

**REPORT ON
EAST PENN SCHOOL DISTRICT
SINGLE AUDIT REPORT
FISCAL YEAR ENDED JUNE 30, 2025**

EAST PENN SCHOOL DISTRICT

Single Audit Report

For the Fiscal Year Ended June 30, 2025

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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, 2025, 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 Uniform Guidance, explained above, and our report thereon.

Respectfully submitted,

February 5, 2026

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, 2025, 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, 2025, 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.

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 79-85, 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 non-major 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 non-major 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 19, 2025, 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 19, 2025

**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, 2025**

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, 2025. 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 to 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 \$5,996,654 to a balance of (\$22,286,064).
- * The governmental net position has increased by \$4,741,225 to a balance of (\$23,215,477).
- * The business-type net position has increased by \$1,255,429 to a balance of \$929,413.
- * The District's General Fund Balances have increased by \$972,787 to a balance of \$27,251,624.

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.

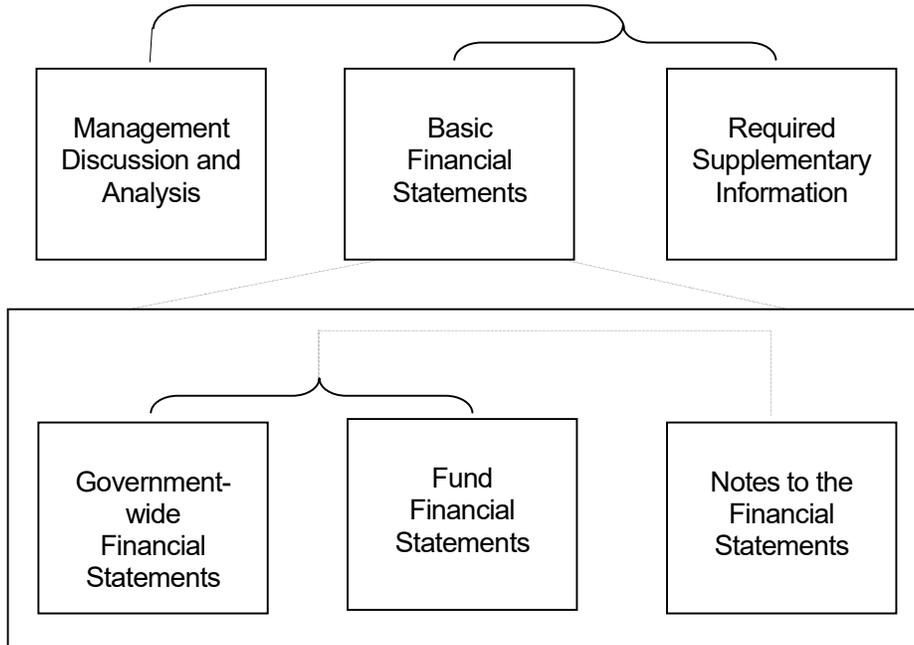
The remaining statements are fund financial statements that focus on individual parts of the District's operations in more detail than the government-wide statements. The governmental funds statements tell how general District services were financed in the short term as well as what remains for future 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.

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 (\$22,286,064) at June 30, 2025. This reflects an increase in net position of \$5,996,654 from the previous fiscal year. This increase in District-wide net position is primarily attributable to growth in local tax revenues, moderate expenditure increases relative to prior-year trends, and reduced long-term liabilities resulting from scheduled debt service payments.

**Table A-1
Net Position
Fiscal Year Ended June 30, 2025**

	2025			2024		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Current assets	\$ 64,383,774	\$ 3,221,646	\$ 67,605,420	\$ 70,919,798	\$ 2,826,443	\$ 73,746,241
Non-Current assets	145,015,226	770,319	145,785,545	139,771,491	656,389	140,427,880
Deferred Outflow of Resources	37,847,188	701,073	38,548,261	39,331,704	749,821	40,081,525
Total Assets & Deferred Outflow of Resources	\$ 247,246,188	\$ 4,693,038	\$ 251,939,226	\$ 250,022,993	\$ 4,232,653	\$ 254,255,646
Current and other liabilities	\$ 25,516,600	\$ 444,019	\$ 25,960,619	\$ 30,080,095	\$ 375,210	\$ 30,455,305
Long-term liabilities	237,125,832	3,236,338	240,362,170	239,580,134	4,097,933	243,678,067
Deferred Inflow of Resources	7,819,233	83,268	7,902,501	8,319,466	85,526	8,404,992
Total Liabilities & Deferred Inflow of Resources	270,461,665	3,763,625	274,225,290	277,979,695	4,558,669	282,538,364
Net Position						
Net Investment in Capital Assets	138,683,646	770,319	139,453,965	128,360,634	656,389	129,017,023
Retirement of Long-Term Debt	11,872,854	-	11,872,854	18,897,330	-	18,897,330
Unrestricted	(173,771,977)	159,094	(173,612,883)	(177,214,666)	(982,405)	(178,197,071)
Total Net Position	(23,215,477)	929,413	(22,286,064)	(29,956,702)	(326,016)	(30,282,718)
Total Liabilities, Deferred Inflow of Resources, & Net Position	\$ 247,246,188	\$ 4,693,038	\$ 251,939,226	\$ 248,022,993	\$ 4,232,653	\$ 252,255,646

Most of the District's net position is invested in capital assets (buildings, land, and equipment) totaling \$138,683,646. The remaining net position consists of restricted and unrestricted amounts. The restricted capital projects balance of \$11,679,717 is set aside to fund capital projects as planned by the District. The unrestricted net position of governmental activities is (\$173,612,883). When combined with the unrestricted net position of business-type activities (\$159,094), the District's total unrestricted net position is (\$173,612,883) as reflected in Table A-1. As with all Pennsylvania school districts, unrestricted net position remains negative primarily due to the recognition of PSERS net pension liabilities and OPEB obligations under GASB Statements No. 68 and No. 75.

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 property taxes assessed to community taxpayers and subsidies provided by the Commonwealth of Pennsylvania.

Additional information regarding the District's net position and activities are 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, 2025**

	<u>2025</u>			<u>2024</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	\$ 425,677	\$ 1,894,433	\$ 2,320,110	\$ 484,729	\$ 1,810,588	\$ 2,295,317
Operating grants and contributions	28,932,633	2,796,416	31,729,049	26,816,149	2,862,631	29,678,780
Capital grants and contributions	542,418	-	542,418	731,533	-	731,533
<i>General revenues</i>						
Property taxes	119,341,944	-	119,341,944	114,052,337	-	114,052,337
Other taxes	15,121,722	-	15,121,722	14,031,398	-	14,031,398
Grants, subsidies and contributions, unrestricted	20,973,437	-	20,973,437	19,147,020	-	19,147,020
Other	3,871,134	226,750	4,097,884	4,055,258	131,381	4,186,639
TOTAL REVENUES	\$ 189,208,965	\$ 4,917,599	\$ 194,126,564	\$ 179,318,424	\$ 4,804,600	\$ 184,123,024
EXPENSES						
Instruction	\$ 118,984,336	\$ -	\$ 118,984,336	\$ 110,394,399	\$ -	\$ 110,394,399
Instructional student support	15,839,953	-	15,839,953	14,710,741	-	14,710,741
Administrative and financial support	11,981,233	-	11,981,233	11,083,056	-	11,083,056
Operation and maintenance of plant	16,474,463	-	16,474,463	15,009,562	-	15,009,562
Pupil transportation	12,049,702	-	12,049,702	9,621,434	-	9,621,434
Student activities	2,292,927	-	2,292,927	2,124,715	-	2,124,715
Community services	89,293	-	89,293	95,345	-	95,345
Scholarships and awards	38,550	-	38,550	31,550	-	31,550
Interest on long-term debt	156,291	-	156,291	255,562	-	255,562
Unallocated depreciation expense	4,560,992	-	4,560,992	4,606,017	-	4,606,017
Food Services	-	3,662,170	3,662,170	-	4,363,590	4,363,590
TOTAL EXPENSES	182,467,740	3,662,170	186,129,910	167,932,381	4,363,590	172,295,971
Increase (decrease) in net position	\$ 6,741,225	\$ 1,255,429	\$ 7,996,654	\$ 11,386,043	\$ 441,010	\$ 11,827,053
Total Net Position - July 1 2024	(29,956,702)	(326,016)	(30,282,718.00)	(41,342,745)	(767,026)	(42,109,771)
Total Net Position - Ending	\$ (23,215,477)	\$ 929,413	\$ (22,286,064)	\$ (29,956,702)	\$ (326,016)	\$ (30,282,718)

**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, 2025**

Functions/Programs	2025		2024	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 118,984,336	\$ 96,672,749	\$ 110,394,399	\$ 90,091,823
Instructional student support	15,839,953	13,814,468	14,710,741	12,805,107
Administrative	11,981,233	10,740,995	11,083,056	9,889,307
Operation and maintenance	16,474,463	15,241,948	15,009,562	13,575,905
Pupil transportation	12,049,702	10,002,877	9,621,434	7,556,882
Student activities	2,292,927	1,804,583	2,124,715	1,642,038
Community services	89,293	75,977	95,345	66,587
Scholarships and awards	38,550	38,550	31,550	31,550
Interest on long-term debt	156,291	(386,127)	255,562	(365,246)
Unallocated depreciation expense	4,560,992	4,560,992	4,606,017	4,606,017
Total governmental activities	\$ 182,467,740	\$ 152,567,012	\$ 167,932,381	\$ 139,899,970
Less:				
Unrestricted grants, subsidies		-		
Total needs from local Taxes and other revenues		\$ 152,567,012		\$ 139,899,970

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, 2025**

Functions/Programs	2025		2024	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Food Services	3,662,170	1,028,679	4,363,590	(309,629)
Less:				
Investment earnings & other misc.		40,206		9,438
Total business-type activities		\$ 1,068,885		\$ (300,191)

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, 2025, District governmental funds reported a combined fund balance of \$38,931,341, a decrease of \$6,068,015 from the previous year.

General fund revenues and other sources exceeded expenditures and other uses by \$972,787 which resulted in an ending total General Fund balance of \$27,251,624.

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 with minimal 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 \$9,977,512 for capital improvement projects were covered by the Capital Reserve Fund, while transfers of \$2,295,100 were received from the General Fund, so the Capital Reserve fund balance decreased by \$7,040,802.

General Fund Budget

The General Fund overall operating revenues of \$188,782,694 were \$3,540,630 greater than originally budgeted. Local revenues were \$1,853,482 higher than budgeted due to local taxes, interest earnings, and other revenues exceeding budgeted levels. State subsidy revenues were \$1,804,330 higher than budgeted. Higher than budgeted basic education, charter school, adequacy, and special education revenues offset lower than budgeted reimbursements for transportation, social security, and retirement revenues. Federal grant revenues were \$117,182 lower than budgeted due to a decrease in Title funding received.

Total expenditures of \$185,549,351 (excluding budgetary reserve) were \$588,428 higher than originally budgeted. Transportation expenses exceeded original budget projections, which were offset by positive budget variances in a majority of other categories.

Further, the budgetary reserve amount of \$9,380,000 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 \$2,295,100 in transfers to other funds resulted in total General Fund expenditures and funding uses of \$187,844,451.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2025, the District had \$129,702,267 invested in a broad range of capital assets, including land, buildings, furniture and equipment. This amount represents a net decrease (including additions, deletions and depreciation) of \$10,069,228, or -7.2% from the previous year. This decrease is primarily due to annual depreciation exceeding current-year capital additions, as several major construction-in-progress amounts from the prior year were capitalized or completed.

**Table A-5
Governmental Activities
Capital Assets - Net of Depreciation
Fiscal Year Ended June 30, 2025**

	2025	2024
Land	\$ 10,970,223	\$ 10,970,223
Site Improvements	9,674,409	9,407,648
Buildings	207,247,680	201,798,693
Furniture & Equipment	12,272,842	11,395,681
Intangible right-to-use equipment	788,443	788,446
Construction in Progress	<u>15,312,959</u>	<u>11,151,390</u>
Total Capital Assets	\$ 256,266,556	\$ 245,512,081
Less: Accumulated Depreciation	<u>(111,251,330)</u>	<u>(105,740,587)</u>
Total Capital Assets, net of Accum. Depr.	<u>\$ 145,015,226</u>	<u>\$ 139,771,494</u>

DEBT ADMINISTRATION

As of July 1, 2024, the District had total outstanding debt of \$11,052,000. During the year, the District issued \$0 additional debt, but retired and repaid \$5,337,000 resulting in ending outstanding debt as of June 30, 2025 of \$5,715,000.

**Table A-6
Outstanding Debt**

	2025	2024
General Obligation Notes/Bonds:		
- Notes, Series of 2020	\$ -	\$ 4,072,000
- Bonds, Series of 2019	<u>5,715,000</u>	<u>6,980,000</u>
TOTAL	<u>\$ 5,715,000</u>	<u>\$ 11,052,000</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 2025-26 fiscal year of \$195,065,159 is \$9,823,095 higher than the original 2024-25 fiscal year budget, representing a 5.30% increase in budget revenues. This increase includes a 0.8400 mill (4.0%) 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 2025-26 Act 1 index was 4.0% and the District approved a preliminary budget resolution which limited the final tax rate increase to the 4.0% Act 1 index. The 2025-26 final adopted budget reflected a total real estate tax rate of 21.8400 mills (4.0% real estate tax increase).

The expenditure budget for the 2025-26 fiscal year of \$206,098,359 is \$9,459,336 higher than the original 2024-25 fiscal year budget, or a 4.81% increase. The budgetary reserve accounts for \$9,814,200 of the total expenditure budget.

