

**EAST STROUDSBURG AREA SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2022**

EAST STROUDSBURG AREA SCHOOL DISTRICT  
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# *Zelenkofske Axelrod LLC*

**CERTIFIED PUBLIC ACCOUNTANTS**

EXPERIENCE | EXPERTISE | ACCOUNTABILITY

## Independent Auditor's Report

To the Board of School Directors  
East Stroudsburg Area School District  
East Stroudsburg, 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 East Stroudsburg Area School District (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the 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 District as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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 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 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 District's ability to continue as a going concern for one year after the date that the financial statements are issued.

#### ***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 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.



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In performing an audit in accordance with GAAS, 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 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 District's ability to continue as a going concern for a reasonable period of time.

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

### ***Emphasis of Matter***

As discussed in Note 1 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, and certain effective provisions of GASB Statement No. 92, *Omnibus 2020*. Our opinion is not modified with respect to these matters.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule, and pension and OPEB liability and contributions schedules on pages 4-11 and 56-62 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by GASB 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 GAAS, 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 District's basic financial statements. The combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.



# *Zelenkofske Axlerod LLC*

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The combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards are the responsibility of management and were 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 GAAS. In our opinion, the combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated December 15, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 District's internal control over financial reporting and compliance.

*Zelenkofske Axlerod LLC*

ZELENKOFKSKE AXELROD LLC

Jamison, Pennsylvania  
December 15, 2022

EAST STROUDSBURG AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2022

The discussion and analysis of East Stroudsburg Area School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2022. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**USING THIS PREPARED IN ACCORDANCE WITH U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES REPORT (U.S. GAAP)**

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

The statement of net position and statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements show how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. In the case of the District, the General Fund is by far the most significant fund.

**FINANCIAL HIGHLIGHTS**

The District realized a solid financial performance for the year ended June 30, 2022. Excluding Federal funds related to the COVID-19 coronavirus pandemic, the District's revenues were approximately 3% higher than budget while expenditures were 3% less than budget. Local revenues were 3.5% higher than budget primarily due to strong real estate tax collections (both current and delinquent), record setting real estate transfer taxes, and robust earned income tax collections. On the expenditure side, the District realized significant savings due to the challenging job market and difficulty attracting qualified candidates to fill open positions. The District also dealt with supply chain constraints and associated shipping delays that shifted costs out of the 2021-22 fiscal year and into the 2022-23 fiscal year. Charter school costs continue to be a significantly elevated expenditure post pandemic and are running three times higher than they were prior to the pandemic. Due to the strength of the General Fund, the District was able to transfer \$6 million from the General Fund to the Capital Reserve to address future, large dollar capital improvement initiatives.

Key government-wide financial highlights for 2022 are as follows:

- In total, net position increased from (\$117,802,918) in 2021 to (\$101,448,635) in 2022.
- General revenues accounted for \$108,427,506 in revenue or 62% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$67,382,481 or 38% of total revenues of \$175,810,005.
- Total assets and deferred outflows of resources of governmental activities were \$322,759,146, of which \$86,258,976 represents unrestricted cash and investments. Governmental capital assets, net of accumulated depreciation were \$166,702,307.
- The District had \$159,455,722 in expenses; \$67,382,481 of these expenses were offset by program specific charges for services, grants, or contributions. General revenues (primarily member district allocation derived from their property taxes) of \$108,427,506 were adequate to provide for these programs.

EAST STROUDSBURG AREA SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited) (CONTINUED)  
YEAR ENDED JUNE 30, 2022

- Expenses, after program revenue was \$92,073,241 which decreased from \$102,904,449 in 2021.
- Federal and state subsidies received for governmental operating activities this year were \$59,918,287, which decreased from \$62,940,432 in 2021. Federal subsidies related to the COVID-19 pandemic continue to have a significant impact on the District’s financial statements. State subsidies remained flat to prior year.

**OUR SCHOOLS**

The District operates: six elementary schools that house students from kindergarten to fifth grade, two intermediate schools with sixth to eighth grades and two high schools with ninth through twelfth grades.

- Bushkill Elementary School
- Resica Elementary School
- Middle Smithfield Elementary School
- Smithfield Elementary School
- J. M. Hill Elementary School
- East Stroudsburg Elementary School
- J.T. Lambert Intermediate School
- Lehman Intermediate School
- East Stroudsburg High School South
- East Stroudsburg High School North

**REPORTING THE DISTRICT AS A WHOLE**

**Statement of Net Position and the Statement of Activities** - While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole considers all financial transactions and asks the question. . . **“How did we do financially during the year?”** The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. The basis of accounting takes into account all of the current year’s revenue and expenses regardless of when cash is received or paid. These two statements report the District’s net position and changes in net position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The cause of this change may be the result of many factors, some financial, and some not. Nonfinancial factors include the District’s property tax base, current property tax laws in Pennsylvania restricting revenue growth, facility condition, required educational programs and other factors. In the Statement of Net Position and the Statement of Activities, the District reports governmental and business-type activities. Governmental activities are the activities where most of the District programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The District’s business-type activity is the Food Service Fund.

EAST STROUDSBURG AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) (CONTINUED)  
YEAR ENDED JUNE 30, 2022

**REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS**

**Fund Financial Statements** - The Governmental Funds statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental Funds information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and Governmental Funds is reconciled in the financial statements. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these funds financial statements focus on the District's most significant funds. Most of the District's activities are reported in Governmental Funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds 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 District's Governmental Funds follow.

- **General Fund (Major Fund)** The General Fund is the operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended for transferred according to the general laws of the Commonwealth.
- **Capital Projects Fund (Major Fund)** The Capital Projects Fund accounts are to be used for the acquisition, construction, or improvement of capital facilities.
- **Special Revenue Fund (Nonmajor Fund)** The Special Revenue Fund accounts for specific revenue sources, which are legally restricted to expenditures for specific purposes.

EAST STROUDSBURG AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) (CONTINUED)  
YEAR ENDED JUNE 30, 2022

**THE DISTRICT AS A WHOLE**

Recall that the Statement of Net Position provides the perspective of the District as a whole.

***Condensed Statements of Net Position***

***June 30, 2022 and 2021***

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Assets						
Current Assets	\$ 117,564,518	\$ 116,592,901	\$ 1,737,236	\$ 395,727	\$ 119,301,754	\$ 116,988,628
Capital Assets	166,702,307	173,718,568	159,006	159,945	166,861,313	173,878,513
Total Assets	<u>284,266,825</u>	<u>290,311,469</u>	<u>1,896,242</u>	<u>555,672</u>	<u>286,163,067</u>	<u>290,867,141</u>
Deferred Outflows of Resources	<u>38,492,321</u>	<u>40,960,165</u>	<u>852,571</u>	<u>974,245</u>	<u>39,344,892</u>	<u>41,934,410</u>
Liabilities						
Long-Term Liabilities	346,487,543	394,498,774	5,094,881	6,447,708	351,582,424	400,946,482
Other Liabilities	<u>37,157,353</u>	<u>36,688,872</u>	<u>283,276</u>	<u>143,966</u>	<u>37,440,629</u>	<u>36,832,838</u>
Total Liabilities	<u>383,644,896</u>	<u>431,187,646</u>	<u>5,378,157</u>	<u>6,591,674</u>	<u>389,023,053</u>	<u>437,779,320</u>
Deferred Inflows of Resources	<u>37,055,046</u>	<u>12,455,841</u>	<u>878,495</u>	<u>369,308</u>	<u>37,933,541</u>	<u>12,825,149</u>
Net Position						
Net Investment in Capital Assets	49,366,176	44,228,124	159,006	159,945	49,525,182	44,388,069
Restricted	16,890,331	10,194,237	-	-	16,890,331	10,194,237
Unrestricted	<u>(164,197,303)</u>	<u>(166,794,214)</u>	<u>(3,666,845)</u>	<u>(5,591,010)</u>	<u>(167,864,148)</u>	<u>(172,385,224)</u>
Total Net Position	<u>\$ (97,940,796)</u>	<u>\$ (112,371,853)</u>	<u>\$ (3,507,839)</u>	<u>\$ (5,431,065)</u>	<u>\$ (101,448,635)</u>	<u>\$ (117,802,918)</u>

Unrestricted net position of governmental activities, the portion of net position that can be used to finance day-to-day activities without constraints established by grants or legal requirements, increased by \$2,596,911 from the 2021 unrestricted net position \$(166,794,214) to the 2022 unrestricted net position of \$(164,197,303).

