

This Preliminary Official Statement and the information contained herein are subject to completion, amendment or other change without notice. The Bonds may not be sold nor may offers to buy be accepted prior to the time the Preliminary Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the applicable securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED JULY 2, 2024

NEW ISSUE-BOOK ENTRY ONLY

RATING: Moody's: "Aa1" (Underlying)
(See "RATING" herein)

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the Bonds will not be includible in gross income of the holders thereof for federal income tax purposes, assuming continuing compliance by the School District with the requirements of the Internal Revenue Code of 1986, as amended. Interest on the Bonds will not be a specific preference item for purposes of computing the federal alternative minimum tax on individuals. Under laws of the Commonwealth of Pennsylvania, as enacted and construed on the date hereof, interest on the Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax. See "TAX MATTERS" herein.

\$15,000,000*

School District of Hatboro-Horsham

Montgomery County, Pennsylvania

General Obligation Bonds, Series B of 2024

Dated: Date of Delivery
Interest Due: March 15 and September 15

Principal Due: September 15, as shown on inside cover
First Interest Payment: March 15, 2025

The General Obligation Bonds, Series B of 2024 (the "Bonds") described herein are in the aggregate principal amount of \$15,000,000*. The Bonds will be registered in the name of Cede & Co., as the registered owner and nominee of The Depository Trust Company ("DTC"), New York, New York. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or any integral multiple thereof only under the book-entry only system maintained by DTC through its brokers and dealers who are, or act through, DTC Participants. The purchasers of the Bonds will not receive physical delivery of the Bonds. For so long as any purchaser is the beneficial owner of a Bond, that purchaser must maintain an account with a broker or a dealer who is, or acts through, a DTC Participant to receive payment of principal of and interest on the Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein. If, under the circumstances described herein, Bonds are ever issued in certificated form, the Bonds will be subject to registration of transfer, exchange and payment as described herein. The principal of the Bonds will be paid to the registered owners or assigns, when due, upon presentation and surrender of the Bonds to Manufacturers and Traders Trust Company (the "Paying Agent"), acting as paying agent and sinking fund depository, at its corporate trust payment office in Harrisburg, Pennsylvania or Buffalo, New York or such other corporate trust office designated by the Paying Agent. Interest on the Bonds is payable initially on March 15, 2025 and thereafter semiannually on March 15 and September 15 of each year, until the principal sum thereof is paid. Payment of interest on the Bonds will be made by wire transfer to DTC so long as it or its nominee is the registered owner of the Bonds as of the Record Date (see "THE BONDS" herein).

The Bonds are general obligations of the School District of Hatboro-Horsham, Montgomery County, Pennsylvania (the "School District"), payable from its tax and other general revenues. The School District has covenanted that it will include the amount of debt service for the Bonds for each fiscal year in which such sums are payable in its budget for that fiscal year, will appropriate from its general revenues in each such fiscal year, the amount required to pay debt service on the Bonds for such year and will duly and punctually pay or cause to be paid from the sinking fund established under the Resolution or any other of its available revenues or funds the principal amount of and interest on the Bonds on the dates, at the place and in the manner stated in the Bonds. For such budgeting, appropriation, and payment the School District has pledged its full faith, credit and available taxing power, within the limits established by law (See "SECURITY FOR THE BONDS- General" and "TAXING POWERS OF THE SCHOOL DISTRICT" herein).

The Bonds are subject to redemption prior to maturity as described herein.

Proceeds of the Bonds will be used to provide a portion of the funds to finance: (1) the planning, designing, acquiring, constructing, furnishing, installing and equipping of Keith Valley Middle School and undertaking various other capital improvement projects for the benefit of this School District; and (2) paying the costs of issuing the Bonds.

MATURITIES, AMOUNTS, INTEREST RATES, INITIAL OFFERING YIELDS AND CUSIPS

(See Inside Front Cover)

The Bonds are offered when, as and if issued, subject to withdrawal or modification of the offer without notice, and subject to the approving legal opinion of Eckert Seamans Cherin & Mellott, LLC, Bond Counsel, Philadelphia, Pennsylvania, to be furnished upon delivery of the Bonds. Certain matters will be passed upon for the School District by Rudolph Clarke, LLC, School District Solicitor, Trevose, Pennsylvania and for the Underwriters by Dilworth Paxson LLP, counsel to the Underwriters, Philadelphia, Pennsylvania. PFM Financial Advisors LLC, Harrisburg, Pennsylvania, will serve as Financial Advisor to the School District in connection with the issuance of the Bonds. It is expected that the Bonds will be available for delivery through DTC in New York, New York, on or about August __, 2024.

RAYMOND JAMES®



**Capital
Markets**

Dated: _____

*Estimated, subject to change.

School District of Hatboro-Horsham
Montgomery County, Pennsylvania
\$15,000,000*

General Obligation Bonds, Series B of 2024

Maturity Date (Sept. 15) Year	Principal Amounts	Interest Rates	Initial Offering Yields	CUSIP⁽¹⁾
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				
2039				
2040				
2041				
2042				
2043				
2044				
2045				
2046				
2047				
2048				
2049				
2050				
2051				

⁽¹⁾The above CUSIP (Committee on Uniform Securities Identification Procedures) numbers have been assigned by an organization not affiliated with the School District or the Underwriters, and such parties are not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such issue or the use of secondary market financial products. Neither the School District nor the Underwriters have agreed to, and there is no duty or obligation to, update this Preliminary Official Statement to reflect any change or correction in the CUSIP numbers set forth above.

*Estimated, subject to change.

**School District of Hatboro-Horsham
Montgomery County, Pennsylvania**

BOARD OF SCHOOL DIRECTORS

Jennifer Wilson	President
David P. Brown.....	Vice-President
Theresa E. Brown.....	Treasurer
Tara Conner-Hallston.....	Member
Susan E. Hunsinger-Hoff.....	Member
Maggie A. Kistner.....	Member
Denise J. Schultz.....	Member
Erin B. Stroup.....	Member
Erin K. Whalen.....	Member

SUPERINTENDENT

DR. SCOTT T. EVESLAGE

DIRECTOR OF BUSINESS AFFAIRS/BOARD SECRETARY

BILL STONE

SCHOOL DISTRICT SOLICITOR

RUDOLPH CLARKE, LLC
Trevose, Pennsylvania

BOND COUNSEL

ECKERT SEAMANS CHERIN & MELLOTT, LLC
Philadelphia, Pennsylvania

FINANCIAL ADVISOR

PFM FINANCIAL ADVISORS LLC
Harrisburg, Pennsylvania

PAYING AGENT

MANUFACTURERS AND TRADERS TRUST COMPANY
Harrisburg, Pennsylvania or Buffalo, New York

UNDERWRITERS

RAYMOND JAMES & ASSOCIATES, INC.
Lancaster, Pennsylvania

RBC CAPITAL MARKETS, LLC
West Conshohocken, Pennsylvania

UNDERWRITERS' COUNSEL

DILWORTH PAXSON LLP
Philadelphia, Pennsylvania

SCHOOL DISTRICT ADDRESS

229 Meetinghouse Road
Horsham, Pennsylvania 19044

No dealer, broker, salesman or other person has been authorized by the School District, the financial advisor or the underwriters to give information or to make any representations, other than those contained in this Preliminary Official Statement, and if given or made, such other information or representations must not be relied upon. This Preliminary Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. The information set forth herein has been obtained from the School District and from other sources which are believed to be reliable but the School District does not guarantee the accuracy or completeness of information from sources other than the School District. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Preliminary Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in any of the information set forth herein since the date hereof.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE ORDER OF PLACEMENT OF MATERIALS IN THIS PRELIMINARY OFFICIAL STATEMENT, INCLUDING APPENDICES, IS NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS PRELIMINARY OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE PRELIMINARY OFFICIAL STATEMENT.

THE UNDERWRITERS HAVE PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS PRELIMINARY OFFICIAL STATEMENT: THE UNDERWRITERS HAVE REVIEWED THE INFORMATION IN THIS PRELIMINARY OFFICIAL STATEMENT PURSUANT TO ITS RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS, BUT THE UNDERWRITERS DO NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

THE BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE RESOLUTION BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE BONDS OR THE RESOLUTION IN ACCORDANCE WITH APPLICABLE PROVISIONS OF THE SECURITIES LAWS OF CERTAIN STATES, IF ANY, IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN CERTAIN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS PRELIMINARY OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

If and when included in this Preliminary Official Statement, the words “expects,” “forecasts,” “projects,” “intends,” “anticipates,” “estimates,” “assumes” and analogous expressions are intended to identify forward-looking statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. Such risks and uncertainties which could affect the revenues and obligations of the School District include, among others, changes in economic conditions, mandates from other governments and various other events, conditions and circumstances, many of which are beyond the control of the School District. Such forward-looking statements speak only as of the date of this Preliminary Official Statement. The School District disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the School District’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
INTRODUCTION	1	Debt Limit and Remaining Borrowing Capacity	20
PURPOSE OF THE ISSUE	1	Debt Service Requirements	21
Sources and Uses of Bond Proceeds	1	Future Financing	22
THE BONDS	2	LABOR RELATIONS	22
Description	2	School District Employees	22
Payment of Principal and Interest	2	Pension Program	22
Transfer, Exchange and Registration of Bonds	2	Other Post-Employment Benefits (“OPEB”).....	23
SECURITY FOR THE BONDS	3	LITIGATION	23
Commonwealth Enforcement of Debt Service Payments	3	DEFAULTS AND REMEDIES	24
Pennsylvania Budget Adoption.....	3	TAX MATTERS	24
Act 85 of 2016	4	Federal	24
Sinking Fund	4	Pennsylvania	24
REDEMPTION OF BONDS	5	Other	24
Optional Redemption	5	BONDHOLDER CONSIDERATIONS	25
Mandatory Redemption	5	Cybersecurity	25
Notice of Redemption	5	Climate Change.....	25
Manner of Redemption	6	Coronavirus Pandemic	25
BOOK-ENTRY ONLY SYSTEM	6	Risk of Audit by Internal Revenue Service	25
THE SCHOOL DISTRICT	7	CONTINUING DISCLOSURE UNDERTAKING	26
Introduction	7	RATING	27
Administration.....	8	UNDERWRITING	27
School Facilities	8	LEGAL OPINION	27
Enrollment Trends	8	FINANCIAL ADVISOR	27
SCHOOL DISTRICT FINANCES	9	MISCELLANEOUS	27
Financial Reporting	9	APPENDIX A— DEMOGRAPHIC AND ECONOMIC INFORMATION	
Budgeting Process as modified by Act 1 of the Special		RELATING TO THE SCHOOL DISTRICT OF HATBORO-HORSHAM	
Session of 2006 (Taxpayer Relief Act).....	9	Population	1
Summary and Discussion of Financial Results	10	Employment.....	1
General Fund Revenue & Expenditures.....	11	Income	3
TAXING POWERS OF THE SCHOOL DISTRICT	12	Commercial Activity.....	3
The Taxpayer Relief Act (Act 1)	12	Educational Institutions.....	3
The Bonds are Not Expected to be Eligible for Act 1		Medical Facilities.....	4
Exceptions	13	Transportation Facilities.....	4
Act 48 of 2003 - Legislation Limiting Unreserved		Water and Sewer	4
Undesignated Fund Balances	13	Electricity and Gas	4
Tax Levy Trends.....	14	APPENDIX B - PROPOSED FORM OF BOND COUNSEL OPINION	
Real Property Tax	14	APPENDIX C - CONTINUING DISCLOSURE AGREEMENT	
Other Taxes	16	APPENDIX D - AUDITED FINANCIAL STATEMENTS	
COMMONWEALTH AID	17		
DEBT AND DEBT LIMITS	18		
Debt Statement	18		

PRELIMINARY OFFICIAL STATEMENT

\$15,000,000*

School District of Hatboro-Horsham

Montgomery County, Pennsylvania

General Obligation Bonds, Series B of 2024

INTRODUCTION

This Preliminary Official Statement, including the cover page hereof and appendices hereto, is furnished by the School District of Hatboro-Horsham, Montgomery County, Pennsylvania (the "School District") in connection with the offering of its Bonds consisting of the \$15,000,000* General Obligation Bonds, Series B of 2024 (the "Bonds"). The Bonds will be dated as of the date of delivery and are being issued pursuant to a resolution of the Board of School Directors of the School District adopted on May 20, 2024 (the "Resolution"), and pursuant to the Local Government Unit Debt Act of the Commonwealth of Pennsylvania (the "Commonwealth"), 53 Pa. C.S. Chs. 80-82 (the "Act").

PURPOSE OF THE ISSUE

Proceeds of the Bonds will be used to provide a portion of the funds to finance: (1) the planning, designing, acquiring, constructing, furnishing, installing and equipping of Keith Valley Middle School and undertaking various other capital improvement projects for the benefit of this School District (the "Capital Project"); and (2) paying the costs of issuing the Bonds. Certain proceeds of the Bonds, together with certain proceeds of the School District's \$9,995,000 General Obligation Bonds, Series of 2021, \$34,585,000 General Obligation Bonds, Series of 2023, \$38,315,000 General Obligation Bonds, Series A of 2023 and proceeds of further general obligation bonds or notes to be issued by the School District, will be applied to finance the Capital Project. The remaining total costs of the Capital Project to be financed after the issuance of the Bonds is approximately \$20,000,000 to \$25,000,000.

Sources and Uses of Bond Proceeds

Sources:	Total
Bond Proceeds.....	
Plus/Less: Net Original Issue Premium/[Discount].....	
Total	
<hr/>	
Uses:	
Project Fund Deposit.....	
Estimated Costs of Issuance ⁽¹⁾	
Total	

⁽¹⁾Includes legal, financial advisor, printing, rating, Underwriters' discount, CUSIP, paying agent and other miscellaneous fees.

*Estimated, subject to change.

THE BONDS

Description

The Bonds will be issued in fully registered form, in the denominations of \$5,000 or any integral multiple thereof. The Bonds will be issued as one fully registered Bond for each maturity of the Bonds in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), as registered owner of all Bonds. See “BOOK-ENTRY ONLY SYSTEM” herein. The Bonds will be dated as of the date of delivery, and will bear interest at the rates and mature in the amounts and on the dates set forth above on the inside cover page of this Preliminary Official Statement. Interest on the Bonds will be payable initially on March 15, 2025 and semiannually thereafter on March 15 and September 15 (each an “Interest Payment Date”) until the principal sum thereof is paid or, if such Bond is subject to redemption prior to maturity and is called for redemption prior to maturity in accordance with the terms thereof and of the Resolution, until the date fixed for redemption thereof, if payment of the redemption price has been duly made or provided for.

Payment of Principal and Interest

Subject to the provisions described under “BOOK-ENTRY ONLY SYSTEM” below, principal of the Bonds will be paid to the registered owners thereof or assigns, when due, upon surrender of the Bonds to Manufacturers and Traders Trust Company (the “Paying Agent”) at the corporate trust office of the Paying Agent in Harrisburg, Pennsylvania or Buffalo, New York or such other corporate trust office designated by the Paying Agent.

Interest is payable to the registered owner of a Bond from the Interest Payment Date next preceding the date of registration and authentication of the Bond, unless: (a) such Bond is registered and authenticated as of an Interest Payment Date, in which event such Bond shall bear interest from said Interest Payment Date, or (b) such Bond is registered and authenticated after a Record Date (hereinafter defined) and before the next succeeding Interest Payment Date, in which event such Bond shall bear interest from such Interest Payment Date, or (c) such Bond is registered and authenticated on or prior to the Record Date preceding March 15, 2025, in which event such Bond shall bear interest from the date of delivery, or (d) as shown by the records of the Paying Agent, interest on such Bond shall be in default, in which event such Bond shall bear interest from the date to which interest was last paid on such Bond. Interest on each Bond is payable by wire transfer to DTC, so long as it or its nominee is the registered owner of the Bonds; otherwise interest is payable by check drawn on the Paying Agent, which shall be mailed to the registered owner whose name and address shall appear, at the close of business on the fifteenth (15th) day (whether or not a business day) next preceding each Interest Payment Date (the “Record Date”), on the registration books maintained by the Paying Agent, irrespective of any transfer or exchange of the Bond subsequent to such Record Date and prior to such Interest Payment Date, unless the School District shall be in default in payment of interest due on such Interest Payment Date. In the event of any such default, such defaulted interest shall be payable to the person in whose name the Bond is registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed by the Paying Agent to the registered owners of such Bonds not less than fifteen (15) days preceding such special record date. Such notice shall be mailed to the persons in whose names such Bonds are registered at the close of business on the fifth (5th) day preceding the date of mailing.

If the date for payment of the principal of or interest on any Bonds shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the Commonwealth are authorized by law or executive order to close, then the date for payment of such principal or interest shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions in the Commonwealth are authorized by law or executive order to close, and payment on such date shall have the same force and effect as if made on the nominal date established for such payment.

Transfer, Exchange and Registration of Bonds

Subject to the provisions described below under “BOOK-ENTRY ONLY SYSTEM,” Bonds are transferable or exchangeable by the registered owners thereof upon surrender of Bonds to the Paying Agent at its corporate trust office in Philadelphia, Pennsylvania, or such other corporate trust office designated by the Paying Agent, when duly endorsed or accompanied by a written instrument or instruments in form, with instructions, and with guaranty of signature satisfactory to the Paying Agent, duly executed by the registered owner of such Bond or his attorney-in-fact or legal representative. The Paying Agent shall enter any transfer of ownership of Bonds in the registration books and shall authenticate and deliver at the earliest practicable time in the name of the transferee or transferees a new fully registered bond or bonds of authorized denominations of the same series, maturity and interest rate for the aggregate principal amount which the registered owner is entitled to receive. The School District and the Paying Agent may deem and treat the registered owner of any Bond as the absolute owner thereof (whether or not a Bond shall be overdue) for the purpose of receiving payment of or on account of principal and interest and for all other purposes, and the School District and the Paying Agent shall not be affected by any notice to the contrary.

The School District and the Paying Agent shall not be required to issue or register the transfer of or exchange any Bonds (a) then considered for redemption during a period beginning at the close of business on the fifteenth (15th) day next preceding any date of selection of Bonds to be redeemed and ending at the close of business on the day on which the applicable notice of redemption is given or (b) selected for redemption in whole or in part until after the redemption date. Bonds may be exchanged for a like aggregate principal amount of Bonds of other authorized denominations of the same maturity and interest rate.

SECURITY FOR THE BONDS

General

The Bonds are general obligations of the School District, payable from its tax and other general revenues. The School District has covenanted with the holders from time to time of the Bonds that it will include the amount of debt service for the Bonds for each fiscal year in which such sums are payable in its budget for that fiscal year, will appropriate from its general revenues in each such fiscal year, the amount required to pay debt service on the Bonds for such year and will duly and punctually pay or cause to be paid from the sinking fund established under the Resolution or any other of its available revenues or funds the principal amount of and interest on the Bonds on the dates, at the place and in the manner stated in the Bonds. For such budgeting, appropriation, and payment the School District has pledged its full faith, credit and available taxing power, within the limits established by law (See “THE BONDS” and “TAXING POWERS OF THE SCHOOL DISTRICT” herein). The Act presently provides for enforcement of debt service payments as hereinafter described (see “DEFAULTS AND REMEDIES” herein), and the Public School Code presently provides for the withholding and application of subsidies in the event of failure to pay debt service (see “Commonwealth Enforcement of Debt Service Payments” below).

Commonwealth Enforcement of Debt Service Payments

Section 633 of the Pennsylvania Public School Code of 1949, as amended by Act 150 of 1975, and as further amended and supplemented (the “Public School Code”), presently provides that in all cases where the board of school directors of any school district fails to pay or to provide for the payment of any indebtedness on the date of maturity or date of mandatory redemption or on any sinking fund deposit date, or any interest due on such indebtedness on any interest payment date or on any sinking fund deposit date, in accordance with the schedule under which the Bonds were issued, the Secretary of Education shall notify such board of school directors of its obligation and shall withhold out of any Commonwealth appropriation due such school district an amount equal to the sum of the principal amount maturing or subject to mandatory redemption and interest owing by such school district, or sinking fund deposit due by such school district, and shall pay over the amount so withheld to the bank or other person acting as sinking fund depository for such Bond issue. These withholding provisions are not part of any contract with the holders of the Bonds, and may be amended or repealed by future legislation.

The effectiveness of Section 633 of the Public School Code may be limited by the application of other withholding provisions contained in the Public School Code, such as provisions for withholding and paying over of appropriations for payment of unpaid teachers’ salaries. Enforcement may also be limited by bankruptcy, insolvency, or other laws or equitable principles affecting the enforcement of creditors’ rights generally. See “**Pennsylvania Budget Adoption**” hereinafter.

Pennsylvania Budget Adoption

Over the past several years the Commonwealth of Pennsylvania has, from time to time, started its fiscal year without a fully adopted state budget.

For the 2017-18 fiscal year, the state budget became law, known as Act 1A of 2017, on July 11, 2017 when the Governor failed to sign or veto the state budget that was adopted by the General Assembly on June 30, 2017. Act 1A of 2017 did not have any accompanying legislation regarding the potential revenue that would be needed to fund the balance of the 2017-18 Budget at the time of its enactment. On October 25, 2017, the General Assembly adopted House Bill 542 which contained the necessary revenue to fund the balance of the previously adopted Act 1A of 2017. On October 30, 2017 the Governor approved and signed House Bill 542 and it became known as Act 43 of 2017.

The budgets for the 2018-19 and the 2019-20 fiscal years were adopted timely. Due to the uncertainty of funding and expenditures caused by the COVID-19 pandemic, on May 29, 2020, the governor passed a five-month stopgap budget for the fiscal year 2020-21. This budget provided five months of flat funding for most state programs and a full twelve months of flat funding for public education. On November 20, 2020, the General Assembly passed Senate Bill 1350 and House Bill 2536, which included the 2020-21 Supplemental Budget to fund the Commonwealth through the remaining seven-months of fiscal year 2020-21.

The Governor signed the state’s 2021-2022 fiscal year budget that directed more money to public schools on June 30, 2021.

After a week’s delay, a \$45.2 billion budget for the state’s 2022-2023 fiscal year was signed by Governor Tom Wolf on July 8, 2022, which included \$7.6 billion for the basic education funding appropriation and \$225 million to supplement those school districts with a higher at-risk student population. The total amount was a \$767.8 million (10.83%) increase over the 2021-2022 fiscal year appropriation.

After over a month delay, a \$45.5 billion budget for the state’s 2023-24 fiscal year was signed by Governor Josh Shapiro on August 3, 2023, which includes \$8.4 billion for the basic education funding appropriation. The total amount is a \$796.6 million (10.45%) increase over the 2022-2023 fiscal year appropriation. The budget also provides \$50 million in additional aid to school districts for special education services for a total of \$1.3 billion. Certain funds authorized within the 2023-2024 Budget required companion implementation language amending the Fiscal Code to be fully implemented. On December 13, 2023 multiple code bills were passed finalizing the 2023-24 Budget for education.

As of the date of this Preliminary Official Statement, the state budget for 2024-25 has not been adopted.

During a state budget impasse, school districts in Pennsylvania cannot be certain when state subsidies and revenues owed them from the Commonwealth will become available. This includes many of the major state subsidies, and overall revenues, that a Pennsylvania school district receives including basic education funding, special education funding, PlanCon reimbursements, and certain block grants, among many others. Future budget impasses may affect the timeliness or amount of payments by the Commonwealth under the withholding provisions of Section 633 of the School Code, however recent legislation included in Act 85 of 2016 has attempted to address the timeliness of the withholding provisions of Section 633 of the School Code during any future budget impasses. See “Act 85 of 2016” hereinafter.

Act 85 of 2016

On July 13, 2016, the Governor of the Commonwealth signed into law Act No. 85 of 2016, (P.L. 664, No. 85) (“Act 85 of 2016”), an amendment to the Act of April 9, 1929 (P.L. 343, No. 176), known as the Fiscal Code (“Fiscal Code”). Act 85 of 2016 adds to the Fiscal Code Article XVII-E.4, entitled “School District Intercepts for the Payment of Debt Service During Budget Impasse”, which provides for intercept of subsidy payments by the Pennsylvania Department of Education (“PDE”) to a school district subject to an intercept statute or an intercept agreement in the event of a Commonwealth budget impasse in any fiscal year.

Act 85 of 2016 includes in the definition of “intercept statutes” Section 633 of the Public School Code. The School District’s general obligation bonds, including the Bonds, are subject to Section 633 of the Public School Code.

Act 85 of 2016 provides that the amounts that may be necessary for PDE to comply with the provisions of the applicable intercept statute or intercept agreement “shall be appropriated” to PDE from the General Fund of the Commonwealth after PDE submits justification to the majority and minority chairs of the appropriations committees of the Pennsylvania Senate and House of Representatives allowing ten (10) calendar days for their review and comment, if, in any fiscal year:

- (1) annual appropriations for payment of Commonwealth money to school districts have not been enacted by July 1 and continue not to be enacted when a payment is due;
- (2) the conditions under which PDE is required to comply with an intercept statute or intercept agreement have occurred, thereby requiring PDE to withhold payments which would otherwise be due to school districts; and
- (3) the Secretary of PDE, in consultation with the Secretary of the Budget, determines that there are no payments or allocations due to be paid to the applicable school districts from which PDE may withhold money as required by the applicable intercept statute or intercept agreement.

The necessary amounts shall be appropriated and paid to the paying agent on the day the scheduled payment for principal and interest is due on the expiration of the tenth (10th) day following submission of the justification described above to the majority and minority chairs of the appropriations committees, who may comment on the justification but cannot prevent the effectiveness of the appropriation.

The total of all intercept payments under Article XVII-E.4 for a school district may not exceed 50% of the total nonfederal general fund subsidy payments made to that school district in the prior fiscal year.

Act 85 of 2016 requires that each school district with bonds or notes subject to an intercept statute or intercept agreement must deliver to PDE, in such format as PDE may direct, a copy of the final Official Statement for the relevant bonds or notes or the loan documents relating to the obligations, within thirty (30) days of receipt of the proceeds of the obligations. The School District intends on submitting this information with respect to the Bonds to PDE within the prescribed timeframe following the issuance of the Bonds. Act 85 of 2016 provides that any obligation for which PDE does not receive the required documents shall not be subject to the applicable intercept statute or intercept agreement.

The provisions of Act 85 of 2016 are not part of any contract with the holders of the Bonds and may be amended or repealed by future legislation.

Sinking Fund

A sinking fund for the payment of debt service on the Bonds, designated “Sinking Fund, General Obligation Bonds, Series B of 2024” (the “Sinking Fund”), has been authorized to be created under the Resolution and shall be held by the Paying Agent as sinking fund depository. The School District shall deposit in the Sinking Fund a sufficient sum not later than the date when interest and/or principal is to become due on the Bonds so that on each payment date the Sinking Fund will contain an amount which, together with any other funds available therein, is sufficient to pay, in full, interest and/or principal then due on the Bonds.

The Sinking Fund shall be held by the Paying Agent, as sinking fund depository, and invested by the Paying Agent in such securities or shall be deposited in such funds or accounts as are authorized by the Act, upon direction of the School District. Such

deposits and securities shall be in the name of the School District, but subject to withdrawal or collection only by the Paying Agent, as sinking fund depository, and such deposits and securities, together with the interest thereon shall be a part of the Sinking Fund.

The Paying Agent, as sinking fund depository, is authorized without further order from the School District to pay from the Sinking Fund the principal of and interest on the Bonds, as and when due and payable.

REDEMPTION OF BONDS

Optional Redemption

The Bonds stated to mature on and after September 15, 20__ are subject to redemption prior to maturity, at the option of the School District, in whole, or in part (in any order of maturity as selected by the School District), at any time on or after _____ at a price equal to 100% of the principal amount of the Bonds to be redeemed, together with accrued interest thereon to the date fixed for such optional redemption. In the event that less than all Bonds of a particular maturity are to be redeemed, the Bonds of such maturity to be redeemed shall be drawn by lot by the Paying Agent.

Mandatory Redemption

In the manner and upon the terms and conditions provided in the Resolution, the Bonds stated to mature on September 15, _____ and _____ are subject to mandatory sinking fund redemption prior to maturity on September 15 of the following years in direct order of maturity at a price equal to the principal amount of the Bonds called for mandatory redemption, plus accrued interest thereon to the date fixed for such mandatory redemption in the following principal amounts, as drawn by lot by the Paying Agent:

<u>Year</u>	<u>Principal Amount</u>
-------------	-------------------------

Notice of Redemption

Notice of any optional redemption shall be given by depositing a copy of the redemption notice in first class mail not more than forty-five (45) days nor less than thirty (30) days prior to the date fixed for redemption addressed to each of the registered owners of the Bonds to be redeemed, in whole or in part, at the addresses shown on the registration books kept by the Paying Agent; provided, however, that failure to give such notice by mailing, or any defect therein or in the mailing thereof, shall not affect the validity of any proceeding for redemption of other Bonds so called for redemption as to which proper notice has been given.

Such notice shall be given in the name of the School District, shall identify the Bonds to be redeemed (and, in the case of a partial redemption of any Bonds, the respective principal amounts thereof to be redeemed), shall specify the redemption date and the redemption price, and shall state that on the redemption date the Bonds called for redemption will be payable at the designated corporate trust office of the Paying Agent and that interest will cease to accrue from the date of redemption. The Paying Agent may use "CUSIP" numbers (if then generally in use) in notices of redemption as a convenience to registered owners of the Bonds, provided that any such notice shall state that no representation is made as to the correctness of such numbers either as printed on the Bonds or as contained in any notice of redemption and that reliance may be placed only on the identification numbers printed on the Bonds.

On the date designated for redemption, notice having been provided as aforesaid, and money for payment of the principal and accrued interest being held by the Paying Agent, interest on the Bonds or portions thereof so called for redemption shall cease to accrue and such Bonds or portions thereof shall cease to be entitled to any benefit or security under the Resolution, and registered owners of such Bonds or portions thereof so called for redemption shall have no rights with respect to such Bonds, except to receive payment of the principal of and accrued interest on such Bonds to the date fixed for redemption.

If at the time of mailing the notices of redemption the School District shall not have deposited with the Paying Agent moneys sufficient to redeem all the Bonds called for redemption, such notice may state that it is conditional, that is subject to the deposit of the redemption moneys with the Paying Agent no later than the redemption date, and such notice shall be of no effect unless such moneys are so deposited.

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, however, the School District and the Paying Agent shall send redemption notices only to Cede & Co. See "BOOK-ENTRY ONLY SYSTEM" herein for further information regarding conveyance of notices to Beneficial Owners.

Manner of Redemption

If a Bond is of a denomination larger than \$5,000, a portion of such Bond may be redeemed. For the purposes of redemption, a Bond shall be treated as representing the number of Bonds that is equal to the principal amount thereof divided by \$5,000, each \$5,000 portion of such Bond being subject to redemption. In the case of partial redemption of a Bond, payment of the redemption price shall be made only upon surrender of such Bond in exchange for a Bond of Bonds of authorized denominations in aggregate principal amount equal to the unredeemed portion of the principal amount thereof.

If the redemption date for any Bonds shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the Commonwealth are authorized or required by law or executive order to close, then the date for payment of the principal, premium, if any, and interest upon such redemption shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions in the Commonwealth are authorized or required to close, and payment on such date shall have the same force and effect as if made on the nominal date of redemption, and no interest shall accrue after such nominal date of redemption.