The District continues to monitor enrollment trends and planned facility improvements as part of its long-range financial planning. Ongoing capital planning efforts, including the assessment of future facility needs, will continue to influence both operating and capital budget considerations in upcoming fiscal years.

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

**Table A-7
BUDGETED REVENUES**

	2025-26	2024-25
Local	74.0%	74.6%
State	25.1%	24.3%
Federal/Other	0.8%	1.1%

BUDGETED EXPENDITURES

	2025-26	2024-25
Instruction	61.4%	61.8%
Support Services	28.2%	27.8%
Non-Instruction/Community	1.2%	1.2%
Fund Transfers/Debt	9.7%	9.2%

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, 2025**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 50,846,526	\$ 3,048,787	\$ 53,895,313
Restricted Cash	1,742,848	-	1,742,848
Investments	94,135	-	94,135
Receivables, net	2,079,500	-	2,079,500
Internal Balances	241,698	22,290	-
Due From Other Governments	7,629,629	74,475	7,704,104
Other Receivables	167,353	-	167,353
Inventories	10,108	76,094	86,202
Prepaid Expenses	1,571,977	-	1,571,977
Total Current Assets	64,383,774	3,221,646	67,341,432
Non-Current Assets:			
Land	10,970,223	-	10,970,223
Site Improvements (net of depreciation)	3,536,510	-	3,536,510
Building and Bldg. Improvements (net of depreciation)	110,499,797	-	110,499,797
Furniture and Equipment (net of depreciation)	4,577,738	770,319	5,348,057
Right-To-Use - Equipment (net of amortization)	117,999	-	117,999
Construction in Progress	15,312,959	-	15,312,959
Total Non-Current Assets	145,015,226	770,319	145,785,545
Total Assets	\$ 209,399,000	\$ 3,991,965	\$ 213,126,977
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources - Related to Pension	33,284,383	687,420	33,971,803
Deferred Outflows of Resources - Related to OPEB	4,523,945	13,653	4,537,598
Deferred Amount on Debt Refundings, net	38,860	-	38,860
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 247,246,188	\$ 4,693,038	\$ 251,675,238
LIABILITIES			
Current Liabilities:			
Internal Balances	\$ 22,290	\$ 241,698	\$ -
Due to other governments	2,183,799	-	2,183,799
Accounts Payable	2,975,095	49,883	3,024,978
Current Portion of Long-Term Obligations	2,369,136	-	2,369,136
Accrued Salaries and Benefits	9,133,221	29	9,133,250
Payroll Deductions and Withholdings	8,792,365	-	8,792,365
Prepayments	-	99,677	99,677
Other Current Liabilities	40,694	52,732	93,426
Total Current Liabilities	25,516,600	444,019	25,696,631
Non-Current Liabilities:			
Bonds and Notes Payable	4,666,035	-	4,666,035
Lease Obligations	61,009	-	61,009
Long-Term Portion of Compensated Absences	2,698,740	30,510	2,729,250
Net OPEB Liability - Single Employer Plan	28,441,975	19,133	28,461,108
Net OPEB Liability - Multiple Employer Plan	8,141,471	129,529	8,271,000
Net Defined Benefit Pension Liability	192,153,834	3,057,166	195,211,000
Net Defined Contribution Pension Liability	962,768	-	962,768
Total Liabilities	262,642,432	3,680,357	266,058,801
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources - Related to Pension	3,029,281	62,570	3,091,851
Deferred Inflows of Resources - Related to OPEB	4,789,952	20,698	4,810,650
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	270,461,665	3,763,625	273,961,302
NET POSITION			
Net Investment in Capital Assets	138,683,646	770,319	139,453,965
Restricted For:			
Capital Projects	11,679,717	-	11,679,717
Other Restrictions	193,137	-	193,137
Unrestricted (deficit)	(173,771,977)	159,094	(173,612,883)
TOTAL NET POSITION	(23,215,477)	929,413	(22,286,064)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 247,246,188	\$ 4,693,038	\$ 251,675,238

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, 2025**

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	\$ 118,984,336	\$ 98,264	\$ 22,213,323	\$ -	\$ (96,672,749)	\$ -	\$ (96,672,749)
Instructional Student Support	15,839,953	-	2,025,485	-	(13,814,468)	-	(13,814,468)
Admin. & Fin'l Support Services	11,981,233	-	1,240,238	-	(10,740,995)	-	(10,740,995)
Oper. & Maint. of Plant Svcs.	16,474,463	-	1,232,515	-	(15,241,948)	-	(15,241,948)
Pupil Transportation	12,049,702	22,400	2,024,425	-	(10,002,877)	-	(10,002,877)
Student activities	2,292,927	305,013	183,331	-	(1,804,583)	-	(1,804,583)
Community Services	89,293	-	13,316	-	(75,977)	-	(75,977)
Scholarships and Awards	38,550	-	-	-	(38,550)	-	(38,550)
Interest on Long-Term Debt	156,291	-	-	542,418	386,127	-	386,127
Unallocated Depreciation Expense	4,560,992	-	-	-	(4,560,992)	-	(4,560,992)
TOTAL GOVERNMENTAL ACTIVITIES	182,467,740	425,677	28,932,633	542,418	(152,567,012)	-	(152,567,012)
BUSINESS-TYPE ACTIVITIES:							
Food Services	3,662,170	1,894,433	2,796,416	-	-	1,028,679	1,028,679
TOTAL PRIMARY GOVERNMENT	\$ 186,129,910	\$ 2,320,110	\$ 31,729,049	\$ 542,418	\$ (152,567,012)	\$ 1,028,679	\$ (151,538,333)
GENERAL REVENUES:							
Property taxes Levied for general purposes, net					\$ 119,341,944	\$ -	\$ 119,341,944
Taxes levied for specific purposes					15,121,722	-	15,121,722
Grants, subsidies, & contributions not restricted					20,973,437	-	20,973,437
Investment Earnings					3,597,387	39,706	3,637,093
Miscellaneous Income					507,584	500	508,084
Special item - Gain (Loss) on sale of capital assets					(47,293)	-	(47,293)
Transfers					(186,544)	186,544	-
TOTAL GENERAL REVENUES, SPECIAL ITEMS, EXTRAORDINARY ITEMS, AND TRANSFERS					159,308,237	226,750	159,534,987
CHANGES IN NET POSITION					6,741,225	1,255,429	7,996,654
NET POSITION - PREVIOUSLY REPORTED					(27,956,702)	(326,016)	(28,282,718)
RESTATEMENT - NOTE 4					(2,000,000)	-	(2,000,000)
NET POSITION - RESTATED					(29,956,702)	(326,016)	(30,282,718)
NET POSITION - ENDING					\$ (23,215,477)	\$ 929,413	\$ (22,286,064)

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

East Penn School District
Balance Sheet
Governmental Funds
As of June 30, 2025

	GENERAL	CAPITAL PROJECT FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>			
Cash and cash equivalents	\$ 39,532,664	\$ 11,313,862	\$ 50,846,526
Restricted Cash	-	1,742,848	1,742,848
Investments	94,135	-	94,135
Taxes Receivable, net	2,079,500	-	2,079,500
Due from other funds	241,698	-	241,698
Due from Other Governments	7,629,629	-	7,629,629
Other Receivables	167,353	-	167,353
Prepaid Expenditures	1,571,977	-	1,571,977
TOTAL ASSETS	\$ 51,316,956	\$ 13,056,710	\$ 64,373,666
<u>LIABILITIES</u>			
Due to Other Funds	\$ 22,290	\$ -	\$ 22,290
Due to Other Governments	2,183,799	-	2,183,799
Accounts Payable	1,598,102	1,376,993	2,975,095
Current Portion of Long-Term Debt	686,881	-	686,881
Accrued Salaries and Benefits	9,133,221	-	9,133,221
Payroll Deductions and Withholdings	8,792,365	-	8,792,365
Other Current Liabilities	12,120	-	12,120
TOTAL LIABILITIES	22,428,778	1,376,993	23,805,771
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unearned Revenue from Property Taxes	1,636,554	-	1,636,554
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	24,065,332	1,376,993	25,442,325
<u>FUND BALANCES:</u>			
Nonspendable Fund Balance	1,571,977	-	1,571,977
Restricted Fund Balance	193,137	11,679,717	11,872,854
Committed Fund Balance	1,219,000	-	1,219,000
Assigned Fund Balance	11,033,200	-	11,033,200
Unassigned Fund Balance	13,234,310	-	13,234,310
TOTAL FUND BALANCES	27,251,624	11,679,717	38,931,341
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 51,316,956	\$ 13,056,710	\$ 64,373,666

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, 2025**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$	38,931,341
 Amounts reported for governmental activities in the statement of net position are different because:		
Capital Assets – Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds. The cost of these assets is \$256,266,556 and the accumulated depreciation and amortization totals \$111,251,330		145,015,226
Deferred Charges on Refunding – This amount represents deferred outflows of resources arising from the refunding of prior bond issues. These deferred amounts are		38,860
Deferred Property Taxes – Property taxes receivable are recognized as revenue in the statement of net position but are deferred in the governmental funds because they are not available to finance current period expenditures. These amounts will be collected in future		1,636,554
Inventory Reporting – Governmental funds use the purchase method, under which inventory is expensed when purchased and not reported as an asset. In contrast, the statement of net position applies the consumption method, recognizing inventory as an asset until it is used		10,108
Pension and OPEB-Related Deferred Inflows and Outflows – This amount represents deferred outflows of resources, net of deferred inflows of resources, related to the District's net pension and OPEB liabilities. These amounts will be recognized in future periods in accordance with applicable GASB standards.		29,989,095
Long-Term Obligations – Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. These include bonds and notes payable, accrued interest, lease-purchase obligations, compensated absences, and net pension and OPEB liabilities		(238,836,661)
 TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	 \$	 <u>(23,215,477)</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, 2025

	GENERAL	CAPITAL PROJECT FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Local Sources	\$ 140,036,359	\$ 641,610	\$ 140,677,969
State Sources	46,794,020	-	46,794,020
Federal Sources	1,952,315	-	1,952,315
TOTAL REVENUES	188,782,694	641,610	189,424,304
EXPENDITURES			
Instruction	120,129,118	-	120,129,118
Support Services	56,691,322	-	56,691,322
Operation of Non-Instructional Services	2,419,602	-	2,419,602
Capital Outlay	186,544	9,977,512	10,164,056
Debt Service	6,122,765	-	6,122,765
TOTAL EXPENDITURES	185,549,351	9,977,512	195,526,863
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,233,343	(9,335,902)	(6,102,559)
OTHER FINANCING SOURCES (USES)			
Sale/Compensation for capital assets	23,473	-	23,473
Insurance Recoveries	11,071	-	11,071
Operating Transfers In (Out)	(2,295,100)	2,295,100	-
TOTAL OTHER FINANCING SOURCES (USES)	(2,260,556)	2,295,100	34,544
NET CHANGE IN FUND BALANCES	972,787	(7,040,802)	(6,068,015)
FUND BALANCES - BEGINNING	26,278,837	18,720,519	44,999,356
FUND BALANCES - ENDING	\$ 27,251,624	\$ 11,679,717	\$ 38,931,341

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, 2025**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (6,068,015)

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

Capital Outlay and Depreciation – Governmental funds report capital outlays as expenditures, while in the statement of activities these amounts are capitalized and depreciated over the assets’ estimated useful lives. This amount represents the net effect of capital outlay and depreciation during the current period.

Depreciation/Amortization expense	\$ 5,782,653	
less - capital outlays	<u>11,078,892</u>	5,296,239

Disposal of Capital Assets – In governmental funds, proceeds from the sale or disposal of capital assets are reported as an increase in financial resources, while in the statement of activities only the gain or loss on the disposal is recognized. This amount represents the difference between the proceeds and the net book value of the assets disposed of during the (52,503)

Deferred Property Tax Revenues – Because certain property taxes are not collected soon enough after year-end to be considered available, they are deferred in the governmental funds. This amount represents the increase in deferred inflows of resources related to property taxes during the current year. (10,836)

Repayment of Debt, Financed Purchases, and Lease Liabilities – In governmental funds, repayments of bonds, financed purchase, and lease principal are reported as expenditures, while in the statement of activities these payments reduce the related long-term liabilities. 5,830,239

Compensated Absences and Termination Benefits – In governmental funds, expenditures for compensated absences and special termination benefits are recognized when financial resources are used, while in the statement of activities these costs are measured based on the amounts earned during the year. This amount represents the difference between benefits earned and benefits paid in the current period. (2,061,739)

Interest on Long-Term Debt – In governmental funds, interest on long-term debt is recognized when due, while in the statement of activities it is recognized as it accrues. This amount also includes the amortization of bond premiums and discounts and represents the net difference between accrued and paid interest for the current period. 136,235

Inventory Reporting – Governmental funds use the purchase method, recognizing inventory items as expenditures when purchased, while the statement of activities applies the consumption method, recognizing expenses as inventory is used. This amount represents the change in inventory balance during the current period. (50,123)

Pension and OPEB Expense – In governmental funds, pension and OPEB contributions are reported as expenditures when paid, while in the statement of activities pension and OPEB expense is recognized based on the change in the net pension and OPEB liabilities. This amount represents the difference between current year expense and contributions made during the year. 1,721,728