**EAST STROUDSBURG AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) (CONTINUED)  
YEAR ENDED JUNE 30, 2022**

**Condensed Statements of Activities**

**June 30, 2022 and 2021**

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
<b>Revenues</b>						
Charges for Services	\$ 349,698	\$ 50,859	\$ 375,629	\$ 27,087	\$ 725,327	\$ 77,946
Operating Grants and Contributions	59,918,287	62,940,432	5,310,964	3,905,390	65,229,251	66,845,822
Capital Grants and Contributions	1,427,903	1,217,837	-	-	1,427,903	1,217,837
Property Taxes and Other Taxes Levied for General Purposes	103,627,552	103,364,292	-	-	103,627,552	103,364,292
Taxes Levied for Specific Purposes	4,369,815	4,163,870	-	-	4,369,815	4,163,870
Gain on Sale of Capital Assets	(16,235)	77,329	-	-	(16,235)	77,329
Investment Earnings	187,016	155,629	18	593	187,034	156,222
Other	259,358	352,656	-	-	259,358	352,656
<b>Total Revenues</b>	<b>170,123,394</b>	<b>172,322,904</b>	<b>5,686,611</b>	<b>3,933,070</b>	<b>175,810,005</b>	<b>176,255,974</b>
<b>Expenses</b>						
Instruction	96,194,471	102,075,030	-	-	96,194,471	102,075,030
Support Services	36,023,814	37,842,432	-	-	36,023,814	37,842,432
Facilities Acquisition, Construction and Improvement Services	1,656,416	3,844,230	-	-	1,656,416	3,844,230
Operation of Non-Instructional Services	19,384,402	17,690,966	-	-	19,384,402	17,690,966
Interest on Long-Term Debt	2,433,234	5,623,214	-	-	2,433,234	5,623,214
Food Service	-	-	3,763,385	3,970,182	3,763,385	3,970,182
<b>Total Expenses</b>	<b>155,692,337</b>	<b>167,075,872</b>	<b>3,763,385</b>	<b>3,970,182</b>	<b>159,455,722</b>	<b>171,046,054</b>
<b>Change in Net Position</b>	<b>14,431,057</b>	<b>5,247,032</b>	<b>1,923,226</b>	<b>(37,112)</b>	<b>16,354,283</b>	<b>5,209,920</b>
Net Position at Beginning of Year	(112,371,853)	(117,852,814)	(5,431,065)	(5,393,953)	(117,802,918)	(123,246,767)
Restatement of Beginning of Year 2021	-	233,929	-	-	-	233,929
Net Position at Beginning of Year, as Restated	(112,371,853)	(117,618,885)	(5,431,065)	(5,393,953)	(117,802,918)	(123,012,838)
<b>Net Position at End of Year</b>	<b>\$ (97,940,796)</b>	<b>\$ (112,371,853)</b>	<b>\$ (3,507,839)</b>	<b>\$ (5,431,065)</b>	<b>\$ (101,448,635)</b>	<b>\$ (117,802,918)</b>

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services.

**Net Cost of Services**

	2022	2021	2020	2019	2018
<b>Governmental Activities</b>					
Instruction	\$ (39,265,587)	\$ (44,268,374)	\$ (45,628,661)	\$ (48,259,624)	\$ (42,135,958)
Support Services	(34,228,759)	(36,256,666)	(32,924,333)	(33,748,443)	(32,812,038)
Facilities Acquisition, Construction and Improvement Services	(1,656,416)	(3,844,230)	(2,604,419)	(3,530,080)	(292,733)
Operation of Non-Instructional Services	(17,840,356)	(14,092,097)	(15,042,342)	(13,678,016)	(11,667,672)
Debt Service	(1,005,331)	(4,405,377)	(1,125,207)	(2,532,425)	(3,778,092)
Unallocated Depreciation	-	-	-	-	(9,660,952)
<b>Total Governmental Activities</b>	<b>(93,996,449)</b>	<b>(102,866,744)</b>	<b>(97,324,962)</b>	<b>(101,748,588)</b>	<b>(100,347,445)</b>
<b>Business-Type Activities</b>					
Food Service	1,923,208	(37,705)	(375,921)	(1,135,051)	(155,147)
<b>Total District Net Cost</b>	<b>\$ (92,073,241)</b>	<b>\$ (102,904,449)</b>	<b>\$ (97,700,883)</b>	<b>\$ (102,883,639)</b>	<b>\$ (100,502,592)</b>

EAST STROUDSBURG AREA SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited) (CONTINUED)  
YEAR ENDED JUNE 30, 2022

**Defining the Classification of Expenditure**

- Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil.
- Support expenses include activities that facilitate and enhance student instruction.
- Facilities acquisition, construction and improvement expenses include the purchase of land and buildings as well as construction, renovation, and improvements to property and facilities.
- Operation of non-instructional expenses include activities concerned with providing non-instructional services to students, staff, and the community.
- Debt service expenses include interest on long-term debt and fiscal charges and involve the transactions associated with the payment of interest and other related charges to debt of the school district.
- Food service expenses involve the preparing, delivering, and servicing of lunches and other meals.

**GENERAL FUND BUDGET HIGHLIGHTS**

The District’s budget is prepared according to the Pennsylvania law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

**REAL ESTATE TAXES**

As the primary source of funding for the District, local real estate tax revenue continues to be a critical revenue stream for the District. Property taxes are levied on July 1, on the assessed value listed, as of that date, for all taxable real property located in the District. Assessed values are established by the County Board of Assessments. All taxable real property was assessed at \$2,802,941,726 in 2021-22. This represents a decrease of \$41,894,735 in assessed value from 2020-21 and a decrease of approximately \$2.2 million in potential property tax collections from 2020-21. The tax rate for the year was \$123.39 mills per \$1,000 of assessed valuation for Pike County and \$31.27 mills per \$1,000 of assessed valuation for Monroe County.

The schedule for real estate taxes levied for each fiscal year is as follows:

August 1 .....	Levy date
August 1 - September 30 .....	2% discount period
October 1 - November 30.....	Face payment period
December 1 - December 31.....	10% penalty period
January 1.....	Lien date

EAST STROUDSBURG AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) (CONTINUED)  
YEAR ENDED JUNE 30, 2022

### THE DISTRICT'S FUNDS

District funds are accounted for using the modified accrual basis of accounting. All Governmental Funds had total operating revenues of \$172,375,912 which represented a decrease from prior year revenues of \$172,536,435. Operating expenditures of \$177,622,997 decreased from prior year amounts of \$195,801,039. Other financing sources and uses were \$8,351,715 and the net change in fund balance for the year was an increase of \$3,104,630.

### CAPITAL ASSETS

At the end of the fiscal year, the District had the following invested in land, construction in progress, buildings and building improvements, furniture and equipment.

	2022			2021 Totals
	Governmental Activities	Business-Type Activities	Totals	
Land	\$ 5,198,539	\$ -	\$ 5,198,539	\$ 5,198,539
Construction in Progress	221,007	-	221,007	254,257
Site Improvements	15,991,658	-	15,991,658	15,294,597
Buildings and Building Improvements	261,398,185	-	261,398,185	260,111,358
Furniture and Equipment	27,988,541	624,940	28,613,481	28,205,651
Leased Furniture and Equipment	5,367,058	-	5,367,058	6,651,247
Accumulated Depreciation	(149,462,681)	(465,934)	(149,928,615)	(141,837,136)
	<u>\$ 166,702,307</u>	<u>\$ 159,006</u>	<u>\$ 166,861,313</u>	<u>\$ 173,878,513</u>

### *Depreciation of the Year's Capital Asset Activity*

- Overall capital assets decreased by \$7,017,200. This is due to current year disposals and depreciation offset by the acquisition of new equipment.
- Depreciation for governmental activities for the year was \$10,440,038.
- Depreciation for business - type activities for the year was \$35,474.

