lease term.

Intergovernmental Receivables/Payables

During the course of operations, numerous transactions occur between governmental units for payment of services and subsidy payments. These receivables and payables are classified as intergovernmental receivables and payables on the balance sheet.

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Compensated Absences

The District's policies regarding sick and vacation time permit employees to accumulate earned but unused sick and vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends.

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditures) until then. The District has three items that qualify for reporting under this category on the Statement of Net Position. One item is deferred charge on refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded debt or refunding debt. The other two items are proportionate share of the collective deferred outflows of resources related to the District's net pension and other post-employment benefit obligations ("OPEB"). Pension and OPEB contributions made after the measurement date are required to be reported as deferred outflows.

Deferred inflows of resources represent an acquisition of net position that applied to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. Unavailable revenue from property taxes or insurance proceeds, reported in the governmental balance sheet, are deferred and recognized as an inflow from resources in the period that the amounts become available. The other two items are proportionate share of the collective deferred inflows of resources related to the District's net pension and OPEB obligations are reported on the Statement of Net Position.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities columns of the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

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

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration and project control in the General and Capital Projects Funds.

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables/Payables". Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net position.

Net Position

Net position represents the difference between assets, deferred inflows and deferred outflows and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws and regulations of other governments.

Fund Balance

The District classifies fund balance in accordance with GASB Statement No. 54. GASB Statement No. 54 establishes standards for fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Additionally, the definitions of the general fund, special revenue fund type, debt service fund type and permanent fund type are clarified by the provisions in this Statement. Interpretations of certain items within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types have also been modified for clarity and consistency.

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal action (board motion) of the school board – the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the school board removes the specified use by taking the same type of action imposing the commitment.

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Fund Balance, continued

Assigned fund balance. This classification reflects amounts constrained by the school's "intent" to be used for specific purposes, but are neither restricted nor committed. The business manager has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

Use of fund balance. The restricted fund balance shall be reduced to the extent that the underlying reason for the restriction has been eliminated. Then committed, assigned and unassigned in that order as needed. If the board has approved a plan for periodic use of committed fund balance, the balance will not be reduced by more than the amount designated in the plan.

2. CASH AND INVESTMENTS

Cash

Under Act No. 72 enacted by the General Assembly of the Commonwealth of Pennsylvania, the funds deposited with the depository are permitted to be secured on a pooled basis with all other public funds which the banking institution has on deposit in excess of the Federal Depository Insurance limit. These may be bonds of the United States, any State of the United States, or bonds of any political subdivision of Pennsylvania, or the general state authority or other authorities created by the General Assembly of the Commonwealth of Pennsylvania or insured by the Federal Deposit Insurance Corporation.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's investment policy states that all funds invested shall be insured or secured by approved assets pledged as collateral and the financial institutions will be monitored for credit worthiness. As of June 30, 2022, \$25,319,570 of the District's bank balance of \$25,569,570 was exposed to custodial credit risk because it was uninsured and the collateral held by the depository's agent was not in the District's name.

Investments

Under Section 440.1 of the Public School Act of 1949 as amended, the District is permitted to invest funds consistent with sound business practices in the following types of investments - Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS, continued

Investments, continued

Accounting principles generally accepted in the United States of America establish a fair value hierarchy that is based on the valuation inputs used in the fair value measurements. Measurements using quoted prices in active markets for identical assets and liabilities fall within Level 1 of the hierarchy; measurements using significant other observable inputs fall within Level 2, and measurements using significant unobservable inputs fall within Level 3. All of the District's investments are Level 1.

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

<u>Investment</u>	<u>Fair Value</u>
PA Local Government Investment Trust	<u>\$19,946,566</u>

Custodial Credit Risk – Investments. 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 investments subject to custodial credit risk.

Credit Risk. The District has no investment policy that would limit its investment choices to certain credit ratings, however, the primary objective of the policy is ensuring safety through the mitigation of credit risk. As of June 30, 2022, the District's investments in PA Local Government Investment Trust was rated AA+ by Standard & Poor's

3. SCHOOL TAXES

The tax on real estate, as levied by the School Board, was 10.9670 mills (\$10.967 per \$1,000 of assessed valuation) for fiscal 2022. Assessed valuation of property is established by the Board of Assessments, and the elected or appointed tax collectors are responsible for collection. Real property in the district for the July 1, 2021 levy was assessed at \$6,915,436,771. The schedule for real estate taxes levied for each fiscal year is as follows:

July 1	Levy date
July 1 – August 31	2% discount period
September 1 – October 31	Face value period
November 1 – December 31	10% penalty period
January 1	Lien date

For government-wide financial statements, the District, in accordance with GAAP, recognized the delinquent and unpaid taxes receivable reduced by an allowance for uncollectible taxes in the amount of \$29,102 as determined by the administration. A portion of the net amount estimated to be collectible, which was measurable and available within 60 days, was recognized as revenue and the balance deferred in the fund financial statements.

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

4. INTERFUND RECEIVABLES AND PAYABLES

The following is a summary of interfund activity for the year ending June 30, 2022

	Interfund Receivables	Interfund Payables
General Fund	\$ 13,684	\$ 77,184
Proprietary Fund, Food Service Fund	77,184	13,684
	<u>\$ 90,868</u>	<u>\$ 90,868</u>

These balances resulted from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

5. CAPITAL ASSETS

Capital Asset Activity for the year ended June 30, 2022, was as follows:

Governmental Activities:

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
Capital assets not being depreciated				
Land	\$ 142,627	\$	\$	\$ 142,627
Construction in progress	717,662	8,480,222	11,655	9,186,229
Total Capital assets not being depreciated	<u>860,289</u>	<u>8,480,222</u>	<u>11,655</u>	<u>9,328,856</u>
Capital assets being depreciated				
Site improvements	4,007,943	72,365		4,080,308
Buildings and improvements	181,048,820	588,534		181,637,354
Machinery and equipment	8,836,341	272,808		9,109,149
Total capital assets being depreciated at historical cost	<u>193,893,104</u>	<u>933,707</u>	<u>-</u>	<u>194,826,811</u>
Less accumulated depreciation for				
Site improvements	(2,603,550)	(234,765)		(2,838,315)
Buildings and improvements	(58,134,499)	(6,163,621)		(64,298,120)
Machinery & Equipment	(7,857,711)	(401,378)		(8,259,089)
Total accumulated depreciation	<u>(68,595,760)</u>	<u>(6,799,764)</u>	<u>-</u>	<u>(75,395,524)</u>
Total capital assets being depreciated, net	<u>125,297,344</u>	<u>(5,866,057)</u>	<u>-</u>	<u>119,431,287</u>
Governmental Activities capital assets, net	<u>\$ 126,157,633</u>	<u>\$ 2,614,165</u>	<u>\$ 11,655</u>	<u>\$ 128,760,143</u>