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, however, payment of the redemption price shall be made to Cede & Co. in accordance with the existing arrangements by and among the School District, the Paying Agent and DTC and, if less than all Bonds of any particular maturity are to be redeemed, the amount of the interest of each DTC Participant, Indirect Participant and Beneficial Owner in such Bonds to be redeemed shall be determined by the governing arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. See "BOOK-ENTRY ONLY SYSTEM" herein for further information regarding redemption of Bonds registered in the name of Cede & Co.

BOOK-ENTRY ONLY SYSTEM

The information in this section has been obtained from materials provided by DTC for such purpose. The School District (herein referred to as the "Issuer") and the Underwriters do not guarantee the accuracy or completeness of such information and such information is not to be construed as a representation of the School District or the Underwriters.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

NEITHER THE SCHOOL DISTRICT NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT, INDIRECT PARTICIPANT OR BENEFICIAL OWNER OR ANY OTHER PERSON WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (4) THE DELIVERY TO ANY BENEFICIAL OWNER BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO BONDHOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

The Issuer and the Paying Agent cannot give any assurances that DTC or the Participants will distribute payments of the principal or redemption price of and interest on the Bonds paid to DTC or its nominee, as the registered owner of the Bonds, or any redemption or other notices, to the Beneficial Owners or that they will do so on a timely basis, or that DTC will serve and act in the manner described in this Preliminary Official Statement.

THE SCHOOL DISTRICT

Introduction

The School District comprises the Borough of Hatboro and the Township of Horsham, both in Montgomery County, Pennsylvania, and covers an area of approximately 18.3 square miles. Geographically, the area is located in eastern Montgomery County approximately 24 miles north of downtown Philadelphia. The School District is bounded on the west by Montgomery and Lower Gwynedd Townships, on the south by Upper Dublin Township, on the east by Upper Moreland Township, and on the north by the Townships of Warrington and Warminster (both located in Bucks County).

The School District is primarily a residential suburb of Philadelphia with a significant amount of commercial and industrial development located near the Willow Grove Interchange of the Pennsylvania Turnpike.

Administration

The School District was formed in 1966 by jointure of separate school districts of the respective municipalities. The governing body of the School District is a board of nine school directors who are elected every two years on a staggered basis for four-year terms. The daily operations and management of the School District are carried out by the administrative staff of the School District headed by the Superintendent of Schools who is appointed by the Board of School Directors.

School Facilities

The School District presently operates four elementary schools, one middle school, and one high school, all as described on the following table. A complete description of the demographic and economic information relating to the School District can be found in Appendix A of this Preliminary Official Statement.

**TABLE 1
SCHOOL DISTRICT OF HATBORO-HORSHAM
SCHOOL FACILITIES**

Building	Original Construction Date	Addition/ Renovation Date(s)	Grades	Rated Pupil Capacity	2023-24 Enrollment
<i>Elementary:</i> *					
Blair Mill Elementary ⁽¹⁾	1968	---	K-5	475	392
Hallowell Elementary	2017	---	K-5	750	429
Simmons Elementary ⁽²⁾	1972	---	K-5	900	584
Crooked Billet Elementary	2020	---	K-5	630	451
<i>Secondary:</i>					
Keith Valley Middle	1957	1965/70/95/99/05/06	6-8	1,480	987
Hatboro-Horsham Sr. High ⁽³⁾	1991	1997	9-12	1,900	1,344

⁽¹⁾Includes one modular classroom.

⁽²⁾Includes three modular classrooms.

⁽³⁾Includes two modular classrooms.

*Limekiln-Simmons Elementary School has been closed for several years, with no students attending school in this building. The property is under an executed agreement of sale. Final unappealable court approval is necessary before the final sale can be completed.

Source: School District Officials.

Enrollment Trends

Table 2 presents a five-year trend in school enrollment and projected enrollment.

**TABLE 2
SCHOOL DISTRICT OF HATBORO-HORSHAM ENROLLMENT TRENDS**

School Year	Actual Enrollments			School Year	Projected Enrollments		
	K-5 Elementary	6-12 Secondary	Total		K-5 Elementary	6-12 Secondary	Total
2019-20	2,093	2,612	4,705	2024-25	1,829	2,352	4,181
2020-21	1,847	2,482	4,329	2025-26	1,799	2,344	4,143
2021-22	1,813	2,433	4,246	2026-27	1,814	2,269	4,084
2022-23	1,838	2,397	4,235	2027-28	1,811	2,228	4,040
2023-24	1,856	2,331	4,187	2028-29	1,823	2,216	4,040

Source: School District Officials.

SCHOOL DISTRICT FINANCES

The School District budgets and expends funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by the Superintendent and Director of Business Affairs and submitted to the School Board for approval prior to the beginning of the fiscal year on July 1.

Financial Reporting

As of July 1, 2002, the School District adopted provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis For State and Local Governments, Statement No. 37, Basic Financial Statements and Management Discussion and Analysis For State and Local Governments: Omnibus, and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Balance Statements. The firm of Maillie, LLP, Oaks, Pennsylvania serves as the School District Auditor.

Budgeting Process as modified by Act 1 of the Special Session of 2006 (Taxpayer Relief Act)

In General. School districts budget and expend funds according to procedures mandated by the Pennsylvania Department of Education (the "PDE"). An annual operating budget is prepared by school district administrative officials on a uniform form furnished by the PDE and submitted to the board of school directors for approval prior to the beginning of each fiscal year on which commences July 1.

Procedures for Adoption of the Annual Budget. Unless the Simplified Procedures described below are utilized, under Pennsylvania Act No. 1 of the Special Session of 2006, as amended by Act 25 of 2011 (together "The Taxpayer Relief Act" or "Act 1") all school districts of the first class A, second class, third class and fourth class must adopt a preliminary budget (which must include estimated revenues and expenditures and proposed tax rates) no later than 90 days prior to the date of the primary election immediately preceding the beginning of each fiscal year. This preliminary budget must be printed and made available for public inspection at least 20 days prior to its adoption; the board of school directors may hold a public hearing on the budget; and the board must give at least 10 days' public notice of its intent to adopt the preliminary budget prior to its adoption. The board of school directors shall print the final budget and make it available for public inspection at least 20 days prior to its adoption and shall give public notice of its intent to adopt the final budget at least 10 days prior to adoption, and may hold a public hearing prior to adoption. Guidance from the PDE suggests that the preliminary budget be converted to a proposed budget adopted by the board of school directors at least 30 days prior to the adoption of the final budget as required by the School Code. The School District follows the requirements of Act 1 and the guidance of PDE pursuant to the requirements of the School Code.

If the adopted preliminary budget includes an increase in the rate of any tax levy, the preliminary budget must be submitted to the Pennsylvania Department of Education (PDE) no later than 85 days prior to the date of the election immediately preceding the fiscal year. PDE is to compare the proposed percentage increase in the rate of any tax with the school district's Index (see "**The Taxpayer Relief Act (Act 1)**" herein) and within 10 days, but not later than 75 days prior to the upcoming election, inform the school district whether the proposed percentage increase is less than or equal to the Index. If PDE determines that a proposed tax increase will exceed the Index, the school district must reduce the proposed tax increase, seek voter approval for the tax increase at the upcoming election, or seek approval to utilize one of the referendum exceptions authorized under the Taxpayer Relief Act.

With respect to the utilization of any of the Taxpayer Relief Act referendum exceptions for which PDE approval is required (see "**The Taxpayer Relief Act (Act 1)**" herein), the school district must publish notice of its intent to seek PDE approval not less than one week before submitting its request for approval to PDE and, if PDE determines to schedule a public hearing on the request, a notice of the date, time and place of such hearing. PDE is required by the Taxpayer Relief Act to rule on the school district's request and inform the school district of its decision no later than 55 days prior to the upcoming election so that, if PDE denies the school district's request, the school district may submit a referendum question to the local election officials at least 50 days before the upcoming election, if it so chooses.

If a school district seeks voter approval to increase taxes at a rate higher than the applicable Index, whether or not it first seeks approval to utilize one of the referendum exceptions available under the Taxpayer Relief Act, and the referendum question is not approved by a majority of the voters voting on the question, the board of school directors may not approve an increase in the tax rate greater than the applicable Index.

Simplified Procedures in Certain Cases. The above budgetary procedures will not apply to a school district if the board of school directors adopts a resolution no later than 110 days prior to the election immediately preceding the upcoming fiscal year declaring that it will not increase any tax at a rate that exceeds the Index and that a tax increase at or below the rate of the Index will be sufficient to balance its budget. In that case, the Taxpayer Relief Act requires only that the proposed annual budget be prepared and approved at least thirty (30) days, and made available for public inspection at least twenty (20) days, prior to its adoption, and that at least ten (10) days' public notice be given of the board's intent to adopt the annual budget. No referendum exceptions are available to a school district adopting such a resolution.

Summary and Discussion of Financial Results

A summary of the General Fund balance sheet and changes in fund balances is presented in Tables 3 and 4 which follow. Table 5 shows revenue and expenditures for the past five (5) years, the budget for 2023-24, and the budget for 2024-25. The budget for 2023-24, as adopted June 19, 2023, provides revenue of \$123,685,864 and expenditures of \$126,735,864. The budget for 2024-25, as adopted June 17, 2024, provides revenue of \$129,461,340 and expenditures of \$132,011,340. The School District’s year end fund balance for 2022-23 was \$25,100,604 or 20.8% of total expenditures in 2022-23.

TABLE 3
SCHOOL DISTRICT OF HATBORO-HORSHAM
SUMMARY OF COMPARATIVE GENERAL FUND BALANCE SHEET
(Years ending June 30)

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
ASSETS				
Cash and Cash Equivalents.....	\$4,103,570	\$18,757,350	\$36,701,174	\$40,807,027
Investments.....	31,334,396	18,315,923	105,017	108,622
Tax Receivable.....	0	0	1,738,772	1,974,210
Due from other funds.....	368,239	367,274	130,855	165,288
Due from other governments.....	5,065,189	4,262,807	4,965,247	4,963,889
Due from Trust Funds.....	0	0	0	0
Other Receivables (includes Bond proceeds receivable)	419,564	117,099	48,617	44,945
TOTAL ASSETS	<u>\$41,290,958</u>	<u>\$41,820,453</u>	<u>\$43,689,682</u>	<u>\$48,063,981</u>
LIABILITIES				
Due to other funds.....	\$4,801,780	\$3,570,266	\$4,300,165	\$9,723,390
Accounts payable.....	2,807,902	3,807,327	1,938,984	1,644,834
Accrued salaries and benefits.....	11,755,324	12,399,415	11,838,982	10,672,022
Due to Trust Funds.....	0	0	0	0
Deferred revenue.....	196,316	114,830	1,771,855	732,816
Other Current Liabilities.....	117,706	56,531	0	190,315
TOTAL LIABILITIES	<u>\$19,679,028</u>	<u>\$19,948,369</u>	<u>\$19,849,986</u>	<u>\$22,963,377</u>
FUND EQUITIES⁽¹⁾				
Restricted Fund Balance.....	\$0	\$0	\$632,340	\$265,530
Committed Fund Balance.....	11,101,467	11,101,467	\$11,413,951	12,731,631
Assigned Fund Balance.....	3,203,755	3,296,338	3,280,088	3,231,933
Unassigned – Undesignated.....	7,306,708	7,474,279	8,513,317	8,871,510
TOTAL FUND EQUITIES	<u>\$21,611,930</u>	<u>\$21,872,084</u>	<u>\$23,839,696</u>	<u>\$25,100,604</u>
TOTAL LIABILITIES AND FUND EQUITIES	<u>\$41,290,958</u>	<u>\$41,820,453</u>	<u>\$43,689,682</u>	<u>\$48,063,981</u>

⁽¹⁾In addition to the School District’s fund equities as represented above, the School District holds other fund equities in separate funds known as the Capital Reserve Fund, Construction Fund, Debt Service Fund and Medical Fund, which together, total a current value of \$64,688,811. These other fund equities, combined with the School District’s fund equities from the General Fund, as represented above are currently valued at a total of \$89,789,415 for fiscal year ending June 30, 2023.

Source: School District Annual Financial Reports.

**TABLE 4
SCHOOL DISTRICT OF HATBORO-HORSHAM
CHANGES IN FUND BALANCES***

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>Budgeted 2024⁽¹⁾</u>	<u>Budgeted 2025⁽²⁾</u>
Beginning General Fund	\$20,390,282**	\$21,611,930	\$22,357,013**	\$23,839,696	\$25,100,600	\$22,050,600
Revenues over (under) Expenditure	<u>1,221,648</u>	<u>260,154</u>	<u>1,482,683</u>	<u>1,260,904</u>	<u>(3,050,000)</u>	<u>(2,550,000)</u>
Ending Fund Balance	<u><u>\$21,611,930</u></u>	<u><u>\$21,872,084</u></u>	<u><u>\$23,839,696</u></u>	<u><u>\$25,100,600</u></u>	<u><u>\$22,050,600</u></u>	<u><u>\$19,500,000</u></u>

*Totals may not add due to rounding.

**Restatement.

⁽¹⁾ Budget, as adopted June 19, 2023.

⁽²⁾ Budget, as adopted June 17, 2024.

Source: School District Officials, Annual Financial Reports and Budget.

General Fund Revenue & Expenditures

The School District received \$125,100,687 in revenue in 2022-23, has budgeted revenue of an estimated \$123,685,864 in 2023-24 and has budgeted revenue of an estimated \$129,461,340 in 2024-25. Local sources have decreased as a share of total revenue in the past five years from 78.0 percent in 2018-19 to 76.4 percent in 2022-23. Revenue from State sources increased as a share of the total from 19.7 percent to 20.1 percent over this period. Federal and other revenue increased as a share of the total from 2.4 percent to 3.5 percent during this period. The shift from local sources of revenue to federal funding is due to the receipt of pandemic relief funds.

**TABLE 5
SCHOOL DISTRICT OF HATBORO-HORSHAM
SUMMARY OF SCHOOL DISTRICT GENERAL FUND
REVENUE AND EXPENDITURES*
(For years ending June 30)**

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>Budgeted 2024⁽¹⁾</u>	<u>Budgeted 2025⁽²⁾</u>
REVENUES:						
Total Local Sources	\$83,092,668	\$86,713,953	\$88,703,589	\$95,531,511	\$93,113,409	\$97,513,425
Total State Sources	21,735,529	21,472,729	22,481,392	25,121,181	24,375,369	26,414,707
Total Federal Sources	2,787,865	2,486,387	4,220,934	3,417,360	3,317,102	1,698,787
Total Other Sources	1684	400	687,263	1,030,635	2,879,984	3,834,421
TOTAL REVENUES	<u><u>\$107,617,746</u></u>	<u><u>\$110,673,469</u></u>	<u><u>\$116,093,178</u></u>	<u><u>\$125,100,687</u></u>	<u><u>\$123,685,864</u></u>	<u><u>\$129,461,340</u></u>
EXPENDITURES:						
Instruction	\$60,233,752	\$63,928,997	\$66,449,518	\$68,951,654	\$73,110,825	\$73,516,039
Pupil Personnel	4,013,918	4,371,314	4,659,348	5,244,609	5,749,779	6,177,713
Instructional Staff	2,802,576	2,985,604	3,794,673	4,193,582	5,007,737	5,560,417
Administration	6,472,736	6,209,758	5,888,036	6,318,748	6,729,865	7,046,045
Pupil Health	1,328,004	1,378,817	1,460,220	1,332,773	1,300,169	1,480,527
Business	1,468,549	1,460,427	1,487,979	1,504,352	1,824,982	1,985,491
Operation and Maintenance	7,535,089	8,079,245	8,313,508	8,531,157	9,320,328	9,992,531
Student Transportation	5,343,744	4,475,149	5,605,360	5,140,792	7,252,610	7,088,441
Central	4,546,886	5,672,198	4,603,337	3,805,884	5,626,957	4,624,956
Other Support Services	74,172	73,562	72,820	71,169	73,195	71,724
Operation of Noninstructional Services	1,365,935	1,213,358	1,826,435	1,896,778	2,271,272	2,383,281
Debt Service	5,995,673	5,515,038	5,280,617	8,012,102	8,462,645	12,071,675
Fund Transfers	4,565,064	3,543,378	4,999,560	8,563,501	0	0
Refund of Prior Year's Expenditures	650,000	1,500,000	150,716	0	0	0
Facilities, Acquisition, Construction	0	6,472	18,368	272,677	5,500	12,500
TOTAL EXPENDITURES	<u><u>\$106,396,098</u></u>	<u><u>\$110,413,316</u></u>	<u><u>\$114,610,495</u></u>	<u><u>\$123,839,783</u></u>	<u><u>\$126,735,864</u></u>	<u><u>\$132,011,340</u></u>
SURPLUS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u><u>1,221,648</u></u>	<u><u>260,153</u></u>	<u><u>1,482,683</u></u>	<u><u>1,260,904</u></u>	<u><u>(3,050,000)</u></u>	<u><u>(2,550,000)</u></u>

*Totals may not add due to rounding.

⁽¹⁾ Budget, as adopted June 19, 2023.

⁽²⁾ Budget, as adopted June 17, 2024.

Source: School District Annual Financial Reports and Budget Report.

TAXING POWERS OF THE SCHOOL DISTRICT

Subject to certain limitations imposed by the Taxpayer Relief Act, Act No. 1 of the Special Session of 2006 (see below), the School District is empowered by the School Code and other statutes to levy the following taxes:

1. A basic annual tax on all real property taxable for school purposes, not to exceed 25 mills on each dollar of assessed valuation, to be used for general school purposes.
2. An unlimited ad valorem tax on the property taxable for school purposes to provide funds:
 - a. for minimum salaries and increments of the teaching and supervisory staff;
 - b. to pay rentals due any municipality authority or non-profit corporation or due the State Public School Building Authority;
 - c. to pay interest and principal on any indebtedness incurred pursuant to the Local Government Unit Debt Act, or any prior or subsequent act governing the incurrence of indebtedness of the School District; and
 - d. to pay for the amortization of a bond or note issue which provided a school building prior to the first Monday of July, 1959.
3. An annual per capita tax on each resident or inhabitant over 18 years of age of not less than \$1.00 and not more than \$10.00.
4. Additional taxes subject to division with other political subdivisions authorized to levy similar taxes on the same person, subject, business, transaction or privilege, under Act No. 511, enacted December 31, 1965, as amended by Act 32 of 2008, enacted July 2, 2008 (53 P.S. §6924.101 (“The Local Tax Enabling Act”). These taxes, which may include, among others, an additional per capita tax, wage and other earned income taxes, real estate transfer taxes, gross receipts taxes, local service taxes and occupation taxes, shall not exceed, in the aggregate, an amount equal to the product of the market valuation of real estate in the School District (as certified by the State Tax Equalization Board of the Commonwealth – “STEB”) multiplied by twelve mills. All local taxing authorities are required by the Local Tax Enabling Act to exempt disabled veterans and members of the armed forces reserve who are called to active duty at any time during the tax year from any local services tax and to exempt from any local services tax levied at a rate in excess of \$10 those persons whose total income and net profits from all sources within the political subdivision is less than \$12,000 for the tax year. The Local Tax Enabling Act was amended by Act 222 of 2004 to also authorize, but does not require, all taxing authorities to exempt from per capita, occupation, emergency and municipal service or earned income taxes, and any local services tax levied at a rate of \$10 or less per year, any person whose total income from all sources is less than \$12,000 per year.

The Taxpayer Relief Act (Act 1)

Under The Taxpayer Relief Act (Act 1), as amended by Act 25 of 2011, a school district may not levy any tax for the support of the public schools which was not levied in the previous fiscal year, raise the rate of any earned income and net profits tax if already imposed under the authority of the Local Tax Enabling Act, or increase the rate of any tax for school purposes by more than the Index (defined below), unless in each case either (a) such increase is approved by the voters in the school district at a public referendum or (b) one of the exceptions summarized below is applicable and the use of such exception is approved by PDE:

1. to pay interest and principal on indebtedness incurred (i) prior to September 4, 2004, in the case of a school district which had elected to become subject to the provisions of the prior Homeowner Tax Relief Act, Act 72 of 2004 (“Act 72”), or (ii) prior to June 27, 2006, in the case of a school district which had not elected to become subject to Act 72 (as in the case of the School District); to pay interest and principal on any indebtedness approved by the voters at referendum (electoral debt); and to pay interest and principal on debt refunding or refinancing debt for which one of the above exceptions is permitted, as long as the refunding or refinancing incurs no additional debt other than for costs and expenses related to the refunding or refinancing and the funding of appropriate debt service reserves;
2. to pay costs incurred in providing special education programs and services to students with disabilities, under specified circumstances; and
3. to make payments into the State Public School Employees’ Retirement System when the increase in the estimated payments between the current year and the upcoming year is greater than the Index, as determined by PDE in accordance with the provisions of Act 1.

Any revenue derived from an increase in the rate of any tax allowed under the exception numbered 1 above may not exceed the anticipated dollar amount of the expenditure, and any revenue derived from an increase in the rate of any tax allowed pursuant

to any other exception enumerated above may not exceed the rate increase required, as determined by PDE. If a school district's petition or request to increase taxes by more than the Index pursuant to one or more of the allowable exceptions is not approved, the school district may submit the proposed tax increase to a referendum.

The Index (to be determined and reported by PDE by September of each year for application to the following fiscal year) is the average of the percentage increase in the statewide average weekly wage, as determined by the State Department of Labor and Industry for the preceding calendar year, and the employment cost index for elementary and secondary schools, as reported by the federal Bureau of Labor Statistics for the preceding 12-month period beginning July 1 and ending June 30. If and when a school district has a Market Value/Income Aid Ratio greater than 0.40 for the prior school year, however, the Index is adjusted upward by multiplying the unadjusted Index by the sum of 0.75 and such Aid Ratio.

The Act 1 Index applicable to the School District in the next, current and prior fiscal years are as follows:

<u>Fiscal Year</u>	<u>Index %</u>
2019-20	2.3%
2020-21	2.6%
2021-22	3.0%
2022-23	3.4%
2023-24	4.1%
2024-25	5.3%

Source: Pennsylvania Department of Education website.

In accordance with Act 1, the School District put a referendum question on the ballot for the May, 15, 2007, primary election seeking voter approval to levy (or increase the rate of) its earned income and net profits tax ("EIT") or a personal income tax ("PIT") and use the proceeds to reduce local real estate taxes by a homestead and farmstead exclusion. The referendum was not approved by a majority of the voters at the primary election.

A board of school directors may submit, but is not required to submit, a referendum question to the voters at the municipal election in any future municipal election seeking approval to levy or increase the rate of an EIT or impose PIT for the purpose of funding homestead and farmstead exclusions, but the proposed rate of the EIT or PIT shall not exceed the rate that is required to provide the maximum homestead and farmstead exclusions allowable under law.

The Bonds are Not Expected to be Eligible for Act 1 Exceptions

The debt evidenced by the Bonds constitutes indebtedness incurred after the effective date of Act 1 and, therefore, no exception to the referendum requirement is expected for new taxes to pay the debt service on the Bonds if a tax increase greater than the Index is required.

Act 130 of 2008

Act 130 of 2008 of the Commonwealth amended the Local Tax Enabling Act so as to authorize school districts levying an occupation tax to replace that occupation tax with an increased earned income tax or, if the school district has implemented a personal income tax in accordance with the Taxpayer Relief Act, an increased personal income tax, in a revenue neutral manner. To so replace an occupation tax, the board of school directors must first hold at least one public hearing on the matter and then place a binding referendum question on the ballot at a general or municipal election for approval by the voters.

The School District currently does not levy an occupation tax.

Act 48 of 2003 - Legislation Limiting Unreserved Undesignated Fund Balances

Pennsylvania Act No. 2003-48 (enacted December 23, 2003) prohibits a school district from increasing real property taxes unless the school district has adopted a budget for such school year that includes an estimated ending unreserved undesignated fund balance which is not more than a specified percentage of the total budgeted expenditures, as set forth below:

<u>Total Budgeted Expenditures</u>	<u>Estimated Ending Unreserved Undesignated Fund Balance as a Percentage of Total Budgeted Expenditures</u>
Less than or equal to \$11,999,999	12.0%
Between \$12,000,000 and \$12,999,999	11.5%
Between \$13,000,000 and \$13,999,999	11.0%
Between \$14,000,000 and \$14,999,999	10.5%
Between \$15,000,000 and \$15,999,999	10.0%
Between \$16,000,000 and \$16,999,999	9.5%
Between \$17,000,000 and \$17,999,999	9.0%
Between \$18,000,000 and \$18,999,999	8.5%
Greater than or equal to \$19,000,000	8.0%

“Estimated ending unreserved undesignated fund balance” is defined in Act 2003-48 as that portion of the fund balance which is appropriate for expenditure or not legally or otherwise segregated for a specific or tentative future use, projected for the close of the school year for which a school district’s budget was adopted and held in the general fund accounts of the school district. The School District’s estimated ending unreserved fund balance as a percentage of total budgeted expenditures for the 2019-20 budget is shown in Table 5 herein under “Summary and Discussion of Financial Results”.

Tax Levy Trends

Table 6 which follows shows the recent trend of tax rates levied by the School District. Table 7 shows the comparative trend of real property tax rates for the School District, the Borough, the Township, and for the County.

TABLE 6
SCHOOL DISTRICT OF HATBORO-HORSHAM TAX RATES

Fiscal Year	Real Estate (mills)	Real Estate Transfer ⁽¹⁾ (%)	Earned Income (%)
2020-21	30.024	1.00	0.50
2021-22	30.591	1.00	0.50
2022-23	31.490	1.00	0.50
2023-24	32.650	1.00	0.50
2024-25	33.800	1.00	0.50

⁽¹⁾Subject to sharing.
Source: School District Officials.

TABLE 7
SCHOOL DISTRICT OF HATBORO-HORSHAM
COMPARATIVE REAL PROPERTY TAX RATES
(Mills on Assessed Value)

	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>
<i>School District</i>	30.024	30.591	31.490	32.650	33.800
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Hatboro Borough.....	9.789	9.789	10.002	10.628	10.628
Horsham Township.....	1.200	1.300	1.300	1.480	1.480
<i>Montgomery County</i>	3.459	3.632	3.932	4.237	4.237

Source: Local Government Officials and the Department of Community and Economic Development – Municipal Statistics.

Real Property Tax

The real property tax (excluding delinquent and transfer collections) produced \$78,807,130 in 2022-23, approximately 63.5 percent of total revenue. The tax is levied on July 1 of each year. The School District fiscal year is from July 1 through June 30 and tax bills are issued on July 1 of each year. Taxpayers who remit payment within 60 days of July 1 receive a 2 percent discount, and those who remit payment 120 days after July 1 are assessed a 10 percent penalty.

The following tables summarize recent trends of assessed and market valuations of real property and real property tax collection data. The last county-wide assessment in Montgomery County was in 1998.

TABLE 8

SCHOOL DISTRICT OF HATBORO-HORSHAM
REAL PROPERTY ASSESSMENT DATA

Fiscal Year	Market Value	Assessed Value	Ratio
2018-19.....	\$4,377,646,711	\$2,637,402,264	60.25%
2019-20.....	4,381,790,567	2,640,091,429	60.25%
2020-21.....	4,484,696,085	2,646,937,968	59.02%
2021-22.....	4,492,964,498	2,653,455,032	59.06%
2022-23.....	4,492,964,498	2,686,873,143	55.34%

Source: PA State Tax Equalization Board (STEB)/Tax Equalization Division (TED)

TABLE 9

SCHOOL DISTRICT OF HATBORO-HORSHAM
REAL PROPERTY ASSESSMENT DATA BY MUNICIPALITY

	2021 Market Value	2021 Assessed Value	2022 Market Value	2022 Assessed Value
<i>School District</i>	\$4,492,964,498	\$2,653,455,032	\$4,855,032,025	\$2,686,873,143
Hatboro Borough	683,121,116	405,978,345	742,310,847	406,502,615
Horsham Township.....	3,809,843,382	2,247,476,687	4,112,721,178	2,280,370,528
Montgomery County.....	103,621,572,169	61,441,259,101	109,743,705,244	60,639,972,250

Source: PA State Tax Equalization Board (STEB)/Tax Equalization Division (TED)

TABLE 10

SCHOOL DISTRICT OF HATBORO-HORSHAM
ASSESSMENT BY LAND USE

	2018	2019	2020	2021	2022
Residential.....	\$1,760,572,082	\$1,770,717,867	\$1,780,954,857	\$1,780,358,477	\$1,781,775,617
Lots	6,229,695	6,320,435	6,247,765	5,764,205	5,387,365
Industrial	114,717,367	113,736,178	113,700,468	113,700,468	118,186,628
Commercial.....	741,079,270	735,272,049	731,990,448	743,220,882	770,685,933
Agriculture	13,392,070	13,392,070	13,391,600	9,717,710	9,716,480
Land	758,950	0	0	0	0
Oil/Gas/Mineral	0	0	0	0	441,040
Trailer.....	652,830	652,830	652,830	693,290	680,080
Total	<u>\$2,637,402,264</u>	<u>\$2,640,091,429</u>	<u>\$2,646,937,968</u>	<u>\$2,653,455,032</u>	<u>\$2,686,873,143</u>

Source: PA State Tax Equalization Board (STEB)/Tax Equalization Division (TED)

**TABLE 11
SCHOOL DISTRICT OF HATBORO-HORSHAM
REAL PROPERTY TAX COLLECTION DATA**

<u>Fiscal Year</u>	<u>Taxes Levied</u>	<u>Current Year Collections (July-June)</u>	<u>Current Year Collections as Percent of Total Flat Billing</u>	<u>Total Current Plus Delinquent⁽¹⁾</u>	<u>Total Current Plus Delinquent Collections as Percent of Taxes Levied</u>
2019-20	\$77,788,762	\$75,000,351	96.42%	\$76,547,896	98.40%
2020-21	79,845,069	76,788,666	96.17%	78,478,402	98.29%
2021-22	82,004,500	78,813,548	91.11%	80,913,055	98.67%
2022-23	84,090,794	81,804,817	97.28%	83,760,447	99.61%
2023-24	87,507,377	84,919,824	97.04%	86,205,337	98.51%

⁽¹⁾ Includes prior year delinquent taxes.

Source: School District Officials.

The ten largest real property taxpayers, together with their assessed values, are shown on Table 12 which follows. The aggregate assessed value of these ten taxpayers totals approximately 13.7 percent of total assessed value.

**TABLE 12
SCHOOL DISTRICT OF HATBORO-HORSHAM
TEN LARGEST REAL PROPERTY TAXPAYERS**

<u>Owner</u>	<u>Property</u>	<u>2023-24 Assessed Values</u>
RV OP 1 OP	Manufacturing & Office Complex	\$139,777,630
AP Addison LLC	Apartment Complex	39,270,000
GI/Motorola/Arris*	Telecommunications	38,720,000
Centocor	Biotechnology	30,773,120
BT Witmer LP	Apartment Complex	22,595,000
1425 Horsham Road	Senior Assisted Living	21,780,000
Heffernan Partners	Business Park-Office Complex	21,321,030
MCP-English Village LLC	Commercial Office Complex	21,080,000
Brookwood	Commercial Office Complex	19,100,550
Horsham Realty	Shopping Centers	14,070,000
Total		\$368,488,110

* Pending Assessment appeal filed in 2020-21 by taxpayer, the potential timeline of the appeal and potential period of impact are not yet finalized.

