



**LEHIGHTON AREA SCHOOL DISTRICT
LEHIGHTON, PENNSYLVANIA**

AUDIT REPORT

JUNE 30, 2024

LEHIGHTON AREA SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

January 27, 2025

Board of School Directors
Lehigh Area School District
Lehigh, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lehigh Area School District ("the School District"), Lehigh, Pennsylvania, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lehigh Area School District, Lehigh, Pennsylvania, as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 GAAS 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 GAAS 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 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 School District's ability to continue as a going concern for a reasonable period of time.

Board of School Directors
Lehigh Area School District

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 5 through 11, and the schedule of the School District's proportionate share of the net pension liability - PSERS, schedule of School District pension contributions - PSERS, schedule of the School District's proportionate share of the net OPEB liability - PSERS, schedule of School District OPEB contributions - PSERS, and schedule of changes in the School District's net OPEB liability and related ratios - single employer plan on pages 59 through 63 be presented to supplement the basic financial statements. Such information, 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 School District's basic financial statements. The schedule of expenditures of federal awards on page 69 is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report January 27, 2025, on our consideration of the 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

Board of School Directors
Lehigh Area School District

matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP

**LEHIGHTON AREA SCHOOL DISTRICT
LEHIGHTON, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
JUNE 30, 2024**

The discussion and analysis of the Lehigh Area School District's ("the School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2024. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should review the basic financial statements as well as the notes to the financial statements to enhance their understanding of the School District's financial performance.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements are comprised of five components: 1) government-wide financial statements, 2) governmental fund financial statements, 3) proprietary funds, 4) fiduciary funds, and 5) notes to the financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide a broad overview of the School District's finances. These statements are prepared using the accrual basis of accounting. The statement of net position presents information on all of the School District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference stated as net position. Increases or decreases in net position may be an indicator of whether the financial position of the School District is improving or declining. In assessing the overall performance of the School District, consideration must be given to the overall cash position, the ability to meet its debt obligations, and the current property tax rates. 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.

Assets, Liabilities, and Net Position

Tables A-1 and A-2 reflect the condensed Statement of Net Position as of June 30, 2024 and 2023.

**Table A-1
Net Position
June 30, 2024 and 2023**

| | Governmental Activities | | Business-type Activities | | Totals | |
|--------------------------------|-------------------------|---------------|--------------------------|------------|---------------|---------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| ASSETS: | | | | | | |
| Current and other assets | \$ 24,820,630 | \$ 19,163,764 | \$ 827,826 | \$ 644,068 | \$ 25,648,456 | \$ 19,807,832 |
| Capital assets | 60,090,442 | 62,516,662 | 184,053 | 177,065 | 60,274,495 | 62,693,727 |
| TOTAL ASSETS | 84,911,072 | 81,680,426 | 1,011,879 | 821,133 | 85,922,951 | 82,501,559 |
| Deferred outflows of resources | 7,906,160 | 6,967,748 | 132,554 | 116,218 | 8,038,714 | 7,083,966 |

**LEHIGHTON AREA SCHOOL DISTRICT
LEHIGHTON, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
JUNE 30, 2024**

**Table A-1
Net Position
June 30, 2024 and 2023**

| | Governmental Activities | | Business-type Activities | | Totals | |
|----------------------------------|-------------------------|-----------------------|--------------------------|--------------------|-----------------------|-----------------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| (cont'd) | | | | | | |
| LIABILITIES: | | | | | | |
| Current liabilities | 7,864,288 | 7,311,977 | 54,431 | 57,320 | 7,918,719 | 7,369,297 |
| Long-term liabilities | 91,962,863 | 94,657,114 | 788,245 | 780,218 | 92,751,108 | 95,437,332 |
| TOTAL LIABILITIES | 99,827,151 | 101,969,091 | 842,676 | 837,538 | 100,669,827 | 102,806,629 |
| Deferred inflows of resources | 5,275,426 | 6,799,521 | 62,975 | 113,219 | 5,338,401 | 6,912,740 |
| NET POSITION (DEFICIT): | | | | | | |
| Net investment in capital assets | 11,482,843 | 12,247,426 | 184,053 | 177,065 | 11,666,896 | 12,424,491 |
| Restricted | 1,104,698 | 243,573 | - | - | 1,104,698 | 243,573 |
| Unrestricted (deficit) | (24,872,886) | (32,611,437) | 54,729 | (190,471) | (24,818,157) | (32,801,908) |
| TOTAL NET POSITION (DEFICIT) | <u>\$(12,285,345)</u> | <u>\$(20,120,438)</u> | <u>\$ 238,782</u> | <u>\$ (13,406)</u> | <u>\$(12,046,563)</u> | <u>\$(20,133,844)</u> |

**Table A-2
Change in Net Position
For the Years Ended June 30, 2024 and 2023**

| | Governmental Activities | | Business-type Activities | | Totals | |
|--|-------------------------|-------------------|--------------------------|------------------|-------------------|-------------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| REVENUES AND TRANSFERS | | | | | | |
| Program Revenues: | | | | | | |
| Charges for services | \$ 94,175 | \$ 123,182 | \$ 124,858 | \$ 310,222 | \$ 219,033 | \$ 433,404 |
| Operating grants and contributions | 12,681,742 | 11,559,612 | 1,461,872 | 1,203,405 | 14,143,614 | 12,763,017 |
| General Revenues: | | | | | | |
| Property taxes | 22,125,894 | 19,421,062 | - | - | 22,125,894 | 19,421,062 |
| Other taxes | 3,613,302 | 3,528,113 | - | - | 3,613,302 | 3,528,113 |
| Grants/subsidies/contributions, unrestricted | 12,696,415 | 12,290,228 | - | - | 12,696,415 | 12,290,228 |
| Other | 1,168,900 | 780,476 | 31,728 | 14,334 | 1,200,628 | 794,810 |
| Transfers in (out) | (1,516) | - | 1,516 | - | - | - |
| TOTAL REVENUES AND TRANSFERS | <u>52,378,912</u> | <u>47,702,673</u> | <u>1,619,974</u> | <u>1,527,961</u> | <u>53,998,886</u> | <u>49,230,634</u> |

**LEHIGHTON AREA SCHOOL DISTRICT
LEHIGHTON, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
JUNE 30, 2024**

**Table A-2
Change in Net Position
For the Years Ended June 30, 2024 and 2023**

| | Governmental Activities | | Business-type Activities | | Totals | |
|---|-------------------------|-------------------------|--------------------------|-----------------------|-------------------------|-------------------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| (cont'd) | | | | | | |
| EXPENSES | | | | | | |
| Instruction | 28,223,767 | 24,101,774 | - | - | 28,223,767 | 24,101,774 |
| Instructional student support | 2,724,348 | 1,846,896 | - | - | 2,724,348 | 1,846,896 |
| Administrative/financial support | 4,308,453 | 3,531,425 | - | - | 4,308,453 | 3,531,425 |
| Operation/maintenance of plant | 3,447,298 | 2,836,175 | - | - | 3,447,298 | 2,836,175 |
| Pupil transportation | 1,456,993 | 1,114,266 | - | - | 1,456,993 | 1,114,266 |
| Student activities | 1,105,416 | 911,030 | - | - | 1,105,416 | 911,030 |
| Community services | 9,852 | 172 | - | - | 9,852 | 172 |
| Interest on long-term debt | 675,313 | 1,741,576 | - | - | 675,313 | 1,741,576 |
| Unallocated depreciation/amortization | 2,592,379 | 2,878,386 | - | - | 2,592,379 | 2,878,386 |
| Food services | - | - | 1,367,786 | 1,155,494 | 1,367,786 | 1,155,494 |
| TOTAL EXPENSES | 44,543,819 | 38,961,700 | 1,367,786 | 1,155,494 | 45,911,605 | 40,117,194 |
| CHANGE IN NET POSITION (DEFICIT) | \$ 7,835,093 | \$ 8,740,973 | \$ 252,188 | \$ 372,467 | \$ 8,087,281 | \$ 9,113,440 |

Governmental Activities

Revenue and Transfers

The governmental activities revenue and transfers of the School District during 2023 - 2024 totaled \$52,378,912 and came from four major sources. These sources included charges for services (\$94,175), grants and contributions (\$12,681,742), local tax revenue (\$25,739,196), and other revenue (\$1,167,384). Included in other revenue are investment earnings (\$1,012,666), miscellaneous revenue (\$156,234) and a transfer out (\$1,516). Total governmental revenues and transfers increased by \$4,676,239 or 9.80% from the prior year.

Expenses

The 2023 - 2024 governmental expenses totaled \$44,543,819, an increase of \$5,582,119 or 14.33% increase from the prior year.

Table A-3 shows the School District's largest functions as well as each function's net cost, total cost less revenues generated by the activities. This table also shows the net costs offset by the other unrestricted

**LEHIGHTON AREA SCHOOL DISTRICT
LEHIGHTON, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
JUNE 30, 2024**

grants, subsidies, and contributions to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

**Table A-3
Governmental Activities
For the Years Ended June 30, 2024 and 2023**

| | 2024 | | 2023 | |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | Total Cost of Services | Net Cost of Services | Total Cost of Services | Net Cost of Services |
| FUNCTIONS/PROGRAMS | | | | |
| Instruction | \$ 28,223,767 | \$ 17,355,611 | \$ 24,101,774 | \$ 14,005,805 |
| Instructional student support | 2,724,348 | 2,453,098 | 1,846,896 | 1,659,112 |
| Administrative and financial support | 4,308,453 | 3,868,410 | 3,531,425 | 3,175,892 |
| Operation and maintenance of plant | 3,447,298 | 3,096,845 | 2,836,175 | 2,554,878 |
| Pupil transportation | 1,456,993 | 787,026 | 1,114,266 | 515,810 |
| Student activities | 1,105,416 | 930,348 | 911,030 | 747,295 |
| Community services | 9,852 | 8,872 | 172 | 152 |
| Unallocated depreciation/amortization | 2,592,379 | 2,592,379 | 2,878,386 | 2,878,386 |
| Interest on long-term debt | 675,313 | 675,313 | 1,741,576 | 1,741,576 |
| TOTAL GOVERNMENTAL ACTIVITIES | <u><u>\$ 44,543,819</u></u> | <u>31,767,902</u> | <u><u>\$ 38,961,700</u></u> | <u>27,278,906</u> |
| Less: unrestricted grants and subsidies | | <u>12,696,415</u> | | <u>12,290,228</u> |
| TOTAL NEEDS FROM LOCAL TAXES | | <u><u>\$ 19,071,487</u></u> | | <u><u>\$ 14,988,678</u></u> |

Business-type Activities

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

**Table A-4
Business-type Activities
For the Years Ended June 30, 2024 and 2023**

| | 2024 | | 2023 | |
|---------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | Total Cost of Services | Net Cost of Services | Total Cost of Services | Net Cost of Services |
| FUNCTIONS/PROGRAMS | | | | |
| Food services | <u><u>\$ 1,367,786</u></u> | <u><u>\$ (218,944)</u></u> | <u><u>\$ 1,155,494</u></u> | <u><u>\$ (356,801)</u></u> |

The School District contracted with Nutrition Group, Inc. for the operation of food service for the School District. The School District's food service personnel have remained as School District employees except for the Food Service Director, who is a Nutrition Group employee. This change became effective on January 1, 2007. Effective August 20, 2010, all new food service personnel will be Nutrition Group

**LEHIGHTON AREA SCHOOL DISTRICT
LEHIGHTON, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
JUNE 30, 2024**

employees. All School District employees as of that date will remain School District employees until they resign, retire, or are terminated. As of June 30, 2024, four School District employees are food service personnel.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities. The School District uses fund accounting to ensure compliance with legal requirements. Fund financial statements are prepared using the modified accrual basis of accounting. The School District uses several types of funds, but the two most significant types are the governmental and proprietary fund types.

Governmental Funds

Most of the School 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 School 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 School District's programs. The relationship between the governmental activities (reported in the Statement of Net Position and Statement of Activities) and governmental funds is reconciled in the financial statements.

The General Fund had a fund balance of \$15,281,492 as of June 30, 2024, which is an increase of \$2,858,434 from the prior year. Of the fund balance in the general fund, \$73,668 was non-spendable related to prepaid expenditures, \$4,977,189 was assigned for various purposes, \$849,546 was restricted, and the remainder of \$9,381,089 was unassigned.

The Capital Projects and Capital Reserve Funds had a combined fund balance of \$255,152, which is restricted for future capital projects.

GENERAL FUND BUDGET COMPARISON

For the year ended June 30, 2024, total budgeted expenditures were \$48,278,247, and total actual expenditures were \$47,691,316. Expenditures in total were under budget primarily due to regular programs coming in \$1,123,921 under budget, central services coming in \$277,986 under budget, and debt service coming under budget by \$942,892. These savings were offset by special program services coming in \$1,258,399 over budget.

Proprietary Funds

These funds are to account for the School District's activities that are similar to business operations in the private sector, or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. The Food Service Fund is

**LEHIGHTON AREA SCHOOL DISTRICT
LEHIGHTON, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
JUNE 30, 2024**

the School District's proprietary fund and is the same as the business-type activities we report in the government-wide statements, but provides more detail and additional information, such as cash flows. The Food Service Fund reported a net position of \$238,782 as of June 30, 2024.