CHANGE IN NET POSITION ON GOVERNMENTAL ACTIVITIES \$ 4,741,225

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, 2025**

	FOOD SERVICE
<u>ASSETS</u>	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 3,048,787
Due from other funds	22,290
Due From Other Governments	74,475
Inventories	76,094
TOTAL CURRENT ASSETS	3,221,646
NON-CURRENT ASSETS:	
Machinery & Equipment (net)	770,319
TOTAL NON-CURRENT ASSETS	770,319
TOTAL ASSETS	\$ 3,991,965
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred Outflows of Resources - Related to Pension	687,420
Deferred Outflows of Resources - Related to OPEB	13,653
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 4,693,038
<u>LIABILITIES</u>	
CURRENT LIABILITIES:	
Due to Other Funds	\$ 241,698
Accounts Payable	49,883
Accrued Salaries and Benefits	29
Other Current Liabilities	52,732
Prepayments	99,677
TOTAL CURRENT LIABILITIES	444,019
NON-CURRENT LIABILITIES:	
Long-Term Portion of Compensated Absences	30,510
Net Pension Liability	3,057,166
Net OPEB Liability - Single Employer Plan	19,133
Net OPEB Liability - Multiple Employer Plan	129,529
TOTAL NON-CURRENT LIABILITIES	3,236,338
TOTAL LIABILITIES	3,680,357
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred Inflows of Resources - Related to Pension	62,570
Deferred Inflows of Resources - Related to OPEB	20,698
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	3,763,625
<u>FUND NET POSITION</u>	
Net Investment in Capital Assets	770,319
Unrestricted	159,094
TOTAL FUND NET POSITION	929,413
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND NET POSITION	\$ 4,693,038

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, 2025

	FOOD SERVICE
OPERATING REVENUES:	
Food Service Revenue	\$ 1,894,433
Other Operating Revenues	500
TOTAL OPERATING REVENUES	1,894,933

OPERATING EXPENSES:	
Salaries	1,396,930
Employee Benefits	(132,726)
Purchased Property Service	49,677
Other Purchased Services	1,976,747
Supplies	268,524
Depreciation	72,614
Other Operating Expenses	30,404
TOTAL OPERATING EXPENSES	3,662,170
OPERATING INCOME (LOSS)	(1,767,237)

NON-OPERATING REVENUES (EXPENSES):	
Earnings on investments	39,706
State Sources	758,703
Federal Sources	2,037,713
TOTAL NON-OPERATING REVENUES (EXPENSES)	2,836,122
INCOME (LOSS) BEFORE CONTRIBUTIONS	1,068,885
Capital Contributions	186,544
CHANGES IN FUND NET POSITION	1,255,429
FUND NET POSITION - BEGINNING	(326,016)
FUND NET POSITION - ENDING	\$ 929,413

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, 2025**

	FOOD SERVICE
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Users	\$ 1,893,049
Cash Received from Other Operating Revenue	500
Cash Payments to Employees for Services	(2,084,213)
Cash Payments to Suppliers for Goods and Services	(2,006,229)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(2,196,893) -----
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State Sources	803,105
Federal Sources	2,000,264
Capital Contributions	186,544
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	2,989,913 -----
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Equipment	(186,544)
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(186,544) -----
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on Investments	39,706
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	39,706
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	646,182
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	2,402,605
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,048,787

East Penn School District
Statement of Cash Flows - Proprietary Funds
As of June 30, 2025

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

	FOOD SERVICE
OPERATING INCOME (LOSS)	\$ (1,767,237) -----
 ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	
Depreciation and Net Amortization	72,614
Donated Commodities Used	234,412
 CHANGE IN ASSETS AND LIABILITIES:	
(Increase) Decrease in Advances to Other Funds	(1,384)
(Increase) Decrease in Inventories	10,998
(Increase) Decrease in Deferred Outflows of Resources - Change in Proportion of NPL	(10,508)
(Increase) Decrease in Deferred Outflows of Resources - Current Year Contributions	(7,783)
(Increase) Decrease in Deferred Outflows of Resources - Changes in Assumptions	10,105
(Increase) Decrease in Deferred Outflows of Resources - Diff. in Projected vs Actual Invest. Earnings	40,859
Increase (Decrease) in Accounts Payable	3,545
Increase (Decrease) in Accrued Salaries and Benefits	1,424
Increase (Decrease) in Payroll Deductions & Withholdings	(4,806)
Increase (Decrease) in Advances from Other Funds	25,069
Increase (Decrease) in Net OPEB Liability - Single Employer Plan	541
Increase (Decrease) in Net OPEB Liability - Multiple Employer Plan	(14,528)
Increase (Decrease) in Net Pension Liability	(849,132)
Increase (Decrease) in Deferred Inflows of Resources - Diff. in Projected vs Actual Contributions	(4,628)
Increase (Decrease) in Deferred Inflows of Resources - Diff. between Expected vs Actual Experience	3,936
Increase (Decrease) in Deferred Inflows of Resources - Changes in Assumptions	14,509
Increase (Decrease) in Other Current Liabilities	45,099
TOTAL ADJUSTMENTS	(429,656)
 NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ (2,196,893)

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, 2025

	PRIVATE- PURPOSE TRUST	CUSTODIAL FUNDS
ASSETS		
Cash and cash equivalents	\$ 19,190	\$ 289,276
Investments	53,595	-
Other Receivables	-	2,690
Prepaid Expenses	-	250
TOTAL ASSETS	\$ 72,785	\$ 292,216

LIABILITIES		
Accounts Payable	\$ -	\$ 6,732
Due to Other Funds	-	-
TOTAL LIABILITIES	-	6,732
NET POSITION		
Restricted For:		
Students and other individuals	72,785	285,484
TOTAL LIABILITIES & NET POSITION	\$ 72,785	\$ 292,216

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, 2025

	PRIVATE- PURPOSE TRUST FUND	CUSTODIAL FUNDS
ADDITIONS		
Contributions - Students	\$ -	\$ 495,630
Contributions - Other	4,895	-
Special Events	-	110,610
Other Income	-	58,808
INVESTMENT EARNINGS:		
Interest and Dividends	1,813	5,131
Net increase (decrease) in fair value of investments	-	-
Less investment expense	-	-
TOTAL ADDITIONS	6,708	670,179
	-----	-----
DEDUCTIONS		
Administrative expense	-	-
Payments for student club activities	-	677,480
Scholarships/Awards	3,500	-
TOTAL DEDUCTIONS	3,500	677,480
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	3,208	(7,301)
NET POSITION - BEGINNING OF YEAR	69,577	292,785
NET POSITION - END OF YEAR	\$ 72,785	\$ 285,484

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, 2025

	<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>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Local Sources	\$ 138,182,877	\$ 138,182,877	\$ 140,036,359	\$ 1,853,482
State Sources	44,989,690	44,989,690	46,794,020	1,804,330
Federal Sources	2,069,497	2,069,497	1,952,315	(117,182)
TOTAL REVENUES	<u>185,242,064</u>	<u>185,242,064</u>	<u>188,782,694</u>	<u>3,540,630</u>
EXPENDITURES				
Regular Instruction	83,553,695	83,553,695	82,924,714	628,981
Special Programs	33,263,398	33,835,398	32,763,336	1,072,062
Vocational Programs	3,570,675	3,570,675	3,359,479	211,196
Other Instructional Programs	130,744	195,744	144,169	51,575
Nonpublic School Programs	52,800	52,800	36,418	16,382
Adult Education Programs	902,499	7,546	6,049	1,497
Community College Sponsorship	-	894,953	894,953	-
Pupil Personnel Services	7,645,281	8,091,281	8,018,137	73,144
Instructional Staff Services	5,012,788	5,499,788	5,466,677	33,111
Administrative Services	8,306,138	8,406,138	8,310,916	95,222
Pupil Health	2,483,212	2,541,212	2,525,272	15,940
Business Services	1,380,416	1,452,416	1,428,985	23,431
Operation & Maintenance of Plant Services	16,112,575	17,084,575	16,662,181	422,394
Student Transportation Services	11,209,304	12,052,304	12,049,702	2,602
Central Support Services	2,370,783	2,370,783	2,078,218	292,565
Other Support Services	156,535	156,535	151,234	5,301
Student Activities	2,268,625	2,268,625	2,292,900	(24,275)
Community Services	135,806	135,806	88,152	47,654
Scholarships and Awards	-	-	38,550	(38,550)
Facilities, Acquisition and Construction	-	187,000	186,544	456
Debt Service	6,405,649	6,615,649	6,122,765	492,884
TOTAL EXPENDITURES	<u>184,960,923</u>	<u>188,972,923</u>	<u>185,549,351</u>	<u>3,423,572</u>
Excess (deficiency) of revenues over expenditures	<u>281,141</u>	<u>(3,730,859)</u>	<u>3,233,343</u>	<u>6,964,202</u>
OTHER FINANCING SOURCES (USES)				
Sale/Compensation for Fixed Assets	-	-	23,473	23,473
Insurance Recoveries	-	-	11,071	11,071
Operating Transfers In/(Out)	(2,295,100)	(2,295,100)	(2,295,100)	-
Budgetary Reserve	(9,380,000)	(5,368,000)	-	5,368,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>(11,675,100)</u>	<u>(7,663,100)</u>	<u>(2,260,556)</u>	<u>5,402,544</u>
NET CHANGE IN FUND BALANCES	(11,393,959)	(11,393,959)	972,787	12,366,746
FUND BALANCE - JULY 1, 2024	<u>\$ 27,613,702</u>	<u>\$ 27,613,702</u>	<u>\$ 26,278,837</u>	<u>\$ (1,334,865)</u>
FUND BALANCE - JUNE 30, 2025	<u>\$ 16,219,743</u>	<u>\$ 16,219,743</u>	<u>\$ 27,251,624</u>	<u>\$ 11,031,881</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, 2025

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, 2025

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 2024-25 was \$3,359,479.

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 2024-25 was \$894,953.

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2025

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, Schnecksville, 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, 2025

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, 2025

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, 2025

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, 2025

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 2024-25 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 fiscal year ended June 30, 2025, the School District implemented new accounting standards issued by the Governmental Accounting Standards Board (GASB). The financial statements reflect adoption of the following:

GASB Statement No. 101, *Compensated Absences*

GASB Statement No. 101 establishes a unified model for the recognition and measurement of liabilities for compensated absences (for example, vacation, sick leave, and similar leave). Under this standard, liabilities are recognized for leave that has accumulated and is expected to be used or paid, as well as leave that has been used but not yet settled. The standard also updates related disclosure requirements, including eliminating the prior requirement to disclose which governmental funds typically liquidate compensated absence liabilities.

Statement No. 101 is effective for fiscal years beginning after December 15, 2023. Accordingly, the District adopted this standard beginning with the 2024–2025 fiscal year.

Impact of adoption: The adoption of GASB Statement No. 101 did result in a material change to the District's beginning net position as of July 1, 2024. The District evaluated its compensated absences policies and recalculated the related liability in accordance with the new model. Any resulting adjustment was recorded as a restatement of beginning net position.

- Increase in compensated absences liability: \$2,000,000
- Net effect on beginning net position: (\$2,000,000)

GASB Statement No. 102, *Certain Risk Disclosures*

GASB Statement No. 102 requires governments to assess and disclose certain concentrations and constraints that could expose the District to substantial risk of a significant impact. These disclosures are intended to improve transparency about vulnerabilities arising from dependencies on specific sources (such as a major revenue source, a significant supplier, or a limited labor pool) or restrictions that limit the District's ability to respond to events.

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2025

Statement No. 102 is effective for fiscal years beginning after June 15, 2024. The District adopted this standard for the 2024–2025 fiscal year.

Impact of adoption: GASB Statement No. 102 did not change recognition or measurement in the financial statements. Its effect is limited to new or expanded note disclosures regarding applicable risks. Management evaluated the District’s activities and that no concentrations or constraints meeting the criteria for disclosure were present as of June 30, 2025:

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 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.

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2025

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 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, 2025, 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, 2025, the inventory shown in the governmental activities column of the government-wide statement of net position is \$10,108 and \$76,094 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, 2025; therefore, there is no offsetting nonspendable fund balance in the General Fund.

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2025

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, 2025, consist of:

Donated Commodities	\$	52,732
Supplies		5,468
Food		17,894
TOTAL	\$	76,094

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.

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 five-thousand (\$5,000) 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	20 years	20 years
Buildings and Improvements	15 - 30 years	15 - 30 years
Furniture and Equipment	5 - 15 years	5 -15 years
Right-to-use Equipment	Length of Lease	Length of Lease

Compensated Absences

The School District reports compensated absences in accordance with GASB Statement No. 101, *Compensated Absences*. Under this standard, compensated absence liabilities are recognized for leave that has been earned and is expected to be used or paid, including leave used but not yet settled. The liability is measured based on the employee's pay rate and applicable leave policies in effect at the financial statement date.

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2025

Compensated absences are reported as liabilities in the government-wide financial statements. In the governmental fund financial statements, the portion of compensated absences that is expected to be liquidated with expendable available financial resources is reported as a fund liability, while the remaining portion is reported only in the government-wide financial statements.

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 \$25,000 or more.

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 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.

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2025

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.

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, 2025, 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 are explained in Note 8 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.

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2025

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.