### Debt Administration

Bond and Note Obligations – As of June 30, 2022 and 2021, the District had outstanding bond and note obligations of \$114,201,537 and \$126,035,239, respectively. This represents a one-year decrease in outstanding debt of \$11,833,702. The Board has been able to take advantage of favorable interest rates over the last several years and has aggressively refunded higher rate obligations.

Capital Lease Obligations – As of June 30, 2022 and 2021, the District had outstanding capital lease obligations of \$1,742,255 and \$1,929,258, respectively.

Other obligations include accrued sick leave and experience payments for specific employees of the District, accrued other postemployment benefits for retiree healthcare, and the amount of the net pension liability discussed in Notes 8, 10, and 11 of the financial statements.

On January 24, 2022, the District issued General Obligation Note, Series of 2022 in the amount of \$7,190,000 to partially refund the 2017 and 2017 AA General Obligation Bonds.

EAST STROUDSBURG AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) (CONTINUED)  
YEAR ENDED JUNE 30, 2022

### **RESERVED FUND BALANCES**

Fund balances have been classified in accordance with GASB Statement No. 54, unassigned fund balance represents funds available for appropriation of \$7,209,524 in total for 2022.

### **CURRENT FINANCIAL ISSUES AND CONCERNS**

The District, like all school districts in Pennsylvania, has faced limited increases in state funding and increases in the employer contribution rates for the Public School Employee's Retirement System (PSERS), as well as, a significant increase in external Charter School Tuition costs that have driven up expenditures. The District has been able to establish significant fund balance reserves to offset challenging economic factors in the short term. The District's strong fund balance has also enabled the District to undertake significant capital improvements without issuing new debt and avoiding an additional tax burden on the District's taxpayers.

In conclusion, the District has committed itself to continuing and improving its educational program, while making sure that it is being fiscally responsible. The district will continually monitor and assess its programs, operations, and finances to ensure that it is providing the educational services the community desires within the ability of the community to provide the necessary resources.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Mr. Craig Neiman - Chief Financial Officer, East Stroudsburg Area School District, 50 Vine Street, East Stroudsburg, Pennsylvania 18301.

EAST STROUDSBURG AREA SCHOOL DISTRICT  
GOVERNMENT WIDE STATEMENT OF NET POSITION  
JUNE 30, 2022

	Governmental Activities	Business-Type Activities	Totals
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 31,451,172	\$ 212,808	\$ 31,663,980
Investments	54,807,804	-	54,807,804
Taxes Receivable, Net	12,083,250	-	12,083,250
Internal Balances	(1,046,226)	1,046,226	-
Due from Other Governments	6,631,403	257,567	6,888,970
Other Receivables	215,079	35,810	250,889
Inventories	-	172,398	172,398
Insurance Reserve Provision	12,754,222	-	12,754,222
Prepaid Expenses	667,814	12,427	680,241
<b>Capital Assets</b>			
Land	5,198,539	-	5,198,539
Construction in Progress	221,007	-	221,007
Site Improvements	15,991,658	-	15,991,658
Building and Building Improvements	261,398,185	-	261,398,185
Furniture and Equipment	33,355,599	624,940	33,980,539
Accumulated Depreciation	(149,462,681)	(465,934)	(149,928,615)
Total Assets	<u>284,266,825</u>	<u>1,896,242</u>	<u>286,163,067</u>
<b>Deferred Outflows of Resources</b>			
Deferred Outflows of Resources, Pension Activity	34,377,758	773,324	35,151,082
Deferred Outflows of Resources, OPEB Activity	4,114,563	79,247	4,193,810
Total Deferred Outflows of Resources	<u>38,492,321</u>	<u>852,571</u>	<u>39,344,892</u>
<b>Liabilities</b>			
Accounts Payable	2,949,196	158,450	3,107,646
Accrued Interest on Long-Term Debt	1,060,033	-	1,060,033
Accrued Salaries and Benefits	18,483,475	-	18,483,475
Due to Fiduciary Funds	35,468	-	35,468
Other Current Liabilities	395,659	-	395,659
Unearned Revenue	1,883,261	124,826	2,008,087
<b>Long-Term Liabilities</b>			
Portion Due or Payable Within One Year			
Bonds Payable	8,835,360	-	8,835,360
Notes Payable	2,641,543	-	2,641,543
Leases	873,358	-	873,358
Portion Due or Payable After One Year			
Bonds Payable	71,485,842	-	71,485,842
Notes Payable	31,238,792	-	31,238,792
Leases	868,897	-	868,897
Compensated Absences	9,319,810	209,122	9,528,932
Net Pension Liability	188,922,216	4,249,784	193,172,000
Net OPEB Obligation	44,651,986	635,975	45,287,961
Total Liabilities	<u>383,644,896</u>	<u>5,378,157</u>	<u>389,023,053</u>
<b>Deferred Inflows of Resources</b>			
Deferred Amount of Refunding	332,306	-	332,306
Deferred Inflows of Resources, Pension Activity	33,684,276	757,724	34,442,000
Deferred Inflows of Resources, OPEB Activity	3,038,464	120,771	3,159,235
Total Deferred Inflows of Resources	<u>37,055,046</u>	<u>878,495</u>	<u>37,933,541</u>
<b>Net Position</b>			
Net Investment in Capital Assets	49,366,176	159,006	49,525,182
Restricted for			
Capital Projects	16,363,893	-	16,363,893
Special Activities	526,438	-	526,438
Unrestricted	(164,197,303)	(3,666,845)	(167,864,148)
Total Net Position	<u>\$ (97,940,796)</u>	<u>\$ (3,507,839)</u>	<u>\$ (101,448,635)</u>

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

EAST STROUDSBURG AREA SCHOOL DISTRICT  
GOVERNMENT WIDE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2022

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
<b>Governmental Activities</b>							
Instruction							
Regular Programs	\$ 64,841,750	\$ -	\$ 50,600,772	\$ -	\$ (14,240,978)	\$ -	\$ (14,240,978)
Special Programs	27,316,001	-	6,328,112	-	(20,987,889)	-	(20,987,889)
Vocational Programs	2,569,730	-	-	-	(2,569,730)	-	(2,569,730)
Other Instructional Programs	1,466,990	-	-	-	(1,466,990)	-	(1,466,990)
Support Services							
Pupil Personnel Services	6,256,444	-	-	-	(6,256,444)	-	(6,256,444)
Instructional Staff Services	2,703,134	-	-	-	(2,703,134)	-	(2,703,134)
Administrative Services	7,989,594	-	-	-	(7,989,594)	-	(7,989,594)
Pupil Health Services	1,872,657	-	1,795,055	-	(77,602)	-	(77,602)
Business Services	1,463,775	-	-	-	(1,463,775)	-	(1,463,775)
Operation & Maintenance of Plant Services	15,738,209	-	-	-	(15,738,209)	-	(15,738,209)
Facilities Acquisition, Construction and Improvement Services							
	1,656,416	-	-	-	(1,656,416)	-	(1,656,416)
Operation of Non-Instructional Services							
Student Transportation Services	9,677,932	-	1,194,348	-	(8,483,584)	-	(8,483,584)
Central and Other Support Services	6,537,232	-	-	-	(6,537,232)	-	(6,537,232)
Student Activities and Athletics	3,010,735	241,976	-	-	(2,768,759)	-	(2,768,759)
Community Services	136,878	107,722	-	-	(29,156)	-	(29,156)
Scholarships Awarded	21,625	-	-	-	(21,625)	-	(21,625)
Interest on Long-Term Debt	2,433,234	-	-	1,427,903	(1,005,331)	-	(1,005,331)
Total Governmental Activities	155,692,337	349,698	59,918,287	1,427,903	(93,996,449)	-	(93,996,449)
<b>Business-Type Activities</b>							
Food Service	3,763,385	375,629	5,310,964	-	-	1,923,208	1,923,208
Total School District Activities	\$ 159,455,722	\$ 725,327	\$ 65,229,251	\$ 1,427,903	(93,996,449)	1,923,208	(92,073,241)
<b>General Revenues</b>							
Taxes							
Property Taxes, Levied for General Purposes, Net					103,627,552	-	103,627,552
Earned Income					4,269,468	-	4,269,468
Public Utility Taxes					100,347	-	100,347
Investment Earnings					187,016	18	187,034
Loss on Disposal of Capital Assets					(16,127)	-	(16,127)
Miscellaneous Income					259,250	-	259,250
Total General Revenues					108,427,506	18	108,427,524
Change in Net Position					14,431,057	1,923,226	16,354,283
Net Position at Beginning of Year					(112,371,853)	(5,431,065)	(117,802,918)
Net Position at End of Year					\$ (97,940,796)	\$ (3,507,839)	\$ (101,448,635)