Fiduciary Funds

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

CAPITAL ASSETS

At June 30, 2024, the School District had \$60,274,495 invested in capital assets which included land, site improvements, buildings and improvements, furniture and equipment, and right-to-use assets. This amount represents a net decrease (including additions, deletions, and depreciation/amortization) of \$2,419,232 or 3.9% from last year.

**Table A-5
Capital Assets - Net of Depreciation**

| | 2024 | 2023 |
|----------------------------|---------------|---------------|
| Land | \$ 128,350 | \$ 128,350 |
| Site improvements | \$ 14,564 | \$ 15,831 |
| Buildings and improvements | \$ 58,332,955 | \$ 60,399,884 |
| Furniture and equipment | \$ 1,729,431 | \$ 2,060,215 |
| Right-to-use assets | \$ 69,195 | \$ 89,447 |

DEBT OUTSTANDING

**Table A-6
Outstanding Debt**

| | 2024 | 2023 |
|-------------------------------|----------------------|----------------------|
| General Obligation Bonds: | | |
| Series of 2014 | \$ 6,997,333 | \$ 7,174,643 |
| Series of 2015 | 4,955,000 | 4,960,000 |
| Series A of 2015 | - | 29,620,000 |
| Series of 2023 | 29,045,000 | - |
| General Obligation Notes: | | |
| Series of 2014 | 1,698,905 | 2,520,905 |
| Qualified Sone Academy Bonds: | | |
| Series of 2017 | 3,220,000 | 3,730,000 |
| Total Outstanding Debt | <u>\$ 45,916,238</u> | <u>\$ 48,005,548</u> |

**LEHIGHTON AREA SCHOOL DISTRICT
LEHIGHTON, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
JUNE 30, 2024**

The total debt outstanding for the School District as of June 30, 2024 was \$45,916,238, excluding unamortized bond premiums and discounts. More detailed information about our long-term liabilities is included in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The School District and its professional staff (Lehigh Area Educational Association) are currently working under a one-year agreement effective September 1, 2023 and expiring on August 31, 2026.

The School District and its support staff (Lehigh Area Educational Support Personnel Association) are currently working under a three-year contract effective from July 1, 2023 to June 30, 2026.

The School District and its Act 93 administration are currently working under a contract that expires on June 30, 2025.

The School District has contractual relationships with the Carbon Lehigh Intermediate Unit 21 ("CLIU 21"), the Carbon County Technical Institute ("Vo-Tech"), and Lehigh Carbon County College. The CLIU provides Special Education Services to the School District. The Carbon County Technical Institute provides full-time vocational and academic subjects for Lehigh Area students. At this time, the School District allows students in grades 9 through 12 to participate in these programs. The Lehigh Carbon Community College is supported by contracts with various school districts in Lehigh and Carbon Counties. This support results in subsidized tuition for the residents of the member school districts.

REQUESTS FOR INFORMATION

Our financial report is designed to provide our stakeholders (taxpayers, parents, students, investors, and creditors) with a general overview of the School District's financial condition and to provide accountability for the funds it receives.

If you have questions about this report or wish to request additional financial information, please contact the Business Administrator at the Lehigh Area School District, 1000 Union Street, Lehigh, PA 18235, (610) 377-4490.

LEHIGHTON AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2024

| | Governmental Activities | Business-type Activities | Totals |
|---|-----------------------------|-----------------------------|-----------------------------|
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | | |
| Current Assets: | | | |
| Cash and cash equivalents | \$ 18,501,850 | \$ 1,038,582 | \$ 19,540,432 |
| Taxes receivable, net | 3,988,285 | - | 3,988,285 |
| Due from other governments | 1,081,037 | 42,599 | 1,123,636 |
| Internal balances | 303,002 | (303,002) | - |
| Other receivables | 872,788 | 18,645 | 891,433 |
| Inventories | - | 31,002 | 31,002 |
| Prepaid expenses | 73,668 | - | 73,668 |
| Total Current Assets | <u>24,820,630</u> | <u>827,826</u> | <u>25,648,456</u> |
| Noncurrent Assets: | | | |
| Land | 128,350 | - | 128,350 |
| Site improvements | 948,102 | - | 948,102 |
| Buildings and improvements | 84,700,802 | - | 84,700,802 |
| Furniture and equipment | 10,258,232 | 388,615 | 10,646,847 |
| Right-to-use asset | 101,261 | - | 101,261 |
| Accumulated depreciation/amortization | (36,046,305) | (204,562) | (36,250,867) |
| Total Noncurrent Assets | <u>60,090,442</u> | <u>184,053</u> | <u>60,274,495</u> |
| TOTAL ASSETS | <u>84,911,072</u> | <u>1,011,879</u> | <u>85,922,951</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows relating to pension | 7,281,900 | 126,100 | 7,408,000 |
| Deferred outflows relating to OPEB | 624,260 | 6,454 | 630,714 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>7,906,160</u> | <u>132,554</u> | <u>8,038,714</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>\$ 92,817,232</u> | <u>\$ 1,144,433</u> | <u>\$ 93,961,665</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT) | | | |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts payable | \$ 1,427,556 | \$ 33,350 | \$ 1,460,906 |
| Accrued salaries and benefits | 3,740,506 | 609 | 3,741,115 |
| Accumulated compensated absences | 224,908 | 1,849 | 226,757 |
| Accrued interest | 217,825 | - | 217,825 |
| Unearned revenue | 61,303 | 18,623 | 79,926 |
| Bonds and notes payable, net | 2,172,545 | - | 2,172,545 |
| Lease liability | 19,645 | - | 19,645 |
| Total Current Liabilities | <u>7,864,288</u> | <u>54,431</u> | <u>7,918,719</u> |
| Noncurrent Liabilities: | | | |
| Bonds and notes payable, net | 44,989,389 | - | 44,989,389 |
| Lease liability | 52,950 | - | 52,950 |
| Accumulated compensated absences | 1,551,468 | 16,643 | 1,568,111 |
| Net pension liability | 42,415,000 | 737,000 | 43,152,000 |
| Net OPEB liability | 2,954,056 | 34,602 | 2,988,658 |
| Total Noncurrent Liabilities | <u>91,962,863</u> | <u>788,245</u> | <u>92,751,108</u> |
| TOTAL LIABILITIES | <u>99,827,151</u> | <u>842,676</u> | <u>100,669,827</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows relating to pension | 2,940,000 | 51,000 | 2,991,000 |
| Deferred inflows relating to OPEB | 962,356 | 11,975 | 974,331 |
| Deferred amount on refunding | 1,373,070 | - | 1,373,070 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>5,275,426</u> | <u>62,975</u> | <u>5,338,401</u> |
| NET POSITION (DEFICIT) | | | |
| Net investment in capital assets | 11,482,843 | 184,053 | 11,666,896 |
| Restricted for capital projects | 255,152 | - | 255,152 |
| Restricted for traffic signals | 347,817 | - | 347,817 |
| Restricted for PSHIC | 501,729 | - | 501,729 |
| Unrestricted (Deficit) | (24,872,886) | 54,729 | (24,818,157) |
| TOTAL NET POSITION (DEFICIT) | <u>(12,285,345)</u> | <u>238,782</u> | <u>(12,046,563)</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT) | <u>\$ 92,817,232</u> | <u>\$ 1,144,433</u> | <u>\$ 93,961,665</u> |

The accompanying notes are an integral part of these financial statements.

**LEHIGHTON AREA SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024**

| | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position (Deficit) | | |
|--|----------------------|-------------------------|--|--|--|---------------------------------|-----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business- type Activities | Totals |
| GOVERNMENTAL ACTIVITIES: | | | | | | | |
| Instruction | \$ 28,223,767 | \$ 5,981 | \$ 10,862,175 | \$ - | \$(17,355,611) | \$ - | \$(17,355,611) |
| Instructional student support | 2,724,348 | - | 271,250 | - | (2,453,098) | - | (2,453,098) |
| Administrative and financial support services | 4,308,453 | 13,453 | 426,590 | - | (3,868,410) | - | (3,868,410) |
| Operation and maintenance of plant services | 3,447,298 | 9,123 | 341,330 | - | (3,096,845) | - | (3,096,845) |
| Pupil transportation | 1,456,993 | - | 669,967 | - | (787,026) | - | (787,026) |
| Student activities | 1,105,416 | 65,618 | 109,450 | - | (930,348) | - | (930,348) |
| Community services | 9,852 | - | 980 | - | (8,872) | - | (8,872) |
| Unallocated depreciation/amortization | 2,592,379 | - | - | - | (2,592,379) | - | (2,592,379) |
| Interest on long-term debt | 675,313 | - | - | - | (675,313) | - | (675,313) |
| TOTAL GOVERNMENTAL ACTIVITIES | <u>44,543,819</u> | <u>94,175</u> | <u>12,681,742</u> | <u>-</u> | <u>(31,767,902)</u> | <u>-</u> | <u>(31,767,902)</u> |
| BUSINESS-TYPE ACTIVITIES: | | | | | | | |
| Food service | 1,367,786 | 124,858 | 1,461,872 | - | - | 218,944 | 218,944 |
| TOTAL BUSINESS-TYPE ACTIVITIES | <u>1,367,786</u> | <u>124,858</u> | <u>1,461,872</u> | <u>-</u> | <u>-</u> | <u>218,944</u> | <u>218,944</u> |
| TOTAL PRIMARY GOVERNMENT | <u>\$ 45,911,605</u> | <u>\$ 219,033</u> | <u>\$ 14,143,614</u> | <u>\$ -</u> | <u>(31,767,902)</u> | <u>218,944</u> | <u>(31,548,958)</u> |
| GENERAL REVENUES AND TRANSFERS | | | | | | | |
| Property taxes, levied for general purposes | | | | | 22,125,894 | - | 22,125,894 |
| Taxes levied for specific purposes | | | | | 3,613,302 | - | 3,613,302 |
| Grants and entitlements not restricted to specific programs | | | | | 12,696,415 | - | 12,696,415 |
| Investment earnings | | | | | 1,012,666 | 31,728 | 1,044,394 |
| Miscellaneous | | | | | 156,234 | - | 156,234 |
| Transfers in (out) | | | | | (1,516) | 1,516 | - |
| GENERAL REVENUES AND TRANSFERS | | | | | <u>39,602,995</u> | <u>33,244</u> | <u>39,636,239</u> |
| CHANGE IN NET DEFICIT | | | | | 7,835,093 | 252,188 | 8,087,281 |
| NET DEFICIT, BEGINNING OF YEAR | | | | | <u>(20,120,438)</u> | <u>(13,406)</u> | <u>(20,133,844)</u> |
| NET POSITION (DEFICIT), END OF YEAR | | | | | <u>\$(12,285,345)</u> | <u>\$ 238,782</u> | <u>\$(12,046,563)</u> |

The accompanying notes are an integral part of these financial statements.

**LEHIGHTON AREA SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2024**

| | General Fund | Capital Projects Fund | Capital Reserve Fund | Totals |
|--|-----------------------------|--------------------------|--------------------------|-----------------------------|
| ASSETS: | | | | |
| Cash and cash equivalents | \$ 18,246,698 | \$ - | \$ 255,152 | \$ 18,501,850 |
| Taxes receivable | 3,988,285 | - | - | 3,988,285 |
| Due from other governments | 1,081,037 | - | - | 1,081,037 |
| Other receivables | 872,788 | - | - | 872,788 |
| Due from other funds | 303,002 | - | - | 303,002 |
| Prepaid expenditures | 73,668 | - | - | 73,668 |
| TOTAL ASSETS | <u>\$ 24,565,478</u> | <u>\$ -</u> | <u>\$ 255,152</u> | <u>\$ 24,820,630</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | | |
| LIABILITIES: | | | | |
| Accounts payable | \$ 1,427,556 | \$ - | \$ - | \$ 1,427,556 |
| Accrued salaries and benefits | 3,740,506 | - | - | 3,740,506 |
| Unearned revenue | 61,303 | - | - | 61,303 |
| Current portion of compensated absences | 224,908 | - | - | 224,908 |
| TOTAL LIABILITIES | <u>5,454,273</u> | <u>-</u> | <u>-</u> | <u>5,454,273</u> |
| DEFERRED INFLOWS OF RESOURCES: | | | | |
| Unavailable revenues - delinquent taxes | 3,829,713 | - | - | 3,829,713 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>3,829,713</u> | <u>-</u> | <u>-</u> | <u>3,829,713</u> |
| FUND BALANCES: | | | | |
| Nonspendable | 73,668 | - | - | 73,668 |
| Restricted | 849,546 | - | 255,152 | 1,104,698 |
| Assigned | 4,977,189 | - | - | 4,977,189 |
| Unassigned | 9,381,089 | - | - | 9,381,089 |
| TOTAL FUND BALANCES | <u>15,281,492</u> | <u>-</u> | <u>255,152</u> | <u>15,536,644</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | <u>\$ 24,565,478</u> | <u>\$ -</u> | <u>\$ 255,152</u> | <u>\$ 24,820,630</u> |

The accompanying notes are an integral part of these financial statements.