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, 2025

The details of the \$238,836,661 differences are:

Bonds/Notes payable	\$ 5,715,000
Less: Issuance discount (to be amortized as interest expense)	-
Add: Issuance premium (to be amortized as a contra to interest expense)	276,035
Accrued interest payable	28,574
Finance Purchase Obligations	295,742
Lease Obligations	122,522
Defined Benefit Net Pension Liability	192,153,834
Net Defined Contribution Pension Liability	962,768
Net OPEB Liability - Single Employer Plan	28,441,975
Net OPEB Liability - Multiple Employer Plan	8,141,471
Compensated absences	2,698,740
 Net adjustment to reduce "fund balance - total governmental funds" to arrive at "net position - governmental activities"	 <u>\$ 238,836,661</u>

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, 2025

	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	\$ 119,352,780	\$ (10,836)	\$ -	\$ -	\$ 119,341,944
Taxes levied for specific purposes	15,121,722	-	-	-	15,121,722
Interest and investment earnings	3,597,387	-	-	-	3,597,387
Miscellaneous	247,747	-	18,263	-	266,010
Contributions and Donations	241,574	-	-	-	241,574
Charges for Services	403,277	-	-	-	403,277
Grants, subsidies & contributions not restricted	20,654,101	-	-	-	20,654,101
STATE SOURCES:					
Operating & Capital grants and contributions	26,139,919	-	-	-	26,139,919
FEDERAL SOURCES:					
Operating & Capital grants and contributions	3,676,868	-	-	-	3,676,868
SPECIAL AND EXTRAORDINARY SOURCES:					
Gain or (Loss) on disposal of assets	23,473	-	(70,766)	-	(47,293)
TOTAL REVENUES	<u>189,458,848</u>	<u>(10,836)</u>	<u>(52,503)</u>	<u>-</u>	<u>189,395,509</u>
EXPENDITURES/EXPENSES					
Instruction	120,129,118	(248,757)	31,059	-	119,911,420
Instructional Student Support	16,010,086	189,992	828	-	16,200,906
Admin. & Fin'l Support Services	11,969,353	409,456	144,399	-	12,523,208
Oper. & Maint. Of Plant Svcs.	16,662,181	59,323	(76,196)	-	16,645,308
Pupil Transportation	12,049,702	-	-	-	12,049,702
Student activities	2,292,900	(19,833)	19,003	-	2,292,070
Community Services	88,152	(48)	1,189	-	89,293
Scholarships and Awards	38,550	-	-	-	38,550
Capital Outlay	9,977,512	-	(9,977,512)	-	-
Debt Service	6,122,765	-	-	(5,966,474)	156,291
Transfers Out	186,544	-	-	-	186,544
Depreciation - unallocated	-	-	4,560,992	-	4,560,992
TOTAL EXPENDITURES/EXPENSES	<u>195,526,863</u>	<u>390,133</u>	<u>(5,296,238)</u>	<u>(5,966,474)</u>	<u>184,654,284</u>
NET CHANGE FOR THE YEAR	<u>\$ (6,068,015)</u>	<u>\$ (400,969)</u>	<u>\$ 5,243,735</u>	<u>\$ 5,966,474</u>	<u>\$ 4,741,225</u>

Note 4 - Restatement of Net Position

Change in Accounting Principle – Adoption of GASB Statement No. 101

Effective July 1, 2024, the District adopted GASB Statement No. 101, *Compensated Absences*, which establishes a single model for the recognition and measurement of liabilities for compensated absences. The District applied this change in accounting principle in accordance with GASB Statement No. 100. Retroactive application to prior periods was not practicable because historical information necessary to remeasure compensated absences under the new model as of July 1, 2024 was not available. Accordingly, the District recorded the cumulative effect of adopting Statement No. 101 as a restatement of beginning net position.

As a result of this restatement, beginning net position of governmental activities as of July 1, 2024 was decreased by **\$2,000,000**.

**East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2025**

Summary of Restatements

The effects of these restatements on beginning balances are as follows:

Government-Wide Statements – Governmental Activities

Beginning net position, as previously reported (July 1, 2024)	(\$27,956,702)
Restatement – adoption of GASB Statement No. 101	(\$2,000,000)
Beginning net position, as restated (July 1, 2024)	(\$29,956,702)

This restatement is presented as a change in accounting principle of beginning balances and does not affect current-year operating results.

Note 5 - 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, 2025, except the governmental activities had a deficit of \$23,215,473.

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.

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, 2025. 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 6 - 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, 2025, \$14,814,187, of the District's bank balance of \$15,499,221 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	14,814,187
TOTAL	\$ 14,814,187

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2025

Reconciliation to Financial Statements

Uncollateralized Amount above	\$ 14,814,187
Plus: Insured Amount	685,034
Less: Outstanding Checks	<u>(1,986,465)</u>
Carrying Amount - Cash Balances	13,512,756
Plus: Petty Cash	-
Deposit in Pooled Investments Considered Cash Equivalents	42,581,601
Less: Certificates of Deposit considered Investments by School Code	<u>(147,730)</u>
TOTAL CASH PER FINANCIAL STATEMENTS	<u>\$ 55,946,627</u>

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 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

**East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2025**

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.
 - 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, 2025, the District had the following investments:

<i>Investment</i>	Maturities	Fair Value
PSDLAF		\$ 42,518,775
ESSA Bank Certificate of Deposit	3-24 Months	147,730
TOTAL		\$ 42,666,505

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, 2024, the District's investments in PSDLAF were rated AAAM by Standard & Poor's.

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2025

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer. As of June 30, 2025, 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	\$ 42,666,505
Less: Deposits in Investment Pool Considered Cash Equivalents	<u>(42,518,775)</u>
Total Investments Per Financial Statements	<u>\$ 147,730</u>

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.

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 \$5,903,611,400. The tax rate for the year was \$2.10 per \$100 of assessed valuation or 21.0 mills. In accordance with Act 1 of 2006, the District received \$2,732,397 in property tax reduction funds for the 2024-25 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.

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2025

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	2,079,500	-	-	-	2,079,500
Accounts	167,353	-	-	2,690	170,043
Intergovernmental	7,629,629	-	74,475	-	7,704,104
GROSS RECEIVABLES	9,876,482	-	74,475	2,690	9,953,647
Less: Allowance for Uncollectibles	-	-	-	-	-
NET RECEIVABLES	\$ 9,876,482	\$ -	\$ 74,475	\$ 2,690	\$ 9,953,647

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	\$ 1,426,589	\$ -
Deposit on TIF Real Estate Tax Arrangement	-	209,965
TOTAL	\$ 1,426,589	\$ 209,965

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2025

Capital Assets

Capital asset balances and activity for the year ending June 30, 2025, were:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
GOVERNMENTAL ACTIVITIES:				
Capital Assets not being depreciated:				
Land	\$ 10,970,223	\$ -	\$ -	\$ 10,970,223
Construction in Progress	11,151,390	9,977,512	(5,815,943)	15,312,959
Total Capital Assets not being depreciated/amortized	<u>22,121,613</u>	<u>9,977,512</u>	<u>(5,815,943)</u>	<u>26,283,182</u>
Capital Assets being depreciated/amortized:				
Site Improvements	9,407,648	266,761	-	9,674,409
Buildings and Improvements	201,798,693	5,597,595	(148,608)	207,247,680
Furniture and Equipment	11,395,681	1,052,967	(175,806)	12,272,842
Intangible right-to-use equipment	788,443	-	-	788,443
TOTAL CAPITAL ASSETS BEING DEPRECIATED/AMORTIZED	<u>223,390,465</u>	<u>6,917,323</u>	<u>(324,414)</u>	<u>229,983,374</u>
Less accumulated depreciation/amortization for:				
Site Improvements	(5,872,735)	(265,164)	-	(6,137,899)
Buildings and Improvements	(92,504,902)	(4,356,667)	113,685	(96,747,883)
Furniture and Equipment	(6,893,424)	(959,905)	158,225	(7,695,104)
Intangible right-to-use equipment	(469,526)	(200,918)	-	(670,444)
TOTAL ACCUMULATED DEPRECIATION/AMORTIZATION	<u>(105,740,587)</u>	<u>(5,782,654)</u>	<u>271,910</u>	<u>(111,251,330)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED/AMORTIZATION NET OF ACCUMULATED DEPRECIATION/AMORTIZATION	<u>117,649,878</u>	<u>1,134,669</u>	<u>(52,504)</u>	<u>118,732,044</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION/AMORTIZATION	<u>\$ 139,771,491</u>	<u>\$ 11,112,181</u>	<u>\$ (5,868,447)</u>	<u>\$ 145,015,226</u>
BUSINESS-TYPE ACTIVITIES:				
Capital Assets being depreciated:				
Furniture and Equipment	\$ 1,784,328	\$ 186,544	\$ -	\$ 1,970,872
Less accumulated depreciation	(1,127,939)	(72,614)	-	(1,200,553)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	<u>\$ 656,389</u>	<u>\$ 113,930</u>	<u>\$ -</u>	<u>\$ 770,319</u>

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

Instruction	\$ 941,196
Instructional Student Support	828
Admin. & Fin'l Support Services	144,399
Oper. & Maint. of Plant Svcs.	115,047
Student activities	19,003
Community Services	1,189
Depreciation - unallocated	4,560,992
TOTAL DEPRECIATION FOR GOVERNMENTAL ACTIVITIES	<u>\$ 5,782,654</u>

During the year, the District's governmental activities disposed of capital assets with an original cost of \$324,414 and accumulated depreciation of \$271,910. Proceeds of \$5,211 were received from the disposition, this resulted in a net loss of \$47,293. The business-type activities did not disposed of any capital assets during the fiscal 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, 2025

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 6/30/25</u>	<u>OUTSTANDING COMMITMENTS</u>
<u>Macungie ES Interior Renovations</u>			
Spillman Farmer Architects	160,000	128,000	32,000
<u>PBESA Wescosville</u>			
McClure Company	6,683,207	3,839,901	2,843,306
TOTAL	<u>\$ 6,843,207</u>	<u>\$ 3,967,901</u>	<u>\$ 2,875,306</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, 2025:

	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 241,698	\$ 22,290
Capital Projects (Capital Reserve) Fund	-	-
Enterprise (Food Service) Fund	22,290	241,698
Private Purpose (Trust) Fund	-	-
Custodial (Activity) Fund	-	-
TOTAL	<u>\$ 263,988</u>	<u>\$ 263,988</u>

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2025

The District also made the following interfund transfers during the fiscal year ending June 30, 2025:

	TRANSFER IN	TRANSFER OUT
General Fund	\$ -	\$ 2,295,100
Food Service Fund	-	-
Capital Project (Capital Reserve) Fund	2,295,100	-
TOTAL	\$ 2,295,100	\$ 2,295,100

Long-Term Liabilities

Long-term liability balances and activity for the year ended June 30, 2025, were:

Changes in Long-Term Liabilities

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	AMOUNTS DUE WITHIN ONE YEAR
GOVERNMENTAL ACTIVITIES					
<i>General Obligation Debt:</i>					
<i>Bonds and notes payable:</i>					
Bonds Payable	\$ 7,404,868	\$ -	\$ 1,413,833	\$ 5,991,035	\$ 1,325,000
Notes Payable	4,072,000	-	4,072,000	-	-
Total general obligation debt	11,476,868	-	5,485,833	5,991,035	1,325,000
<i>Other liabilities:</i>					
Finance Purchase Obligations	585,259	-	289,517	295,742	295,742
Lease Obligations	326,243	-	203,722	122,521	61,513
<i>Vested employee benefits:</i>					
Compensated Absences	3,118,248	267,374	-	3,385,622	686,881
Net Defined Benefit Pension Liability	198,344,845	-	6,191,011	192,153,834	-
Net Defined Contribution Pension Obligation	858,020	104,748	-	962,768	-
Net OPEB Liability - Single Employer Plan	24,994,425	3,447,550	-	28,441,975	-
Net OPEB Liability - Multiple Employer Plan	8,181,619	-	40,148	8,141,471	-
Total other liabilities	236,408,659	3,819,672	6,724,398	233,503,933	1,044,136
TOTAL GOVERNMENTAL ACTIVITY LONG-TERM LIABILITIES	\$ 247,885,527	\$ 3,819,672	\$ 12,210,231	\$ 239,494,968	\$ 2,369,136
BUSINESS TYPE ACTIVITIES					
<i>Other liabilities:</i>					
<i>Vested employee benefits:</i>					
Compensated Absences	28,988	1,522	-	30,510	-
Net Defined Benefit Pension Liability	3,906,298	-	849,132	3,057,166	-
Net OPEB Liability - Single Employer Plan	18,592	541	-	19,133	-
Net OPEB Liability - Multiple Employer Plan	144,055	-	14,526	129,529	-
TOTAL BUSINESS-TYPE ACTIVITY LONG-TERM LIABILITIES	\$ 4,097,933	\$ 2,063	\$ 863,658	\$ 3,236,338	\$ -

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, 2025

Total Interest paid and accrued during the year:

GOVERNMENTAL ACTIVITIES:	EXPENSE	PAID
General obligation debt	\$ 137,524	\$ 273,759
Finance Purchases	12,583	12,583
Lease Obligations	6,184	6,184
Refund of Prior Year Receipts	-	-
TOTAL INTEREST PAID BY GOVERNMENTAL ACTIVITIES	\$ 156,291	\$ 292,526

Finance Purchase Obligations

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, 2025, are as follows:

FISCAL YEAR	PRINCIPAL	INTEREST
2025-26	\$ 295,742	\$ 6,358
TOTAL OUTSTANDING	\$ 295,742	\$ 6,358

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2025

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, 2025, the value of the lease liability was \$20,025. 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, 2025 was \$333,820 with accumulated amortization of \$311,941.

The remaining principal and interest lease payments as of June 30, 2025, are as follows:

FISCAL YEAR	PRINCIPAL	INTEREST
2025-26	\$ 20,025	\$ 34
TOTAL OUTSTANDING	\$ 20,025	\$ 34

SBITA – Subscription Based Information Technology Agreements

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 \$48,163. As of June 30, 2025, the value of the subscription liability was \$12,173. The District is required to make yearly fixed payments of \$12,450. The subscription has an interest rate of 2.275%. The value of the right to use asset as of June 30, 2025 was \$48,163 with accumulated amortization of \$36,817.

The remaining principal and interest lease payments as of June 30, 2025, are as follows:

FISCAL YEAR	PRINCIPAL	INTEREST
2025-26	\$ 12,173	\$ 277
TOTAL OUTSTANDING	\$ 12,173	\$ 277

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, 2025, the value of the subscription liability was \$90,323. 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, 2025 was \$149,605 with accumulated amortization of \$64,117.