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

EAST STROUDSBURG AREA SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2022

	General Fund	Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
<b>Assets</b>				
Cash and Cash Equivalents	\$ 14,566,715	\$ 16,562,433	\$ 322,024	\$ 31,451,172
Investments	54,675,178	-	132,626	54,807,804
Taxes Receivable, Net	12,083,250	-	-	12,083,250
Due from Other Funds	53,373	6,000,000	73,969	6,127,342
Due from Other Governments	6,631,403	-	-	6,631,403
Other Receivables, Net	215,079	-	-	215,079
Prepaid Expenditures	667,814	-	-	667,814
<b>Total Assets</b>	<b><u>\$ 88,892,812</u></b>	<b><u>\$ 22,562,433</u></b>	<b><u>\$ 528,619</u></b>	<b><u>\$ 111,983,864</u></b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 2,787,210	\$ 159,857	\$ 2,129	\$ 2,949,196
Due to Other Funds	7,134,885	38,683	-	7,173,568
Due to Fiduciary Funds	35,468	-	-	35,468
Unearned Revenue	1,883,261	-	-	1,883,261
Accrued Salaries and Benefits	18,483,475	-	-	18,483,475
Other Current Liabilities	395,607	-	52	395,659
<b>Total Liabilities</b>	<b><u>30,719,906</u></b>	<b><u>198,540</u></b>	<b><u>2,181</u></b>	<b><u>30,920,627</u></b>
<b>Deferred Inflows of Resources</b>				
Unavailable Revenue, Property Taxes	9,019,180	-	-	9,019,180
<b>Fund Balances</b>				
Nonspendable, Prepaid Expenditures	667,814	-	-	667,814
Restricted	-	16,363,893	526,438	16,890,331
Committed	24,000,000	6,000,000	-	30,000,000
Assigned				
Balance the 2022-2023 Budget	6,276,388	-	-	6,276,388
Future Budget Expenditures	5,000,000	-	-	5,000,000
Future Educational Programs	6,000,000	-	-	6,000,000
Unassigned	7,209,524	-	-	7,209,524
<b>Total Fund Balances</b>	<b><u>49,153,726</u></b>	<b><u>22,363,893</u></b>	<b><u>526,438</u></b>	<b><u>72,044,057</u></b>
<b>Total Liabilities, Deferred Inflows of Resources &amp; Fund Balances</b>	<b><u>\$ 88,892,812</u></b>	<b><u>\$ 22,562,433</u></b>	<b><u>\$ 528,619</u></b>	<b><u>\$ 111,983,864</u></b>

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

EAST STROUDSBURG AREA SCHOOL DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEETS  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2022

Total Governmental Funds Balances	\$ <u>72,044,057</u>
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:</p>	
Land	5,198,539
Construction in Progress	221,007
Site Improvements	15,991,658
Building and Building Improvements	261,398,185
Furniture and Equipment	33,355,599
Accumulated Depreciation	<u>(149,462,681)</u>
	<u>166,702,307</u>
<p>Additional receivables established that do not meet the availability criteria reflected in the fund financial statements.</p>	
	<u>12,754,222</u>
<p>Deferred inflows used in governmental activities are not financial resources and therefore are not reported in the funds. These consist of:</p>	
Deferred Amount on Refunding	<u>(332,306)</u>
<p>Deferred inflows and outflows of resources related to pension activities are not financial resources and therefore not reported in the governmental funds.</p>	
	<u>693,482</u>
<p>Deferred inflows and outflows of resources related to OPEB activities are not financial resources and therefore not reported in the governmental funds.</p>	
	<u>1,076,099</u>
<p>Some of the District's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are not recorded as receivables and are deferred in the funds.</p>	
	<u>9,019,180</u>
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:</p>	
Bonds Payable	(80,321,202)
Accrued Interest	(1,060,033)
Notes Payable	(33,880,335)
Leases	(1,742,255)
Compensated Absences	(9,319,810)
Net Pension Liability	(188,922,216)
Other Postemployment Benefits	<u>(44,651,986)</u>
	<u>(359,897,837)</u>
Net Position of Governmental Activities	<u>\$ (97,940,796)</u>

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

EAST STROUDSBURG AREA SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2022

	General Fund	Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
<b>Revenues</b>				
Local Sources	\$ 111,857,739	\$ 31,233	\$ 234,232	\$ 112,123,204
State Sources	50,830,798	-	-	50,830,798
Federal Sources	9,421,910	-	-	9,421,910
<b>Total Revenues</b>	<b>172,110,447</b>	<b>31,233</b>	<b>234,232</b>	<b>172,375,912</b>
<b>Expenditures</b>				
Regular Programs	61,977,273	-	-	61,977,273
Special Programs	28,701,891	-	-	28,701,891
Vocational Programs	2,640,737	-	-	2,640,737
Other Instructional Programs	1,488,236	-	-	1,488,236
Pupil Personnel Services	6,705,239	-	-	6,705,239
Instructional Staff Services	2,889,358	3,154	-	2,892,512
Administrative Services	8,376,880	-	-	8,376,880
Pupil Health Services	2,020,781	-	-	2,020,781
Business Services	1,464,411	63,170	-	1,527,581
Operation and Maintenance of Plant	15,698,390	126,238	-	15,824,628
Facilities Acquisition, Construction and Improvement Services	1,904,518	3,214,699	-	5,119,217
Student Transportation Services	8,617,074	-	-	8,617,074
Central and Other Support Services	5,330,461	-	-	5,330,461
Student Activities and Athletics	2,886,877	-	203,494	3,090,371
Community Services	139,402	-	-	139,402
Scholarships Awarded	-	-	21,625	21,625
Refund of Prior Year Revenues	232,671	-	-	232,671
Debt Service	15,788,815	7,127,602	-	22,916,417
<b>Total Expenditures</b>	<b>166,863,014</b>	<b>10,534,864</b>	<b>225,119</b>	<b>177,622,997</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>5,247,433</b>	<b>(10,503,631)</b>	<b>9,113</b>	<b>(5,247,085)</b>
<b>Other Financing Sources (Uses)</b>				
Interfund Transfers In/(Out)	(6,000,612)	6,000,000	612	-
Sale of Capital Assets	22,845	-	-	22,845
Issuance of Refunding Notes	-	7,190,000	-	7,190,000
Issuance of Leases	1,138,870	-	-	1,138,870
<b>Total Other Financing Sources (Uses)</b>	<b>(4,838,897)</b>	<b>13,190,000</b>	<b>612</b>	<b>8,351,715</b>
<b>Net Change in Fund Balances</b>	<b>408,536</b>	<b>2,686,369</b>	<b>9,725</b>	<b>3,104,630</b>
<b>Fund Balances at Beginning of Year</b>	<b>48,745,190</b>	<b>19,677,524</b>	<b>516,713</b>	<b>68,939,427</b>
<b>Fund Balances at End of Year</b>	<b>\$ 49,153,726</b>	<b>\$ 22,363,893</b>	<b>\$ 526,438</b>	<b>\$ 72,044,057</b>

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

EAST STROUDSBURG AREA SCHOOL DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
 EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2022

