

**REPORT ON
EAST PENN SCHOOL DISTRICT
SINGLE AUDIT REPORT
FISCAL YEAR ENDED JUNE 30, 2023**

EAST PENN SCHOOL DISTRICT

Single Audit Report

For the Fiscal Year Ended June 30, 2023

TABLE OF CONTENTS

	<u>PAGE (S)</u>
Introductory Section	
Transmittal Letter	1
Report Distribution List	2
Financial Section	
Independent Auditor's Report.....	3 - 5
Management's Discussion and Analysis	6 - 15
Basic Financial Statements	
District-wide Financial Statements:	
Statement of Net Position	16
Statement of Activities	17
Fund Financial Statements:	
Balance Sheet - Governmental Funds	18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	19
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	20
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	21
Statement of Fund Net Position - Proprietary Funds	22
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds.....	23
Statement of Cash Flows - Proprietary Funds	24 - 25
Statement of Fiduciary Net Position - Fiduciary Funds	26

EAST PENN SCHOOL DISTRICT

Single Audit Report

For the Fiscal Year Ended June 30, 2023

TABLE OF CONTENTS (continued)

	<u>PAGE (S)</u>
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	27
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	28
Notes to Basic Financial Statements	29 - 81
Required Supplemental Information	
Schedule of the District's Proportionate Share of Net Pension Liability	82
Schedule of the District's Contributions - Pension Plan	83
Schedule of the District's Changes of Net Defined Contribution Pension Liability	84
Schedule of the District's Proportionate Share of Net Defined Contribution Pension Liability	85
Schedule of the District's Proportionate Share of Net OPEB Liability - Multiple Employer OPEB Plan	86
Schedule of District Contributions - Multiple Employer OPEB Plan	87
Schedule of the District's Proportionate Share of Net OPEB Liability - Single Employer OPEB Plan	88
Notes to Required Supplemental Information	89 - 91
Supplemental Information	
General Fund - Schedule on Tax Collectors' Receipts	92
General Fund - Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget vs Actual	93 - 96
Capital Reserve Fund - Statement of Revenues and Expenditures	97
Food Service Fund - Statement of Revenues, Expenses, and Changes in Fund Net Position	98
Student Activity - Statement of Changes in Fiduciary Net Position	99
Student Activity - Statement of Fiduciary Net Position	99
Memorial Fund - Statement of Changes in Fiduciary Net Position	100
Memorial Fund - Statement of Fiduciary Net Position	100

EAST PENN SCHOOL DISTRICT

Single Audit Report

For the Fiscal Year Ended June 30, 2023

TABLE OF CONTENTS (continued)

	<u>PAGE (S)</u>
General Long-Term Debt:	
Schedule on General Obligation Bonds - Series of 2018	101
Schedule on General Obligation Bonds - Series of 2019	101
Schedule on General Obligation Notes - Series of 2020	101
Statistical Tables.....	102 - 103
Single Audit Section	
Schedule of Expenditures of Federal Awards	104 - 105
Notes to the Schedule of Expenditures of Federal Awards	106 - 107
Independent Auditor's Report Under Government Auditing Standards	108 - 109
Independent Auditor's Report Under Uniform Guidance	110 - 112
Schedule of Findings and Questioned Costs	113 - 114

INTRODUCTORY SECTION



GORMAN & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Members of
American Institute of Certified Public Accountants
Pennsylvania Institute of Certified Public Accountants

Members of the Board
East Penn School District
800 Pine Street
Emmaus, PA 18049

We have performed the Single Audit of the East Penn School District for the fiscal year ended June 30, 2023, and have enclosed the Single Audit reporting package.

The Single Audit was done to fulfill the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, which entailed:

1. An audit of the basic financial statements, and our opinion thereon;
2. A review of compliance and of internal control over financial reporting based on an audit of the financial statements performed in accordance with Governmental Auditing Standards, and our report thereon;
3. An examination of the Schedule of Expenditures of Federal Awards and our report thereon; and,
4. An opinion on compliance with requirements applicable to each major program, and a review of internal control over compliance in accordance with the Uniformed Guidance, explained above, and our report thereon.

Respectfully submitted,

Gorman & Associates, P.C.

December 21, 2023

REPORT DISTRIBUTION LIST

The East Penn School District has distributed copies of the Single Audit Act Package to the following:

ONE COPY TO:
(Submitted Electronically)

FEDERAL AUDIT CLEARINGHOUSE
GENERAL SERVICES ADMINISTRATION

ONE COPY TO:
(Submitted Electronically)

COMMONWEALTH OF PENNSYLVANIA
OFFICE OF THE BUDGET/BUREAU OF AUDITS

ONE COPY TO:

CARBON-LEHIGH INTERMEDIATE UNIT
4210 INDEPENDENCE DRIVE
SCHNECKSVILLE, PA 18078

FINANCIAL SECTION



GORMAN & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Members of
American Institute of Certified Public Accountants
Pennsylvania Institute of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of School Directors
East Penn School District
800 Pine Street
Emmaus, PA 18049

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Change in Accounting Principle

As described in Note 2-G to the financial statements, in 2022-23, the District adopted new accounting guidance, GASB Statement No. 96, SBITA's. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the East Penn School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from

error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6-15, the schedules associated with the District's Defined Benefit Pension Plan, and the Schedules of the District's OPEB Plans, on pages 82-91, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the East Penn School District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves,

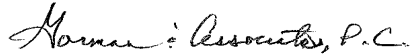
East Penn School District

and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2023, on our consideration of the East Penn School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the East Penn School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering East Penn School District's internal control over financial reporting and compliance.

Respectfully submitted,



Northampton, Pennsylvania
November 17, 2023

**East Penn School District
Management's Discussion and Analysis**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
(UNAUDITED)
For the Year Ended June 30, 2023**

The discussion and analysis of East Penn School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2023. The intent of this discussion and analysis is to look at the District's financial performance as a whole; however, readers should also review the financial statements and notes to the financial statements enhance their understanding of the District's financial performance.

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

FINANCIAL HIGHLIGHTS

- * The District-wide total net position increased by \$20,371,449 to a balance of (\$40,109,771).
- * The governmental net position has increased by \$19,379,956 to a balance of (\$39,342,745).
- * The business type net position has increased by \$991,493 to a balance of (\$767,026).
- * The District's General Fund Balances have increased by \$2,299,577 to a balance of \$25,845,904.

USING THE ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand East Penn School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The first two statements are government-wide financial statements consisting of 1) the Statement of Net Position and 2) the Statement of Activities. These provide both long-term and short-term information about the District's overall financial status.

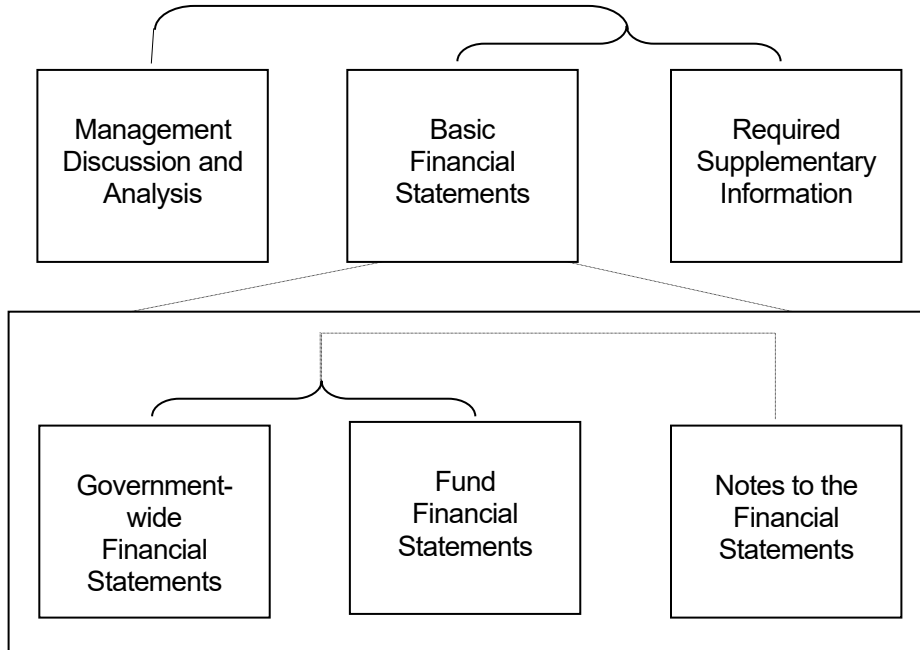
The remaining statements are fund financial statements that focus on individual parts of the District's operations in more detail than the government-wide statements. The governmental funds statements tell how general District services were financed in the short term as well as what remains for future spending. Proprietary fund statements offer short and long-term financial information about the activities that the District operates like a business. East Penn School District's sole proprietary fund is the Food Service Fund. Fiduciary fund statements provide information about financial relationships where the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain in greater detail, some of the information in the financial statements.

**East Penn School District
Management's Discussion and Analysis**

Figure A-1 shows how the required parts of these financial statements as a whole are arranged and relate to one another:

**Figure A-1
Required Components of
East Penn School District's
Financial Report**



**East Penn School District
Management's Discussion and Analysis**

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

**Figure A-2
Major Features of East Penn School District's
Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as education, administration and community services	Activities the District operates similar to private business - Food Services	Instances in which the District is the trustee or agent to someone else's resources - Scholarship Funds
Required financial statements	Statement of net position Statement of activities	Balance Sheet Statement of revenues, expenditures, and changes in fund balance	Statement of net position Statement of revenues, expenses and changes in net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow-outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

East Penn School District
Management's Discussion and Analysis

OVERVIEW OF FINANCIAL STATEMENTS

Government-Wide Statements

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

The two parts of the government-wide financial statements report the District's net position and how the net position has changed. Net Position, the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, are one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net position are an indication of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the District, one must consider additional factors, such as the increasing property tax base, outlook for future growth, strength of financial planning and policies, and student performance and achievement.

It should be noted, the government-wide financial statements of the District are divided into two categories:

- **Governmental activities** - All of the District's basic services are included here, such as instruction, administration and community services. Property taxes and state and federal subsidies and grants finance most of these activities.
- **Business type activities** - The District operates a food service operation and charges fees to students, staff and visitors to help cover the costs of the food service operation.

Fund Financial Statements

The District's fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required by state law and others may be required by debt service regulations or by bond requirements.

Governmental funds - Most of the District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds reported in the Fund Financial Statements are reconciled in the financial statements.

Proprietary funds - These funds are used to account for District activities that are similar to business operations in the private sector; or where reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the District charges customers for services it provides - whether to outside customers or to other units in the District - these services are generally reported in proprietary funds. The Food Service Fund is the District's sole proprietary fund and is the same as the business-type activities we report in the government-wide statements; however more detail and additional information, such as cash flows is provided in the Fund Financial Statements.

**East Penn School District
Management's Discussion and Analysis**

Fiduciary funds - The District is the trustee, or fiduciary, for scholarship funds and Student Activity funds. All of the District's fiduciary activities are reported in a separate Fiduciary Funds Statements of Fiduciary Net Position. These activities are excluded from the District's other financial statements, because the District cannot use these assets to finance operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's total net position is (\$40,109,771) at June 30, 2023. This reflects an increase in net position of \$20,371,449 from the previous fiscal year.

**Table A-1
Net Position
Fiscal Year Ended June 30, 2023**

	<u>2023</u>			<u>2022</u>		
	<u>Govern- mental Activities</u>	<u>Business- Type Activities</u>	<u>Total Primary Government</u>	<u>Govern- mental Activities</u>	<u>Business- Type Activities</u>	<u>Total Primary Government</u>
Current assets	\$ 67,775,620	\$ 2,565,909	\$ 70,341,529	\$ 63,029,019	\$ 1,805,211	\$ 64,834,230
Non-Current assets	137,193,395	597,769	137,791,164	136,534,753	484,929	137,019,682
Deferred Outflow of Resources	<u>32,320,725</u>	<u>548,314</u>	<u>32,869,039</u>	<u>34,692,227</u>	<u>514,270</u>	<u>35,206,497</u>
Total Assets & Deferred Outflow of Resources	<u>\$ 237,289,740</u>	<u>\$ 3,711,992</u>	<u>\$ 241,001,732</u>	<u>\$ 234,255,999</u>	<u>\$ 2,804,410</u>	<u>\$ 237,060,409</u>
Current and other liabilities	25,967,060	382,689	\$ 26,349,749	\$ 24,972,199	\$ 405,976	\$ 25,378,175
Long-term liabilities	238,655,922	4,023,019	242,678,941	229,653,916	3,783,563	233,437,479
Deferred Inflow of Resources	<u>12,009,503</u>	<u>73,310</u>	<u>12,082,813</u>	<u>38,352,585</u>	<u>373,390</u>	<u>38,725,975</u>
Total Liabilities & Deferred Inflow of Resources	<u>276,632,485</u>	<u>4,479,018</u>	<u>281,111,503</u>	<u>292,978,700</u>	<u>4,562,929</u>	<u>297,541,629</u>
Net Position	-----	-----	-----	-----	-----	-----
Net Investment in Capital Assets	120,293,692	597,769	120,891,461	110,890,221	484,929	111,375,150
Retirement of Long-Term Debt	20,573,055		20,573,055	-	-	-
Other Restrictions			-	20,611,848	-	20,611,848
Unrestricted	<u>(180,209,492)</u>	<u>(1,364,795)</u>	<u>(181,574,287)</u>	<u>(190,224,770)</u>	<u>(2,243,448)</u>	<u>(192,468,218)</u>
Total Net Position	<u>(39,342,745)</u>	<u>(767,026)</u>	<u>(40,109,771)</u>	<u>(58,722,701)</u>	<u>(1,758,519)</u>	<u>(60,481,220)</u>
Total Liabilities, Deferred Inflow of Resources, & Net Position	<u>\$ 237,289,740</u>	<u>\$ 3,711,992</u>	<u>\$ 241,001,732</u>	<u>\$ 234,255,999</u>	<u>\$ 2,804,410</u>	<u>\$ 237,060,409</u>

Most of the District's net position is invested in capital assets (buildings, land, and equipment) totaling \$120,891,461. The remaining unrestricted net portion is a combination of restricted and unrestricted amounts. The restricted capital projects balance of \$20,434,763 is set aside to fund capital projects as planned by the District. The unrestricted net position reflects a negative balance of (\$181,574,287).

The results of this year's operations as a whole are reported in the Statement of Activities. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the District's activities that are supported by other general revenues. The two largest general revenues are subsidies provided by the Commonwealth of Pennsylvania and local taxes assessed to community taxpayers.

Additional information is provided in the notes to the financial statements.

**East Penn School District
Management's Discussion and Analysis**

Table A-2 takes the information from that Statement and rearranges it slightly, to provide a comparison with the prior year.

**Table A-2
Changes in Net Position
Fiscal Years Ended June 30, 2023**

	<u>2023</u>			<u>2022</u>		
	<u>Govern- mental Activities</u>	<u>Business- Type Activities</u>	<u>Total Primary Government</u>	<u>Govern- mental Activities</u>	<u>Business- Type Activities</u>	<u>Total Primary Government</u>
REVENUES						
<i>Program revenues</i>						
Charges for services	\$ 562,027	\$ 1,920,846	\$ 2,482,873	\$ 279,035	\$ 415,726	\$ 694,761
Operating grants and contributions	26,361,639	2,829,202	29,190,841	32,073,182	4,614,828	36,688,010
Capital grants and contributions	840,814	-	840,814	890,935	-	890,935
<i>General revenues</i>						
Property taxes	110,163,624	-	110,163,624	105,638,392	-	105,638,392
Other taxes	13,760,899	-	13,760,899	13,514,956	-	13,514,956
Grants, subsidies and contributions, unrestricted	17,700,396	138,359	17,838,755	15,150,838	-	15,150,838
Other	3,538,197	5,148	3,543,345	424,069	68	424,137
TOTAL REVENUES	\$ 172,927,596	\$ 4,893,555	\$ 177,821,151	\$ 167,971,407	\$ 5,030,622	\$ 173,002,029
EXPENSES						
Instruction	\$ 101,430,909	\$ -	\$ 101,430,909	\$ 93,446,321	\$ -	\$ 93,446,321
Instructional student support	12,669,004	-	12,669,004	11,490,119	-	11,490,119
Administrative and financial support	10,284,556	-	10,284,556	9,459,342	-	9,459,342
Operation and maintenance of plant	12,831,981	-	12,831,981	12,053,345	-	12,053,345
Pupil transportation	9,332,649	-	9,332,649	8,723,501	-	8,723,501
Student activities	1,957,926	-	1,957,926	1,791,008	-	1,791,008
Community services	108,366	-	108,366	60,055	-	60,055
Scholarships and awards	26,100	-	26,100	23,199	-	23,199
Interest on long-term debt	334,675	-	334,675	426,546	-	426,546
Unallocated depreciation expense	4,571,474	-	4,571,474	4,561,642	-	4,561,642
Food Services	-	3,902,062	3,902,062	-	3,587,877	3,587,877
TOTAL EXPENSES	153,547,640	3,902,062	157,449,702	142,035,078	3,587,877	145,622,955
Increase (decrease) in net position	\$ 19,379,956	\$ 991,493	\$ 20,371,449	\$ 25,936,329	\$ 1,442,745	\$ 27,379,074
Total Net Position - Beginning	\$ (58,722,701)	\$ (1,758,519)	\$ (60,481,220)	\$ (84,659,030)	\$ (3,201,264)	\$ (87,860,294)
Prior Period Adjustment	-	-	-	-	-	-
Total Net Position - Ending	\$ (39,342,745)	\$ (767,026)	\$ (40,109,771)	\$ (58,722,701)	\$ (1,758,519)	\$ (60,481,220)

**East Penn School District
Management's Discussion and Analysis**

The tables below present the expenses of both the Governmental Activities and the Business-type Activities of the District.

Table A-3 shows the District's nine distinct areas of expenditure - instructional, instructional student support, administrative, operation and maintenance, pupil transportation, scholarships and awards, student activities, community services, and interest on long term debt; as well as each program's net cost (total cost less revenues generated by the activities). This table also shows the net costs offset by the other unrestricted grants, subsidies, and contributions to show the remaining financial needs supported by local taxes and other revenues.

**Table A-3
Governmental Activities
Fiscal Years Ended June 30, 2023**

Functions/Programs	2023		2022	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 101,430,909	\$ 81,304,346	\$ 93,446,321	\$ 66,846,796
Instructional student support	12,669,004	10,575,878	11,490,119	9,602,093
Administrative	10,284,556	9,110,107	9,459,342	8,347,191
Operation and maintenance	12,831,981	11,687,636	12,053,345	11,000,017
Pupil transportation	9,332,649	7,441,010	8,723,501	7,386,392
Scholarships and awards	26,100	26,100	1,791,008	1,445,605
Student activities	1,957,926	1,501,061	60,055	43,380
Community services	108,366	71,687	23,199	23,199
Interest on long-term debt	334,675	(506,139)	426,546	(464,389)
Unallocated depreciation expense	4,571,474	4,571,474	4,561,642	4,561,642
Total governmental activities	\$ 153,547,640	\$ 125,783,160	\$ 142,035,078	\$ 108,791,926
Less:				
Unrestricted grants, subsidies		17,700,396		15,150,838
Total needs from local Taxes and other revenues		\$ 108,082,764		\$ 93,641,088

Table A-4 reflects the activities of the Food Service program, the only Business-type activity of the District.

**Table A-4
Business-Type Activities
Fiscal Years Ended June 30, 2023**

Functions/Programs	2023		2022	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Food Services	3,902,062	(847,986)	<u>\$ 3,587,877</u>	\$ (1,442,677)
Less:				
Investment earnings & other misc.		5,148		68
Total business-type activities		\$ (842,838)		\$ (1,442,609)

The Statement of Revenues, Expenses and Changes in Fund Net Position for this proprietary fund will provide further detail on the actual results of operations.

**East Penn School District
Management's Discussion and Analysis**

THE DISTRICT FUNDS

At June 30, 2023, District governmental funds reported a combined fund balance of \$46,280,667, an increase of \$2,260,784 from the previous year.

General fund revenues and other uses exceeded expenditures and other sources by \$2,299,577 which resulted in an ending total General Fund balance of \$25,845,904.

With the implementation of GASB Statement #54, Capital Reserve Fund balances (authorized under Commonwealth of Pennsylvania statutes) are reported as part of the Capital Projects balances.

The District utilizes a Capital Reserve Fund to actively prepare for unexpected and proposed capital projects each year. In order to fund projects without the need for additional borrowing issues, the district has established this fund and makes budgeted transfers, as well as transfers from available funds in the General Fund at year end. Capital outlay and support services costs of \$5,529,715 were covered by the Capital Reserve Fund, while transfers of \$4,857,957 were received from the General Fund, so the Capital Reserve fund balance decreased by \$38,793.

General Fund Budget

During the fiscal year, the Board of School Directors (The Board) authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. All adjustments are again confirmed at the time the annual audit is accepted, which is after the end of the fiscal year. These types of adjustments are not prohibited by state law. The District's original and final budget amounts compared with amounts actually paid and received is provided on the Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual-General Fund.

The General Fund overall operating revenues of \$172,130,756 were \$6,365,478 greater than originally budgeted. Local revenues were \$4,540,248 higher than budgeted due to local taxes and other revenues exceeding budgeted levels. State subsidy revenues were \$1,120,049 higher than budgeted. Higher than budgeted basic education and, special education revenues offset lower than budgeted reimbursements for nonpublic transportation, social security, and orphan tuition revenues. Federal grant revenues were \$705,181 higher than budgeted due to the availability of American Rescue Plan (ARP) ESSER relief funding.

Total expenditures of \$165,574,351 (excluding budgetary reserve) were \$25,193 higher than originally budgeted. Transportation exceeded original budget projections, which were offset by positive budget variances in a majority of other categories.

Further, the budgeted budgetary reserve amount of \$8,422,300 was not needed, as there were no significant, unexpected expenditures during the year. While the District does prepare a budget with a reserve each year for unexpected emergencies, this expenditure is dependent upon actual experience during the fiscal year.

The inclusion of \$4,857,957 in transfers to other funds resulted in total General Fund expenditures and funding uses of \$170,432,308.