Business-type Activities:

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2022
Capital assets being depreciated				
Machinery and equipment	\$ 592,711	\$ 9,693	\$	\$ 602,404
Less accumulated depreciation	(582,928)	(2,890)		(585,818)
Business-type activities capital assets, net	<u>\$ 9,783</u>	<u>\$ 6,803</u>	<u>\$ -</u>	<u>\$ 16,586</u>

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

5. CAPITAL ASSETS, continued

Depreciation expense for Governmental Activities was charged as direct expense to programs of the primary government as follows:

Instruction	\$ 57,452
Instructional Student Support	44,316
Administrative Support Services	61,412
Pupil Transportation	88,094
Operation and Maintenance of Plant Services	116,193
Student Activities	33,910
Total Depreciation charged as direct expense	401,377
Unallocated depreciation	6,398,387
Total Governmental Activities depreciation expense	<u>\$ 6,799,764</u>

6. LONG-TERM LIABILITIES

The following is a summary of governmental long-term liability activity of the District for the year ending June 30, 2022:

Type	Principal Outstanding July 1, 2021	Additions	Repayments	Principal Outstanding June 30, 2022	Due within One Year
General Obligation Bond - 2016	\$ 52,880,000	\$	\$ 4,660,000	\$ 48,220,000	\$ 4,895,000
General Obligation Bond - 2019	37,590,000		955,000	36,635,000	1,005,000
	90,470,000	-	5,615,000	84,855,000	5,900,000
Net Discount/Premium	13,976,722		1,351,452	12,625,270	
	104,446,722	-	6,966,452	97,480,270	5,900,000
Compensated Absences	1,762,640	121,266		1,883,906	263,747
Total	<u>\$ 106,209,362</u>	<u>\$ 121,266</u>	<u>\$ 6,966,452</u>	<u>\$ 99,364,176</u>	<u>\$ 6,163,747</u>

Bonds and Notes payable at June 30, 2022 consisted of:

General Obligation Bond Series 2019. Original principal amount of \$39,485,000, maturing June 1, 2044, bearing interest from 3.00% to 5.00%. Interest is paid semi-annually on June 1 and December 1.

\$ 36,635,000

General Obligation Bond Series 2016. Original principal amount of \$66,480,000 maturing June 1, 2031, bearing interest from 3.00% to 5.00%. Interest is paid semi-annually on June 1 and December 1.

48,220,000

\$ 84,855,000

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

6. LONG-TERM LIABILITIES, continued

Principal and interest payments for the succeeding fiscal years are as follows:

Year Ended June 30,	Principal	Interest	Total
2023	5,900,000	3,832,500	9,732,500
2024	6,195,000	3,537,500	9,732,500
2025	6,505,000	3,227,750	9,732,750
2026	6,830,000	2,902,500	9,732,500
2027	7,170,000	2,561,000	9,731,000
2028-2032	28,265,000	7,342,750	35,607,750
2033-2037	8,870,000	3,264,050	12,134,050
2038-2042	10,480,000	1,657,500	12,137,500
2043-2044	4,640,000	209,850	4,849,850
	\$ 84,855,000	\$ 28,535,400	\$ 113,390,400

Interest expense for the year ended June 30, 2022 was \$4,113,250. The General Fund has been used to liquidate long term liabilities.

7. LEASES

On July 1, 2021, the District implemented GASB 87, "Leases". The objective of this new standard is to improve the accounting and reporting for leases by governments. This requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of each contract.

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction.

The District is subject to the following leases at June 30, 2022:

Buses

Bus Lease #1. In August 2019, the District entered into a three-year lease with Santander Bank. for the use of 37 school buses. The annual payments are \$353,500 at a nominal interest rate of 3.15%

Bus Lease #2 In August 2020, the District entered into a three-year lease with Santander Bank for the use of 40 school buses. The annual payments are \$424,000 at a nominal interest rate of 2.297%.

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

7. LEASES, Continued

Copier

In July 2022, the District entered into a four-year lease with FPP, Inc. for the use of 66 Sharp copiers at various locations in the District. The annual payments are \$156,669 with an unstated interest rate. For lease purposes, the incremental borrowing rate was used as of July 1, 2022 in calculating the present value of the lease liability.

Computers

HP Computer lease. In May 2017, the District entered into a 63 month lease with Hewlett-Packard Financial Services Company for the use of computer equipment. The annual payments are \$156,627 at a stated interest rate of 3.58%

HP Printer lease. In September 2017, the District entered into a 60 month lease with Hewlett-Packard Financial Services Company for the use of printing equipment. The annual payments are \$7,147 at a stated interest rate of 3.70%.

HP Server lease. In May 2018, the District entered into a 60 month lease with Hewlett-Packard Financial Services Company for the use of server equipment. The annual payments are \$60,901 at a stated interest rate of 4.18%.

HP Firewall lease. In February 2019, the District entered into a 55 month lease with Hewlett-Packard Financial Services Company for the use of computer equipment. The annual payments are \$31,939 at a stated interest rate of 4.49%.

HP Camera lease. In October 2019, the District entered into a 60 month lease with Hewlett-Packard Financial Services Company for the use of computer equipment. The annual payments are \$17,703 at a stated interest rate of 3.57%.

HP Computer lease. In June 2019, the District entered into a 60 month lease with Hewlett-Packard Financial Services Company for the use of computer equipment. The annual payments are \$150,457 at a stated interest rate of 3.13%.

HP Computer lease. In April 2021, the District entered into a 61 month lease with Hewlett-Packard Financial Services Company for the use of computer equipment. The annual payments are \$133,327 at a stated interest rate of 2.58%.

HP Computer lease. In October 2021, the District entered into a 61 month lease with Hewlett-Packard Financial Services Company for the use of computer equipment. The annual payments are \$34,660 at a stated interest rate of 2.58%.

HP Computer lease. In February 2019, the District entered into a 60 month lease with Hewlett-Packard Financial Services Company for the use of computer equipment. The annual payments are \$14,160 at a stated interest rate of 2.61%.

HP Computer lease. In July 2020, the District entered into a 60 month lease with Hewlett-Packard Financial Services Company for the use of computer equipment. The annual payments are \$178,731 at a stated interest rate of 3.13%.