**LEHIGHTON AREA SCHOOL DISTRICT
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
TO STATEMENT OF NET POSITION
JUNE 30, 2024**

| | |
|----------------------------------|---------------|
| TOTAL GOVERNMENTAL FUND BALANCES | \$ 15,536,644 |
|----------------------------------|---------------|

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:

| | | |
|---------------------------------------|---------------------|------------|
| Land | \$ 128,350 | |
| Land improvements | 948,102 | |
| Buildings and improvements | 84,700,802 | |
| Furniture and equipment | 10,258,232 | |
| Right-to-use asset | 101,261 | |
| Accumulated depreciation/amortization | <u>(36,046,305)</u> | 60,090,442 |

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

| | | |
|----------------------------------|---------------------|--------------|
| Bonds payable, net | (47,161,934) | |
| Lease liability | (72,595) | |
| Net OPEB liability | (2,954,056) | |
| Accumulated compensated absences | (1,551,468) | |
| Accrued interest | (217,825) | |
| Net pension liability | <u>(42,415,000)</u> | (94,372,878) |

Deferred inflows and outflows of resources related to the School District's net pension liability and net OPEB liability are based on the differences between actuarially determined actual and expected investment returns, actual and projected experience, changes in the actuarially determined proportion of the School District's amount of the total pension and OPEB liabilities, and pension and OPEB contributions made after the measurement date of the net pension and OPEB liabilities. These amounts will be amortized over the estimated remaining average service life of the

| | | |
|---------------------------------------|------------------|-----------|
| Deferred amount on refunding | (1,373,070) | |
| Deferred outflows relating to pension | 7,281,900 | |
| Deferred outflows relating to OPEB | 624,260 | |
| Deferred inflows relating to pension | (2,940,000) | |
| Deferred inflows relating to OPEB | <u>(962,356)</u> | 2,630,734 |

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

3,829,713

| | |
|--|-------------------------------|
| NET DEFICIT OF GOVERNMENTAL ACTIVITIES | <u><u>\$ (12,285,345)</u></u> |
|--|-------------------------------|

The accompanying notes are an integral part of these financial statements.

LEHIGHTON AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

| | General Fund | Capital Projects Fund | Capital Reserve Fund | Totals |
|--|-----------------------------|--------------------------|--------------------------|-----------------------------|
| REVENUES | | | | |
| Local sources | \$ 24,966,724 | \$ - | \$ 11,580 | \$ 24,978,304 |
| State sources | 21,067,250 | - | - | 21,067,250 |
| Federal sources | 4,015,392 | - | - | 4,015,392 |
| TOTAL REVENUES | <u>50,049,366</u> | <u>-</u> | <u>11,580</u> | <u>50,060,946</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Instruction | 30,656,855 | - | - | 30,656,855 |
| Support services | 13,009,871 | 1 | - | 13,009,872 |
| Operation of noninstructional services | 1,157,485 | - | - | 1,157,485 |
| Architecture and engineering services/educational specifications | 10,214 | - | - | 10,214 |
| Debt service | 2,856,891 | - | - | 2,856,891 |
| TOTAL EXPENDITURES | <u>47,691,316</u> | <u>1</u> | <u>-</u> | <u>47,691,317</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>2,358,050</u> | <u>(1)</u> | <u>11,580</u> | <u>2,369,629</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from refunding bonds issued | 29,045,000 | - | - | 29,045,000 |
| Bond premium | 1,418,146 | - | - | 1,418,146 |
| Payment to refund bonds | (29,961,246) | - | - | (29,961,246) |
| Transfers out | (1,516) | - | - | (1,516) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>500,384</u> | <u>-</u> | <u>-</u> | <u>500,384</u> |
| NET CHANGE IN FUND BALANCES | 2,858,434 | (1) | 11,580 | 2,870,013 |
| FUND BALANCE, BEGINNING OF YEAR | <u>12,423,058</u> | <u>1</u> | <u>243,572</u> | <u>12,666,631</u> |
| FUND BALANCES, END OF YEAR | <u><u>\$ 15,281,492</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 255,152</u></u> | <u><u>\$ 15,536,644</u></u> |

The accompanying notes are an integral part of these financial statements.

**LEHIGHTON AREA SCHOOL DISTRICT
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 2,870,013

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation/amortization expense of \$2,592,379 exceeded net capital outlays of \$166,159. (2,426,220)

Because some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Unavailable revenues increased by this amount this year. 2,319,482

The issuance of long-term debt (e.g. bonds, notes, lease liability) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and are amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 1,661,637

In the statement of activities, certain operating expenses – compensated absences (vacations and sick leave) – are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). (62,003)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and, thus, requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 18,041

OPEB expense in the statement of activities differs from the amount reported in the governmental funds because OPEB expense is recognized in the statement of activities based on the School District's proportionate share of the expense of the cost-sharing OPEB plan and expense of the single employer plan, whereas OPEB expenditures are recognized in the governmental funds when a requirement to remit contributions to the plan exists. 189,143

Pension expense in the statement of activities differ from the amount reported in the governmental funds because pension expense is recognized on the statement of activities based on the School District's proportionate share of the expense of the cost-sharing pension plan, whereas pension expenditures are recognized in the governmental funds when a requirement to remit contributions to the plan exists. 3,265,000

CHANGE IN NET DEFICIT OF GOVERNMENTAL ACTIVITIES \$ 7,835,093

The accompanying notes are an integral part of these financial statements.

**LEHIGHTON AREA SCHOOL DISTRICT
BUDGETARY COMPARISON STATEMENT - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2024**

| | Budgeted Amounts | | Actual | Variance with |
|--|-----------------------|-----------------------|----------------------|--|
| | Original | Final | (GAAP Basis) | Final Budget Positive (Negative) |
| REVENUES | | | | |
| Local sources | \$ 23,815,913 | \$ 23,815,913 | \$ 24,966,724 | \$ 1,150,811 |
| State sources | 19,336,972 | 19,336,972 | 21,067,250 | 1,730,278 |
| Federal sources | 3,201,103 | 3,201,103 | 4,015,392 | 814,289 |
| TOTAL REVENUES | 46,353,988 | 46,353,988 | 50,049,366 | 3,695,378 |
| EXPENDITURES | | | | |
| Instruction: | | | | |
| Regular programs | 19,861,198 | 19,861,198 | 18,737,277 | 1,123,921 |
| Special programs | 8,559,924 | 8,559,924 | 9,818,323 | (1,258,399) |
| Vocational programs | 1,659,480 | 1,659,480 | 1,664,216 | (4,736) |
| Nonpublic school programs | - | - | 6,417 | (6,417) |
| Adult education programs | 237,927 | 237,927 | 237,927 | - |
| Pre-kindergarten | 210,334 | 210,334 | 192,695 | 17,639 |
| Total Instruction | 30,528,863 | 30,528,863 | 30,656,855 | (127,992) |
| Support services: | | | | |
| Student services | 1,273,245 | 1,273,245 | 1,346,371 | (73,126) |
| Instructional staff | 1,423,569 | 1,423,569 | 1,335,797 | 87,772 |
| Administration | 2,265,409 | 2,265,409 | 2,924,081 | (658,672) |
| Pupil health | 485,348 | 485,348 | 453,343 | 32,005 |
| Business services | 667,889 | 667,889 | 663,590 | 4,299 |
| Operation and maintenance of plant | 3,722,206 | 3,722,206 | 3,644,978 | 77,228 |
| Transportation services | 1,676,222 | 1,676,222 | 1,654,078 | 22,144 |
| Central services | 1,241,563 | 1,241,563 | 963,577 | 277,986 |
| Other support services | 25,000 | 25,000 | 24,056 | 944 |
| Total Support Services | 12,780,451 | 12,780,451 | 13,009,871 | (229,420) |
| Operation of noninstructional activities: | | | | |
| Student activities | 1,159,150 | 1,159,150 | 1,140,581 | 18,569 |
| Community services | 10,000 | 10,000 | 16,904 | (6,904) |
| Total Operation of Noninstructional Services | 1,169,150 | 1,169,150 | 1,157,485 | 11,665 |
| Architecture and engineering services/educational specifications | - | - | 10,214 | (10,214) |
| Debt service | 3,799,783 | 3,799,783 | 2,856,891 | 942,892 |
| TOTAL EXPENDITURES | 48,278,247 | 48,278,247 | 47,691,316 | 586,931 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (1,924,259) | (1,924,259) | 2,358,050 | 4,282,309 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from refunding bonds issued | - | - | 29,045,000 | 29,045,000 |
| Bond premium on refunding bonds issued | - | - | 1,418,146 | 1,418,146 |
| Payment to refund bonds | - | - | (29,961,246) | (29,961,246) |
| Budgetary reserve | (125,000) | (125,000) | - | 125,000 |
| Transfers out | (135,000) | (135,000) | (1,516) | 133,484 |
| TOTAL OTHER FINANCING SOURCES (USES) | (260,000) | (260,000) | 500,384 | 760,384 |
| NET CHANGE IN FUND BALANCE | \$ (2,184,259) | \$ (2,184,259) | 2,858,434 | \$ 5,042,693 |
| FUND BALANCE, BEGINNING OF YEAR | | | 12,423,058 | |
| FUND BALANCE, END OF YEAR | | | \$ 15,281,492 | |

The accompanying notes are an integral part of these financial statements.

LEHIGHTON AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUND
JUNE 30, 2024

| | |
|--|----------------------------|
| | Food Service Fund |
| ASSETS | |
| CURRENT ASSETS: | |
| Cash and cash equivalents | \$ 1,038,582 |
| Due from other governments | 42,599 |
| Other receivables | 18,645 |
| Inventories | 31,002 |
| Total Current Assets | <u>1,130,828</u> |
| PROPERTY AND EQUIPMENT: | |
| Machinery and equipment | 388,615 |
| Accumulated depreciation | (204,562) |
| Net Property and Equipment | <u>184,053</u> |
| DEFERRED OUTFLOWS OF RESOURCES: | |
| Deferred outflows relating to pension | 126,100 |
| Deferred outflows relating to OPEB | 6,454 |
| Total Deferred Outflows of Resources | <u>132,554</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u><u>\$ 1,447,435</u></u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION | |
| CURRENT LIABILITIES: | |
| Accounts payable | \$ 33,350 |
| Accrued salaries and benefits | 609 |
| Due to other funds | 303,002 |
| Unearned revenue | 18,623 |
| Current portion of compensated absences | 1,849 |
| Total Current Liabilities | <u>357,433</u> |
| NONCURRENT LIABILITIES: | |
| Long-term portion of compensated absences | 16,643 |
| Net pension liability | 737,000 |
| Net OPEB liability | 34,602 |
| Total Noncurrent Liabilities | <u>788,245</u> |
| DEFERRED INFLOWS OF RESOURCES: | |
| Deferred inflows relating to pension | 51,000 |
| Deferred inflows relating to OPEB | 11,975 |
| Total Deferred Inflows of Resources | <u>62,975</u> |
| NET POSITION: | |
| Investment in capital assets | 184,053 |
| Unrestricted | 54,729 |
| Total Net Position | <u>238,782</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION | <u><u>\$ 1,447,435</u></u> |

The accompanying notes are an integral part of these financial statements.

LEHIGHTON AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2024

| | <u>Food Service Fund</u> |
|----------------------------------|------------------------------|
| OPERATING REVENUES | |
| Food service revenues | <u>\$ 124,858</u> |
| TOTAL OPERATING REVENUES | <u>124,858</u> |
| OPERATING EXPENSES | |
| Salaries and benefits | 241,260 |
| Purchased property services | 24,854 |
| Other purchased services | 996,642 |
| Supplies | 80,336 |
| Miscellaneous | 7,295 |
| Depreciation | <u>17,399</u> |
| TOTAL OPERATING EXPENSES | <u>1,367,786</u> |
| OPERATING INCOME (LOSS) | <u>(1,242,928)</u> |
| NONOPERATING REVENUES | |
| Earnings on investments | 31,728 |
| State sources | 100,899 |
| Federal sources | <u>1,360,973</u> |
| TOTAL NONOPERATING REVENUES | <u>1,493,600</u> |
| Transfers in | <u>1,516</u> |
| CHANGE IN NET POSITION (DEFICIT) | 252,188 |
| NET DEFICIT, BEGINNING OF YEAR | <u>(13,406)</u> |
| NET POSITION, END OF YEAR | <u><u>\$ 238,782</u></u> |

The accompanying notes are an integral part of these financial statements.