**East Penn School District
Management's Discussion and Analysis**

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2023, the District had \$137,193,395 invested in a broad range of capital assets, including land, buildings, furniture and equipment. This amount represents a net increase (including additions, deletions and depreciation) of \$658,642, or 0.48% from the previous year.

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

	2023	2022
Land	\$ 10,970,223	\$ 10,988,723
Site Improvements	9,374,814	9,314,333
Buildings	201,257,553	200,503,685
Furniture & Equipment	10,333,781	9,254,814
Intangible right-to-use equipment	796,776	350,147
Construction in Progress	<u>5,227,447</u>	<u>1,575,912</u>
Total Capital Assets	\$ 237,960,594	\$ 231,987,614
Less: Accumulated Depreciation	<u>(100,767,199)</u>	<u>(95,452,861)</u>
Total Capital Assets, net of Accum. Depr.	<u>\$ 137,193,395</u>	<u>\$ 136,534,753</u>

DEBT ADMINISTRATION

As of July 1, 2022, the District had total outstanding debt of \$23,319,000. During the year, the District issued \$0 in additional debt, but retired and repaid \$7,435,827 resulting in ending outstanding debt as of June 30, 2023 of \$16,497,000.

**Table A-6
Outstanding Debt**

	2023	2022
General Obligation Notes/Bonds:		
- Notes, Series of 2020	\$ 6,302,000	\$ 7,169,000
- Bonds, Series of 2019	8,185,000	9,325,000
- Bonds, Series of 2018	2,010,000	6,825,000
- Notes, Series of 2016	-	-
- Bonds, Series B of 2015	-	-
- Bonds, Series of 2014	-	-
- Bonds, Series of 2013	-	-
- Bonds, Series A of 2012	-	-
- Bonds, Series of 2012	<u>-</u>	<u>-</u>
TOTAL	<u>\$ 16,497,000</u>	<u>\$ 23,319,000</u>

**East Penn School District
Management's Discussion and Analysis**

Other obligations include finance purchase obligations, lease obligations, compensated absences, employee post-employment benefits, and state pension liabilities.

More detailed information about long-term liabilities is included in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The revenue budget for the 2023-24 fiscal year of \$176,900,485 is \$11,135,207 higher than the original 2022-23, fiscal year budget, representing a 6.72% increase in budget revenues. This increase includes a 0.4934 mil (2.51%) real estate tax increase.

With the passage of Act 1, the District was required to pass a preliminary budget in December and obtain approval for increasing taxes above an allowed index or pass a resolution stating that the index would not be exceeded. The 2023-24 Act 1 index was 4.9% and the District approved a preliminary budget resolution which limited the final tax rate increase to the 4.9% Act 1 index. The 2023-24 final adopted budget reflected a total real estate tax rate of 20.1700 mills (2.51% real estate tax increase).

The expenditure budget for the 2023-24 fiscal year of \$188,035,431 is \$11,167,975 higher than the original 2022-23 fiscal year budget, or a 6.31% increase. The budgetary reserve accounts for \$8,954,100 of the total expenditure budget.

The comparison of original budgeted revenue and expenditure categories is as follows:

**Table A-7
BUDGETED REVENUES**

	2023-24	2022-23
Local	74.1%	75.1%
State	24.8%	23.8%
Federal/Other	1.1%	1.1%

BUDGETED EXPENDITURES

	2023-24	2022-23
Instruction	60.8%	61.7%
Support Services	27.7%	26.5%
Non-Instruction/Community	1.1%	1.2%
Fund Transfers/Debt	10.3%	10.6%

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Robert E. Saul, Business Administrator at East Penn School District, 800 Pine Street, Emmaus, PA 18049, and (610) 966-8300.

BASIC FINANCIAL STATEMENTS

East Penn School District
Statement of Net Position
As of June 30, 2023

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 54,663,658	\$ 2,398,465	\$ 57,062,123
Restricted Cash	1,710,167	-	1,710,167
Investments	88,742	-	88,742
Receivables, net	1,775,402	-	1,775,402
Internal Balances	276,187	32,716	-
Due From Other Governments	7,525,637	64,006	7,589,643
Other Receivables	165,523	32	165,555
Inventories	184,950	70,690	255,640
Prepaid Expenses	1,385,354	-	1,385,354
Total Current Assets	67,775,620	2,565,909	70,032,626
Non-Current Assets			
Land	10,970,223	-	10,970,223
Site Improvements (net of depreciation)	3,681,295	-	3,681,295
Building and Bldg. Improvements (net of depreciation)	112,871,961	-	112,871,961
Furniture and Equipment (net of depreciation)	3,912,499	597,769	4,510,268
Right-To-Use - Equipment (net of amortization)	529,970	-	529,970
Construction in Progress	5,227,447	-	5,227,447
Total Non-Current Assets	137,193,395	597,769	137,791,164
Total Assets	\$ 204,969,015	\$ 3,163,678	\$ 207,823,790
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources - Related to Pension	30,076,262	535,489	30,611,751
Deferred Outflows of Resources - Related to OPEB	2,137,629	12,825	2,150,454
Deferred Amount on Debt Refundings, net	106,834	-	106,834
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 237,289,740	\$ 3,711,992	\$ 240,692,829
LIABILITIES			
Current Liabilities:			
Internal Balances	\$ 32,716	\$ 276,187	\$ -
Due to other governments	1,150,795	-	1,150,795
Accounts Payable	2,387,475	38,004	2,425,479
Current Portion of Long-Term Obligations	6,519,394	-	6,519,394
Accrued Salaries and Benefits	8,198,884	-	8,198,884
Payroll Deductions and Withholdings	7,623,750	-	7,623,750
Prepayments	-	68,498	68,498
Other Current Liabilities	54,046	-	54,046
Total Current Liabilities	25,967,060	382,689	26,040,846
Non-Current Liabilities			
Bonds and Notes Payable	11,668,371	-	11,668,371
Finance Purchase Obligations	585,259	-	585,259
Lease Obligations	331,861	-	331,861
Long-Term Portion of Compensated Absences	699,634	28,584	728,218
Net OPEB Liability - Single Employer Plan	23,353,083	18,199	23,371,282
Net OPEB Liability - Multiple Employer Plan	8,113,487	143,101	8,256,588
Net Defined Benefit Pension Liability	193,092,424	3,833,135	196,925,559
Net Defined Contribution Pension Liability	811,803	-	811,803
Total Liabilities	264,622,982	4,405,708	268,719,787
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources - Related to Pension	5,702,500	47,457	5,749,957
Deferred Inflows of Resources - Related to OPEB	6,062,618	25,853	6,088,471
Unearned Revenue from TIF arrangement/Deposit on Sale	244,385	-	244,385
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	276,632,485	4,479,018	280,802,600
NET POSITION			
Net Investment in Capital Assets	120,293,692	597,769	120,891,461
Restricted For:			
Capital Projects	20,434,763	-	20,434,763
Other Restrictions	208,386	-	208,386
Unrestricted (deficit)	(180,279,586)	(1,364,795)	(181,644,381)
TOTAL NET POSITION	(39,342,745)	(767,026)	(40,109,771)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 237,289,740	\$ 3,711,992	\$ 240,692,829

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

(1) Internal balances represent the amount owed to or from the two types of activities within the Primary Government. Since internal balances do not represent assets or liabilities of the total Primary Government, their balances are eliminated in the "total" column (GASB Statement No. 34, para. 58).

**East Penn School District
Statement of Activities
For the Year Ended June 30, 2023**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
GOVERNMENTAL ACTIVITIES:							
Instruction	\$ 101,430,909	\$ 274,894	\$ 19,851,669	\$ -	\$ (81,304,346)	\$ -	\$ (81,304,346)
Instructional Student Support	12,669,004	-	2,093,126	-	(10,575,878)	-	(10,575,878)
Admin. & Fin'l Support Services	10,284,556	-	1,174,449	-	(9,110,107)	-	(9,110,107)
Oper. & Maint. of Plant Svcs.	12,831,981	-	1,144,345	-	(11,687,636)	-	(11,687,636)
Pupil Transportation	9,332,649	-	1,891,639	-	(7,441,010)	-	(7,441,010)
Student activities	1,957,926	287,133	169,732	-	(1,501,061)	-	(1,501,061)
Community Services	108,366	-	36,679	-	(71,687)	-	(71,687)
Scholarships and Awards	26,100	-	-	-	(26,100)	-	(26,100)
Interest on Long-Term Debt	334,675	-	-	840,814	506,139	-	506,139
Unallocated Depreciation Expense	4,571,474	-	-	-	(4,571,474)	-	(4,571,474)
TOTAL GOVERNMENTAL ACTIVITIES	153,547,640	562,027	26,361,639	840,814	(125,783,160)	-	(125,783,160)
BUSINESS-TYPE ACTIVITIES:							
Food Services	3,902,062	1,920,846	2,829,202	-	-	847,986	847,986
TOTAL PRIMARY GOVERNMENT	\$ 157,449,702	\$ 2,482,873	\$ 29,190,841	\$ 840,814	\$ (125,783,160)	\$ 847,986	\$ (124,935,174)
GENERAL REVENUES:							
Property taxes Levied for general purposes, net					\$ 110,163,624	\$ -	\$ 110,163,624
Taxes levied for specific purposes					13,760,899	-	13,760,899
Grants, subsidies, & contributions not restricted					17,700,396	138,359	17,838,755
Investment Earnings					2,689,502	5,148	2,694,650
Miscellaneous Income					713,198	-	713,198
Special item - Gain (Loss) on sale of capital assets					135,497	-	135,497
Transfers					-	-	-
TOTAL GENERAL REVENUES, SPECIAL ITEMS, EXTRAORDINARY ITEMS, AND TRANSFERS					145,163,116	143,507	145,306,623
CHANGES IN NET POSITION					19,379,956	991,493	20,371,449
NET POSITION - BEGINNING					(58,722,701)	(1,758,519)	(60,481,220)
NET POSITION - ENDING					\$ (39,342,745)	\$ (767,026)	\$ (40,109,771)

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

**East Penn School District
Balance Sheet
Governmental Funds
As of June 30, 2023**

	GENERAL	CAPITAL PROJECT FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>			
Cash and cash equivalents	\$ 34,746,974	\$ 19,916,684	\$ 54,663,658
Restricted Cash	-	1,710,167	1,710,167
Investments	88,742	-	88,742
Taxes Receivable, net	1,775,402	-	1,775,402
Due from other funds	276,543	-	276,543
Due from Other Governments	7,525,637	-	7,525,637
Other Receivables	165,168	-	165,168
Prepaid Expenditures	1,385,354	-	1,385,354
TOTAL ASSETS	\$ 45,963,820	\$ 21,626,851	\$ 67,590,671
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 45,963,820	\$ 21,626,851	\$ 67,590,671
<u>LIABILITIES</u>			
Due to Other Funds	\$ 32,716	\$ -	\$ 32,716
Due to Other Governments	1,150,795	-	1,150,795
Accounts Payable	1,195,386	1,192,088	2,387,474
Current Portion of Long-Term Debt	440,494	-	440,494
Accrued Salaries and Benefits	8,198,884	-	8,198,884
Payroll Deductions and Withholdings	7,623,750	-	7,623,750
Other Current Liabilities	387	-	387
TOTAL LIABILITIES	18,642,412	1,192,088	19,834,500
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unearned Revenue from Property Taxes	1,475,504	-	1,475,504
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	20,117,916	1,192,088	21,310,004
<u>FUND BALANCES:</u>			
Nonspendable Fund Balance	1,385,354	-	1,385,354
Restricted Fund Balance	208,386	20,434,763	20,643,149
Committed Fund Balance	3,407,605	-	3,407,605
Assigned Fund Balance	11,134,946	-	11,134,946
Unassigned Fund Balance	9,709,613	-	9,709,613
TOTAL FUND BALANCES	25,845,904	20,434,763	46,280,667
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 45,963,820	\$ 21,626,851	\$ 67,590,671

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

**East Penn School District
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
As of June 30, 2023**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$	46,280,667
 Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$237,960,594 and the accumulated depreciation is \$100,767,199.		137,193,395
This represents deferred outflows of resources resulting in deferred charges on refunding prior bond issues.		106,834
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.		1,231,119
The governmental funds follow the purchase method of inventory; therefore no inventory is reflected on the balance sheet. However, the statement of net position uses the consumption method of inventory.		184,950
This represents the deferred outflows of resources, net of deferred inflows of resources pertaining to the Net Pension/OPEB Liabilities.		20,448,771
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		<u>(244,788,481)</u>
 TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	 \$	 <u>(39,342,745)</u>

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

East Penn School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023

	<u>GENERAL</u>	<u>CAPITAL PROJECT FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES			
Local Sources	\$ 129,066,275	\$ 632,965	\$ 129,699,240
State Sources	40,638,112	-	40,638,112
Federal Sources	2,426,369	-	2,426,369
TOTAL REVENUES	<u>172,130,756</u>	<u>632,965</u>	<u>172,763,721</u>
	-----	-----	-----
EXPENDITURES			
Instruction	107,683,008	-	107,683,008
Support Services	47,680,893	150,604	47,831,497
Operation of Non-Instructional Services	2,183,209	82,267	2,265,476
Capital Outlay	-	5,296,844	5,296,844
Debt Service	8,027,241	-	8,027,241
TOTAL EXPENDITURES	<u>165,574,351</u>	<u>5,529,715</u>	<u>171,104,066</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>6,556,405</u>	<u>(4,896,750)</u>	<u>1,659,655</u>
OTHER FINANCING SOURCES (USES)			
Sale/Compensation for capital assets	154,500	-	154,500
Proceeds from Leases	446,629	-	446,629
Proceeds from other extended term financing	-	-	-
Operating Transfers In (Out)	(4,857,957)	4,857,957	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(4,256,828)</u>	<u>4,857,957</u>	<u>601,129</u>
NET CHANGE IN FUND BALANCES	2,299,577	(38,793)	2,260,784
FUND BALANCES - BEGINNING	<u>23,546,327</u>	<u>20,473,556</u>	<u>44,019,883</u>
FUND BALANCES - ENDING	<u>\$ 25,845,904</u>	<u>\$ 20,434,763</u>	<u>\$ 46,280,667</u>

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

**East Penn School District
Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures, and Changes In Fund Balances
to the Statement of Activities
For the Year Ended June 30, 2023**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 2,260,784

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense or in the case of right-to-use assets are amortized over length of the lease term. This is the amount by which capital outlays exceeded depreciation in the current period.

Depreciation/Amortization expense	\$ 5,318,865	
less - capital outlays	<u>5,996,511</u>	677,646

In the statement of activities, only the gain on the sale of the capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of fixed assets sold. (19,003)

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred inflows of resources increased by this amount this year. 28,378

Repayments of long-term debt are expenditures in the governmental funds, but the repayments reduces long-term liabilities in the statement of net position. 7,435,827

In the statement of activities, certain operating expenses--compensated absences (vacations) and special termination benefits (early retirement) - are measured by the amounts earned during the year. In the governmental funds; however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used. 92,981

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. This would include accumulated interest accreted on capital appreciation bonds. The additional interest accrued in the statement of activities over the amount due is shown here. 256,740

Finance Purchases and Lease Obligations provide current financial resources to governmental funds. Executing these obligations increases long-term liabilities in the statement of net position. (446,629)

The governmental funds use the purchase method of inventory, where all items purchased are charged to expenditures. However, the statement of activities is reflected on the consumption method of recording inventory type items; therefore, this adjustment reflects the inventory difference. 178,970

The difference between current year pension/OPEB expense reported on the governmental activities column of the government-wide financial statements and the pension/OPEB contributions made this past year reported as expenditures in the governmental funds. 8,914,262

CHANGE IN NET POSITION ON GOVERNMENTAL ACTIVITIES **\$ 19,379,956**

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

**East Penn School District
Statement of Fund Net Position
Proprietary Funds
As of June 30, 2023**

	FOOD SERVICE
<u>ASSETS</u>	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 2,398,465
Due from other funds	32,748
Due From Other Governments	64,006
Inventories	70,690
TOTAL CURRENT ASSETS	2,565,909

NON-CURRENT ASSETS:	
Machinery & Equipment (net)	597,769
TOTAL NON-CURRENT ASSETS	597,769
TOTAL ASSETS	\$ 3,163,678
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred Outflows of Resources - Related to Pension	535,489
Deferred Outflows of Resources - Related to OPEB	12,825
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 3,711,992
<u>LIABILITIES</u>	
CURRENT LIABILITIES:	
Due to Other Funds	\$ 276,187
Accounts Payable	38,004
Prepayments	68,498
TOTAL CURRENT LIABILITIES	382,689

NON-CURRENT LIABILITIES:	
Long-Term Portion of Compensated Absences	28,584
Net Pension Liability	3,833,135
Net OPEB Liability - Single Employer Plan	18,199
Net OPEB Liability - Multiple Employer Plan	143,101
TOTAL NON-CURRENT LIABILITIES	4,023,019
TOTAL LIABILITIES	4,405,708
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred Inflows of Resources - Related to Pension	47,457
Deferred Inflows of Resources - Related to OPEB	25,853
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	4,479,018

<u>FUND NET POSITION</u>	
Net Investment in Capital Assets	597,769
Unrestricted	(1,364,795)
TOTAL FUND NET POSITION	(767,026)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND NET POSITION	\$ 3,711,992

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

East Penn School District
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2023

	FOOD SERVICE
OPERATING REVENUES:	
Food Service Revenue	\$ 1,920,846
TOTAL OPERATING REVENUES	1,920,846

OPERATING EXPENSES:	
Salaries	1,166,913
Employee Benefits	444,788
Purchased Property Service	111,757
Other Purchased Services	1,803,287
Supplies	293,776
Depreciation	53,280
Other Operating Expenses	28,261
TOTAL OPERATING EXPENSES	3,902,062
OPERATING INCOME (LOSS)	(1,981,216)

NON-OPERATING REVENUES (EXPENSES):	
Earnings on investments	5,148
State Sources	550,650
Federal Sources	2,278,552
TOTAL NON-OPERATING REVENUES (EXPENSES)	2,834,350
INCOME (LOSS) BEFORE CONTRIBUTIONS	853,134
Capital Contributions	138,359
CHANGES IN FUND NET POSITION	991,493
FUND NET POSITION - BEGINNING	(1,758,519)
FUND NET POSITION - ENDING	\$ (767,026)

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

East Penn School District
Statement of Cash Flows - Proprietary Funds
As of June 30, 2023

	FOOD SERVICE
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Users	\$ 1,956,108
Cash Payments to Employees for Services	(1,709,973)
Cash Payments to Suppliers for Goods and Services	(1,772,409)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(1,526,274)

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State Sources	541,912
Federal Sources	2,078,405
Capital Contributions	138,359
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	2,758,676

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Equipment	(166,120)
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(166,120)

CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on Investments	5,148
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	5,148
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,071,430
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,327,035
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,398,465

East Penn School District
Statement of Cash Flows - Proprietary Funds
As of June 30, 2023

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES

	FOOD SERVICE
OPERATING INCOME (LOSS)	\$ (1,981,216) -----
 ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	
Depreciation and Net Amortization	53,280
Donated Commodities Used	263,637
CHANGE IN ASSETS AND LIABILITIES:	
(Increase) Decrease in Accounts Receivable	223,174
(Increase) Decrease in Advances to Other Funds	35,262
(Increase) Decrease in Inventories	(2,456)
(Increase) Decrease in Deferred Outflows of Resources - Change in Proportion of NPL	(40,838)
(Increase) Decrease in Deferred Outflows of Resources - Current Year Contributions	39,299
(Increase) Decrease in Deferred Outflows of Resources - Changes in Assumptions	86,975
(Increase) Decrease in Deferred Outflows of Resources - Diff. in Projected vs Actual Invest. Earnings	(102,496)
Increase (Decrease) in Accounts Payable	(29,818)
Increase (Decrease) in Accrued Salaries and Benefits	(1,065)
Increase (Decrease) in Payroll Deductions & Withholdings	(3,379)
Increase (Decrease) in Advances from Other Funds	44,320
Increase (Decrease) in Net OPEB Liability - Single Employer Plan	(14,440)
Increase (Decrease) in Net OPEB Liability - Multiple Employer Plan	(35,859)
Increase (Decrease) in Net Pension Liability	290,595
Increase (Decrease) in Deferred Inflows of Resources - Diff. in Projected vs Actual Invest. Earnings	(311,052)
Increase (Decrease) in Deferred Inflows of Resources - Diff. in Projected vs Actual Contributions	1,741
Increase (Decrease) in Deferred Inflows of Resources - Diff. between Expected vs Actual Experience	(7,753)
Increase (Decrease) in Other Current Liabilities	(34,185)
TOTAL ADJUSTMENTS	454,942
 NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	 \$ (1,526,274)

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

East Penn School District
Statement of Fiduciary Net Position
Fiduciary Funds
As of June 30, 2023

	PRIVATE- PURPOSE TRUST	CUSTODIAL FUNDS
ASSETS		
Cash and cash equivalents	\$ 14,547	\$ 334,935
Investments	50,409	-
Other Receivables	-	3,435
Prepaid Expenses	-	6,028
TOTAL ASSETS	\$ 64,956	\$ 344,398

LIABILITIES		
Accounts Payable	\$ -	\$ 36,822
Due to Other Funds	-	388
TOTAL LIABILITIES	-	37,210
NET POSITION		
Restricted For:		
Students and other individuals	64,956	307,188
TOTAL LIABILITIES & NET POSITION	\$ 64,956	\$ 344,398

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

East Penn School District
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2023

	PRIVATE- PURPOSE TRUST FUND	CUSTODIAL FUNDS
ADDITIONS		
Contributions - Students	\$ -	\$ 527,099
Contributions - Other	5,950	-
Special Events	-	125,485
Other Income	-	58,147
INVESTMENT EARNINGS:		
Interest and Dividends	396	1,013
Net increase (decrease) in fair value of investments	-	-
Less investment expense	-	-
TOTAL ADDITIONS	6,346	711,744
DEDUCTIONS		
Administrative expense	-	-
Payments for student club activities	-	673,150
Scholarships/Awards	3,000	-
TOTAL DEDUCTIONS	3,000	673,150
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	3,346	38,594
NET POSITION - BEGINNING OF YEAR	61,610	268,594
NET POSITION - END OF YEAR	\$ 64,956	\$ 307,188