Note: The School District filed fifteen (15) and six (6) reverse assessment appeals on properties it believes are underassessed in August 2021 and August 2022, respectively. As of May 14, 2024, the District has four (4) 2022 appeals that are outstanding but one (1) is currently being negotiated. The District has fourteen (14) 2021 appeals that have been settled and three (3) 2022 appeals that have been settled.

Source: School District officials.

Other Taxes

Under Act 511, the School District collected \$10,169,639 in other taxes in 2022-23. Among the taxes authorized by Act 511, the Real Estate Transfer and Wage and Income taxes are levied by the School District. The Act 511 limit, equal to 12 mills on the market value of real property, was \$56,260,384.

Real Estate Transfer. A tax of one-half percent of the value of real estate transfers yielded \$2,644,601 in 2022-23, or 2.1 percent of total revenue.

Earned Income Tax. The School District levies a tax of one-half percent of the earned income of residents. In 2022-23 the collected portion of this tax yielded \$7,525,038 or 6.1 percent of total revenue.

COMMONWEALTH AID

Pennsylvania school districts receive financial assistance from the Commonwealth in a number of forms, all subject to statutory provisions and annual appropriation by the Pennsylvania General Assembly.

Basic education funding is allocated to all school districts in an amount equal to: (1) a fixed sum equal to the school district's fiscal year 2014-15 basic educational funding; plus (2) an additional increment determined annually pursuant to statutory formula which adjusts a school district's average daily membership by a number of factors specific to the composition of the student population as well as the school district's median household income, local tax effort and capacity to generate local revenue. The additional increment as calculated above for any individual school district may be zero.

Information concerning the calculation of the School District's basic education funding can be found on the Pennsylvania Department of Education's website at <https://www.education.pa.gov>.

School districts may also receive state aid for special education, pupil transportation, vocational education, and health services, among other things.

Current Lack of State Appropriations for Debt Service Subsidies

Commonwealth law presently provides that the School District will receive, subject to state legislative appropriation, reimbursement from the Commonwealth for a portion of debt service paid on the Bonds following final approval by PDE. Commonwealth reimbursement is calculated based on the "Reimbursable Percentage" assigned to the Bonds by the PDE and the School District's permanent Capital Account Reimbursement Fraction ("CARF") (28.98%) or the wealth based Market Value Aid Ratio ("MVAR") currently (10.00%), whichever is higher. The Reimbursable Percentage is determined through a process known as the "Planning and Construction Workbook" or "PlanCon".

The School District estimates the Bonds will not be subject to reimbursement by the Commonwealth.

In May of 2016, the Commonwealth enacted appropriation legislation known as Act 25 ("Act 25"), which contains authorization for the Commonwealth Finance Authority ("CFA") to issue up to \$2.5 billion of debt to fund PlanCon reimbursements to school districts. Act 25 also instituted a moratorium on new projects entering the PlanCon process while an advisory committee established under Act 25 considers amendments to the PlanCon reimbursement program. This moratorium went into effect on May 15, 2016 and most recently became indefinite with the adoption of Act No. 33 of 2023 on December 13, 2023.

To date, the CFA has issued \$1,903,065,000, to provide for PlanCon reimbursements owed to school districts, including the issuance of its Revenue Bonds, Series A of 2016 (Federally Taxable) in the principal amount of \$758,185,000 issued on October 31, 2016, its Revenue Bonds, Series A of 2018 (Federally Taxable) in the total amount of \$412,520,000 issued on January 18, 2018, its Revenue Bonds (Federally Taxable), Series A of 2019 in the total amount of \$388,975,000 issued on May 9, 2019, as well as its Revenue Bonds (Federally Taxable), Series A of 2021 in the total amount of \$343,385,000 issued on June 23, 2021. It is expected that proceeds of these issues have been and will continue to be used to provide PlanCon reimbursement that is owed to the School District for past and current fiscal years. However, the School District cannot be certain that any future PlanCon reimbursement will be received by PDE as the ability for CFA to issue additional bonds in the future to fund future PlanCon reimbursements owed to school districts may impact the availability of PlanCon reimbursements payable to the School District. Any failure by the Commonwealth to adopt a timely budget and enact necessary spending authorizations could have a material adverse effect upon the School District's anticipated receipt of PlanCon reimbursements.

Act 70 of 2019 was adopted by the State legislature that has modified the PlanCon process. The Act states that on July 1, 2020, a new PlanCon system will go online. However, the legislation does not include any funding nor does it state when the State would start to allow applicants to enter into the new program.

There can be no assurances that the School District will be able to successfully apply for, be awarded, and receive sufficient PlanCon reimbursement for the costs of any current or future projects of the School District. A failure by the School District to receive such reimbursement could force the School District to apply other available funds, if any, toward the completion costs of the Project and may have a material adverse effect on the financial resources of the School District to fund other obligations, including payment of debt service on the Bonds.

Legislation has been introduced from time to time in the Pennsylvania legislature containing language that would revise or even abolish the debt service reimbursement program for Pennsylvania school districts. As of the date hereof, and except as described above, none of these proposals have been signed into law. To the extent that any future legislation contains material changes to the PlanCon program as it is structured currently, the amount of PlanCon reimbursement to the School District may be positively or negatively affected, which could materially impact the amount of local funds needed to be raised by the School District to pay debt service on its debt obligations.

DEBT AND DEBT LIMITS

Debt Statement

Table 13 which follows shows the debt of the School District as of June 17, 2024, including the issuance of the Bonds.

TABLE 13
SCHOOL DISTRICT OF HATBORO-HORSHAM
DEBT STATEMENT
(As of June 17, 2024)*

NONELECTORAL DEBT	Gross Outstanding
General Obligation Bonds, Series B of 2024 (last maturity 2051)	\$15,000,000
General Obligation Bonds, Series A of 2024 (last maturity 2039)	5,010,000
General Obligation Bonds, Series A of 2023 (last maturity 2051)	38,315,000
General Obligation Bonds, Series of 2023 (last maturity 2051)	34,580,000
General Obligation Bonds, Series of 2021 (last maturity 2051)	9,985,000
General Obligation Bonds, Series A of 2020 (last maturity 2033)	17,170,000
General Obligation Bonds, Series of 2020 (last maturity 2034)	8,570,000
General Obligation Bonds, Series of 2019 (last maturity 2039) (remaining portion)	3,355,000
General Obligation Bonds, Series of 2018 (last maturity 2039)	10,470,000
General Obligation Bonds, Series of 2017 (last maturity 2038)	7,920,000
<i>TOTAL NONELECTORAL DEBT</i>	\$150,375,000
 LEASE RENTAL	 \$0
 <i>TOTAL PRINCIPAL OF DIRECT DEBT</i>	 \$150,375,000

*Includes the estimated principal amount of the Bonds offered through this Preliminary Official Statement.

Table 14 presents the overlapping indebtedness and debt ratios of the School District. After issuance of the Bonds, the principal of direct debt of the School District will total \$150,375,000. After adjustment for available funds and estimated Commonwealth aid, the local effort of direct debt will total \$148,278,031.

TABLE 14
SCHOOL DISTRICT OF HATBORO-HORSHAM
BONDED INDEBTEDNESS AND DEBT RATIOS*
(As of June 17, 2024)

DIRECT DEBT	Gross Outstanding	Local Effort or Net of Available Funds and Estimated Commonwealth Aid⁽¹⁾
Nonelectoral Debt.....	\$150,375,000	\$148,278,031
Lease Rental Debt.....	0	0
TOTAL DIRECT DEBT	\$150,375,000	\$148,278,031
 OVERLAPPING DEBT		
Montgomery County, General Obligation ⁽²⁾	\$31,425,788	\$31,425,788
Municipal Debt.....	12,535,000	12,535,000
TOTAL OVERLAPPING DEBT	\$43,960,788	\$43,960,788
 TOTAL DIRECT AND OVERLAPPING DEBT	\$194,335,788	\$192,238,819
 DEBT RATIOS		
Per Capita (2023).....	\$5,584.04	\$5,523.79
Percent 2022-23 Assessed Value	7.23%	7.15%
Percent 2022-23 Market Value	4.00%	3.96%

*Includes the estimated principal amount of the Bonds offered through this Preliminary Official Statement.

⁽¹⁾Gives effect to current appropriations for payment of debt service, and expected future Commonwealth reimbursement of School District sinking fund payments based on current Aid Ratio. See "COMMONWEALTH AID."

⁽²⁾Pro rata 4.42 percent of \$710,352,151 principal outstanding.

Debt Limit and Remaining Borrowing Capacity

The statutory borrowing limit of the School District under the Act is computed as a percentage of the School District's "Borrowing Base". The "Borrowing Base" is defined as the annual arithmetic average of "Total Revenues" (as defined by the Act), for the three full fiscal years ended next preceding the date of incurring debt. The School District calculates its present borrowing base and borrowing capacity as follows:

Total Revenues for 2020-21.....	\$109,885,534
Total Revenues for 2021-22.....	113,948,716
Total Revenues for 2022-23.....	<u>122,156,118</u>
 Total Revenues, Past Three Years.....	 <u>\$345,987,369</u>
 Annual Arithmetic Average (Borrowing Base)	 \$115,329,123

Under the Act as presently in effect, no school district shall incur any nonelectoral debt or lease rental debt, if the aggregate net principal amount of such new debt together with any other net nonelectoral debt and lease rental debt then outstanding, would cause the net nonelectoral debt plus net lease rental debt to exceed 225% of the Borrowing Base. The application of the aforesaid percentage to the School District's Borrowing Base produces the following product:

	<u>Legal Limit</u>	<u>Net Debt Outstanding*</u>	<u>Remaining Borrowing Capacity</u>
Net Nonelectoral Debt and Lease Rental Debt Limit:			
225% of Borrowing Base.....	\$259,490,526	\$150,375,000	\$109,115,526

*Includes the estimated principal amount of the Bonds described herein.

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

Debt Service Requirements

Table 15 presents the debt service requirements on the School District’s outstanding general obligation and lease rental indebtedness including debt service on the Bonds.

The School District has never defaulted on the payment of debt service.

TABLE 15
SCHOOL DISTRICT OF HATBORO-HORSHAM
DEBT SERVICE REQUIREMENTS*

<u>Year</u>	<u>Other General Obligation Debt</u>	<u>Series B of 2024</u>			<u>Total Requirements</u>
		<u>Principal</u>	<u>Interest</u>	<u>Subtotal</u>	
2024-25	\$9,450,777				
2025-26	8,673,014				
2026-27	8,673,103				
2027-28	8,674,504				
2028-29	8,670,579				
2029-30	8,669,499				
2030-31	8,672,468				
2031-32	8,669,647				
2032-33	8,676,080				
2033-34	8,675,632				
2034-35	8,656,754				
2035-36	8,650,126				
2036-37	8,654,431				
2037-38	8,653,187				
2038-39	8,652,063				
2039-40	8,184,388				
2040-41	7,449,438				
2041-42	7,448,513				
2042-43	7,448,313				
2043-44	7,448,388				
2044-45	7,445,175				
2045-46	7,447,775				
2046-47	7,448,425				
2047-48	7,446,663				
2048-49	7,450,197				
2049-50	7,448,269				
2050-51	7,446,781				
2051-52	7,449,903				
Total	\$228,334,087				

*Totals may not add due to rounding.

Table 16 presents data on the extent to which State Aid provides coverage for debt service and lease rental requirements.

TABLE 16
SCHOOL DISTRICT OF HATBORO-HORSHAM
COVERAGE OF DEBT SERVICE AND LEASE RENTAL
REQUIREMENTS BY STATE AID*

2022-23 State Aid Received	\$25,121,181
2022-23 Debt Service Requirements	8,012,103
Maximum Future Debt Service Requirements after Issuance of Bonds.....	
Coverage of 2022-23 Debt Service Requirements	3.14 times
Coverage of Maximum Future Debt Service Requirements after Issuance of Bonds	times

*Assumes current State Aid Ratio. See “COMMONWEALTH AID.”

Future Financing

The School District anticipates issuing additional long-term indebtedness of approximately \$20-25 million over the next two years to complete the Keith Valley Middle School project.

LABOR RELATIONS

School District Employees

There are presently 710 employees, which consist of 530 full-time and 180 part-time employees of the School District, including 398 teachers, 276 support personnel and 36 administrators.

The School District’s teachers are represented by the Hatboro-Horsham Education Association which is affiliated with the Pennsylvania State Education Association, under a contract with the School District which expires on June 30, 2026.

Pension Program

Currently, all Pennsylvania school districts and intermediate units participate in a pension program administrated by the Commonwealth. The program is formally known as the Public School Employees’ Retirement System (“PSERS”), and a percentage of each eligible employee’s salary is contributed by the employee, the School District and the Commonwealth. All full-time employees, part-time employees salaried over eighty days per year and hourly employees with over five hundred hours per year participate in the program.

Contributions are required by active members, School Districts, and the Commonwealth of Pennsylvania as established by the Public School Employees’ Retirement Code. Members who enrolled prior to January 1, 2002 range from 5.25% to 7.5% of compensation, depending upon the date of commencement of employment and elections made by each employee member. Members who enrolled in the pension plan on or after January 1, 2002 and before July 1, 2011 is 7.5% of compensation. The contribution rate for PSERS members who enrolled on or after July 1, 2011 is 7.5% or 10.3%, depending upon elections made by each employee member and subject to change based on shared risk provisions defined by state law. The PSERS Board of Trustees certified an annual employer contribution rate of 34.00% for the fiscal year 2023-24.

The Commonwealth will reimburse the School District at the rate of 50% of its total contributions with respect to all employees who were hired prior to July 1, 1994. With respect to employees hired after July 1, 1994, and who were not previously employed by another public school system in the Commonwealth, the School District will be reimbursed by the Commonwealth at the rate of the higher of 50% of contributions made by the School District or the current Market Value/Personal Income Aid Ratio. The School District is reimbursed on a quarterly basis.

Under Act 5 of 2017 (“Act 5”) PSERS will transition from a traditional defined benefit system and begin to offer defined contribution plans as well. Beginning July 1, 2019, in addition to other transaction rules and options based on members’ classifications, certain classes of active members may choose to switch from the current defined benefit plan to one of three new retirement benefit plan options which will be available. Additionally, all active members newly hired on or after July 1, 2019 will be required to select one of those three new retirement benefit plan options and will not be eligible to participate in the current defined benefit plan. The three new plans consist of two hybrid plans, with defined benefit and defined contribution components, along with a stand-alone defined contribution plan.

In addition to its comprehensive change in available plans for active members, Act 5 also made certain changes to the PSERS Board of Trustees and administrative protocols and created the Public Pension Management and Asset Investment Review

Commission to study and make recommendations to the General Assembly and the Governor regarding investment performance and strategies.

According to the Independent Fiscal Office, Act 5 is not expected to reduce school district and state contributions to PSERS over the first fifteen years. However, beginning in fiscal year 2034-35 through fiscal year 2049-50, employer contribution rates are expected to begin to decline due to the lower long-term employer costs of the new benefit plans and will be lower, in the aggregate, over the study period.

Annual School District contributions have been as follows:

	2019-20	\$16,650,775
	2020-21	16,564,600
	2021-22	17,461,312
	2022-23	18,781,050
	2023-24 (budgeted)	18,744,769
	2024-25 (budgeted)	19,114,231

At June 30, 2023, the School District reported a liability of \$155,472,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by rolling forward the PSERS total pension liability as of June 30, 2021 to June 30, 2022. The School District's proportion of the net pension liability was calculated utilizing its one-year reported covered payroll as it relates to the total one-year reported covered payroll of all school districts. At June 30, 2023, the School District's proportion as 0.3497% which was an increase of 0.0074% from its proportion measured as of June 30, 2022.

As of June 30, 2023, the PSERS plan was 61.60% funded, with an unfunded actuarial accrued liability of approximately \$44.0 billion. PSERS' rate of return for fiscal year ended June 30, 2023 was 3.54%. The Fund had plan net assets of \$72.8 billion at June 30, 2023. For more information, visit the PSERS website at www.psers.pa.gov, which is not incorporated by specific reference into this Preliminary Official Statement.

Source: School District Administrative Officials and PSERS.

Other Post-Employment Benefits ("OPEB")

The District's OPEB costs include benefits from both a Multiple Employer OPEB Plan as well as a Single Employer OPEB Plan.

The Multiple Employer OPEB Plan, known as the Health Insurance Premium Assistance Program, is provided by PSERS to all eligible retirees who qualify and elect to participate. On June 30, 2022, the District reported a liability of \$8,148,000 for its proportionate share of the net OPEB liability. The School District recognized OPEB expense of \$409,000 for June 30, 2022.

The Single Employer OPEB Plan, in accordance with the PA School Code of 1949, as amended, medical coverage is provided to eligible retirees and spouses with the retiree paying the full active premium rate for coverage until the age of 65. The District's total OPEB liability under the Single Employer OPEB Plan was \$5,062,750 measured as of July 1, 2021. The District recognized OPEB expense of \$129,270 for year ended June 30, 2022.

In June 2015, GASB issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans. GASB 75 established new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2017.

For further information on the effects of GASB Statement No.75, the School District's OPEB and other vested employee benefits, including valuation and sick pay, see "Appendix D- Audited Financial Statement, Note L".

Source: School District 2023 Audit Report.

LITIGATION

At the time of settlement, the School District will deliver a certificate stating to the knowledge of the School District there is no litigation pending with respect to the Bonds, the Resolution or the right of the School District to issue the Bonds and there is no litigation which would materially affect the School District's financial condition.

DEFAULTS AND REMEDIES

In the event of failure of the School District to pay or cause to be paid the interest on or principal of the Bonds, as the same becomes due and payable, the holders of the Bonds shall be entitled to certain remedies provided by the Act. Among the remedies, if the failure to pay shall continue for 30 days, holders of the Bonds shall have the right to recover the amount due by bringing an action in assumpsit in the Court of Common Pleas of the county in which the School District is located. The Act provides that any judgment shall have an appropriate priority upon the funds next coming into the treasury of the School District. The Act also provides that upon a default of at least 30 days, holders of at least 25 percent of the Bonds may appoint a trustee to represent them. The Act provides certain other remedies in the event of default, and further qualifies the remedies hereinbefore described.

TAX MATTERS

Federal

Exclusion of Interest from Gross Income

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the Bonds will not be includible in gross income of the holders thereof for federal income tax purposes assuming continuing compliance by the School District with the requirements of the Internal Revenue Code of 1986, as amended (the “Code”). Interest on the Bonds will not be a specific preference item for purposes of computing the federal alternative minimum tax on individuals.

In rendering its opinion, Bond Counsel has assumed compliance by the School District with its covenants contained in the Resolution and its representations in the Tax Compliance Certificate executed by the School District on the date of issuance of the Bonds relating to actions to be taken by the School District after issuance of the Bonds necessary to effect or maintain the exclusion from gross income of interest on the Bonds for federal income tax purposes. These covenants and representations relate to, inter alia, the use and investment of proceeds of the Bonds, and the rebate to the United States Department of Treasury of specified arbitrage earnings, if any. Failure to comply with such covenants could result in interest on the Bonds becoming includible in gross income for federal income tax purposes from the date of issuance of the Bonds.

Other Federal Tax Matters

Ownership or disposition of the Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation: certain S corporations, foreign corporations with branches in the United States, holders of an interest in a financial asset securitization investment trust, property and casualty insurance companies, individuals who otherwise qualify for the earned income credit and taxpayers who have an initial basis in the Bonds greater or less than the principal amount thereof, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers, including banks, thrift institutions and other financial institutions subject to § 265 of the Code, who may be deemed to have incurred or continued indebtedness to purchase or to carry the Bonds. In addition, ownership or disposition of the Bonds may result in other federal tax consequences to “applicable corporations” (within the meaning of Section 59(k) of the Code enacted as part of the Inflation Reduction Act of 2022) for tax years beginning after December 31, 2022, in that interest on the Bonds may be included in the calculation of the alternative minimum tax imposed on applicable corporations under Section 55(b) of the Code.

Bond Counsel is not rendering any opinion regarding any federal tax matters other than as described under the caption “Exclusion of Interest from Gross Income” above and expressly stated in the form of Bond Counsel opinion included as Appendix B hereto. Prospective purchasers of the Bonds should consult their independent tax advisors with regard to all federal tax matters.

Pennsylvania

In the opinion of Bond Counsel, under the laws of the Commonwealth as enacted and construed on the date hereof, interest on the Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax; however, under the laws of the Commonwealth, as enacted and construed on the date hereof, any profits, gains or income derived from the sale, exchange or other disposition of the Bonds will be subject to Pennsylvania taxes and local taxes within the Commonwealth.

Bond Counsel is not rendering any opinion as to any Commonwealth tax matters other than those described under the caption “Pennsylvania” above and expressly stated in the form of Bond Counsel opinion included as Appendix B hereto. Prospective purchasers of the Bonds should consult their independent tax advisors with regard to all Commonwealth matters.

Other

The Bonds and the interest thereon may be subject to state and local taxes in jurisdictions other than the Commonwealth under applicable state or local tax laws.

Purchasers of the Bonds should consult their independent tax advisors with regard to all state and local tax matters that may affect them.

BONDHOLDER CONSIDERATIONS

The Bonds, like all investment securities, carry a risk of loss of the investment, in whole or in part. This Preliminary Official Statement does not purport to describe all of the risks of an investment in the Bonds; both the School District and the Underwriters disclaim any responsibility to advise prospective investors of such risks either as they may exist at the date of dissemination of this Preliminary Official Statement or as they may appear or change from time to time in the future. Prospective purchasers of the Bonds should consult their own legal and tax advisors as to the risks associated with an investment in the Bonds, their ability to bear a loss from an investment in the Bonds and the suitability of investing in the Bonds, in light of their particular, individual circumstances. Prospective purchasers should carefully consider the matters described below, as well as all the information contained within this entire Preliminary Official Statement inclusive of its Appendices.

Cybersecurity

The School District, like other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other electronic sensitive information, the School District may be the subject of cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized remote access to the School District's systems for the purposes of misappropriating assets or information or causing operational disruption or damage, or demanding ransom for restored access to files or information. The School District has never had a material cyber breach or a cyber breach that resulted in a financial loss. No assurance can be given that the School District's current efforts to manage cyber threats and security will, in all cases, be successful. The School District cannot predict what future cyber security events may occur and what impact said events could have on its operations or finances. To mitigate these risks to the greatest extent possible, the School District implemented multi-factor authentication for key stakeholders with access to sensitive information (with the intention to implement for all staff in the 2023-24 school year). Furthermore, the School District contracts with a third party to provide security assessment services to better defend, investigate, automate, remediate, and secure information security assets, key identified systems, and personal and sensitive data. In addition to the various processes in place to safeguard against cyber security attacks, the School District also maintains a comprehensive insurance policy which includes privacy liability, cyber incident response, data breach, network security, internet media and network extortion coverages.

The School District relies on other entities and service providers in the course of operating the School District, including its accountants, attorneys, the trustee, and banks, as well as vendors with respect to outsourced critical digital network operations and functions. No assurance can be given that future cyber threats and attacks against other third party entities or service providers will not impact the School District and the owners of the Bonds, including the possibility of impacting the timely payments of debt service on the Bonds or timely filings pursuant to the Continuing Disclosure Agreement.

Climate Change

Numerous scientific studies have detailed changing global weather patterns and the potential for increasing extreme weather events across the world. The School District can not predict the timing, extent, or severity of climate change and its impact on its operations and finances. The School District maintains a comprehensive insurance policy and maintains adequate reserves that could be used in the event of extreme weather.

Coronavirus Pandemic

Certain external events beyond the control of the School District, such as pandemics, could potentially disrupt the School District's ability to conduct its operations. Since early 2020, the School District, along with the rest of the world, has been dealing with the effects of COVID-19 pandemic. The COVID-19 pandemic and the governmental response has had a profound impact on the operations of educational institutions at all levels, including the School District. As the result of the COVID-19 pandemic, the School District has been allocated federal grant funding assistance totaling approximately \$5,204,0468, all of which has been expended or earmarked for use by September 30, 2024. The School District has addressed and continues to address challenges due to COVID-19. The future severity of the economic challenges and duration of this and other public health crisis cannot be fully known at this time.

Risk of Audit by Internal Revenue Service

The Internal Revenue Service has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Internal Revenue Service, interest on such tax-exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the School District as the taxpayer and Bond purchasers may have no right to participate in such procedure. None of the School District, the Underwriters or Bond Counsel is obligated to defend the tax-exempt status of the Bonds on behalf of the Bond purchasers, nor to

pay or reimburse the cost of any Bond purchaser with respect to any audit or litigation relating to the Bonds. See “**TAX MATTERS**” herein.

CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirement of Rule 15c2-12 (the “Rule”) of the United States Securities and Exchange Commission (the “SEC”), the School District (being an “obligated person” with respect to the Bonds, within the meaning of the Rule), will agree to provide certain financial information and operating data to the Municipal Securities Rulemaking Board (the “MSRB”) in an electronic format as prescribed by the MSRB, either directly, or indirectly through a designated agent, as set forth in its Continuing Disclosure Agreement (the “Continuing Disclosure Certificate”) substantially in the form attached hereto as Appendix D.

With respect to the filing of annual financial information and operating data, the School District reserves the right to modify from time to time the specific types of information and data provided or the format of the presentation of such information to the extent necessary or appropriate as a result of a change in legal requirements or a change in the nature of the School District or its operations or financial reporting, but the School District will agree that any such modification will be done in a manner consistent with the Rule.

The School District is required to give notice of certain events as set forth in the Continuing Disclosure Certificate (not all of which will be relevant to the School District). The School District may from time to time choose to file notice of other events in addition to those specified in the Continuing Disclosure Certificate.

The School District acknowledges that its undertaking pursuant to the Rule described herein and in the Continuing Disclosure Certificate is intended to be for the benefit of the holders and beneficial owners of the Bonds and shall be enforceable by the holder and beneficial owner of the Bonds, but the right of the holders and beneficial owners of the Bonds to enforce the provisions of the School District’s continuing disclosure undertaking shall be limited to a right to obtain specific enforcement, and any failure by the School District to comply with the provisions of the undertaking shall not be an event of default with respect to the Bonds.

The School District’s obligations with respect to continuing disclosure described herein shall terminate upon the prior defeasance, redemption or payment in full of all of the Bonds or if and when the School District is no longer an “obligated person” with respect to the Bonds, within the meaning of the Rule.

The MSRB has been designated by the SEC to be the central and sole repository for continuing disclosure information filed by issuers of municipal securities since July 1, 2009. Information and notices filed by municipal issuers (and other defined “obligated persons”) with respect to municipal securities issues) are made available through the MSRB’s Electronic Municipal Market Access (EMMA) System, which may be accessed on the internet at <http://www.emma.msrb.org>.

The School District has previously entered into Continuing Disclosure Agreements with respect to each one of its previously issued bond issues that are currently outstanding. The School District’s filing history of its annual financial and operating information during the past five (5) years is outlined in the following table.

Fiscal	Filing Dates:	
Year	Filing	Audit &
<u>Ending</u>	<u>Due Dates</u>	<u>Operating Data</u>
6/30/2023	4/1/2024	3/18/2024 ⁽²⁾
6/30/2022	4/1/2023	3/1/2023
6/30/2021	4/1/2022	3/7/2022 ⁽¹⁾
6/30/2020	4/1/2021	2/1/2021
6/30/2019	2/1/2020	1/23/2020

⁽¹⁾The School District subsequently filed a corrective notice relating to the ten largest taxpayer's - operating data filing for fiscal year ending June 30, 2021 to EMMA on 11/28/2022.

⁽²⁾The School District subsequently filed a corrective notice relating to the real property tax collection data - operating data filing for fiscal year ending June 30, 2023 to EMMA on 5/9/2024.

Effective July 1, 2014, and amended and revised on November 13, 2023, the School District administration put in place post-issuance compliance procedures to assist the administration with compliance with the prior disclosure requirements and the Continuing Disclosure Agreement in the future.

RATING

Moody's Investors Service has assigned an underlying rating of "Aa1" to the Bonds. Such rating reflects only the view of such organization and any desired explanation of the significance of such rating should be obtained from the rating agency furnishing the same, at the following address: Moody's Investors Service, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency, if circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Neither the School District nor the Underwriters have undertaken to maintain any particular rating on the Bonds.

UNDERWRITING

Raymond James & Associates, Inc., Lancaster, Pennsylvania as Representative of itself and RBC Capital Markets, LLC, West Conshohocken, Pennsylvania (collectively, the "Underwriters") subject to certain conditions, has purchased the Bonds from the School District at a purchase price of \$_____ (representing the par amount of the Bonds of \$_____, [plus/less] an original issue [premium/discount] of \$_____ less an underwriting discount of \$_____). The Underwriters' obligations are subject to certain conditions precedent; however, the Underwriters will be obligated to purchase all such Bonds on the Date of Delivery if any such Bonds are purchased. The Bonds may be offered and sold to certain dealers (including dealers depositing such bonds into investment trusts) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters and their respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriters and their respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriters and their respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the School District. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the School District. The Underwriters and their respective affiliates may make a market in credit default swaps with respect to municipal securities in the future.

LEGAL OPINION

The Bonds are offered subject to the receipt of the legal opinion of Eckert Seamans Cherin & Mellott, LLC, Bond Counsel, Philadelphia, Pennsylvania. Certain legal matters will be passed upon for the School District by Rudolph Clarke, LLC, School District Solicitor, Trevese, Pennsylvania, and for the Underwriters by Dilworth Paxson LLP, counsel to the Underwriters, Philadelphia, Pennsylvania.

FINANCIAL ADVISOR

The School District has retained PFM Financial Advisors LLC, Harrisburg, Pennsylvania, as financial advisor (the "Financial Advisor") in connection with the preparation, authorization and issuance of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Preliminary Official Statement. The Financial Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities. The Financial Advisor's contract with the School District prohibits it from participating in the underwriting of any of the School District's debt.

MISCELLANEOUS

This Preliminary Official Statement has been prepared under the direction of the School District by PFM Financial Advisors LLC, Harrisburg, Pennsylvania, in its capacity as Financial Advisor to the School District. The information set forth in this Preliminary Official Statement has been obtained from the School District and from other sources believed to be reliable. Insofar as any statement herein includes matters of opinion or estimates about future conditions, it is not intended as representation of fact, and there is no guarantee that it is, or will be, realized. Summaries or descriptions of provisions of the Bonds, the Resolution, and all references to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof. Reference is hereby made to the complete documents, copies of which will be furnished by the School District or the Financial Advisor upon request. The information assembled in this Preliminary Official Statement is not to be construed as a contract with holders of the Bonds.

The School District has authorized the distribution of this Preliminary Official Statement.

SCHOOL DISTRICT OF HATBORO-HORSHAM
Montgomery County, Pennsylvania

By: _____
President, Board of School Directors

**APPENDIX A— Demographic and
Economic Information Relating to the
School District of Hatboro-Horsham**

[THIS PAGE INTENTIONALLY LEFT BLANK]

Population

Table A-1 shows recent population trends for the School District, Montgomery County and the Commonwealth. Table A-2 shows 2020 age composition and average number of persons per household in the County and for the Commonwealth. The County had a slightly higher proportion of fewer than 65 in its population than the proportion statewide. Average household size for the County was slightly higher than the statewide average.