**LEHIGHTON AREA SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2024**

| | Food Service Fund |
|---|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Cash received from customers | \$ 127,678 |
| Payments to suppliers | (736,074) |
| Payments to employees | (301,806) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>(910,202)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | |
| State sources | 97,173 |
| Federal sources | 1,244,865 |
| Advance (to) from funds | 1,516 |
| NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES | <u>1,343,554</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | |
| Purchase of property and equipment | (24,387) |
| NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES | <u>(24,387)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | |
| Earnings on investments | 31,728 |
| NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES | <u>31,728</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 440,693 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>597,889</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u><u>\$ 1,038,582</u></u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES: | |
| Operating income (loss) | \$ (1,242,928) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) | |
| by operating activities: | |
| Depreciation | 17,399 |
| Donated commodities | 77,330 |
| (Increase) Decrease in: | |
| Other receivables | 4,382 |
| Due from other funds | 2,770 |
| Inventories | (10,715) |
| Deferred outflows relating to pension | (17,000) |
| Deferred outflows relating to OPEB | 664 |
| Increase (Decrease) in: | |
| Accounts payable | 666 |
| Unearned revenue | (1,562) |
| Accrued salaries and benefits | (2,077) |
| Due to other funds | 303,002 |
| Accrued compensated absences | 844 |
| Net pension liability | 7,000 |
| Net OPEB liability | 267 |
| Deferred inflows relating to pension | (47,000) |
| Deferred inflows relating to OPEB | (3,244) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u><u>\$ (910,202)</u></u> |
| SUPPLEMENTAL DISCLOSURE: | |
| NONCASH NONCAPITAL FINANCING ACTIVITY | |
| Donated commodities | <u><u>\$ 77,330</u></u> |

The accompanying notes are an integral part of these financial statements.

**LEHIGHTON AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2024**

| | Private-purpose Trust | Custodial Funds |
|------------------------------------|--------------------------|--------------------|
| ASSETS | | |
| Cash | \$ 676,757 | \$ 77,723 |
| TOTAL ASSETS | <u>\$ 676,757</u> | <u>\$ 77,723</u> |
| LIABILITIES AND NET POSITION | | |
| LIABILITIES | | |
| Accounts payable | \$ - | \$ 300 |
| NET POSITION | | |
| Restricted | <u>676,757</u> | <u>77,423</u> |
| TOTAL LIABILITIES AND NET POSITION | <u>\$ 676,757</u> | <u>\$ 77,723</u> |

The accompanying notes are an integral part of these financial statements.

**LEHIGHTON AREA SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2024**

| | Private-purpose Trust | Custodial Funds |
|-------------------------------------|--------------------------|-------------------------|
| ADDITIONS | | |
| Interest earnings and contributions | \$ 27,801 | \$ 3,793 |
| Student activity receipts | <u>127,513</u> | <u>93,935</u> |
| TOTAL ADDITIONS | <u>155,314</u> | <u>97,728</u> |
| DEDUCTIONS | | |
| Scholarships | 87,385 | - |
| Student activity distributions | <u>-</u> | <u>95,369</u> |
| TOTAL DEDUCTIONS | <u>87,385</u> | <u>95,369</u> |
| CHANGE IN NET POSITION | 67,929 | 2,359 |
| NET POSITION, BEGINNING OF YEAR | <u>608,828</u> | <u>75,064</u> |
| NET POSITION, END OF YEAR | <u><u>\$ 676,757</u></u> | <u><u>\$ 77,423</u></u> |

The accompanying notes are an integral part of these financial statements.

LEHIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

School District

The Lehigh Area School District ("the School District") is located in Northeastern Pennsylvania in Carbon County. The School District is comprised of the Boroughs of Lehigh, Parryville, and Weissport, and the Townships of East Penn, Mahoning, and Franklin.

The School District is a unit established, organized, and empowered by the Commonwealth of Pennsylvania ("the Commonwealth") 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, 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 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 School 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

LEHIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

The Business Administrator recommended by the Superintendent and appointed by the Board of School Directors shall supervise and coordinate all business aspects of the School District. In this capacity, he or she shall be responsible to ensure that all work accomplished by him/her, or by persons under his/her supervision, is in the best interests of the 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 ensure 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 the School District, this includes general operations, food service, and student related activities of the School District.

The School District is a municipal corporation governed by an elected nine-member board. As required by accounting principles generally accepted in the United States of America, these financial statements are to present the 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 School District does not have any component units.

Joint Ventures

Carbon Career & Technical Institute – The School District is a participating member of the Carbon Career & Technical Institute ("CCTI"). The CCTI is run by a joint committee consisting of members from each participating school district. No participating school district appoints a majority of the joint committee. The board of directors of each participating school district must approve the CCTI's annual operating budget. Each participating school district pays a pro-rata share of the CCTI's operating costs based on the number of students attending the CCTI's from their school district. The School District's share of the CCTI's operating costs for 2023 - 2024 was \$1,355,495.

LEHIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

On dissolution of the Carbon Career & Technical Institute, the net position of CCTI will be shared on a pro-rata basis of each participating school district's current market value of taxable real property, as certified by the Pennsylvania State Tax Equalization Board. However, the School District does not have an equity interest in CCTI as defined by accounting principles generally accepted in the United States of America, 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 CCTI can be obtained from the CCTI's administrative office.

Lehigh Carbon Community College – The School 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 school districts' boards of directors. No participating school district appoints a majority of the board of trustees. A vote of two-thirds of all member school 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 school districts on the basis of the number of full-time equivalent students enrolled in the LCCC and residing in the respective geographical areas of each of the member school districts. The School District's share of the LCCC's operating costs for 2023 - 2024 was \$237,927.

On dissolution of the Lehigh Carbon Community College, the net position of the LCCC will be shared on a pro-rata basis of each member school district's current market value of taxable real property as certified by the Pennsylvania State Tax Equalization Board. However, the School District does not have an equity interest in the LCCC as defined by accounting principles generally accepted in the United States of America, 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 2300 Main Street, Schnecksville, Pennsylvania.

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

Basis of Presentation

The financial statements of the School District have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) as applied to

LEHIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

governmental units. The Governmental Accounting Standards Board ("GASB") is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles.

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

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

The entity-wide statement of activities presents a comparison between expenses and program revenues for each function of the business-type activities of the School District and for each governmental program. Expenses are those that are specifically associated with a service or program and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the School District.

Except for interfund activity and balances between the funds that underlie governmental activities and the funds that underlie business-type activities, which are reported as transfers and internal balances, the effect of interfund activity has been removed from these statements.

The entity-wide financial statements report net position in one of three components. Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by the outstanding balances of borrowings attributable to acquiring, constructing, or improving those assets.

LEHIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Those restrictions affect net position arising from the capital projects fund. Unrestricted net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted."

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. Nonmajor funds are aggregated and presented in a single column. The fiduciary funds are reported by type. The School District did not report any nonmajor funds.

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

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. The School District reports the following major governmental funds:

The **general fund** is the School District's primary operating fund. It accounts for all financial resources of the general government, including the athletic fund, except those required to be accounted for in another fund.

The **capital projects and capital reserve fund** are used to account for the acquisition, construction, and renovation of major capital facilities and their related capital assets and to account for funds set aside for future capital needs.

Revenue Recognition

In applying the "susceptible to accrual concept" under the modified accrual basis, revenues are considered to be available when they are collectible within the current period or soon enough

LEHIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenue and similar revenue streams to be available if collected within 60 days of the end of the fiscal period. Revenue from federal, state, and other grants designated for payment of specific School District expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as unearned revenues until earned.

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

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt which has not matured are recognized when paid. Liabilities for compensated absences and special termination benefits are recognized as fund liabilities to the extent they mature each period. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Proprietary Funds

The District's proprietary fund is accounted for using the accrual basis of accounting. The food service fund accounts for operations of the cafeterias are financed primarily by user charges. The economic resources measurement focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Allocations of certain costs, such as depreciation, are the recorded in proprietary fund. The School District does not attempt to allocate all "building-wide costs" to the proprietary fund. Thus, general fund expenditures which partially benefit the proprietary fund (utilities, janitorial services, insurance, etc.) are not recognized proportionately within the proprietary fund. Similarly, the proprietary fund does not recognize a cost for the building space it occupies.

These funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the School District's proprietary fund are food service charges. Operating expenses for the School District's proprietary fund include food production costs, supplies, and administrative costs. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

LEHIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Fiduciary Funds

Fiduciary funds account for the assets held by the School District as a trustee or agent for individuals, private organizations, and/or governmental units and are, therefore, not available to support the School District's own programs. The School District accounts for these assets as custodial funds and trust funds. The custodial and trust fund accounts for funds held on behalf of students of the School District.

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 of School Directors ("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 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

LEHIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 Pennsylvania 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 and final budgeted amounts in the budgetary statements reflect the amounts in the Pennsylvania Department of Education Form 2028 when the original appropriations were adopted. There were no budget transfers during the year ended June 30, 2024.

Use of Estimates

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

Cash and Cash Equivalents

The School District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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

Under Act No. 72, enacted by the General Assembly of the Commonwealth of Pennsylvania, the funds deposited with the various banks are permitted to be secured on a pooled basis with all other public funds which the banking institution has on deposit. These may be bonds of the United States of America, any state of the United States of America, or bonds of any political subdivision of Pennsylvania or the general state authority or their authorities created by the General Assembly of the Commonwealth of Pennsylvania, or insured with the Federal Deposit Insurance Corporation. The market value of such bonds pledged must equal 120% of the funds deposited.

LEHIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the entity-wide financial statements as "internal balances."

Property taxes, which were levied during the fiscal year, are recognized as revenue in the fund financial statements when received by the School District during the fiscal year and also estimated to be received by the School District within 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 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. Management believes all amounts are collectible since any outstanding amounts are lienied against the respective property.

Property Taxes

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

| | | |
|--------------------------|---|-----------------------------------|
| July 1 - August 31 | - | Discount period, 2% of gross levy |
| September 1 - October 31 | - | Face period |
| November 1 - collection | - | Penalty period, 10% of gross levy |
| December 31 | - | Lien date |

The School District's taxes are billed and collected by the School District. The tax on real estate for public school purposes for fiscal year 2023 - 2024 was 52.7664 mills (\$52.7664 for \$1,000 of assessed valuation).

Inventories

All inventories are valued at the lower of cost (first-in, first-out method) or market.

Capital Assets

Capital assets, which include property, plant, equipment, and right-to-use assets, are reported in the applicable governmental or business-type activities columns in the entity-wide and

LEHIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

proprietary fund financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of more than \$2,500. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. Right-to-use assets are defined as lease agreements that cost more than \$2,500 and are greater than one years' time.

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

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

Property, plant, equipment, and right-to-use assets of the School District are depreciated/amortized using the straight-line method over the following estimated useful lives:

| | |
|----------------------------|---------------|
| Buildings and improvements | 10 - 50 years |
| Furniture and equipment | 5 - 20 years |
| Site improvements | 8 - 65 years |
| Right-to-use assets | Term of lease |

Compensated Absences

Vacation benefits are accrued as a liability since the employees are allowed to carryover vacation days and are compensated for unused vacation days upon retirement.

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

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

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

Long-term Obligations

In the entity-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are netted against outstanding principal balances and amortized over the life of the bonds. Bond

LEHIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

issuance costs are expensed when incurred. Deferred amounts on refunding are recorded as a deferred inflow or outflow of resources and amortized over the life of the old debt or the life of the new debt, whichever is shorter. All amortized amounts are amortized using the straight-line method.

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

Deferred Inflows and Deferred Outflows of Resources

In addition to assets and liabilities, the statement of net position will sometimes report separate sections for deferred inflows and deferred outflows of resources. These separate financial statement elements represent acquisition or use of net position that applies to a future period(s) and so will not be recognized as an inflow or outflow of resources (revenue or expense/expenditure) until that time. The School District currently has four types of items that qualify for reporting in this category. Delinquent taxes not collected within 60 days of year end and, therefore, not available under modified accrual reporting are reflected as deferred inflows of resources on the general fund balance sheet. Pension and OPEB contributions made subsequent to the measurement date and, therefore, not reflected in the net pension and OPEB liabilities under full accrual basis reporting are reported as a deferred outflow of resources on the entity-wide and proprietary fund statements of net position. Certain changes to the net pension and OPEB liabilities are required to be amortized over a period of years; the unamortized portions of these changes are reflected as deferred outflows and inflows of resources on the entity-wide and proprietary fund statements of net position. The difference between debt refunded and the new debt is recorded as a deferred inflow of resources on entity-wide statement of net position for the governmental activities.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. When both restricted and unrestricted resources are available for use, it is the School District's policy to use restricted resources first and then unrestricted resources as they are needed.

Fund balances of the governmental funds are classified, if applicable, as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

LEHIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by formal action of the Board. The Board is the highest level of decision-making authority for the School District. Commitments may be established, modified, or rescinded only through resolutions approved by the Board.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Superintendent and Business Administrator may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

It is the policy of the School District to maintain a minimum general fund unassigned fund balance to be used for unanticipated emergencies of approximately 5% (minimum) to 8% (maximum) of the budgeted expenditures for that fiscal year. If the unassigned portion of the fund balance falls below the threshold of 5%, the Board will pursue variations of increasing revenues and decreasing expenditures, or a combination of both until 8% is attained.

The School 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 School 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.

NOTE 2 DEPOSITS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The School District does not have a policy for custodial credit risk but adheres to Commonwealth of Pennsylvania Law Act 72 ("Act 72") for the collateralization requirements governing public funds. At June 30, 2024, the carrying amount of the School District's deposits was \$20,294,912, and the bank balance was \$21,304,594. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$21,054,594 was collateralized by securities held by the depository in the School District's name and not subject to custodial credit risk.

LEHIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 3 INTERNAL RECEIVABLES AND PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2024 is as follows:

| Receivable To | Payable From | Amount |
|---------------|-------------------|------------|
| General Fund | Food Service Fund | \$ 303,002 |

Interfund balances between funds result mainly from the time lag between when reimbursable expenditures occur and payments between the funds have been made.

During the year ended June 30, 2024, \$1,516 was transferred from the general fund to the food service fund to reimburse the food service fund for student account bad debts.

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024 was as follows:

| | Beginning Balance | Additions | Decreases | Ending Balance |
|--|----------------------|----------------|-----------|-------------------|
| GOVERNMENTAL ACTIVITIES: | | | | |
| Capital assets not being depreciated/amortized: | | | | |
| Land | \$ 128,350 | \$ - | \$ - | \$ 128,350 |
| Total Capital Assets Not Being Depreciated/Amortized | 128,350 | - | - | 128,350 |
| Capital assets being depreciated/ amortized: | | | | |
| Site improvements | 948,102 | - | - | 948,102 |
| Buildings and improvements | 84,700,802 | - | - | 84,700,802 |
| Furniture and equipment | 10,092,073 | 166,159 | - | 10,258,232 |
| Right-to-use asset | 101,261 | - | - | 101,261 |
| Total Capital Assets Being Depreciated/Amortized | 95,842,238 | 166,159 | - | 96,008,397 |
| Less accumulated depreciation/ amortization for: | | | | |
| Site improvements | 932,271 | 1,267 | - | 933,538 |
| Buildings and improvements | 24,300,918 | 2,066,929 | - | 26,367,847 |
| Furniture and equipment | 8,208,923 | 503,931 | - | 8,712,854 |
| Right-to-use asset | 11,814 | 20,252 | - | 32,066 |
| Total Accumulated Depreciation/ Amortization | 33,453,926 | 2,592,379 | - | 36,046,305 |
| Total Capital Assets Being Depreciated/Amortized, Net | 62,388,312 | (2,426,220) | - | 59,962,092 |
| Governmental Activities Assets, Net | \$ 62,516,662 | \$ (2,426,220) | \$ - | \$ 60,090,442 |

LEHIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4 CAPITAL ASSETS (cont'd)

| | Beginning Balance | Additions | Decreases | Ending Balance |
|-----------------------------------|----------------------|-----------------|-------------|-------------------|
| BUSINESS-TYPE ACTIVITIES: | | | | |
| Capital assets being depreciated: | | | | |
| Furniture and equipment | \$ 364,228 | \$ 24,387 | \$ - | \$ 388,615 |
| Accumulated depreciation | 187,163 | 17,399 | - | 204,562 |
| Business-type Activities, Net | <u>\$ 177,065</u> | <u>\$ 6,988</u> | <u>\$ -</u> | <u>\$ 184,053</u> |

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

| | |
|--|---------------------|
| Governmental Activities: | |
| Depreciation/Amortization, unallocated | <u>\$ 2,592,379</u> |
| Total Depreciation Expense - Governmental Activities | <u>\$ 2,592,379</u> |

| | |
|---------------------------|------------------|
| Business-type Activities: | |
| Food Service | <u>\$ 17,399</u> |

NOTE 5 LONG-TERM LIABILITIES

The following summarizes the changes in the long-term liabilities of governmental activities for the year ended June 30, 2024:

| | Beginning Balance | Additions | Deductions/ Payments | Ending Balance | Due Within One Year |
|---|----------------------|---------------------|-------------------------|---------------------|------------------------|
| General obligation bonds and notes | \$48,005,548 | \$29,045,000 | \$31,134,310 | \$45,916,238 | \$ 2,112,310 |
| Premiums on bonds | 2,284,870 | 1,418,146 | 2,352,887 | 1,350,129 | 68,017 |
| Discounts on bonds | (112,215) | - | (7,782) | (104,433) | (7,782) |
| General obligation bonds and notes, net | 50,178,203 | 30,463,146 | 33,479,415 | 47,161,934 | 2,172,545 |
| Compensated absences | 1,714,373 | 62,003 | - | 1,776,376 | 224,908 |
| Net OPEB liability | 2,992,622 | - | 38,566 | 2,954,056 | - |
| Net pension liability | 41,995,000 | 420,000 | - | 42,415,000 | - |
| Lease liability | 91,033 | - | 18,438 | 72,595 | 19,645 |
| | <u>\$96,971,231</u> | <u>\$30,945,149</u> | <u>\$33,536,419</u> | <u>\$94,379,961</u> | <u>\$ 2,417,098</u> |

LEHIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 5 LONG-TERM LIABILITIES (cont'd)

The following summarizes the changes in the long-term liabilities of business-type activities for the year ended June 30, 2024:

| | Beginning Balance | Additions | Deductions/ Payments | Ending Balance | Due Within One Year |
|-----------------------|----------------------|-----------------|-------------------------|-------------------|------------------------|
| Compensated absences | \$ 17,648 | \$ 844 | \$ - | \$ 18,492 | \$ 1,849 |
| Net OPEB liability | 34,335 | 267 | - | 34,602 | - |
| Net pension liability | 730,000 | 7,000 | - | 737,000 | - |
| | <u>\$ 781,983</u> | <u>\$ 8,111</u> | <u>\$ -</u> | <u>\$ 790,094</u> | <u>\$ 1,849</u> |

Payments of long-term liabilities are expected to be funded by the general fund for governmental activities; and for business type activities, long-term liabilities will be paid by the food service fund.

General Obligation Bonds and Notes

Federally Taxable General Obligation Qualified Zone Academy Bonds - Series of 2014 – On December 18, 2014, the School District issued \$8,449,000 of General Obligation Bonds - Series of 2014. The proceeds were used to: (1) finance additions and renovations to the Lehigh Area Middle School and (2) pay the allowable costs of issuing the bond. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The Series of 2014 Bonds mature on November 1, 2034. The coupon rate is 1.5%. The principal outstanding is reported net of a \$29,445 discount.

\$ 6,967,888

General Obligation Note - Series of 2014 – On December 3, 2014, the School District issued \$10,000,000 of General Obligation Notes - Series of 2014. The proceeds were used for the Middle School and High School Renovation projects. The Series of 2014 Notes mature on November 15, 2025. The interest rate is fixed at 2.16%.

1,698,905

General Obligation Bonds - Series of 2015 – On April 9, 2015, the School District issued \$5,000,000 of General Obligation Bonds - Series of 2015. The proceeds were used to: (1) finance additions and renovations to the Lehigh Area Middle School and High School buildings, and (2) pay the costs of issuing the bonds. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The Series of 2015 Bonds mature from November 15, 2025 to November 15, 2040. The interest rates range from 0.50% to 5.00%. The principal outstanding is reported net of a \$74,988 discount.

4,880,012

LEHIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 5 LONG-TERM LIABILITIES (cont'd)

Qualified Zone Academy Bonds - Series of 2017 – On March 29, 2017, the School District issued \$6,800,000 of Qualified Zone Academy Bonds - Series of 2017. The proceeds will be used to permanently finance the High School project and any remaining funds to reimburse the School District Funds. The Series of 2017 Bonds mature on November 11, 2031. The interest rate is fixed at 4.40%.

3,220,000

General Obligation Bonds - Series of 2023 – On August 18, 2023, the School District issued \$29,045,000 of General Obligation Bonds - Series of 2023. The proceeds were used to currently refund all the School District's outstanding General Obligation Bonds, Series A of 2015 and to pay issuance costs and expenses. The Series of 2023 Bonds mature on November 15, 2043. The interest rate is fixed at 5.00%. The principal outstanding is reported with a \$1,350,129 premium. The refunding resulted in a cash flow savings of \$2,220,849 for the School District.

30,395,129

\$ 47,161,934

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

| <u>Year Ending June 30,</u> | <u>Principal*</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|----------------------|----------------------|----------------------|
| 2025 | \$ 2,172,545 | \$ 1,660,271 | \$ 3,832,816 |
| 2026 | 2,221,545 | 1,618,040 | 3,839,585 |
| 2027 | 1,937,450 | 1,575,960 | 3,513,410 |
| 2028 | 1,977,545 | 1,539,623 | 3,517,168 |
| 2029 | 2,012,545 | 1,500,810 | 3,513,355 |
| 2030 - 2034 | 10,537,979 | 6,814,193 | 17,352,172 |
| 2035 - 2039 | 12,000,260 | 5,273,530 | 17,273,790 |
| 2040 - 2044 | <u>14,302,065</u> | <u>1,498,091</u> | <u>15,800,156</u> |
| | <u>\$ 47,161,934</u> | <u>\$ 21,480,518</u> | <u>\$ 68,642,452</u> |

*Includes unamortized premiums and discounts.

NOTE 6 COMPENSATED ABSENCES

Sick Pay – All employees, based upon their classification, shall receive the following amounts for each accumulated unused sick day at retirement, unless said employee elects to use their respective accumulated unused sick days to continue health insurance coverage. The sick pay

LEHIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 6 COMPENSATED ABSENCES (cont'd)

earned and recorded in the Enterprise Fund and in the business-type activities column of the government-wide statement of net position is \$1,849. The sick leave earned as of June 30, 2024 in the general fund that will use currently available financial resources is \$224,908. The amount is also shown as a current liability in the governmental activities column of the government-wide statement of net position. The remaining sick pay earned as of June 30, 2024 is \$1,551,468.

| | |
|---|---------------|
| Act 93 Administrators | \$125 per day |
| Educational Support Personnel Association Members | \$ 65 per day |
| Education Association Members | \$100 per day |

NOTE 7 PENSION PLAN

Plan Description

The School District contributes to the Public School Employees' Retirement System ("PSERS"), 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. Benefit terms and contributions may be amended by passing bills in the Pennsylvania Senate and House of Representatives and sending them to the Governor for approval. The PSERS issues a publicly available annual comprehensive financial report that includes the financial statements and required supplementary information for the plan. A copy of this report may be obtained by writing to the Public School Employees' Retirement System, P.O. Box 125, Harrisburg, Pennsylvania, 17108-0125, or by visiting the PSERS website at www.psers.state.pa.us.

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62, with at least one year of credited service, (b) age 60 with 30 or more years of credited service, or (c) 35 or more years of service regardless of age. Act 120 of 2010 ("Act 120") preserves the benefits of existing members and introduced benefit reductions for individuals who became 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 three years of service, or attain a total combination and age and service that is equal to or greater than 92, with a minimum of 35 years of service.

LEHIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 7 PENSION PLAN (cont'd)

Benefits are generally equal to 2% or 2½%, depending upon the 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 may be elected. For Class T-E and Class T-F members, the right to benefits is vested after 10 years of service. Benefit terms may be amended by passing a bill in the Pennsylvania House of Representatives and Senate and sending the bill to the Governor for approval.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2½%, depending upon the 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 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.

Member Contributions

Active members who joined the system prior to July 22, 1983 contributed at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the system on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the system after June 30, 2001 and before July 1, 2011 contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Membership Class T-D, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the system after June 30, 2011 automatically contribute at the Membership Class T-E rate of 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.30% (base rate) of the member's qualifying compensation. Class T-E and T-F are affected by a "shared risk" provision in Act 120 that in future fiscal years could cause the Class T-E contribution rate to fluctuate between 7.50% and 9.50%, and Class T-F contribution rate to fluctuate between 10.30% and 12.30%.

LEHIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 7 PENSION PLAN (cont'd)

Employer Contributions

The School District's contractually required annual contribution is based on an actuarially determined amount that, when combined with the 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. For the year ended June 30, 2024, the rate of the employer contribution was 34.00% of covered payroll, which was comprised of 33.09% for pension contributions, 0.64% for healthcare contributions, and 0.27% for the Act 5 defined contribution plan. The School District's contribution to PSERS for pension contributions for the year ended June 30, 2024 was \$5,234,000.

Pension Liability and Expense, and Deferred Outflows and Inflows of Resources

At June 30, 2023, the School District reported a liability of \$43,152,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by rolling forward the system's total pension liability as of June 30, 2022 to June 30, 2023. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2023, the School District's proportion was 0.0970%, which was an increase of 0.0009% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the School District recognized pension expense of \$1,912,000. At June 30, 2024, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Net difference between projected and actual investment earnings | \$ 1,221,000 | \$ - |
| Difference between expected and actual experience | 10,000 | 591,000 |
| Changes in assumptions | 644,000 | - |
| Difference between employer contributions and proportionate share of total contributions | - | 328,000 |
| Contributions subsequent to the date of measurement | 5,234,000 | - |
| Changes in Proportion | <u>299,000</u> | <u>2,072,000</u> |
| | <u>\$ 7,408,000</u> | <u>\$ 2,991,000</u> |

LEHIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 7 PENSION PLAN (cont'd)

Deferred outflows of resources of \$5,234,000 resulting from the School District's 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:

Year Ended June 30,

| | |
|------|---------------------|
| 2025 | \$(1,429,846) |
| 2026 | (1,118,846) |
| 2027 | 1,323,692 |
| 2028 | 407,000 |
| 2029 | <u>1,000</u> |
| | <u>\$ (817,000)</u> |

Actuarial Assumptions

The total pension liability as of June 30, 2023 was determined by rolling forward the system's total pension liability as of the June 30, 2022 actuarial valuation to June 30, 2023 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – entry age normal, level percentage of pay
- Investment return – 7.00%, including inflation of 2.50%
- Salary increases – effective average of 4.50%, which reflects an allowance for inflation of 2.50%, and 2.00% for real wage growth and 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 long-term expected rate of return on pension plan investments was determined using the 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 PSERS Board of Directors. Plan assets are managed with a long-term

LEHIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 7 PENSION PLAN (cont'd)

objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

A schedule of plan investments by asset class, target allocations, and long-term expected real rate of return is as follows:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-term Expected Real Rate of Return</u> |
|----------------------|--------------------------|---|
| Global public equity | 30.0% | 5.2% |
| Private equity | 12.0% | 7.9% |
| Fixed income | 33.0% | 3.2% |
| Commodities | 7.5% | 2.7% |
| Absolute return | 4.0% | 4.1% |
| Infrastructure/MLPs | 10.0% | 5.4% |
| Real estate | 11.0% | 5.7% |
| Cash | 3.0% | 1.2% |
| Leverage | (10.5%) | 1.2% |
| | <u>100.0%</u> | |

The above was the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2023.