The remaining principal and interest lease payments as of June 30, 2025, are as follows:

FISCAL YEAR	PRINCIPAL	INTEREST
2025-26	\$ 29,314	\$ 2,422
2026-27	30,101	1,636
2027-28	30,908	829
TOTAL OUTSTANDING	\$ 90,323	\$ 4,887

**East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2025**

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.

The outstanding debt service requirements at June 30, 2025, are as follows:

FISCAL YEAR	PRINCIPAL	INTEREST
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	\$ 5,715,000	\$ 470,900
Unamortized Premiums	276,035	
TOTAL OUTSTANDING	\$ 5,991,035	

The School District's 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.

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, 2025

Compensated Absences

The District provides compensated absences in the form of sick leave and vacation leave to eligible employees in accordance with collective bargaining agreements and administrative policies. Sick leave may accumulate and may be paid upon retirement or separation for eligible employees. Vacation leave is earned based on employee classification and length of service and is paid upon termination.

In accordance with GASB Statement No. 101, *Compensated Absences*, the District recognizes a liability for compensated absences that have been earned and are expected to be used or paid. The liability is measured based on pay rates and applicable employer payroll taxes, net of reimbursement, in effect at the financial statement date.

As of June 30, 2025, the District's total compensated absences liability was \$3,416,132. Of this amount:

- \$686,881 is reported as a current liability in governmental activities and the General Fund, and
- \$2,698,741 is reported as a long-term liability in governmental activities.

The portion attributable to business-type activities is reported in the applicable enterprise fund.

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. 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.pa.gov/PSERS.

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

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2025

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, 2025**

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, 2025 was 32.92% 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 \$25,926,655 for the year ended June 30, 2025.

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

At June 30, 2025, the District reported a liability of \$195,211,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by rolling forward the

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2025

System's total pension liability as of June 30, 2023 to June 30, 2024. 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, 2025, the District's proportion was 0.4664 percent, which was an increase of 0.0033 percent from its proportion measured as of June 30, 2024.

For the year ended June 30, 2025, the District recognized pension expense of \$22,519,969. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions 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	\$ -	\$ -
Changes in Assumptions	-	-
Net difference between projected and actual contributions made	-	-
Net difference between projected and actual earnings on pension plan investments	3,231,000	-
Difference between expected and actual experience	-	3,069,000
Changes in proportion of the Net Pension Liability	4,676,000	-
District contributions subsequent to the measurement date	<u>25,926,655</u>	<u>-</u>
Total	<u>\$ 33,833,655</u>	<u>\$ 3,069,000</u>

\$25,926,655 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	<u>Amount</u>
2025	\$ (2,586,000)
2026	6,863,000
2027	1,217,000
2028	(656,000)
Thereafter	<u>-</u>
Total	<u>\$ 4,838,000</u>

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2025

Changes in Actuarial Assumptions

The Total Pension Liability as of June 30, 2024 was determined by rolling forward the System's Total Pension Liability as of June 30, 2023 to June 30, 2024 using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation Date - June 30, 2023
- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 7.00%, includes inflation at 2.50%.
- 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, 2023 and as of June 30, 2024.
- 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, 2024 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, 2025**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	30.0%	4.8%
Private Equity	12.0%	6.7%
Fixed Income	33.5%	3.9%
Commodities	5.0%	2.5%
Infrastructure	10.0%	6.4%
Real estate	9.5%	5.9%
	<u>100%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2024.

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	\$ 257,153,000	\$ 195,211,000	\$ 142,906,000

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.pa.gov/PSERS.

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. During the year ended June 30,

East Penn School District
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2025, the School District recognized revenue of \$13,093,962 as reimbursement from the State for its current year pension payments

Payables to the Pension Plan

As of June 30, 2025, the School had \$9,856,471 included in accrued wages liability, of which \$7,710,153 is for the contractually required contribution for the second quarter of 2025 and \$2,146,317 is related to the accrued payroll liability for wages incurred as of June 30, 2025.

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 \$52,624 for the year ended June 30, 2025.

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

At June 30, 2025, the District reported a liability of \$962,768 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024, with rolling forward the System's total pension liability as of June 30, 2025.

For the year ended June 30, 2025, the District recognized pension expense of \$116,532. The following table reflects the changes to the pension obligation during the year:

East Penn School District
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	<u>2024-25</u>
Total Defined Contribution Pension Liability - beginning	\$ 858,020
Service Cost	72,551
Interest	37,258
Changes in Benefit Terms	-
Difference between expected and actual experience	56,993
Changes in assumptions	(9,552)
Benefit payments	<u>(52,502)</u>
Net change in total Pension Liability	<u>104,748</u>
Total Defined Contribution Pension Liability - ending	\$ 962,768
Interest Rate	4.29%
Plan Members	43
Covered Payroll	\$ 5,551,719

Actuarial Assumptions

The total pension liability as of June 30, 2025 was determined by the actuarial valuation on July 1, 2024, 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 – 4.29%

The actuarial assumptions used in the July 1, 2024 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	\$ -	\$ 22,851
Net difference between projected and actual investment earnings	-	-
Difference between expected and actual experience	85,524	-
Changes in proportion of the net defined contribution pension liability	-	-
District contributions subsequent to the measurement date	<u>52,624</u>	<u>-</u>
Total	\$ 138,148	\$ 22,851

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2025

Funded Status and Funding Process

The funded status of the benefits as of June 30, 2025, was as follows:

	Retirement Incentive Benefit Governmental Activity
Actuarial accrued liability (a)	\$ 962,768
Actuarial value of plan assets (b)	-
Unfunded actuarial accrued liability (a) - (b)	<u>\$ 962,768</u>
Funded Ratio (b) / (a)	0.0%
Covered payroll	\$ 5,551,719
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll.	17.3%

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 of 4.29%, 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 (3.29%) or 1-percentage point higher (5.29%) 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 3.29%	Current Discount Rate 4.29%	1% Increase 5.29%
District's proportionate share of the net OPEB Pension liability	\$ 1,023,582	\$ 962,768	\$ 904,689

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
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<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, 2024, 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, 2025

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, 2024 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 school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.pa.gov/PSERS.

East Penn School District
Notes to Basic Financial Statements
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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, 2025 was 0.63% 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 \$496,166 for the year ended June 30, 2025.

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

At June 30, 2025, the District reported a liability of \$8,271,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2024, 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, 2023 to June 30, 2024. 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, 2025, the District's proportion was 0.4656 percent, which was an increase of 0.0038 percent from its proportion measured as of June 30, 2024.

For the year ended June 30, 2025, the District recognized OPEB expense of \$398,820. At June 30, 2025, 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	\$ -	\$ -
Changes in Assumptions	-	759,000
Net difference between projected and actual contributions made	-	-
Net difference between projected and actual investment earnings	9,000	-
Difference between expected and actual experience	-	93,000
Changes in proportion of the Net OPEB Liability	231,000	-
District contributions subsequent to the measurement date	496,166	-
Total	\$ 736,166	\$ 852,000

East Penn School District
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\$496,166 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, 2025. 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>
2025	\$ (147,000)
2026	(206,000)
2027	(260,000)
2028	13,000
2029	(12,000)
Thereafter	<u>-</u>
Total	<u>\$ (612,000)</u>

Actuarial Assumptions

The Total OPEB Liability as of June 30, 2024, was determined by rolling forward the System’s Total OPEB Liability as of June 30, 2023 to June 30, 2024 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return – 4.21% - 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, 2023 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, 2022 determined the employer contribution rate for fiscal year 2024.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.

East Penn School District
Notes to Basic Financial Statements
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- Asset valuation method: Market Value.
- 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%	1.7%
	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, 2024.

Discount Rate

The discount rate used to measure the Total OPEB Liability was 4.21%. 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 4.21% which represents the S&P 20-year Municipal Bond Rate at June 30, 2024, 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, 2024, 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, 2024, 92,149 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2024, 489 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
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The following presents the System net OPEB liability for June 30, 2024, 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:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
System net OPEB liability	\$ 8,270,000	\$ 8,271,000	\$ 8,272,000

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 4.21%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.21%) or 1-percentage-point higher (5.21%) than the current rate:

	<u>1% Decrease 3.21%</u>	<u>Current Discount Rate 4.21%</u>	<u>1% Increase 5.21%</u>
District's proportionate share of the net OPEB liability	\$ 9,344,000	\$ 8,271,000	\$ 7,373,000

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.pa.gov/PSERS.

Payables to the Multiple Employer OPEB Plan

As of June 30, 2025, the School had \$188,626 included in accrued wages liability, of which \$147,552 is for the contractually required contribution for the second quarter of 2025 and \$41,075 is related to the accrued payroll liability for wages incurred as of June 30, 2025.

**East Penn School District
Notes to Basic Financial Statements
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Single Employer OPEB Plan

Summary of Plan Provisions			
Group	Eligibility	Coverage and Premium Sharing	Duration
<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 does meet the requirements 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
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Fiscal Year Ended June 30, 2025**

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 with 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 or 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 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 75 liabilities

- Financial Incentives under the ERIP are valued under GASB 47. 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. 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
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Fiscal Year Ended June 30, 2025

Employees Covered by Benefit Terms

At June 30, 2025, the following employees were covered by the benefit terms:

Active Participants	797
Vested Former Participants	0
Retired Participants	<u>73</u>
Total	870

Total OPEB Liability

The School's total OPEB liability under this single employer plan of \$28,461,108, was measured as of June 30, 2025, and was determined by an actuarial valuation as of July 1, 2024.

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	7/1/2024
Actuarial Cost Method	Entry Age Normal
Interest Rate	4.29%
Projected salary increases	4.00% to 6.75%
Healthcare inflation rate	7.0% in 2024 with 0.5% decrease per year until 5.5% in 2027. Rates gradually decrease from 5.4% in 2028 to 4.0% on 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, 2024.

East Penn School District
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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>2024-25</u>
Total OPEB Liability	
Service Cost	\$ 1,322,845
Interest	1,065,211
Changes in Benefit Terms	-
Difference between expected and actual experience	2,054,763
Changes in assumptions	9,188
Benefit payments	<u>(1,003,916)</u>
Net change in total OPEB Liability	3,448,091
Total OPEB Liability - beginning	<u>25,013,017</u>
Total OPEB Liability - ending	<u>\$ 28,461,108</u>
Covered employee payroll	<u><u>\$ 66,703,375</u></u>

Total OPEB Liability as a percentage of covered employee payroll 42.67%

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

For the year ended June 30, 2025, the School recognized OPEB expense of \$2,151,549. At June 30, 2025, 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	\$ -	\$ 3,953,654
Net difference between projected and actual investment earnings	-	-
Difference between expected and actual experience	2,546,655	-
Changes in proportion of the Net OPEB Liability	-	-
District contributions subsequent to the measurement date	<u>1,249,781</u>	<u>-</u>
Total	<u>\$ 3,796,436</u>	<u>\$ 3,953,654</u>

East Penn School District
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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>
2026	\$ (236,507)
2027	(236,507)
2028	(236,507)
2029	(236,507)
2030	(236,507)
Thereafter	<u>(224,464)</u>
Total	<u>\$ (1,406,999)</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 (3.29%) or 1-percentage point higher (5.29%) than the current discount rate:

	1% Decrease	Current	1% Increase
	3.29%	Discount Rate	5.29%
		4.29%	
District's proportionate share of the net OPEB liability	\$ 30,629,845	\$ 28,461,108	\$ 26,407,063

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	1% Increase
	\$	Trend Rate	\$
System net OPEB liability	\$ 25,509,771	\$ 28,461,108	\$ 31,889,454

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2025

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					
	<u>Pension - GASB 68</u>	<u>Pension - GASB 73</u>	<u>Single Employer OPEB - GASB 75</u>	<u>Multiple Employer OPEB - GASB 75</u>	<u>Pension & OPEB Total</u>
RECONCILIATION OF NET CHANGE IN DEFERRED OUTFLOWS/INFLOWS	DR OR (CR) CURRENT YR BALANCE	DR OR (CR) CURRENT YR BALANCE	DR OR (CR) CURRENT YR BALANCE	DR OR (CR) CURRENT YR BALANCE	DR OR (CR) CURRENT YR BALANCE
Change in Proportion	\$ 4,570,228	\$ -	\$ -	\$ 226,130	\$ 4,796,358
Current Year Contributions	25,531,235	52,624	1,249,019	488,599	27,321,477
Change in Assumption	-	(22,851)	(3,953,943)	(744,202)	(4,720,996)
Diff in Projected Vs Actual Contributions	-	-	-	-	-
Difference in Investment Earnings	3,044,772	-	-	8,835	3,053,607
Diff. between Expected vs Actual Experience	(3,006,430)	85,524	2,551,362	(91,807)	(461,351)
Diff. between Prop. Share vs Actual POS	-	-	-	-	-
Net Pension Liability	\$ 192,153,834	\$ -	\$ -	\$ -	\$ 192,153,834
Net Defined Contribution Pension Liability	\$ -	\$ 962,768	\$ -	\$ -	\$ 962,768
Net OPEB Liability	\$ -	\$ -	\$ 28,441,975	\$ 8,141,471	\$ 36,583,446