**TABLE A-1
RECENT POPULATION TRENDS**

Area	2010	2020	Compound Average Annual Percentage Change 2010-2020
School District.....	33,507	34,802	0.38%
Montgomery County	799,874	856,553	0.69%
Pennsylvania.....	12,702,379	13,002,700	0.23%

Source: U.S. Census Bureau, Census 2010 & 2020.

**TABLE A-2
AGE COMPOSITION**

	0-19 Years	20-64 Years	65+ Years	Persons Per Household
Montgomery County	23.9%	58.4%	17.8%	2.53
Pennsylvania.....	23.4	58.4	18.3	2.42

Source U.S. Census Bureau, 2019 American Community Survey 1-Year Estimate.

Employment

The largest employers located within or near the School District include:

Name

Merck Sharp & Dohme Corporation
 Abington Memorial Hospital
 Main Line Hospitals Inc.
 State Government
 SEI Investments Company
 Albert Einstein Medical Center
 SmithKline Beecham Corporation
 Lockheed Martin Corp.
 Giant Food Stores LLC
 Federal Government

Source: Quarterly Census of Employment and Wages, Q3 of 2023

Overall employment data are not compiled for the School District, but such data are compiled for the Metropolitan Statistical Area (the “MSA”), (an area which includes the School District) as shown on Table A-3.

**TABLE A-3
DISTRIBUTION OF EMPLOYMENT BY INDUSTRY
MONTGOMERY-BUCKS-CHESTER, PA METROPOLITAN DIVISION
(Bucks, Chester and Montgomery – PA Counties)
NONFARM JOBS – NOT SEASONALLY ADJUSTED
(August 2023)**

Establishment Data	Industry Employment				Net Change From:	
	Aug 2023	Jul 2023	Jun 2023	Aug 2022	Jul 2023	Aug 2022
TOTAL NONFARM	1,141,800	1,146,500	1,150,800	1,106,900	-4,700	34,900
TOTAL PRIVATE	1,062,700	1,067,500	1,066,800	1,030,500	-4,800	32,200
GOODS PRODUCING	152,500	152,200	153,300	149,600	300	2,900
Construction, Natural Resources, and Mining	61,000	60,400	61,700	58,900	600	2,100
Manufacturing	91,500	91,800	91,600	90,700	-300	800
Durable Goods	46,500	46,800	46,500	45,400	-300	1,100
Non-Durable Goods	45,000	45,000	45,100	45,300	0	-300
Chemical Manufacturing	20,000	20,200	20,200	20,500	-200	-500
SERVICE-PROVIDING	989,300	994,300	997,500	957,300	-5,000	32,000
PRIVATE SERVICE-PROVIDING	910,200	915,300	913,500	880,900	-5,100	29,300
Trade, Transportation, and Utilities	203,600	204,700	204,300	201,700	-1,100	1,900
Wholesale Trade	60,600	60,600	59,700	58,400	0	2,200
Retail Trade	109,700	110,700	110,600	110,900	-1,000	-1,200
General merchandise stores	20,200	20,400	20,100	19,300	-200	900
Transportation, Warehousing, and Utilities	33,300	33,400	34,000	32,400	-100	900
Information	26,600	26,900	26,900	26,300	-300	300
Financial Activities	91,000	91,500	91,700	90,000	-500	1,000
Finance and insurance	76,100	76,500	76,500	75,300	-400	800
Credit Intermediation and Related Activities	18,300	18,400	18,400	18,300	-100	0
Depository Credit Intermediation	9,500	9,600	9,700	9,500	-100	0
Insurance carriers and related activities	29,400	29,600	29,700	29,400	-200	0
Real estate and rental and leasing	14,900	15,000	15,200	14,700	-100	200
Professional and Business Services	227,500	229,700	229,600	221,200	-2,200	6,300
Professional and technical services	122,900	124,200	123,400	121,600	-1,300	1,300
Scientific research and development services	24,000	23,900	23,800	23,400	100	600
Management of companies and enterprises	32,000	32,300	32,200	31,500	-300	500
Administrative and waste services	72,600	73,200	74,000	68,100	-600	4,500
Education and Health Services	209,900	208,800	210,600	200,000	1,100	9,900
Educational services	25,600	25,700	26,400	25,600	-100	0
Health care and social assistance	184,300	183,100	184,200	174,400	1,200	9,900
Ambulatory health care services	70,500	69,700	70,200	66,200	800	4,300
Hospitals	31,900	31,900	32,200	31,100	0	800
Nursing and residential care facilities	34,200	34,000	34,100	33,200	200	1,000
Social assistance	47,700	47,500	47,700	43,900	200	3,800
Leisure and Hospitality	102,500	104,100	101,000	95,200	-1,600	7,300
Accommodation and food services	77,200	77,800	75,600	72,500	-600	4,700
Other Services	49,100	49,600	49,400	46,500	-500	2,600
Government	79,100	79,000	84,000	76,400	100	2,700
Federal Government	6,200	6,200	6,200	5,800	0	400
State Government	9,200	9,200	9,100	9,100	0	100
Local Government	63,700	63,600	68,700	61,500	100	2,200
Local Government educational services	42,500	41,800	47,500	40,900	700	1,600
Local Government excluding educational services	21,200	21,800	21,200	20,600	-600	600
Data benchmarked to March 2022	***Data changes of 100 may be due to rounding***					

Source: Pennsylvania Department of Labor and Industry.

Table A-4 shows recent trends in labor force, employment and unemployment for Montgomery County and the Commonwealth.

**TABLE A-4
TRENDS IN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
NOT SEASONALLY ADJUSTED**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023⁽¹⁾</u>	Compound Average Annual % Rate
Montgomery County							
Civilian Labor Force (000)	449.4	457.8	447.0	455.5	460.6	477.3	1.21%
Employment (000)	434.0	442.9	412.9	432.9	445.6	460.3	1.18%
Unemployment (000)	15.4	14.9	34.0	22.6	14.9	17.1	2.12%
Unemployment Rate	3.40%	3.20%	7.60%	5.00%	3.20%	3.60%	
Pennsylvania							
Civilian Labor Force (000)	6424.0	6492.0	6483.0	6406.0	6479.0	6,576.0	0.47%
Employment (000)	6149.0	6208.0	5894.0	5999.0	6196.0	6,291.0	0.46%
Unemployment (000)	276.0	284.0	589.0	407.0	283.0	285.0	0.64%
Unemployment Rate	4.30%	4.40%	9.10%	6.30%	4.40%	4.30%	

⁽¹⁾As of August 2023.

Source: Pennsylvania Department of Labor and Industry, Center for Workforce Information and Analysis website.

Income

Table A-5 shows recent trends in per capita income for the School District, the County and the Commonwealth over the 2010-2020 period.

**TABLE A-5
RECENT TRENDS IN PER CAPITA INCOME***

	<u>2010</u>	<u>2020</u>	Compound Average Annual Percentage Change <u>2010-2020</u>
School District.....	\$39,032	\$45,263	1.66%
Montgomery County	40,076	49,905	2.47%
Pennsylvania	27,049	35,518	3.07%

*Income is defined by the Bureau of the Census as the sum of wage and salary income, non-farm self-employment income, net self-employment income, Social Security and Railroad retirement income, public assistance income, interest, dividends, pensions, etc. before deductions for personal income taxes, Social Security, etc. School District income is the population-weighted average for political subdivisions.

Source: U.S. Census Bureau, Census 2010 & U.S. Census Bureau, 2015-2020 American Community Survey 5-Year Estimates.

Commercial Activity

Table A-6 shows recent trends for retail sales in Montgomery County, the PMSA and the Commonwealth.

**TABLE A-6
TOTAL RETAIL SALES
(000)**

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Montgomery County.....	\$19,406,393	\$13,399,099	\$21,566,509	\$22,055,191	\$22,982,660
MSA	105,082,759	85,594,993	118,054,280	121,588,785	129,095,108
Pennsylvania	213,005,475	188,389,810	244,709,540	251,185,116	297,770,326

Educational Institutions

There are five colleges and universities within Montgomery County and at least 30 colleges and universities in the Philadelphia, Pennsylvania area.

Medical Facilities

Montgomery County contains 20 hospitals with approximately 4,550 beds and employing over 10,000 people.

The nearby City of Philadelphia is one of the largest health care centers in the world, with 53 hospitals employing over 37,000 people. There are seven medical schools and two dental schools in Philadelphia.

Transportation Facilities

Montgomery County contains 32.7 miles of Pennsylvania Turnpike and other Interstate Highways and over 3,000 miles of Commonwealth, Federal, secondary and municipal roads. Seven commercial airports and four different railroads serve the County.

In nearby Philadelphia is the Philadelphia International Airport, along with all major rail, bus and trucking lines. The port located in Philadelphia is considered to be one of the largest freshwater ports in the world.

The School District is located immediately north of the Pennsylvania Turnpike, close to the Willow Grove interchange.

Water and Sewer

Residents of the School District are served by the following water and sewer authorities: the Upper Moreland-Hatboro Joint Sewer Authority, the Township of Horsham Sewer Authority, and the Philadelphia Suburban Water Authority.

Electricity and Gas

Philadelphia Gas & Electric provides both electricity and natural gas to users within the School District.

**APPENDIX B –
Proposed Form of
Bond Counsel Opinion**

[THIS PAGE INTENTIONALLY LEFT BLANK]

[PROPOSED FORM OF OPINION OF BOND COUNSEL]

_____, 2024

Re: \$ _____ aggregate principal amount
School District of Hatboro-Horsham, Montgomery County, Pennsylvania
General Obligation Bonds, Series B of 2024

To the Purchasers of the Within-Described Bonds:

We have served as Bond Counsel to School District of Hatboro-Horsham, Montgomery County, Pennsylvania (“School District”), in connection with the issuance of its \$ _____ aggregate principal amount General Obligation Bonds, Series B of 2024 (the “Bonds”). The Bonds are issued pursuant to, and are secured by, the Pennsylvania Local Government Unit Debt Act, 53 Pa. C.S. Chs. 80-82 (“Act”), and a Resolution (“Resolution”) adopted on May 20, 2024, by the Board of School Directors of the School District (“Board”).

The Bonds are being issued for the purpose of providing a portion of the funds for: (i) the planning, designing, acquiring, constructing, furnishing, installing and equipping of Keith Valley Middle School and undertaking various other capital improvement projects for the benefit of the School District; and (ii) paying the costs and expenses of issuing the Bonds.

As Bond Counsel for the School District, we have examined: (a) the relevant provisions of the Constitution of the Commonwealth of Pennsylvania (“Commonwealth”); (b) the Act; (c) the relevant provisions of the Public School Code of 1949, as amended; (d) the Resolution and the Debt Statement of the School District filed with the Pennsylvania Department of Community and Economic Development (“Department”); (e) the proceedings of the Board with respect to the authorization, issuance and sale of the Bonds; (f) a Certificate of Approval issued by the Department in respect of the proceedings authorizing the issuance of the Bonds; and (g) certain statements, certifications, affidavits and other documents and matters of law which we have considered relevant, including, without limitation, a certificate dated the date hereof (“Tax Compliance Certificate”) of officials of the School District having responsibility for issuing the Bonds, given pursuant to the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder (“Code”), an opinion of the Solicitor to the School District as to various matters, and the other documents, certifications and instruments listed in the Closing Index filed with the Paying Agent (hereinafter defined) on the date of original delivery of the Bonds. We have also examined a fully executed and authenticated Bond, or a true copy thereof, and assume all other Bonds are in such form and are similarly executed and authenticated.

In rendering the opinion set forth below, we have relied upon the genuineness, accuracy and completeness of all documents, records, certifications and other instruments we have

examined, including, without limitation, the authenticity of all signatures appearing thereon. We have also relied, in the opinion set forth below, upon the opinion of the Solicitor of the School District as to all matters of fact and law set forth therein.

Except with respect to paragraph 6 below, our opinion is given only with respect to the internal laws of the Commonwealth as enacted and construed on the date hereof.

Based on the foregoing, we are of the opinion that:

1. The School District is authorized under the provisions of the Constitution and the laws of the Commonwealth to issue the Bonds.

2. The School District has established, in accordance with the Debt Act, a sinking fund for the Bonds (“Sinking Fund”) with Manufacturers and Traders Trust Company, as paying agent, registrar and sinking fund depository (“Paying Agent”), and has covenanted in the Resolution to deposit in the Sinking Fund amounts sufficient to pay the principal of and interest on the Bonds as the same becomes due and payable and to apply the amounts so deposited to the payment of such principal and interest.

3. The School District has effectively covenanted to: (i) include the amount of debt service on the Bonds in each fiscal year of the School District in which such sums are due and payable in its budget for that fiscal year; (ii) appropriate such amounts from its general revenues for the payment of such debt service; and (iii) duly and punctually pay, or cause to be paid, from the Sinking Fund or any other of its general revenues or funds, the principal or redemption price of and interest on the Bonds on the dates and in the places and in the manner stated in the Bonds according to the true intent and meaning thereof. For such budgeting, appropriation and payment the School District has pledged, with respect to the Bonds, its full faith, credit and taxing power, within the limits established by law.

4. The Bonds have been duly authorized, executed, authenticated, issued and delivered by the School District, and are the legal, valid and binding general obligations of the School District, enforceable in accordance with the terms thereof, except to the extent that enforcement thereof may be affected by bankruptcy, insolvency, reorganization, moratorium or other similar laws or legal or equitable principles affecting the enforcement of creditors’ rights.

5. Under the laws of the Commonwealth as enacted and construed on the date hereof, interest on the Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax; however, under the laws of the Commonwealth as enacted and construed on the date hereof, any profits, gains or income derived from the sale, exchange or other disposition of the Bonds will be subject to Commonwealth taxes and local taxes within the Commonwealth.

6. Under existing statutes, regulations, rulings and court decisions, interest on the Bonds will not be includible in gross income of the holders thereof for federal income tax purposes, assuming continuing compliance by the School District with the requirements of the Code. Interest on the Bonds will not be a specific preference item for purposes of computing the federal alternative minimum tax on individuals.

In rendering this opinion, we have assumed compliance by the School District with the covenants contained in the Resolution and its representations in the Tax Compliance Certificate relating to actions to be taken by the School District after the issuance of the Bonds necessary to effect or maintain the exclusion from gross income of the interest on the Bonds for federal income tax purposes. These covenants and representations relate to, *inter alia*, the use and investment of proceeds of the Bonds, and the rebate to the United States Department of Treasury of specified arbitrage earnings, if any. Failure to comply with such covenants could result in the interest on the Bonds becoming includible in gross income for federal income tax purposes from the date of issuance of the Bonds.

We express no opinion as to any matter not set forth in the numbered paragraphs herein. This opinion is rendered on the basis of federal law and the laws of the Commonwealth of Pennsylvania as enacted and construed on the date hereof. This opinion is given as of the date hereof and we assume no obligation to supplement this opinion to reflect changes in law that may hereafter occur or changes in facts or circumstances that may hereafter come to our attention. Without limiting the generality of the foregoing, we express no opinion with respect to, and assume no responsibility for, the accuracy, adequacy or completeness of the preliminary official statement or the official statement prepared in respect of the Bonds, and make no representation that we have independently reviewed or verified the contents thereof.

Very truly yours,

ECKERT SEAMANS CHERIN & MELLOTT, LLC

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX C
Continuing Disclosure Agreement

[THIS PAGE INTENTIONALLY LEFT BLANK]

\$ _____ *

**SCHOOL DISTRICT OF HATBORO-HORSHAM
GENERAL OBLIGATION BONDS, SERIES B OF 2024**

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement, August ____, 2024 (the “Disclosure Agreement”), is executed and delivered by the School District of Hatboro-Horsham, Montgomery County, Pennsylvania (the “School District”), in connection with the issuance by the School District of \$ _____ aggregate principal amount of its General Obligation Bonds, Series B of 2024 (the “Bonds”). The Bonds are being issued pursuant to a Resolution adopted by the Board of School Directors of the School District on May 20, 2024 (the “Resolution”). The School District, intending to be legally bound, hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is the written undertaking for the benefit of the holders of the Bonds required by Section (b)(5)(i) of Rule 15c2-12, as amended, promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as the same may be amended from time to time (the “Rule”).

Section 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

“*Business Day*” shall mean any day other than a Saturday or Sunday or a legal holiday or a day on which banking institutions are authorized by law or executive order to close.

“*Commonwealth*” shall mean the Commonwealth of Pennsylvania.

“*Dissemination Agent*” means any agent of the School District designated in writing by the School District, which agent has filed with the School District a written acceptance of such designation.

“*EMMA System*” means the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System approved by the Securities and Exchange Commission as the sole repository for all filings made pursuant to the Rule.

“*MSRB*” means the Municipal Securities Rulemaking Board.

“*Participating Underwriters*” means Raymond James & Associates, Inc., and RBC Capital Markets, LLC.

“*Submission Date*” means April 1 of each year, beginning with the fiscal year ending June 30, 2024.

Section 3. Provision of Annual Reports.

(a) The School District, on or before the Submission Date, shall provide or shall

cause the Dissemination Agent, if any, to provide to the MSRB through its EMMA System, an annual report (the “Annual Report”) which contains or incorporates by reference the following two components: (A) a copy of the School District’s annual financial statements prepared in accordance with generally accepted accounting principles for governmental units as prescribed by the Governmental Accounting Standards Board and audited by a certified public accountant or independent public accountant in accordance with generally accepted auditing standards; and (B) the annual financial information or operating data set forth in clause (b) on Appendix A, attached hereto and made a part hereof. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information contained within the package or in the School District’s audited financial statements; audited financial statements of the School District referenced above in the first component of the Annual Report may be submitted separately from the balance of the Annual Report, if and when available. Any or all of the items listed above may be incorporated by reference from other documents, including but not limited to official statements of debt issues with respect to which the School District is an “obligated person” (as defined by the Rule) which have been filed with the MSRB through its EMMA System. If the document incorporated by reference is a final official statement, it must be available from the MSRB as a word-searchable pdf file, as required by the MSRB for filing on the EMMA System. The School District shall clearly identify each such other document so incorporated by reference.

(b) If the School District on its own or through a Dissemination Agent, if any, is unable to provide the annual financial information portions of the Annual Report to the MSRB through its EMMA System by the Submission Date, the School District shall send or cause to be sent a notice of the failure of the School District to provide the required annual financial information specified above (the “Notice”) to the MSRB through its EMMA System, in a timely manner. The Notice shall be in substantially the form attached hereto as Appendix B.

(c) The Dissemination Agent, if any, shall:

(i) determine each year prior to the Submission Date the name and address for filing with the MSRB through its EMMA System; and

(ii) file a report with the School District certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was filed with the MSRB through its EMMA System.

(d) If the audited financial statements of the School District are not available and not submitted as part of the Annual Report by the Submission Date as required in (A) above, the Annual Report shall contain unaudited financial statements of the School District and the audited financial statements of the School District shall be provided to the MSRB through its EMMA System, if and when available to the School District, and in any event not more than thirty (30) days after receipt thereof from the School District’s auditors.

(e) The School District shall promptly provide written notice of any change in its fiscal year to the MSRB.

Section 4. Reporting of Events.

(a) The School District, in a timely manner, not in excess of eight (8) Business Days after the occurrence of the event, shall provide to the Dissemination Agent, if any shall have been appointed and serving, or if there shall be no Dissemination Agent appointed and serving, then, in a timely manner, not in excess of ten (10) Business Days after the occurrence of the event, to the MSRB through its EMMA System, written notice of the occurrence of any of the following events with respect to the Bonds:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on the debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) modification to rights of Holders of the Bonds, if material;
- (8) bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution or sale of property securing repayment of the Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the obligated person;
- (13) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (15) incurrence of a Financial Obligation, if material, or agreement to covenants, events of default, remedies, priority right, or other similar terms of a Financial Obligation, any of which affect securities holders, if material; and
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation, any of which reflect financial difficulties.

For purposes of this Section 4(a), “Financial Obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for a debt obligation ; or (iii) guarantee of (i) or (ii). The term Financial Obligation shall

not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

(b) If a Dissemination Agent shall have been appointed and serving, the Dissemination Agent shall, within two (2) Business Days of receipt of notice from the School District of any of the events described in (a) above, file a notice of such event with the MSRB through its EMMA System.

Section 5. Termination of Reporting Obligation. The School District's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds.

Section 6. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the School District may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel qualified in federal securities laws, acceptable to the School District, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

Section 7. Default. In the event of a failure of the School District or the Dissemination Agent, if any, to comply with any provision of this Disclosure Agreement, any Participating Underwriter or any beneficial holder of the Bonds may take such actions as may be necessary and appropriate, including seeking mandated or specific performance by court order, to cause the defaulting party to comply with its obligations under this Disclosure Agreement. The sole remedy under this Disclosure Agreement in the event of any failure of any party to comply with this Disclosure Agreement shall be an action to compel performance.

Section 8. Concerning the Dissemination Agent. The School District may from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such agent, with or without appointing a successor Dissemination Agent.

Section 9. Notices. All reports, notices and disclosures required to be given hereunder shall be in writing and shall be addressed as follows:

School District of Hatboro-Horsham
229 Meetinghouse Road
Horsham, PA 19044
ATTN: Director of Business Affairs
Telecopy No.: 215-420-5262

Any notice to be given to the Dissemination Agent, if any, shall be given at or sent to such address as shall be specified by such Dissemination Agent.

Section 10. Governing Law. This Disclosure Agreement and all matters relating thereto shall be governed by and interpreted in accordance with the laws of the Commonwealth of

Pennsylvania; provided, however, that, to the extent that the Securities and Exchange Commission, the MSRB or any other federal agency or regulatory body with jurisdiction shall have promulgated any rule or regulation governing the subject matter hereof, this Disclosure Agreement shall be interpreted and construed in a manner consistent therewith.

Section 11. Severability. If any provision hereof shall be held invalid or unenforceable by a court of competent jurisdiction, the remaining provisions hereof shall survive and continue in full force and effect.

Section 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Participating Underwriters and the Holders of the Bonds and shall create no rights in any other person or entity.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the School District has caused its duly authorized representatives to execute this Disclosure Agreement as of the day and year first written above.

**SCHOOL DISTRICT OF HATBORO-
HORSHAM**

President, Board of School Directors

APPENDIX A

The Annual Report shall contain or incorporate by reference the following:

(a) the financial statements for the most recent fiscal year, prepared in accordance with generally accepted accounting principles for local government units and audited in accordance with generally accepted auditing standards; and

(b) the following annual financial information and operating data:

- the total assessed value and market value of all taxable real estate for the current fiscal year;
- the taxes and millage rates imposed for the current fiscal year;
- the real property tax collection results for the most recent fiscal year, including (1) the real estate levy imposed (expressed both as a millage rate and an aggregate dollar amount), (2) the dollar amount of real estate taxes collected that represented current collections (expressed both as a percentage of such fiscal year's levy and as an aggregate dollar amount), (3) the amount of real estate taxes collected that represented taxes levied in prior years (expressed as an aggregate dollar amount), and (4) the total amount of real estate taxes collected (expressed both as a percentage of the current year's levy and as an aggregate dollar amount); and
- a list of the ten (10) largest real estate taxpayers and, for each, the total assessed value of real estate for the current fiscal year.

APPENDIX B

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: School District of Hatboro-Horsham, Montgomery County, Pennsylvania

Name of Bond Issue: School District of Hatboro-Horsham \$ _____ General Obligation Bonds, Series B of 2024 (the "Bonds")

Date of Issuance: _____, 2024

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 3(a) of the Continuing Disclosure Agreement dated _____, 2024. The Issuer anticipates that the complete Annual Report will be filed by _____, 20__.

Dated: _____, 20__

SCHOOL DISTRICT OF HATBORO-HORSHAM, MONTGOMERY COUNTY,
PENNSYLVANIA

By: _____

Name:

Title:

APPENDIX D
Audited Financial Statements

[THIS PAGE INTENTIONALLY LEFT BLANK]

HATBORO-HORSHAM SCHOOL DISTRICT

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Year Ended June 30, 2023

[THIS PAGE INTENTIONALLY LEFT BLANK]

INTRODUCTORY SECTION

[THIS PAGE INTENTIONALLY LEFT BLANK]

HATBORO-HORSHAM SCHOOL DISTRICT

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2023

	Page
Introductory Section	
Table of Contents	1
Organization	4
Transmittal Letter	5
List of Report Distribution	6
Financial Section	
Independent Auditors' Report	7
Management's Discussion and Analysis (Unaudited)	10
<i>Government-Wide Financial Statements</i>	
Statement of Net Position	25
Statement of Activities	26
<i>Fund Financial Statements</i>	
<i>Governmental Funds</i>	
Balance Sheet	27
Reconciliation of Total Governmental Funds Balances to Net Position of Governmental Activities	28
Statement of Revenues, Expenditures and Changes in Fund Balances	29
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	30
<i>Proprietary Funds</i>	
Statement of Net Position	31
Statement of Revenues, Expenses and Changes in Net Position	32
Statement of Cash Flows	33

HATBORO-HORSHAM SCHOOL DISTRICT

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2023

	Page
<i>Fiduciary Funds</i>	
Statement of Fiduciary Net Position	35
Statement of Changes in Fiduciary Net Position	36
Notes to the Basic Financial Statements	37
Required Supplementary Information	
Budgetary Comparison Schedule	77
Note to the Budgetary Comparison Schedule	78
Schedule of the School District's Proportionate Share of the PSERS Net Pension Liability	79
Schedule of the School District's PSERS Pension Contributions	80
Schedule of the School District's Proportionate Share of the PSERS Net Other Postemployment Benefit Plan Liability	81
Schedule of the School District's PSERS Other Postemployment Benefit Plan Contributions	82
Schedule of Changes in the Total Other Postemployment Benefit Plan Liability and Related Ratios	83
Supplementary Information Section	
Schedule of 2022 Real Estate Taxes	84
Schedule of General Fund Borrowing Base	85
Schedule of Investments and Deposits in State Investment Pools	86

HATBORO-HORSHAM SCHOOL DISTRICT

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2023

	Page
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	87
Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance	89
Supplementary Information - Major Federal Award Programs Audit	
Schedule of Expenditures of Federal and Certain State Awards	92
Notes to the Schedule of Expenditures of Federal and Certain State Awards	95
Schedule of Findings and Questioned Costs	96
Summary Schedule of Prior Audit Findings	97

HATBORO-HORSHAM SCHOOL DISTRICT
Administration Building
229 Meetinghouse Road
Horsham, Pennsylvania 19044-2199
215-420-5000

ORGANIZATION

BOARD OF SCHOOL DIRECTORS

Term Expires 2025

Tara Conner-Hallston
Marguerite Kistner
Erin Stroup
Erin Whalen
Jennifer Wilson

Term Expires 2027

David P. Brown
Theresa E. Brown
Susan E. Hunsinger-Hoff
Denise J. Schultz

OFFICERS

Jennifer Wilson, President
David P. Brown, Vice President
Bill Stone, Secretary (Non-Member)
Theresa E. Brown, Treasurer

SCHOOLS

Hatboro-Horsham Senior High School
Keith Valley Middle School
Blair Mill Elementary School
Crooked Billet Elementary School
Hallowell Elementary School
Simmons Elementary School

Transmittal Letter

To the Board of School Directors
Hatboro-Horsham School District
Administration Building
229 Meetinghouse Road
Horsham, PA 19044-2199

To the Members of the Board:

We have performed the single audit of the Hatboro-Horsham School District for the fiscal year ended June 30, 2023, and have enclosed the single audit package.

The single audit was done to fulfill the requirements of the Uniform Guidance. It entailed:

1. An audit of the financial statements and additional information and our opinion thereon;
2. A review of compliance and internal control over financial reporting based on an audit of the financial statements in accordance with *Government Auditing Standards*; and
3. An audit of compliance with requirements applicable to each major program and internal control over compliance in accordance with the Uniform Guidance and our opinion thereon.

Maillie LLP

Limerick, Pennsylvania
December 15, 2023

HATBORO-HORSHAM SCHOOL DISTRICT

LIST OF REPORT DISTRIBUTION

YEAR ENDED JUNE 30, 2023

	Quantity
Office of the Prothonotary Montgomery County Court House Norristown, PA 19404	1
Intermediate Unit #23 2 West Lafayette Street Norristown, PA 19401	1

FINANCIAL SECTION

[THIS PAGE INTENTIONALLY LEFT BLANK]

Independent Auditors' Report

To the Board of School Directors
Hatboro-Horsham School District
Horsham, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Hatboro-Horsham School District as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Hatboro-Horsham School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hatboro-Horsham School District, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

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

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 Hatboro-Horsham 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.

To the Board of School Directors
Hatboro-Horsham School District
Horsham, Pennsylvania

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement 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 Hatboro-Horsham 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hatboro-Horsham School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 10 through 24, budgetary comparison information on pages 77 and 78, schedule of the school district's proportionate share of the PSERS net pension liability on page 79, schedule of the school district's PSERS pension contributions on page 80, schedule of the school district's proportionate share of the PSERS net other postemployment benefit plan liability on page 81, schedule of the school district's PSERS other postemployment benefit plan contributions on page 82 and schedule of changes in the total other postemployment benefit plan liability and related ratios on page 83 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.

To the Board of School Directors
Hatboro-Horsham School District
Horsham, Pennsylvania

Supplementary Information

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

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it..

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2023, on our consideration of Hatboro-Horsham School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 the Hatboro-Horsham School District's internal control over financial reporting and compliance.



Limerick, Pennsylvania
December 15, 2023

HATBORO-HORSHAM SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED JUNE 30, 2023

This section of the Hatboro-Horsham School District's annual financial report presents its discussion and analysis of the School District's financial performance during the fiscal year ending June 30, 2023. Please read it in conjunction with the notes to the financial statements and the financial statements to enhance the understanding of the School District's financial performance.

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

SCHOOL DISTRICT HIGHLIGHTS

The District consists of six schools - four elementary schools, one middle school, and one senior high school - consisting of approximately 4,200 students. The District encompasses the municipal subdivisions of the Borough of Hatboro and Horsham Township in Montgomery County, Pennsylvania and covers approximately 19 square miles. The District is located in eastern Montgomery County and lies approximately 20 miles north of Center City Philadelphia. There are approximately 730 employees in the District including teachers, administrators and support personnel. The District aims to improve performance and achievement of all students by utilizing appropriate curricular and academic programming and strategies as determined by local and state measurements, through explicit skill instruction and rigorous tasks that are differentiated to allow all learners to meet and exceed expectations. The District's vision is that every school will be a school in which all children will grow and thrive in order to reach their full potential and become contributing members of the community.