Net Changes in Fund Balances - Total Governmental Funds	<u>\$ 3,104,630</u>
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Capital outlays are reported in Governmental Funds as expenditures and sale of capital assets are reported as revenues. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the current period.</p>	
Capital Outlays	3,462,803
Depreciation	<u>(10,440,038)</u>
	<u>(6,977,235)</u>
<p>When recognizing the disposal of capital assets, the governmental funds report the total proceeds of the sale. Only the gain or loss of the sale is reported in the governmental activities.</p>	
	<u>(39,026)</u>
<p>Because some property taxes will not be collected for several months after the School District's fiscal year ends, they are not considered as "available" revenues in the Governmental Funds. Unavailable tax revenues decreased by this amount.</p>	
	<u>(2,236,337)</u>
<p>In the statement of activities, certain operating expenses - compensated absences (vacation and sick leave) - are measured by the amounts earned during the year. In the Governmental Funds, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).</p>	
	<u>(1,882,518)</u>
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in Governmental Funds:</p>	
Accrued Interest	188,027
Insurance Provision	381,890
OPEB Plan Expense	(1,806,765)
Pension Plan Expense	<u>11,732,105</u>
	<u>10,495,257</u>
<p>The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to Governmental Funds, while the repayment of the principal 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 issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>	
Issuance of Refunding Notes	(7,190,000)
Repayment of Bond Principal	16,227,299
Amortization of Bond Discounts, Premiums and Refunding Loss	1,466,034
Repayment on Note Principal	1,275,950
Repayment of Lease Obligations	1,325,873
Issuance of Lease Obligations	<u>(1,138,870)</u>
	<u>11,966,286</u>
Change in Net Position of Governmental Activities	<u>\$ 14,431,057</u>

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

EAST STROUDSBURG AREA SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2022

	Enterprise Fund
	Food Service Fund
<b>Assets</b>	
Cash and Cash Equivalents	\$ 212,808
Due from Other Governments	257,567
Other Receivables	35,810
Inventories	172,398
Prepaid Expenses	12,427
Due From Other Funds	1,046,226
Total Current Assets	1,737,236
Capital Assets, Net	159,006
Total Assets	1,896,242
<b>Deferred Outflows of Resources</b>	
Deferred Outflows of Resources - Pension Activity	773,324
Deferred Outflows of Resources - OPEB Activity	79,247
Total Deferred Outflows of Resources	852,571
<b>Liabilities</b>	
Accounts Payable	158,450
Unearned Revenue	124,826
Compensated Absences	209,122
Long-Term Liabilities	
Net Pension Liability	4,249,784
Other Postemployment Benefits	635,975
Total Liabilities	5,378,157
<b>Deferred Inflows of Resources</b>	
Deferred Inflows of Resources - Pension Activity	757,724
Deferred Inflows of Resources - OPEB Activity	120,771
Total Deferred Inflows of Resources	878,495
<b>Net Position</b>	
Net Investment in Capital Assets	159,006
Unrestricted	(3,666,845)
Total Net Position	\$ (3,507,839)

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

EAST STROUDSBURG AREA SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2022

	Enterprise Fund <u>Food Service Fund</u>
Operating Revenues	
Food Service Revenue	<u>\$ 375,629</u>
Operating Expenses	
Personnel	1,930,943
Operating	271,628
Purchased Services	1,525,340
Depreciation	35,474
Total Operating Expenses	<u>3,763,385</u>
Operating Loss	<u>(3,387,756)</u>
Nonoperating Revenues	
Earnings on Investments	18
Contributions	21,915
Local Sources	21,849
State Sources	440,117
Federal Sources	4,827,083
Total Nonoperating Revenues	<u>5,310,982</u>
Change in Net Position	1,923,226
Net Position at Beginning of Year	<u>(5,431,065)</u>
Net Position at End of Year	<u>\$ (3,507,839)</u>

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

EAST STROUDSBURG AREA SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2022

	Enterprise Fund <u>Food Service Fund</u>
Cash Flows From Operating Activities	
Cash Received from Users	\$ 339,819
Cash Payments to Employees for Services	(2,652,908)
Cash Payments to Suppliers for Goods and Services	(1,408,921)
Net Cash Used By Operating Activities	<u>(3,722,010)</u>
Cash Flows From Noncapital Financing Activities	
Local Sources	43,764
State Sources	440,117
Federal Sources	3,390,152
Net Cash Provided by Noncapital Financing Activities	<u>3,874,033</u>
Cash Flows From Investing Activities	
Interest Received	18
Purchase of Equipment	(34,535)
Net Cash Used In Investing Activities	<u>(34,517)</u>
Net Increase In Cash and Cash Equivalents	117,506
Cash and Cash Equivalents At Beginning Of Year	<u>95,302</u>
Cash and Cash Equivalents at End of Year	<u>\$ 212,808</u>
Reconciliation of Operating Loss To Net Cash Used By Operating Activities	
Operating Loss	\$ (3,387,756)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation	35,474
Donated Foods	414,028
Pension Expense	(682,886)
OPEB Expense	(2,627)
(Increase) Decrease in	
Other Receivables	(35,810)
Inventories	(49,887)
Prepaid Expense	(12,427)
Increase (Decrease) in	
Compensated Absences	(36,452)
Accounts Payable	36,333
Net Cash Used By Operating Activities	<u>\$ (3,722,010)</u>
Supplemental Disclosures	
Noncash Activities	
Donated Foods	<u>\$ 414,028</u>

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

EAST STROUDSBURG AREA SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2022

	Custodial Funds
	Student Activities
Assets	
Cash and Cash Equivalents	\$ 74,812
Due from School District	35,468
Total Assets	110,280
Liabilities	
Accounts Payable	1,251
Total Liabilities	1,251
Net Position	\$ 109,029

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

EAST STROUDSBURG AREA SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN NET POSITION  
 FIDUCIARY FUNDS  
 YEAR ENDED JUNE 30, 2022

	Custodial Funds
	Student Activities
Additions	
Student Activities Fees	\$ 173,162
Investment Income	10
Total Additions	173,172
Deductions	
Student Activities	161,887
Scholarships Paid	-
Total Deductions	161,887
Change in Net Position	11,285
Net Position At Beginning of Year	97,744
Net Position At End of Year	\$ 109,029

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the East Stroudsburg Area School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

***School District***

The District operates six elementary schools, two intermediate schools and two high schools (the "Schools") in Monroe and Pike Counties, Pennsylvania. The School District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provision of the School Laws of Pennsylvania. The 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 District is governed by a board of nine school directors who are residents of the 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 the District, between the ages of 6 and 21 years, who may attend. In order to establish, enlarge, equip, furnish, operate and maintain any schools herein provided, or to pay any school's indebtedness which the District is required to pay, or to pay any indebtedness that may at any time hereafter be created by the District, the Board of School Directors is 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 is 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 the Schools shall be the executive officer of the Board of School Directors and, in that capacity shall administer the District in conformity with Board of School Director's policies and the School Laws of Pennsylvania. The Superintendent shall be directly responsible to, and therefore appointed by, the Board of School Directors. The Superintendent shall be responsible for the overall administration, supervision and operation of the District.

The School District's Business Manager, recommended by the Superintendent and appointed by the Board of School Directors, shall supervise and coordinate all business aspects of the District. In this capacity, the Business Manager shall be responsible to ensure that all work accomplished by the business office, is in the best interests of the District. The Business Manager is directly responsible to the Superintendent.

EAST STROUDSBURG AREA SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

***Reporting Entity***

The accompanying basic financial statements comply with the provisions of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, in that the financial statements include all organizations, activities and functions for which the District is financially accountable. Financial accountability is defined as the appointment of a voting majority of a component unit's board and either (1) the District's ability to impose its will over a component unit, or (2) the possibility that the component unit will provide a financial benefit or impose a financial burden on the District. In addition, component units can be other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading. This report presents the activities of the District. The District is not a component unit of another reporting entity nor does it have any component units.

***Joint Ventures***

***Monroe Career & Technical Institute (MCTI)*** is a separate entity. It was organized by the four public school districts in Monroe County to provide services in the county. Each of the public school districts appoints three members to serve on the joint operating committee, and each has an ongoing financial responsibility to fund MCTI.

***Colonial Intermediate Unit #20 (CIU)*** is a separate legal entity. It was organized by the constituent school districts in Monroe, Pike and Northampton Counties to provide special education services to the school districts. Each member school district appoints one member to serve on the Board of Directors of the CIU. The District contracts with the CIU to provide special education services for District students.