Discount Rate

The discount 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 which are 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 School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is

LEHIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 7 PENSION PLAN (cont'd)

one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate.

| | 1% Decrease 6.00% | Current Discount Rate 7.00% | 1% Increase 8.00% |
|---|-------------------------|-----------------------------------|-------------------------|
| School District's proportionate share of the net pension liability | \$ 55,937,000 | \$ 43,152,000 | \$ 32,365,000 |

Pension Plan Fiduciary Net Position

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

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS PLAN

Health Insurance Premium Assistance Program

The School District contributes to the Health Insurance Premium Assistance Program, which is a governmental cost sharing, multiple-employer other postemployment benefits ("OPEB") plan 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. Benefit terms may be amended by passing bills in the Pennsylvania Senate and House of Representatives and sending them to the Governor for approval.

Premium Assistance Eligibility Criteria

Retirees of the system can participate in the premium assistance program if they satisfy the following criteria:

- Have 24½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

LEHIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

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

- Attain Medicare eligibility with 24½ 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

The School District contributes to the Public School Employees' Retirement System ("PSERS"), 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 annual comprehensive financial report that includes the financial statements and required supplementary information for the plan. A copy of this report may be obtained by writing to the Public School Employees' Retirement System, P.O. Box 125, Harrisburg, Pennsylvania, 17108-0125, or by visiting the PSERS website at www.psers.state.pa.us.

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.

Employer Contributions

The School District's contractually required annual contribution is based on an actuarially determined amount that, when combined with the 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. For the year ended June 30, 2024, the rate of the employer contribution was 34.00% of covered payroll, which was comprised of 33.09% for pension contributions, 0.64% for healthcare contributions, and 0.27% for the Act 5 defined contribution plan. The School District's OPEB contribution to PSERS for the year ended June 30, 2024 was \$101,000.

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

At June 30, 2024, the School District reported a liability of \$1,753,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023, and the total

LEHIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

OPEB liability used to calculate the net OPEB liability was determined by rolling forward the system's total OPEB liability as of June 30, 2022 to June 30, 2023. The School District's proportion of the net liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2023, the School District's proportion was 0.0969%, which was an increase of 0.0010% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the School District recognized OPEB credit of \$8,000. At June 30, 2024, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience | \$ 11,000 | \$ 17,000 |
| Changes in assumptions | 151,000 | 332,000 |
| Net difference between projected and actual investment earnings | 4,000 | - |
| Changes in proportions | 31,000 | 254,000 |
| Difference between employer contributions and proportionate share of total contributions | - | 2,000 |
| Contributions subsequent to the measurement date | 101,000 | - |
| | <u>\$ 298,000</u> | <u>\$ 605,000</u> |

Change in Assumption: The discount rate used to measure the total OPEB liability increased from 4.09% as of June 30, 2022 to 4.13% as of June 30, 2023.

Deferred outflows of resources of \$101,000, resulting from the School District's 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,

| | |
|------|---------------------|
| 2025 | \$ (89,400) |
| 2026 | (110,800) |
| 2027 | (107,800) |
| 2028 | (99,000) |
| 2029 | (1,000) |
| | <u>\$ (408,000)</u> |

LEHIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

Actuarial Assumptions

The total OPEB liability as of June 30, 2023 was determined by rolling forward the system's total OPEB liability as of June 30, 2022 to June 30, 2023 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – entry age normal, level percentage of pay
- Investment return – 4.13% – S&P 20-year Municipal Bond Rate
- Salary growth – effective average of 4.50% comprised of inflation of 2.50% and 1.50% 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 following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2021 determined the employer contribution rate for fiscal year 2023.
- Cost method – amount necessary to assure solvency of premium assistance through the third fiscal year after the valuation date
- Asset valuation method – market value
- Participation rate – 63% of eligible retirees are assumed to elect premium assistance.
- Morality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 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.

LEHIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-term Expected Real Rate of Return</u> |
|--------------------|------------------------------|---|
| Cash | 100.0% | 1.2% |
| | <u>100.0%</u> | |

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2023.

Discount Rate

The discount rate used to measure the total OPEB liability was 4.13%. 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 4.13%, which represents the S&P 20-year Municipal Bond Rate at June 30, 2023, was applied to all projected benefit payments to measure the total OPEB liability.

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual premium assistance. As of June 30, 2023, 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, 2023, 93,392 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2023, 582 members were receiving less than the \$1,200 per year cap, which is a small percentage of the total population and has a minimal impact on the healthcare cost trends as depicted below.

The following presents the system's net OPEB liability for June 30, 2023, calculated using current healthcare cost trends as well as what the system's net OPEB liability would be if its healthcare cost trends were one percentage point lower or one percentage point higher than the current rate:

| | <u>1% Decrease</u> | <u>Current Trend Rate</u> | <u>1% Increase</u> |
|--|------------------------|-------------------------------|------------------------|
| School District's proportionate share of the net OPEB liability | \$1,753,000 | \$ 1,753,000 | \$ 1,753,000 |

LEHIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

Sensitivity of the School 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 4.13%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13%) or one percentage point higher (5.13%) than the current rate:

| | 1% Decrease 3.09% | Current Discount Rate 4.09% | 1% Increase 5.09% |
|--|-------------------------|-----------------------------------|-------------------------|
| School District's proportionate share of the net OPEB liability | \$ 1,982,000 | \$ 1,753,000 | \$ 1,561,000 |

OPEB Plan Fiduciary Net Position

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

NOTE 9 SCHOOL DISTRICT POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description

The School District administers a single employer defined benefit healthcare plan (the Retiree Health Plan) for employees who meet the eligibility requirements upon retirement. The School District's retired employees are allowed to continue coverage for themselves and their dependents in the employer's group health plan until the retired employee reaches Medicare age. In order to obtain coverage, retired employees must provide payment equal to the premium determined for the purpose of COBRA. Under GASB Statement No. 75, retiree benefits are viewed as a form of deferred compensation. As such, the benefits are treated as being earned over the working lifetime of the employee so that the cost is fully charged to operations by the earliest date of eligibility under the plan. A plan report is available in the School District office.

Funding Policy

The contribution requirements of plan members are established and may be amended by the Board of School Directors. The School District has no assets accumulated in a trust or equivalent arrangement for the purpose of administering the OPEB plan. The required contribution is based on projected pay-as-you-go financing requirements, with any additional amount to prefund as determined annually by the Board of School Directors. For the year ended June 30, 2023, the School District paid \$135,492 to plan members eligible for receiving benefits.

LEHIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 9 SCHOOL DISTRICT POSTEMPLOYMENT HEALTHCARE PLAN (cont'd)

Participants

As of July 1, 2023, the plan had 243 participants (235 active, 8 retired).

Actuarial Assumptions and Other Inputs

The total OPEB liability was measured as of July 1, 2023. The total OPEB liability as of July 1, 2023 was based on the July 1, 2022 actuarial valuation using the actuarial assumptions noted below.

Discount Rate

The discount rate was 4.13%, based on the S&P Municipal Bond 20-year High Grade Rate Index at July 1, 2023. The discount rate was 4.06%, based on the S&P Municipal Bond 20-year High Grade Rate Index at July 1, 2022.

Salary

An assumption for salary increases is used only for spreading contributions over future pay under the entry age normal cost method. For this purpose, salary increases are composed of 2.5% cost of living adjustment, 1.5% real wage growth, and for teachers and administrators, a merit increase which varies by age from 2.75% to 0.0%.

Withdrawal

Rates of withdrawal vary by age, gender, and years of service. Sample rates for employees with more than 10 years of service are shown below. Rates for new employees start at 22.9% for both men and women and decrease with age and service.

| <u>Age</u> | <u>Male Rate</u> | <u>Female Rate</u> | <u>Age</u> | <u>Male Rate</u> | <u>Female Rate</u> |
|------------|----------------------|------------------------|------------|----------------------|------------------------|
| 25 | 4.5500% | 3.9000% | 45 | 1.4100% | 1.6000% |
| 30 | 4.5500% | 3.9000% | 50 | 1.8900% | 2.0800% |
| 35 | 1.6800% | 2.8300% | 55 | 3.6300% | 3.6600% |
| 40 | 1.4200% | 1.6700% | 60 | 5.4900% | 5.9400% |

Mortality

Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit plan actuarial valuations.

Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.

LEHIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 9 SCHOOL DISTRICT POSTEMPLOYMENT HEALTHCARE PLAN (cont'd)

Disability

No disability was assumed.

Retirement

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

| Age | Age 55 and 25 Years of Service | | Superannuation | |
|-------|--------------------------------|--------|----------------|--------|
| | Male | Female | Male | Female |
| 55 | 14.5% | 14.5% | 25.0% | 16.0% |
| 56 | 14.5% | 14.5% | 25.0% | 20.0% |
| 57 | 14.5% | 15.0% | 28.0% | 28.0% |
| 58 | 14.5% | 15.0% | 28.0% | 30.0% |
| 59 | 21.6% | 20.7% | 28.0% | 30.0% |
| 60 | 14.5% | 15.0% | 29.0% | 31.0% |
| 61 | 29.0% | 29.0% | 29.0% | 31.0% |
| 62 | 29.0% | 29.0% | 36.0% | 31.0% |
| 63 | 29.0% | 29.0% | 21.0% | 20.0% |
| 64 | 29.0% | 29.0% | 22.0% | 25.0% |
| 65 | 29.0% | 29.0% | 23.0% | 28.0% |
| 66 | 29.0% | 29.0% | 23.0% | 27.0% |
| 67 | 29.0% | 29.0% | 20.0% | 23.0% |
| 68 | 29.0% | 29.0% | 20.0% | 22.0% |
| 69 | 29.0% | 29.0% | 20.0% | 23.0% |
| 70 | 29.0% | 29.0% | 20.0% | 23.0% |
| 71-73 | 29.0% | 29.0% | 20.0% | 20.0% |
| 74-79 | 29.0% | 29.0% | 25.0% | 25.0% |
| 80 | 100.0% | 100.0% | 100.0% | 100.0% |

Percent of Eligible Retirees Electing Coverage in Plan

Twenty-five percent of teachers and administrators and ten percent of the support staff are assumed to elect coverage.

Percent Married at Retirement

Thirty-five percent of employees are assumed to be married and have a spouse covered by the plan at retirement. Non-spouse dependents are deemed to be immaterial.

Spouse Age

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

LEHIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 9 SCHOOL DISTRICT POSTEMPLOYMENT HEALTHCARE PLAN (cont'd)

Per Capita Claims Cost

Making use of weighted averages for various plan designs, the per capita claims cost for medical and prescription drug is based on the expected portion of the group's overall cost attributed to individuals in the specified age and gender brackets. Dental and vision costs are assumed to not vary with age or gender. The resulting costs are as follows:

| <u>Age</u> | <u>Medical and Prescription Drug Combined</u> | |
|------------|---|---------------|
| | <u>Male</u> | <u>Female</u> |
| 45 - 49 | \$ 9,271 | \$ 13,389 |
| 50 - 54 | \$ 12,278 | \$ 15,132 |
| 55 - 59 | \$ 14,954 | \$ 15,834 |
| 60 - 64 | \$ 19,515 | \$ 18,189 |

Retiree Contributions

Retiree contributions are assumed to increase at the same rate as the healthcare cost trend rate.

Healthcare Cost Trend Rate

The healthcare cost trend rate was 7.0% in 2023, 6.5% in 2024, and 6.0% in 2025 through 2026. Rates gradually decrease from 5.4% in 2027 to 4.1% in 2075 and after based on the Society of Actuaries Long-Run Medical Cost Trend Model.

Actuarial Cost Method – Entry Age Normal

Under the entry age normal cost method, the normal cost is the present value of benefits allocated to the year following the valuation date. Benefits are allocated on a level basis over the earnings of an individual between the date of hire and the assumed retirement age. The accrued liability as of the valuation date is the excess of the present value of future benefits over the present value of future normal cost. The unfunded accrued liability is the excess of the accrued liability over the actuarial value of assets. Actuarial gains and losses serve to reduce or increase the unfunded accrued liability.