FINANCIAL HIGHLIGHTS

- The School District's prepares its budget according to Pennsylvania law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The School District uses site-based budgeting that is designed to tightly control total site budgets while providing flexibility for site managers. Extensive internal control mechanisms are in place and reviewed regularly to prevent any form of fraud, waste, or abuse of School District funds.
- On a government-wide basis including all governmental activities and the business type activities, the liabilities and deferred inflows of resources of the District exceeded the assets and deferred outflows of resources resulting in a deficit in total net position at the close of the 2022-2023 fiscal year of \$41,316,963. During the 2022-2023 fiscal year, the District had an increase in total net position of \$18,944,088. The net position of governmental activities increased by \$18,318,875 and net position of the business-type activities increased by \$625,213.
- The General Fund reported an increase in fund balance of \$1,260,908, bringing the cumulative balance to \$25,100,604 at the conclusion of the 2022-2023 fiscal year. On June 30, 2023, the General Fund fund balance includes \$15,963,564 committed or assigned by the School Board and management for the following purposes:
 - Public School Employee Retirement System (PSERS) rate increases: \$3,606,356
 - Real Estate Taxes: \$3,000,000
 - Capital Projects: \$3,000,000
 - Stabilization for lost Naval Air Station revenues due to closure: \$2,125,275
 - Educational Resources: \$1,000,000
 - Balancing the 2023-2024 Budget: \$3,050,000
 - Student scholarships: \$181,933

HATBORO-HORSHAM SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2023

- At June 30, 2023, the General Fund fund balance includes unassigned amounts of \$8,871,510 or 7.0% of the 2023-2024 General Fund expenditure budget. This complies with School Board policy and the Pennsylvania Department of Education guidelines that allow a district to maintain an unassigned maximum General Fund fund balance of 8% of the following year's expenditure budget.
- General Fund revenues and other financing sources totaled \$124,120,757 for 2022-2023 compared to \$115,276,279 in total expenditures, resulting in an operating surplus (before transfers) of \$8,793,774. The District transferred \$8,563,502 to other funds in anticipation of future expenditures as follows:
 - \$7,000,000 to the Capital Reserve Fund
 - \$563,502 to the Construction Fund
 - \$1,000,000 to the Debt Service Fund

After transfers, the ending surplus for the General Fund amounted to \$1,260,908.

OVERVIEW OF THE FINANCIAL STATEMENTS

The accompanying financial statements have been prepared in accordance with GASB Statement No. 34 and present both government-wide and fund level financial statements using both the accrual and modified accrual basis of accounting, respectively.

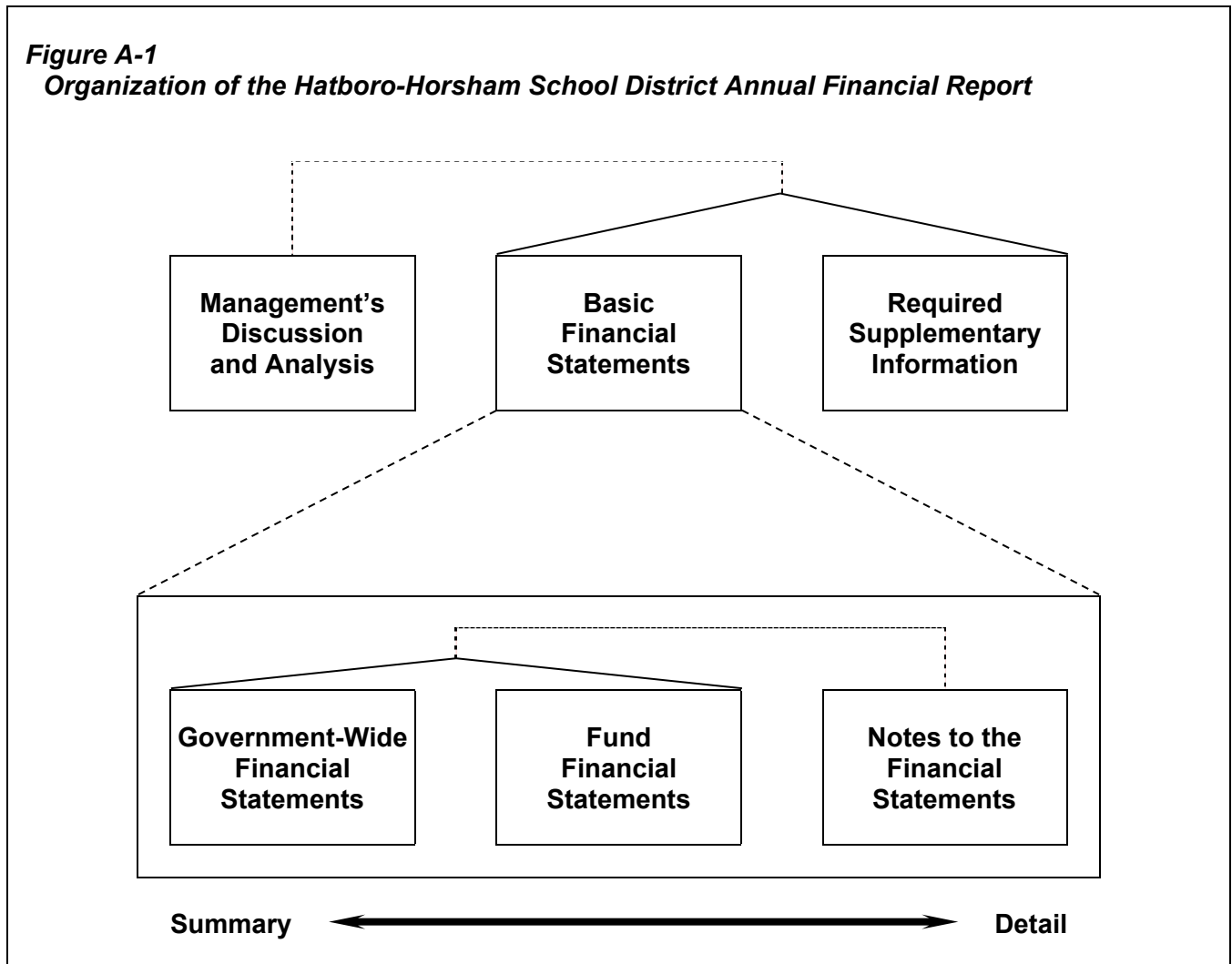
This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School District:

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the School District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School District, reporting the School District's operations in more detail than the government-wide statements.
 - ✓ The Governmental Funds statements tell how basic services such as regular and special education were financed in the short term, as well as what remains for future spending.
 - ✓ Proprietary Funds statements offer short-term and long-term financial information about the activities the School District operates like businesses, such as food services and child care services.
 - ✓ Fiduciary Funds statements provide information about the financial relationships in which the School District acts solely as a trustee or agent for the benefit of others.

HATBORO-HORSHAM SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2023

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School District's budget for the year.

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.



HATBORO-HORSHAM SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2023

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

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Fund	Fiduciary Funds
Scope	Entire School District (except Fiduciary Funds)	The activities of the School District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the School District operates similar to private businesses: food services and community education	Instances in which the School District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

HATBORO-HORSHAM SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2023

Government-Wide Statements

The government-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the School District's net position and how it has changed. Net position--the difference between the School District's assets and liabilities--is one way to measure the School District's financial health or position.

- Over time, increases or decreases in the School District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the School District's overall health, you need to consider additional nonfinancial factors such as changes in the School District's property tax base and the condition of school buildings and other facilities.

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

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

Fund Financial Statements

The fund financial statements provide more detailed information about the School District's funds, focusing on its most significant or "major" funds--not the School District as a whole. Funds are accounting devices the School District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The School District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

HATBORO-HORSHAM SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2023

The School District has three kinds of funds:

- **Governmental Funds:** Most of the School District's basic services are included in Governmental Funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the Governmental Funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information following the Governmental Funds statements explains the relationship (or differences) between them.
- **Proprietary Funds:** Services for which the School District charges a fee are generally reported in the Proprietary Funds. The Proprietary Funds are reported in the same way as the government-wide statements. The School District's Enterprise Funds (one type of Proprietary Fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows.
- **Fiduciary Funds:** The School District is the trustee, or fiduciary, for assets that belong to others, such as the Student Activities Funds. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

- Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$20.0 million or 15.3% of total revenues, and general revenues accounted for \$110.3 million or 84.7%.
- Governmental activities expenditures totaled \$107.3 million, of which \$65.6 million was spent on instructional services, \$33.8 million was spent on support services, \$1.7 million was spent on non-instructional programs, \$2.0 million on Facilities acquisitions, construction and improvement services, \$1.3 million on amortization of right to use asset, \$2.5 million was used for interest payments on long-term debt and \$.4 million on refund of prior year revenues. Business-type activity expenditures totaled \$4.1 million.

HATBORO-HORSHAM SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2023

The analysis below focuses on net position (Figure A-3) and changes in net position (Figure A-4) of the School District's governmental and business-type activities.

Figure A-3
Comparative Summary of Net Position (In Millions of Dollars)
June 30, 2023 and 2022

	Governmental Activities		Business-Type Activities		Total School District	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 109.7	\$ 77.9	\$ 4.3	\$ 3.9	\$ 114.0	\$ 81.8
Capital assets, net	119.6	107.8	0.1	-	119.7	107.8
TOTAL ASSETS	229.3	185.7	4.4	3.9	233.7	189.6
Deferred outflows of resources	27.7	26.9	0.9	0.9	28.6	27.8
Long-term debt outstanding	269.2	227.0	5.3	4.9	274.5	231.9
Other liabilities	19.2	16.9	0.6	0.6	19.8	17.5
TOTAL LIABILITIES	288.4	243.9	5.9	5.5	294.3	249.4
Deferred inflows of resources	8.9	27.4	0.3	0.9	9.2	28.3
Net position						
Net investment in capital assets	49.8	42.6	0.1	-	49.9	42.6
Restricted	19.2	15	-	-	19.2	15.0
Unrestricted	(109.3)	(116.3)	(1.0)	(1.6)	(110.3)	(117.9)
TOTAL NET POSITION	\$ (40.3)	\$ (58.7)	\$ (0.9)	\$ (1.6)	\$ (41.2)	\$ (60.3)

Figure A-4
Comparative Schedule of Changes in Net Position (In Millions of Dollars)
Years Ended June 30, 2023 and 2022

	Governmental Activities		Business-Type Activities		Total School District	
	2023	2022	2023	2022	2023	2022
REVENUES						
Program revenues	\$ 15.3	\$ 14.0	\$ 4.7	\$ 6.0	\$ 20.0	\$ 20.0
General revenues	110.3	102.1	-	-	110.3	102.1
TOTAL REVENUES	125.6	116.1	4.7	6.0	130.3	122.1
EXPENSES						
Instruction	65.8	65.4	-	-	65.8	65.4
Support services	34.9	34.4	-	-	34.9	34.4
Operation of non-instructional services	1.7	1.7	-	-	1.7	1.7
Facilities acquisition, construction and improvement services	2.0	-	-	-	2	-
Interest on long-term debt	2.5	2.1	-	-	2.5	2.1
Refund of prior year revenues	0.4	0.1	-	-	0.4	0
Food service, childcare	-	-	4.1	3.4	4.1	3.4
TOTAL EXPENSES	107.3	103.7	4.1	3.4	111.4	107.1
CHANGE IN NET POSITION	\$ 18.3	\$ 12.4	\$ 0.6	\$ 2.6	\$ 18.9	\$ 15.0

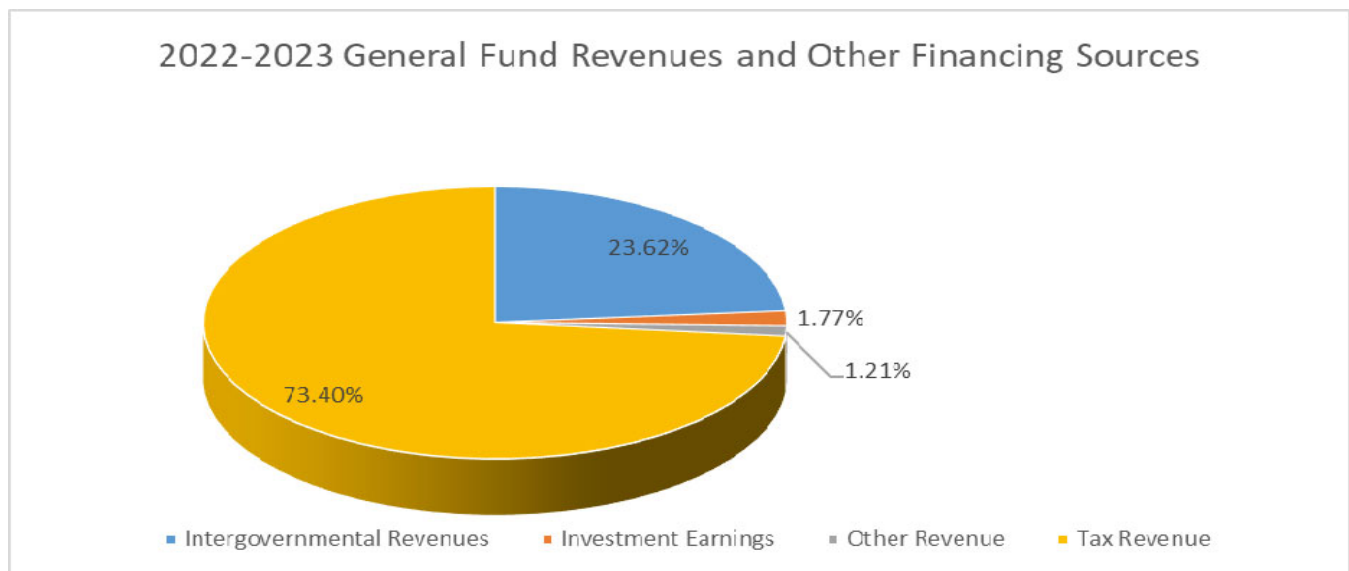
HATBORO-HORSHAM SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2023

Governmental Activities

Governmental activities consist of the General Fund, Capital Reserve Fund and Construction Fund (collectively known as the Capital Projects Fund), Debt Service Fund and other Bond Funds.

General Fund

The General Fund is the District's primary operating fund. At the conclusion of the 2022-2023 fiscal year, the General Fund fund balance was \$25,100,604 representing an increase of \$1,260,908 in relation to the prior year. The increase in the District's General Fund fund balance is due to many factors. The following analysis has been provided to assist the reader in understanding the financial activities of the General Fund during the 2022-2023 fiscal year. The District's reliance upon tax revenues is demonstrated by the graph below that indicates 73.98% of General Fund revenues are derived from local taxes.



	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Tax revenues	\$91,828,977	\$88,336,764	\$3,492,213	3.9%
Intergovernmental revenues	29,544,763	26,754,946	2,789,817	10.4%
Investment earnings	2,214,638	35,566	2,179,072	6,126.8%
Other	1,512,311	965,903	546,408	56.6%
	<u>\$125,100,689</u>	<u>\$116,093,179</u>	<u>\$9,007,510</u>	<u>7.8%</u>

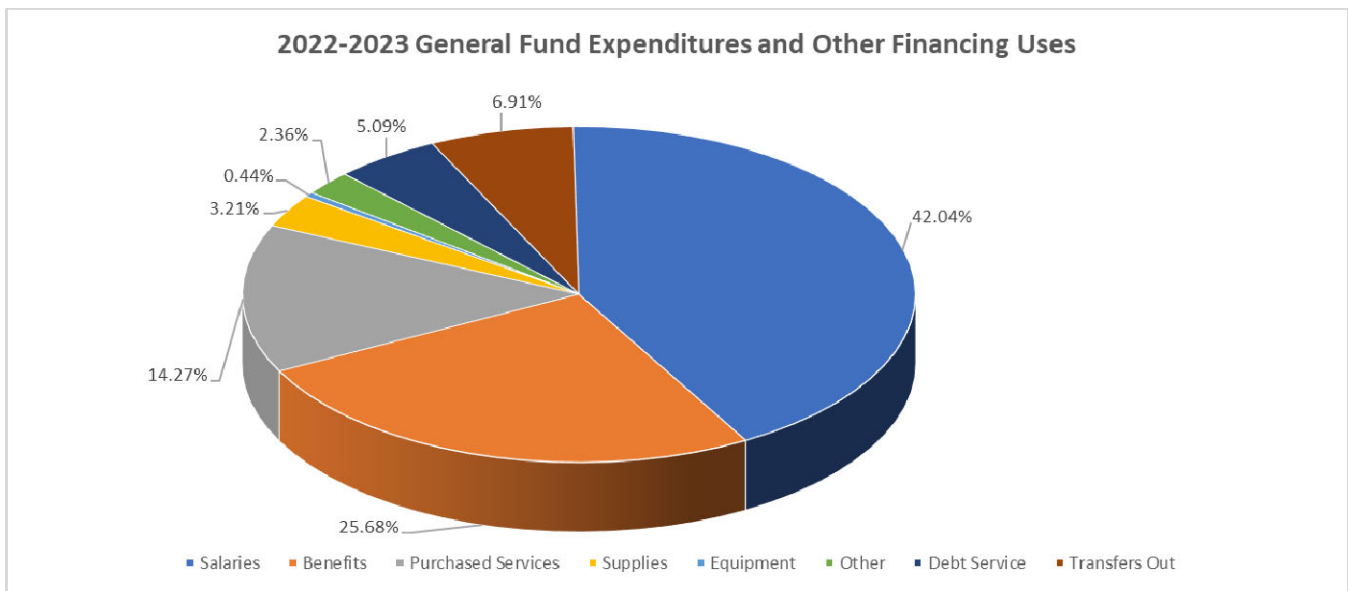
The reason for the variances are summarized below:

- Tax revenues
 - Current real estate taxes increased by \$2,447,570 due to increases in the millage rate, assessed value, and collection rate.
 - Interim real estate taxes increased by \$161,231 due to accelerated new home construction in the District.
 - Earned income taxes increased by \$521,342 due to continued growth in wages.

HATBORO-HORSHAM SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2023

- Real estate transfer taxes increased by \$504,954 due to an increase in average home prices and the volume of sales transactions in the fiscal year.
- Delinquent real estate taxes decreased by \$143,877 primarily due to the receipt of prior year rollback taxes on properties that were removed from the state’s Act 319 “clean and green” program due to their anticipated development in 2021-22.
- Intergovernmental revenues increased primarily due to the continued receipt of federal pandemic relief funds (\$1,768,713 in 2022-2023) and continued increases in state aid.
- Investment earnings increased \$2,179,071 due to an increase in interest rates from prior years.
- Other revenues increased \$546,508 primarily due to the District’s lease proceeds in the current year.

As the graph below illustrates, the largest portion of General Fund expenditures are for salaries and benefits. The District is an educational service entity and as such is a labor-intensive operation.



	2023	2022	\$ Change	% Change
Salaries	\$52,056,102	\$50,852,089	\$1,204,013	2.4%
Benefits	31,796,176	30,452,382	1,343,794	4.4%
Purchased Services	17,674,232	18,427,714	(753,482)	-4.1%
Supplies	3,973,418	3,560,346	413,072	11.6%
Equipment	546,963	593,837	(46,874)	-7.9%
Other	2,919,912	1,668,494	1,251,418	75.0%
Debt Service	6,309,476	4,056,074	2,253,402	55.6%
Transfers Out	8,563,502	4,999,560	3,563,942	71.3%
	\$123,839,781	\$114,610,495	\$9,229,286	8.1%

HATBORO-HORSHAM SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2023

The reasons for the variances are outlined below:

- Salaries increased primarily due to contractual salary increases defined in the collective bargaining agreement with the Hatboro-Horsham Education Association. This increase was \$1,339,900 which was offset by decreases in administrative compensation due to the payment in the 2021-22 fiscal year of accrued paid time off for several long-tenured employees that retired.
- Employee benefits increased by \$1,343,794 due primarily to increased contributions to PSERS (\$656,662). There were also increases in medical insurance (\$471,195), Social Security contributions (\$93,551), and workers' compensation insurance (\$83,005), which were partially offset by a decline in unemployment compensation claim costs (\$32,294), and tuition reimbursement (\$33,989).
- Purchased services decreased by \$753,482 primarily due to decreased contracted transportation costs for 2022-23 compared to 2021-22.
- Supplies increased by \$413,072 primarily due to the District's purchase of a new reading curriculum for grades K-5 and other reading materials (with federal ARP ESSER funds).
- Debt service costs increased due to additional bonds for the Keith Valley project.
- Transfers out increased due primarily to the transfer of funds to the Capital Projects Fund and Debt Service Fund for future projects and borrowings, respectively.

Capital Projects Funds

The Capital Projects Funds accounts for construction and renovation activity associated with the District's buildings and major equipment purchases. The Capital Projects Funds receives most of its revenues from the issuance of general obligation debt and transfers from the General Fund. During 2022-2023, the Capital Projects Funds reported an increase in fund balance of \$27,507,415 due to capital proceeds received from general obligation debt that was received in spring 2023 and interfund transfers in excess of expenditures. The remaining fund balance of \$49,463,333 as of June 30, 2023 is restricted for future capital expenditures.

Business-Type Activities

Business-type activities include the Child Care and Food Service programs. The Food Service program is designed to operate at a break-even point so that the cost for the services offered will benefit the School District residents. The Child Care program, which consists of a 4-year old Pre-K program, summer camp, and before and after school care is designed to provide residents with reasonably-priced child care service programs while generating revenues to offset General Fund expenditures. Business-type activities received no support from tax revenues. These programs had revenues of \$4,787,467 and expenses of \$4,162,254.

HATBORO-HORSHAM SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2023

The District also established an internal service fund in the 2021-2022 fiscal year to pay for healthcare claims and administrative costs of the District’s medical, dental, and prescription drug insurance programs. The fund incurred expenses of \$9,643,664. Revenues were \$11,321,892, consisting primarily of contributions from the General, Food Service, and Child Care funds.

The Food Service program provided approximately 2,500 lunches and 1,500 breakfast meals per day through the National School Lunch program, as well as additional catering for the School District’s meetings. Food Service receives both federal and state subsidies. It also receives some government commodities on a routine basis. During 2022-2023, the District provided free lunch and breakfast through the SFSP Program and COVID federal and state relief funding. Typically, the revenue for the Food Service Program is a combination of subsidies, student fees and other charges for services. The Child Care programs provided childcare services to 779 children in the 2022-2023 fiscal year. Both programs were buoyed by federal pandemic relief funds in 2022-2023. The federal government subsidized all student breakfast meals in 2022-2023 and provided funding to retain childcare workers.

General Fund Budgetary Highlights

- Actual revenue and other financing sources totals exceeded budget by \$5,551,937. The real estate tax collection rate was 98.6%, which was above the budgeted collection rate of 96.5%. Delinquent Real Estate Tax, Real Estate Transfer, and Earned Income Tax revenues also exceeded budgetary estimates. Additional state funding received during the fiscal year for basic education funding and extraordinary special education costs also contributed to this total. The major variances in revenues compared to budget are summarized in the table below:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u> <u>Positive / (Negative)</u>
Interest Income	\$75,000	\$2,214,638	\$2,139,638
Real estate transfer taxes	1,000,000	2,644,601	1,644,601
Earned income taxed	6,100,000	7,525,038	1,425,038
Fund transfers in	1,250,000	0	(1,250,000)
Delinquent real estate taxes	800,000	1,955,630	1,155,630
Federal ESSER funds (all)	2,782,640	1,768,713	(1,013,927)
Debt service transfer	941,946	0	(941,946)
Basic education funding	5,528,146	6,299,223	771,077

- Actual expenditure and other financing uses totals were higher than budget by \$1,241,029 primarily due to fund transfers out offset by continued aggressive cost containment practices. The District transferred approximately \$8.5 million to the Capital Reserve and Debt Service, consistent with past practice to offset future expenditure increases in the General Fund. Actual salary costs were significantly lower than anticipated since several positions budgeted for were not filled, expenditures for extra pay totals were less than projected, and more employees than anticipated took child-rearing leaves of absence. The corresponding contributions to the retirement system were therefore lower than budgeted, as were actual health insurance costs. Savings were realized in services, supplies, and equipment due to continued prudent fiscal management and the utilization of federal pandemic relief funds to offset purchases. The major variances in expenditures compared to budget are summarized in the table below:

HATBORO-HORSHAM SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2023

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget (Positive) / Negative</u>
Fund transfers out	\$0	\$8,563,502	\$8,563,502
Healthcare costs	10,102,212	9,060,978	(1,041,234)
Contracted transportation	1,791,834	870,278	(921,556)
Contracted special ed	3,262,158	2,366,271	(895,887)
Retirement contributions	18,983,310	18,117,973	(865,336)
Professional staff salaries	37,301,409	36,529,511	(771,898)
Debt Service	6,928,659	6,309,476	(619,183)
Bus drivers' salaries	2,130,476	1,696,087	(434,389)

- Total actual expenditures and other financing uses were \$123,839,781 and revenues and other financing sources exceeded expenditures by \$1,260,908. Expenditures included a transfer of \$7,000,000 to the Capital Reserve Fund and \$563,502 to the construction fund for future capital needs, and a transfer of \$1,000,000 to the Debt Service Fund for future debt service expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Hatboro-Horsham School District needs to comply with GASB Statement No. 34, which requires that the School District maintain records regarding the cost of capital/fixed assets. For the Hatboro-Horsham School District, capital/fixed assets include land, buildings, furniture and equipment, vehicles, right to use lease assets and other items that meet the following criteria:

- The individual asset must have a useful life of greater than one year.
- The individual asset cost is equal to or greater than \$4,000 or was purchased with debt proceeds.

In addition to maintaining records on capital/fixed assets for financial statement purposes, the School District will also maintain records for inventory control and depreciation purposes. Individual items costing less than \$4,000 will be expensed within the period purchased.

In addition to maintaining the fixed asset records, the School District will conduct a physical inventory of assets on a regular basis in order to update and maintain a correct listing of assets.

Hatboro-Horsham School District's investment in capital assets for its governmental and business-type activities as of June 30, 2023, totals \$119,672,189 (net of accumulated depreciation). The School District's investment in capital assets include construction in progress, land, site improvements, buildings, machinery and equipment and right to use lease assets (see Figure A-5). Total capital assets are \$9,833,876 higher than the prior fiscal year totals (net of accumulated depreciation). Governmental Activities accumulated depreciation totals incurred depreciation expense of \$6,733,390, with a net increase of total accumulated depreciation of \$5,751,219 from the June 30, 2022 balance. Outstanding long-term debt obligations increased by a net of \$30,345,000. The increase is the result of the issuance of the 2023 Series Bond Issue, the first of a series of bond issues to be issued to finance the Keith Valley Middle School Construction Project and the principal payments made on outstanding debt. The project was approved by the Board in December 2022.

HATBORO-HORSHAM SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2023

Figure A-5
Capital Assets (Net of Accumulated Depreciation) (In Millions of Dollars)
Years Ended June 30, 2023 and 2022

	Governmental Activities		Business-Type Activities		Total School District	
	2023	2022	2023	2022	2023	2022
Construction in progress	\$ 16.4	\$ 5.7	\$ -	\$ -	\$ 16.4	\$ 5.7
Land	0.2	0.2	-	-	0.2	0.2
Site improvements	3.1	3.3	-	-	3.1	3.3
Buildings	90.9	93.0	-	-	90.9	93.0
Machinery and equipment	7.3	5.6	-	-	7.3	5.6
Right to use lease assets	1.7	2.0	-	-	1.7	2.0
TOTAL	\$ 119.6	\$ 109.8	\$ -	\$ -	\$ 119.6	\$ 109.8

Long-Term Debt

At year-end June 30, 2023, the School District had \$101,300,000 in outstanding debt for governmental activities compared to \$70,955,000 for fiscal year-end June 30, 2022. Of the total debt, \$4,360,000 is due within one year. There is no debt for business-type activities.

The District maintains a Aa1 bond rating from Moody's Investor Services.

Figure A-6
Outstanding Long-Term Debt (In Millions of Dollars)
Years Ended June 30, 2023 and 2022

	Total School District		Total Percentage Change 2023-2022
	2023	2022	
General Obligation Bonds and Note	\$ 101.3	\$ 70.9	42.9%

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE

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

- The District approved the plans to build a new Keith Valley Middle School (KVMS), and construction of the facility is well underway. The plans call for the construction of a new building on the current KVMS site, followed by demolition of the existing KVMS and the Administration Building (which will be relocated to within the new building). A natatorium is also being constructed at the building with the intention of closing the current pool at Simmons Elementary School. The project is anticipated to be completed in three years and, as of the date of the financial statements, is estimated to cost almost \$125 million. This project will increase the District's annual debt service obligations and require the continued prudent financial management and strategic use of Debt Service Fund monies. Changes in interest rates, which continued to increase over the last 12 months, pose a challenge should the rates increase beyond what was contemplated in the Project's financing plan.

HATBORO-HORSHAM SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED JUNE 30, 2023

- The District was allocated a significant amount of money from the federal Elementary and Secondary School Emergency Relief (ESSER) funding. This helped address operational challenges resulting from the pandemic and came with significant reporting requirements. The funds must be spent by September 30, 2024. Because the District invested in staffing and recurring programs, the District management must be exceptionally prudent in its spending decisions in order to avoid fiscal distress in the 2024-2025 budget planning.
- The Board approved a new three-year collective bargaining agreement with the Hatboro-Horsham Education Association (HHEA) that began on July 1, 2023 and expires on June 30, 2026. This agreement governs compensation and benefits for almost 400 employees and represents the single largest expenditure item in the operating budget. Using the current long-term financial projection model, the HHEA agreement is fair and fiscally responsible, but any decreases in local revenue will affect the District's ability to appropriately fund the salary and benefit provisions contained in the agreement.
- The Board adopted a new salary structure for the District's support staff in May 2023, with the plan taking effect on July 1, 2023. The new structure provides for robust salary increases for support staff, which had fallen behind the benchmarks used by the District. The salary increases have aided the District with employee retention and reduced the number of vacant support staff positions, but external market forces continue to put pressure on the District to further increase wages. District management must strike an appropriate balance to fairly compensate its support staff employees within the constraints of the long-term budget.
- The District's must identify cost savings opportunities in its healthcare plans to keep pace with medical trend.
- The District will face several financial challenges in the upcoming year, including:
 - The potential decline in interim real estate, real estate transfer, and delinquent real estate taxes due to broad changes in the economy;
 - Compensation for and availability of per diem and long-term substitute teachers through its contracted staffing partner;
 - The ongoing financial viability of the District's child care operation, which is no longer contributing funds to the General Fund to offset overhead expenses; and
 - Continued volatility in the markets for goods, services, and utilities, which could lead to increased expenditures.
- The District adopted its 2023-2024 General Fund expenditure budget totaling \$126,735,864 that includes the use of \$3,050,000 of fund balance and a real estate tax millage rate increase of 3.68%. If there are limited or declining economic conditions that prevent growth in local revenue, the District will struggle to continue to rely on favorable budget variances to recoup the budgeted deficits. It is important to proactively address budget deficits to avoid having to make reductions to educational programs.