HP Computer lease. In May 2019, the District entered into a 60 month lease with Hewlett-Packard Financial Services Company for the use of computer equipment. The annual payments are \$154,693 at a stated interest rate of 4.06%.

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

7. LEASES, Continued

The following is a table of the right to use assets for each corresponding lease and the related accumulated amortization of those assets:

Right to Use Asset	Beginning Balance	Accumulated Amortization	Balance at June 30, 2022
Bus Leases #1	\$ 819,652	\$ 409,826	\$ 409,826
Bus Leases #2	342,705	342,705	-
Copier Lease	567,889	141,972	425,917
HP Computer Lease	151,211	151,211	-
HP Printer Lease	6,893	6,893	-
HP Server Lease	114,570	57,285	57,285
HP Firewall Lease	59,820	29,910	29,910
HP Camera Lease	48,694	16,231	32,463
HP Computer Lease	557,578	139,395	418,183
HP Computer Lease	565,107	141,277	423,830
HP Computer Lease	617,994	123,599	494,395
HP Computer Lease	160,612	32,122	128,490
HP Computer Lease	65,580	13,116	52,464
HP Computer Lease	428,799	142,933	285,866
Total	<u>\$ 4,507,104</u>	<u>\$ 1,748,475</u>	<u>\$ 2,758,629</u>

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

7. LEASES, Continued

The following is a table of lease liability activity for the right to use assets as of June 30, 2022 followed by a maturity schedule of those respective lease liabilities:

Lease Liability	Beginning Balance	Lease Principal Paid	Balance at June 30, 2022
Bus Leases #1	\$ 819,652	\$ 405,173	\$ 414,479
Bus Leases #2	342,705	342,705	-
Copier Lease	567,889	133,613	434,276
HP Computer Lease	151,211	151,211	-
HP Printer Lease	6,893	6,893	-
HP Server Lease	114,570	56,112	58,458
HP Firewall Lease	59,820	29,253	30,567
HP Camera Lease	48,694	15,666	33,028
HP Computer Lease	557,578	133,025	424,553
HP Computer Lease	565,107		565,108
HP Computer Lease	617,994	117,383	500,611
HP Computer Lease	160,612	30,507	130,105
HP Computer Lease	65,580	12,449	53,131
HP Computer Lease	428,799	137,284	291,515
Total	<u>\$ 4,507,104</u>	<u>\$ 1,571,274</u>	<u>\$ 2,935,831</u>
Year			
	2023	\$ 1,285,888	
	2024	808,654	
	2025	663,735	
	2026	177,554	
		<u>\$ 2,935,831</u>	

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

8. PENSION PLAN

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

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

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

8. PENSION PLAN, continued

Benefits provided, continued

benefit the member would have had at normal retirement age. Members over normal retirement age may apply for the disability benefits.

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

Contributions

Member Contributions:

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

Member Contribution Rates				
Membership class	Continuous Employment Since	Defined Benefit (DB) Contribution Rate	DC Contribution Rate	Total Contribution Rate
T-C	Prior to July 22, 1983	5.25%	N/A	5.25%
				6.25%
T-C	On or after July 22, 1983	6.25%	N/A	6.25%
T-D	Prior to July 22, 1983	6.50%	N/A	6.50%
				7.50%
T-D	On or after July 22, 1983	7.50%	N/A	7.50%
T-E	On or after July 1, 2011	7.5% 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	4.5% 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%

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

8. PENSION PLAN, continued

Employer Contributions:

The school districts' contractually required contribution rate for 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 pension plan from the District were \$13,252,697 for the year ended June 30, 2022.

*The defined contribution rate of 0.15% is an estimated rate. It is recommended employers use the actual defined contributions made to the PSERS defined contribution plan. This may impact contributions made to the pension plan.

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 \$105,228,399 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2020 to June 30, 2021. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported contribution as it relates to the total one-year reported contributions. At June 30, 2022, the District's proportion was 0.2563 percent, which was a decrease of 0.0044 percent from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the District recognized pension expense of \$13,583,102. 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>
Changes in proportions	\$ -	\$ 629,250
Changes in assumptions	4,083,137	
Net difference between projected and actual investment earnings	-	7,696,558
Difference between actual and expected experience		1,794,193
Difference between employer contributions and proportionate share of total contributions	19,224	
Contributions subsequent to the measurement date	13,252,697	
	<u>\$ 17,355,058</u>	<u>\$ 10,120,001</u>

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

8. PENSION PLAN, continued

\$13,252,697 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2023	\$	(770,384)
2024		(1,199,788)
2025		(4,047,468)

Changes in Actuarial Assumptions

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

- Valuation date-June 30, 2020
- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return 7.00%, includes inflation at 2.50%
- Salary growth - effective average of 4.5%, 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.

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

<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%</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.

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

8. 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 1-percentage point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
District's proportionate share of the net pension liability	\$ 138,116,000	\$ 105,228,000	\$ 77,486,000

Pension plan fiduciary net position

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

9. OTHER POST-EMPLOYMENT BENEFITS

Single-Employer Defined Benefit OPEB Plan

The District's other post-employment benefits ("OPEB") include a single-employer defined benefit plan that provides medical, prescription drug, dental and vision benefits to eligible retirees and their dependents. Teachers and non-professional union and non-union employees who retire from the District and eligible dependents, may continue to participate in the district's group health plan by paying full premiums, until the retired employee reaches Medicare age. Employees are eligible when they become eligible for PSERS retirement. Administrators hired after July 1, 2010 who have attained age 59 with 10 consecutive years of service are eligible for subsidized coverage paying 50% of the premiums until the retired employee reaches Medicare age, if the employees do not meet the eligibility for subsidized coverage they must pay full premiums. Administrators, teachers, and non-union employees hired before July 1, 2010 who have attained superannuation with 5 consecutive years of service are eligible for subsidized coverage paying the same percentage as active employees at the time of retirement until the retired employee reaches Medicare age, if the employees do not meet the subsidized coverage they must pay full premiums.

The School Board has the authority to establish and amend benefit provisions. The OPEB Plan does not issue any financial report and is not included in the report of any public employee retirement system or any other entity.

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

9. POST-EMPLOYMENT HEALTHCARE BENEFITS, continued

Single-Employer Defined Benefit OPEB Plan, continued

OPEB Plan Membership

Membership in the OPEB plan consisted of the following at July 1, 2020:

Active participants	635
Vested former participants	0
Retired participants	<u>15</u>
Total	650

Funding Policy

The District's contributions are funded on a pay-as-you-go basis. The contribution requirements of retirees are established and may be amended by the School Board.