BUSINESS-TYPE ACTIVITIES					
	<u>Pension - GASB 68</u>	<u>Pension - GASB 73</u>	<u>Single Employer OPEB - GASB 75</u>	<u>Multiple Employer OPEB - GASB 75</u>	<u>Pension & OPEB Total</u>
RECONCILIATION OF NET CHANGE IN DEFERRED OUTFLOWS/INFLOWS	DR OR (CR) CURRENT YR BALANCE	DR OR (CR) CURRENT YR BALANCE	DR OR (CR) CURRENT YR BALANCE	DR OR (CR) CURRENT YR BALANCE	DR OR (CR) CURRENT YR BALANCE
Change in Proportion	\$ 105,772	\$ -	\$ -	\$ 4,870	\$ 110,642
Current Year Contributions	395,420	-	762	7,567	403,749
Change in Assumption	-	-	289	(14,798)	(14,509)
Diff in Projected Vs Actual Contributions	-	-	-	-	-
Difference in Investment Earnings	186,228	-	-	165	186,393
Diff. between Expected vs Actual Experience	(62,570)	-	(4,707)	(1,193)	(68,470)
Diff. between Prop. Share vs Actual POS	-	-	-	-	-
Net Pension Liability	\$ 3,057,166	\$ -	\$ -	\$ -	\$ 3,057,166
Net Defined Contribution Pension Liability	\$ -	\$ -	\$ -	\$ -	\$ -
Net OPEB Liability	\$ -	\$ -	\$ 19,133	\$ 129,529	\$ 148,662

STATEMENT OF NET POSITION	
<u>Governmental & Business-Type Activities</u>	<u>Total</u>
RECONCILIATION OF NET CHANGE IN DEFERRED OUTFLOWS/INFLOWS	DR OR (CR) CURRENT YR BALANCE
Change in Proportion	\$ 4,907,000
Current Year Contributions	27,725,226
Change in Assumption	(4,735,505)
Diff in Projected Vs Actual Contributions	-
Difference in Investment Earnings	3,240,000
Diff. between Expected vs Actual Experience	(529,821)
Diff. between Prop. Share vs Actual POS	-
Net Pension Liability	\$ 195,211,000
Net Defined Contribution Pension Liability	\$ 962,768
Net OPEB Liability	\$ 36,732,108

RECONCILIATION TO FINANCIAL STATEMENTS		
<u>Pension Plans</u>	<u>Bus. Type Activities</u>	<u>Governmental Activities</u>
Net Pension Liability	\$ 3,057,166	\$ 193,116,602
Deferred Outflow Related to Pension	(687,420)	(33,284,383)
Deferred Inflows Related to Pension	62,570	3,029,281
Total liab. Net deferred inflows/outflows	\$ 2,432,316	\$ 162,861,500
<u>OPEB - Single & Multiple Employer Plans</u>		
Net OPEB Liability	\$ 148,662	\$ 36,583,446
Deferred Outflows Related to OPEB	(13,653)	(4,523,945)
Deferred Inflows Related to OPEB	20,698	4,789,952
Total liab. Net deferred inflows/outflows	\$ 155,707	\$ 36,849,453

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2025

Note 7 - 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, 2025**

Projected Tax Revenue Reduction for School District of TIF Agreement

<u>Calender 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 8 - 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 9 - Fund Balance Allocations

Nonspendable Fund Balance

The General Fund has \$1,571,977 in nonspendable fund balance at year end, which is comprised of \$1,571,977 of prepaid expenditures.

Restricted Fund Balance

The Capital Reserve Fund's \$11,679,717 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 \$193,137 of contributions restricted at year end.

Committed Fund Balance

The district has committed \$55,200 to be spent on mitigating learning loss resulting from COVID-19 pandemic, and \$1,163,800 for technology upgrades.

East Penn School District
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2025

Assigned Fund Balance

The General Fund has 11,033,200, assigned for appropriations in the 2025-26 budget.

Note 10 - 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 \$138,683,646. The business-type activities column reflects \$770,319 invested in capital assets with no related debt. In addition, \$11,679,717 of net position in the governmental activities column has been restricted for future capital projects.

Note 11 - 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, 2025.

Litigation

In accordance with management, there are no legal matters that could materially affect the financial position of the District as of June 30, 2025.

Note 12 - New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued the following Statements that will be effective for the Charter School in future fiscal years. Management has not yet completed its evaluation of the impact of these pronouncements on the Charter School's financial statements.

- **GASB Statement No. 103, Financial Reporting Model Improvements.** This Statement updates certain components of the financial reporting model, including presentation and disclosure requirements related to management's discussion and analysis, unusual or infrequent items, major component unit information, and budgetary comparison information. The requirements are effective for fiscal years beginning after June 15, 2025 (the Charter School's year ending June 30, 2026). Earlier application is encouraged.
- **GASB Statement No. 104, Disclosure of Certain Capital Assets.** This Statement requires additional note disclosures for (1) capital assets recognized in connection with leases and other intangible right-to-use arrangements and (2) capital assets held for sale. The requirements are effective for fiscal years beginning after June 15, 2025 (the Charter School's year ending June 30, 2026). Earlier application is encouraged.

In addition, GASB issued Implementation Guide No. 2025-1, Implementation Guidance Update—2025, which provides interpretive guidance on multiple Topics, including Statements 103 and 104. The Charter School will consider this guidance when implementing the related Statements.

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, 2025**

	<u>2024-25</u>	<u>2023-24</u>	<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>
District's proportion of the net pension liability (asset)	0.4664%	0.4631%	0.4507%	0.4432%	0.4586%	0.4510%	0.4440%	0.4395%	0.4435%	0.4371%
District's proportionate share of the net pension liability (asset)	\$ 195,211,000	\$ 206,016,000	\$ 200,375,000	\$ 181,963,000	\$ 225,810,000	\$ 210,990,000	\$ 213,142,000	\$ 217,062,000	\$ 219,785,000	\$ 189,332,000
District's covered employee payroll	\$ 78,756,545	\$ 74,529,856	\$ 71,101,614	\$ 66,548,628	\$ 62,516,246	\$ 64,424,139	\$ 62,467,686	\$ 59,842,387	\$ 58,676,043	\$ 57,594,539
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	247.87%	276.42%	281.81%	273.43%	361.20%	327.50%	341.20%	362.72%	374.57%	328.73%
Plan fiduciary net position as a percentage of the total pension liability	64.63%	61.85%	61.34%	63.67%	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%

**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, 2025**

	<u>2024-25</u>	<u>2023-24</u>	<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>
Contractually required contribution	\$ 25,926,655	\$ 24,661,929	\$ 24,394,964	\$ 22,719,702	\$ 21,061,723	\$ 21,549,875	\$ 20,364,466	\$ 18,993,974	\$ 17,133,405	\$ 14,398,635
Contributions in relation to the contractually required contribution	<u>25,926,655</u>	<u>24,661,929</u>	<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>
Contribution deficiency (excess)	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -
District's covered employee payroll	\$ 78,756,545	\$ 74,529,856	\$ 71,101,614	\$ 66,548,628	\$ 62,516,246	\$ 64,424,139	\$ 62,467,686	\$ 59,842,387	\$ 58,676,043	\$ 57,594,539
Contributions as a percentage of covered employee payroll	32.92%	33.09%	34.31%	34.14%	33.69%	33.45%	32.60%	31.74%	29.20%	25.00%

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, 2025

	<u>2024-25</u>	<u>2023-24</u>	<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	\$ 858,020	\$ 811,803	\$ 800,835	\$ 761,251	\$ 612,352	\$ 572,924	\$ 559,483	\$ 591,119
Service Cost	72,551	69,641	72,816	73,071	57,972	58,083	60,116	65,767
Interest	37,258	34,586	19,008	15,175	22,175	18,409	18,314	15,059
Changes in Benefit Terms	-	-	-	-	-	-	-	-
Difference between expected and actual experience	56,993	-	33,429	-	37,251	-	(6,019)	-
Changes in assumptions	(9,552)	(3,410)	(40,510)	(14,541)	50,593	(12,584)	4,715	(16,291)
Benefit payments	(52,502)	(54,600)	(73,775)	(34,121)	(19,092)	(24,480)	(63,685)	(96,171)
Net change in total Pension Liability	<u>104,748</u>	<u>46,217</u>	<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	\$ 962,768	\$ 858,020	\$ 811,803	\$ 800,835	\$ 761,251	\$ 612,352	\$ 572,924	\$ 559,483
Interest Rate	4.29%	4.13%	4.06%	2.28%	1.86%	3.36%	2.98%	3.13%
Plan Members	43	39	39	38	38	38	38	36
Covered Payroll	\$ 5,551,719	\$ 4,751,528	\$ 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, 2025

	<u>2024-25</u>	<u>2023-24</u>	<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)	\$ 962,768	\$ 858,020	\$ 811,803	\$ 800,835	\$ 761,251	\$ 612,352	\$ 572,924	\$ 559,483
District's covered employee payroll	\$ 5,551,719	\$ 4,751,528	\$ 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	17.34%	18.06%	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, 2025**

	<u>2024-25</u>	<u>2023-24</u>	<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	0.4656%	0.4618%	0.4495%	0.4422%	0.4579%	0.4510%	0.4440%	0.4395%	0.4435%
District's proportionate share of the net OPEB liability (asset) \$	8,271,000	8,355,000	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 \$	73,914,771	70,756,585	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	11.19%	11.81%	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	7.13%	7.22%	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, 2025**

	<u>2024-25</u>	<u>2023-24</u>	<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>
Contractually required contribution	\$ 496,166	\$ 476,991	\$ 533,262	\$ 532,389	\$ 512,633	\$ 541,163	\$ 518,482	\$ 496,692	\$ 487,011	\$ 483,794
Contributions in relation to the contractually required contribution	<u>496,166</u>	<u>476,991</u>	<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>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 78,756,545	\$ 74,529,856	\$ 71,101,614	\$ 66,548,628	\$ 62,516,246	\$ 64,424,139	\$ 62,467,686	\$ 59,842,387	\$ 58,676,043	\$ 57,594,539
Contributions as a percentage of covered employee payroll	0.63%	0.64%	0.75%	0.80%	0.82%	0.84%	0.83%	0.83%	0.83%	0.84%

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, 2025

	<u>2024-25</u>	<u>2023-24</u>	<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	\$ 1,322,845	\$ 1,240,480	\$ 1,745,551	\$ 1,767,047	\$ 1,396,859	\$ 1,407,346	\$ 1,590,428	\$ 1,554,305
Interest	1,065,211	978,887	575,312	451,788	689,319	586,608	714,207	529,272
Changes in Benefit Terms	-	-	(43,827)	-	-	-	-	-
Difference between expected and actual experience	2,054,763	-	4,530,264	-	(876,000)	-	(4,565,237)	-
Changes in assumptions	9,188	347,714	(6,695,508)	(773,872)	2,689,772	(621,725)	(13,860)	319,226
Benefit payments	<u>(1,003,916)</u>	<u>(925,346)</u>	<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	3,448,091	1,641,735	(385,526)	985,032	3,361,535	849,751	(3,131,384)	1,502,678
Total OPEB Liability - beginning	<u>25,013,017</u>	<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>	<u>20,189,196</u>
Total OPEB Liability - ending	<u>\$ 28,461,108</u>	<u>\$ 25,013,017</u>	<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>\$ 66,703,375</u>	<u>\$ 60,142,673</u>	<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	42.67%	41.59%	38.86%	41.58%	39.86%	34.74%	33.22%	41.32%

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, 2025**

	ALBURTIS BOROUGH	EMMAUS BOROUGH	LOWER MACUNGIE TOWNSHIP	MACUNGIE BOROUGH	UPPER MILFORD TOWNSHIP	TOTAL
CURRENT REAL ESTATE TAXES						
Assessed Value	\$ 152,908,400	\$ 859,343,000	\$ 3,799,974,400	\$ 243,717,800	\$ 847,667,800	\$ 5,903,611,400
Millage Rate	0.0210000	0.0210000	0.0210000	0.0210000	0.0210000	0.0210000
TOTAL TAX PER DUPLICATE	3,211,076	18,046,203	79,799,462	5,118,074	17,801,024	123,975,839
Less: Farmland Preservation	-	-	18,975	-	26,555	45,530
Less: Act 1 Deduction	111,287	441,647	1,601,316	121,237	456,910	2,732,397
TOTAL TAX TO BE COLLECTED	3,099,789	17,604,556	78,179,171	4,996,837	17,317,559	121,197,912
<hr/>						
PLUS - Additions	-	3,921	-	-	23,112	27,033
- Penalties	5,403	25,939	84,446	8,626	30,957	155,371
- TIF Amortization	-	-	19,218	-	-	19,218
CURRENT REAL ESTATE TAXES TO BE COLLECTED	3,105,192	17,634,416	78,282,835	5,005,463	17,371,628	121,399,534
<hr/>						
LESS - Discount	54,608	304,939	1,425,839	88,637	321,683	2,195,706
- Refunds	3,851	6,691	73,275	3,277	9,594	96,688
- TIF Payment	-	-	717,452	-	-	717,452
- Rebates	5,050	30,543	45,782	9,550	17,650	108,575
- NSF	-	3,921	-	-	-	3,921
- Returned to County	99,981	340,013	772,890	75,089	338,959	1,626,932
- Exonerations	2,803	-	12,347	-	-	15,150
NET CURRENT REAL ESTATE TAXES COLLECTED	\$ 2,938,899	\$ 16,948,309	\$ 75,235,250	\$ 4,828,910	\$ 16,683,742	\$ 116,635,110
<hr/>						
CURRENT INTERIM REAL ESTATE TAXES COLLECTED	\$ 6,828	\$ 45,800	\$ 548,901	\$ 142,343	\$ 69,077	\$ 812,949

East Penn School District
General Fund - Budget vs Actual
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2025