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

East Penn School District
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual -
General Fund
For the Year Ended June 30, 2023

	<u>BUDGET AMOUNTS</u>		<u>ACTUAL</u> <u>(BUDGETARY BASIS)</u>	<u>VARIANCE WITH</u> <u>FINAL BUDGET</u> <u>POSITIVE</u> <u>(NEGATIVE)</u>	<u>ACTUAL</u> <u>AMOUNTS</u> <u>GAAP BASIS</u>
	<u>ORIGINAL</u>	<u>FINAL</u>			
REVENUES					
Local Sources	\$ 124,526,027	\$ 124,526,027	\$ 129,066,275	\$ 4,540,248	\$ 129,066,275
State Sources	39,518,063	39,518,063	40,638,112	1,120,049	40,638,112
Federal Sources	1,721,188	1,721,188	2,426,369	705,181	2,426,369
TOTAL REVENUES	<u>165,765,278</u>	<u>165,765,278</u>	<u>172,130,756</u>	<u>6,365,478</u>	<u>172,130,756</u>
EXPENDITURES					
Regular Instruction	77,503,711	76,609,598	75,856,099	753,499	75,856,099
Special Programs	27,221,710	28,065,081	27,660,198	404,883	27,660,198
Vocational Programs	2,994,752	2,994,752	2,916,452	78,300	2,916,452
Other Instructional Programs	404,746	442,747	310,546	132,201	310,546
Nonpublic School Programs	35,821	47,127	47,127	-	47,127
Adult Education Programs	899,533	9,176	2,229	6,947	2,229
Community College Sponsorship	-	890,357	890,357	-	890,357
Pupil Personnel Services	6,003,250	6,480,344	6,384,470	95,874	6,384,470
Instructional Staff Services	4,664,131	5,003,407	4,722,636	280,771	4,722,636
Administrative Services	7,285,284	7,651,884	7,637,726	14,158	7,637,726
Pupil Health	2,080,977	2,430,737	2,425,220	5,517	2,425,220
Business Services	1,203,107	1,284,077	1,263,433	20,644	1,263,433
Operation & Maintenance of Plant Services	13,801,854	13,817,607	13,584,023	233,584	13,584,023
Student Transportation Services	9,562,022	9,989,111	9,332,649	656,462	9,332,649
Central Support Services	2,151,558	2,323,827	2,182,092	141,735	2,182,092
Other Support Services	152,600	152,600	148,644	3,956	148,644
Student Activities	2,136,074	2,124,502	2,049,564	74,938	2,049,564
Community Services	46,000	107,545	107,545	-	107,545
Scholarships and Awards	-	26,100	26,100	-	26,100
Debt Service	7,402,028	8,027,241	8,027,241	-	8,027,241
TOTAL EXPENDITURES	<u>165,549,158</u>	<u>168,477,820</u>	<u>165,574,351</u>	<u>2,903,469</u>	<u>165,574,351</u>
Excess (deficiency) of revenues over expenditures	216,120	(2,712,542)	6,556,405	9,268,947	6,556,405
OTHER FINANCING SOURCES (USES)					
Sale/Compensation for Fixed Assets	-	-	154,500	154,500	154,500
Proceeds From Leases	-	-	446,629	446,629	446,629
Operating Transfers In/(Out)	(2,896,000)	(4,857,957)	(4,857,957)	-	(4,857,957)
Budgetary Reserve	(8,422,300)	(3,531,681)	-	3,531,681	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(11,318,300)</u>	<u>(8,389,638)</u>	<u>(4,256,828)</u>	<u>4,132,810</u>	<u>(4,256,828)</u>
NET CHANGE IN FUND BALANCES	(11,102,180)	(11,102,180)	2,299,577	13,401,757	2,299,577
FUND BALANCE - JULY 1, 2022	<u>\$ 23,279,002</u>	<u>\$ 23,279,002</u>	<u>\$ 23,546,327</u>	<u>\$ 267,325</u>	<u>\$ 23,546,327</u>
PRIOR PERIOD ADJUSTMENTS	-	-	-	-	-
FUND BALANCE - JUNE 30, 2023	<u>\$ 12,176,822</u>	<u>\$ 12,176,822</u>	<u>\$ 25,845,904</u>	<u>\$ 13,669,082</u>	<u>\$ 25,845,904</u>

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

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

Note 1 - Description of the School District and Reporting Entity

School District

The East Penn School District is located in eastern Pennsylvania in the southern portion of Lehigh County, approximately seven miles to the south and west of Allentown, the county seat of Lehigh County. Encompassing 45.4 square miles in Lehigh County, the School District is comprised of Alburdis, Emmaus, and Macungie Boroughs, and Lower Macungie and Upper Milford Townships.

Prior to 1966 and pursuant to law, the former School Districts of the Boroughs of Emmaus, Alburdis, and Macungie, and the Townships of Lower Macungie and Upper Milford, Lehigh County, formed the East Penn Union School District. Pursuant to Act 299 of the 1963 Pennsylvania Legislature requiring a consolidation of school districts, effective July 1, 1966, the East Penn Union School District formed the East Penn School District. The reorganized School District has assumed all rights and obligations of the predecessor school district.

The East Penn School District is a unit established, organized and empowered by the Commonwealth of Pennsylvania for the express purpose of carrying out, on the local level, the Commonwealth's obligation to public education, as established by the constitution of the Commonwealth and by the School Law Code of the same (Article II; Act 150, July 8, 1968).

As specified under the School Law Code of the Commonwealth of Pennsylvania, this and all other school districts of the state "shall be and hereby are vested as, bodies corporate, with all necessary powers to carry out the provisions of this act." (Article II, Section 211).

Board of School Directors

The public school system of the Commonwealth shall be administered by a board of school directors, to be elected or appointed, as hereinafter provided. At each election of school directors, each qualified voter shall be entitled to cast one vote for each school director to be elected.

The East Penn School District is governed by a board of nine School Directors who are residents of the School District and who are elected every two years, on a staggered basis, for a four-year term.

The Board of School Directors has the power and duty to establish, equip, furnish, and maintain a sufficient number of elementary, secondary, and other schools necessary to educate every person, residing in such district, between the ages of six and twenty-one years, who may attend.

In order to establish, enlarge, equip, furnish, operate, and maintain any schools herein provided, or to pay any school indebtedness which the school district is required to pay, or to pay any indebtedness that may at any time hereafter be created by the school district, the board of school directors are vested with all the necessary authority and power annually to levy and collect the necessary taxes required and granted by the legislature, in addition to the annual State appropriation, and are vested with all necessary power and authority to comply with and carry out any or all of the provisions of the Public School Code of 1949.

Administration

The Superintendent of Schools shall be the executive officer of the Board of School Directors and, in that capacity shall administer the School District in conformity with Board policies and the School Laws of Pennsylvania. The Superintendent shall be directly responsible to, and therefore appointed by, the Board of School Directors. The Superintendent shall be responsible for the overall administration, supervision, and operation of the School District.

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

The Business Administrator, recommended by the Superintendent and appointed by the Board of School Directors, shall supervise and coordinate all business and operational aspects of the School District. In this capacity, he or she shall be responsible to insure that all work accomplished by him/her, or by persons under his/her supervision, is in the best interests of the East Penn School District. The Business Administrator is directly responsible to the Superintendent.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For East Penn School District, this includes general operations, food service, and student related activities of the School District.

East Penn School District is a municipal Corporation governed by an elected nine-member board. As required by generally accepted accounting principles, these financial statements are to present East Penn School District (the primary government) and organizations for which the primary government is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are financially dependent on the School District in that the School District approved the budget, the issuance of debt, or the levying of taxes. The East Penn School District does not have any component units.

Joint Ventures

Lehigh Career and Technical Institute

The School District is a participating member of the Lehigh Career and Technical Institute (LCTI). The LCTI is run by a joint committee consisting of members from each participating district. No participating district appoints a majority of the joint committee. The board of directors of each participating district must approve the LCTI's annual operating budget. Each participating district pays a pro-rata share of the LCTI's operating costs based on the number of students attending the LCTI for each District. The District's share of the LCTI operating costs for 2022-23 was \$2,916,452.

On dissolution of the Lehigh Career and Technical Institute, the net position of LCTI will be shared on a pro-rata basis of each participating district's current market value of taxable real property as certified by the Pennsylvania State Tax Equalization Board. However, the District does not have an equity interest in LCTI as defined by GASB Statement No. 14, except a residual interest in the net position upon dissolution that should not be reflected on the basic financial statements. Complete financial statements for the LCTI can be obtained from the LCTI's administrative office at 4500 Education Park Drive, Schnecksville, PA.

Lehigh-Carbon Community College

The District is a participating member of the Lehigh-Carbon Community College (LCCC). The LCCC is run by a Board of Trustees elected by the participating member districts' boards of directors. No participating district appoints a majority of the Board of Trustees. A vote of two-thirds of all member districts shall be required for approval of the LCCC's annual operating budget. The amount of the annual operating costs of the LCCC shall be apportioned among the member districts on the basis of the number of full-time equivalent students enrolled in LCCC and residing in the respective geographical areas of each of the member districts. The District's share of LCCC's operating costs for 2022-23 was \$890,357.

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

On dissolution of the Lehigh-Carbon Community College, the net position of LCCC will be shared on a pro-rata basis of each member district's current market value of taxable real property as certified by the Pennsylvania State Tax Equalization Board. However, the District does not have an equity interest in LCCC as defined by GASB Statement No. 14, except a residual interest in the net position upon dissolution that should not be reflected on the basic financial statements. Complete financial statements for the LCCC can be obtained from the LCCC's administrative office at 4525 Education Park Drive, Schneeksville, PA.

Jointly Governed Organizations

Carbon-Lehigh Intermediate Unit

The School District is a participating member of the Carbon-Lehigh Intermediate Unit (CLIU). The CLIU is run by a joint committee consisting of members from each participating district. No participating district appoints a majority of the joint committee. The board of directors of each participating district must approve the CLIU's annual operating budget. The CLIU is a self-sustaining organization that provides services for fees to participating districts. As such, the District has no on-going financial interest or financial responsibility in the CLIU. The CLIU contracts with participating districts to supply special education services, computer services, and acts as a conduit for certain federal programs.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the District have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. On June 15, 1987, the GASB issued a codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced. GASB Statement No. 62 was issued to include all prior Financial Accounting Standards Board's statements and interpretations, along with predecessors' statements and interpretations pertaining to governments into the hierarchy of the Governmental Accounting Standards Board's jurisdiction.

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net position, a statement of activities, and fund financial statements which provide a more detailed level of financial information.

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

The statement of net position presents the financial condition of the governmental and business-type activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities and for one business-type activity of the School District. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business activity or governmental function is self-financing or draws from the general revenues of the School District.

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

Fund Financial Statements During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Deferred outflows of resources is recorded in a particular governmental fund where costs are spent for a future period. Current Liabilities are assigned to the governmental fund from which they will be paid. Deferred inflows of resources is recorded in a particular governmental fund that has received resources for a future period. The difference between the sum of assets and deferred outflows of resources minus the sum of liabilities and deferred inflows of resources is reported as fund balance. The following are the School District's major governmental funds.

General Fund

The General Fund should be used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Fund

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term proceeds of specific revenue sources establish that one or more specific restricted or committed revenues should be the foundation for a special revenue fund. The restricted or committed proceeds of specific revenue sources should be expected to continue to comprise a substantial portion of the inflows reported in the fund. Other resources also may be reported in the fund if those resources are restricted, committed, or assigned to the specified purpose of the fund.

Under this new definition, the District does not have any special revenue funds.

Capital Project Funds

Capital Project Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital project funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments. The District has the following Capital Project Funds:

Capital Reserve Fund

This fund was created in accordance with Section 1432 of the Municipal Code. The Municipal Code restricts how the resources are spent within this fund.

Proprietary Funds Proprietary funds focus on the determination of changes in net position, financial position and cash flows and are classified as enterprise funds. The Proprietary Funds of the School District have operating and nonoperating revenues and/or expenses. Transactions for which cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are reported as nonoperating revenues and/or expenses, including subsidies received from the state and

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

federal government for school lunches, donated commodities, and amounts received for fica and retirement subsidies. Operating revenues reported are consistent with the fees or charges incurred based on the intent of the individual proprietary fund.

Enterprise Funds

Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The School District's major enterprise fund is:

Food Service Fund

This fund accounts for the financial transactions related to the food service operations of the School District.

Fiduciary Funds Fiduciary funds reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: Pension (and other employee benefit) trust funds, investment trust funds, Private-purpose trust funds and Custodial funds. The School District has two Fiduciary Funds:

Memorial Trust Fund – This fund is a considered a private purpose trust fund and is reported as such in the Statement of Net Position Fiduciary Funds and the Statement of Changes in Fiduciary Net Position. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs.

Student Activity Fund – This fund is considered a custodial fund and is reported as such in the Statement of Net Position Fiduciary Funds and the Statement of Changes in Fiduciary Net Position. Custodial funds are used to report fiduciary activities that are not required to be reported in one of the other three Fiduciary fund types.

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the School District are included on the statement of net position.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet, along with deferred outflows of resources or deferred inflows of resources required to be reported. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation's with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all enterprise funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities, including required deferred outflows of resources or required deferred inflows of resources, associated with the operation of these funds are included on the statement of fund net position. The statement of revenues, expenses, and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its enterprise activities.

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

D. Budgetary Process

An operating budget is adopted prior to the beginning of each year for the General Fund on the modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required.

In accordance with Act 1 of 2006, the Board shall annually, but not later than the first business meeting of January, decide the budget option to be used for the following fiscal year. The Board shall approve either the Accelerated Budget Process Option or the Board Resolution Option.

Accelerated Budget Process Option

Under this option, a preliminary budget must be prepared 150 days prior to the primary election. Under this Option, the preliminary budget must be available for public inspection at least 110 days prior to the primary election. The Board shall give public notice of its intent to adopt the preliminary budget at least 10 days prior to the adoption. The adoption must occur at least 90 days prior to the primary election.

If the preliminary budget exceeds the increase authorized by the Index, an application for an exception may be filed with either a Court of Common Pleas with jurisdiction or PDE and made available for public inspection. The Board may opt to forego applying for an exception by submitting a referendum question seeking voter approval for a tax increase, in accordance with Act 1.

The final budget shall include any necessary changes from the adopted preliminary budget. Any reduction required as the result of the failure of referendum shall be clearly stated. The final budget shall be made available for public inspection at least 20 days prior to final adoption. The Board shall annually adopt the final budget by a majority vote of all members of the Board prior to June 30.

Board Resolution Option

Under the Board Resolution Option, the Board shall adopt a resolution that it will not raise the rate of any tax for the following fiscal year by more than the Index. Such resolution shall be adopted no later than 110 days prior to the primary election. At least 30 days prior to adoption of the final budget the Board shall prepare a proposed budget. The proposed budget shall be available for public inspection at least 20 days

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

prior to adoption of the budget. The Board shall give public notice of its intent to adopt at least 10 days prior to adoption of the proposed budget. The Board shall annually adopt the final budget by a majority vote of all members of the Board by June 30.

Legal budgetary control is maintained at the sub-function/major object level. The PA School Code allows the School Board to make budgetary transfers between major function and major object codes only within the last nine months of the fiscal year, unless there is a two-thirds majority of the Board approving the transfer. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the PDE 2028 when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all 2022-23 budget transfers.

E. Use of Estimates

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

F. Changes in Accounting Principles

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

GASB Statement No. 81 (Conduit Debt Obligations). The objective of this Statement is provides a single method of reporting conduit debt obligations by issuers associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

GASB Statement No. 94 (PPP's). The objectives of the statement are to improve financial reporting related to public-private and public-public partnership arrangements (PPPs). A PPP is defined in which (1) the operator collects and is compensated by fees from third parties: (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services: and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

GASB Statement No. 96 (SBITA's). - This statement provided guidance on accounting and financial reporting for subscription-based information technology arrangements (SBITAs). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to use subscription asset – and intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA.

GASB Statement No. 99 (Omnibus 2022). The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

G. 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

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

position of the Public School Employees' Retirement System and additions to/deductions from the Public School Employees' Retirement System's fiduciary net position have been determined on the same basis as they are reported by the Public School Employees' Retirement System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

H. Other Postemployment Benefits

Multiple Employer Cost Sharing OPEB Plan

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

Single Employer OPEB Plan

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information was obtained from the Actuary Report conducted by Conrad Siegel. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The single employer plan is not funded.

I. Assets, Liabilities, and Net Position

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Proprietary Fund type considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents.

Investments

In accordance to GASB Statement No. 72, investments generally are to be measured at fair value. An investment is defined as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has the present service capacity based solely on its ability to generate cash or to be sold to generate cash. Investments not measured at fair value continue to include, for example, money market investments, 2a7-like external investment pools, investments in life insurance contracts, common stock meeting the criteria for applying the equity method, unallocated insurance contracts, and synthetic guaranteed investment contracts.

A government is permitted in certain circumstances to establish the fair value of an investment that does not have a readily determinable fair value by using the net asset value per share of the investment.

This Statement requires measurement at acquisition value (an entry price) for donated capital assets, donated works of art, historical treasures, and similar assets. These assets were previously required to be measured at fair value.

Fair Value is measured using a hierarchy of inputs using valuation techniques. The hierarchy has three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices, that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs

The valuation techniques should be consistent with one or more of the following approaches: the market approach, the cost approach, or the income approach. The market approach uses prices and other

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

relevant information generated by market transactions involving identical or comparable assets or liabilities.

The cost approach reflects the amount that would be required to replace the present service capacity of an asset. The income approach converts future amounts (such as cash flows or income and expenses) to a single current (discounted) amount.

Receivables and Payables

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

Property Tax Levy

Property taxes, which were levied during the fiscal year ended June 30, 2023, are recognized as revenue in the fund financial statements when received by the District during the fiscal year and also estimated to be received by the District within sixty (60) days after the fiscal year ended.

Property taxes that were levied during the current fiscal year, which are not estimated to be received within sixty (60) days after the fiscal year-end, are recorded as receivable and deferred inflows of resources in the fund financial statements.

In the government-wide financial statements, all property taxes levied during the fiscal year are recognized as revenue, net of estimated uncollectible amount.

Inventories

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis, and are expensed when used. As of June 30, 2023, the inventory shown in the governmental activities column of the government-wide statement of net position is \$184,950 and \$70,690 is shown as inventory in the business-type activities column of the government-wide statement of net position.

Inventory type items in governmental funds utilize the purchase method, that is, they are charged to expenditures when purchased. There was no physical inventory taken as of June 30, 2023; therefore, there is no offsetting nonspendable fund balance in the General Fund.

Inventory type items in Proprietary Funds use the consumption method, in which items are purchased for inventory and charged to expenses when used. The only Proprietary Fund of the District is the Food Service Fund. Inventory within this fund consists of supplies, purchases, food, and donated commodities, which are valued at U.S.D.A.'s approximate costs. Inventories on hand at June 30, 2023, consist of:

Donated Commodities	\$ 49,393
Supplies	7,288
Food	<u>14,009</u>
TOTAL	<u><u>\$ 70,690</u></u>

Prepaid Expenses

In both the government-wide and fund financial statements, prepaid expenses are recorded as assets in the specific governmental fund in which future benefits will be derived.

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements. Capital assets utilized by the enterprise funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition values as of the date received. The School District maintains a capitalization threshold of two thousand-five hundred (\$2,500) dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets utilized by the enterprise funds is also capitalized.

All reported capital assets, except land, certain land improvements, and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Site Improvements	10 - 20 years	10 - 20 years
Buildings and Improvements	25 - 50 years	25 - 50 years
Furniture and Equipment	5 - 30 years	5 -30 years
Right-to-use Equipment	Length of Lease	Length of Lease

Compensated Absences

The School District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. In enterprise funds, the entire amount of compensated absences is reported as a fund liability.

Leases

The District is a lessee for a noncancellable lease of equipment. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of \$5,000 or more.

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

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

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

SBITAs (Subscription Based Information Technology Arrangements)

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

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

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

Other Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position. Bond premiums and discounts, and deferred amounts on refunding's are deferred and amortized over the life of the bonds using modification of the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Any deferred amount on refunding's are reported as deferred outflows of resources and amortized over the life of the bond issue. Bond issuance costs are expensed in the year they are incurred.

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

In the governmental fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts and premiums on debt issuances are reported as other financing uses and other financing sources, respectively. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as support service expenditures.

Reclassification

Certain amounts have been reclassified to conform to the June 30, 2023, presentation of government-wide financial statements on the accrual basis of accounting versus the governmental fund financial statements reported on the modified accrual basis of accounting.

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net Investment in Capital Assets component of Net Position is comprised of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. In addition, any deferred outflows of resources and/or deferred inflows of resources related to such capital assets or liabilities associated with the capital assets should also be added to or deducted from the overall Net Investment in Capital Assets. The restricted component of Net Position is used when there are limitations imposed on their use either through the enabling legislation adopted by a higher governmental authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining component of Net Position is unrestricted.

The School District applies restricted resources first when an expense is incurred for purposes for which both the restricted and unrestricted components of net position are available.

Fund Balance Categories

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Below are the potential categories of fund balance the government may use with their definitions, the actual categories used is explained in Note 9 to the financial statements:

Nonspendable Fund Balance

This category includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance

Fund balance should be reported as restricted when constraints placed on the use of resources are externally imposed by creditors, grantors, contributors, or other government laws or regulations, or the constraint is imposed by enabling legislation or constitutional provisions.

Committed Fund Balance

This category pertains to amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. The committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action.

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

This government's governing body is the School Board and the formal action taken to commit resources is done by resolution.

Assigned Fund Balance

This category includes all remaining amounts that are reported in governmental funds, except the general fund, that are not classified in one of the above-mentioned categories. In the general fund, this category represents the District's intent to use resources for a specific purpose, which does not require formal action by the governing body. The District's policy dictates the Superintendent and Business Manager are responsible to make these assignments.

Unassigned Fund Balance

This category of fund balance represents the residual classification for the general fund after segregating resources used in the other categories listed above. Unassigned fund balance will only be shown in other governmental funds if those governmental funds have a negative net fund balance.