OPEB Liability

The District's OPEB liability has been measured as of June 30, 2022. The total OPEB liability was determined by an actuarial valuation as of July 1, 2020, and by rolling forward the liabilities from the July 1, 2020 actuarial valuation through the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The net OPEB liability is \$4,776,719, all of which is unfunded.

The District's change in its OPEB liability for the year ended June 30, 2022 was as follows:

Balances as of July 1, 2021	<u>\$ 4,529,710</u>
Changes for the year:	
Service cost	401,329
Interest on total OPEB liability	90,829
Difference between expected and actual experience	-
Changes in assumptions	(156,979)
Benefit payments	<u>(88,170)</u>
Net changes	<u>247,009</u>
Balances as of June 30, 2022	<u><u>\$ 4,776,719</u></u>

OPEB Expense and Deferred Outflows Related to OPEB

For the year ended June 30, 2022, the District recognized OPEB expense of \$366,102. At June 30, 2022, the District had deferred inflows and outflows of resources related to the OPEB plan from the following sources:

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

9. POST-EMPLOYMENT HEALTHCARE BENEFITS, continued

Single-Employer Defined Benefit OPEB Plan, continued

OPEB Expense and Deferred Outflows Related to OPEB, continued

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 576,209	\$ 261,146
Differences between expected and actual experience		591,929
Benefit payments subsequent to the measurement date	<u>103,057</u>	
	<u>\$ 679,266</u>	<u>\$ 853,075</u>

\$103,057 reported as deferred outflows of resources related to the OPEB plan resulting from District benefit payments subsequent to the measurement date will be recognized as 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 the OPEB plan will be recognized in OPEB expense as follows:

Year ended June 30:

2023	\$ (22,999)
2024	(22,999)
2025	(22,999)
2026	(22,999)
2027	(22,999)
Thereafter	(161,871)

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

The following presents the OPEB liability for June 30, 2022, calculated using current healthcare cost trends as well as what the OPEB liability would be if it health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
OPEB Liability	\$ 4,152,175	\$ 4,776,719	\$ 5,527,098

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

9. POST-EMPLOYMENT HEALTHCARE BENEFITS, continued

Single-Employer Defined Benefit OPEB Plan, continued

Sensitivity of the OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District calculated using the discount rate of 2.28%, as well as what the OPEB liability would be if it were calculated using the discount rate that is one percentage point lower (1.28%) or 1 percentage point higher (3.28%) than the current rate:

	1% Decrease 1.28%	Current Discount Rate 2.28%	1% Increase 3.28%
OPEB Liability	\$ 5,156,452	\$ 4,776,719	\$ 4,418,324

Actuarial Methods and Significant Assumptions

The OPEB Liability as of June 30, 2022, was determined by rolling forward the OPEB Liability as of July 1, 2021 to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - entry age normal
- Discount rate – 2.28% - S&P Municipal Bond 20-year high-grade rate index at July 1, 2021. The discount rate changed from 1.86% to 2.28%.
- Salary growth - an annual rate of 2.50% cost of living, 1% real wage growth, and for teachers and administrators a merit increase ranging from 2.75% to 0%.
- Assumed healthcare cost trends – 5.5% in 2020 through 2023. Rates gradually decrease from 5.4% in 2024 to 4.0% in 2075 and later.
- Mortality rates – separate rates are assumed pre-retirement and post-retirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.

Cost Sharing Multiple-Employer Defined Benefit OPEB Plan

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/deduction 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.

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

9. POST-EMPLOYMENT HEALTHCARE BENEFITS, continued

Cost Sharing Multiple-Employer Defined Benefit OPEB Plan, continued

General information about the Health Insurance Premium Assistance Program

Health Insurance Premium Assistance Program

The System (PSERS) provides premium assistance which is a governmental cost sharing, multiple-employer other post-employment 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 PSERS can participate in the health insurance 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 PSERS' health options program or employer-sponsored health insurance program.

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.

Employer Contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2022 was 0.80% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$323,178 for the year ended June 30, 2022.

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

9. POST-EMPLOYMENT HEALTHCARE BENEFITS, continued

Cost Sharing Multiple-Employer Defined Benefit OPEB Plan, continued

General information about the Health Insurance Premium Assistance Program, continued

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 \$6,072,000 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 PSERS' 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 0.2562 percent, which was a decrease of 0.0044 from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the District recognized OPEB expense of \$124,556. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportions	\$ 75,001	\$ 82,856
Changes in assumptions	524,749	41,005
Net difference between projected and actual investment earnings	7,528	
Difference between actual and expected experience	43,753	
Difference between employer contributions and proportionate share of total contributions	290	327
Contributions subsequent to the measurement date	323,178	
	<u>\$ 974,499</u>	<u>\$ 124,188</u>

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

9. POST-EMPLOYMENT HEALTHCARE BENEFITS, continued

Cost Sharing Multiple-Employer Defined Benefit OPEB Plan, continued

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

\$323,178 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2023	\$	117,948
2024		129,207
2025		117,282
2026		95,432
2027		67,264

Actuarial Assumptions

The OPEB liability as of June 30, 2022, was determined by rolling forward the PSERS' 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% - Standard & Poor's 20-year municipal bond rate
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Premium assistance reimbursement is capped at \$1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 mortality improvement scale.
- Participation rate:
 - Eligible retirees will elect to participate pre age 65 at 50%
 - Eligible retirees will elect to participate post age 65 at 70%

The 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 period ending June 30, 2015.

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

9. POST-EMPLOYMENT HEALTHCARE BENEFITS, continued

Cost Sharing Multiple-Employer Defined Benefit OPEB Plan, continued

Actuarial Assumptions, continued

The following assumptions were used to determine the contribution rate:

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

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

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

<u>OPEB 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	2.7%	-0.3%
	<u>100%</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.

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

9. POST-EMPLOYMENT HEALTHCARE BENEFITS, continued

Cost Sharing Multiple-Employer Defined Benefit OPEB Plan, continued

Discount Rate

The discount rate used to measure the OPEB liability was 2.18%. Under the OPEB 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 OPEB plan is considered a "pay-as-you-go" plan. A discount rate of 2.18% which represents the Standard & Poor's 20-year municipal bond rate at June 30, 2021, was applied to all projected benefit payments to measure the total OPEB liability.