<u>6000 - Revenue from Local Sources</u>		<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
6111	Current Real Estate Taxes	\$ 116,433,507	\$ 116,635,110	\$ 201,603
6112	Interim Real Estate Taxes	1,194,711	812,949	(381,762)
6113	Public Utility	106,403	117,880	11,477
6114	Payment in Lieu of Taxes	10,765	12,821	2,056
6151	Earned Income Tax	12,239,117	12,423,264	184,147
6153	Real Estate Transfer Tax	2,038,471	2,567,757	529,286
6411	Delinquent Real Estate Taxes	1,700,397	1,904,721	204,324
6510	Interest	1,974,275	2,955,777	981,502
6710	Admissions	69,679	83,515	13,836
6720	Bookstore Sales	31,183	17,579	(13,604)
6740	Fees	142,507	203,308	60,801
6750	Student Activity - Special Events	1,435	2,200	765
6790	Other Student Activity Income	15,878	15,148	(730)
6810	Revenue From Local Governmental Units	45,400	842	(44,558)
6831	Federal Revenue Received From Other Pennsylvania Schools	25,745	22,400	(3,345)
6832	I/U Services - Federal	1,725,442	1,702,153	(23,289)
6910	Rentals	40,161	70,690	30,529
6920	Contributions	200,000	241,574	41,574
6942	Summer School	32,051	33,226	1,175
6943	Adult Education Tuition	-	1,505	1,505
6944	Receipts from Other LEA's - Education	40,000	29,044	(10,956)
6949	Other Tuition From Patrons	22,300	16,910	(5,390)
6991	Refunds of Prior Yr. Expenditures	40,000	40,995	995
6992	Energy Efficiency Revenue	35,450	29,826	(5,624)
6999	Miscellaneous	18,000	95,165	77,165
TOTAL REVENUE FROM LOCAL SOURCES		\$ 138,182,877	\$ 140,036,359	\$ 1,853,482
<u>7000 - Revenue from State Sources</u>				
7111	Basic Education Funding - Formula	17,475,495	17,904,239	428,744
7144	Reimbursement to School District for Charter School	-	319,336	319,336
7160	Orphan Tuition	115,953	163,870	47,917
7271	Special Education	4,571,325	4,946,892	375,567
7311	Transportation (Regular and Additional)	1,850,830	1,712,960	(137,870)
7312	Transportation (Nonpublic and Charter School)	323,400	311,465	(11,935)
7320	Rentals	544,584	542,418	(2,166)
7331	Health Services	151,609	151,549	(60)
7332	Feminine Hygiene Product Funding	-	14,016	14,016
7340	State Property Tax Reduction Allocation	2,749,862	2,749,862	-
7362	School Mental Health & Safety and Security Grants	247,934	45,000	(202,934)
7531	Ready to Learn Grant	705,924	705,924	-
7532	Adequacy Supplement	-	1,094,640	1,094,640
7599	Other State revenue not listed elsewhere	-	175,000	175,000
7810	Stae Share of Social Security and Medicare Taxes	3,013,939	2,862,887	(151,052)
7820	State Share of Retirement Contributions	13,238,835	13,093,962	(144,873)
TOTAL REVENUE FROM STATE SOURCES		\$ 44,989,690	\$ 46,794,020	\$ 1,804,330
<u>8000 - Revenue from Federal Sources</u>				
8514	Title I	1,045,609	972,430	(73,179)
8515	Title II	159,225	160,485	1,260
8516	Title III	29,876	27,835	(2,041)
8517	Title IV	83,832	78,742	(5,090)
8749	Other CARES Act and CRRSA Act Funding	-	136,051	136,051
8810	Medical Access	715,007	533,919	(181,088)
8820	Medical Assistance	35,948	42,853	6,905
TOTAL REVENUE FROM FEDERAL SOURCES		\$ 2,069,497	\$ 1,952,315	\$ (117,182)

**East Penn School District
General Fund - Budget vs Actual
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2025**

<u>9000 - Other Financing Sources</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
9400 Sale of or Compensation For Loss of Fixed Assets	-	23,473	23,473
9990 Insurance Recoveries	-	11,071	11,071
	<hr/>	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES	-	34,544	34,544
	<hr/>	<hr/>	<hr/>
TOTAL REVENUE AND OTHER FINANCING SOURCES	\$ 185,242,064	\$ 188,817,238	\$ 3,575,174

1000 - Instruction

1110 Regular Programs - Elem./Secondary	82,263,189	81,804,889	458,300
1190 Federally Funded Regular Programs	1,290,506	1,119,825	170,681
1211 Life Skills Support - Public	1,500	1,470	30
1221 Deaf or Hearing Impaired Support	1,500	1,348	152
1224 Blind or Visually Impaired Support	57,581	57,108	473
1225 Speech & Language Impaired	1,903,612	1,829,741	73,871
1231 Emotional Support - Public	3,096,852	3,096,699	153
1233 Autistic Support	3,717,532	3,714,761	2,771
1241 Learning Support - Public	14,433,837	14,187,648	246,189
1243 Gifted Support	1,093,253	1,093,104	149
1270 Multi-Handicapped Support	500,969	391,569	109,400
1281 Development Delay Support	55,550	18,845	36,705
1290 Other Support	8,973,212	8,371,043	602,169
1390 Other Vocational Education Programs	3,570,675	3,359,479	211,196
1410 Drivers' Education	26,708	25,105	1,603
1420 Summer School	61,912	13,513	48,399
1430 Homebound Instruction	88,124	87,512	612
1441 Adjudicated / Court Placed Programs	1,000	475	525
1442 Alternative Education Program	18,000	17,564	436
1500 Nonpublic School Programs	52,800	36,418	16,382
1691 Instructional Services	7,546	6,049	1,497
1693 Community College Sponsorship	894,953	894,953	-
	<hr/>	<hr/>	<hr/>
Total Instruction	122,110,811	120,129,118	1,981,693

2000 - Support Services

2111 Supervision of Pupil Personnel Services - Head	238,700	238,346	354
2119 Supervision of Student Services	182,957	151,688	31,269
2120 Guidance Services	4,120,998	4,082,203	38,795
2121 Supervision of Guidance Services	224,961	224,680	281
2126 Placement Services	177,146	176,207	939
2140 Psychological Services	2,202,298	2,201,372	926
2160 Social Work Services	944,221	943,641	580
2220 Technology Support Services	244,701	219,897	24,804
	<hr/>	<hr/>	<hr/>
Sub-Total Support Services	8,335,982	8,238,034	97,948

East Penn School District
General Fund - Budget vs Actual
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2025

2000 - Support Services		Budget	Actual	Variance
	Sub-Total Support Services (carried forward)	8,335,982	8,238,034	97,948
2240	Computer Assisted Instruction Services	478,890	478,703	187
2250	School Library Services	1,308,279	1,307,652	627
2260	Instructional & Curriculum Dev. Service	2,895,079	2,894,254	825
2271	Instructional Staff Development	557,824	556,814	1,010
2272	Instructional Staff Development	13,517	9,311	4,206
2290	Other Instructional Staff Services	1,498	46	1,452
2310	Board Services	91,347	82,117	9,230
2320	Board Treasurer Services	12,269	12,050	219
2330	Tax Assessment & Collection Service	123,097	119,500	3,597
2340	Staff Relations	594,177	513,584	80,593
2350	Legal Services	273,200	272,469	731
2360	Office of the Superintendent Services	1,249,915	1,249,737	178
2370	Community Relations Services	167,120	166,999	121
2380	Office of the Principal Services	5,895,013	5,894,460	553
2410	Supervision of Health Services	8,500	7,740	760
2420	Medical Services	3,000	-	3,000
2430	Dental Services	1,500	1,136	364
2440	Nursing Services	2,458,487	2,458,415	72
2450	Non-Public Health Services	69,725	57,981	11,744
2511	Supervision of Fiscal Services	311,137	310,395	742
2514	Payroll Services	293,143	271,319	21,824
2515	Financial Accounting Services	848,136	847,271	865
2611	Supervision of Operation and Maintenance of Plant Services - Head	246,004	149,264	96,740
2619	Supervision of Operation and Maintenance of Plant Services	344,952	344,329	623
2620	Operation of Building Services	15,404,637	15,404,495	142
2630	Care and Upkeep of Grounds Services	335,007	334,293	714
2640	Care and Upkeep of Equipment Services	10,000	592	9,408
2650	Vehicle Operation and Maint. Services	87,500	55,759	31,741
2660	Security Services	656,475	373,449	283,026
2720	Vehicle Operation Services	9,074,616	9,072,821	1,795
2750	Non-Public Transportation	2,977,688	2,976,881	807
2810	Planning, Research, Development and Evaluation Services	1,677	-	1,677
2818	System-Wide Technology Services	1,670,067	1,552,094	117,973
2834	Staff Development Services - Non-Instructional, Certified	192,369	87,446	104,923
2836	Staff Development Services - Non-Instructional, Non-Certified	37,700	26,035	11,665
2840	Data Processing Services	468,970	412,643	56,327
2910	Support services not listed elsewhere in the 2000	156,535	151,234	5,301
	Total Support Services	57,655,032	56,691,322	963,710
3000 - Operation of Non-Instructional Services				
3210	Student Activities	588,208	610,262	(22,054)
3250	School Sponsored Student Activities	1,680,417	1,682,638	(2,221)
3300	Community Services	127,506	81,165	46,341
3390	Other Community Services	8,300	6,987	1,313
3400	Scholarships and Awards	-	38,550	(38,550)
	Total Operation of Non-Instructional Services	2,404,431	2,419,602	(15,171)

East Penn School District
General Fund - Budget vs Actual
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2025

<u>4000 - Facilities Acquisition, Construction, and Improvement Services</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
4600 Existing Building Improvement Services	187,000	186,544	456
Total Facilities Acquisition, Construction, and Improvement Services	<u>187,000</u>	<u>186,544</u>	<u>456</u>
<u>5000 - Other Expenditures and Financing Uses</u>			
5110 Debt Service	6,405,649	5,912,859	492,790
5140 Leases	210,000	209,906	94
5230 Capital Projects Funds Transfers Out	2,295,100	2,295,100	-
5900 Budgetary Reserve	<u>5,368,000</u>	<u>-</u>	<u>5,368,000</u>
Total Other Expenditures and Financing Uses	<u>14,278,749</u>	<u>8,417,865</u>	<u>5,860,884</u>
TOTAL EXPENDITURES AND OTHE FINANCING USES	<u>\$ 196,636,023</u>	<u>\$ 187,844,451</u>	<u>\$ 8,791,572</u>
NET REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	\$ (11,393,959)	\$ 972,787	\$ 12,366,746
Special Items	-	-	-
Extraordinary Items	<u>-</u>	<u>-</u>	<u>-</u>
NET REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES AFTER SPECIAL ITEMS AND EXTRAORDINARY ITEMS	(11,393,959)	972,787	12,366,746
FUND BALANCE - JULY 1, 2024	<u>27,613,702</u>	<u>26,278,837</u>	<u>(1,334,865)</u>
FUND BALANCE - JUNE 30, 2025	<u>\$ 16,219,743</u>	<u>\$ 27,251,624</u>	<u>\$ 11,031,881</u>

**East Penn School District
Capital Reserve Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2025**

FUND BALANCE - JULY 1, 2024 \$ 18,720,519

REVENUES AND OTHER FINANCING SOURCES

Interest	\$ 641,610	
Transfer from General Fund	2,295,100	2,936,710
TOTAL FUNDS AVAILABLE		21,657,229

EXPENDITURES

CAPITAL OUTLAY:

Construction Services	2,471,845	
Site Improvements	285,247	
Equipment	7,220,420	9,977,512

FUND BALANCE - JUNE 30, 2025 **\$ 11,679,717**

East Penn School District
Food Service Fund
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2025

REVENUES

Sales	\$ 1,865,600	
Donated Commodities	234,412	
Special Events	28,843	
Over or (Short)	(10)	
State Subsidies	758,703	
Federal Subsidies	1,803,301	
Interest	39,706	
Capital Contributions	186,544	
Miscellaneous	500	
TOTAL REVENUES		\$ 4,158,896

COST OF COMMODITIES

Beginning Inventory - 7/1	62,011	
Purchases	225,133	
Ending Inventory - 6/30	(52,732)	
TOTAL COST OF COMMODITIES SOLD		<u>234,412</u>
GROSS PROFIT		<u>3,924,484</u>

SALARY AND BENEFIT EXPENSES

Cafeteria Aides	1,226,447	
Clerical	38,440	
Custodial/Maintenance	117,533	
Technology Assistants	5,510	
Other	9,000	
Benefits	(132,726)	
		<u>1,264,204</u>

OPERATING EXPENSES

Supplies	30,765	
Food Service Management Costs	1,975,916	
Repairs and Maintenance	49,677	
Communications	774	
Diesel Fuel	3,347	
Electricity	18,779	
Books & Periodicals	11,625	
Travel	57	
Depreciation	72,614	
TOTAL EXPENSES		<u>2,163,554</u>

CHANGES IN FUND NET POSITION 496,726

FUND NET POSITION - JULY 1, 2024 (326,016)

FUND NET POSITION - JUNE 30, 2025 **\$ 496,726**

**East Penn School District
Student Activity Custodial Fund
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2025**

ADDITIONS

Interest Income	\$	5,131	
Admissions		188,588	
Book Store Sales		9,186	
Student Organization Membership Dues and Fees		14,444	
Student Fees		276,002	
Special Events		110,610	
Contributions/Donations		16,596	
Other Activity Income		49,622	
TOTAL ADDITIONS	\$		670,179

DEDUCTIONS

Professional and Technical Services		86,781	
Rentals		98,358	
Transportation Services		112,898	
General Supplies		97,572	
Food		62,405	
Dues and Fees		151,808	
Donations		17,259	
Miscellaneous Expenses		50,399	
TOTAL DEDUCTIONS			677,480

NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION (7,301)

FUND NET POSITION - JULY 1, 2024 292,785

FUND NET POSITION - JUNE 30, 2025 **\$ 285,484**

**Student Activity Custodial Fund
Statement of Fiduciary Net Position
As of June 30, 2025**

ASSETS

Cash and Cash Equivalents	\$	289,276	
Other Receivables		2,690	
Prepaid Expenses		250	
TOTAL ASSETS	\$		292,216