The District's policy on fund balance does not dictate which category of unrestricted fund balance is spent first, when resources are available to be spent in various categories. As such, committed amounts will be reduced first, followed by assigned amounts, and then unassigned amounts. The District's policy also does not dictate whether restricted (nonspendable or restricted) or unrestricted (committed, assigned, and unassigned) is spent first when resources are available in both categories. As such, in these circumstances, restricted will be assumed to have been spent first followed by the unrestricted categories.

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction. The proprietary funds did not receive any capital contributions during this fiscal year.

Note 3 - Reconciliation of Government-Wide and Fund Financial Statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes reconciliation between "fund balance - total governmental funds" and "net position - governmental activities" as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds".

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

The details of the \$244,788,481 differences are:

Bonds/Notes payable	\$ 16,497,000
Less: Issuance discount (to be amortized as interest expense)	-
Add: Issuance premium (to be amortized as a contra to interest expense)	616,371
Accrued interest payable	53,659
Finance Purchase Obligations	1,011,821
Lease Obligations	539,199
Defined Benefit Net Pension Liability	193,092,424
Net Defined Contribution Pension Liability	811,803
Net OPEB Liability - Single Employer Plan	23,353,083
Net OPEB Liability - Multiple Employer Plan	8,113,487
Compensated absences	699,634
Net adjustment to reduce "fund balance - total governmental funds" to arrive at "net position - governmental activities"	\$ 244,788,481

B. Explanation of Differences between Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Statement of Activities

Due to the differences in the measurement focus and basis of accounting used on the governmental fund statements and district-wide statements certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. Differences between the governmental funds statement of revenues, expenditures, and changes in fund balance and the statement of activities fall into one of three broad categories. The amounts shown in the columns on the following page represent:

- a) Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the statement of activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis whereas the accrual basis of accounting is used on the statement of activities. The long-term expenses reported below recognize the change in vested employee benefits.
- b) Capital related differences include (1) the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the statement of activities, and (2) the difference between recording an expenditure for the purchase of capital items in the governmental fund statements, and capitalization and recording of depreciation expense on those items as recorded in the statement of activities.
- c) Long-term debt transaction differences occur because long-term debt proceeds are recorded as revenue and both interest and principal payments are recorded as expenditures in the governmental fund statements. In the statement of activities, long-term debt proceeds are recorded as a liability; principal payments are recorded as a reduction of liabilities.

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

	TOTAL GOVERN- MENTAL FUNDS	LONG-TERM REVENUES/ EXPENSES	CAPITAL RELATED ITEMS	LONG-TERM DEBT TRANS- ACTIONS	TOTAL FOR STATEMENT OF ACTIVITIES
REVENUES AND OTHER SOURCES					
LOCAL SOURCES:					
Property Taxes	\$ 110,135,247	\$ 28,377	\$ -	\$ -	\$ 110,163,624
Taxes levied for specific purposes	13,760,899	-	-	-	13,760,899
Interest and investment earnings	2,689,502	-	-	-	2,689,502
Miscellaneous	422,413	-	-	-	422,413
Contributions and Donations	290,785	-	-	-	290,785
Charges for Services	562,027	-	-	-	562,027
Grants, subsidies & contributions not restricted	17,700,396	-	-	-	17,700,396
STATE SOURCES:					
Operating & Capital grants and contributions	22,937,716	-	-	-	22,937,716
FEDERAL SOURCES:					
Operating & Capital grants and contributions	4,264,737	-	-	-	4,264,737
SPECIAL AND EXTRAORDINARY SOURCES:					
Proceeds from Leases	446,629	-	-	(446,629)	-
Proceeds from other extended term financing	-	-	-	-	-
Gain or (Loss) on disposal of assets	154,500	-	(19,003)	-	135,497
TOTAL REVENUES	<u>173,364,851</u>	<u>28,377</u>	<u>(19,003)</u>	<u>(446,629)</u>	<u>172,927,596</u>
EXPENDITURES/EXPENSES					
Instruction	107,683,008	(6,682,261)	430,162	-	101,430,909
Instructional Student Support	13,532,326	(865,979)	2,657	-	12,669,004
Admin. & Fin'l Support Services	11,231,895	(696,639)	(250,700)	-	10,284,556
Oper. & Maint. Of Plant Svcs.	13,734,628	(837,378)	(65,269)	-	12,831,981
Pupil Transportation	9,332,649	-	-	-	9,332,649
Student activities	2,131,831	(103,592)	(70,313)	-	1,957,926
Community Services	107,545	(368)	1,189	-	108,366
Scholarships and Awards	26,100	-	-	-	26,100
Capital Outlay	5,296,844	-	(5,296,844)	-	-
Debt Service	8,027,241	-	-	(7,692,566)	334,675
Depreciation - unallocated	-	-	4,571,474	-	4,571,474
TOTAL EXPENDITURES/EXPENSES	<u>171,104,067</u>	<u>(9,186,217)</u>	<u>(677,644)</u>	<u>(7,692,566)</u>	<u>153,547,640</u>
NET CHANGE FOR THE YEAR	<u>\$ 2,260,784</u>	<u>\$ 9,214,594</u>	<u>\$ 658,641</u>	<u>\$ 7,245,937</u>	<u>\$ 19,379,956</u>

Note 4 - Stewardship, Compliance, and Accountability

A. Compliance with Finance Related Legal and Contractual Provisions

The District has no material violations of finance related legal and contractual provisions.

B. Deficit Fund Balance or Net Position of Individual Funds

No individual fund contains a deficit fund balance or net position at June 30, 2023, except the governmental activities had a deficit of \$39,342,745, and the business-type activity (Food Service Fund) had a deficit of \$767,026.

C. Excess of Expenditures over Appropriations in Individual Funds

No individual fund, which had a legally adopted budget, had an excess of expenditures over appropriations.

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

Budgetary Compliance

The District's only legally adopted budget is for the General Fund. All budgetary transfers were made within the last nine months of the fiscal year. The District cancels all purchase orders open at year-end; therefore, it does not have any outstanding encumbrances at June 30, 2023. In addition, the District includes a portion of the prior year's fund balance represented by unappropriated liquid assets remaining in the fund as budgeted revenue in the succeeding year. The results of operations on a GAAP basis do not recognize the fund balance allocation as revenue as it represents prior period's excess of revenues over expenditures.

Note 5 - Detailed Notes on all Funds and Account Groups

Cash

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The District does not have a policy for custodial credit risk. As of June 30, 2023, \$21,543,195, of the District's bank balance of \$22,223,120 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$	-
Collateralized with securities held by the pledging financial institution		-
Uninsured and collateral held by the pledging bank's trust department not in the District's name		21,543,195
TOTAL	\$	21,543,195

Reconciliation to Financial Statements

Uncollateralized Amount above	\$	21,543,195
Plus: Insured Amount		679,925
Less: Outstanding Checks		(3,059,709)
Carrying Amount - Cash Balances		19,163,411
Plus: Petty Cash		800
Deposit in Pooled Investments Considered Cash Equivalents		40,096,712
Less: Certificates of Deposit considered Investments by School Code		(139,151)
TOTAL CASH PER FINANCIAL STATEMENTS	\$	59,121,772

Investments

Permitted investments for East Penn School District are defined in the Public School Code of 1949, as amended by Act 10 of 2016 as:

1. United States Treasury Bills;
2. Short-term obligations of the United States Government or its agencies or instrumentalities;
3. Deposits in savings accounts or time deposits or share accounts of institutions insured by the F.D.I.C; and,
4. Obligations of the United States of America or any of its agencies or instrumentalities, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities or any political

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities.

5. Obligations, participations or other instruments of any Federal Agency, instrumentality or United States government sponsored enterprise, including those issued or fully guaranteed as the principal and interest by Federal agencies, instrumentalities or United States government sponsored enterprises, if the debt obligations are rated at least "A" or its equivalent by at least two nationally recognized statistical ratings organizations.
6. Repurchase agreements with respect to United States Treasury bills or obligations, participations or other instruments of or guaranteed by the United States or any Federal agency, instrumentality or United States government sponsored enterprise.
7. Negotiable certificates of deposit or other evidences of deposit, with a remaining maturity of three years or less, issued by a nationally or State-chartered bank, a Federal or State savings and loan association or a State-licensed branch of a foreign bank. For obligations with a maturity of one year or less, the debt obligations of the issuing institution or its parent must be rated in the top short-term rating category by at least two nationally recognized statistical ratings organizations. For obligations with a maturity in excess of one year, the senior debt obligations of the issuing institution or its parent must be rated at least "A" or its equivalent by at least two nationally recognized statistical ratings organizations.
8. Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances, if the bankers' acceptances do not exceed 180 days maturity and the accepting bank is rated in the top short-term category by at least two nationally recognized statistical ratings organizations.
9. Commercial paper issued by corporations or other business entities organized in accordance with Federal or State law, with a maturity not to exceed 270 days, if the paper is rated in the top short-term category by at least two nationally recognized statistical ratings organizations.
10. Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933 and, if all of the following conditions are met:
 - The investments of the company are the authorized investments listed above.
 - The investment company is managed in accordance with 17 CFR 270.2a-7 (related to money market funds).
 - The investment company is rated in the highest category by a nationally recognized rating agency.
11. Savings or demand deposits placed in accordance with the following conditions:
 - The money is initially deposited and invested through a federally insured institution having a place of business in this Commonwealth, which is selected by the public corporation or municipal authority.
 - The selected institution arranges for the redeposit of the money in savings or demand deposits in one or more financial institutions insured by the Federal Deposit Insurance Corporation, for the account of the public corporation or municipal authority.
 - The full amount of principal and any accrued interest of each such deposit is insured by the Federal Deposit Insurance Corporation.

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

- On the same date that the money is redeposited pursuant to above, the selected institution receives an amount of deposits from customers of other financial institutions equal to or greater than the amount of money initially invested through the selected institution by the public corporation or municipal authority.

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

<i>Investment</i>	Maturities	Fair Value
PSDLAF		\$ 40,035,457
Embassy Bank Certificate of Deposit	3-24 Months	139,151
TOTAL		\$ 40,174,608

Interest Rate Risk

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

Credit Risk

The District has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2023, the District's investments in PSDLAF were rated AAAm by Standard & Poor's.

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer. As of June 30, 2023, no investment comprised over 5% of the total investments in any individual fund or within the entire entity.

Reconciliation to Financial Statements

Total Investments Above	\$ 40,174,608
Less: Deposits in Investment Pool Considered Cash Equivalents	(40,035,457)
Total Investments Per Financial Statements	\$ 139,151

Fair Value Reporting

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

Property Taxes

Property taxes are levied on July 1, on the assessed value listed, as of that date, for all taxable real property located in the District. Assessed values are established by the County Board of Assessments. All taxable real property was assessed at \$5,762,792,900. The tax rate for the year was \$1.96766 per \$100 of assessed valuation or 19.6766 mills. In accordance with Act 1 of 2006, the District received \$2,298,475 in property tax reduction funds for the 2022-23 fiscal year. The property tax calendar is:

- July 1 - Full year tax assessed for current year.
- July 1 - August 31 - Discount period during which a 2% discount is allowed.
- September 1 - October 31 - Face amount of tax is due.
- November 1 - January 15 - A 10% penalty is added to all payments.
- January 15 - All unpaid taxes become delinquent and are turned over to the County Tax Claim Bureau for Collection.

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

Receivables

Receivables, as of year-end, for the government's individual major funds and non-major, and fiduciary funds, in the aggregate, including the applicable allowances for uncollectible accounts, are:

	GENERAL FUND	CAPITAL PROJECT FUNDS	FOOD SERVICE FUND	FIDUCIARY FUNDS	TOTAL
RECEIVABLES:					
Interest	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	1,775,402	-	-	-	1,775,402
Accounts	165,168	-	-	3,435	168,603
Intergovernmental	7,525,637	-	64,006	-	7,589,643
GROSS RECEIVABLES	9,466,207	-	64,006	3,435	9,533,648
Less: Allowance for Uncollectibles	-	-	-	-	-
NET RECEIVABLES	\$ 9,466,207	\$ -	\$ 64,006	\$ 3,435	\$ 9,533,648

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred inflows of resources reported in the governmental funds are:

	UNAVAILABLE	UNEARNED
Delinquent Property Taxes - General Fund	\$ 1,231,119	\$ -
Deposit on TIF Real Estate Tax Arrangement	-	244,385
TOTAL	\$ 1,231,119	\$ 244,385

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

Capital Assets

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

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
GOVERNMENTAL ACTIVITIES:				
Capital Assets not being depreciated:				
Land	\$ 10,988,723	\$ -	\$ (18,500)	\$ 10,970,223
Construction in Progress	1,575,912	5,447,448	(1,795,913)	5,227,447
Total Capital Assets not being depreciated/amortized	<u>12,564,635</u>	<u>5,447,448</u>	<u>(1,814,413)</u>	<u>16,197,670</u>
Capital Assets being depreciated/amortized:				
Site Improvements	9,314,333	60,481	-	9,374,814
Buildings and Improvements	200,503,685	753,868	-	201,257,553
Furniture and Equipment	9,254,814	1,083,997	(5,030)	10,333,781
Intangible right-to-use equipment	350,147	446,629	-	796,776
TOTAL CAPITAL ASSETS BEING DEPRECIATED/AMORTIZED	<u>219,422,979</u>	<u>2,344,975</u>	<u>(5,030)</u>	<u>221,762,924</u>
Less accumulated depreciation/amortization for:				
Site Improvements	(5,443,060)	(250,459)	-	(5,693,519)
Buildings and Improvements	(84,199,505)	(4,186,088)	-	(88,385,592)
Furniture and Equipment	(5,727,605)	(698,204)	4,527	(6,421,282)
Intangible right-to-use equipment	(82,691)	(184,115)	-	(266,806)
TOTAL ACCUMULATED DEPRECIATION/AMORTIZATION	<u>(95,452,861)</u>	<u>(5,318,866)</u>	<u>4,527</u>	<u>(100,767,199)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED/AMORTIZATION NET OF ACCUMULATED DEPRECIATION/AMORTIZATION	<u>123,970,118</u>	<u>(2,973,891)</u>	<u>(503)</u>	<u>120,995,725</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION/AMORTIZATION	<u>\$ 136,534,753</u>	<u>\$ 2,473,557</u>	<u>\$ (1,814,916)</u>	<u>\$ 137,193,395</u>
BUSINESS-TYPE ACTIVITIES:				
Capital Assets being depreciated:				
Furniture and Equipment	\$ 1,616,159	\$ 166,120	\$ -	\$ 1,782,279
Less accumulated depreciation	(1,131,230)	(53,280)	-	(1,184,510)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	<u>\$ 484,929</u>	<u>\$ 112,840</u>	<u>\$ -</u>	<u>\$ 597,769</u>

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

Instruction	\$ 430,163
Instructional Student Support	2,656
Admin. & Fin'l Support Services	195,929
Oper. & Maint. of Plant Svcs.	102,448
Student activities	15,007
Community Services	1,189
Depreciation - unallocated	<u>4,571,474</u>
TOTAL DEPRECIATION FOR GOVERNMENTAL ACTIVITIES	\$ 5,318,866

The District's governmental activities sold/scrapped \$23,530 of capital assets during the year, with accumulated depreciation of \$4,527. The district was received \$154,500 from the sale of land, this resulted in a net gain on disposition of \$135,497 for the year. The business-type activities did not dispose of any capital assets during the year.

Commitments

Encumbrances

Any encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities but represent budgetary accounting controls. The General Fund Budget is maintained on the modified accrual basis of accounting, except that budgetary basis expenditures include any encumbrances issued for goods or services not received at year-end and not terminated.

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

The actual results of operations are presented in accordance with GAAP and the District's accounting policies do not recognize encumbrances as expenditures until the period in which the goods or services are actually received and a liability is incurred. If budgetary encumbrances exist at year-end, they are included in the fund financial statements to reflect actual revenues and expenditures on a budgetary basis consistent with the District's legally adopted budget.

Long-Term Construction Commitments

The District has the following construction commitments in the Capital Project Funds:

	<u>CONTRACT AMOUNT</u>	<u>EXPENDED TO 6/30/23</u>	<u>OUTSTANDING COMMITMENTS</u>
<u>Shoemaker ES Roof</u>			
Arco Roofing	\$ 538,000	\$ 175,500	\$ 362,500
<u>Shoemaker Roof J,L,M</u>			
Pro Com Roofing	475,000	-	475,000
<u>EHS Dehumidification</u>			
JBM Mechanical	611,000	89,775	521,225
<u>Shoemaker Elementary Roof Replacement</u>			
Detwiler	1,107,000	329,220	777,780
<u>Jefferson ES Masonry Replacement</u>			
Silfies Masonry	106,000	2,282	103,718
<u>ESCO Project</u>			
McClure Company	<u>4,432,060</u>	<u>2,134,053</u>	<u>2,298,007</u>
TOTAL	<u>\$ 7,269,060</u>	<u>\$ 2,730,830</u>	<u>\$ 4,538,230</u>

Short-Term Debt

Interfund Receivables and Payables

Interfund balances between funds represent temporary loans recorded at year end subsequent to a final allocation of expenses. The balances generally are paid shortly after year end. Transfers represent funds set aside for the anticipation of future capital needs.

The following interfund receivables and payables were in existence on June 30, 2023:

	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 276,543	\$ 32,716
Capital Projects (Capital Reserve) Fund	-	-
Enterprise (Food Service) Fund	32,748	276,187
Private Purpose (Trust) Fund	-	-
Custodial (Activity) Fund	<u>-</u>	<u>388</u>
TOTAL	<u>\$ 309,291</u>	<u>\$ 309,291</u>

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

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

	TRANSFER IN	TRANSFER OUT
General Fund	\$ -	\$ 4,857,957
Food Service Fund	-	-
Capital Project (Capital Reserve) Fund	4,857,957	-
TOTAL	\$ 4,857,957	\$ 4,857,957

Long-Term Liabilities

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

Changes in Long-Term Liabilities

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	AMOUNTS DUE WITHIN ONE YEAR
<u>GOVERNMENTAL ACTIVITIES</u>					
<i>General Obligation Debt:</i>					
<i>Bonds and notes payable:</i>					
Bonds Payable	\$ 17,035,731	\$ -	\$ 6,224,360	\$ 10,811,371	\$ 3,215,000
Notes Payable	7,169,000	-	867,000	6,302,000	2,230,000
Total general obligation debt	24,204,731	-	7,091,360	17,113,371	5,445,000
<i>Other liabilities:</i>					
Finance Purchase Obligations	1,450,446	-	438,626	1,011,820	426,561
Lease Obligations	267,770	446,629	175,200	539,199	207,338
Vested employee benefits:					
Vacation pay	270,529	-	12,965	257,564	98,942
Sick pay	984,108	-	101,543	882,565	341,553
Net Defined Benefit Pension Liability	175,462,075	17,630,349	-	193,092,424	-
Net Defined Contribution Pension Obligation	800,835	10,968	-	811,803	-
Net OPEB Liability - Single Employer Plan	23,724,169	-	371,086	23,353,083	-
Net OPEB Liability - Multiple Employer Plan	10,294,922	-	2,181,435	8,113,487	-
Total other liabilities	213,254,854	18,087,946	3,280,855	228,061,945	1,074,394
TOTAL GOVERNMENTAL ACTIVITY					
LONG-TERM LIABILITIES	\$ 237,459,585	\$ 18,087,946	\$ 10,372,215	\$ 245,175,316	\$ 6,519,394
<u>BUSINESS TYPE ACTIVITIES</u>					
<i>Other liabilities:</i>					
Vested employee benefits:					
Vacation pay	-	-	-	-	-
Sick pay	29,424	-	840	28,584	-
Net Defined Benefit Pension Liability	3,542,540	290,595	-	3,833,135	-
Net OPEB Liability - Single Employer Plan	32,639	-	14,440	18,199	-
Net OPEB Liability - Multiple Employer Plan	178,960	-	35,859	143,101	-
TOTAL BUSINESS-TYPE ACTIVITY					
LONG-TERM LIABILITIES	\$ 3,783,563	\$ 290,595	\$ 51,139	\$ 4,023,019	\$ -

Payments on bonds and notes are made by the general fund. Vested employee benefits will be liquidated by governmental and proprietary funds. The School District currently does not have any bonds or notes payable in business-type activities.

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

Total Interest paid and accrued during the year:

GOVERNMENTAL ACTIVITIES:	EXPENSE	PAID
General obligation debt	\$ 580,028	\$ 323,289
Finance Purchases	9,074	9,074
Lease Obligations	2,312	2,312
Refund of Prior Year Receipts	-	-
TOTAL INTEREST PAID BY GOVERNMENTAL ACTIVITIES	\$ 591,414	\$ 334,675

Finance Purchase Obligations

Apple MacBook Air – Apple Inc

The District entered into a finance purchase arrangement with Apple Inc. on August 15, 2021 to purchase 650 MacBook Airs in the amount of \$429,456, with total interest indebtedness of \$7,344 with an effective interest rate of 1.720%.

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

FISCAL YEAR	PRINCIPAL	INTEREST
2023-24	\$ 143,138	\$ 2,462
TOTAL OUTSTANDING	\$ 143,138	\$ 2,462

Apple iPads – Apple Inc

The District entered into a finance purchase arrangement with Apple Inc. on May 15, 2022 to purchase 3,800 iPads in the amount of \$1,166,590, with total interest indebtedness of \$41,810 with an effective interest rate of 2.150%.

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

FISCAL YEAR	PRINCIPAL	INTEREST
2023-24	\$ 283,423	\$ 18,677
2024-25	289,517	12,583
2025-26	295,742	6,358
TOTAL OUTSTANDING	\$ 868,682	\$ 37,618

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

Lease Obligations

Kyocera Copiers – Marco

On July 1, 2021, The District entered into a 51 month lease as lessee for the acquisition and use of Kyocera Copiers. An initial lease liability was recorded in the amount of \$333,820 during the current fiscal year. As of June 30, 2023, the value of the lease liability was \$178,418. The District is required to make monthly fixed payments of \$11,799 with the lease portion of the payments being \$6,686. The lease has an interest rate of 1.01%. The Equipment has a five-year estimated useful life. The value of the right to use asset as of June 30, 2023 was \$333,820 with accumulated amortization of \$155,970.