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual premium assistance. As of June 30, 2021, retirees premium assistance benefits are not subject to future healthcare cost increases. The annual premium assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2021, 93,392 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 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.

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

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
PSERS net OPEB liability	\$ 6,072,000	\$ 6,073,000	\$ 6,074,000

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

9. POST-EMPLOYMENT HEALTHCARE BENEFITS, continued

Cost Sharing Multiple-Employer Defined Benefit OPEB Plan, continued

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

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

	1% Decrease 1.18%	Current Discount Rate 2.18%	1% Increase 3.18%
District's proportionate share of the net OPEB liability	\$ 6,970,000	\$ 6,073,000	\$ 5,335,000

OPEB Plan Fiduciary Net Position

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

10. JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATION

Delaware County Intermediate Unit

The District and the other Delaware County school districts are participating members of the Delaware County Intermediate Unit (the "DCIU"). The DCIU is a regional education service agency, established by the Commonwealth of Pennsylvania, which is governed by a joint committee consisting of School Board members from each participating district. The School Board of each participating district must approve the annual operating budget of the DCIU but the participating districts have no ongoing fiduciary interest or responsibility to the DCIU. The DCIU is a self-sustaining organization that provides a broad array of services to participating districts which include: Curriculum development and instructional improvement; educational planning services; instructional material; continuing professional development; pupil personnel services; management services and state and federal liaison services.

Delaware County Vocational Technical School and Delaware Vocational Technical School Authority

The Delaware County School Districts (including the District) participate in the Delaware County Vocational Technical School (the "DCVTS"). The DCVTS provides vocational-technical training and education to students of the participating districts. The DCVTS is controlled by a joint Board comprised of school board members of the participating districts. District oversight of the DCVTS operations is the responsibility of the joint board. The District's share of operating costs for the DCVTS fluctuates based on the District's percentage of enrollment. The District's share of operating costs of 2021-2022 was \$325,322.

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

10. JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATION, continued

Delaware County Vocational Technical School and Delaware Vocational Technical School Authority, continued

The Delaware County School Districts (including the District) participate in a joint venture for the operation of the Delaware County Vocational-Technical Authority (the “DCVTSA”). The DCVTSA oversees acquiring, holding, constructing, improving, and maintaining the DCVTSA school buildings. The DCVTSA is controlled by a joint board comprised of school board members of each participating school district.

Both DCVTS and the DCVTSA prepare financial statements that are available to the public from their administrative offices located at 200 Yale Avenue, Morton, PA 19070.

11. CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

12. COMMITMENTS

The District has various commitments under long-term construction contracts totaling approximately \$5,147,110 as of June 30, 2022.

13. RISKS AND UNCERTAINTIES

In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a global pandemic, causing the United States government to declare a national emergency. This coronavirus outbreak has severely restricted the level of economic activity around the world. The pandemic has led to widespread voluntary and government-mandated closings of local stores and businesses, which has resulted in significant job losses. These job losses have the potential to have a significant impact on all aspects of the District’s operations. In addition, due to the temporary closure of all businesses that are not deemed life sustaining, State and Federal tax revenues are also significantly decreased. This decrease could result in less revenues and grant money that is relied upon by local school districts. Given the uncertainty regarding the spread of this coronavirus, the related financial impact on the District cannot be reasonably estimated at this time.

REQUIRED

SUPPLEMENTARY INFORMATION

MARPLE NEWTOWN SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY

Last 10 Fiscal Years*

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
District's proportion of the net pension liability	0.2563%	0.2607%	0.2571%	0.2567%	0.2595%	0.2500%	0.2519%	0.2476%	0.2456%
District's proportionate share of the net pension liability	\$ 105,228,399	\$ 128,366,000	\$ 120,278,000	\$ 123,229,000	\$ 128,163,000	\$ 123,892,000	\$ 109,111,000	\$ 98,002,000	\$ 100,540,000
District's covered-employee payroll	\$ 36,325,000	\$ 36,520,000	\$ 35,461,069	\$ 34,565,142	\$ 34,546,852	\$ 32,379,855	\$ 32,408,377	\$ 31,595,541	\$ 31,517,435
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	289.69%	351.50%	339.18%	356.51%	370.98%	382.62%	336.68%	310.18%	319.00%
Plan fiduciary net position as a percentage of the total pension liability	63.67%	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%	54.49%

Amounts were determined as of the cost-sharing plan's June 30, 2021 fiscal year.

* This schedule is presented to illustrate the requirement to show information for 10 years.
However, until a full 10-year trend is complete, available information is presented.

MARPLE NEWTOWN SCHOOL DISTRICT

**SCHEDULE OF DISTRICT CONTRIBUTIONS
PENSION PLAN**

Last 10 Fiscal Years*

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Contractually required contribution	\$ 13,252,697	\$ 12,197,747	\$ 12,183,069	\$ 11,541,015	\$ 10,913,538	\$ 9,961,371	\$ 7,993,610	\$ 6,521,195	\$ 4,957,139
Contributions in relation to the contractually required contribution	<u>(13,252,697)</u>	<u>(12,197,747)</u>	<u>(12,183,069)</u>	<u>(11,541,015)</u>	<u>(10,913,538)</u>	<u>(9,961,371)</u>	<u>(7,993,610)</u>	<u>(6,521,195)</u>	<u>(4,957,139)</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 39,064,120	\$ 36,400,365	\$ 36,520,000	\$ 35,461,069	\$ 34,565,142	\$ 34,546,852	\$ 31,974,440	\$ 31,810,707	\$ 31,595,541
Contributions as a percentage of covered-employee payroll	33.93%	33.51%	33.36%	32.60%	31.74%	29.20%	25.00%	20.50%	15.69%

Amounts are based on actual contributions during the fiscal year.

* This schedule is presented to illustrate the requirement to show information for 10 years.
However, until a full 10-year trend is complete, available information is presented.