HATBORO-HORSHAM SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2023

- Act 1 of 2006 provides taxpayer relief through gambling revenues generated by the Commonwealth. The intent of this legislation is to provide a mechanism to relieve the burden of funding public education by property owners. This legislation also put a ceiling on the percentage increase of local real estate taxes that can be levied to balance the school district budget (the Act 1 Index). This law ostensibly requires the District to raise taxes every year because it cannot increase the levy beyond the Act 1 index and may not carryover unused tax increases from one year to the next. This legislation also introduced new requirements on school districts including:
 - That in the event a school district wishes to increase the property tax millage rate by more than the Act 1 Index (5.3% for Hatboro-Horsham School District for 2024-2025), the District must seek voter approval (known commonly as a "back-end referendum") prior to implementing the millage rate increase. In the event voters do not approve the millage rate increase, the school district must limit its millage rate increase to the index.
 - Certain exceptions are provided under Act 1 that, if approved by the Pennsylvania Department of Education, may permit increases above the Act 1 index without the need for a back-end referendum. These exceptions relate to emergencies and cost increases more than the Act 1 index (e.g., retirement system contributions and special education expenditures) over which the school district has no control. The District has not utilized the exceptions in prior years to help balance the budget.
 - Gaming revenues distributed under the provision of Act 1 (Act 1 permitted gambling in Pennsylvania) are to be used for reducing property taxes for homesteads and farmsteads. The District's distribution for 2022-2023 was \$2,997,687.
- In November 2010, and again in 2017, legislation was adopted to implement a series of actuarial and funding changes to the Public School Employees' Retirement System (PSERS). The 2017 legislation changed the pension plans for all new hires effective July 1, 2019. It does not impact the pension benefits of current or retired PSERS members. Based on available projections, school districts will not see substantive contribution relief from the new legislation until 10-20 years in the future. The employer contribution rate for 2023-2024 is certified at 34.00%, which was a decrease of 3.57% from the 2022-2023 employer contribution rate of 35.26%. This was the first decrease in employer contributions since 2008-2009 and is estimated to decrease the District's retirement contribution by approximately \$647,437 (irrespective of contractual salary increases), of which the District's local share is \$323,719. The PSERS rate for 2024-2025 was not yet certified as of this writing. Rates are projected to increase again, however, reaching as high as 38.35% in 2030-2031.
- The District is under agreement of sale for the former Limekiln-Simmons Elementary School. The agreement has been subject to litigation since being approved by the Board in 2016. The ongoing legal and property maintenance costs place a strain on the District's financial resources for a property that is not needed.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the School District's citizens, taxpayers, customers and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director of Business Affairs.

HATBORO-HORSHAM SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2023

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 102,402,589	\$ 4,243,161	\$ 106,645,750
Investments	108,622	-	108,622
Taxes receivable, net	1,974,210	-	1,974,210
Internal balances	171,053	(171,053)	-
Due from other governments	4,963,889	75,979	5,039,868
Other receivables, net	72,219	21,071	93,290
Inventories	-	83,472	83,472
Other assets	2,472	89,871	92,343
Capital assets			
Land	193,618	-	193,618
Site improvements	6,293,239	-	6,293,239
Buildings and building improvements	153,702,984	-	153,702,984
Machinery and equipment	20,531,943	831,880	21,363,823
Construction in progress	16,409,057	-	16,409,057
Accumulated depreciation	(79,288,906)	(750,533)	(80,039,439)
Right to use lease assets	3,545,086	-	3,545,086
Accumulated amortization	(1,796,179)	-	(1,796,179)
TOTAL ASSETS	229,285,896	4,423,848	233,709,744
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources, pension activity	25,291,000	826,000	26,117,000
Deferred outflows of resources, OPEB activity	1,796,322	62,000	1,858,322
Deferred charge on refunding	565,521	-	565,521
TOTAL DEFERRED OUTFLOWS OF RESOURCES	27,652,843	888,000	28,540,843
LIABILITIES			
Accounts payable	6,877,621	30,290	6,907,911
Accrued expenses	432,865	-	432,865
Accrued salaries and benefits	10,672,022	154,864	10,826,886
Unearned revenue	190,315	409,107	599,422
Accrued interest	1,043,357	-	1,043,357
Long-term liabilities			
Portion due or payable within one year			
Bonds and note payable	4,360,000	-	4,360,000
Leases payable	708,126	-	708,126
Portion due or payable after one year			
Bonds and note payable	96,940,000	-	96,940,000
Bond premiums	3,101,200	-	3,101,200
Leases payable	1,023,483	-	1,023,483
Compensated absences	2,126,863	88,500	2,215,363
Net pension liability	150,551,000	4,921,000	155,472,000
Net OPEB liability	10,416,630	365,800	10,782,430
TOTAL LIABILITIES	288,443,482	5,969,561	294,413,043
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources, pension activity	5,267,000	172,000	5,439,000
Deferred inflows of resources, OPEB activity	3,584,507	131,000	3,715,507
TOTAL DEFERRED INFLOWS OF RESOURCES	8,851,507	303,000	9,154,507
NET POSITION			
Net investment in capital assets	49,833,421	81,347	49,914,768
Restricted for capital projects	18,277,138	-	18,277,138
Restricted for internal service fund	859,000	-	859,000
Unrestricted	(109,325,809)	(1,042,060)	(110,367,869)
TOTAL NET POSITION	\$ (40,356,250)	\$ (960,713)	\$ (41,316,963)

See accompanying notes to the basic financial statements.

HATBORO-HORSHAM SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
Instruction				
Regular programs	\$ 43,149,579	\$ 31,172	\$ 6,605,719	\$ -
Special programs	20,021,105	14,465	4,282,056	-
Vocational education	2,607,793	1,884	351,454	-
Other instructional programs	43,445	73,067	131,010	-
Nonpublic school programs	4,815	3	118	-
Support services				
Pupil personnel services	4,759,473	-	258,544	-
Instructional staff services	4,299,437	-	355,930	-
Administration services	6,099,539	-	459,234	-
Pupil health services	1,223,375	-	150,694	-
Business services	3,891,436	-	84,847	-
Operation and maintenance of plant services	4,722,654	-	698,731	-
Student transportation services	5,074,627	-	984,404	-
Central services	4,802,250	-	310,964	-
Other services	70,042	-	32,634	-
Operation of non-instructional services				
Food services	2,631	-	-	-
Student activities	1,691,459	-	176,052	-
Community services	18,101	-	9,578	-
Scholarships and awards	41,825	-	-	-
Facilities acquisition, construction and improvement services	1,912,755	-	-	-
Debt service	2,484,945	-	-	280,069
Refund of prior year revenues	387,585	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	107,308,871	120,591	14,891,969	280,069
BUSINESS-TYPE ACTIVITIES				
Food service	2,273,108	863,243	1,629,267	-
Child care services	1,889,146	2,034,049	198,844	-
TOTAL BUSINESS-TYPE ACTIVITIES	4,162,254	2,897,292	1,828,111	-
TOTAL SCHOOL DISTRICT ACTIVITIES	\$ 111,471,125	\$ 3,017,883	\$ 16,720,080	\$ 280,069

GENERAL REVENUES

Taxes

Property taxes, levied for general purposes

Public utility taxes

Earned income taxes

Grants and contributions not restricted to specific programs

Investment earnings

Gain on sale of capital assets

Miscellaneous

TOTAL GENERAL REVENUES

CHANGE IN NET POSITION

NET POSITION AT BEGINNING OF YEAR

NET POSITION AT END OF YEAR

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Totals
\$ (36,512,688)	\$ -	\$ (36,512,688)
(15,724,584)	-	(15,724,584)
(2,254,455)	-	(2,254,455)
160,632	-	160,632
(4,694)	-	(4,694)
(4,500,929)	-	(4,500,929)
(3,943,507)	-	(3,943,507)
(5,640,305)	-	(5,640,305)
(1,072,681)	-	(1,072,681)
(3,806,589)	-	(3,806,589)
(4,023,923)	-	(4,023,923)
(4,090,223)	-	(4,090,223)
(4,491,286)	-	(4,491,286)
(37,408)	-	(37,408)
(2,631)	-	(2,631)
(1,515,407)	-	(1,515,407)
(8,523)	-	(8,523)
(41,825)	-	(41,825)
(1,912,755)	-	(1,912,755)
(2,204,876)	-	(2,204,876)
(387,585)	-	(387,585)
<u>(92,016,242)</u>	<u>-</u>	<u>(92,016,242)</u>
-	219,402	219,402
-	343,747	343,747
<u>-</u>	<u>563,149</u>	<u>563,149</u>
<u>(92,016,242)</u>	<u>563,149</u>	<u>(91,453,093)</u>
84,215,607	-	84,215,607
82,375	-	82,375
7,525,038	-	7,525,038
14,642,320	-	14,642,320
3,748,796	62,064	3,810,860
3,261	-	3,261
117,720	-	117,720
<u>110,335,117</u>	<u>62,064</u>	<u>110,397,181</u>
18,318,875	625,213	18,944,088
<u>(58,675,125)</u>	<u>(1,585,926)</u>	<u>(60,261,051)</u>
<u>\$ (40,356,250)</u>	<u>\$ (960,713)</u>	<u>\$ (41,316,963)</u>

HATBORO-HORSHAM SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2023

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Construction Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 40,807,027	\$ 9,591,222	\$ 37,820,040	\$ 12,334,368	\$ 100,552,657
Investments	108,622	-	-	-	108,622
Taxes receivable, net	1,974,210	-	-	-	1,974,210
Due from other funds	165,288	7,000,000	-	1,000,000	8,165,288
Due from other governments	4,963,889	-	-	-	4,963,889
Other receivables	42,473	-	-	-	42,473
Other assets	2,472	-	-	-	2,472
	<u>48,063,981</u>	<u>16,591,222</u>	<u>37,820,040</u>	<u>13,334,368</u>	<u>115,809,611</u>
TOTAL ASSETS					
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 1,644,834	\$ 324,257	\$ 4,623,672	\$ -	\$ 6,592,763
Due to other funds	8,723,390	-	-	-	8,723,390
Unearned revenue	190,315	-	-	-	190,315
Accrued salaries and benefits	10,672,022	-	-	-	10,672,022
	<u>21,230,561</u>	<u>324,257</u>	<u>4,623,672</u>	<u>-</u>	<u>26,178,490</u>
TOTAL LIABILITIES					
DEFERRED INFLW OF RESOURCES					
Unavailable revenue - taxes	1,732,816	-	-	-	1,732,816
FUND BALANCES					
Restricted to capital projects					
Capital projects	-	16,266,965	33,196,368	-	49,463,333
HHEF	38,504	-	-	-	38,504
Unspent mental health grant- Montgomery County	227,026	-	-	-	227,026
Committed					
PSERS rate increases	3,606,356	-	-	-	3,606,356
Real estate taxes	3,000,000	-	-	-	3,000,000
Capital projects	3,000,000	-	-	-	3,000,000
Stabilization for lost air force base revenues due to closure	2,125,275	-	-	-	2,125,275
Educational resources	1,000,000	-	-	-	1,000,000
Assigned					
Budgetary reserve	3,050,000	-	-	-	3,050,000
Student scholarships	181,933	-	-	-	181,933
Debt service	-	-	-	13,334,368	13,334,368
Unassigned	8,871,510	-	-	-	8,871,510
	<u>25,100,604</u>	<u>16,266,965</u>	<u>33,196,368</u>	<u>13,334,368</u>	<u>87,898,305</u>
TOTAL FUND BALANCES					
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES					
	<u>\$ 48,063,981</u>	<u>\$ 16,591,222</u>	<u>\$ 37,820,040</u>	<u>\$ 13,334,368</u>	<u>\$ 115,809,611</u>

See accompanying notes to the basic financial statements.

HATBORO-HORSHAM SCHOOL DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2023

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 87,898,305
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. These assets consist of:</p>	
Land	193,618
Site improvements	6,293,239
Buildings and building improvements	153,702,984
Machinery and equipment	20,531,943
Construction in progress	16,409,057
Accumulated depreciation and amortization	(81,085,085)
Right to use lease assets	3,545,086
<p>Deferred charges on refunding used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:</p>	
Deferred charge on refunding	565,521
<p>Deferred inflows and outflows of resources related to pension and OPEB activities are not financial resources and therefore not reported in the governmental funds.</p>	
	18,235,815
<p>Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:</p>	
Accrued interest	(1,043,357)
Bonds and note payable	(101,300,000)
Bond premiums	(3,101,200)
Leases payable	(1,731,609)
Compensated absences	(2,126,863)
Net pension liability	(150,551,000)
Net OPEB liability	(10,416,630)
<p>Some of the School 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 not recognized in the fund financials, but are recognized in the government-wide financial statements.</p>	
	1,732,816
<p>An Internal Service Fund accounts for the District's healthcare employee benefits and charges the costs to individual funds. The assets and liabilities of the internal service fund are included with governmental activities.</p>	
	<u>1,891,110</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (40,356,250)</u>

See accompanying notes to the basic financial statements.

HATBORO-HORSHAM SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023

	General Fund	Capital Reserve Fund	Construction Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Local sources	\$ 94,525,289	\$ 306,942	\$ 819,566	\$ 407,650	\$ 96,059,447
State sources	25,121,183	-	-	-	25,121,183
Federal sources	4,423,581	-	-	-	4,423,581
TOTAL REVENUES	<u>124,070,053</u>	<u>306,942</u>	<u>819,566</u>	<u>407,650</u>	<u>125,604,211</u>
EXPENDITURES					
Instruction	67,971,735	-	-	-	67,971,735
Support services	36,143,053	3,082,570	12,962,366	-	52,187,989
Operation of non-instructional services	1,896,778	-	-	-	1,896,778
Facilities acquisition, construction and improvement services	272,678	-	-	-	272,678
Debt service	7,663,981	-	-	-	7,663,981
Capital outlay leases	979,932	-	-	-	979,932
Refunds of prior year revenues	348,122	39,463	-	-	387,585
TOTAL EXPENDITURES	<u>115,276,279</u>	<u>3,122,033</u>	<u>12,962,366</u>	<u>-</u>	<u>131,360,678</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>8,793,774</u>	<u>(2,815,091)</u>	<u>(12,142,800)</u>	<u>407,650</u>	<u>(5,756,467)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from bonds issued	-	-	34,585,000	-	34,585,000
Premium on bonds issued	-	-	316,804	-	316,804
Proceeds from leases	979,932	-	-	-	979,932
Proceeds from sale of capital assets	50,704	-	-	-	50,704
Transfers in	-	7,000,000	563,502	1,000,000	8,563,502
Transfers out	(8,563,502)	-	-	-	(8,563,502)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(7,532,866)</u>	<u>7,000,000</u>	<u>35,465,306</u>	<u>1,000,000</u>	<u>35,932,440</u>
NET CHANGE IN FUND BALANCES	1,260,908	4,184,909	23,322,506	1,407,650	30,175,973
FUND BALANCES AT BEGINNING OF YEAR	<u>23,839,696</u>	<u>12,082,056</u>	<u>9,873,862</u>	<u>11,926,718</u>	<u>57,722,332</u>
FUND BALANCES AT END OF YEAR	<u>\$ 25,100,604</u>	<u>\$ 16,266,965</u>	<u>\$ 33,196,368</u>	<u>\$ 13,334,368</u>	<u>\$ 87,898,305</u>

See accompanying notes to the basic financial statements.

HATBORO-HORSHAM SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2023

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 30,175,973
Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation and amortization expense. This is the amount by which capital outlays (\$15,566,630) exceeds depreciation and amortization (\$6,733,390) in the current period.	8,833,240
Because some property taxes will not be collected for several months after the School District's fiscal year ends, they are not considered as "available" revenues in the Governmental Funds. Deferred tax revenues increased by this amount this year.	(5,956)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net assets.	(21,213)
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in Governmental Funds:	
Accrued interest not reflected in Governmental Funds	(428,322)
Compensated absences not reflected in Governmental Funds	55,450
OPEB plan expense	468,921
Pension plan expense	6,857,000
Repayment of bond and lease principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net assets.	
Bond principal	4,240,000
Lease principal	1,264,305
Proceeds from the bond issue are a revenue in the Governmental Funds, but this amount increases the long-term liabilities in the statement of net position.	(34,585,000)
An Internal Service fund accounts for the District's healthcare employee benefits and charges the costs to individual funds. The excess revenue (expense) is reported with governmental activities.	1,678,228
Governmental Funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>(213,751)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 18,318,875</u>

See accompanying notes to the basic financial statements.

HATBORO-HORSHAM SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

JUNE 30, 2023

	Enterprise Funds		Total Enterprise Funds	Internal Service Fund
	Food Service Fund	Child Care Fund		
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 2,530,559	\$ 1,712,602	\$ 4,243,161	\$ 1,849,932
Accounts receivable, net	13,625	7,446	21,071	29,746
Due from other funds	-	5,361	5,361	732,156
Due from other governments	75,979	-	75,979	-
Inventories	83,472	-	83,472	-
Other assets	-	89,871	89,871	-
TOTAL CURRENT ASSETS	2,703,635	1,815,280	4,518,915	2,611,834
CAPITAL ASSETS				
Machinery and equipment	831,880	-	831,880	-
Accumulated depreciation	(750,533)	-	(750,533)	-
TOTAL CAPITAL ASSETS	81,347	-	81,347	-
TOTAL ASSETS	2,784,982	1,815,280	4,600,262	2,611,834
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources - pension activity	450,000	376,000	826,000	-
Deferred outflows of resources - OPEB activity	32,000	30,000	62,000	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	482,000	406,000	888,000	-
LIABILITIES				
CURRENT LIABILITIES				
Due to other funds	81,729	94,685	176,414	3,001
Accounts payable	26,755	3,535	30,290	284,858
Accrued expenses	-	-	-	432,865
Accrued salaries and benefits	75,884	78,980	154,864	-
Unearned revenue	64,213	344,894	409,107	-
TOTAL CURRENT LIABILITIES	248,581	522,094	770,675	720,724
NONCURRENT LIABILITIES				
Compensated absences	54,550	33,950	88,500	-
Net pension liability	2,677,000	2,244,000	4,921,000	-
Net OPEB liability	176,100	189,700	365,800	-
TOTAL NONCURRENT LIABILITIES	2,907,650	2,467,650	5,375,300	-
TOTAL LIABILITIES	3,156,231	2,989,744	6,145,975	720,724
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources - pension activity	94,000	78,000	172,000	-
Deferred inflows of resources - OPEB activity	60,000	71,000	131,000	-
TOTAL DEFERRED INFLOWS OF RESOURCES	154,000	149,000	303,000	-
NET POSITION				
Net investment in capital assets	81,347	-	81,347	-
Restricted	-	-	-	859,000
Unrestricted	(124,596)	(917,464)	(1,042,060)	1,032,110
TOTAL NET POSITION	\$ (43,249)	\$ (917,464)	\$ (960,713)	\$ 1,891,110

See accompanying notes to the basic financial statements.

HATBORO-HORSHAM SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2023

	Enterprise Funds		Total Enterprise Funds	Internal Service Fund
	Food Service Fund	Child Care Fund		
OPERATING REVENUES				
Charges for services	\$ 863,243	\$ 2,034,049	\$ 2,897,292	\$ 11,290,426
OPERATING EXPENSES				
Salaries	819,270	1,205,201	2,024,471	-
Employee benefits	407,354	435,190	842,544	-
Food costs	876,615	-	876,615	-
Other purchased service	37,488	922	38,410	-
Supplies	119,902	129,476	249,378	-
Depreciation	12,479	-	12,479	-
Payments for health claims and administrative expenses	-	-	-	9,643,664
Other operating expenses	-	118,357	118,357	-
TOTAL OPERATING EXPENSES	2,273,108	1,889,146	4,162,254	9,643,664
OPERATING INCOME (LOSS)	(1,409,865)	144,903	(1,264,962)	1,646,762
NONOPERATING REVENUES				
Interest and investment revenue	39,063	23,001	62,064	31,466
State sources	359,069	-	359,069	-
Federal sources	1,270,198	198,844	1,469,042	-
TOTAL NONOPERATING REVENUES	1,668,330	221,845	1,890,175	31,466
CHANGE IN NET POSITION	258,465	366,748	625,213	1,678,228
NET POSITION AT BEGINNING OF YEAR	(301,714)	(1,284,212)	(1,585,926)	212,882
NET POSITION AT END OF YEAR	\$ (43,249)	\$ (917,464)	\$ (960,713)	\$ 1,891,110

See accompanying notes to the basic financial statements.

HATBORO-HORSHAM SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2023

	Enterprise Funds		Total Enterprise Funds	Internal Service Fund
	Food Service Fund	Child Care Fund		
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 967,055	\$ 2,120,077	\$ 3,087,132	\$ -
Receipts from interfund charges	-	-	-	11,323,842
Payments to employees	(1,309,703)	(1,700,166)	(3,009,869)	-
Payments to suppliers	(1,036,100)	(259,972)	(1,296,072)	-
Payments for health insurance costs	-	-	-	(10,910,348)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(1,378,748)</u>	<u>159,939</u>	<u>(1,218,809)</u>	<u>413,494</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Repayments (to) from other funds	57,710	54,507	112,217	(101,301)
Federal sources	1,270,198	198,844	1,469,042	-
State sources	<u>359,069</u>	<u>-</u>	<u>359,069</u>	<u>-</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>1,686,977</u>	<u>253,351</u>	<u>1,940,328</u>	<u>(101,301)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition, construction and improvements of capital assets	<u>(54,396)</u>	<u>-</u>	<u>(54,396)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Earnings on investments	<u>39,063</u>	<u>23,001</u>	<u>62,064</u>	<u>31,466</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	292,896	436,291	729,187	343,659
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,237,663</u>	<u>1,276,311</u>	<u>3,513,974</u>	<u>1,506,273</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,530,559</u>	<u>\$ 1,712,602</u>	<u>\$ 4,243,161</u>	<u>\$ 1,849,932</u>

HATBORO-HORSHAM SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2023

	Enterprise Funds		Total Enterprise Funds	Internal Service Fund
	Food Service Fund	Child Care Fund		
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (1,409,865)	\$ 144,903	\$ (1,264,962)	\$ 1,646,762
Adjustments to reconcile operating loss to net cash provided (used) by operating activities				
Depreciation	12,479	-	12,479	-
Pension income	(98,700)	(67,300)	(166,000)	-
(Increase) decrease in				
Accounts receivable	118,984	7,120	126,104	33,416
Inventories	(1,948)	-	(1,948)	-
Other assets	-	3,004	3,004	-
Increase (decrease) in				
Accounts payable	(147)	(14,221)	(14,368)	(134,710)
Accrued expenses	17,946	-	-	(1,131,974)
Unearned revenue	(15,172)	92,769	77,597	-
Accrued salaries and benefits	-	(13,861)	(13,861)	-
Compensated absences	(2,325)	7,525	5,200	-
	<u>\$ (1,378,748)</u>	<u>\$ 159,939</u>	<u>\$ (1,236,755)</u>	<u>\$ 413,494</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
SUPPLEMENTAL DISCLOSURES				
Noncash activity				
Donated foods	\$ 170,505	\$ -	\$ 170,505	\$ -

See accompanying notes to the basic financial statements.

HATBORO-HORSHAM SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2023

	<u>Custodial Fund</u>
ASSETS	
Cash and cash equivalents	\$ <u>451,390</u>
LIABILITIES	
Accounts payable	<u>13,103</u>
NET POSITION	
Restricted for student activities	\$ <u><u>438,287</u></u>

See accompanying notes to the basic financial statements.

HATBORO-HORSHAM SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2023

	<u>Custodial Fund</u>
ADDITIONS	
Student activity receipts	\$ 839,445
Investment income	<u>12,827</u>
TOTAL ADDITIONS	<u>852,272</u>
DEDUCTIONS	
Student activity disbursements	<u>893,608</u>
TOTAL DEDUCTIONS	<u>893,608</u>
CHANGE IN NET POSITION	(41,336)
NET POSITION AT BEGINNING OF YEAR	<u>479,623</u>
NET POSITION AT END OF YEAR	<u><u>\$ 438,287</u></u>

See accompanying notes to the basic financial statements.

HATBORO-HORSHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Hatboro-Horsham School District (the "School District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

The School District uses guidance contained in GASB Statement No. 61, *The Financial Reporting Entity: Omnibus--An Amendment of GASB Statements No. 14 and No. 34*, to evaluate the possible inclusion of related entities within its reporting entity. The criteria used by the School District for inclusion are financial accountability and the nature and significance of the relationships. In determining financial accountability in a given case, the School District reviews the applicability of the following criteria. The School District is financially accountable for:

- Organizations that make up the legal School District entity.
- Legally separate organizations if School District officials appoint a voting majority of the organization's governing body and the School District is able to impose its will on the organization, or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the School District as defined below:
 - * ***Impose its Will*** - If the School District can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.
 - * ***Financial Benefit or Burden*** - Exists if the School District (1) is entitled to the organization's resources, or (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization, or (3) is obligated in some manner for the debt of the organization.
- Organizations that are fiscally dependent on the School District. Fiscal dependency is established if the organization is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval by the School District.

Based on the foregoing criteria, no component units were identified for inclusion in the School District's financial statements.

HATBORO-HORSHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental, proprietary and fiduciary.

Governmental Funds

General Fund - The General Fund accounts for all financial resources except those required to be accounted for in another fund. The General Fund balance is available for any purpose provided it is expended or transferred according to the general laws of Pennsylvania.

Capital Reserve Fund - The Capital Reserve Fund is a capital projects fund that accounts for the receipt and disbursement of resources for the purpose of building or buying major capital assets.

Construction Fund - The Construction Fund is a capital projects fund that accounts for the receipt and disbursement of borrowed resources for the purpose of purchasing or building planned major capital assets.

Debt Service Fund - The Debt Service Fund accounts for the resources used for the purpose of paying down existing debt service obligations.

Proprietary Funds

Enterprise Funds - The Enterprise Funds (Food Service Fund and Child Care Fund) account for operations (1) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Fund - This fund accounts for the financing of services by one department or agency to the other governmental units. The District's internal service fund is used to account for the activity related to the District's self-insured medical plan. Since this fund supports largely governmental activities, its activity is included in governmental activities in the government-wide statements.

Fiduciary Funds - Fiduciary Funds reporting focuses on net position and changes in net position.

Custodial Fund - The Custodial Fund (Student Activity Fund) accounts for the assets held by the School District as an agent for individuals. This fund accounts for programs operated and sponsored by various student clubs and organizations.

HATBORO-HORSHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation and Accounting

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for the Fiduciary Funds. The statements distinguish between those activities of the School 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 Funds 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.

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 School District and for each function or program of the School 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 School 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 School 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 School 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. Fiduciary Funds are reported by fund type.

HATBORO-HORSHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental 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 School 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.

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

The 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 the Proprietary Funds' principal ongoing operations. The principal operating revenues of the School District's Enterprise Funds are charges to students for sales and services. Operating expenses of the Enterprise Funds include 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 School District's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash Equivalents

All highly liquid investments with an original maturity of three months or less when purchased are considered to be cash equivalents.

HATBORO-HORSHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Statutes authorize the School District to invest in: 1) obligations, participations and other instruments of any Federal agency, 2) repurchase agreements with respect to U.S. Treasury bills or obligations, 3) negotiable certificates of deposit, 4) bankers' acceptances, 5) commercial paper, 6) shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933, and 7) savings or demand deposits. The specific conditions under which the District may invest in these categories are detailed in Pennsylvania Act No. 53 of 1973, as amended by Pennsylvania Act No. 10 of 2016. Investments are stated at fair value.

Pennsylvania Local Government Investment Trust Funds are invested in accordance with Section 440.1 of the School Code. Each school district owns a pro rata share of each investment or deposit which is held in the name of the fund.

Under Act No. 72, enacted by the General Assembly of the Commonwealth of Pennsylvania, the funds deposited with the various banks are permitted to be secured on a pooled basis with all other public funds which the banking institution has on deposit. 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 their authorities created by the General Assembly of the Commonwealth of Pennsylvania, or insured with the Federal Deposit Insurance Corporation. The market value of such bonds pledged must equal 120% of the funds deposited. The security pledged by the various depositories utilized during the year and at June 30, 2023, was in excess of the minimum requirements just described.

The School District has adopted GASB Statements No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, No. 72, *Fair Value Measurement and Application* and No. 79 *Certain External Investment Pools and Pool Participants*. In accordance with these Statements, investments in marketable securities with readily determinable fair value and all investments in debt securities are reported at their fair values. Investments in qualifying external investment pools are reported at amortized cost basis.

Short-Term Interfund Receivables/Payables

During the course of operations, transactions may occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the Governmental Funds balance sheet. Short-term interfund loans are classified as "interfund receivables/payables."

HATBORO-HORSHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

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

Inventories on hand in the Food Service Fund at June 30, 2023, consist of the following:

Supplies	\$ 31,321
Purchased food	25,446
Donated foods	<u>26,705</u>
	<u>\$ 83,472</u>

Capital Assets

Capital assets, which include property, plant and equipment and right to use leases assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The School District defines capital assets as assets with an initial, individual cost equal to or greater than \$4,000 (amount not rounded) or purchased with debt proceeds, and the assets must have an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed except for intangible right to use leased assets which are initially measured at an amount equal to the initial measurement of the related lease liability plus any payments made prior to the lease term, less incentives, and plus ancillary charges necessary to place the leased asset into service. The right of use assets are amortized on a straight-line basis over the life of the related lease. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

	<u>Years</u>
Site improvements	15-20
Building and building improvements	15-45
Machinery and equipment	5-20

Plant and equipment in the Proprietary Funds (Food Service Fund) are being depreciated on a straight-line basis over an estimated 12-year life. Computers in the Food Service Fund are depreciated on a straight-line basis over a 7-year life.

HATBORO-HORSHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Obligations

In the government-wide financial statements and Proprietary Funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or Proprietary Funds 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. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Leases

The School District is a lessee for noncancellable leases of equipment. The School District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The School District recognizes lease liabilities with an initial, individual value of \$4,000 or more.

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

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

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

The School District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

HATBORO-HORSHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

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

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

HATBORO-HORSHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance

The School District has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the School District's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- ***Nonspendable Fund Balance*** - Amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- ***Restricted Fund Balance*** - Amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government) through constitutional provisions or by enabling legislation.
- ***Committed Fund Balance*** - Amounts constrained to specific purposes by the School District itself, using its highest level of decision-making authority (the Board of School Directors). To be reported as committed, amounts cannot be used for any other purpose unless the School District takes the same highest level action to remove or change the constraint.
- ***Assigned Fund Balance*** - Amounts the School District intends to use for a specific purpose. Intent can be expressed by the Board of School Directors or by the Superintendent or Director of Business Affairs to whom the Board of School Directors has delegated the authority.
- ***Unassigned Fund Balance*** - Amounts available for any purpose. Positive amounts are reported only in the General Fund.

The Board of School Directors establishes (and modifies or rescinds) fund balance commitments by passage of a motion. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a commitment of the fund. Assigned fund balance is intended to be used by the School District for specific purposes but does not meet the criteria to be classified as restricted or committed.

The School District will typically use restricted fund balances first, followed by committed resources and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

HATBORO-HORSHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

Net Position Flow Assumption

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

NOTE B - CASH AND INVESTMENTS

Cash

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk but the District's Investment Policy does require confirmation of collateralized investments as required by Act 72 for any depository institution that holds funds in excess of the FDIC Insurance Limit for the protection of public funds. As of June 30, 2023, the bank balance of the School District's deposits were \$108,495,356. Of the bank balance, \$931,933 was covered by federal depository insurance and \$107,563,423 was exposed to custodial credit risk as follows:

Collateral Letters have been provided by the depository institutions providing the detail of the assets held by pledging banks' Trust Department through a third-party provider for uninsured balances of \$47,444,690.

The remaining cash deposits totaling \$60,118,733 are in state investment pools. Although the deposit balance exceeds the FDIC Insured Limits, the investments made through the state investment pools are invested directly into a portfolio of securities which are held by a third-party custodian in accordance with Governmental Accounting Standards Board ("GASB" requirements). The Trust invests in two basic types of federal securities: obligations backed by full faith and credit of the United States Government and short-term obligations of the United States Government or its agencies or instrumentalities.