Participant Data

Participant data is based on census information as of July 1, 2023. Due to the timing of School District turnover, the data is believed to be representative of the population for the 2023 - 2024 school year.

LEHIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 9 SCHOOL DISTRICT POSTEMPLOYMENT HEALTHCARE PLAN (cont'd)

Sensitivity Analysis

The following presents the net OPEB liability, calculated using the valuation discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

| | 1% Decrease 3.13% | Current Discount Rate 4.13% | 1% Increase 5.13% |
|--------------------|-------------------------|-----------------------------------|-------------------------|
| Net OPEB liability | \$ 1,311,861 | \$ 1,235,658 | \$ 1,163,042 |

The following presents the net OPEB liability, calculated using the valuation healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one percentage point lower each year or one percentage point higher each year than the current rate.

| | 1% Decrease | Current Trend Rate | 1% Increase |
|--------------------|----------------|-----------------------|----------------|
| Net OPEB liability | \$ 1,125,625 | \$ 1,235,658 | \$ 1,363,521 |

Changes in Total OPEB Liability

| | |
|--|---------------------|
| Total OPEB obligation as of July 1, 2022 | \$ 1,261,957 |
| Service cost | 43,176 |
| Interest on OPEB obligation | 50,009 |
| Effect of assumption changes or inputs | 16,008 |
| Benefit payments | <u>(135,492)</u> |
| Total OPEB obligation as of July 1, 2023 | <u>\$ 1,235,658</u> |

The amount of OPEB expense for the single employer plan recognized by the School District was \$68,168 for the year ended June 30, 2024. At June 30, 2024, the School District reported deferred outflows of resources and deferred inflows of resources relating to OPEB from the following sources:

LEHIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 9 SCHOOL DISTRICT POSTEMPLOYMENT HEALTHCARE PLAN (cont'd)

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Change in assumptions | \$ 106,799 | \$ 263,220 |
| Difference between expected and actual experience | 75,291 | 106,111 |
| Benefit payment subsequent to the July 1, 2023 measurement date | 150,624 | - |
| Total | <u>\$ 332,714</u> | <u>\$ 369,331</u> |

Deferred outflows of resources of \$150,624 resulting from the School District's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2025. Deferred inflows of resources due to the change in assumptions will be recognized in pension expense as follows:

Year Ending June 30,

| | |
|------------|---------------------|
| 2025 | \$ (25,017) |
| 2026 | (25,017) |
| 2027 | (25,017) |
| 2028 | (25,017) |
| 2029 | (25,016) |
| Thereafter | <u>(62,157)</u> |
| | <u>\$ (187,241)</u> |

NOTE 10 AGGREGATION OF NET OPEB LIABILITY

The School District's reconciliation of the net OPEB liability is as follows:

| | PSERS Healthcare Premium Assistance Plan (See Note 8) | School District Postemployment Healthcare Benefits Plan (See Note 9) | Total |
|-----------------------------------|---|--|--------------|
| Deferred outflows related to OPEB | \$ 298,000 | \$ 332,714 | \$ 630,714 |
| Net OPEB liability | \$ 1,753,000 | \$ 1,235,658 | \$ 2,988,658 |
| Deferred inflows related to OPEB | \$ 605,000 | \$ 369,331 | \$ 974,331 |

LEHIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 11 FUND BALANCES

As of June 30, 2024, fund balances are composed of the following:

| | General Fund | Capital Projects Fund | Capital Reserve Fund | Total Governmental Funds |
|------------------------------|---------------------|-----------------------------|----------------------------|--------------------------------|
| Restricted: | | | | |
| Capital projects | \$ - | \$ - | \$ 255,152 | \$ 255,152 |
| Traffic signals | 347,817 | - | - | 347,817 |
| PSHIC | 501,729 | - | - | 501,729 |
| Assigned: | | | | |
| Technology | 635,261 | - | - | 635,261 |
| PSERS | 498,658 | - | - | 498,658 |
| Medical insurance | 1,695,450 | - | - | 1,695,450 |
| Capital expenditures | 1,558,500 | - | - | 1,558,500 |
| Curriculum | 589,320 | - | - | 589,320 |
| Nonspendable - prepaid items | 73,668 | - | - | 73,668 |
| Unassigned | 9,381,089 | - | - | 9,381,089 |
| Total Fund Balances | <u>\$15,281,492</u> | <u>\$ -</u> | <u>\$ 255,152</u> | <u>\$ 15,536,644</u> |

NOTE 12 CONTINGENCIES AND COMMITMENTS

Government Grants and Awards

The School District participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The School District is potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

Litigation

Certain litigation claims are pending against the School District. In the opinion of the School District management and legal counsel, the potential losses, if any, on such claims would not have a materially adverse effect on the School District's finances.

NOTE 13 RISK MANAGEMENT

The School District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The

LEHIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 13 RISK MANAGEMENT (cont'd)

School District has purchased various insurance policies to safeguard the assets of the School District from the risk of loss.

NOTE 14 EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following general fund functions incurred expenditures in excess of appropriations in the following amount for the year ended June 30, 2024:

| | |
|--|--------------|
| Special programs | \$ 1,258,399 |
| Vocational programs | \$ 4,736 |
| Non-public programs | \$ 6,417 |
| Student Services | \$ 73,126 |
| Administration | \$ 658,672 |
| Community services | \$ 6,904 |
| Architecture and engineering services/educational specifications | \$ 10,214 |

The excess of expenditures over appropriations were financed by other expenditures not exceeding appropriations.

NOTE 15 LEASE PAYABLE

The School District has entered into a lease agreement as a lessee for financing the acquisition of equipment used throughout the School District. This lease agreement has been capitalized (see Note 4).

Presented below is a summary of minimum lease payments to maturity by years for all leases:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|------------------|-----------------|------------------|
| 2025 | \$ 19,645 | \$ 4,050 | \$ 23,695 |
| 2026 | 20,931 | 2,764 | 23,695 |
| 2027 | 22,302 | 1,393 | 23,695 |
| 2028 | 9,717 | 155 | 9,872 |
| Total | <u>\$ 72,595</u> | <u>\$ 8,362</u> | <u>\$ 80,957</u> |

NOTE 16 DEFICIT NET POSITION

For governmental activities, the unrestricted net deficit amount of \$24,872,886 includes the effect of the deferring the recognition of pension and OPEB contributions made subsequent to

LEHIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 16 DEFICIT NET POSITION (cont'd)

the measurement date of the net pension and OPEB liabilities, the unamortized portion of contributions made in excess of the School District's share of its proportionate contributions to its pension and OPEB plans, and the deferred outflows resulting from the change in the School District's share of the net pension and OPEB liabilities. This is offset by the School District's actuarially determined pension and OPEB liabilities and the deferred inflows resulting from the differences between changes in proportion and expected and actual experience.

NOTE 17 SUBSEQUENT EVENTS

The School District has evaluated all subsequent events through January 27, 2025, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**LEHIGHTON AREA SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Pennsylvania Public School Employees' Retirement System (PSERS)**

| | MEASUREMENT DATE | | | | | | | | | |
|--|------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | June 30, 2023 | June 30, 2022 | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 | June 30, 2014 |
| School District's proportion of the net pension liability | 0.0970% | 0.0961% | 0.0982% | 0.1114% | 0.1162% | 0.1198% | 0.1153% | 0.1162% | 0.1143% | 0.1125% |
| School District's proportion of the net pension liability - dollar value | \$ 43,152,000 | \$ 42,725,000 | \$ 40,318,000 | \$ 54,852,000 | \$ 54,361,000 | \$ 57,510,000 | \$ 56,945,000 | \$ 57,585,000 | \$ 49,510,000 | \$ 44,528,000 |
| School District's covered employee payroll | \$ 14,890,702 | \$ 13,436,305 | \$ 13,924,202 | \$ 15,608,513 | \$ 15,987,730 | \$ 16,420,920 | \$ 15,355,974 | \$ 15,048,374 | \$ 14,702,281 | \$ 14,360,280 |
| School District's proportionate share of the net pension liability as a percentage of its covered employee payroll | 289.79% | 317.98% | 289.55% | 351.42% | 340.02% | 350.22% | 370.83% | 382.67% | 336.75% | 310.08% |
| Plan fiduciary net position as a percentage of the total pension liability | 61.34% | 61.34% | 63.67% | 54.32% | 55.66% | 54.00% | 51.84% | 50.14% | 54.36% | 57.24% |

**LEHIGHTON AREA SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF SCHOOL DISTRICT PENSION CONTRIBUTIONS
Pennsylvania Public School Employees' Retirement System (PSERS)**

| | <u>June 30, 2024</u> | <u>June 30, 2023</u> | <u>June 30, 2022</u> | <u>June 30, 2021</u> | <u>June 30, 2020</u> | <u>June 30, 2019</u> | <u>June 30, 2018</u> | <u>June 30, 2017</u> | <u>June 30, 2016</u> | <u>June 30, 2015</u> |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Contractually required contribution | \$ 5,234,000 | \$ 5,109,000 | \$ 4,567,000 | \$ 4,666,000 | \$ 5,207,000 | \$ 5,212,000 | \$ 5,212,000 | \$ 4,547,000 | \$ 3,789,000 | \$ 2,955,000 |
| Contributions in relation to the contractually required contribution | <u>5,234,000</u> | <u>5,109,000</u> | <u>4,567,000</u> | <u>4,666,000</u> | <u>5,207,000</u> | <u>5,212,000</u> | <u>5,212,000</u> | <u>4,547,000</u> | <u>3,789,000</u> | <u>2,955,000</u> |
| Contribution excess | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| School District's covered employee payroll | \$ 15,817,468 | \$ 14,890,702 | \$ 13,436,305 | \$ 13,924,202 | \$ 15,608,513 | \$ 15,987,730 | \$ 16,420,920 | \$ 15,355,974 | \$ 15,048,374 | \$ 14,702,281 |
| Contributions as a percentage of covered employee payroll | 33.09% | 34.31% | 33.99% | 33.51% | 33.36% | 32.60% | 31.74% | 29.61% | 25.18% | 20.10% |

**LEHIGHTON AREA SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
Pennsylvania Public School Employees' Retirement System (PSERS)**

| | MEASUREMENT DATE | | | | | | |
|---|------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | June 30, 2023 | June 30, 2022 | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 |
| School District's proportion of the net OPEB liability | 0.0969% | 0.0959% | 0.0979% | 0.1111% | 0.1162% | 0.1198% | 0.1153% |
| School District's proportion of the net OPEB liability - dollar value | \$ 1,753,000 | \$ 1,765,000 | \$ 2,320,000 | \$ 2,401,000 | \$ 2,471,000 | \$ 2,498,000 | \$ 2,349,000 |
| School District's covered employee payroll | \$ 14,890,702 | \$ 13,436,305 | \$ 13,924,202 | \$ 15,608,513 | \$ 15,987,730 | \$ 16,420,920 | \$ 15,355,974 |
| School District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll | 11.77% | 13.14% | 16.66% | 15.38% | 15.46% | 15.21% | 15.30% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 7.22% | 6.86% | 5.30% | 5.69% | 5.56% | 5.56% | 5.73% |

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**LEHIGHTON AREA SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF SCHOOL DISTRICT OPEB CONTRIBUTIONS
Pennsylvania Public School Employees' Retirement System (PSERS)**

| | <u>June 30, 2024</u> | <u>June 30, 2023</u> | <u>June 30, 2022</u> | <u>June 30, 2021</u> | <u>June 30, 2020</u> | <u>June 30, 2019</u> | <u>June 30, 2018</u> |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Contractually required contribution | \$ 101,000 | \$ 112,000 | \$ 107,000 | \$ 114,000 | \$ 131,000 | \$ 133,000 | \$ 136,000 |
| Contributions in relation to the contractually required contribution | <u>101,000</u> | <u>112,000</u> | <u>107,000</u> | <u>114,000</u> | <u>131,000</u> | <u>133,000</u> | <u>136,000</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| School District's covered employee payroll | \$ 15,817,468 | \$ 14,890,702 | \$ 13,436,305 | \$ 13,924,202 | \$ 15,608,513 | \$ 15,987,730 | \$ 16,420,920 |
| Contributions as a percentage of covered employee payroll | 0.64% | 0.75% | 0.80% | 0.82% | 0.84% | 0.83% | 0.83% |