MARPLE NEWTOWN SCHOOL DISTRICT
SCHEDULE OF CHANGES IN OTHER POST-EMPLOYMENT BENEFITS LIABILITY
SINGLE EMPLOYER PLAN
Last Ten Fiscal Years *

	2021	2020	2019	2018
Total Other Post-employment Benefits Liability				
Service Cost	\$ 313,481	\$ 313,611	\$ 309,481	\$ 294,686
Interest	146,833	124,201	129,987	91,291
Changes of Benefit Terms		-	-	-
Differences Between Expected and Actual Experience	(462,478)	-	(289,757)	-
Changes of Assumptions	534,539	(121,427)	(32,990)	212,411
Benefit Payments, Including Refunds of Member Contributions	(129,173)	(96,185)	(117,561)	(137,193)
Net Change in Total Other Post-employment Benefits Liability	403,202	220,200	(840)	461,195
Total Other Post-employment Benefits Liability - Beginning	4,126,508	3,906,308	3,907,148	3,445,953
Total Other Post-employment Benefits Liability - Ending	<u>\$ 4,529,710</u>	<u>\$ 4,126,508</u>	<u>\$ 3,906,308</u>	<u>\$ 3,907,148</u>
 Covered Employee Payroll	 \$ 33,988,336	 \$ 30,414,520	 \$ 30,414,520	 \$ 28,883,107
 Total Other Post-employment Benefits Liability as a Percentage of Covered Employee Payroll	 13.33%	 13.57%	 12.84%	 13.53%

* This schedule is presented to illustrate the requirement to show information for 10 years.
However, until a full 10-year trend is complete, available information is presented.

MARPLE NEWTOWN SCHOOL DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET OTHER POST-EMPLOYMENT BENEFITS LIABILITY
PSERS COST SHARING PLAN**

Last 10 Fiscal Years*

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
District's proportion of the net Other Post-employment Benefits liability	0.2562%	0.2606%	0.2571%	0.2567%	0.2595%	0.2500%
District's proportionate share of the net Other Post-employment Benefits liability	\$ 6,072,000	\$ 5,631,000	\$ 5,468,000	\$ 5,352,000	\$ 5,287,000	\$ 5,385,000
District's covered-employee payroll	\$ 36,325,000	\$ 36,520,000	\$ 35,461,069	\$ 34,565,142	\$ 34,546,852	\$ 32,379,855
District's proportionate share of the net Other Post-employment Benefits liability as a percentage of its covered-employee payroll	16.72%	15.42%	15.42%	15.48%	15.30%	16.63%
System fiduciary net position as a percentage of the total Other Post-employment Benefits liability	5.30%	5.69%	5.56%	5.56%	5.73%	5.47%

Amounts were determined as of the cost-sharing plan's June 30, 2021 fiscal year.

* This schedule is presented to illustrate the requirement to show information for 10 years.
However, until a full 10-year trend is complete, available information is presented.

MARPLE NEWTOWN SCHOOL DISTRICT

**SCHEDULE OF DISTRICT OTHER POST-EMPLOYMENT BENEFIT PLAN CONTRIBUTIONS
PSERS COST SHARING PLAN**

Last 10 Fiscal Years*

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Contractually required contribution	\$ 323,178	\$ 298,483	\$ 306,768	\$ 293,836	\$ 285,389	\$ 283,149
Contributions in relation to the contractually required contribution	<u>(323,178)</u>	<u>(298,483)</u>	<u>(306,768)</u>	<u>(293,836)</u>	<u>(285,389)</u>	<u>(283,149)</u>
Contribution deficiency (excess)		-	-	-	-	-
District's covered-employee payroll	\$ 39,064,120	\$ 36,400,365	\$ 36,520,000	\$ 35,461,069	\$ 34,564,142	\$ 34,546,852
Contributions as a percentage of covered-employee payroll	0.82%	0.82%	0.84%	0.83%	0.83%	0.83%

Amounts are based on actual contributions during the fiscal year.

* This schedule is presented to illustrate the requirement to show information for 10 years.
However, until a full 10-year trend is complete, available information is presented.

MARPLE NEWTOWN SCHOOL DISTRICT

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2022

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
REVENUES				
Revenues:				
Local sources	\$ 78,900,356	\$ 78,900,356	\$ 82,214,121	\$ 3,313,765
State sources	15,886,785	16,002,351	15,918,648	(83,703)
Federal sources	1,662,859	2,659,133	2,383,693	(275,440)
Total Revenues	96,450,000	97,561,840	100,516,462	2,954,622
Other financing sources:				
Leases issued			4,507,104	4,507,104
Total other financing sources			4,507,104	4,507,104
TOTAL REVENUES	96,450,000	97,561,840	105,023,566	7,461,726
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Instruction				
Regular programs	30,031,298	30,221,531	29,801,848	419,683
Special programs	20,374,878	20,710,162	19,414,441	1,295,721
Vocational programs	350,000	350,000	325,322	24,678
Other instructional and nonpublic programs	627,182	655,840	266,800	389,040
Total Instruction	51,383,358	51,937,533	49,808,411	2,129,122
Support Services				
Pupil personnel services	3,397,973	3,566,470	3,395,968	170,502
Instructional staff services	4,059,032	3,989,562	5,558,303	(1,568,741)
Administration services	4,576,656	4,663,598	4,567,979	95,619
Pupil health	1,864,587	1,985,801	1,983,808	1,993
Business services	1,311,019	1,304,136	1,334,058	(29,922)
Operation and maintenance of plant services	8,145,929	8,240,985	8,425,563	(184,578)
Student transportation	7,080,647	7,237,268	6,893,743	343,525
Central services	2,442,158	2,651,326	2,771,265	(119,939)
Other support services	104,888	107,930	104,447	3,483
Total Support Services	32,982,889	33,747,076	35,035,134	(1,288,058)
Operation of Non-instructional Services				
Student activities	1,604,277	1,626,446	1,643,002	(16,556)
Community services	47,426	53,781	46,856	6,925
Total Operation of Non-instructional Services	1,651,703	1,680,227	1,689,858	(9,631)
Other Financing Uses				
Debt service	9,732,050	9,728,716	11,423,725	(1,695,009)
Budgetary reserve	700,000	468,288		468,288
Total Other Financing Uses	10,432,050	10,197,004	11,423,725	(1,226,721)
TOTAL EXPENDITURES AND OTHER FINANCING USES	96,450,000	97,561,840	97,957,128	(395,288)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-	-	7,066,438	7,066,438
TRANSFERS TO (FROM) OTHER FUNDS			(4,971,771)	(4,971,771)
FUND BALANCE AT BEGINNING OF YEAR	15,687,598	15,687,598	15,687,598	-
FUND BALANCE AT END OF YEAR	\$ 15,687,598	\$ 15,687,598	\$ 17,782,265	\$ 2,094,667

See accompanying notes to the required supplementary information

MARPLE NEWTOWN SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDING JUNE 30, 2022