Interest Rate Risk - The School District's investment policy limits investment maturities in accordance with the Commonwealth of Pennsylvania School Code as a means of managing its exposure to fair value losses arising from increasing interest rates.

HATBORO-HORSHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE B - CASH AND INVESTMENTS (Continued)

Investments

As of June 30, 2023, the School District had the following investments and maturities:

A portion of the School District's cash investments is in the PSDLAF program, of which are funds similar to mutual funds. GASB Statement No. 3, Paragraph 69, provides that certain types of cash investments, such as cash investments in a State Treasurer's investment pool or mutual fund, cannot be assigned a credit risk category because the government does not own specific securities. Therefore, the PSDLAF cash investments included in these statements will not be assigned a credit risk category. The carrying amount of these investments at June 30, 2023, is \$108,622. These assets maintain a stable net asset value of \$1 per share. PSDLAF is not SEC-registered. All investments are monitored weekly by Standard & Poor's and are subject to an independent audit on an annual basis.

Investments held with qualifying external state investment pools are valued at amortized cost in accordance with GASB Statement No. 79. The School District had \$108,622 invested in PSDLAF Max accounts.

HATBORO-HORSHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE C - TAXES - REAL ESTATE AND OTHER

The School Board is authorized by state law to levy property taxes for School District operations, capital improvements and debt service. In addition, the School District levies a .5% earned income tax. Property taxes are based on assessed valuations of real property within the School District.

Taxes are levied on July 1 and payable in the following periods:

Discount period July 1 to August 31 - 2% of gross levy
 Face period September 1 to October 31
 Penalty period November 1 to collection - 10% of gross levy
 Lien date January 15

School District taxes are billed and collected by the local elected tax collector for Hatboro Borough and an appointed tax collector for Horsham Township. Property taxes attach as an enforceable lien on property as of July 1.

NOTE D - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2023, consist of the following:

	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Child Care Fund</u>	<u>Internal Service Fund</u>
Other receivables	\$ <u>42,473</u>	\$ <u>13,625</u>	\$ <u>7,446</u>	\$ <u>29,746</u>

The School District believes all accounts receivable are collectible at June 30, 2023; therefore, no allowance for uncollectible accounts has been recorded.

HATBORO-HORSHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE D - ACCOUNTS RECEIVABLE (Continued)

Due from Other Governments (Intergovernmental Receivables)

GENERAL FUND

Other government receivables

Insight cyber	\$ 4,621
Pa leadership charter	3,364
PA virtual	54,156
MCIU - Age of beginner refund	1,931
MCIU - Classroom compensation	5,680
IDEA 611	858,423
IDEA 619	3,914
IDEA ARP	196,503
Access Program	9,121
Commonwealth Charter	3,260
Miscellaneous	16,581
TOTAL OTHER GOVERNMENT RECEIVABLES	<u>1,157,554</u>

Federal subsidies receivable

Title II	6,731
Title III	3,654
Title IV	24,001
ARP	374,485
TOTAL FEDERAL SUBSIDIES RECEIVABLE	<u>408,871</u>

State subsidies receivable

Medical Assistance - Access	459,806
Social Security	484,855
Driving PA Forward Business rebates	60,829
PCCD mental health program	8,398
Transportation subsidy shortfall	2,472
PSERS	2,381,104
TOTAL STATE SUBSIDIES RECEIVABLE	<u>3,397,464</u>

TOTAL GENERAL FUND \$ 4,963,889

FOOD SERVICE FUND

Pennsylvania Department of Education	\$ 14,721
US Department of Agriculture	<u>61,258</u>
TOTAL FOOD SERVICE FUND	<u><u>\$ 75,979</u></u>

HATBORO-HORSHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE E - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2023, is as follows:

Due to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Food Service	\$ 81,729
General Fund	Child Care	89,324
Child Care	General Fund	5,361
Debt Service Fund	General Fund	1,000,000
Internal Service Fund	General Fund	723,390
General Fund	Internal Service Fund	3,001
Capital Reserve Fund	General Fund	<u>7,000,000</u>
		<u>\$ 8,902,805</u>

The amount due to the Capital Reserve Fund (\$7,000,000) from the General Fund represents amounts approved by the Board of Directors for capital improvements of the School District. The amount due to the Debt Service Fund (\$1,000,000) from the General Fund represents future debt service payments. The amount due to the Food Service Fund, Child Care Fund, and Internal Service Fund from the General Fund represents expenses paid by the Food Service Fund, Child Care Fund and Internal Service Fund on behalf of the General Fund.

Interfund Transfers

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Debt Service Fund	General Fund	\$ 1,000,000
Construction Fund	General Fund	563,502
Capital Reserve Fund	General Fund	<u>7,000,000</u>
		<u>\$ 8,563,502</u>

The General Fund transfer out (\$1,000,000) to the Debt Service Fund is for future debt service. The General Fund transfer out (\$7,000,000) to the Capital Reserve Fund represents amounts approved by the Board of Directors for capital improvements of the School District. The General Fund transfer out (\$563,502) was to fund the Construction fund.

HATBORO-HORSHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE F - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 193,618	\$ -	\$ -	\$ 193,618
Construction in progress	5,668,622	13,736,965	(2,996,530)	16,409,057
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	5,862,240	13,736,965	(2,996,530)	16,602,675
Capital assets being depreciated				
Site improvements	6,293,239	-	-	6,293,239
Buildings and building improvements	150,507,812	3,195,172	-	153,702,984
Machinery and equipment	19,248,043	1,631,023	(347,123)	20,531,943
Right to use lease assets	3,221,415	979,932	(656,261)	3,545,086
TOTAL CAPITAL ASSETS BEING DEPRECIATED	179,270,509	5,806,127	(1,003,384)	184,073,252
Accumulated depreciation	(75,333,866)	(6,733,390)	982,171	(81,085,085)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	103,936,643	(927,263)	(21,213)	102,988,167
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	109,798,883	12,809,702	(3,017,743)	119,590,842
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Machinery and equipment	777,485	54,396	-	831,881
Accumulated depreciation	(738,055)	(12,479)	-	(750,534)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	39,430	41,917	-	81,347
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	39,430	41,917	-	81,347
CAPITAL ASSETS, net	\$ 109,838,313	\$ 12,851,619	\$ (3,017,743)	\$ 119,672,189

The net book value of each capital asset category for governmental activities is as follows:

	Cost	Accumulated Depreciation	Net Book Value
CAPITAL ASSETS NOT BEING DEPRECIATED			
Land	\$ 193,618	\$ -	\$ 193,618
Construction in progress	16,409,057	-	16,409,057
CAPITAL ASSETS BEING DEPRECIATED			
Site improvements	6,293,239	(3,239,457)	3,053,782
Buildings and building improvements	153,702,984	(62,821,249)	90,881,735
Machinery and equipment	20,531,943	(13,228,200)	7,303,743
Right to use lease assets	3,545,086	(1,796,179)	1,748,907
	\$ 200,675,927	\$ (81,085,085)	\$ 119,590,842

HATBORO-HORSHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE F - CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

INSTRUCTION	
Regular programs	\$ 2,618,491
Special programs	1,092,334
Vocational education	141,036
Other instructional programs	2,611
SUPPORT SERVICES	
Instructional staff services	439,482
Business services	186,458
Operation and maintenance of plant services	511,442
Student transportation services	430,205
Central and other support services	1,280,668
OPERATION OF NON-INSTRUCTIONAL SERVICES	
Student activities	<u>30,663</u>
	<u><u>\$ 6,733,390</u></u>

NOTE G - LONG-TERM DEBT

General Obligation Bonds

The School District issues general obligation bonds to provide funds for acquisition and construction of major capital facilities. The original amount of general obligation bonds issued in prior years was \$70,955,000. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 20-year serial bonds with equal amounts of principal maturing each year.

In March 2023 the School District issued General Obligation Bonds, Series of 2023 in the amount of \$34,585,000. The bond was issued to plan, design, acquire, construct, furnish, install and equip Keith Valley Middle School and undertake other various capital improvement projects for the benefit of the School District and to pay the costs of issuing the Bonds.

HATBORO-HORSHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE G - LONG-TERM DEBT (Continued)

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 4,360,000	\$ 3,491,706
2025	3,830,000	3,350,123
2026	3,210,000	3,602,479
2027	3,275,000	3,534,267
2028	3,350,000	3,473,119
2029-2033	18,040,000	16,373,803
2034-2038	20,905,000	13,933,740
2039-2043	16,065,000	14,405,413
2044-2048	14,430,000	15,447,688
2049-2052	13,835,000	11,832,463
	<u>\$ 101,300,000</u>	<u>\$ 89,444,801</u>

This Page Intentionally Left Blank

HATBORO-HORSHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE H - CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2023, was as follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>Final Maturity</u>	<u>Interest Rates (Percent)</u>
GENERAL OBLIGATION BONDS		
Bonds		
Series of 2017	2038	0.900% to 4.000%
Series of 2018	2039	2.000% to 5.000%
Series of 2019	2040	1.780% to 5.000%
Series of 2020	2035	1.000% to 4.000%
Series of 2020 A	2040	1.780% to 5.000%
Series of 2021	2052	0.250% to 4.000%
Series of 2023	2052	2.500% to 5.000%
Bond premiums		
TOTAL GENERAL OBLIGATION BONDS		
LEASES		
COMPENSATED ABSENCES		
NET PENSION LIABILITY		
NET OPEB LIABILITY		
TOTAL LONG-TERM LIABILITIES		
<u>BUSINESS-TYPE ACTIVITIES</u>		
COMPENSATED ABSENCES		
NET PENSION LIABILITY		
NET OPEB LIABILITY		
TOTAL LONG-TERM LIABILITIES		

<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
\$ 8,375,000	\$ -	\$ (225,000)	\$ 8,150,000	\$ 230,000
13,540,000	-	(1,515,000)	12,025,000	1,555,000
8,795,000	-	(260,000)	8,535,000	290,000
9,905,000	-	(650,000)	9,255,000	685,000
20,345,000	-	(1,585,000)	18,760,000	1,590,000
9,995,000	-	(5,000)	9,990,000	5,000
-	34,585,000	-	34,585,000	5,000
2,943,348	157,852	-	3,101,200	166,235
<u>73,898,348</u>	<u>34,742,852</u>	<u>(4,240,000)</u>	<u>104,401,200</u>	<u>4,526,235</u>
2,015,982	979,932	(1,264,305)	1,731,609	708,126
2,182,313	-	(55,450)	2,126,863	-
136,089,000	14,462,000	-	150,551,000	-
<u>12,823,950</u>	<u>-</u>	<u>(2,407,320)</u>	<u>10,416,630</u>	<u>-</u>
<u>\$ 227,009,593</u>	<u>\$ 50,184,784</u>	<u>\$ (7,967,075)</u>	<u>\$ 269,227,302</u>	<u>\$ 5,234,361</u>
\$ 83,300	\$ 5,200	\$ -	\$ 88,500	\$ -
4,448,000	473,000	-	4,921,000	-
<u>386,800</u>	<u>-</u>	<u>(21,000)</u>	<u>365,800</u>	<u>-</u>
<u>\$ 4,918,100</u>	<u>\$ 478,200</u>	<u>\$ (21,000)</u>	<u>\$ 5,375,300</u>	<u>\$ -</u>

HATBORO-HORSHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE I - UNEARNED REVENUE

General Fund

Unearned revenue of \$190,315 in the General Fund consists primarily of grant funds received from Federal grants that will not be spent until the next school year.

Food Service Fund

Unearned revenue of \$64,213 in the Food Service Fund represents the carryover of student deposits.

Child Care Fund

Unearned revenue of \$344,894 in the Child Care Fund represents the remaining balances for each child enrolled in the program.

NOTE J - PENSION PLAN

Summary of Significant Accounting Policies

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

General Information About the Pension Plan

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

HATBORO-HORSHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE J - PENSION PLAN (Continued)

Benefits Provided - PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service.

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

Benefits are generally between 1% to 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

HATBORO-HORSHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE J - PENSION PLAN (Continued)

Contributions

Members Contributions

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

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

HATBORO-HORSHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE J - PENSION PLAN (Continued)

Employer Contributions

The School District's contractually required contribution rate for the fiscal year ended June 30, 2023, was 34.31% of covered payroll, actuarially determined as an amount that, when combined with employee contributions is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the plan from the School District were \$18,426,000 for the year ended June 30, 2023.

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

At June 30, 2023, the School District reported a liability of \$155,472,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2021 to June 30, 2022. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2023, the School District's proportion was 0.3497%, which was an increase of 0.0074% from its proportion measured as of June 30, 2022.

HATBORO-HORSHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE J - PENSION PLAN (Continued)

For the year ended June 30, 2023, the School District recognized pension expense of \$11,345,000. At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
GOVERNMENTAL ACTIVITIES		
Difference between expected and actual experience	\$ 69,000	\$ 1,302,000
Changes in assumptions	4,496,000	-
Net difference between projected and actual investment earnings	-	2,554,000
Changes in proportions	2,883,000	1,352,000
Difference between employer contributions and proportionate share of total contributions	-	59,000
Contributions subsequent to the measurement date	<u>17,843,000</u>	<u>-</u>
	<u>\$ 25,291,000</u>	<u>\$ 5,267,000</u>
BUSINESS-TYPE ACTIVITIES		
Difference between expected and actual experience	\$ 2,000	\$ 43,000
Changes in assumptions	147,000	-
Net difference between projected and actual investment earnings	-	84,000
Changes in proportions	94,000	44,000
Difference between employer contributions and proportionate share of total contributions	-	1,000
Contributions subsequent to the measurement date	<u>583,000</u>	<u>-</u>
	<u>\$ 826,000</u>	<u>\$ 172,000</u>

\$18,426,000 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the new pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2024	\$ 995,000	\$ 33,000
2025	727,000	24,000
2026	(3,018,000)	(99,000)
2027	<u>3,475,000</u>	<u>115,000</u>
	<u>\$ 2,181,000</u>	<u>\$ 71,000</u>

HATBORO-HORSHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE J - PENSION PLAN (Continued)

Changes in Actuarial Assumptions - The total pension liability as of June 30, 2022, was determined by rolling forward the System's total pension liability as of the June 30, 2021 actuarial valuation to June 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation Date - June 30, 2021
- Actuarial cost method - entry age normal - level % of pay
- Investment return - 7.00%, includes inflation at 2.75%
- Salary growth - effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSER's 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 7.00% of June 30, 2021 and as of June 30, 2022.
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
 - Salary growth rate - decreased from 5.00% to 4.50%.
 - Real growth and merit or seniority increases (components for salary growth) - decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
 - Mortality rates - previously based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

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

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

HATBORO-HORSHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE J - PENSION PLAN (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	28.0%	5.3%
Private equity	12.0%	8.0%
Fixed income	33.0%	2.3%
Commodities	9.0%	2.3%
Absolute return	6.0%	3.5%
Infrastructure/MLPs	9.0%	5.4%
Real estate	11.0%	4.6%
Cash	3.0%	0.5%
Leverage	-11.0%	0.5%
	<u>100.0%</u>	

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

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 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 plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	<u>1% Decrease 6.00%</u>	<u>Current Discount Rate 7.00%</u>	<u>1% Increase 8.00%</u>
School District's proportionate share of the net pension liability	\$ <u>201,093,000</u>	\$ <u>155,472,000</u>	\$ <u>117,009,000</u>

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

NOTE K - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS - PSERS

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

General Information about the Health Insurance Premium Assistance Program

Health Insurance Premium Assistance Program

The System provides Premium Assistance which, is a governmental cost share, multiple employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or PSERS' Health Options Program. As of June 30, 2023, there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

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

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

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

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

HATBORO-HORSHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE K - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS - PSERS (Continued)

Pension Plan Description

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

Benefits Provided

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

Contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2023 was 0.75% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$403,000 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$6,445,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2021 to June 30, 2022. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2023, the District's proportion was 0.3501% which was an increase of 0.0063% from its proportion measured as of June 30, 2022.

HATBORO-HORSHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE K - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS - PSERS (Continued)

For the year ended June 30, 2023, the District recognized OPEB expense of \$219,000. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
GOVERNMENTAL ACTIVITIES		
Difference between expected and actual experience	\$ 58,000	\$ 34,000
Changes in assumptions	706,000	1,474,000
Net difference between projected and actual investment earnings	18,000	-
Changes in proportions	197,000	99,000
Difference between employer contributions and proportionate share of total contributions	-	4,000
Contributions subsequent to the measurement date	<u>391,000</u>	<u>-</u>
	<u>\$ 1,370,000</u>	<u>\$ 1,611,000</u>
	<u>Outflows of Resources</u>	<u>Inflows of Resources</u>
BUSINESS-TYPE ACTIVITIES		
Difference between expected and actual experience	\$ 1,000	\$ 1,000
Changes in assumptions	10,000	48,000
Net difference between projected and actual investment earnings	-	-
Changes in proportions	21,000	3,000
Difference between employer contributions and proportionate share of total contributions	-	-
Contributions subsequent to the measurement date	<u>12,000</u>	<u>-</u>
	<u>\$ 44,000</u>	<u>\$ 52,000</u>

HATBORO-HORSHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE K - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS - PSERS (Continued)

\$403,000 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2024	\$ (77,000)	\$ (3,000)
2025	(64,000)	(2,000)
2026	(77,000)	(3,000)
2027	(85,000)	(3,000)
2028	(327,000)	(11,000)
Thereafter	-	-
	<u>\$ (632,000)</u>	<u>\$ (20,000)</u>

Actuarial Assumptions

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

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return – 4.09% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate Pre age 65 at 50%.
 - Eligible retirees will elect to participate Post age 65 at 70%.

In the 2022 actuarial valuation, the discount rate changed from 2.18% to 4.09%.

HATBORO-HORSHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE K - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS - PSERS (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 following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2020 determined the employer contribution rate for fiscal year 2022.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Mortality Improvement Scale.

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

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

HATBORO-HORSHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE K - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS - PSERS (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	<u>100.0%</u>	0.50%
	<u><u>100.0%</u></u>	

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

Discount Rate

The discount rate used to measure the Total OPEB Liability was 4.09%. Under the plan’s funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan’s fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a “pay-as-you-go” plan. A discount rate of 4.09% which represents the S&P 20 year Municipal Bond Rate at June 30, 2022, was applied to all projected benefit payments to measure the total OPEB liability.

HATBORO-HORSHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE K - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS - PSERS (Continued)

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2022, retirees receiving Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2022, 93,293 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2020, 582 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the net OPEB liability for June 30, 2022, calculated using current Healthcare cost trends as well as what the 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 Rate</u>	<u>1% Increase</u>
District's net OPEB liability	\$ <u>6,445,000</u>	\$ <u>6,445,000</u>	\$ <u>6,445,000</u>

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

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

	<u>1% Decrease 3.09%</u>	<u>Current Discount Rate 4.09%</u>	<u>1% Increase 5.09%</u>
District's proportionate share of the net OPEB liability	\$ <u>7,288,000</u>	\$ <u>6,445,000</u>	\$ <u>5,739,000</u>

OPEB Plan Fiduciary Net Position

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

HATBORO-HORSHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE L - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS - SINGLE EMPLOYER PLAN

Plan Description

The School District administers a single-employer defined benefit healthcare plan. The plan provides health care to eligible retired employees and spouses through a single-employer defined benefit plan. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a stand-alone financial report. The activity of the plan is reported in the School District's General Fund.

Administrators: Medical, dental, prescription drug and life insurance benefits are payable at 65% of the premium to members who have 15 years of service with the School District (final ten must be as an administrator) and are eligible for retirement through PSERS. Spouses are included in the medical, dental and prescription drug benefits. Benefits cease upon eligibility for Medicare.

Retirees who do not meet the above criteria will be eligible for partial coverage if the retiree has a minimum of ten (10) years of service in the Hatboro-Horsham School District, at least seven (7) of which has been as an administrator defined under Act 93. Partial coverage will be limited to a \$2,500 annual contribution toward the cost for health and dental costs up to age 65.

Teachers: Medical, dental and prescription drug benefits are payable to all members who retired prior to July 1, 2003. Benefits are also payable to teachers hired prior to July 1, 2003, who retired after July 1, 2003, have 15 years of service with the School District and are eligible for retirement through PSERS. Benefits are payable to teachers hired after July 1, 2003, when they are eligible for retirement through PSERS.

Support Staff: All members who are eligible for PSERS retirement are eligible to continue coverage for themselves and their dependents. Retirees over age 65 who are still eligible for coverage are required to participate in a Medicare Advantage Plan (PC 65) or terminate coverage.

Plan Membership

At July 1, 2022, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	39
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	529
	<hr/>
	568
	<hr/> <hr/>

HATBORO-HORSHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE L - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS - SINGLE EMPLOYER PLAN (Continued)

Funding Policy and Funding Status

Administrators: The School District will pay 65% of the premium for medical, dental and prescription drug benefits and the full premium for life insurance in the amount of three times the final salary up to a maximum of \$500,000 for active employees, or three times their salary up to a maximum of \$500,000 for non-active employees who were under 65 at retirement.

Teachers: For teachers who retired prior to July 1, 2003, the School District will pay 55% of the premiums for medical, dental and prescription drug benefits. For teachers hired prior to July 1, 2003, and retiring after July 1, 2003, the School District's contributions are based on the member's service level as of the 2003-2004 school years.

For those teachers at service level steps 1-5, the member is responsible for all premiums for coverage for up to eight years of medical, dental and prescription drug with no District contribution. For those teachers at service level steps 6-10, the School District will pay 50% of the single premium in the 2003-2004 school year for medical, dental and prescription drug benefits for up to eight years. For those teachers at service level steps 11-15, the School District will pay 50% of the premium in the 2003-2004 school year for medical, dental and prescription drug benefits for up to eight years, with the premium used for the School District portion based on the medical tier the employee was at during the 2003-2004 school year. For teachers hired after July 1, 2003, the School District will not contribute any funds towards the premium.

Support Staff: Members who are eligible for PSERS retirement must provide payment equal to the premium determined for the purpose of COBRA.

The plan is an unfunded plan with no assets accumulated in a trust. Contributions to the plan are equal to benefit payments. For the year ending, June 30, 2022, benefit payments paid as they came due were \$310,706.

Assumptions

The following assumptions and actuarial methods and calculation were used:

Interest Rate - 4.06%, based on S&P Municipal Bond 20 Year High Grade Rate Index at July 1, 2022.

Salary - An assumption for salary increases is used only for spreading contributions over future pay under the entry age normal cost method. For this purpose, salary increases are composed of a 2.5% cost of living adjustment, 1.5% real wage growth, and for teachers and administrators a merit increase which varies from 2.75% to 0%.

HATBORO-HORSHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE L - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS - SINGLE EMPLOYER PLAN (Continued)

Health Care Cost Trend Rate - 6.5% in 2022, 6.0% in 2023, 5.5% 2024 through 2025. Rates gradually decrease from 5.4% in 2026 to 3.9% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

Withdrawal - Rates of withdrawal vary by age, gender and years of service. Sample rates for employees with more than 10 years of service are shown below. Rates for new employees start at 25.93% for men and 27.46% for women and decrease with age and service.

<u>Age</u>	<u>Male Rate</u>	<u>Female Rate</u>	<u>Age</u>	<u>Male Rate</u>	<u>Female Rate</u>
25	4.55%	3.90%	45	1.41%	1.60%
30	4.55%	3.90%	50	1.89%	2.08%
35	1.68%	2.83%	55	3.63%	3.66%
40	1.42%	1.67%	60	5.49%	5.94%

Mortality - PubT-2010 headcount-weighted mortality table including rates for contingent survivors for teachers. PubG-2010 headcount -weighted mortality table including rates for contingent survivors for all other employees.

Disability - No disability was assumed.

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

Percent of Eligible Retirees Electing Coverage in Plan - 100% of administrators, 75% of teachers eligible for a subsidy, 25% of administrators and teachers not eligible for a subsidy, and 10% of the support staff are assumed to elect coverage.

Percent Married at Retirement - 25% of employees are assumed to be married and have a spouse covered by the plan at retirement. Non-spouse dependents are deemed to be immaterial.

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

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

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

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

HATBORO-HORSHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE L - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS - SINGLE EMPLOYER PLAN (Continued)

Changes in Assumptions - In the 2022 actuarial valuation, the discount rate changed from 2.28% to 4.06%. The trend assumption was updated.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at July 1, 2021	\$ 5,062,750
Changes for the year	
Service cost	264,575
Interest cost	117,626
Differences between expected and actual experience	33,557
Changes of assumptions	(830,372)
Benefit payments	<u>(310,706)</u>
Net changes	<u>(725,320)</u>
Balance at July 1, 2022	\$ <u>4,337,430</u>

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

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.06 percent) or 1-percentage-point higher (5.06 percent) than the current discount rate:

	<u>1% Decrease 3.06%</u>	<u>Current Discount Rate 4.06%</u>	<u>1% Increase 5.06%</u>
Total OPEB liability	\$ <u>4,586,738</u>	\$ <u>4,337,430</u>	\$ <u>4,097,865</u>

HATBORO-HORSHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE L - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS - SINGLE EMPLOYER PLAN (Continued)

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

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

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ <u>4,078,888</u>	\$ <u>4,337,430</u>	\$ <u>4,631,837</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - For the year ended June 30, 2023, the School recognized OPEB expense of \$78,502. At June 30, 2023, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
GOVERNMENTAL ACTIVITIES		
Changes in assumptions	\$ 104,698	\$ 1,345,143
Difference between expected and actual experience	28,201	628,364
Contributions subsequent to the measurement date	<u>293,423</u>	<u>-</u>
	<u>\$ 426,322</u>	<u>\$ 1,973,507</u>
BUSINESS-TYPE ACTIVITIES		
Changes in assumptions	\$ 4,000	\$ 54,000
Difference between expected and actual experience	2,000	25,000
Contributions subsequent to the measurement date	<u>12,000</u>	<u>-</u>
	<u>\$ 18,000</u>	<u>\$ 79,000</u>

HATBORO-HORSHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE L - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS - SINGLE EMPLOYER PLAN (Continued)

\$305,423 reported as deferred outflows of resources 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, 2024. The remaining amounts reported as deferred inflows of resources related to OPEB will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2024	\$ (291,699)	\$ (12,000)
2025	(291,699)	(12,000)
2026	(291,699)	(12,000)
2027	(291,699)	(12,000)
2028	(291,700)	(12,000)
Thereafter	<u>(382,112)</u>	<u>(13,000)</u>
	<u>\$ (1,840,608)</u>	<u>\$ (73,000)</u>

HATBORO-HORSHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE M - LEASES PAYABLE

The School District has entered into leases for various equipment. The lease agreements qualify as an other than short-term lease under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of implementation.

The School District has the following leases:

DESCRIPTION	TERM	PAYMENT AMOUNT
Copiers	Monthly thru March 2027	\$20.81 per month
Copiers	Monthly thru June 2023	\$7,237.97 per month
Copiers	Monthly thru August 2025	\$4,575.79 per month
Copiers	Monthly thru November 2025	\$29.00 per month
Copiers	Monthly thru August 2025	\$2,637.35 per month
Copiers	Monthly thru September 2023	\$159.17 per month
Computers	Annually thru June 2026	\$233,432.00 annually
Computers	Annually thru July 2024	\$440,916.91 annually
Computers	Annually thru July 2022	\$444,132.38 annually
Grounds equipemnt	Quarterly thru September 2027	\$6,431.95 quarterly

The lease liability is measured at a discount rates between 4% to 5%, which has been determined to be the School District's estimated incremental borrowing rate.

The future minimum lease obligations under the leases at June 30, 2023 were as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 708,126	\$ 79,598	\$ 787,724
2025	738,612	48,650	787,262
2026	256,955	17,072	274,027
2027	21,990	3,987	25,977
2028	5,926	-	5,926
	<u>\$ 1,731,609</u>	<u>\$ 149,307</u>	<u>\$ 1,880,916</u>

Interest expense for the leases payable was \$89,868 for the year ended June 30, 2023.

HATBORO-HORSHAM SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE N - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the School District to purchase commercial insurance for the risks of loss to which it is exposed, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

Effective September 1, 2014, the District became self-insured for medical, dental, and prescription insurance for employees and their dependents. Effective July 1, 2021, the District established an internal service fund to administer future self-insurance benefits to all eligible District employees. The District uses a third-party administrator to provide consulting and administrative services to process claims within the self-insurance fund. For the year ended June 30, 2023, the District has coverage for claims in excess of \$150,000 per person and a lifetime benefit limit of \$1,000,000.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of recent claim settlement trends as determined by the District's independent third-party administrator.

Changes in claims obligations for the internal service fund are as follows for the year ended June 30, 2023:

Claims payable, beginning of fiscal year	\$ 1,984,407
Incurred claims	9,643,664
Payments	<u>(10,910,348)</u>
Claims payable, end of fiscal year	<u>\$ 717,723</u>

NOTE O - PARTICIPATION IN PUBLIC ENTITY RISK POOL

The School District is self-insured for worker's compensation under the laws of the Commonwealth of Pennsylvania. The School District is approved for self-insured workers' compensation annually from July 1 to June 30 by the Bureau of Workers' Compensation, Pennsylvania Department of Labor and Industry. The School District belongs to the School Districts Insurance Consortium (the "Consortium"), which is an association of 76 public school districts that pool their funds under the Intergovernmental Cooperation Act, Act 180 of 1972, as amended, in order to reduce workers' compensation insurance costs. The Commonwealth holds the School District fully responsible for all workers' compensation claims which arise during the period it is self-insured. The Consortium has an excess reinsurance policy to limit the self-insurance loss retention on individual worker's compensation claims. The policy provides reinsurance for the portion of an individual claim that is in excess of \$500,000.

[THIS PAGE INTENTIONALLY LEFT BLANK]

REQUIRED SUPPLEMENTARY INFORMATION

HATBORO-HORSHAM SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 87,102,091	\$ 87,102,091	\$ 94,525,289	\$ 7,423,198
State sources	23,812,462	23,812,462	25,121,183	1,308,721
Federal sources	5,462,321	5,462,321	4,423,581	(1,038,740)
TOTAL REVENUES	116,376,874	116,376,874	124,070,053	7,693,179
EXPENDITURES				
Instruction	71,495,937	71,388,576	67,971,735	3,416,841
Support services	40,898,387	41,004,624	36,143,053	4,861,571
Operation of non-instructional services	2,066,426	2,063,706	1,896,778	166,928
Facilities acquisition, construction and improvement services	199,411	203,255	272,678	(69,423)
Debt service	6,958,659	6,958,659	7,663,981	(705,322)
Capital outlay leases	-	-	979,932	(979,932)
Refunds of prior year revenues	-	-	348,122	(348,122)
TOTAL EXPENDITURES	121,618,820	121,618,820	115,276,279	6,342,541
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(5,241,946)	(5,241,946)	8,793,774	14,035,720
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	50,704	50,704
Proceeds from leases	-	-	979,932	979,932
Transfers in	2,191,946	2,191,946	-	(2,191,946)
Transfers out	-	-	(8,563,502)	(8,563,502)
TOTAL OTHER FINANCING SOURCES (USES)	2,191,946	2,191,946	(7,532,866)	(9,724,812)
NET CHANGE IN FUND BALANCE				
	\$ (3,050,000)	\$ (3,050,000)	1,260,908	\$ 4,310,908
FUND BALANCE AT BEGINNING OF YEAR			23,839,696	
FUND BALANCE AT END OF YEAR			\$ 25,100,604	

See accompanying note to the budgetary comparison schedule.