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

FISCAL YEAR	PRINCIPAL	INTEREST
2023-24	\$ 78,796	\$ 1,440
2024-25	79,597	639
2025-26	20,025	34
TOTAL OUTSTANDING	\$ 178,418	\$ 2,113

Postage Meter – Pitney Bowes

On July 1, 2021, the District entered into a 41-month lease as lessee for the acquisition and use of a postage meter. An initial lease liability was recorded in the amount of \$16,327 during the current fiscal year. As of June 30, 2023, the value of the lease liability was \$6,330. The District is required to make quarterly fixed payments of \$1,274. The lease has an interest rate of 0.85%. The Equipment has a five-year estimated useful life. The value of the right to use asset as of June 30, 2023 was \$16,327 with accumulated amortization of \$9,412.

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

FISCAL YEAR	PRINCIPAL	INTEREST
2023-24	\$ 5,059	\$ 38
2024-25	1,271	3
TOTAL OUTSTANDING	\$ 6,330	\$ 41

SBITA – Subscription Based Information Technology Agreements

Frontline – Absence and Time Solutions Software

On July 1, 2022, the District entered a 3-year subscription for the use of employee absence and time solution software. An initial subscription liability was recorded in the amount of \$149,346. As of June 30, 2023, the value of the subscription liability was \$100,675. East Penn School District is required to make yearly fixed payments of \$48,670 that increase 4.5% each year. The lease has an interest rate of 2.184%. The value of the right to use asset as of June 30, 2023 was \$149,346 with accumulated amortization of \$49,782.

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

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

FISCAL YEAR	PRINCIPAL	INTEREST
2023-24	\$ 48,662	\$ 2,199
2024-25	52,013	1,136
TOTAL OUTSTANDING	\$ 100,675	\$ 3,335

Intrado – SchoolMessenger

On July 1, 2022, the District entered a 4-year subscription for the use of the SchoolMessenger software from Intrado. An initial subscription liability was recorded in the amount of \$56,496. As of June 30, 2023, the value of the subscription liability was \$44,045. The District is required to make yearly fixed payments of \$15,355. The subscription has an interest rate of 2.275%. The value of the right to use asset as of June 30, 2023 was \$56,496 with accumulated amortization of \$14,124.

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

FISCAL YEAR	PRINCIPAL	INTEREST
2023-24	\$ 14,353	\$ 1,002
2024-25	14,679	676
2025-26	15,013	342
TOTAL OUTSTANDING	\$ 44,045	\$ 2,020

Trebron – Sophos 6500 Firewall

On April 1, 2023, the District entered into a 63-month subscription for the licensing of the Trebron Sophos 6500 firewall. An initial subscription liability was recorded in the amount of \$149,605. As of June 30, 2023, the value of the subscription liability was \$149,605. The District is required to make yearly fixed payments of \$31,737. The subscription has an interest rate of 2.682%. The value of the right to use asset as of June 30, 2023 was \$149,605 with accumulated amortization of \$7,124.

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

FISCAL YEAR	PRINCIPAL	INTEREST
2023-24	\$ 30,734	\$ 1,003
2024-25	28,549	3,188
2025-26	29,314	2,422
2026-27	30,101	1,636
2027-28	30,908	829
TOTAL OUTSTANDING	\$ 149,606	\$ 9,078

Trebron – Sophos XDR Security Software

On July 1, 2022, the District entered into a 3-year subscription for the licensing of Sophos XDR security software with Trebron Security. An initial subscription liability was recorded in the amount of \$91,182. As of June 30, 2023, the value of the subscription liability was \$60,123. The District is required to make yearly fixed payments of \$31,060. The subscription has an interest rate of 2.184%.

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

The value of the right to use asset as of June 30, 2023 was \$91,182 with accumulated amortization of \$30,394.

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

FISCAL YEAR	PRINCIPAL	INTEREST
2023-24	\$ 29,733	\$ 1,326
2024-25	30,389	670
TOTAL OUTSTANDING	\$ 60,122	\$ 1,996

General Obligation Bonds – Series of 2018

On June 1, 2018, the District issued \$22,920,000 of General Obligation Bonds, Series of 2018. The proceeds will be used (1) to refund the School District's outstanding GON Series of 1998. Currently outstanding in the aggregate principal amount of \$760,000 and (2) to currently refund all of the GON Series A of 2003, currently outstanding in the aggregate principal amount of \$6,100,000; and (3) to currently refund all of the Districts' outstanding GON Series A of 2004, currently outstanding in the aggregate principal amount of \$6,200,000; and (4) to currently refund all of the District's GON Series A of 2007, currently outstanding in the aggregate principal amount of \$10,500,000 and (5) to pay costs of issuance.

In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The bonds mature from February 1, 2019 to August 1, 2023. Interest rates at 2.0% to 4.0% with total interest indebtedness of \$2,280,393.

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

FISCAL YEAR	PRINCIPAL	INTEREST
2023-24	\$ 2,010,000	\$ 35,203
SUB-TOTAL	\$ 2,010,000	\$ 35,203
Unamortized Premiums	13,713	
TOTAL OUTSTANDING	\$ 2,023,713	

General Obligation Bonds – Series of 2019

On September 17, 2019, the District issued \$12,170,000 of General Obligation Bonds, Series of 2019. The proceeds were used to (1) currently refund all of the School District's outstanding GOB Series A of 2012, currently outstanding in the aggregate principal amount of \$6,770,000, (2) currently refund all of the GOB Series of 2014, currently outstanding in the aggregate principal amount of \$6,540,000, and (3) pay the costs of issuing the Bonds.

In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with a paying agent. The Bonds matures from November 15, 2019 to November 15, 2028. The outstanding debt service requirements, using fixed interest rates ranging from 2.0% to 4.0% with total interest indebtedness of \$2,504,224.

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

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

FISCAL YEAR	PRINCIPAL	INTEREST
2023-24	\$ 1,205,000	\$ 303,300
2024-25	1,265,000	253,900
2025-26	1,325,000	202,100
2026-27	1,395,000	147,700
2027-28	1,465,000	90,500
2028-29	1,530,000	30,600
SUB-TOTAL	\$ 8,185,000	\$ 1,028,100
Unamortized Premiums	602,658	
TOTAL OUTSTANDING	\$ 8,787,658	

General Obligation Notes – Series of 2020

On August 3, 2020 the District issued \$9,511,000 of General Obligation Notes, Series of 2020. The proceeds will be used to: (1) currently refund all the School District's outstanding GOB Series of 2012, currently outstanding in the aggregate principal amount of \$6,555,000, (2) currently refund all the GOB Series B of 2015, currently outstanding in the aggregate principal amount of \$2,785,000, and (3) pay costs of issuing the Notes.

In accordance with the Local Governmental Debt Act, a sinking fund has been established with the paying agent. The notes mature from September 15, 2020 to September 15, 2024. Interest rates is stated at 0.97% with total interest indebtedness of \$264,603.

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

FISCAL YEAR	PRINCIPAL	INTEREST
2023-24	\$ 2,230,000	\$ 50,314
2024-25	4,072,000	19,749
SUB-TOTAL	\$ 6,302,000	\$ 70,063
Unamortized Premiums	-	
TOTAL OUTSTANDING	\$ 6,302,000	

The School District general obligation bonds and notes contain a provision that in the event of default for nonpayment of principal and interest, the School Code allows for the Commonwealth of Pennsylvania to withhold monies from the School District's subsidies and pay any past due amounts directly to the paying agent for payment to the bond or note holders.

Lease Rental Debt

The Lehigh Career and Technical Institute (LCTI), with authority of the nine participating school districts, have agreed to borrow up to \$53,715,000 to improve the Institute's facilities. The participating districts, such as East Penn School District, will be required to pay their proportionate shares of the incurred debt under the Articles of Agreement in subsequent years as "Capital Costs" under Section 4.2 of the Articles.

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

Specifically, Lehigh Career and Technical Institute issued \$32,000,000 of revenue bonds - Series of 2003 dated March 15, 2003, and \$21,715,000 of revenue bonds - Series of 2001 dated September 15, 2001, through the State Public School Building Authority (SPSBA). The bonds are special limited obligations of the SPSBA. During the 2005-06 fiscal year, these issues have been refunded with new issues.

The LCTI financing translates into an ongoing obligation of the participating districts for credit purposes; however, for purposes of the Local Governmental Unit Debt Act, this borrowing is not considered general obligation debt of the school districts; therefore, the future obligations of debt service are not recorded as a liability on East Penn's financial statements.

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

Combined Long-Term Debt

The combined general obligation long-term debt obligations for subsequent years are:

Bonds

Fiscal Year Ended June 30	GO Bonds - 2018		GO Bonds - 2019	
	Principal	Interest	Principal	Interest
2024	\$ 2,010,000	\$ 35,203	\$ 1,205,000	\$ 303,300
2025	-	-	1,265,000	253,900
2026	-	-	1,325,000	202,100
2027	-	-	1,395,000	147,700
2028	-	-	1,465,000	90,500
2029	-	-	1,530,000	30,600
TOTAL	\$ 2,010,000	\$ 35,203	\$ 8,185,000	\$ 1,028,100

Direct Borrowing

Fiscal Year Ended June 30	GO Note - 2020	
	Principal	Interest
2024	\$ 2,230,000	\$ 50,314
2025	4,072,000	19,749
2026	-	-
2027	-	-
2028	-	-
2029	-	-
TOTAL	\$ 6,302,000	\$ 70,063

Bonds and Direct Borrowing

Fiscal Year Ended June 30	Totals	
	Principal	Interest
2024	5,445,000	388,817
2025	5,337,000	273,649
2026	1,325,000	202,100
2027	1,395,000	147,700
2028	1,465,000	90,500
2029	1,530,000	30,600
TOTAL	\$ 16,497,000	\$ 1,133,366

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

Compensated Absences

Sick-Pay

Under the District's various bargaining agreements and plans, professional and eligible support personnel accumulate unused sick days from year to year based on their classification. These accumulated sick days are non-vesting during the employee's tenure. Only administrators employed prior to July 1, 2004 who have opted to retain this benefit are eligible for payment. Upon retirement, these employees, except for administrators, are eligible for remuneration for unused sick days under the following bargaining agreements:

1.	East Penn Education Association Members	- \$25 per day
2.	Teamsters Union Members	- \$22 per day
3.	Secretarial & Aide Members	- \$20 per day
4.	Administrative Plan Members	- \$25 per day

The District maintains records of each employee's accumulated sick days that are vested with employees who are eligible to retire, and for those under the administrative plan. In accordance with GASB Statement No. 16, \$28,584, including FICA tax (net of reimbursement), has been recorded in the Food Service (Enterprise) Fund for sick leave termination benefits earned by Cafeteria employees at June 30, 2023. This amount is also included as a long-term liability in the business-type activity column of the government-wide statement of net position. The amount recorded in the General Fund for governmental employees, which will use currently available financial resources, is \$341,553, including FICA tax (net of reimbursement). This amount is reflected as a current liability in the governmental activities column of the government-wide statement of net position. The remaining sick leave termination benefit of \$541,012, including FICA tax (net of reimbursement), is recorded as a long-term liability in the governmental activities column of the government-wide statement of net position.

Vacation Leave

Unused vacation leave is paid upon an employee's termination. The District maintains records of each employee's accumulated vacation days. In accordance with GASB Statement No. 16, the portion of vacation pay earned at June 30, 2023, that will use currently available financial resources is \$98,942 including FICA tax and retirement contributions (net of reimbursement), which has been recorded in the General Fund. This amount is also shown as a current liability in the governmental activities column of the government-wide statement of net position. The Enterprise (Food Service) Fund has recorded \$-0-, including FICA tax and retirement contributions (net of reimbursement), which is also reflected as a long-term liability in the business-type activity column of the government-wide statement of net position. The remaining vacation pay earned at June 30, 2023, of \$158,622, including FICA tax and retirement contributions (net of reimbursement), is recorded as a long-term liability in the governmental activities column of the government-wide statement of net position.

Defined Benefit Pension Plan

Public School Employees' Retirement System (PSERS) Pension Plan

Summary of Significant Accounting Policies

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS' fiduciary net position have been determined on the same basis as they are reported by PSERS.

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan Description

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

Benefits Provided

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

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

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

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

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

**East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023**

Contributions

Member Contributions:

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

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

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

Employer Contributions:

The school districts' contractually required contribution rate for the fiscal year ended June 30, 2023 was 34.31% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$24,394,964 for the year ended June 30, 2023.

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

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

At June 30, 2023, the District reported a liability of \$196,925,559 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2021 to June 30, 2022. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2023, the District's proportion was 0.4507 percent, which was an increase of 0.0075 percent from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the District recognized pension expense of \$14,702,563. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Sources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Proportionate Share vs Actual Paid Separately Finance Liabilities	\$ -	\$ 67,257
Changes in Assumptions	5,983,000	-
Net difference between projected and actual contributions made	-	284,648
Net difference between projected and actual earnings on pension plan investments	-	3,400,000
Difference between expected and actual experience	-	1,642,000
Changes in proportion of the Net Pension Liability	-	205,000
District contributions subsequent to the measurement date	24,394,964	-
Total	\$ 30,377,964	\$ 5,598,905

\$24,394,964 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Amount
2023	\$ 622,000
2024	(424,650)
2025	(4,439,019)
2026	4,684,834
Thereafter	(59,070)
Total	\$ 384,095

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

Changes in Actuarial Assumptions

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

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

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2020.

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

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

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

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

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

Discount Rate

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

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

The following presents the net pension liability, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
District's proportionate share of the net pension liability	\$ 259,172,000	\$ 200,375,000	\$ 150,803,000

Pension Plan Fiduciary Net Position

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

State Funding

The Commonwealth of Pennsylvania generally reimburses the School District for 50%-60% of its retirement expense. This arrangement does not meet the criteria of a special funding situation in accordance with GASB standards. Therefore, the net pension liabilities and related pension expense represent 100% of the School District's share of these amounts.

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

During the year ended June 30, 2023, the School District recognized revenue of \$12,551,027 as reimbursement from the State for its current year pension payments.

Payables to the Pension Plan

As of June 30, 2023, the School District had \$9,377,066 included in accrued wages liability, of which \$7,413,274 is for the contractually required contribution for the second quarter of 2023 and \$1,963,792 is related to the accrued payroll liability for wages incurred as of June 30, 2023.

Defined Contributions Pension Plan

Retirement Severance Benefits

Under various contracts with administrators, support staff and custodians a lump sum payment is offered upon retirement. The payment is based on a flat amount per year of service reduced by a per diem amount based on the number of sick days used in each year.

The lump sum payment shall be paid in full to the employee in one payment on the date to be determined by the employee after the employees' effective date of retirement. In the event of death of the employee, the lump sum payment will be paid in full to the employee's estate.

In accordance with Government Accounting Standards Board Statement No. 73, this benefit is considered a pension plan. The following is a summary of plan provisions:

Contributions

Employer Contributions

The school district pays this benefit on a pay-as-you-go basis. It does not accumulate funds into any trust for future benefits. Contributions to the pension plan from the District were \$54,600 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$811,803 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022, with rolling forward the System's total pension liability as of June 30, 2023.

For the year ended June 30, 2023, the District recognized pension expense of \$94,878. The following table reflects the changes to the pension obligation during the year:

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

	<u>2022-23</u>
Total Defined Contribution Pension Liability - beginning	\$ 800,835
Service Cost	72,816
Interest	19,008
Changes in Benefit Terms	-
Difference between expected and actual experience	33,429
Changes in assumptions	(40,510)
Benefit payments	<u>(73,775)</u>
Net change in total Pension Liability	<u>10,968</u>
Total Defined Contribution Pension Liability - ending	\$ 811,803
Interest Rate	4.06%
Plan Members	39
Covered Payroll	\$ 4,751,528

Actuarial Assumptions

The total pension liability as of June 30, 2023 was determined by the actuarial valuation on July 1, 2022, with rolling forward the System's total pension liability using the following actuarial assumptions, applied to all periods included in the measurement.

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 4.06%.

The actuarial assumptions used in the July 1, 2022 valuation were based on the experience study conducted by the actuary, including the assumed retirement rates based on PSERS plan experience and vary by age, service, and gender.

Schedule on Defined Contribution Pension Deferred Outflows/Inflows

<u>Sources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	\$ -	\$ 10,627
Net difference between projected and actual investment earnings	-	-
Difference between expected and actual experience	38,762	-
Changes in proportion of the net defined contribution pension liability	-	-
District contributions subsequent to the measurement date	<u>54,600</u>	<u>-</u>
Total	\$ 93,362	\$ 10,627

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

Funded Status and Funding Process

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

	Retirement Incentive Benefit Governmental Activity
Actuarial accrued liability (a)	\$ 811,803
Actuarial value of plan assets (b)	-
Unfunded actuarial accrued liability (a) - (b)	<u>\$ 811,803</u>
Funded Ratio (b) / (a)	0.0%
Covered payroll	\$ 4,751,528
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll.	17.1%

Sensitivity of the District's Proportion Share of the Net Defined Contribution Pension Liability in the Discount Rate

The following presents the District's proportionate share of the net defined contribution pension liability calculated using the discount rate off 4.06%, as well as what the District's proportionate share of the net defined contribution pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.06%) or 1-percentage point higher (5.06%) than the current rate, using the net defined contribution liability reported by the actuary before adjusting for differences on projected vs actual contributions made.

	1% Decrease 3.06%	Current Discount Rate 4.06%	1% Increase 5.06%
District's proportionate share of the net OPEB Pension liability	\$ 859,358	\$ 811,803	\$ 766,085

Other Employee Benefits

Special Termination Benefits

The East Penn School District's Board of School Directors has established an early retirement incentive program (ERIP) for those employees who meet certain qualifications. All professional employees will select, in writing, one of the two financial options:

Option 1

Upon meeting the requirements explained later, the District shall pay to the employee a total payment equal to his/her final base salary, at the time of application for ERIP, multiplied by the percentage appearing in the chart below. Such payment will be made during the first calendar year of ERIP at a time stipulated, in writing, by the retiree. The employee may opt to receive these monies in either one or two installments.

**East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023**

<u>AGE OF PERSON ON JULY 1 OF ERIP YEAR</u>	<u>PERCENTAGE</u>
54	50%
55	50%
56	40%
57	35%
58	30%
59	25%
60	20%

Option 2

Upon receipt of a letter of request and letter of intent to retire, the Board will approve the applicant's request for a sabbatical leave, if the employee is eligible by law, and waives the return-to-work provision. Under this option, the employee would not begin receiving PSERS benefits until the conclusion of the year's sabbatical leave.

The plan is on a voluntary basis. To be eligible to receive this retirement incentive, the employee must meet all of the following qualifications:

The employee must be an active (not on leave) member of the instructional or administrative staff at the time of request.

The employee must choose to begin the ERIP program on July 1, and must be at least the age of 54 or not older than 60 on the preceding June 30.

The employee must have a minimum of fifteen (15) consecutive years of service in the East Penn School District prior to the commencement of ERIP.

The employee must qualify for retirement under provisions of the Public School Employees Retirement System (PSERS).

A letter of resignation, application to PSERS for benefits, and an application for ERIP must be received in the Superintendent's office on or before May 1, of the school year proceeding the July 1, start date of ERIP.

In accordance with GASB Statement No. 47, an employer that provides voluntary termination benefits shall recognize a liability and an expense when the employees accept the offer and the amount can be reasonably estimated. The amount recognized shall include any lump-sum payments and the present value of any expected future payments. The District records a liability when an employee accepts the offer. As of June 30, 2023, there were no eligible persons that accepted the offer that were not paid or recorded as a liability under GASB Statement No 47.

Under the provisions of Board Policy 450, the East Penn School District will pay, for those employees electing the Early Retirement Incentive Program explained in the preceding note, the premium for the retiring employee in an early retiree's hospitalization/medical plan. Such coverage will continue until the employee becomes eligible for government sponsored hospitalization/medical insurance or reaches age 65. Such insurance plan will be substantially equivalent to the plan offered to regular employees, but will have a mandatory reduction in major medical benefits. The Actuary has included this benefit under Other-Post Employment Benefits.

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

Other Postemployment Benefits

Public School Employees' Retirement System (PSERS) Multiple Employer OPEB Plan on Health Insurance Premium Assistance Program

Summary of Significant Accounting Policies

Other Postemployment Benefits

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

General Information about the Health Insurance Premium Assistance Program

Health Insurance Premium Assistance Program

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2022 there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

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

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age

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

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

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

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

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

Employer Contributions:

The school districts' contractually required contribution rate for the fiscal year ended June 30, 2023 was 0.75% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$533,262 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 \$8,256,588 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 0.4495 percent, which was an increase of 0.0073 percent from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the District recognized OPEB expense of \$260,850. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Sources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Proportionate Share vs Actual		
Paid Separately Finance Liabilities	\$ -	\$ 2,095
Changes in Assumptions	-	1,035,000
Net difference between projected and actual contributions made	-	6,856
Net difference between projected and actual investment earnings	23,000	-
Difference between expected and actual experience	32,000	-
Changes in proportion of the Net OPEB Liability	56,000	-
District contributions subsequent to the measurement date	533,262	-
Total	\$ 644,262	\$ 1,043,951

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

\$533,262 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	<u>Amount</u>
2023	\$ (187,000)
2024	(107,155)
2025	(156,971)
2026	(213,859)
2027	(266,042)
Thereafter	<u>(1,924)</u>
Total	<u>\$ (932,951)</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%

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

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2020 determined the employer contribution rate for fiscal year 2022.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.

**East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023**

- Participation rate: The actual data for retirees benefiting under the Plan as of June 30, 2021 was used in lieu of the 63% utilization assumption for eligible retirees.
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

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

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

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

Discount Rate

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

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

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

**East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023**

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

	1% Decrease	Current Trend Rate	1% Increase
System net OPEB liability	\$ 8,273,000	\$ 8,274,000	\$ 8,275,000

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

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

	1% Decrease 3.09%	Current Discount Rate 4.09%	1% Increase 5.09%
District's proportionate share of the net OPEB liability	\$ 9,357,000	\$ 8,274,000	\$ 7,368,000

OPEB Plan Fiduciary Net Position

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

**East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023**

Payables to the Multiple Employer OPEB Plan

As of June 30, 2023, the School District had \$203,790 included in accrued wages liability, of which \$161,111 is for the contractually required contribution for the second quarter of 2023 and \$42,679 is related to the accrued payroll liability for wages incurred as of June 30, 2023.