1. Budgetary Data

The District follows the following procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to May 31, the Board submits a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the General Fund.
- b. Public hearings are conducted at the Marple Newtown School District building to obtain taxpayer comments.
- c. Prior to June 30, the budget is legally enacted through passage of an ordinance.
- d. Legal budgetary control is maintained by the Board at the departmental level. Transfers between departments, whether between funds or within a fund, or revisions that alter the total revenues and expenditures of any fund must be approved by the Board as provided by school code.
- e. Budgetary data are included in the District's management information system and are employed as a management control device during the year.
- f. A budget for the General Fund is adopted substantially on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

2. Pension Data

The amounts reported in the schedule of the district's proportionate share of the net pension liability are determined as of June 30, 2021 by The Commonwealth of Pennsylvania Public School Employees' Retirement System (the cost-sharing plan). Changes in assumptions are: The discount rate decreased from 7.25% to 7.00%; the inflation assumption was decreased from 2.75% to 2.50%; payroll growth assumption decreased from 3.50% to 3.25%; salary growth changed from an effective average of 5.00% to an effective average of 4.50%; mortality rates were modified from the RP-2014 mortality tables for males and females to a blended table based on 50% PubT-2010 employee and 50% PubG-2010 adjusted to reflect PSERS experience and projected using a modified version MP-2020.

3. Other Post-employment Benefits Data – Single Employer Plan

The amounts reported in the schedule of changes in other post-employment benefits liability – single employer plan are determined by an actuarial valuation as of July 1, 2020 for fiscal year ending June 30, 2022. There were no changes in benefit terms. The changes in assumptions are: The discount rate changed from 1.86% to 2.28%, and the trend assumption was updated.

MARPLE NEWTOWN SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

4. Other Post-employment Benefits Data – Cost Sharing Plan (PSERS)

The amounts reported in the schedule of the district's proportionate share of the net other post-employment benefits liability are determined as of June 30, 2021 by The Commonwealth of Pennsylvania Public School Employees' Retirement System (PSERS) (the cost-sharing plan). There were no changes in benefit terms. Changes in assumptions are: the discount rate decreased from 2.66% to 2.18%; the inflation assumption was decreased from 2.75% to 2.50%; payroll growth assumption decreased from 3.50% to 3.25%; salary growth changed from an effective average of 5.00% to an effective average of 4.50%; mortality rates were modified from the RP-2014 mortality tables for males and females to a blended table based on 50% PubT-2010 employee and 50% PubG-2010 adjusted to reflect PSERS experience and projected using a modified version MP-2020.

SUPPLEMENTARY INFORMATION

MARPLE NEWTOWN SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

FEDERAL GRANTOR/PASS THROUGH GRANTOR/ PROGRAM TITLE	Federal CFDA Number	Pass Through Grantor's Number	Grant Period	Program or Award Amount	Accrued or (Deferred) at July 1, 2021	Total Received For the Year	Expenditures	Accrued or (Deferred) at June 30, 2022	Revenue Recognized
U.S. DEPT. OF EDUCATION									
Passed Through the PA Dept. of Education									
Title I Improving Basic Program:	84.010	013-21-0239	7/28/2020-9/30/2021	\$ 247,761	\$ 38,499	\$ 49,552	\$ 11,053	\$ -	\$ 11,053
Title I Improving Basic Program:	84.010	013-22-0239	7/1/2021-9/30/2022	231,781		154,521	186,237	31,716	186,237
Total CFDA 84.010				479,542	38,499	204,073	197,290	31,716	197,290
Title II Improving Teacher Quality:	84.367	020-21-0239	7/28/2020-9/30/2021	78,740	(1,093)	(12)	1,880	799	1,880
Title II Improving Teacher Quality:	84.367	020-22-0239	7/1/2021-9/30/2022	86,654		86,654	81,756	(4,898)	81,756
Total CFDA 84.367				165,394	(1,093)	86,642	83,636	(4,099)	83,636
Title III Language Inst LEP/ Immigrant Student	84.365	010-18-0239	8/18/2017-9/30/2018	27,783	(2,921)	-	2,921	-	2,921
Title III Language Inst LEP/ Immigrant Student	84.365	010-19-0239	8/21/2018-9/30/2019	23,968	4,700	-	(4,700)	-	(4,700)
Title III Language Inst LEP/ Immigrant Student	84.365	010-20-0239	9/4/2019-9/30/2022	28,266	3,735	6,523		(2,788)	-
Title III Language Inst LEP/ Immigrant Student	84.365	010-21-0239	7/28/2020-9/30/2021	21,980	8,051	10,257	3,576	1,370	3,576
Title III Language Inst LEP/ Immigrant Student	84.365	010-22-0239	7/1/2021-9/30/2022	25,301		18,554	15,632	(2,922)	15,632
Total CFDA 84.365				127,298	13,565	35,334	17,429	(4,340)	17,429
Title IV - Student Support and Academic Enrichmen	84.424	144-21-0239	7/28/2020-9/30/2021	22,106	(33)	-	33	-	33
Title IV - Student Support and Academic Enrichmen	84.424	144-22-0239	7/1/2021-9/30/2022	18,621		18,621	18,621	-	18,621
Total CFDA 84.424				40,727	(33)	18,621	18,654	-	18,654
COVID-19 - Education Stabilization Fund - GEEF	84.425C	252-20-0239	03/13/2020-9/30/2021	54,012	(12,234)	39,798	52,032	-	52,032
COVID-19 - Education Stabilization Fund - ESSER I	84.425D	200-21-0239 A	3/13/2020-9/30/2023	914,904	5,257	489,303	481,977	(2,069)	481,977
COVID-19 - ARP ESSER	84.425U	223-21-0239	3/13/2020-9/30/2024	1,850,587		134,588	758,731	624,143	758,731
COVID 19-ARP ESSER 7%	84.425U	225-21-0239	3/13/2020-9/30/2024	143,831		28,766	23,513	(5,253)	23,513
Passed through PA Commission on Crime & Delinquency									
COVID-19 - Education Stabilization Fund - ESSER	84.425D	2020-ES-01-35201	3/13/2020-9/30/2022	104,692	104,692	104,692		-	-
Total CFDA 84.425				3,068,026	97,715	797,147	1,316,253	616,821	1,316,253
Passed Through Intermediate Units #25									
Special Education Grants to States - IDEA	84.027		7/1/2021-6/30/2022	730,962		730,962	730,962	-	730,962
Special Education Preschool Grants - IDEA - 61	84.173		7/1/2021-6/30/2022	1,899		1,899	1,899	-	1,899
COVID-19 -ARP Special Education Grants to States-IDEA	84.027X		7/1/2021-6/30/2022	160,368		160,368	160,368	-	160,368
Total IDEA Cluster				893,229.00	-	893,229.00	893,229	-	893,229
TOTAL U.S. DEPT. OF EDUCATION									
				4,774,216	148,653	2,035,046	2,526,491	640,098	2,526,491
US DEPT of HEALTH & HUMAN SERVICES									
Passed through the PA Dept of Public Welfare									
Medical Assistance Reimbursement for Administration	93.778		7/1/2021-6/30/2022	N/A		46,924	46,924	-	46,924
Total CFDA 93.778					-	46,924	46,924	-	46,924
TOTAL U.S. DEPT of HEALTH & HUMAN SERVICES									
				-	-	46,924	46,924	-	46,924
U.S. DEPT. OF AGRICULTURE									
Passed Through the PA Dept. of Education									
National School Lunch Program	10.555		7/1/2020-6/30/2021	N/A	239,559	239,559		-	-
National School Lunch Program	10.555		7/1/2021-6/30/2022	N/A		1,336,283	1,561,351	225,068	1,561,351
National School Breakfast Program	10.553		7/1/2021-6/30/2022	N/A		288,583	344,833	56,250	344,833
Passed Through the PA Dept. of Agriculture									
Value of USDA Commodities	10.555		7/1/2021-6/30/2022		(20,666)	97,216	95,527	(22,355)	95,527
Total Child Nutrition Cluster					218,893	1,961,641	2,001,711	258,963	2,001,711
Passed Through the PA Dept. of Education									
P-EBT Local Admin Funds	10.649		7/1/2021-6/30/2022	N/A		614	614	-	614
TOTAL U.S DEPT. OF AGRICULTURE									
				-	218,893	1,962,255	2,002,325	258,963	2,002,325
TOTAL FEDERAL AWARDS									
				4,774,216	367,546	4,044,225	4,575,740	899,061	4,575,740