HATBORO-HORSHAM SCHOOL DISTRICT
NOTE TO THE BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2023

NOTE A - BUDGETARY INFORMATION

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. An annual appropriated budget is adopted for the General Fund. All annual appropriations lapse at fiscal year-end. Project-length financial plans are adopted for all Construction Funds.

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

1. Prior to June 1, the Director of Business Affairs submits to the School Board a final proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the School District offices to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of an ordinance.
4. The Board may approve the transfer of unencumbered budgeted amounts between departments within any fund.
5. The operating budget is adopted on a basis prescribed by the Department of Education.

Controls over spending in the Construction and Capital Reserve Funds are achieved by Board approval and the use of internal spending limits. Effective expenditure control is achieved in the Construction and Capital Reserve Funds through bond indenture provisions and Board approved spending.

All budget amounts presented in the accompanying required supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions to the annual budgets during the year).

For the year ended June 30, 2023, the School overspent from budgeted amounts in the general fund for the following line items:

Facilities acquisition, construction and improvement service	\$	69,423
Debt service		705,322
Capital outlay leases		979,932
Refunds of prior year revenues		<u>348,122</u>
	\$	<u><u>2,102,799</u></u>

The overages were made up with funds from other line items that were underspent during the year.

HATBORO-HORSHAM SCHOOL DISTRICT
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE
SHARE OF THE PSERS NET PENSION LIABILITY
LAST NINE FISCAL YEARS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
SCHOOL DISTRICT'S PROPORTION OF THE NET PENSION LIABILITY (ASSET)	<u>0.3497%</u>	<u>0.3423%</u>	<u>0.3446%</u>	<u>0.3446%</u>	<u>0.3455%</u>	<u>0.3387%</u>	<u>0.3389%</u>	<u>0.3367%</u>	<u>0.0039%</u>
SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)	<u>\$ 155,472,000</u>	<u>\$ 140,537,000</u>	<u>\$ 171,401,000</u>	<u>\$ 161,213,000</u>	<u>\$ 165,857,000</u>	<u>\$ 167,279,000</u>	<u>\$ 167,948,000</u>	<u>\$ 145,843,000</u>	<u>\$ 134,336,000</u>
SCHOOL DISTRICT'S COVERED PAYROLL	<u>\$ 51,482,357</u>	<u>\$ 48,735,141</u>	<u>\$ 49,128,125</u>	<u>\$ 47,530,559</u>	<u>\$ 46,526,555</u>	<u>\$ 45,095,599</u>	<u>\$ 43,891,133</u>	<u>\$ 43,325,035</u>	<u>\$ 43,305,745</u>
SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF ITS COVERED PAYROLL	<u>301.99%</u>	<u>288.37%</u>	<u>348.89%</u>	<u>339.18%</u>	<u>356.48%</u>	<u>370.94%</u>	<u>382.65%</u>	<u>336.63%</u>	<u>310.20%</u>
THE PLAN'S FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>61.34%</u>	<u>63.67%</u>	<u>54.32%</u>	<u>55.66%</u>	<u>54.00%</u>	<u>51.84%</u>	<u>50.14%</u>	<u>45.64%</u>	<u>57.24%</u>

NOTES TO SCHEDULE

The District's covered employee payroll noted above is as of the measurement date of the net pension liability (June30, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015 and 2014).

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

HATBORO-HORSHAM SCHOOL DISTRICT
SCHEDULE OF THE SCHOOL DISTRICT'S PSERS PENSION CONTRIBUTIONS
LAST NINE FISCAL YEARS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
CONTRACTUALLY REQUIRED CONTRIBUTION	\$ 18,426,000	\$ 17,399,000	\$ 16,176,000	\$ 16,218,000	\$ 15,353,000	\$ 14,574,000	\$ 12,926,000	\$ 10,754,000	\$ 8,679,000
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	<u>18,426,000</u>	<u>17,399,000</u>	<u>16,176,000</u>	<u>16,218,000</u>	<u>15,353,000</u>	<u>14,574,000</u>	<u>12,926,000</u>	<u>10,754,000</u>	<u>8,679,000</u>
CONTRIBUTION DEFICIENCY	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
SCHOOL DISTRICT'S COVERED PAYROLL	\$ <u>53,704,459</u>	\$ <u>51,482,357</u>	\$ <u>48,735,141</u>	\$ <u>49,128,125</u>	\$ <u>47,530,199</u>	\$ <u>46,526,555</u>	\$ <u>45,095,599</u>	\$ <u>43,891,133</u>	\$ <u>43,325,035</u>
CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL	<u>34.31%</u>	<u>33.80%</u>	<u>33.19%</u>	<u>33.01%</u>	<u>32.30%</u>	<u>31.32%</u>	<u>28.66%</u>	<u>24.50%</u>	<u>20.03%</u>

08 - **NOTE TO SCHEDULE**

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

HATBORO-HORSHAM SCHOOL DISTRICT
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE
PSERS NET OTHER POSTEMPLOYMENT BENEFIT PLAN LIABILITY
LAST SIX FISCAL YEARS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
SCHOOL DISTRICT'S PROPORTION OF THE NET OPEB LIABILITY	<u>0.3501%</u>	<u>0.3438%</u>	<u>0.3500%</u>	<u>0.3446%</u>	<u>0.3455%</u>	<u>0.3387%</u>
SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY	<u>\$ 6,445,000</u>	<u>\$ 8,148,000</u>	<u>\$ 7,562,000</u>	<u>\$ 7,329,000</u>	<u>\$ 7,204,000</u>	<u>\$ 6,901,000</u>
SCHOOL DISTRICT'S COVERED PAYROLL	<u>\$ 51,482,357</u>	<u>\$ 48,735,141</u>	<u>\$ 49,128,125</u>	<u>\$ 47,530,559</u>	<u>\$ 46,526,555</u>	<u>\$ 45,095,599</u>
SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY AS A PERCENTAGE OF ITS COVERED PAYROLL	<u>12.52%</u>	<u>16.72%</u>	<u>15.39%</u>	<u>15.42%</u>	<u>15.48%</u>	<u>15.30%</u>
THE PLAN'S FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL OPEB LIABILITY	<u>6.86%</u>	<u>5.30%</u>	<u>5.69%</u>	<u>5.56%</u>	<u>5.56%</u>	<u>5.73%</u>

NOTES TO SCHEDULE

The District's covered employee payroll noted above is as of the measurement date of the net pension liability (June 30, 2022, 2021, 2020, 2019, 2018 and 2017).

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

HATBORO-HORSHAM SCHOOL DISTRICT
SCHEDULE OF THE SCHOOL DISTRICT'S PSERS OTHER POSTEMPLOYMENT
BENEFIT PLAN CONTRIBUTIONS
LAST SIX FISCAL YEARS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
CONTRACTUALLY REQUIRED CONTRIBUTION	\$ 403,000	\$ 409,000	\$ 396,000	\$ 408,000	\$ 391,000	\$ 381,000
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	<u>403,000</u>	<u>409,000</u>	<u>396,000</u>	<u>408,000</u>	<u>391,000</u>	<u>381,000</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
SCHOOL DISTRICT'S COVERED PAYROLL	<u>\$ 53,704,459</u>	<u>\$ 51,482,357</u>	<u>\$ 48,735,141</u>	<u>\$ 49,128,125</u>	<u>\$ 47,530,199</u>	<u>\$ 46,526,555</u>
CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL	<u>0.75%</u>	<u>0.79%</u>	<u>0.81%</u>	<u>0.83%</u>	<u>0.82%</u>	<u>0.82%</u>

NOTE TO SCHEDULE

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

HATBORO-HORSHAM SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE TOTAL OTHER POSTEMPLOYMENT
BENEFIT PLAN LIABILITY AND RELATED RATIOS
LAST SIX FISCAL YEARS

	2023	2022	2021	2020	2019	2018
TOTAL OPEB LIABILITY						
Service cost	\$ 264,575	\$ 256,927	\$ 211,836	\$ 209,324	\$ 331,298	\$ 332,637
Interest	117,626	96,361	175,594	157,378	221,270	172,721
Changes of benefit terms	-	-	-	-	(95,778)	-
Differences between expected and actual experience	33,557	-	(341,003)	-	(829,326)	-
Changes of assumptions	(830,372)	(94,887)	155,282	(107,722)	(981,071)	(45,599)
Benefit payments	(310,706)	(260,549)	(329,477)	(301,429)	(325,771)	(325,624)
NET CHANGE IN TOTAL OPEB LIABILITY	(725,320)	(2,148)	(127,768)	(42,449)	(1,679,378)	134,135
TOTAL OPEB LIABILITY, BEGINNING	5,062,750	5,064,898	5,192,666	5,235,115	6,914,493	6,780,358
TOTAL OPEB LIABILITY, ENDING	\$ 4,337,430	\$ 5,062,750	\$ 5,064,898	\$ 5,192,666	\$ 5,235,115	\$ 6,914,493
COVERED PAYROLL	\$ 41,491,621	\$ 38,504,623	\$ 38,504,623	\$ 34,797,627	\$ 34,797,627	\$ 39,137,320
TOTAL OPEB LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	10.45%	13.15%	13.15%	14.92%	15.04%	17.67%

NOTES TO SCHEDULE

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

Changes in assumptions: Under 2023, the discount rate changed from 2.28% to 4.06% The trend assumption was updated.

Changes in assumptions: Under 2022, the discount rate changed from 1.86% to 2.28% The trend assumption was updated.

Changes in assumptions: Under 2021, the discount rate changed from 3.36% to 1.86%. The trend assumption was updated. Election percentage for teachers eligible for subsidized coverage was decreased from 85% to 75%. The assumed percent of employees who will cover a spouse has been increased from 20% to 25%.

Changes in assumptions: Under 2020, the discount rate changed from 2.98% to 3.36%. The trend assumption was updated. Election assumptions for active employees have been revised.

Changes in assumptions: Under 2019, the discount rate changed from 3.13% to 2.98%. The trend assumption was updated. Election assumptions for active employees have been revised.

Changes of benefit terms: Under 2019, subsidy is no longer offered for teachers who were in Steps 1-5 during the 2003-2004 school year. A new partial subsidy is offered to administrators.

Changes in assumptions: Under 2018, the discount rate changed from 2.49% to 3.13%. The trend assumption was updated. Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

SUPPLEMENTARY INFORMATION SECTION

HATBORO-HORSHAM SCHOOL DISTRICT
SCHEDULE OF 2022 REAL ESTATE TAXES
GENERAL FUND
YEAR ENDED JUNE 30, 2023

<u>Taxing District</u>	<u>Adjusted Assessed Valuation</u>	<u>Adjusted Tax Yield (a)</u>	<u>Uncollected (b)</u>	<u>Collected (c)</u>	<u>Collections as a Percentage of Adjusted Tax Yield</u>	
					<u>2023</u>	<u>2022</u>
Hatboro Borough	\$ 406,337,025	\$ 12,052,645	\$ 335,061	\$ 11,693,288	97.0%	97.9%
Horsham Township	<u>2,284,528,428</u>	<u>67,698,473</u>	<u>866,121</u>	<u>67,118,684</u>	99.1%	98.6%
	<u>\$ 2,690,865,453</u>	<u>\$ 79,751,118</u>	<u>\$ 1,201,182</u>	<u>\$ 78,811,972</u>	98.8%	98.4%

(a) Adjusted assessed valuation multiplied by 30.149 mills, less discounts allowed (\$1,471,070) plus penalties collected (\$95,285).

(b) Does not include penalty.

(c) Collected reflects adjustments for credits/exemptions/assessment decreases related to successful appeals of \$892,742.

HATBORO-HORSHAM SCHOOL DISTRICT
SCHEDULE OF GENERAL FUND BORROWING BASE
YEAR ENDED JUNE 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>
TOTAL GENERAL FUND REVENUES	\$ 124,070,053	\$ 116,093,178	\$ 110,673,401
DEDUCTIONS PURSUANT TO SECTION 102(c)(16) OF ACT 185			
Rentals and sinking fund subsidies	<u>280,069</u>	<u>150,145</u>	<u>109,654</u>
TOTAL GENERAL FUND REVENUES, as adjusted	<u>\$ 123,789,984</u>	<u>\$ 115,943,033</u>	<u>\$ 110,563,747</u>
AGGREGATE TOTAL REVENUES ADJUSTED FOR THE THREE YEARS ENDED JUNE 30, 2023			<u>\$ 350,296,764</u>
BORROWING BASE AS DEFINED IN SECTION 102(c)(3) OF ACT 185, \$323,117,144			<u>\$ 116,765,588</u>
	<u>Legal Limit</u>	<u>Debt Outstanding</u>	<u>Remaining Borrowing Capacity</u>
NET NONELECTORAL DEBT LIMIT, 225% OF BORROWING BASE	<u>\$ 262,722,573</u>	<u>\$ 101,300,000</u>	<u>\$ 161,422,573</u>

Note: After July 5, 1998, no school district may incur any new nonelectoral debt or lease rental debt if the aggregate amount of such new debt together with any net nonelectoral debt and net lease rental debt of the school district would exceed 225% of the school district's borrowing base.

HATBORO-HORSHAM SCHOOL DISTRICT
SCHEDULE OF INVESTMENTS AND DEPOSITS IN STATE INVESTMENT POOLS
YEAR ENDED JUNE 30, 2023

Fund and Bank	Interest Rate	Pennsylvania Local Government Investment Trust	U.S. Government Obligations	Other	Totals
GENERAL FUND					
U.S. Bank Investments	(a)*	\$ -	\$ 37,504,078	\$ -	\$ 37,504,078
Pennsylvania School District Liquid Asset Fund	(c)*	-	-	108,622	108,622
CAPITAL RESERVE FUND					
Pennsylvania Local Government Investment Trust Class	(b)*	9,598,570	-	-	9,598,570
CONSTRUCTION FUND					
Pennsylvania Local Government Investment Trust (2019 Issue)	(b)*	60,809	-	-	60,809
Pennsylvania Local Government Investment Trust (2021 Issue)	(b)*	37,759,231	-	-	37,759,231
DEBT SERVICE FUND					
Pennsylvania Local Government Investment Trust Class	(b)*	10,166,604	-	-	10,166,604
I - Class	(d)*	2,167,764	-	-	2,167,764
CUSTODIAL FUND					
Pennsylvania Local Government Investment Trust	(b)*	365,755	-	-	365,755
		<u>\$ 60,118,733</u>	<u>\$ 37,504,078</u>	<u>\$ 108,622</u>	<u>\$ 97,731,433</u>

*Interest rate fluctuates daily.

a) 5.01% at June 30, 2023

b) 4.95% at June 30, 2023

c) 4.934% at June 30, 2023

d) 5.06% on June 30, 2023

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

To the Board of School Directors
Hatboro-Horsham School District
Horsham, Pennsylvania

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Hatboro-Horsham School District as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Hatboro-Horsham School District's basic financial statements, and have issued our report thereon dated December 15, 2023.

Internal Control Over Financial Reporting

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

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

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

To the Board of School Directors
Hatboro-Horsham School District
Horsham, Pennsylvania

Compliance and Other Matters

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

Purpose of this Report

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



Limerick, Pennsylvania
December 15, 2023

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

To the Board of School Directors
Hatboro-Horsham School District
Horsham, Pennsylvania

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Hatboro-Horsham 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 Hatboro-Horsham School District's major federal programs for the year ended June 30, 2023. Hatboro-Horsham School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Hatboro-Horsham School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of Hatboro-Horsham 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 Hatboro-Horsham 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 Hatboro-Horsham School District's federal programs.

To the Board of School Directors
Hatboro-Horsham School District
Horsham, Pennsylvania

Auditors' Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Hatboro-Horsham 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 Hatboro-Horsham 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 Hatboro-Horsham 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.

To the Board of School Directors
Hatboro-Horsham School District
Horsham, Pennsylvania

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

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

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



Limerick, Pennsylvania
December 15, 2023

[THIS PAGE INTENTIONALLY LEFT BLANK]

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

HATBORO-HORSHAM SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL
AND CERTAIN STATE AWARDS
YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Source Code	Federal AL Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Date
U.S. DEPARTMENT OF EDUCATION				
Impact Aid Program - Section 8002	D	84.041	N/A	July 1, 2022 to June 30, 2023
TOTAL ALN 84.041 IMPACT AID PROGRAM				
Passed through the Pennsylvania Department of Education				
Title I Improving Basic Programs	I	84.010	013-210185	July 1, 2020 to June 30, 2021
Title I Improving Basic Programs	I	84.010	013-220185	July 1, 2021 to June 30, 2022
Title I Improving Basic Programs	I	84.010	013-230185	July 1, 2022 to June 30, 2023
TOTAL ALN 84.010 TITLE I GRANTS TO LOCAL EDUCATION AGENCIES				
Title II Improving Teacher Quality	I	84.367	020-210185	July 1, 2020 to June 30, 2021
Title II Improving Teacher Quality	I	84.367	020-220185	July 1, 2021 to June 30, 2022
Title II Improving Teacher Quality	I	84.367	020-230185	July 1, 2022 to June 30, 2023
TOTAL ALN 84.367 SUPPORTING EFFECTIVE INSTRUCTION STATE GRANTS (TITLE II)				
Title III Language Instruction	I	84.365	010-220185	July 1, 2021 to June 30, 2022
Title III Language Instruction	I	84.365	010-230185	July 1, 2022 to June 30, 2023
TOTAL ALN 84.365 LANGUAGE INSTRUCTION FOR ENGLISH LEARNERS (TITLE III)				
Title IV 21st Century	I	84.287	144-210185	July 1, 2020 to June 30, 2021
Title IV 21st Century	I	84.287	144-210185	July 1, 2021 to June 30, 2022
Title IV 21st Century	I	84.287	144-220185	July 1, 2022 to June 30, 2023
TOTAL ALN 84.287 TWENTY-FIRST CENTURY COMMUNITY LEARNING CENTERS				
TOTAL FORWARD				

Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue at July 1, 2022	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue at June 30, 2023	Passed Through to Sub-Recipients
\$ 708,425	\$ 708,425	\$ -	\$ 708,425	\$ 708,425	\$ -	\$ -
	<u>708,425</u>	<u>-</u>	<u>708,425</u>	<u>708,425</u>	<u>-</u>	<u>-</u>
380,569	-	(11,236)	11,236	11,236	-	-
336,868	179,663	110,840	68,823	68,823	-	-
286,337	<u>286,337</u>	<u>-</u>	<u>286,337</u>	<u>286,337</u>	<u>-</u>	<u>-</u>
	<u>466,000</u>	<u>99,604</u>	<u>366,396</u>	<u>366,396</u>	<u>-</u>	<u>-</u>
97,351	22,394	(1,201)	23,596	23,596	-	-
92,352	67,325	25,348	41,977	41,977	-	-
80,458	<u>26,741</u>	<u>-</u>	<u>33,473</u>	<u>33,473</u>	<u>6,731</u>	<u>-</u>
	<u>116,460</u>	<u>24,147</u>	<u>99,045</u>	<u>99,045</u>	<u>6,731</u>	<u>-</u>
24,793	4,897	(5,466)	10,671	10,671	308	-
27,938	<u>24,591</u>	<u>-</u>	<u>27,938</u>	<u>27,938</u>	<u>3,347</u>	<u>-</u>
	<u>29,489</u>	<u>(5,466)</u>	<u>38,609</u>	<u>38,609</u>	<u>3,655</u>	<u>-</u>
30,404	-	(2,605)	2,605	2,605	-	-
29,803	15,898	(1,025)	22,886	22,886	5,962	-
26,432	<u>8,393</u>	<u>-</u>	<u>26,432</u>	<u>26,432</u>	<u>18,039</u>	<u>-</u>
	<u>24,291</u>	<u>(3,630)</u>	<u>51,922</u>	<u>51,922</u>	<u>24,001</u>	<u>-</u>
	\$ <u>1,344,664</u>	\$ <u>114,655</u>	\$ <u>1,264,397</u>	\$ <u>1,264,397</u>	\$ <u>34,387</u>	\$ <u>-</u>

HATBORO-HORSHAM SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL
AND CERTAIN STATE AWARDS
YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Source Code	Federal AL Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Date	
U.S. DEPARTMENT OF EDUCATION					
TOTAL FORWARDED					
Elementary and Secondary School Emergency Relief Fund (ESSER)	I	84.425D	*	N/A	March 13, 2020 to September 30, 2023
ARP - Elementary and Secondary School Emergency Relief Fund (ESSER)	I	84.425W	*	N/A	July 1, 2021 to June 30, 2024
Elementary and Secondary School Emergency Relief Fund (ESSER)	I	84.425U	*	N/A	March 13, 2020 to September 30, 2023
Elementary and Secondary School Emergency Relief Fund (ESSER)	I	84.425U	*	N/A	March 13, 2020 to September 30, 2023
Elementary and Secondary School Emergency Relief Fund (ESSER)	I	84.425U	*	N/A	March 13, 2020 to September 30, 2023
Elementary and Secondary School Emergency Relief Fund (ESSER)	I	84.425U	*	N/A	March 13, 2020 to September 30, 2023
TOTAL ALN 84.425 EDUCATION STABILIZATION FUND					
Passed through the Montgomery County Intermediate Unit					
IDEA Section 619	I	84.173	*	N/A	July 1, 2021 to June 30, 2022
IDEA Section 619	I	84.173	*	N/A	July 1, 2022 to June 30, 2023
TOTAL ALN 84.173 SPECIAL EDUCATION - PRESCHOOL GRANTS (IDEA PRESCHOOL)					
ARP - IDEA	I	84.027	*	N/A	July 1, 2021 to June 30, 2023
IDEA	I	84.027	*	N/A	July 1, 2021 to June 30, 2022
IDEA	I	84.027	*	N/A	July 1, 2022 to June 30, 2023
TOTAL ALN 84.027 SPECIAL EDUCATION - GRANTS TO STATES (IDEA)					
TOTAL SPECIAL EDUCATION CLUSTER					
TOTAL U.S. DEPARTMENT OF EDUCATION					
U.S. DEPARTMENT OF HOMELAND SECURITY					
Passed through the Pennsylvania Emergency Management					
PEMA Distribution	I	97.036	*	N/A	July 1, 2020 to July 30, 2021
	I	97.036	*	N/A	August 31, 2021 to September 30, 2022
TOTAL ALN 97.036 DISASTER GRANTS - PUBLIC ASSISTANCE					

Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue at July 1, 2022	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue at June 30, 2023	Passed Through to Sub-Recipients
	\$ 1,344,664	\$ 114,655	\$ 1,264,397	\$ 1,264,397	\$ 34,387	\$ -
\$ 1,463,470	884,889	559,934	324,955	324,955	0	-
24,567	2,520	(1,890)	19,299	19,299	14,890	-
2,960,177	914,964	144,962	1,110,197	1,110,197	340,195	-
164,337	110,554	4,689	139,968	139,968	34,104	-
32,867	22,110	(893)	3,870	3,870	(19,133)	-
32,867	22,110	(1,793)	26,539	26,539	2,635	-
	1,957,147	705,010	1,624,829	1,624,829	372,691	-
2,744	2,744	2,744	-	-	-	-
3,914	-	-	3,914	3,914	3,914	-
	2,744	2,744	3,914	3,914	3,914	-
196,503	-	52,619	143,884	143,884	196,503	-
837,725	837,725	837,725	-	-	-	-
858,423	-	-	858,423	858,423	858,423	-
	837,725	890,344	1,002,307	1,002,307	1,054,926	-
	840,469	893,088	1,006,221	1,006,221	1,058,840	-
	4,142,280	1,712,752	3,895,447	3,895,447	1,465,919	-
155,819	15,582	15,582	-	-	-	-
76,076	76,076	67,039	9,037	9,037	(0)	-
	\$ 91,658	\$ 82,621	\$ 9,037	\$ 9,037	\$ (0)	\$ -

HATBORO-HORSHAM SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL
AND CERTAIN STATE AWARDS
YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Source Code	Federal AL Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Date
U.S. DEPARTMENT OF PUBLIC WELFARE				
Passed through Montgomery County				
LRC - ARPA	I	93.575	*	N/A
				July 1, 2022 to June 30, 2023
LRC - ARPA	I	93.575	*	N/A
				July 1, 2021 to June 30, 2023
TOTAL ALN 93.575, CCDF Cluster				
Passed through the Pennsylvania Department of Human Services				
School Based Medical Reimbursement Program - Administrative Service Fees Reimbursement-8820	I	93.778	N/A	N/A
				July 1, 2022 to June 30, 2023
School Based Medical Reimbursement Program - Administrative Service Fees Reimbursement-8820	I	93.778	N/A	N/A
				July 1, 2021 to June 30, 2022
TOTAL ALN 93.778 MEDICAL ASSISTANCE PROGRAM, MEDICAID CLUSTER				
TOTAL U.S. DEPARTMENT OF PUBLIC WELFARE				
U.S. FEDERAL COMMUNICATIONS COMMISSION				
Emergency Connectivity Fund Program	D	32.009	N/A	N/A
				July 1, 2021 to June 30, 2022
TOTAL U.S. FEDERAL COMMUNICATIONS COMMISSION				
U.S. DEPARTMENT OF TREASURY				
Coronavirus State and Local Fiscal Recovery Funds	S	21.027	N/A	N/A
				May 18, 2023 to December 31, 2026
TOTAL U.S. DEPARTMENT OF TREASURY				
U.S. DEPARTMENT OF AGRICULTURE				
Passed through the Pennsylvania Department of Agriculture				
National School Lunch Program	I	10.555	N/A	N/A
				July 1, 2022 to June 30, 2023
Passed through the Pennsylvania Department of Education				
Child Nutrition Cluster				
National School Lunch Program	I	10.555	362	N/A
				July 1, 2021 to June 30, 2022
National School Lunch Program	I	10.555	362	N/A
				July 1, 2022 to June 30, 2023
Supply Chain Assistance	I	10.555	356	N/A
				July 1, 2021 to June 30, 2023
TOTAL 10.555 NATIONAL SCHOOL LUNCH PROGRAM				
School Breakfast Program	I	10.553	365	N/A
				July 1, 2021 to June 30, 2022
School Breakfast Program	I	10.553	365	N/A
				July 1, 2022 to June 30, 2023
TOTAL 10.553 SCHOOL BREAKFAST PROGRAM				
P-EBT Local Admin Funds	I	10.649	358	N/A
				July 1, 2022 to June 30, 2023
TOTAL CHILD NUTRITION CLUSTER				
TOTAL U.S. DEPARTMENT OF AGRICULTURE				
TOTAL FEDERAL AND CERTAIN STATE AWARDS				

Footnotes:

- (a) Total amount of foods received from the Department of Agriculture.
- (b) Beginning inventory at July 1, 2022.
- (c) Total amount of foods used.
- (d) Ending inventory at June 30, 2023.

Source Codes:

- D = Direct funding
- I = Indirect funding
- S = State share
- * = Major program

TOTAL FEDERAL EXPENDITURES

See accompanying notes to the schedule of expenditures of federal and certain state awards.

Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue at July 1, 2022	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue at June 30, 2023	Passed Through to Sub-Recipients
\$ 121,156	\$ 121,156	\$ -	\$ 121,156	\$ 121,156	\$ -	\$ -
84,383	<u>77,924</u>	-	<u>77,688</u>	<u>77,688</u>	(236)	-
	<u>199,080</u>	-	<u>198,844</u>	<u>198,844</u>	-	-
19,471	10,350	-	19,471	19,471	9,121	-
25,876	<u>14,330</u>	<u>14,330</u>	-	-	-	-
	<u>24,679</u>	<u>14,330</u>	<u>19,471</u>	<u>19,471</u>	<u>9,121</u>	-
	<u>223,759</u>	<u>14,330</u>	<u>218,315</u>	<u>218,315</u>	<u>9,121</u>	-
24,750	<u>24,750</u>	<u>24,750</u>	-	-	-	-
	<u>24,750</u>	<u>24,750</u>	-	-	-	-
N/A	<u>227,026</u>	<u>227,026</u>	-	-	-	-
	227,026	227,026	-	-	-	-
N/A	170,505 (a)	- (b)	170,505	170,505	- (d)	-
N/A	139,932	139,932	-	-	-	-
N/A	735,694	-	782,051	782,051	46,357	-
N/A	<u>114,665</u>	-	<u>114,665</u>	<u>114,665</u>	-	-
	1,160,796	139,932	1,067,221	1,067,221	46,357	-
N/A	35,451	35,451	-	-	-	-
N/A	<u>187,449</u>	-	<u>202,349</u>	<u>202,349</u>	<u>14,901</u>	-
	222,900	35,451	202,349	202,349	14,901	-
N/A	<u>628</u>	-	<u>628</u>	<u>628</u>	-	-
	1,384,324	175,383	1,270,198	1,270,198	61,258	-
	<u>1,384,324</u>	<u>175,383</u>	<u>1,270,198</u>	<u>1,270,198</u>	<u>61,258</u>	-
	<u>\$ 6,093,798</u>	<u>\$ 2,236,862</u>	<u>\$ 5,392,998</u>	<u>\$ 5,392,998</u>	<u>\$ 1,536,298</u>	<u>\$ -</u>

\$ 5,392,998

HATBORO-HORSHAM SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AND CERTAIN STATE AWARDS
YEAR ENDED JUNE 30, 2023

NOTE A - GENERAL

The accompanying schedule of expenditures of federal and certain state awards presents the activity of all federal financial assistance programs of the School District. The School District's reporting entity is defined in Note A to the School District's financial statements. Federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other government agencies or nonprofit organizations, is included on the schedule.

NOTE B - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal and certain state awards is presented on the modified accrual basis of accounting which is described in Note A to the School District's financial statements. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE C - RELATIONSHIP TO FINANCIAL STATEMENTS

The schedule of expenditures of federal and certain state awards presents only a selected portion of the activities of the School District. It is not intended to, and does not, present either the balance sheet, revenues, expenditures and changes in fund balances of the Governmental Funds and changes in net position of the Proprietary Funds or cash flows of the School District. The financial activity for the aforementioned awards is reported in the School District's statement of revenues, expenditures and changes in fund balances of the Governmental Funds and statement of revenues, expenses and changes in net position and cash flows of the Proprietary Funds. In certain programs, the expenditures reported in the financial statements may differ from the expenditures reported in the schedule of expenditures of federal and certain state awards due to program expenditures exceeding grant or contract budget limitations, which are not reported as expenditures in the schedule of expenditures of federal and certain state awards.

NOTE D - ADMINISTRATIVE EXPENSES

The expenditures in the accompanying schedule of expenditures of federal and certain state awards include an allocation of administrative expenses. These allocations are based upon amounts permitted under each individual financial assistance program.

NOTE E - INDIRECT COST RATES

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

HATBORO-HORSHAM SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of the Hatboro-Horsham School District.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the Hatboro-Horsham School District were disclosed during the audit.
4. No significant deficiencies or material weaknesses relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance with the Uniform Guidance.
5. The auditors' report on compliance for the major award programs for the Hatboro-Horsham School District expresses an unmodified opinion.
6. There were no audit findings that are required to be reported in accordance with Section 2 CFR 200.516(a).
7. The programs tested as major programs include:

Program	ALN
Education Stabilization Fund	84.425
8. The threshold used for distinguishing Types A and B programs was \$750,000.
9. Hatboro-Horsham 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.

HATBORO-HORSHAM SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2023

None.