***Basis of Presentation and Accounting***

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

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function.

EAST STROUDSBURG AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

***Basis of Presentation and Accounting (Continued)***

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

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

***Fund Financial Statements*** - Fund financial statements report detailed information about the District. The focus of Governmental and Proprietary Funds financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column (Other Governmental Funds). Fiduciary Funds are reported by fund type.

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

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

Fiduciary Trust Funds are reported using the economic resources measurement focus.

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

***Fund Accounting***

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

EAST STROUDSBURG AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

***Governmental Funds***

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

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

**Special Activities Fund** - The Special Activities Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The School District's *Concession and Special Activities* are accounted for in this fund type.

**Scholarship Funds** - Private-Purpose Funds account for the receipts and disbursements of monies contributed to the School District for scholarships and memorials.

***Proprietary Fund***

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

***Fiduciary Funds***

**Custodial Funds** - The Custodial Funds account for the receipts and disbursements of monies from student activity organizations. These organizations exist at the explicit approval, subject to revocation, of the District governing body. This accounting reflects the School District custodial relationship with the student activity organizations. Accordingly, receipts and disbursements of the Custodial Funds are not included in the revenues and expenditures of the District but shown on the Fiduciary Funds statements.

***Cash and Cash Equivalents***

The 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 and no restrictions on withdrawal.

***Investments***

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

EAST STROUDSBURG AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

***Short-Term Interfund Receivables/Payables***

During the course of operations, transactions may occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the Governmental Funds balance sheet. Short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the statement of net position, except for amounts due between governmental and business-type activities, which, when present, are shown as internal balances.

***Inventories***

Inventory of purchased food and paper supplies within the Proprietary Fund is carried at cost using the first-in, first-out method of accounting and is subsequently charged to expense when consumed. Inventory of donated foods is valued at fair market value as established by the U.S. Department of Agriculture.

***Prepaid Expenses***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

***Capital Assets***

General capital asset acquisitions, including entering into contracts giving the District the right to use leased assets, are reported as expenditures in governmental funds. The related issuance of long-term debt and financing through leases are reported as other financing sources.

Capital assets, which include property, plant, equipment and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The School District defines a capital asset as an asset with an initial, individual cost equal to or greater than \$1,500 or purchased with debt proceeds and must also have an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed (except for intangible right-to-use lease assets, the measurement of which is discussed in *Leases* note below. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

	<u>Years</u>
Buildings and building and site improvements	5-40
Furniture, fixtures, equipment and vehicles	3-20

***Leases***

The District is a lessee for a noncancellable leases of equipment. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements.

EAST STROUDSBURG AREA SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

***Leases (Continued)***

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

Key estimates and judgements related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments as follows:

- The District uses the interest rate charged by the lessor as the discount rate if provided; otherwise, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.
- The District monitors changes in circumstance that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

***Provision for Insurance Reserve***

The School District participates in an insurance pool for employee health. The excess deposits have been recorded as a long-term receivable in the governmental activities column of the government-wide statement of net position.

***Long-Term Obligations***

In the government-wide financial statements and the Proprietary Fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or Proprietary Fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, Governmental Funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

***Compensated Absences***

The School District's policies regarding vacation, personal and sick time permit employees to accumulate earned but unused time. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. A liability for these amounts is reported in the Governmental Funds only if they have matured, for example, as a result of employee resignations or retirements.

EAST STROUDSBURG AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

***Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. They are the deferred outflows related to pension activity, and deferred outflows related to OPEB activity, all of which are reported in the government-wide statement of net position. The deferred outflow related to pension activity is the result of the difference between expected and actual experience, changes in assumptions, the difference between projected and actual investment earnings, changes in proportions, the difference between actual employer contributions and the District's proportionate share of total contributions, and actual contributions subsequent to the measurement date. The deferred outflow related to OPEB activity is the result of the difference between projected and actual investment earnings and actual contributions subsequent to the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has four items that qualify for reporting in this category. The first item, unavailable revenues, is reported only in the Governmental Funds balance sheet. The Governmental Funds report unavailable revenues from property taxes. The second item, deferred inflows related to pension activity, are reported in the government-wide statement of net position. The deferred inflow related to pension activity is the result of differences between expected and actual experience, changes in proportions, and difference between employer contributions and proportionate share of total contributions. The third item, deferred inflows related to OPEB activity, are reported in the government-wide statement of net position. The fourth item, deferred amounts on refunding, is the results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred inflow related to OPEB activity is the result of changes in assumptions, changes in proportions, and the difference between actual employer contributions and the District's proportionate share of total contributions. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

***Net Position***

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

***Use of Estimates***

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

EAST STROUDSBURG AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

***Fund Balance and GASB Statement No. 54***

The District follows GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which clarifies fund balance categories as follows:

- ***Nonspendable*** - Amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints. Fund balance types of this category are prepaid expenses.
- ***Restricted*** - Amounts that can be spent only for specific purposes stipulated by external resource providers or through enabling legislation.
- ***Committed*** - Amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority (the Board of Directors) and do not lapse at year-end. To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- ***Assigned*** - Amounts the District intends to use for a specific purpose. Intent can be expressed by the Board of Directors or by an official or body to which the Board of Directors delegates the authority. The District has delegated such authority to the District's Chief Financial Officer.
- ***Unassigned*** - Amounts not contained in other classifications. Unassigned amounts are technically available for any purpose.

The Board of School Directors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. Assigned fund balance is intended to be used by the government for specific purposes but does not meet the criteria to be classified as restricted or committed. The details of the fund balances are included in the Governmental Funds balance sheet. Restricted funds are used first as appropriate, followed by committed resources and then assigned resources, to the extent that expenditure authority has been budgeted by the Board of Directors. The District does reserve the right to first reduce unassigned fund balance to defer the use of these other classified funds. In the event that unassigned fund balance becomes zero, then assigned and committed fund balances are used in that order.

***Adoption of Governmental Accounting Standards Board (GASB) Statements***

The District adopted the provisions of GASB Statement No. 87, *Leases*. The adoption of this Statement changes the reporting and disclosure requirements of District leases. While certain disclosures have been modified, the provisions of GASB 87 did not have a material impact on the District's financial statements and disclosures.

The District adopted the provisions of GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The adoption of this Statement simplifies the treatment of interest cost incurred before the end of a construction period. The provisions of GASB 89 did not have a material impact on the District's financial statements and disclosures.

The District adopted certain effective provisions of GASB Statement No. 92, *Omnibus 2020*. This Statement addresses certain practice issues that have been identified during the implementation and application of certain GASB Statements. The provisions of GASB 92 did not have a material impact on the District's financial statements and disclosures.

EAST STROUDSBURG AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

***Pending Changes in Accounting Principles***

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The District is required to adopt Statement No. 91 for its fiscal year 2023 financial statements.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The District is required to adopt Statement No. 94 for its fiscal year 2023 financial statements.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The District is required to adopt Statement No. 96 for its fiscal year 2023 financial statements.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The District is required to adopt Statement No. 99 for its fiscal year 2023 and 2024 financial statements.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*. This Statement is required to be adopted for the Township's 2024 financial statements.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement is required to be adopted for the Township's 2024 financial statements.

District management is in the process of analyzing these pending changes in accounting principles and the impact they will have on the District's financial reporting process.

NOTE 2 CASH AND CASH INVESTMENTS

***Cash***

***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 District does not have a policy for custodial credit risk. At June 30, 2022, the carrying amount of the District's deposits was \$31,738,792 and the bank balance was \$34,426,360. Of the bank balance, \$500,000 was covered by federal depository insurance, and \$33,926,360 was exposed to custodial credit risk because, in accordance with Act 72 of the Commonwealth of Pennsylvania, it was uninsured, and the collateral held by the depository's agent was not in the District's name.