MARPLE NEWTOWN SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

FEDERAL GRANTOR/PASS THROUGH GRANTOR/ PROGRAM TITLE	Federal CFDA Number	Pass Through Grantor's Number	Grant Period	Program or Award Amount	Accrued or (Deferred) at July 1, 2021	Total Received For the Year	Expenditures	Accrued or (Deferred) at June 30, 2022	Revenue Recognized
<u>STATE GRANTOR/PROGRAM TITLE</u>									
National School Lunch Program	N/A		7/1/2020-6/30/2021	N/A	8,357	8,357			
National School Lunch Program			7/1/2021-6/30/2022	N/A		47,562	56,103	8,541	56,103
TOTAL STATE AWARDS				-	8,357	55,919	56,103	8,541	56,103
TOTAL FEDERAL AND STATE AWARDS				\$ 4,774,216	\$ 375,903	\$ 4,100,144	\$ 4,631,843	\$ 907,602	\$ 4,631,843

MARPLE NEWTOWN SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS

FOR THE YEAR ENDED JUNE 30, 2022

1. BASIS OF PRESENTATION

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. INDIRECT COST RATE

MARPLE NEWTOWN SCHOOL DISTRICT has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

4. FOOD DISTRIBUTION

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

5. SUBRECIPIENTS

MARPLE NEWTOWN SCHOOL DISTRICT does not pass-through any federal money to any subrecipients.



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

To the Board of School Directors
MARPLE NEWTOWN SCHOOL DISTRICT
Newtown Square, 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 MARPLE NEWTOWN SCHOOL DISTRICT as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise MARPLE NEWTOWN SCHOOL DISTRICT's basic financial statements and have issued our report thereon dated February 7, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MARPLE NEWTOWN SCHOOL DISTRICT's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MARPLE NEWTOWN SCHOOL DISTRICT's internal control. Accordingly, we do not express an opinion on the effectiveness of the MARPLE NEWTOWN 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be

material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

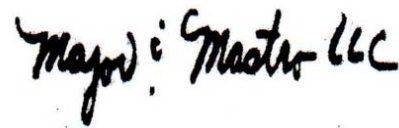
As part of obtaining reasonable assurance about whether MARPLE NEWTOWN SCHOOL DISTRICT's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

February 7, 2023

MAJOR & MASTRO, LLC
Montgomeryville, Pennsylvania
Certified Public Accountants

A handwritten signature in black ink that reads "Major & Mastro LLC". The signature is written in a cursive, stylized font.



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

To the Board of School Directors
MARPLE NEWTOWN SCHOOL DISTRICT
Newtown Square, Pennsylvania

Report on Compliance for Each Major Federal Program.

Opinion on Each Major Federal Program

We have audited MARPLE NEWTOWN 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 MARPLE NEWTOWN SCHOOL DISTRICT's major federal programs for the year ended June 30, 2022. MARPLE NEWTOWN SCHOOL DISTRICT's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of MARPLE NEWTOWN 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 MARPLE NEWTOWN 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 MARPLE NEWTOWN SCHOOL DISTRICT'S federal programs.

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding MARPLE NEWTOWN 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 MARPLE NEWTOWN 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 MARPLE NEWTOWN SCHOOL DISTRICT's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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.

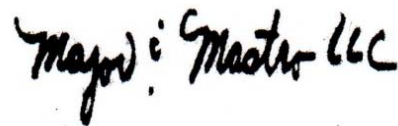
Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant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

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

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

February 7, 2023

MAJOR & MASTRO, LLC
Montgomeryville, Pennsylvania
Certified Public Accountants

A handwritten signature in black ink that reads "Major & Mastro LLC". The signature is written in a cursive, stylized font.

MARPLE NEWTOWN SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of MARPLE NEWTOWN SCHOOL DISTRICT were prepared in accordance with GAAP.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of MARPLE NEWTOWN SCHOOL DISTRICT which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs are reported in the Independent Auditor's Report on Compliance for each Major Program and on Internal Control over Compliance in Accordance with the Uniform Guidance. No material weaknesses are reported.
5. The auditor's report on compliance for each major federal award program for MARPLE NEWTOWN SCHOOL DISTRICT expresses an unmodified opinion on all major federal programs.
6. No audit findings were disclosed relating to major programs that are required to be reported under 2 CFR section 200.516(a).
7. The programs tested as major programs include:

Covid-19 Education Stabilization Fund	84.425
IDEA CLUSTER	84.027

MARPLE NEWTOWN SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued

FOR THE YEAR ENDED JUNE 30, 2022

8. The threshold for distinguishing Types A and B programs was \$750,000.
9. MARPLE NEWTOWN SCHOOL DISTRICT was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None

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

None