LIABILITIES

Accounts Payable	\$	6,732	
TOTAL LIABILITIES			6,732

NET POSITION

Restricted for:			
Individuals, organizations, and other governments			285,484
TOTAL LIABILITIES AND FUND NET POSITION	\$		292,216

East Penn School District
Private-Purpose Trust Funds - Memorial Fund
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2025

ADDITIONS

Interest Income	\$ 1,813	
Contributions	4,895	
TOTAL ADDITIONS		\$ 6,708

DEDUCTIONS

Administrative Charges	-	
Awards	3,500	
TOTAL DEDUCTIONS		3,500

NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION **3,208**

FUND NET POSITION - JULY 1, 2023 **69,577**

FUND NET POSITION - JUNE 30, 2024 **\$ 72,785**

Private-Purpose Trust Funds - Memorial Fund
Statement of Fiduciary Net Position
As of June 30, 2025

ASSETS

Cash and Cash Equivalents	\$ 19,190	
Investments	53,595	
TOTAL ASSETS		\$ 72,785

LIABILITIES

Accounts Payable	\$ -	
TOTAL LIABILITIES		-

NET POSITION

Restricted for:		
Individuals, organizations, and other governments		72,785
TOTAL LIABILITIES AND FUND NET POSITION		\$ 72,785

East Penn School District
Schedule on General Obligation Bonds - Series of 2019
Dated as of September 17, 2019
For the Year Ended June 30, 2025

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
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	\$ 470,900	\$ 5,715,000

EAST PENN SCHOOL DISTRICT
Lehigh County, Pennsylvania

EAST PENN SCHOOL DISTRICT
ENROLLMENT TRENDS

Actual Enrollments					Projected Enrollments				
School	Grade K-5	Grade 6-8	Grade 9-12	Total	School	Grade K-5	Grade 6-8	Grade 9-12	Total
2021-22	3,120	1,925	2,774	7,819	2026-27	3,102	1,836	2,763	7,701
2022-23	3,204	1,881	2,808	7,893	2027-28	3,107	1,826	2,737	7,670
2023-24	3,175	1,896	2,795	7,866	2028-29	3,057	1,805	2,742	7,604
2024-25	3,124	1,842	2,765	7,731	2029-30	3,069	1,786	2,653	7,508
2025-26	3,080	1,805	2,648	7,533	2030-31	3,057	1,746	2,621	7,424

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

EAST PENN SCHOOL DISTRICT
REAL PROPERTY TAX COLLECTION DATA

School	Total Flat Billing	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
2020-21	\$102,286,135	\$100,649,059	\$98,475,601	97.84%	\$100,061,834	99.42%
2021-22	\$107,211,472	\$105,228,444	\$102,945,484	97.83%	\$105,089,559	99.87%
2022-23	\$111,062,095	\$109,179,147	\$107,050,346	98.05%	\$108,680,249	99.54%
2023-24	\$115,572,877	\$113,609,216	\$111,443,288	98.09%	\$112,924,737	99.40%
2024-25	\$121,197,912	\$119,142,427	\$116,635,110	97.90%	\$118,539,831	99.49%

(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	2024-25 Assessed Value
1 Liberty Property LP	Warehouse	302,722,400
2 TGG / TCH - Hamilton Crossings Assoc LP	Retail	48,395,600
3 BCI-OEF Lehigh Valley Crossing DC I	Warehouse	33,837,800
4 Headlands Realty Corp.	Warehouse & Land	29,049,200
5 SUSO 4 West Valley LP	Retail	27,982,400
6 Woodmont Lower Mac LLC	Apartments	26,511,800
7 Mack Trucks Inc.	Truck Manufacturing	24,479,200
8 AD Building 21 LLC	Warehouse & Land	24,000,000
9 Cedar - Trexler LLC	Retail	23,426,800
10 Fieldstone Associates LP	Retail	22,650,100
Total		\$563,055,300

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>
2021-22	19.1035	0.50%	0.50%
2022-23	19.6766	0.50%	0.50%
2023-24	20.1700	0.50%	0.50%
2024-25	21.0000	0.50%	0.50%
2025-26	21.8400	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>
2021-22	\$5,920,545,356	\$5,696,122,100	96.21%
2022-23	\$6,403,747,088	\$5,748,098,400	89.76%
2023-24	\$6,540,105,047	\$5,830,935,700	89.16%
2024-25	\$7,287,063,254	\$5,883,894,800	80.74%
2025-26(1)	\$7,311,879,366	\$5,903,611,400	80.74%
Compound Average Annual % Change =	0.00%	0.00%	

(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, 2025**

EAST PENN SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2025

FEDERAL GRANTOR PROJECT TITLE	SOURCE CODE	FEDERAL ALN	GRANTOR PASS-THROUGH NUMBER	GRANT PERIOD	AWARD AMOUNT	TOTAL RECEIVED	ACCRUED OR (DEFERRED) AT 7/01/24	REVENUE	EXPEN- TURES	ACCRUED OR (DEFERRED) AT 6/30/25	FOOT NOTES
U.S DEPARTMENT OF THE TREASURY											
PASSED THROUGH THE PA COMMISSION ON CRIME AND DELINQUENCY (PCCD)											
COVID-19 CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	I	21.027	2023-CM-01-41838	7/1/24 - 12/31/25	\$ 202,934	\$ 81,289	\$ -	\$ 136,051	\$ 136,051	\$ 54,762	2
TOTAL U.S DEPARTMENT OF THE TREASURY						81,289	-	136,051	136,051	54,762	
U.S. DEPT. OF EDUCATION											
PASSED THROUGH THE PA DEPARTMENT OF EDUCATION (PDE)											
TITLE IA - IMPROVING BASIC PROGRAMS	I	84.010	FA-013-24-0127	7/1/23 - 9/30/24	\$ 1,045,609	146,941	146,941	-	-	-	2
TITLE IA - IMPROVING BASIC PROGRAMS	I	84.010	FA-013-25-0127	7/1/24 - 9/30/25	\$ 972,430	843,125	-	972,430	972,430	129,305	2
TOTAL TITLE I PROGRAM						990,066	146,941	972,430	972,430	129,305	
PASSED THROUGH THE PDE											
TITLE IIA - SUPPORTING EFFECTIVE INSTRUCTION	I	84.367	FA-020-24-0127	7/1/23 - 9/30/24	\$ 159,225	44,614	43,560	1,054	1,054	-	2
TITLE IIA - SUPPORTING EFFECTIVE INSTRUCTION	I	84.367	FA-020-25-0127	7/1/24 - 9/30/25	\$ 163,709	184,849	-	238,173	238,173	53,324	4
TOTAL TITLE II PROGRAM						229,463	43,560	239,227	239,227	53,324	
PASSED THROUGH THE PDE											
TITLE III LEP/IMMIGRANT	I	84.365	FA-010-24-0127	7/1/23 - 9/30/24	\$ 30,856	5,248	5,248	-	-	-	2
TITLE III LEP/IMMIGRANT	I	84.365	FA-010-25-0127	7/1/24 - 9/30/25	\$ 28,423	24,363	-	27,836	27,836	3,473	2
TOTAL TITLE III PROGRAM						29,611	5,248	27,836	27,836	3,473	
PASSED THROUGH THE PDE											
TITLE IVA - STUDENT SUPPORT AND ACADEMIC ENRICH.	I	84.424	FA-144-24-0127	7/1/23 - 9/30/24	\$ 83,832	17,964	17,964	-	-	-	2
TITLE IVA - STUDENT SUPPORT AND ACADEMIC ENRICH.	I	84.424	FA-144-25-0127	7/1/24 - 9/30/25	\$ 78,742	-	-	-	-	-	4
TOTAL TITLE IV PROGRAM						17,964	17,964	-	-	-	
PASSED THROUGH CARBON-LEHIGH I.U.											
IDEA, PART B	I	84.027	N/A	7/1/23 - 9/30/24	\$ 1,719,892	612,105	612,105	-	-	-	2
IDEA, PART B	I	84.027	N/A	7/1/24 - 9/30/25	\$ 1,693,963	1,063,032	-	1,693,963	1,693,963	630,931	1
IDEA SECTION 619 - PRESCHOOL	I	84.173	N/A	7/1/23 - 9/30/24	\$ 5,550	-	-	-	-	-	1
IDEA SECTION 619 - PRESCHOOL	I	84.173	N/A	7/1/24 - 9/30/25	\$ 8,190	8,190	-	8,190	8,190	-	1
TOTAL IDEA CLUSTER						1,683,327	612,105	1,702,153	1,702,153	630,931	
TOTAL U.S. DEPARTMENT OF EDUCATION						2,950,431	825,818	2,941,646	2,941,646	817,033	

SOURCE: D - DIRECT; I - INDIRECT

**East Penn School District
Schedule of Expenditures of Federal Awards (Continued)
Fiscal Year Ended June 30, 2025**

FEDERAL GRANTOR PROJECT TITLE	SOURCE CODE	FEDERAL ALN	GRANTOR PASS-THROUGH NUMBER	GRANT PERIOD	AWARD AMOUNT	TOTAL RECEIVED	ACCRUED OR (DEFERRED) AT 7/01/24	REVENUE	EXPENDI- TURES	ACCRUED OR (DEFERRED) AT 6/30/25	FOOT NOTES
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES											
PASSED THROUGH THE PA.											
DEPARTMENT OF PUBLIC WELFARE											
TITLE 19 - MEDICAL REIMBURSEMENT	I	93.778	N/A	7/1/24 - 9/30/25	N/A	\$ 46,096	\$ 3,244	\$ 42,852	\$ 42,852	\$ -	2
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						46,096	3,244	42,852	42,852	-	
U.S. DEPARTMENT OF AGRICULTURE											
PASSED THROUGH THE PA											
DEPARTMENT OF EDUCATION											
NATIONAL SCHOOL LUNCH	I	10.555	N/A	07/01/23 - 06/30/24	N/A	200,072	200,072	-	-	-	
NATIONAL SCHOOL LUNCH	I	10.555	N/A	07/01/24 - 06/30/25	N/A	1,363,484	-	1,405,102	1,405,102	41,618	
BREAKFAST PROGRAM	I	10.553	N/A	07/01/23 - 06/30/24	N/A	53,682	53,682	-	-	-	
BREAKFAST PROGRAM	I	10.553	N/A	07/01/24 - 06/30/25	N/A	270,592	-	278,860	278,860	8,268	
SEVERE NEED BREAKFAST	I	10.553	N/A	07/01/23 - 06/30/24	N/A	-	-	-	-	-	
SEVERE NEED BREAKFAST	I	10.553	N/A	07/01/24 - 06/30/25	N/A	112,434	-	119,340	119,340	6,906	
PASSED THROUGH THE PA											
DEPARTMENT OF AGRICULTURE											
NATIONAL SCHOOL LUNCH - USDA COMMODITIES	I	10.555	N/A	07/01/24 - 06/30/25	N/A	225,133	(62,011)	234,412	234,412	(52,732)	2
TOTAL CHILD NUTRITION CLUSTER						2,225,397	191,743	2,037,714	2,037,714	4,060	3
TOTAL U.S. DEPARTMENT OF AGRICULTURE						2,225,397	191,743	2,037,714	2,037,714	4,060	
TOTAL FEDERAL FINANCIAL AWARDS						\$ 5,303,213	\$ 1,020,805	\$ 5,158,263	\$ 5,158,263	\$ 875,855	

SOURCE: D - DIRECT; I - INDIRECT

East Penn School District
Notes to the Schedule of Expenditures of Federal Awards
Fiscal Year Ended June 30, 2025

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, 2025. 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 1.7% of its total general fund revenue in federal awards, and 43.1% 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>Passed through</u>	<u>Total Awards</u>	<u>Total Expenditures</u>
PA Department of Education	\$ 2,562,826	\$ 3,042,795
PA Commission on Crime and Delinquency	\$ 202,934	\$ 136,051
Carbon-Lehigh I.U.	3,427,595	1,702,153
PA Department of Public Welfare	N/A	42,852
PA Department of Agriculture	N/A	234,412
Totals	\$ 6,193,355	\$ 5,158,263

East Penn School District
Notes to the Schedule of Expenditures of Federal Awards
Fiscal Year Ended June 30, 2025

3. The District received non-monetary assistance from the U.S. Department of Agriculture of \$225,133 in the form of commodities. These commodities are valued at U.S.D.A.'s approximate costs. During the 2024-25 fiscal year, the District used \$234,412 in commodities and established a year-end inventory of \$52,732 at June 30, 2025.
4. As allowed by federal regulations, the East Penn School District elected to transfer program funds. The District expended \$78,742 from it's Title IV, Part A Student Support and Academic Enrichment (84.424) on allowable activities of the Title II, Part A Supporting Effective Instruction (84.367). This amount is reflected in the expenditures of Title II, Part A Supporting Effective Instruction (84.367).
5. 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.
6. 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	\$ 1,952,315
Federal Grants in Local Sources	1,724,553
Food Service Fund Federal Revenue	<u>2,037,713</u>
Total Federal Revenue, per financial statements	5,714,581
Less - Medical Access Grant	(533,918)
Less - Transportation Access Grant	(22,400)
Federal Revenue on SEFA	<u><u>\$ 5,158,263</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, 2025, 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 19, 2025.

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 19, 2025



**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 identified as subject to audit 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, 2025. 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, 2025.

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 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,



Northampton, Pennsylvania
November 19, 2025

**East Penn School District
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2025**

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
84.010	Title I Program
84.367	Title II Program

Percentage of programs tested to total awards 23.5%

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, 2025**

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.