Single Employer OPEB Plan

Summary of Plan Provisions			
<i>Group</i>	<i>Eligibility</i>	<i>Coverage and Premium Sharing</i>	<i>Duration</i>
<u>I. ADMINISTRATORS</u>	Retention Incentive Program – (RIP) – must complete 5 years with the district and retire through PSERS. Other –PSERS Retirement	<ul style="list-style-type: none"> • Coverage: Medical, Prescription Drug, and Dental. • Premium Sharing: If the member retires under the RIP (or previously under the ERIP), the district will pay for the amount of the PPO retiree medical and prescription drug plan for the member only. Any difference in premiums must be paid for by the individual. Spouses may elect coverage by paying the full premiums. Member and spouse may also elect dental coverage by paying the full premiums. <p>If the member does not meet the requirements for the district subsidy but requirements are met to retire through PSERS, the member and spouse may continue coverage by paying the full premiums.</p> <ul style="list-style-type: none"> • Dependents: Spouses included. 	<ul style="list-style-type: none"> • Member –Benefits cease upon Medicare age. • Spouse –Benefits cease upon Medicare age.
<u>II. TEACHERS</u>	Early Retirement Incentive Program (ERIP) – must attain age 54, but not exceed age 60, and complete 15 consecutive years with the district and retire through PSERS. Other –PSERS Retirement	<ul style="list-style-type: none"> • Coverage: Medical, Prescription Drug, and Dental. • Premium Sharing: If the member retires under the ERIP, the district will pay for the amount of the PPO retiree medical and prescription drug plan for the member only. Any difference in premiums must be paid for by the individual. Spouses may elect coverage by paying the full premiums. Member and spouse may also elect dental coverage by paying the full premiums. <p>If the member does not meet the requirements for the district subsidy but requirements are met to retire through PSERS, the member and spouse may continue coverage by paying the full premiums.</p> <ul style="list-style-type: none"> • Dependents: Spouse included. 	Same as I

**East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023**

Summary of Plan Provisions			
Group	Eligibility	Coverage and Premium Sharing	Duration
<u>III. SUPPORT STAFF</u>	PSERS Retirement	<ul style="list-style-type: none"> ● Coverage: Medical, Prescription Drug and Dental. ● Premium Sharing: The member and spouse may elect medical, prescription drug, and dental coverage by paying the full premiums. ● Dependents: Spouse Included. 	Same as I.

Notes: Act 110/43 Eligibility: All employees are eligible for the benefit upon retirement with 30 years of PSERS service or upon superannuation retirement.

Act 110/43 Coverage and Premium Sharing: Retired employees are allowed to continue coverage for themselves and their dependents in the employer's group health plan until the retired employee reaches Medicare age. In order to obtain coverage, retired employees must provide payment equal to the premium determined for the purpose of COBRA.

PSERS Retirement:

- 1) Pension Class T-C or T-D: An employee is eligible for PSERS retirement if he (or she) is eligible for either: i) PSERS early retirement while under 62 with 5 years of PSERS Service or ii) PSERS superannuation retirement upon reaching age 60 with 30 years of PSERS service, age 62 with 1 year of PSERS service or 35 years of PSERS service regardless of age. In general, these pension classes apply to individuals who were members of PSERS prior to July 1, 2011.
- 2) Pension Class T-E or T-F: An employee is eligible for PSERS retirement if he (or she) is eligible for either: i) PSERS early retirement while under 65 with 10 years of PSERS Service or ii) PSERS superannuation retirement upon reaching age 65 with 3 years of PSERS service, or upon attainment of a total combination of age plus service equal to or greater than 92 a minimum of 35 years of PSERS service. In general, these pension classes apply to individuals who became members of PSERS on or after July 1, 2011 and prior to July 1, 2019.
- 3) Pension Class T-G: An employee is eligible for PSERS retirement if he (or she) is eligible for either: i) PSERS early retirement while under 67 with 10 years of PSERS Service or ii) PSERS superannuation retirement upon reaching age 67 with 3 years of PSERS service upon attainment of a total combination of age plus service equal to or greater than 97 with a minimum of 35 years of PSERS service. In general, this pension class applies to individuals who became members of PSERS on or after July 1, 2019.
- 4) Pension Class T-H: An employee is eligible for PSERS retirement if he (or she) is eligible for either: i) PSERS early retirement while under 67 with 10 years of PSERS Service or ii) PSERS superannuation retirement upon reaching age 67 with 3 years of PSERS service. In general, this pension class applies to individuals who became members of PSERS on or after July 1, 2019.
- 5) All individuals except for those in Pension Class T-G are eligible for a special early retirement upon reaching age 55 with 25 years of PSERS service. Individuals in Pension Class T-G are eligible for a special early retirement upon reaching age 57 with 25 years of PSERS service.

Cash Payments: Cash payments are not GASB 45 liabilities

- Financial Incentives under the ERIP are valued under GASB 47. (Note: All current administrators elected the RIP and therefore, are not eligible for the Financial Incentives under ERIP.)
- Financial Incentives under the RIP are valued under GASB 73*.

* The final schedule of this valuation contains supplemental calculations under GASB 73. The benefit provision is as follows:

- Administrators who qualify for PSERS retirement and have worked for the district are entitled to a one-time payment equal to the individual's base salary times a percentage which is the sum of A) 1% times services prior to age 49, plus B) 2% times service for ages between 50-54, plus C) 3% times service for ages greater than 55.

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

Employees Covered by Benefit Terms

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

Active Participants	767
Vested Former Participants	0
Retired Participants	<u>57</u>
Total	824

Total OPEB Liability

The School's total OPEB liability under this single employer plan of \$23,371,282, was measured as of June 30, 2023, and was determined by an actuarial valuation as of July 1, 2022.

Actuarial Assumptions and Other Inputs

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the benefits and the annual required contributions of the employer are subject to continual revision, actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress, presented as required supplementary information, provides multiyear trend information that shows whether the actuarial value of plan Net Position is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the district and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

	Single Employer OPEB Healthcare Benefit
Actuarial Valuation Date	7/1/2022
Actuarial Cost Method	Entry Age Normal
Interest Rate	4.06%
Projected salary increases	4.00% to 6.75%
Healthcare inflation rate	6.5% in 2022, 6.0% in 2023, 5.5% in 2024-2025. Rates gradually decrease from 5.4% in 2026 to 3.9% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
Asset Valuation Method	pay as you go basis

The discount rate is based on S&P Municipal Bond 20-year high grade rate index at July 1, 2022.

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

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

Changes in the Total OPEB Liability

	<u>2022-23</u>
Total OPEB Liability	
Service Cost	\$ 1,745,551
Interest	575,312
Changes in Benefit Terms	(43,827)
Difference between expected and actual experience	4,530,264
Changes in assumptions	(6,695,508)
Benefit payments	<u>(497,318)</u>
Net change in total OPEB Liability	(385,526)
Total OPEB Liability - beginning	<u>23,756,808</u>
Total OPEB Liability - ending	<u>\$ 23,371,282</u>
Covered employee payroll	<u>\$ 60,142,673</u>
Total OPEB Liability as a percentage of covered employee payroll	38.86%

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 \$1,841,786. At June 30, 2023, the School reported deferred outflows of resource and deferred inflows of resources related to this single employer OPEB plan from the following sources:

<u>Sources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	\$ -	\$ 5,036,814
Net difference between projected and actual investment earnings	-	-
Difference between expected and actual experience	573,140	-
Changes in proportion of the Net OPEB Liability	-	-
District contributions subsequent to the measurement date	<u>925,346</u>	-
Total	<u>\$ 1,498,486</u>	<u>\$ 5,036,814</u>

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

Amounts reported as deferred outflows of resources and deferred inflows of resources related to this single employer OPEB plan will be recognized in OPEB expense as follows:

Year ended June 30:	<u>Amount</u>
2024	\$ (435,250)
2025	(435,250)
2026	(435,250)
2027	(435,250)
2028	(435,250)
Thereafter	<u>(2,287,424)</u>
Total	<u>\$ (4,463,674)</u>

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

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

	1% Decrease 3.06%	Current Discount Rate 4.06%	1% Increase 5.06%
District's proportionate share of the net OPEB liability	\$ 25,259,904	\$ 23,371,282	\$ 21,587,391

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

The following presents the total OPEB liability of the School's single employer OPEB plan, as well as what the School's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point or 1-percentage point than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate	1% Increase
System net OPEB liability	\$ 20,756,377	\$ 23,371,282	\$ 26,435,857

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

Combined Deferred Outflows/Inflows on Pensions and OPEB

As a result of having multiple pension and other post-employment benefit plans, the following schedule is prepared to illustrate the individual components reflected on the Statement of Net Position:

GOVERNMENTAL ACTIVITIES						
	<i>Pension - GASB 68</i>		<i>Pension - GASB 73</i>		<i>Pension & OPEB</i>	
	<i>Single Employer</i>		<i>Multiple Employer</i>		<i>Total</i>	
	<i>OPEB - GASB 75</i>		<i>OPEB - GASB 75</i>		<i>Total</i>	
	DR OR (CR)	DR OR (CR)	DR OR (CR)	DR OR (CR)	DR OR (CR)	
	CURRENT YR	CURRENT YR	CURRENT YR	CURRENT YR	CURRENT YR	
IN DEFERRED OUTFLOWS/INFLOWS	BALANCE	BALANCE	BALANCE	BALANCE	BALANCE	
Change in Proportion	\$ (243,305)	\$ -	\$ -	\$ 53,467	\$ (189,838)	
Current Year Contributions	24,065,090	54,600	923,995	526,051	25,569,736	
Change in Assumption	5,917,810	(10,627)	(5,037,532)	(1,016,256)	(146,605)	
Diff in Projected Vs Actual Contributions	(279,834)	-	-	(6,735)	(286,569)	
Difference in Investment Earnings	(3,502,120)	-	-	22,624	(3,479,496)	
Diff. between Expected vs Actual Experience	(1,599,357)	38,762	580,128	31,364	(949,103)	
Diff. between Prop. Share vs Actual POS	(67,257)	-	-	(2,095)	(69,352)	
Net Pension Liability	\$ 193,092,424	\$ -	\$ -	\$ -	\$ 193,092,424	
Net Defined Contribution Pension Liability	\$ -	\$ 811,803	\$ -	\$ -	\$ 811,803	
Net OPEB Liability	\$ -	\$ -	\$ 23,353,083	\$ 8,113,487	\$ 31,466,570	

BUSINESS-TYPE ACTIVITIES						
	<i>Pension - GASB 68</i>		<i>Pension - GASB 73</i>		<i>Pension & OPEB</i>	
	<i>Single Employer</i>		<i>Multiple Employer</i>		<i>Total</i>	
	<i>OPEB - GASB 75</i>		<i>OPEB - GASB 75</i>		<i>Total</i>	
	DR OR (CR)	DR OR (CR)	DR OR (CR)	DR OR (CR)	DR OR (CR)	
	CURRENT YR	CURRENT YR	CURRENT YR	CURRENT YR	CURRENT YR	
IN DEFERRED OUTFLOWS/INFLOWS	BALANCE	BALANCE	BALANCE	BALANCE	BALANCE	
Change in Proportion	\$ 38,305	\$ -	\$ -	\$ 2,533	\$ 40,838	
Current Year Contributions	329,874	-	1,351	7,211	338,436	
Change in Assumption	65,190	-	718	(18,744)	47,164	
Diff in Projected Vs Actual Contributions	(4,814)	-	-	(121)	(4,935)	
Difference in Investment Earnings	102,120	-	-	376	102,496	
Diff. between Expected vs Actual Experience	(42,643)	-	(6,988)	636	(48,995)	
Diff. between Prop. Share vs Actual POS	-	-	-	-	-	
Net Pension Liability	\$ 3,833,135	\$ -	\$ -	\$ -	\$ 3,833,135	
Net Defined Contribution Pension Liability	\$ -	\$ -	\$ -	\$ -	\$ -	
Net OPEB Liability	\$ -	\$ -	\$ 18,199	\$ 143,101	\$ 161,300	

STATEMENT OF NET POSITION	
<i>Governmental & Business-Type Activities</i>	<i>Total</i>
DR OR (CR)	DR OR (CR)
CURRENT YR	CURRENT YR
BALANCE	BALANCE
Change in Proportion	\$ (149,000)
Current Year Contributions	25,908,172
Change in Assumption	(99,441)
Diff in Projected Vs Actual Contributions	(291,504)
Difference in Investment Earnings	(3,377,000)
Diff. between Expected vs Actual Experience	(998,098)
Diff. between Prop. Share vs Actual POS	(69,352)
Net Pension Liability	\$ 196,925,559
Net Defined Contribution Pension Liability	\$ 811,803
Net OPEB Liability	\$ 31,627,870

RECONCILIATION TO FINANCIAL STATEMENTS		
	<i>Bus. Type</i>	<i>Governmental</i>
<i>Pension Plans</i>	<i>Activities</i>	<i>Activities</i>
Net Pension Liability	\$ 3,833,135	\$ 193,904,227
Deferred Outflow Related to Pension	(535,489)	(30,076,262)
Deferred Inflows Related to Pension	47,457	5,702,500
Total liab. Net deferred inflows/outflows	\$ 3,345,103	\$ 169,530,465
<u>OPEB - Single & Multiple Employer Plans</u>		
Net OPEB Liability	\$ 161,300	\$ 31,466,570
Deferred Outflows Related to OPEB	(12,825)	(2,137,629)
Deferred Inflows Related to OPEB	25,853	6,062,618
Total liab. Net deferred inflows/outflows	\$ 174,328	\$ 35,391,559

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

Note 6 - Tax Increment Financing Agreement – Hamilton Crossing

On June 23, 2014, East Penn School District entered a Tax Increment Financing Agreement.

Under the authority of the Pennsylvania Tax Increment Financing Act, the local taxing body (East Penn School District) is to provide 50% of necessary financing to TGG/TCH-Hamilton Crossings Associates, L.P. (the developer) to undertake retail and commercial development on 63 acres of land located in Lower Macungie Township.

Under the authority of the Pennsylvania Tax Increment Financing Act, the developer must complete the project dependent upon the requirements including infrastructure improvements as such: Road improvements to Route 222 Bypass, Krocks Road and Hamilton Boulevard, facilities to manage and infiltrate storm water and control regional flooding, to upgrade utility facilities, fund capitalized interest (if any), and fund issuance costs of obligations.

Full aggregate market value of all taxable real property located within the TIF district as of the effective date of creation is \$2,863,200.

East Penn School District pledges to pay over to the authority to be held in a TIF Agreement 50% of the real estate taxes assessed on the TIF District properties for each year within the agreement based upon the calculation below:

East Penn School District Pledged Increment = (.50 x (the annual current assessment less the Tax Increment Base) x School District mileage at current year's calculation.

The developer is to pay annually assessed property taxes on all properties within the TIF District, amounts pledged to be contributed by the School District and other TIF Agreement Parties will be deposited into the TIF Agreement Escrow account (split into both school district and township contributions), held by the authority, to be used in payment or trust for Obligations associated with project expenses.

Upon completion of payment for project obligations, any remaining monies held within the School District's portion of the TIF Agreement Escrow account held by the Authority will be returned to the School District.

Upon completion, the recipient of the TIF Tax Increment agrees to continue to pay 100% of real estate taxes on land and improvements in which the School District and Township will keep 100% of going forward. Additionally, the recipient agrees not to file any tax assessment appeal during the term of the TIF debt.

**East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023**

Projected Tax Revenue Reduction for School District of TIF Agreement

<u>Calendar Year End</u>	<u>Estimated Incremental TIF Contribution</u>
12/31/2014	\$ -
12/31/2015	-
12/31/2016	540,978
12/31/2017	592,861
12/31/2018	598,684
12/31/2019	598,684
12/31/2020	604,507
12/31/2021	604,507
12/31/2022	610,694
12/31/2023	610,694
12/31/2024	616,881
12/31/2025	616,881
12/31/2026	632,068
12/31/2027	632,068
12/31/2028	629,255
12/31/2029	629,255
12/31/2030	635,442
12/31/2031	635,442
12/31/2032	641,629
12/31/2033	641,629
12/31/2034	<u>648,180</u>
TOTAL	<u>\$ 11,720,339</u>

Estimated surplus amounts which will be turned over after TIF obligations have been settled, and will be reimbursed to East Penn School District total \$4,095,697.

Note 7 - Risk Management

The District is subject to risk of loss from employee acts, property damage, personal injury auto accidents, theft, etc. The District covers those risks through the purchase of commercial insurance. The District's Workmen's compensation policy is a retrospectively rated policy; the final total premium is based on the actual payroll for the policy year and is determined by the insurance company. Any settlements received by the District or its employees did not exceed insurance coverage in any of the last three years.

Note 8 - Fund Balance Allocations

Nonspendable Fund Balance

The General Fund has \$1,385,354 in nonspendable fund balance at year end, which is comprised of \$1,385,354 of prepaid expenditures.

Restricted Fund Balance

The Capital Reserve Fund's \$20,434,763 fund balance at year end is restricted because of enabling legislation under the Municipal Code in Pennsylvania. Section 1432 of this Code restricts the use of resources for limited purposes. The General Fund has \$208,386 of contributions restricted at year end.

Committed Fund Balance

The district has committed \$3,407,605 to be spent on mitigating learning loss resulting from COVID-19 pandemic.

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

Assigned Fund Balance

The General Fund has 11,134,946, assigned for appropriations in the 2023-24 budget.

Note 9 - Net Investment in Capital Assets

The portion of net position for governmental activities, shown on the government-wide statement of net position invested in capital assets, net of related debt is \$120,293,692. The business-type activities column reflects \$597,769 invested in capital assets with no related debt. In addition, \$20,434,763 of net position in the governmental activities column has been restricted for future capital projects.

Note 10 - Contingencies

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and a condition specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund, or other applicable funds. However, in the opinion of management any such disallowed claims will not have a material adverse effect on the overall financial position of the School District as of June 30, 2022.

Litigation

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

Note 11 - New Accounting Pronouncements

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

- Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62* - The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Effective Date: for fiscal years beginning after June 15, 2023.

Statement No. 101, *Compensated Absences* - The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. Effective Date: for fiscal years beginning after December 15, 2023.

REQUIRED SUPPLEMENTAL INFORMATION

EAST PENN SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
 CUMULATIVE TEN FISCAL YEARS REPORT
 FOR THE YEAR ENDED JUNE 30, 2023

	<u>2022-23</u>	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>
District's proportion of the net pension liability (asset)	0.4507%	0.4432%	0.4586%	0.4510%	0.4440%	0.4395%	0.4435%	0.4371%	0.4236%
District's proportionate share of the net pension liability (asset)	\$ 200,375,000	\$ 181,963,000	\$ 225,810,000	\$ 210,990,000	\$ 213,142,000	\$ 217,062,000	\$ 219,785,000	\$ 189,332,000	\$ 167,664,000
District's covered employee payroll	71,101,614	66,548,628	62,516,246	64,424,139	62,467,686	59,842,387	58,676,043	57,594,539	56,225,255
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	281.81%	273.43%	361.20%	327.50%	341.20%	362.72%	374.57%	328.73%	298.20%
Plan fiduciary net position as a percentage of the total pension liability	61.34%	63.67%	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%

EAST PENN SCHOOL DISTRICT
 SCHEDULE OF DISTRICT'S CONTRIBUTIONS
 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
 CUMULATIVE TEN FISCAL YEARS REPORT
 FOR THE YEAR ENDED JUNE 30, 2023

	<u>2022-23</u>	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>
Contractually required contribution	\$ 24,394,964	\$ 22,719,702	\$ 21,061,723	\$ 21,549,875	\$ 20,364,466	\$ 18,993,974	\$ 17,133,405	\$ 14,398,635	\$ 11,526,177	\$ 8,486,543
Contributions in relation to the contractually required contribution	<u>24,394,964</u>	<u>22,719,702</u>	<u>21,061,723</u>	<u>21,549,875</u>	<u>20,364,466</u>	<u>18,993,974</u>	<u>17,133,405</u>	<u>14,398,635</u>	<u>11,526,177</u>	<u>8,486,543</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 71,101,614	\$ 66,548,628	\$ 62,516,246	\$ 64,424,139	\$ 62,467,686	\$ 59,842,387	\$ 58,676,043	\$ 57,594,539	\$ 56,225,255	\$ 53,040,892
Contributions as a percentage of covered employee payroll	34.31%	34.14%	33.69%	33.45%	32.60%	31.74%	29.20%	25.00%	20.50%	16.00%

EAST PENN SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S DEFINED CONTRIBUTION PENSION LIABILITY
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED JUNE 30, 2023

	<u>2022-23</u>	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>
Total Defined Contribution Pension Liability - beginning	\$ 800,835	\$ 761,251	\$ 612,352	\$ 572,924	\$ 559,483	\$ 591,119
Service Cost	72,816	73,071	57,972	58,083	60,116	65,767
Interest	19,008	15,175	22,175	18,409	18,314	15,059
Changes in Benefit Terms	-	-	-	-	-	-
Difference between expected and actual experience	33,429	-	37,251	-	(6,019)	-
Changes in assumptions	(40,510)	(14,541)	50,593	(12,584)	4,715	(16,291)
Benefit payments	<u>(73,775)</u>	<u>(34,121)</u>	<u>(19,092)</u>	<u>(24,480)</u>	<u>(63,685)</u>	<u>(96,171)</u>
Net change in total Pension Liability	<u>10,968</u>	<u>39,584</u>	<u>148,899</u>	<u>39,428</u>	<u>13,441</u>	<u>(31,636)</u>
Total Defined Contribution Pension Liability - ending	<u>\$ 811,803</u>	<u>\$ 800,835</u>	<u>\$ 761,251</u>	<u>\$ 612,352</u>	<u>\$ 572,924</u>	<u>\$ 559,483</u>
Interest Rate	4.06%	2.28%	1.86%	3.36%	2.98%	3.13%
Plan Members	39	38	38	38	38	36
Covered Payroll	\$ 4,751,528	\$ 4,233,729	\$ 4,233,729	\$ 3,880,846	\$ 3,880,846	\$ 3,805,949

EAST PENN SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET DEFINED CONTRIBUTION PENSION LIABILITY
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED JUNE 30, 2023