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

***Investments***

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

Investment Type	Amortized Cost	Maturities	
		Less Than 1 Year	1 to 5 Years
State Investment Pools	\$ 54,675,178	\$ 54,675,178	\$ -
Certificates of Deposit	132,626	-	132,626
	<u>\$ 54,807,804</u>	<u>\$ 54,675,178</u>	<u>\$ 132,626</u>

EAST STROUDSBURG AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 2 CASH AND CASH INVESTMENTS (CONTINUED)

A portion of the School District’s investments is in the Pennsylvania School District Liquid Asset Fund (PSDLAF) programs, of which are funds similar to mutual funds. GASB Statement No. 3, Paragraph 69, provides that certain types of cash and investments, such as cash investments in a State Treasurer’s investment pool or mutual fund, cannot be assigned a credit risk category because the government does not own specific securities. Therefore, the PSDLAF and PLGIT cash investments included in these statements will not be assigned a credit risk category. The carrying amount of these investments at June 30, 2022, is \$54,675,178. These assets maintain a stable net asset value of \$1 per share. PSDLAF is not SEC-registered. All investments are monitored weekly by Standard & Poor’s and are subject to an independent audit on an annual basis. As of June 30, 2022, the School District’s investment in the state investment pools was rated AAAM by Standard & Poor’s.

Investments held with qualifying external state investment pools are valued at amortized cost in accordance with GASB Statement No. 79.

Certificates of deposit held by banks of \$132,626 are stated at cost plus interest earned.

**Fair Value Measurement**

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are those that lack significant observable inputs. The School District did not have any recurring fair value measurements as of June 30, 2022.

NOTE 3 TAXES - REAL ESTATE AND OTHER

The School Board is authorized by state law to levy property taxes for District operations, capital improvements and debt service. Property taxes are based on assessed values of all taxable property within the District. Taxable real property was assessed at 2,802,941,726, combined for Monroe County 2,608,545,206 and Pike County for 194,396,520. The tax rate for the year was \$31.27 mills per \$1,000 of assessed valuation for Monroe County and \$123.39 mills per \$1,000 of assessed valuation for Pike County.

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

Discount period .....	August 1 to September 30 - 2% of gross levy
Face period .....	October 1 to November 30
Penalty period .....	December 1 to January 1 - 10% of gross levy
Lien date .....	January 1

District taxes are billed and collected by the local elected tax collector. Property taxes attach as an enforceable lien on property as of January 1.

NOTE 4 RECEIVABLES

Receivables at June 30, 2022, consisted of taxes, other revenue and intergovernmental grants and entitlements. The real estate taxes receivable account represents real estate transfer taxes and prior year uncollected tax levies. All real estate taxes receivables are considered fully collectible due to the ability to lien property for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds.

EAST STROUDSBURG AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 4 RECEIVABLES (CONTINUED)

A summary of receivables by fund is as follows:

	General Fund	Food Service Fund
Real Estate Taxes	\$ 12,083,250	\$ -
Federal Subsidies	4,324,659	219,258
State Subsidies	2,301,027	38,309
Other Governments	5,717	-
Other Revenue	215,079	35,810
	<u>\$ 18,929,732</u>	<u>\$ 293,377</u>

NOTE 5 INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2022, is as follows:

Receivable Fund	Payable Fund	Amount
Capital Project Fund	General Fund	\$ 6,000,000
Special Activities Fund	General Fund	20,660
Scholarships Fund	General Fund	67,999
General Fund	Capital Project Fund	38,683
Food Service Fund	General Fund	1,046,226
		<u>\$ 7,173,568</u>

***Due to/from Other Funds***

The amounts between the General Fund, Food Service Fund and the Capital Projects Fund are interfund borrowings to pay for operations. The amounts between the General Fund and Special Activities Fund and Scholarships Fund are for fees and other expenses.

EAST STROUDSBURG AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 6 CAPITAL ASSETS

Capital assets balances and activity for the year ending June 30, 2022, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 5,198,539	\$ -	\$ -	\$ 5,198,539
Construction in Progress	254,257	2,122,025	(2,155,275)	221,007
Total Capital Assets Not Being Depreciated	<u>5,452,796</u>	<u>2,122,025</u>	<u>(2,155,275)</u>	<u>5,419,546</u>
Capital Assets Being Depreciated				
Site Improvements	15,294,597	697,061	-	15,991,658
Buildings and Building Improvements	260,111,358	1,286,827	-	261,398,185
Furniture and Equipment	27,615,246	373,295	-	27,988,541
Leased Furniture and Equipment	6,651,247	1,138,870	(2,423,059)	5,367,058
Total Capital Assets Being Depreciated	<u>309,672,448</u>	<u>3,496,053</u>	<u>(2,423,059)</u>	<u>310,745,442</u>
Accumulated Depreciation				
Site Improvements	(10,907,817)	(496,536)	-	(11,404,353)
Buildings and Building Improvements	(109,069,286)	(6,895,528)	-	(115,964,814)
Furniture and Equipment	(16,476,171)	(2,820,230)	-	(19,296,401)
Leased Furniture and Equipment	(4,953,402)	(227,744)	2,384,033	(2,797,113)
Total Accumulated Depreciation	<u>(141,406,676)</u>	<u>(10,440,038)</u>	<u>2,384,033</u>	<u>(149,462,681)</u>
Total Capital Assets Being Depreciated, Net	<u>168,265,772</u>	<u>(6,943,985)</u>	<u>(39,026)</u>	<u>161,282,761</u>
Governmental Activities Capital Assets, Net	<u>173,718,568</u>	<u>(4,821,960)</u>	<u>(2,194,301)</u>	<u>166,702,307</u>
<b>Business-Type Activities</b>				
Capital Assets Being Depreciated				
Furniture and Equipment	590,405	34,535	-	624,940
Accumulated Depreciation	(430,460)	(35,474)	-	(465,934)
Business-Type Activities Capital Assets, Net	<u>159,945</u>	<u>(939)</u>	<u>-</u>	<u>159,006</u>
Total Capital Assets, Net	<u>\$ 173,878,513</u>	<u>\$ (4,822,899)</u>	<u>\$ (2,194,301)</u>	<u>\$ 166,861,313</u>

EAST STROUDSBURG AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 6 CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to governmental activities as follows:

Regular Programs	\$ 6,707,414
Special Programs	22,096
Vocational Programs	840
Other Instructional Programs	5,668
Pupil Personnel Services	144
Instructional Staff Services	5,387
Administrative Services	6,374
Pupil Health Services	85
Business Services	9,374
Operation and Maintenance of Plant	673,109
Student Transportation Services	1551985
Central and Other Support Services	1,330,788
Student Activities and Athletics	126,774
	<u>\$ 10,440,038</u>

NOTE 7 LONG-TERM DEBT

Descriptions of debt outstanding as of June 30, 2022, are as follows:

***Note Payable 2006 Issue - Colonial Academy***

The School District incurred \$735,080, which is a portion of the debt issued to finance the Colonial Academy. The School District's obligations mature from June 30, 2006 to June 30, 2030. Interest is payable at 7.71%.

***General Obligation Bonds 2010A Issue - Qualified School Construction Bond***

The School District issued \$1,220,000 General Obligation Bonds, Series A of 2010, on October 6, 2010. Proceeds of the bond issue will be used to provide funds for the J.T. Lambert roof replacement. The bonds mature on September 1, 2027. Interest rate is 5.00%.

***Qualified Zone Academy Bonds, Series 2011***

The School District issued \$525,000 Qualified Zone Academy Bonds, Series 2011, on September 20, 2010. Proceeds of this bond issue will be used to provide funds to upgrade technology, electrical system, fire system, surveillance system, sounds system and a backup generator as capital expenditures of the School District at JM Hill Elementary School and to pay related costs and expenses, including the costs of issuing the 2011 bonds. The bonds mature September 1, 2029. On September 23, 2016, the School District entered into a rate modification agreement to reduce the interest rate from 3.11% to 1.99% per annum through the final maturity on September 1, 2027.

EAST STROUDSBURG AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 7 LONG-TERM DEBT (CONTINUED)

***General Obligation Bonds - Series of 2014***

On September 3, 2014, the School District issued \$16,350,000 General Obligation Bonds, Series of 2014. Proceeds of this bond issue will be used to refund the School District's outstanding General Obligation Notes, Series A of 2004, General Obligation Bonds, Series of 2009 and Series A of 2009, and to pay the costs in connection with the issuance of the bonds. The bonds bear an interest rate of 1.92% over the life of the bonds and will fully mature in April 2023.