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

LEHIGHTON AREA SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS
Single Employer Plan

| | MEASUREMENT DATE | | | | | | |
|---|---------------------|---------------------|---------------------|---------------------|-------------------|-------------------|-------------------|
| | July 1, 2023 | July 1, 2022 | July 1, 2021 | July 1, 2020 | July 1, 2019 | July 1, 2018 | July 1, 2017 |
| TOTAL OPEB LIABILITY | | | | | | | |
| Service cost | \$ 43,176 | \$ 68,330 | \$ 70,085 | \$ 57,040 | \$ 57,702 | \$ 63,875 | \$ 62,134 |
| Interest on total OPEB liability | 50,009 | 25,983 | 20,829 | 31,265 | 26,682 | 32,646 | 23,830 |
| Changes of benefit terms | - | 295,610 | - | - | - | - | - |
| Differences between expected and actual experience | - | 90,101 | - | 2,356 | - | (212,227) | - |
| Effect of assumption changes or inputs | 16,008 | (272,929) | (33,220) | 117,794 | (25,714) | 595 | 32,209 |
| Benefit payments | (135,492) | (35,828) | (36,628) | (26,837) | (18,144) | (36,116) | (31,365) |
| NET CHANGE IN TOTAL OPEB LIABILITY | (26,299) | 171,267 | 21,066 | 181,618 | 40,526 | (151,227) | 86,808 |
| TOTAL OPEB LIABILITY, BEGINNING OF YEAR | 1,261,957 | 1,090,690 | 1,069,624 | 888,006 | 847,480 | 998,707 | 911,899 |
| TOTAL OPEB LIABILITY, END OF YEAR | <u>\$ 1,235,658</u> | <u>\$ 1,261,957</u> | <u>\$ 1,090,690</u> | <u>\$ 1,069,624</u> | <u>\$ 888,006</u> | <u>\$ 847,480</u> | <u>\$ 998,707</u> |
| <u>PLAN FIDUCIARY NET POSITION</u> | | | | | | | |
| PLAN FIDUCIARY NET POSITION, BEGINNING OF YEAR | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| PLAN FIDUCIARY NET POSITION, END OF YEAR | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| SCHOOL DISTRICT'S NET OPEB LIABILITY | <u>\$ 1,235,658</u> | <u>\$ 1,261,957</u> | <u>\$ 1,090,690</u> | <u>\$ 1,069,624</u> | <u>\$ 888,006</u> | <u>\$ 847,480</u> | <u>\$ 998,707</u> |
| Plan fiduciary net position as a percentage of total OPEB liability | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Covered employee payroll | \$ 12,360,596 | \$ 12,360,596 | \$ 14,419,584 | \$ 14,419,584 | \$ 14,510,580 | \$ 14,510,580 | \$ 14,510,580 |
| School District's net OPEB liability as a percentage of covered payroll | 10.00% | 10.21% | 7.56% | 7.42% | 6.12% | 5.84% | 6.88% |

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

SINGLE AUDIT SUPPLEMENT



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

January 27, 2025

Board of School Directors
Lehigh Area School District
Lehigh, Pennsylvania

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, and the aggregate remaining fund information of the Lehigh Area School District ("the School District"), Lehigh, Pennsylvania, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated January 27, 2025.

Report on Internal Control Over Financial Reporting

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

Board of School Directors
Lehigh Area School District

timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 School District'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 School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


BARBACANE, THORNTON & COMPANY LLP



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

January 27, 2025

Board of School Directors
Lehigh Area School District
Lehigh, Pennsylvania

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Lehigh Area School District's ("the School District") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2024. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and recommendations.

In our opinion, the School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

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

Board of School Directors
Lehigh Area School District

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

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

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

Board of School Directors
Lehigh Area School District

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

Report on Internal Control Over Compliance

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

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

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

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

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP

**LEHIGHTON AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2024**

| Federal Grantor/Project Title | Source Code | Federal ALN | Pass-through Grantor Number | Grant Period Beginning - Ending Dates | Grant Amount | Total Received for Year | Accrued (Unearned) Revenue at June 30, 2023 | Revenue Recognized | Expenditures | Accrued (Unearned) Revenue at June 30, 2024 | Passed through to Subrecipients |
|--|-------------|-------------|-----------------------------|---------------------------------------|------------------|-------------------------|---|---------------------|---------------------|---|---------------------------------|
| U.S. DEPARTMENT OF EDUCATION | | | | | | | | | | | |
| <u>Passed through the Pennsylvania Department of Education</u> | | | | | | | | | | | |
| Title I Grants to Local Education Agencies | I | 84.010 | 013-230226 | 7/23/22 - 9/30/23 | \$ 624,986 | \$ 133,914 | \$ 122,487 | \$ 11,427 | \$ 11,427 | \$ - | \$ - |
| Title I Grants to Local Education Agencies | I | 84.010 | 013-240226 | 7/1/23 - 9/30/24 | 677,521 | 522,901 | - | 677,521 | 677,521 | 154,620 | - |
| Title I Grants to Local Education Agencies | I | 84.010 | 107-220226 | 7/23/21 - 9/30/22 | 23,220 | (6,539) | (6,539) | - | - | - | - |
| Total ALN 84.010 | | | | | <u>1,325,727</u> | <u>650,276</u> | <u>115,948</u> | <u>688,948</u> | <u>688,948</u> | <u>154,620</u> | <u>-</u> |
| Improving Teacher Quality State Grants | I | 84.367 | 020-230226 | 7/23/22 - 9/30/23 | 84,188 | 14,714 | 14,714 | - | - | - | - |
| Improving Teacher Quality State Grants | I | 84.367 | 020-240226 | 7/1/23 - 9/30/24 | 83,939 | 77,933 | - | 83,939 | 83,939 | 6,006 | - |
| Total ALN 84.367 | | | | | <u>168,127</u> | <u>92,647</u> | <u>14,714</u> | <u>83,939</u> | <u>83,939</u> | <u>6,006</u> | <u>-</u> |
| Title IV Student Support & Academic Enrichment Grants | I | 84.424 | 144-230226 | 7/23/22 - 9/30/23 | 49,714 | 2,356 | 2,356 | - | - | - | - |
| Title IV Student Support & Academic Enrichment Grants | I | 84.424 | 144-240226 | 7/23/23 - 9/30/24 | 48,928 | 24,464 | - | 48,928 | 48,928 | 24,464 | - |
| Total ALN 84.424 | | | | | <u>98,642</u> | <u>26,820</u> | <u>2,356</u> | <u>48,928</u> | <u>48,928</u> | <u>24,464</u> | <u>-</u> |
| ARP ESSER | I | 84.425U | 223-210226 | 3/13/20 - 9/30/24 | 4,782,212 | 2,521,530 | 523,204 | 2,513,121 | 2,513,121 | 514,795 | - |
| ARP ESSER 7% | I | 84.425C | 225-210226 | 3/13/20 - 9/30/24 | 371,686 | 155,432 | 8,902 | 176,398 | 176,398 | 29,868 | - |
| Total ALN 84.425 | | | | | <u>5,153,898</u> | <u>2,676,962</u> | <u>532,106</u> | <u>2,689,519</u> | <u>2,689,519</u> | <u>544,663</u> | <u>-</u> |
| <u>Passed through the Carbon-Lehigh Intermediate Unit</u> | | | | | | | | | | | |
| IDEA Special Education - Grants to States | I | 84.027 | H027A220093 | 7/1/22 - 6/30/23 | 429,364 | 56,873 | 56,873 | - | - | - | - |
| IDEA Special Education - Grants to States | I | 84.027 | H027A230093 | 7/1/23 - 6/30/24 | 476,909 | 476,909 | - | 476,909 | 476,909 | - | - |
| Total ALN 84.027 | | | | | <u>906,273</u> | <u>533,782</u> | <u>56,873</u> | <u>476,909</u> | <u>476,909</u> | <u>-</u> | <u>-</u> |
| IDEA - SECTION 619A | I | 84.173 | H173A230090 | 7/1/23 - 6/30/24 | 2,886 | - | - | 2,886 | 2,886 | 2,886 | - |
| IDEA - SECTION 619A | I | 84.173 | H173A220090 | 7/1/22 - 6/30/23 | 3,872 | 3,872 | 3,843 | 29 | 29 | - | - |
| Total ALN 84.173 | | | | | <u>6,758</u> | <u>3,872</u> | <u>3,843</u> | <u>2,915</u> | <u>2,915</u> | <u>2,886</u> | <u>-</u> |
| TOTAL SPECIAL EDUCATION CLUSTER | | | | | <u>913,031</u> | <u>537,654</u> | <u>60,716</u> | <u>479,824</u> | <u>479,824</u> | <u>2,886</u> | <u>-</u> |
| TOTAL U.S. DEPARTMENT OF EDUCATION | | | | | <u>7,659,425</u> | <u>3,984,359</u> | <u>725,840</u> | <u>3,991,158</u> | <u>3,991,158</u> | <u>732,639</u> | <u>-</u> |
| U.S. DEPARTMENT OF AGRICULTURE | | | | | | | | | | | |
| <u>Passed through the Pennsylvania Department of Agriculture</u> | | | | | | | | | | | |
| National School Lunch Program - Donated Commodities | I | 10.555 | N/A | 7/1/23 - 6/30/24 | N/A | 77,491 | (1,892) | 77,330 | 77,330 | (2,053) | - |
| <u>Passed through the Pennsylvania Department of Education</u> | | | | | | | | | | | |
| National School Lunch Program | I | 10.555 | N/A | 7/1/23 - 6/30/24 | N/A | 886,991 | - | 914,838 | 914,838 | 27,847 | - |
| Supply Chain Assistance | I | 10.555 | N/A | 7/1/23 - 6/30/24 | N/A | 62,237 | - | 62,237 | 62,237 | - | - |
| Total ALN 10.555 | | | | | | <u>1,026,719</u> | <u>(1,892)</u> | <u>1,054,405</u> | <u>1,054,405</u> | <u>25,794</u> | <u>-</u> |
| School Breakfast Program | I | 10.553 | N/A | 7/1/23 - 6/30/24 | N/A | 264,826 | - | 275,852 | 275,852 | 11,026 | - |
| Child and Adult Care Food Program | I | 10.558 | N/A | 7/1/22 - 6/30/23 | N/A | 95 | 95 | - | - | - | - |
| Child and Adult Care Food Program | I | 10.558 | N/A | 7/1/23 - 6/30/24 | N/A | 24,954 | - | 24,954 | 24,954 | - | - |
| Total ALN 10.558 | | | | | | <u>25,049</u> | <u>95</u> | <u>24,954</u> | <u>24,954</u> | <u>-</u> | <u>-</u> |
| P-EBT Local Admin Funds | I | 10.649 | N/A | 7/1/23 - 6/30/24 | N/A | 5,762 | - | 5,762 | 5,762 | - | - |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE | | | | | | <u>1,322,356</u> | <u>(1,797)</u> | <u>1,360,973</u> | <u>1,360,973</u> | <u>36,820</u> | <u>-</u> |
| TOTAL FEDERAL AWARDS | | | | | | <u>\$ 5,306,715</u> | <u>\$ 724,043</u> | <u>\$ 5,352,131</u> | <u>\$ 5,352,131</u> | <u>\$ 769,459</u> | <u>\$ -</u> |
| CHILD NUTRITION CLUSTER (ALN 10.553 and 10.555) | | | | | | <u>\$ 1,291,545</u> | <u>\$ (1,892)</u> | <u>\$ 1,330,257</u> | <u>\$ 1,330,257</u> | <u>\$ 36,820</u> | <u>\$ -</u> |

Source Code:

I - Indirect Funding

LEHIGHTON AREA SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A GENERAL

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of the Lehigh Area School District. Federal awards passed through other government agencies are included on the schedule.

NOTE B BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting as described in the notes to the basic financial statements.

NOTE C NON-MONETARY ASSISTANCE

The Commonwealth of Pennsylvania distributes federal surplus food to institutions (schools, hospitals, and prisons) and to the needy. Expenditures reported in the schedule of expenditures of federal awards under ALN 10.555 (National School Lunch Program - Donated Commodities) represent surplus food consumed by the School District during the 2023 - 2024 fiscal year. The School District has food commodities totaling \$2,053 in inventory as of June 30, 2024.

NOTE D ACCESS PROGRAM

The ACCESS Program is a medical assistance program that reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. The amount of ACCESS funding recognized for the year ended June 30, 2024 was \$24,234.

NOTE E INDIRECT COST RATE

The School District has not elected to use the 10% de minimum indirect cost rate allowed under the Uniform Guidance.

LEHIGHTON AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS

PART A – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor's report issued [*unmodified, qualified, adverse, or disclaimer*]:

Unmodified

Internal control over financial reporting:

- | | | |
|---|-------------------|----------------------------|
| • Material weakness(es) identified? | <u> </u> Yes | <u> X </u> No |
| • Significant deficiency(ies) identified? | <u> </u> Yes | <u> X </u> None reported |
| • Noncompliance material to financial statements noted? | <u> </u> Yes | <u> X </u> No |

Federal Awards

Internal control over major program:

- | | | |
|---|-------------------|----------------------------|
| • Material weakness(es) identified? | <u> </u> Yes | <u> X </u> No |
| • Significant deficiency(ies) identified? | <u> </u> Yes | <u> X </u> None reported |

Type of auditor's report issued on compliance for major programs [*unmodified, qualified, adverse, or disclaimer*]:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?

 Yes X No

Identification of major programs:

| <u>Assistance Listing Numbers</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------------------|---|
| <u>84.425C, 84.425U</u> | <u>Education Stabilization Fund</u> |
| <u>10.553, 10.555</u> | <u>Child Nutrition Cluster</u> |

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 Yes X No

LEHIGHTON AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

PART B – FINDINGS RELATED TO FINANCIAL STATEMENTS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

PART C – FINDINGS RELATED TO FEDERAL AWARDS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.