	<u>2022-23</u>	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>
District's proportionate share of the net defined contribution pension liability (asset)	\$ 811,803	\$ 800,835	\$ 761,251	\$ 612,352	\$ 572,924	\$ 559,483
District's covered employee payroll	\$ 4,751,528	\$ 4,233,729	\$ 4,233,729	\$ 3,880,846	\$ 3,880,846	\$ 3,805,949
District's proportionate share of the net defined contribution pension liability (asset) as a percentage of its covered employee payroll	17.09%	18.92%	17.98%	15.78%	14.76%	14.70%

**EAST PENN SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
MULTIPLE EMPLOYER OPEB PLAN
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>2022-23</u>	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>
District's proportion of the net OPEB liability	0.4495%	0.4422%	0.4579%	0.4510%	0.4440%	0.4395%	0.4435%
District's proportionate share of the net OPEB liability (asset)	\$ 8,274,000	\$ 10,481,000	\$ 9,894,000	\$ 9,592,000	\$ 9,257,000	\$ 8,954,000	\$ 9,553,000
District's covered-employee payroll	66,097,832	62,689,144	62,516,246	64,424,139	62,467,686	59,842,387	58,676,043
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered employee payroll	12.52%	16.72%	15.83%	14.89%	14.82%	14.96%	16.28%
Plan fiduciary net position as a percentage of the total OPEB liability	6.86%	5.30%	5.69%	5.56%	5.56%	5.73%	5.47%

EAST PENN SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
MULTIPLE EMPLOYER OPEB PLAN
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED JUNE 30, 2023

	<u>2022-23</u>	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>
Contractually required contribution	\$ 533,262	\$ 532,389	\$ 512,633	\$ 541,163	\$ 518,482	\$ 496,692	\$ 487,011	\$ 483,794	\$ 506,028	\$ 493,284
Contributions in relation to the contractually required contribution	<u>533,262</u>	<u>532,389</u>	<u>512,633</u>	<u>541,163</u>	<u>518,482</u>	<u>496,692</u>	<u>487,011</u>	<u>483,794</u>	<u>506,028</u>	<u>493,284</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 71,101,614	\$ 66,548,628	\$ 62,516,246	\$ 64,424,139	\$ 62,467,686	\$ 59,842,387	\$ 58,676,043	\$ 57,594,539	\$ 56,225,255	\$ 53,040,892
Contributions as a percentage of covered employee payroll	0.75%	0.80%	0.82%	0.84%	0.83%	0.83%	0.83%	0.84%	0.90%	0.93%

EAST PENN SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
SINGLE EMPLOYER HEALTH INSURANCE PLAN
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED JUNE 30, 2023

	<u>2022-23</u>	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>
Total OPEB Liability						
Service Cost	\$ 1,745,551	\$ 1,767,047	\$ 1,396,859	\$ 1,407,346	\$ 1,590,428	\$ 1,554,305
Interest	575,312	451,788	689,319	586,608	714,207	529,272
Changes in Benefit Terms	(43,827)	-	-	-	-	-
Difference between Expected and Actual Experience	4,530,264	-	(876,000)	-	(4,565,237)	-
Changes in Assumptions	(6,695,508)	(773,872)	2,689,772	(621,725)	(13,860)	319,226
Benefit Payments	<u>(497,318)</u>	<u>(459,931)</u>	<u>(538,415)</u>	<u>(522,478)</u>	<u>(856,922)</u>	<u>(900,125)</u>
Net Change in Total OPEB Liability	(385,526)	985,032	3,361,535	849,751	(3,131,384)	1,502,678
Total OPEB Liability - Beginning	<u>23,756,808</u>	<u>22,771,776</u>	<u>19,410,241</u>	<u>18,560,490</u>	<u>21,691,874</u>	<u>20,189,196</u>
Total OPEB Liability - Ending	<u>\$ 23,371,282</u>	<u>\$ 23,756,808</u>	<u>\$ 22,771,776</u>	<u>\$ 19,410,241</u>	<u>\$ 18,560,490</u>	<u>\$ 21,691,874</u>
Covered employee payroll	<u>\$ 60,142,673</u>	<u>\$ 57,132,864</u>	<u>\$ 57,132,864</u>	<u>\$ 55,869,257</u>	<u>\$ 55,869,257</u>	<u>\$ 52,503,081</u>
Total OPEB Liability as a percentage of covered employee payroll	38.86%	41.58%	39.86%	34.74%	33.22%	41.32%

East Penn School District
Notes To Required Supplemental Information
Fiscal Year Ended June 30, 2023

Public School Employees' Retirement System

Changes of Benefit Terms

None.

Changes in Assumptions

The actuarially determined contributions, by PSERS, are calculated as of the June 30 preceding the fiscal year in which contributions are made. It does not include an adjustment made for the difference between projected vs actual contributions or separately financed liabilities. The following methods and assumptions were used to determine contribution rates reported:

- Valuation Date -- June 30, 2021
- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 7.00% includes inflation at 2.75%.
- Salary growth – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- The discount rate used to measure the Total Pension Liability was 7.0% as of June 30, 2021 and as of June 30, 2022.
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
 - Salary growth rate - decreased from 5.00% to 4.50%.
 - Real wage growth and merit or seniority increases (components for salary growth) - decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
 - Mortality rates - previously based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

Proportionate Share of the Net Pension Liability

The amount reported as the District's proportionate share of the net pension liability (asset) does not include the adjustment for the difference between projected vs actual contributions made and the adjustment for the difference between proportionate share vs actual paid separately financed liabilities.

Other Postemployment Benefits – Teachers Health Insurance Assistance

Changes of Benefit Terms

None.

Changes in Assumptions

The discount rate used to measure the Total OPEB liability decreased from 2.18% as of June 30, 2021 to 4.09% as of June 30, 2022.

East Penn School District
Notes To Required Supplemental Information
Fiscal Year Ended June 30, 2023

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contributions, by PSERS, are calculated as of the June 30 preceding the fiscal year in which contributions are made. It does not include an adjustment made for the difference between projected vs actual contributions or separately financed liabilities. The following methods and assumptions were used to determine contribution rates reported:

- Investment return – 4.09% - S&P 20 Year Municipal Bond Rate.
- Salary increases – Effective average of 4.5%, which reflects an allowance for inflation of 2.5%, and 2.0% for real wage growth and merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSER'S experience and projected using a modified version of the MP-2020 Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate Pre age 65 at 50%
 - Eligible retirees will elect to participate Post age 65 at 70%

The following Assumptions were Used to Determine the Contribution Rate:

- The results of the actuarial valuation as of June 30, 2020 determined the employer contribution rate for fiscal year 2022.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality Tables for Males and Females, adjusted to reflect PSER'S experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

Proportionate Share of the Net OPEB Liability

The amount reported as the District's proportionate share of the net opeb liability (asset) does not include the adjustment for the difference between projected vs actual contributions made and the adjustment for the difference between proportionate share vs actual paid separately financed liabilities.

Other Postemployment Benefits – Single Employer Healthcare Plan

Changes of Benefit Terms

No changes this year.

Changes in Assumptions

The discount rate changed from 2.28% to 4.06%. The trend assumption was updated.

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

- Actuarial Cost Method – Entry Age Normal
- Salary Increases – 3.50% to 6.75%

East Penn School District
Notes To Required Supplemental Information
Fiscal Year Ended June 30, 2023

- Healthcare cost trend rate – 6.5% in 2022, 6.0% in 2023 and 5.0% in 2024-25. Rates gradually decrease from 5.4% in 2026 to 3.9% in 2075 based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Asset Valuation Method – Pay as you go basis.
- Discount Rate – The rate of 4.09% is based on S&P Municipal Bond 20-year high grade rate index at July 1, 2022.

S U P P L E M E N T A L I N F O R M A T I O N S E C T I O N

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

	ALBURTIS BOROUGH	EMMAUS BOROUGH	LOWER MACUNGIE TOWNSHIP	MACUNGIE BOROUGH	UPPER MILFORD TOWNSHIP	TOTAL
CURRENT REAL ESTATE TAXES						
Assessed Value	\$ 153,240,100	\$ 840,389,100	\$ 3,709,841,500	\$ 233,524,300	\$ 825,797,900	\$ 5,762,792,900
Millage Rate	0.0196766	0.0196766	0.0196766	0.0196766	0.0196766	0.0196766
TOTAL TAX PER DUPLICATE	3,015,244	16,536,009	72,997,067	4,594,964	16,248,895	113,392,179
Less: Farmland Preservation	-	-	12,955	-	18,654	31,609
Less: Act 1 Deduction	94,452	371,973	1,353,540	102,913	375,597	2,298,475
TOTAL TAX TO BE COLLECTED	2,920,792	16,164,036	71,630,572	4,492,051	15,854,644	111,062,095

PLUS - Additions	-	3,518	-	-	24,536	28,054
- Penalties	3,718	21,662	86,717	5,725	28,865	146,687
- TIF Amortization	-	-	17,926	-	-	17,926
CURRENT REAL ESTATE TAXES TO BE COLLECTED	2,924,510	16,189,216	71,735,215	4,497,776	15,908,045	111,254,762

LESS - Discount	52,108	281,103	1,305,956	81,501	273,844	1,994,512
- Reductions	-	-	-	-	-	-
- Refunds	2,909	11,381	103,065	9,006	16,348	142,709
- TIF Payment	-	-	670,076	-	-	670,076
- Rebates	3,783	34,342	51,214	10,058	21,094	120,491
- NSF	-	-	-	-	24,045	24,045
- Returned to County	77,978	296,912	583,149	40,472	218,949	1,217,460
- Exonerations	-	7,579	23,455	-	4,089	35,123
NET CURRENT REAL ESTATE TAXES COLLECTED	<u>\$ 2,787,732</u>	<u>\$ 15,557,899</u>	<u>\$ 68,998,300</u>	<u>\$ 4,356,739</u>	<u>\$ 15,349,676</u>	<u>\$ 107,050,346</u>
CURRENT INTERIM REAL ESTATE TAXES COLLECTED	<u>\$ 4,713</u>	<u>\$ 66,089</u>	<u>\$ 802,161</u>	<u>\$ 23,770</u>	<u>\$ 180,958</u>	<u>\$ 1,077,691</u>

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

<u>6000 - Revenue from Local Sources</u>		<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
6111	Current Real Estate Taxes	\$ 106,818,853	\$ 107,050,346	\$ 231,493
6112	Interim Real Estate Taxes	942,962	1,454,998	512,036
6113	Public Utility	108,604	110,211	1,607
6114	Payment in Lieu of Taxes	10,940	10,586	(354)
6151	Earned Income Tax	10,763,992	11,536,542	772,550
6153	Real Estate Transfer Tax	1,916,581	2,103,560	186,979
6411	Delinquent Real Estate Taxes	1,620,500	1,629,903	9,403
6510	Interest	50,000	2,056,536	2,006,536
6710	Admissions	67,940	77,270	9,330
6720	Bookstore Sales	-	34,582	34,582
6740	Fees	39,940	158,037	118,097
6750	Student Activity - Special Events	-	1,591	1,591
6790	Other Student Activity Income	7,950	17,610	9,660
6810	Revenue From Local Governmental Units	-	32,625	32,625
6831	Federal Revenue Received From Other Pennsylvania Schools	50,035	28,606	(21,429)
6832	I/U Services - Federal	1,581,436	1,595,104	13,668
6833	Federal ARRA IDEA Revenue Received as Pass Through	186,800	214,658	27,858
6910	Rentals	46,089	47,641	1,552
6920	Contributions	100,000	290,785	190,785
6942	Summer School	30,000	31,550	1,550
6943	Adult Education Tuition	-	625	625
6944	Receipts from Other LEA's - Education	11,950	185,837	173,887
6949	Other Tuition From Patrons	34,330	22,300	(12,030)
6991	Refunds of Prior Yr. Expenditures	-	290,361	290,361
6992	Energy Efficiency Revenue	23,300	39,884	16,584
6999	Miscellaneous	113,825	44,527	(69,298)
TOTAL REVENUE FROM LOCAL SOURCES		\$ 124,526,027	\$ 129,066,275	\$ 4,540,248
<u>7000 - Revenue from State Sources</u>				
7111	Basic Education Funding - Formula	13,581,873	15,386,019	1,804,146
7112	Basic Education Funding - Social Security	2,722,719	2,566,657	(156,062)
7160	Orphan Tuition	191,425	93,760	(97,665)
7271	Special Education	3,854,273	4,334,036	479,763
7311	Transportation (Regular and Additional)	2,290,952	1,578,518	(712,434)
7312	Transportation (Nonpublic and Charter School)	338,030	284,515	(53,515)
7320	Rentals	851,894	840,814	(11,080)
7330	Health Services	159,357	151,900	(7,457)
7340	State Property Tax Reduction Allocation	2,314,377	2,314,377	-
7505	Ready to Learn Grant	705,924	705,924	-
7820	Retirement Revenue	12,507,239	12,381,592	(125,647)
TOTAL REVENUE FROM STATE SOURCES		\$ 39,518,063	\$ 40,638,112	\$ 1,120,049
<u>8000 - Revenue from Federal Sources</u>				
8514	Title I	860,366	1,128,744	268,378
8515	Title II	178,631	200,126	21,495
8516	Title III	25,826	20,536	(5,290)
8517	Title IV	56,720	67,383	10,663
8747	ARP ECF - Emergency Connectivity Fund	-	1,460	1,460
8751	ARP ESSER Learning Loss	-	296,737	296,737
8752	ARP ESSER Summer Programs	-	57,172	57,172
8754	ARP ESSER Homeless Children and Youth Funds	-	17,925	17,925
8810	Medical Access	562,941	598,426	35,485
8820	Medical Assistance	36,704	37,860	1,156
TOTAL REVENUE FROM FEDERAL SOURCES		1,721,188	2,426,369	705,181

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

<u>9000 - Other Financing Sources</u>		<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
9220	Leases	-	446,629	446,629
9400	Sale of or Compensation For Loss of Fixed Assets	-	154,500	154,500
TOTAL OTHER FINANCING SOURCES		-	601,129	601,129
TOTAL REVENUE AND OTHER FINANCING SOURCES		\$ 165,765,278	\$ 172,731,885	\$ 6,966,607

1000 - Instruction

1110	Regular Programs - Elem./Secondary	75,405,890	74,652,391	753,499
1190	Federally Funded Regular Programs	1,203,708	1,203,708	-
1221	Deaf or Hearing Impaired Support	3,278	3,278	-
1224	Blind or Visually Impaired Support	49,581	49,581	-
1225	Speech & Language Impaired	1,808,124	1,808,124	-
1231	Emotional Support - Public	2,212,166	2,195,083	17,083
1233	Autistic Support	2,760,327	2,760,327	-
1241	Learning Support - Public	12,325,481	12,325,481	-
1243	Gifted Support	1,161,124	1,161,124	-
1270	Multi-Handicapped Support	446,698	446,698	-
1281	Development Delay Support	50,000	42,092	7,908
1290	Other Support	7,248,302	6,868,410	379,892
1390	Other Vocational Education Programs	2,994,752	2,916,452	78,300
1410	Drivers' Education	72,937	40,468	32,469
1420	Summer School	175,714	120,712	55,002
1430	Homebound Instruction	112,435	112,435	-
1441	Adjudicated / Court Placed Programs	6,476	6,476	-
1442	Alternative Education Program	75,185	30,455	44,730
1500	Nonpublic School Programs	47,127	47,127	-
1691	Instructional Services	9,176	2,229	6,947
1693	Community College Sponsorship	890,357	890,357	-
Total Instruction		109,058,838	107,683,008	1,375,830

2000 - Support Services

2111	Supervision of Pupil Personnel Services - Head	223,869	223,869	-
2119	Supervision of Student Services	163,457	163,457	-
2120	Guidance Services	3,758,737	3,758,737	-
2121	Supervision of Guidance Services	206,570	168,322	38,248
2126	Placement Services	139,119	139,119	-
2140	Psychological Services	1,388,140	1,330,514	57,626
2160	Social Work Services	600,452	600,452	-
2220	Technology Support Services	228,257	228,257	-
Sub-Total Support Services		6,708,601	6,612,727	95,874

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

2000 - Support Services	Budget	Actual	Variance
Sub-Total Support Services (carried forward)	6,708,601	6,612,727	95,874
2240 Computer Assisted Instruction Services	568,815	568,815	-
2250 School Library Services	1,348,247	1,267,946	80,301
2260 Instructional & Curriculum Dev. Service	2,155,054	2,155,054	-
2271 Instructional Staff Development	610,565	428,026	182,539
2272 Instructional Staff Development	7,924	7,924	-
2290 Other Instructional Staff Services	84,545	66,614	17,931
2310 Board Services	86,111	72,761	13,350
2320 Board Treasurer Services	11,638	11,403	235
2330 Tax Assessment & Collection Service	126,576	126,576	-
2340 Staff Relations	629,482	629,482	-
2350 Legal Services	147,793	147,793	-
2360 Office of the Superintendent Services	1,143,537	1,143,537	-
2370 Community Relations Services	150,605	150,032	573
2380 Office of the Principal Services	5,356,142	5,356,142	-
2410 Supervision of Health Services	6,500	6,500	-
2420 Medical Services	6,762	6,762	-
2430 Dental Services	3,500	553	2,947
2440 Nursing Services	2,366,819	2,366,819	-
2450 Non-Public Health Services	47,156	44,586	2,570
2511 Supervision of Fiscal Services	271,913	271,913	-
2514 Payroll Services	228,283	207,639	20,644
2515 Financial Accounting Services	783,881	783,881	-
2611 Supervision of Operation and Maintenance of Plant Services - Head	226,525	226,525	-
2619 Supervision of Operation and Maintenance of Plant Services	286,834	286,834	-
2620 Operation of Building Services	12,831,622	12,716,580	115,042
2630 Care and Upkeep of Grounds Services	225,126	156,609	68,517
2640 Care and Upkeep of Equipment Services	20,000	480	19,520
2650 Vehicle Operation and Maint. Services	78,000	58,143	19,857
2660 Security Services	149,500	138,852	10,648
2720 Vehicle Operation Services	7,758,013	7,101,551	656,462
2750 Non-Public Transportation	2,231,098	2,231,098	-
2810 Planning, Research, Development and Evaluation Services	1,677	-	1,677
2818 System-Wide Technology Services	1,513,002	1,396,278	116,724
2834 Staff Development Services - Non-Instructional, Certified	144,799	136,883	7,916
2835 Health Services	500	-	500
2836 Staff Development Services - Non-Instructional, Non-Certified	33,610	18,692	14,918
2840 Data Processing Services	613,087	613,087	-
2850 State and Federal Agency Liaison Services	17,152	17,152	-
2910 Support services not listed elsewhere in the 2000	152,600	148,644	3,956
Total Support Services	49,133,594	47,680,893	1,452,701
3000 - Operation of Non-Instructional Services			
3210 Student Activities	514,743	514,743	-
3250 School Sponsored Student Activities	1,609,759	1,534,821	74,938
3300 Community Services	76,457	76,457	-
3350 Welfare Activities	17,925	17,925	-
3390 Other Community Services	13,163	13,163	-
3400 Scholarships and Awards	26,100	26,100	-
Total Operation of Non-Instructional Services	2,258,147	2,183,209	74,938

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

<u>4000 - Facilities Acquisition, Construction, and Improvement Services</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
4600 Existing Building Improvement Services	-	-	-
Total Facilities Acquisition, Construction, and Improvement Services	-	-	-
<u>5000 - Other Expenditures and Financing Uses</u>			
5110 Debt Service	7,849,728	7,849,728	-
5140 Leases	177,513	177,513	-
5230 Capital Projects Funds Transfers Out	4,857,957	4,857,957	-
5900 Budgetary Reserve	<u>3,531,681</u>	-	<u>3,531,681</u>
Total Other Expenditures and Financing Uses	<u>16,416,879</u>	<u>12,885,198</u>	<u>3,531,681</u>
TOTAL EXPENDITURES AND OTHE FINANCING USES	<u>\$ 176,867,458</u>	<u>\$ 170,432,308</u>	<u>\$ 6,435,150</u>
NET REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	\$ (11,102,180)	\$ 2,299,577	\$ 13,401,757
FUND BALANCE - JULY 1, 2022	<u>23,279,002</u>	<u>23,546,327</u>	<u>267,325</u>
FUND BALANCE - JUNE 30, 2023	<u>\$ 12,176,822</u>	<u>\$ 25,845,904</u>	<u>\$ 13,669,082</u>

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

FUND BALANCE - JULY 1, 2022 \$ 20,473,556

REVENUES AND OTHER FINANCING SOURCES

Interest	\$ 632,965	
Transfer from General Fund	4,857,957	5,490,922
TOTAL FUNDS AVAILABLE		25,964,478

EXPENDITURES

SUPPORT SERVICES:

Equipment	150,604
-----------	---------

OPERATION OF NON-INSTRUCTIONAL SERVICES:

Equipment	82,267
-----------	--------

CAPITAL OUTLAY:

Construction Services	1,683,215	
Site Improvements	43,752	
Supplies	25,100	
Equipment	3,544,777	5,529,715

FUND BALANCE - JUNE 30, 2023 **\$ 20,434,763**

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

REVENUES

Sales	\$ 1,891,904	
Donated Commodities	263,637	
Special Events	28,973	
Over or (Short)	(31)	
State Subsidies	550,650	
Federal Subsidies	2,014,915	
Interest	5,148	
Capital Contributions	138,359	
TOTAL REVENUES		\$ 4,893,555

COST OF COMMODITIES

Beginning Inventory - 7/1	46,115	
Purchases	266,915	
Ending Inventory - 6/30	(49,393)	
TOTAL COST OF COMMODITIES SOLD		263,637
GROSS PROFIT		4,629,918

SALARY AND BENEFIT EXPENSES

Cafeteria Aides	1,111,034	
Clerical	39,159	
Technology Assistants	7,512	
Other	9,208	
Benefits	444,788	1,611,701

OPERATING EXPENSES

Supplies	25,022	
Food Service Management Costs	1,802,359	
Repairs and Maintenance	111,757	
Advertising	214	
Communications	622	
Diesel Fuel	5,117	
Electricity	16,034	
Books & Periodicals	12,227	
Travel	92	
Depreciation	53,280	
TOTAL EXPENSES		2,026,724

CHANGES IN FUND NET POSITION

FUND NET POSITION - JULY 1, 2022 (1,758,519)

FUND NET POSITION - JUNE 30, 2023 **\$ (767,026)**

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

ADDITIONS

Interest Income	\$	1,013	
Admissions		222,684	
Book Store Sales		30,790	
Student Organization Membership Dues and Fees		3,593	
Student Fees		257,736	
Special Events		125,485	
Contributions/Donations		43,086	
Other Activity Income		27,357	
TOTAL ADDITIONS		711,744	\$ 711,744

DEDUCTIONS

Professional and Technical Services		62,952	
Rentals		34,403	
Transportation Services		141,331	
General Supplies		146,200	
Food		61,037	
Dues and Fees		167,427	
Donations		20,317	
Miscellaneous Expenses		39,483	
TOTAL DEDUCTIONS		673,150	673,150

NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION 38,594

FUND NET POSITION - JULY 1, 2022 268,594

FUND NET POSITION - JUNE 30, 2023 \$ 307,188

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

ASSETS

Cash and Cash Equivalents	\$	334,935	
Other Receivables		3,435	
Prepaid Expenses		6,028	
TOTAL ASSETS		344,398	\$ 344,398

LIABILITIES

Accounts Payable	\$	36,822	
Due to Other Funds		388	
Other Current Liabilities		-	
TOTAL LIABILITIES		37,210	37,210

NET POSITION

Restricted for:			
Individuals, organizations, and other governments		307,188	

TOTAL LIABILITIES AND FUND NET POSITION \$ 344,398

East Penn School District
Private-Purpose Trust Funds - Memorial Fund
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2023

ADDITIONS

Interest Income	\$ 396	
Contributions	5,950	
TOTAL ADDITIONS		\$ 6,346

DEDUCTIONS

Administrative Charges	-	
Awards	3,000	
TOTAL DEDUCTIONS		3,000

NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION **3,346**

FUND NET POSITION - JULY 1, 2022 **61,610**

FUND NET POSITION - JUNE 30, 2023 **\$ 64,956**

Private-Purpose Trust Funds - Memorial Fund
Statement of Fiduciary Net Position
As of June 30, 2023

ASSETS

Cash and Cash Equivalents	\$ 14,547	
Investments	50,409	
TOTAL ASSETS		<u>\$ 64,956</u>

LIABILITIES

Accounts Payable	\$ -	
TOTAL LIABILITIES		-

NET POSITION

Restricted for:		
Individuals, organizations, and other governments		64,956
TOTAL LIABILITIES AND FUND NET POSITION		<u>\$ 64,956</u>

East Penn School District
Schedule on General Obligation Bonds - Series of 2018
Dated as of June 1, 2018
For the Year Ended June 30, 2023

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2023-24	\$ 35,203	\$ 2,010,000
TOTAL OUTSTANDING	\$ 35,203	\$ 2,010,000

Schedule on General Obligation Bonds - Series of 2019
Dated as of September 17, 2019
For the Year Ended June 30, 2023

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2023-24	\$ 303,300	\$ 1,205,000
2024-25	253,900	1,265,000
2025-26	202,100	1,325,000
2026-27	147,700	1,395,000
2027-28	90,500	1,465,000
2028-29	30,600	1,530,000
TOTAL OUTSTANDING	\$ 1,028,100	\$ 8,185,000

Schedule on General Obligation Notes - Series of 2020
Dated as of August 3, 2020
For the Year Ended June 30, 2023

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2023-24	\$ 50,314	\$ 2,230,000
2024-25	19,749	4,072,000
TOTAL OUTSTANDING	\$ 70,063	\$ 6,302,000

EAST PENN SCHOOL DISTRICT
Lehigh County, Pennsylvania

EAST PENN SCHOOL DISTRICT
ENROLLMENT TRENDS

Actual Enrollments					Projected Enrollments						
School	Year	Grade K-5	Grade 6-8	Grade 9-12	Total	School	Year	Grade K-5	Grade 6-8	Grade 9-12	Total
	2019-20	3,456	1,988	2,853	8,297		2024-25	3,251	1,847	2,876	7,894
	2020-21	3,234	1,995	2,878	8,107		2025-26	3,321	1,849	2,806	7,828
	2021-22	3,120	1,925	2,774	7,819		2026-27	3,349	1,828	2,820	7,780
	2022-23	3,204	1,881	2,808	7,893		2027-28	3,414	1,831	2,722	7,705
	2023-24	3,175	1,896	2,795	7,866		2028-29	3,446	1,819	2,645	7,910

Source: Actual Enrollments - East Penn SD October 1 Enrollment Reports; Projected Enrollments - Decision Insight October 2023 Conservative Enrollment Projection Report

EAST PENN SCHOOL DISTRICT
REAL PROPERTY TAX COLLECTION DATA

School	Total Flat	Total Adjusted Flat	Total Adjusted Flat Billing(1)	Current Year Collections	Current Year Collections as Percentage of Total Adjusted Flat Billing	Total Current Plus Delinquent Collections ⁽²⁾	Total Collections as Percentage of Total Adjusted Flat Billing
Year	Billing	Mills	Billing(1)	Amount	Flat Billing	Collections ⁽²⁾	Flat Billing
2018-19	\$99,022,477	18.3808	\$97,437,344	\$95,294,024	97.80%	\$97,346,536	99.91%
2019-20	\$100,320,696	18.3808	\$98,717,327	\$96,612,469	97.87%	\$98,271,695	99.55%
2020-21	\$102,286,135	18.6013	\$100,649,059	\$98,475,601	97.84%	\$100,061,834	99.42%
2021-22	\$107,211,472	19.1035	\$105,228,444	\$102,945,484	97.83%	\$105,089,559	99.87%
2022-23	\$111,062,095	19.6766	\$109,179,147	\$107,050,346	98.05%	\$108,680,249	99.54%

⁽¹⁾ Flat billing plus penalties, less discounts and exonerations.

⁽²⁾ Includes delinquent real estate collection.

Note: Beginning in 2008-09 the amount of the Adjusted Levy is reduced by the amount of the Homestead/Farmstead Exemptions. The Adjusted levy shown excludes the amount payable from the Property Tax and Rent Rebate Program funded pursuant to Act 1 of the Commonwealth.

Source: Audited Financial Statements

EAST PENN SCHOOL DISTRICT
TEN LARGEST REAL PROPERTY TAXPAYERS

Owner	Type of Property	2023-24 Assessed Value
Liberty Property LP	Warehouse	302,595,400
TGG / TCH - Hamilton Crossings Assoc LP	Retail	48,171,300
BCI-OEF Lehigh Valley Crossing DC I	Warehouse	33,837,800
Headlands Realty Corp.	Warehouse & Land	29,049,200
SUSO 4 West Valley LP	Retail	27,982,400
Woodmont Lower Mac LLC	Apartments	26,511,800
Mack Trucks Inc.	Truck Manufacturing	24,479,200
Allen Distribution	Warehouse & Land	24,000,000
Cedar - Trexler LLC	Retail	22,827,900
Fieldstone Assoc. Ltd. Partnership	Retail	22,650,100
Total		\$562,105,100

Source: Lehigh County Tax Assessors Office

EAST PENN SCHOOL DISTRICT
Lehigh County, Pennsylvania

EAST PENN SCHOOL DISTRICT
TAX RATES

<u>School Year</u>	<u>Real Estate (mills)</u>	<u>Real Estate Transfer (%)</u>	<u>Wage and Income (%)</u>
2019-20	18.3808	0.50%	0.50%
2020-21	18.6013	0.50%	0.50%
2021-22	19.1035	0.50%	0.50%
2022-23	19.6766	0.50%	0.50%
2023-24	20.1700	0.50%	0.50%

Source: Department of Community and Economic Development - Municipal Statistics

EAST PENN SCHOOL DISTRICT
REAL PROPERTY ASSESSMENT DATA

<u>School Year</u>	<u>Market Value</u>	<u>Assessed Value</u>	<u>Ratio</u>
2019-20	\$5,467,005,842	\$5,536,362,400	101.27%
2020-21	\$5,773,991,582	\$5,589,125,400	96.80%
2021-22	\$5,920,545,356	\$5,696,122,100	96.21%
2022-23	\$5,933,976,302	\$5,709,078,600	96.21%
2023-24(1)	\$5,989,806,569	\$5,762,792,900	96.21%
Compound Average Annual % Change =	1.84%	0.80%	

(1) Market Value Estimate based on prior year ratio.

Source: https://dced.pa.gov/library/?wpdmc=market_value_data (Tax duplicate information from Lehigh County Tax Assessors Office)

S I N G L E A U D I T S E C T I O N

East Penn School District
Schedule of Expenditures of Federal Awards
Fiscal Year Ended June 30, 2023

FEDERAL GRANTOR PROJECT TITLE	SOURCE CODE	FEDERAL ALN	GRANTOR PASS-THROUGH NUMBER	GRANT PERIOD	AWARD AMOUNT	TOTAL RECEIVED	ACCRUED OR (DEFERRED) AT 7/01/22	REVENUE	EXPENDI- TURES	ACCRUED OR (DEFERRED) AT 6/30/23	FOOT- NOTES
FEDERAL COMMUNICATIONS COMMISSION											
PASSED THROUGH THE UNIVERSAL SERVICE ADMINISTRATIVE CO											
COVID-19 EMERGENCY CONNECTIVITY FUND PROGRAM	I	32.009	N/A	N/A	\$ 1,460	\$ 3,794	\$ 3,794	\$ 1,460	\$ 1,460	\$ 1,460	2
TOTAL FEDERAL COMMUNICATIONS COMMISSION						3,794	3,794	1,460	1,460	1,460	
U.S. DEPT. OF EDUCATION											
PASSED THROUGH THE PA DEPARTMENT OF EDUCATION (PDE)											
TITLE IA - IMPROVING BASIC PROGRAMS	I	84.010	FA-013-22-0127	7/1/21 - 9/30/22	\$ 860,366	124,271	66,041	58,230	58,230	-	2
TITLE IA - IMPROVING BASIC PROGRAMS	I	84.010	FA-013-23-0127	7/1/22 - 9/30/23	\$ 1,070,842	975,421	-	1,070,514	1,070,514	95,093	
TOTAL TITLE I PROGRAM						1,099,692	66,041	1,128,744	1,128,744	95,093	
PASSED THROUGH THE PDE											
TITLE IIA - SUPPORTING EFFECTIVE INSTRUCTION	I	84.367	FA-020-22-0127	7/1/21 - 9/30/22	\$ 178,631	604	604	-	-	-	2
TITLE IIA - SUPPORTING EFFECTIVE INSTRUCTION	I	84.367	FA-020-23-0127	7/1/22 - 9/30/23	\$ 200,172	156,395	-	200,172	200,172	43,777	
TOTAL TITLE II PROGRAM						156,999	604	200,172	200,172	43,777	
PASSED THROUGH THE PDE											
TITLE III LEP/IMMIGRANT	I	84.365	FA-010-22-0127	7/1/21 - 9/30/22	\$ 25,826	3,965	3,152	813	813	-	2
TITLE III LEP/IMMIGRANT	I	84.365	FA-010-23-0127	7/1/22 - 9/30/23	\$ 20,043	18,902	-	19,677	19,677	775	
TOTAL TITLE III PROGRAM						22,867	3,152	20,490	20,490	775	
PASSED THROUGH THE PDE											
TITLE IVA - STUDENT SUPPORT AND ACADEMIC ENRICH.	I	84.424	FA-144-22-0127	7/1/21 - 9/30/22	\$ 56,720	34	34	-	-	-	2
TITLE IVA - STUDENT SUPPORT AND ACADEMIC ENRICH.	I	84.424	FA-144-23-0127	7/1/22 - 9/30/23	\$ 67,383	50,435	-	67,383	67,383	16,948	
TOTAL TITLE IV PROGRAM						50,469	34	67,383	67,383	16,948	
PASSED THROUGH THE PDE											
COVID-19 ELEMENTARY AND SECONDARY SCHOOL EMERGENCY RELIEF (ESSER) FUND - ESSER II	I	84.425C	FA-200-21-0127	3/13/20 - 9/30/21	\$ 2,785,177	647,716	647,716	-	-	-	2
COVID-19 AMERICAN RESCUE PLAN - ESSER (ARP-ESSER)	I	84.425D	223-21-0127	3/13/20 - 9/30/21	\$ 5,633,607	1,434,009	1,434,009	-	-	-	
COVID-19 ARP-ESSER - LEARNING LOSS SET ASIDE	I	84.425U	FA-225-21-0127	3/13/20 - 9/30/24	\$ 312,756	125,102	(46,532)	296,737	296,737	125,103	
COVID-19 ARP-ESSER - SUMMER SCHOOL SET ASIDE	I	84.425U	FA-225-21-0127	3/13/20 - 9/30/24	\$ 62,551	50,041	(7,131)	57,172	57,172	-	
COVID-19 ARP-ESSER - AFTER SCHOOL SET ASIDE	I	84.425U	FA-225-21-0127	3/13/20 - 9/30/24	\$ 62,551	50,041	50,041	-	-	-	
COVID-19 ARP-ESSER - HOMELESS CHILDREN AND YOUTH	I	84.425W	FA-181-21-2126	7/1/21 - 9/30/24	\$ 28,757	3,687	(2,212)	17,925	17,925	12,026	
TOTAL EDUCATION STABILIZATION FUND						2,310,596	2,075,891	371,834	371,834	137,129	
PASSED THROUGH CARBON-LEHIGH I.U.											
IDEA, PART B	I	84.027	N/A	7/1/21 - 9/30/22	\$ 1,574,176	448,842	448,842	-	-	-	2
IDEA, PART B	I	84.027	N/A	7/1/22 - 9/30/23	\$ 1,589,780	688,334	-	1,589,780	1,589,780	901,446	1
COVID-19 ARP-IDEA	I	84.027X	N/A	7/1/21 - 9/30/23	\$ 371,653	248,796	156,995	214,658	214,658	122,857	1
IDEA SECTION 619 - PRESCHOOL	I	84.173	N/A	7/1/21 - 9/30/22	\$ 7,260	-	-	-	-	-	1
IDEA SECTION 619 - PRESCHOOL	I	84.173	N/A	7/1/22 - 9/30/23	\$ 5,324	5,324	-	5,324	5,324	-	1
TOTAL IDEA CLUSTER						1,391,296	605,837	1,809,762	1,809,762	1,024,303	
TOTAL U.S. DEPARTMENT OF EDUCATION						5,031,919	2,751,559	3,598,385	3,598,385	1,318,025	

SOURCE: D - DIRECT; I - INDIRECT

**East Penn School District
Schedule of Expenditures of Federal Awards (Continued)
Fiscal Year Ended June 30, 2023**

FEDERAL GRANTOR PROJECT TITLE	SOURCE CODE	FEDERAL ALN	GRANTOR PASS-THROUGH NUMBER	GRANT PERIOD	AWARD AMOUNT	TOTAL RECEIVED	ACCRUED OR (DEFERRED) AT 7/01/22	REVENUE	EXPEN- TURES	ACCRUED OR (DEFERRED) AT 6/30/23	FOOT- NOTES
<u>U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES</u>											
<u>PASSED THROUGH THE PA.</u>											
<u>DEPARTMENT OF PUBLIC WELFARE</u>											
TITLE 19 - MEDICAL REIMBURSEMENT	I	93.778	N/A	7/1/22 - 6/30/23	N/A	49,220	32,885	37,860	37,860	21,525	2
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						49,220	32,885	37,860	37,860	21,525	
<u>U.S. DEPARTMENT OF AGRICULTURE</u>											
<u>PASSED THROUGH THE PDE</u>											
NATIONAL SCHOOL LUNCH	I	10.555	N/A	07/01/21-06/30/22	N/A	95,347	95,347	-	-	-	2
NATIONAL SCHOOL LUNCH	I	10.555	N/A	07/01/22-06/30/23	N/A	1,456,146	-	1,496,029	1,496,029	39,883	
COVID-19 NATIONAL SCHOOL LUNCH - SUPPLY CHAIN ASSISTANCE	I	10.555	N/A	N/A	N/A	205,374	-	205,374	205,374	-	
BREAKFAST PROGRAM	I	10.553	N/A	07/01/21-06/30/22	N/A	18,743	18,743	-	-	-	
BREAKFAST PROGRAM	I	10.553	N/A	07/01/22-06/30/23	N/A	266,920	-	278,898	278,898	11,978	
SEVERE NEED BREAKFAST	I	10.553	N/A	07/01/21-06/30/22	N/A	1,261	1,261	-	-	-	
SEVERE NEED BREAKFAST	I	10.553	N/A	07/01/22-06/30/23	N/A	31,479	-	31,479	31,479	-	
<u>PASSED THROUGH THE PA</u>											
<u>DEPARTMENT OF AGRICULTURE</u>											
NATIONAL SCHOOL LUNCH - USDA COMMODITIES	I	10.555	N/A	07/01/22-06/30/23	N/A	266,915	(46,117)	263,637	263,637	(49,395)	2
TOTAL CHILD NUTRITION CLUSTER						2,342,185	69,234	2,275,417	2,275,417	2,466	4
<u>PASSED THROUGH THE PDE</u>											
COVID-19 STATE PANDEMIC ELECTRONIC BENEFIT TRANSFER (P-EBT) ADMIN. COSTS	I	10.649	N/A	N/A	N/A	3,135	-	3,135	3,135	-	2
TOTAL U.S. DEPARTMENT OF AGRICULTURE						2,345,320	69,234	2,278,552	2,278,552	2,466	
TOTAL FEDERAL FINANCIAL AWARDS						\$ 7,430,253	\$ 2,857,472	\$ 5,916,257	\$ 5,916,257	\$ 1,343,476	

SOURCE: D - DIRECT; I - INDIRECT

East Penn School District
Notes to the Schedule of Expenditures of Federal Awards
Fiscal Year Ended June 30, 2023

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of East Penn School District under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of East Penn School District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of East Penn School District.

Note 2 - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting for all federal awards charged to governmental funds and on the accrual basis of accounting for all federal awards charged to proprietary funds, as contemplated by generally accepted accounting principles.

Note 3 - Organization and Scope

The District recognized 2.5% of its total general fund revenue in federal awards, and 46.6% of its total enterprise fund revenue.

Note 4 - Indirect Costs

The District did not charge any indirect costs to any of their federal grants and programs during this fiscal year. As such, the District did not use the 10% de minimis cost rate.

Note 5 - Program Disclosure - Footnotes

1. The federal award, passed through the Carbon-Lehigh I.U., under the U.S. Department of Education heading, is part of a consortium of participating school districts. In accordance with directions from the Commonwealth of Pennsylvania, these awards are reported on the basic financial statements as local source revenue.
2. The Federal Grants were passed through the following entities in the totals below:

<u>FINANCIAL STATEMENT RECONCILIATION</u>	
General Fund Federal Source Revenues	\$ 2,426,369
Federal Grants in Local Sources	1,838,368
Food Service Fund Federal Revenue	<u>2,278,552</u>
Total Federal Revenue, per financial statements	6,543,289
Less - Medical Access Grant	(598,426)
Less - Transportation Access Grant	(28,606)
Federal Revenue on SEFA	<u><u>\$ 5,916,257</u></u>

East Penn School District
Notes to the Schedule of Expenditures of Federal Awards
Fiscal Year Ended June 30, 2023

3. The Transportation Access passed through the Carbon Lehigh I.U. is reflected as federal local source revenue on the basic financial statements; however, pursuant to instructions from the Commonwealth of PA it is not reported as revenue on the Schedule of Federal Awards.
4. The District received non-monetary assistance from the U.S. Department of Agriculture of \$266,915 in the form of commodities. These commodities are valued at U.S.D.A.'s approximate costs. During the 2022-23 fiscal year, the District used \$263,637 in commodities and established a year-end inventory of \$49,395 at June 30, 2023.
5. The Medical Access grant passed through the PA Department of Education is reflected as federal source revenue on the basic financial statements; however, pursuant to instructions from the Commonwealth of PA, it is not reported as revenue on the Schedule of Federal Awards.

FINANCIAL STATEMENT RECONCILIATION

General Fund Federal Source Revenues	\$ 2,426,369
Federal Grants in Local Sources	1,838,368
Food Service Fund Federal Revenue	<u>2,278,552</u>
Total Federal Revenue, per financial statements	6,543,289
Less - Medical Access Grant	(598,426)
Less - Transportation Access Grant	(28,606)
Federal Revenue on SEFA	<u><u>\$ 5,916,257</u></u>



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

Board of School Directors
East Penn School District
800 Pine Street
Emmaus, PA 18049

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison statement of the general fund of the East Penn School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise East Penn School District's basic financial statements, and have issued our report thereon dated November 17, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,



Northampton, Pennsylvania
November 17, 2023



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

Board of School Directors
East Penn School District
800 Pine Street
Emmaus, PA 18049

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited East Penn School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of East Penn School District's major federal programs for the year ended June 30, 2023. East Penn School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

East Penn School District

weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

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

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

Respectfully submitted,

Harman & Associates, P.C.

Northampton, Pennsylvania
November 17, 2023

**East Penn School District
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023**

Section I - Summary of Auditor Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) Identified? yes no
- Significant Deficiencies identified that are not considered to be material weaknesses? yes none reported
- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) Identified? yes no
- Significant Deficiencies identified that are not considered to be material weaknesses? yes none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 200.516 of the Uniform Guidance? yes no

Identification of major program:

AL Number(s)	Name of Federal Program or Cluster
84.425C, 84.425D, 84.425U 84.425W 10.553, 10.555	Education Stabilization Fund Child Nutrition Cluster

Percentage of programs tested to total awards 44.7%

Dollar threshold used to distinguish between type A and type B program: \$ 750,000

Auditee qualified as low-risk auditee? yes no

**East Penn School District
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2023**

Section II - Financial Statement Findings

There were no findings discovered, relating to the financial statements, which are required to be reported in accordance with generally accepted government auditing standards.

Section III - Findings and Questioned Costs for Federal Awards

There were no findings discovered, relating to federal awards, which are required to be reported in accordance with Uniform Guidance Section 200.516.

Audit Follow-Up Procedures

We did not perform follow-up procedures on prior year findings since there were no findings in the previous year.