***General Obligation Bonds - Series of 2016***

On June 22, 2016, the School District issued \$9,500,000 General Obligation Bonds, Series of 2016. Proceeds of this bond issue will be used to advance refund the School District's outstanding General Obligation Bonds, Series of 2008, and to pay the costs in connection with the issuance of the bonds. The bonds were paid off during the year ended June 30, 2022.

***General Obligation Bonds - Series A of 2016***

On August 18, 2016, the School District issued \$5,765,000 General Obligation Bonds, Series A of 2016. Proceeds of this bond issue will be used to currently refund the School District's outstanding General Obligation Bonds, Series of 2011 and Series A of 2011, and to pay the costs in connection with the issuance of the bonds. The bonds mature in 2030 at varying interest rates.

***General Obligation Bonds - Series of 2017***

On January 12, 2017, the School District issued \$7,270,000 General Obligation Bonds, Series of 2017. Proceeds of this bond issue will be used to advance refund a portion of the School District's outstanding General Obligation Bonds, Series of 2008, and to pay the costs in connection with the issuance of the bonds. The bonds mature in 2029 at varying interest rates.

***General Obligation Bonds - Series A of 2017***

On June 20, 2017, the School District issued \$1,870,000 General Obligation Bonds, Series A of 2017. Proceeds of this bond issue will be used to currently refund the School District's outstanding General Obligation Bonds, Series A of 2012, and to pay the costs in connection with the issuance of the bonds. The bonds mature in 2031 at varying interest rates.

***General Obligation Bonds - Series AA of 2017***

On June 20, 2017, the School District issued \$68,235,000 General Obligation Bonds, Series AA of 2017. Proceeds of this bond issue will be used to currently refund the School District's outstanding General Obligation Note, Series of 2007, advance refund a portion of the School District's outstanding General Obligation Bond, Series A of 2007 and to pay the costs in connection with the issuance of the bonds. The bonds mature in 2031 at varying interest rates.

***General Obligation Bonds - Series AAA of 2017***

On December 1, 2017, the School District issued \$16,085,000 General Obligation Bonds, Series AAA of 2017. Proceeds of this bond issue will be used to currently refund the School District's outstanding General Obligation Note, Series of 2008 and to pay the costs in connection with the issuance of the bonds. The bonds mature in 2031 at varying interest rates.

EAST STROUDSBURG AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 7 LONG-TERM DEBT (CONTINUED)

**General Obligation Bonds - Series 2019**

On September 23, 2019, the School District issued \$8,170,000 General Obligation Bonds, Series 2019. Proceeds of this bond issue will be used to currently refund the School District's outstanding General Obligation Bond Series 2014A and to pay the costs in connection with the issuance of the bonds. The bonds mature in 2030 at varying interest rates.

**General Obligation Notes - Series 2020**

On October 29, 2020, the School District issued \$16,250,000 General Obligation Notes, Series 2020. Proceeds of this bond issue will be used to currently refund the School District's outstanding General Obligation Bond Series 2013, 2014 AA, and 2015 and to pay the costs in connection with the issuance of the note. The note matures in 2028 at varying interest rates. The refunding resulted in an economic gain of \$1,028,277. The refunding resulted in a difference between the cash flows required to service the old debt and the cash flows required to service the new debt of \$1,142,222. This amount is included in deferred inflows of resources in the Statement of Net Position and will be amortized over the life of the new debt.

**General Obligation Notes - Series 2021**

On June 21, 2021, the School District issued \$9,999,000 General Obligation Note, Series 2021. Proceeds of this note issue will be used to partially refund the School District's outstanding General Obligation Bond Series 2016 and Series 2016 A and to pay the costs in connection with the issuance of the note. The note matures in 2031 at 1.490%. The refunding resulted in an economic gain of \$349,078. The refunding resulted in a difference between the cash flows required to service the old debt and the cash flows required to service the new debt of \$486,779. This amount is included in deferred inflows of resources in the Statement of Net Position and will be amortized over the life of the new debt.

**General Obligation Notes - Series 2022**

On January 24, 2022, the School District issued \$7,190,000 General Obligation Note, Series 2022. Proceeds of this note issue will be used to partially refund the School District's outstanding General Obligation Bond Series 2017 and Series 2017 AA and to pay the costs in connection with the issuance of the note. The note matures in 2030 at 1.608%. The refunding resulted in an economic gain of \$109,834. The refunding resulted in a difference between the cash flows required to service the old debt and the cash flows required to service the new debt of \$109,834. This amount is included in deferred inflows of resources in the Statement of Net Position and will be amortized over the life of the new debt.

EAST STROUDSBURG AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 7 LONG-TERM DEBT (CONTINUED)

Annual debt service requirements to maturity for long-term debt are as follows:  
General Obligation Bonds and Notes

Year Ending June 30,	Principal	Interest	Totals
2023	\$ 9,037,903	\$ 3,143,908	\$ 12,181,811
2024	9,694,241	2,680,809	12,375,050
2025	10,271,061	2,193,790	12,464,851
2026	10,812,654	1,690,999	12,503,653
2027	10,934,702	1,232,254	12,166,956
2028 to 2032	33,055,625	1,280,932	34,336,557
2033 to 2037	25,000	5,156	30,156
2038 to 2041	20,000	1,500	21,500
	<u>\$ 83,851,186</u>	<u>\$ 12,229,348</u>	<u>\$ 96,080,534</u>

Loans from Direct Borrowing

Year Ending June 30,	Principal	Interest	Totals
2023	\$ 2,439,000	\$ 564,657	\$ 3,003,657
2024	2,608,000	492,930	3,100,930
2025	2,607,000	418,707	3,025,707
2026	2,643,000	342,713	2,985,713
2027	3,018,000	260,787	3,278,787
2028 to 2031	11,689,000	366,437	12,055,437
	<u>\$ 25,004,000</u>	<u>\$ 2,446,231</u>	<u>\$ 27,450,231</u>

Total Outstanding Debt

Year Ending June 30,	Principal	Interest	Totals
2023	\$ 11,476,903	\$ 3,708,565	\$ 15,185,468
2024	12,302,241	3,173,739	15,475,980
2025	12,878,061	2,612,497	15,490,558
2026	13,455,654	2,033,712	15,489,366
2027	13,952,702	1,493,041	15,445,743
2028 to 2032	44,744,625	1,647,369	46,391,994
2033 to 2037	25,000	5,156	30,156
2038 to 2041	15,000	844	15,844
	<u>\$ 108,850,186</u>	<u>\$ 14,674,923</u>	<u>\$ 123,525,109</u>

**Lease Liability**

The District accounts for its lease arrangements for certain equipment in accordance with GASB 87, *Leases*. Currently, the District holds several computer equipment leases. These lease agreements qualify for recognition per the provisions of GASB 87 and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

EAST STROUDSBURG AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 7 LONG-TERM DEBT (CONTINUED)

The aggregate amount of leased computer equipment and related accumulated depreciation are disclosed separately Note 6.

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2022, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 889,487
2024	592,203
2025	288,937
Amount Representing Interest	<u>(28,372)</u>
Present Value of Minimum Lease Payments	<u>\$ 1,742,255</u>

Other pertinent information regarding leases is presented below:

<u>Issue Date</u>	<u>Initial Liability</u>	<u>Liability June 30, 2022</u>	<u>Asset Value June 30, 2022</u>	<u>Accumulated Amortization June 30, 2022</u>	<u>Description</u>
July 1, 2018	\$ 1,307,794	\$ -	\$ 1,307,794	\$ 1,046,235	Equipment; paid in full during 2022; useful life of equipment is 5 years.
July 15, 2018	522,751	-	522,751	418,201	Equipment; paid in full during 2022; useful life of equipment is 5 years.
July 1, 2019	45,899	11,651	45,899	27,539	Equipment; annual payments of principal and interest totalling \$11,970; useful life of equipment is 5 years.
July 1, 2019	629,526	159,631	629,526	377,716	Equipment; annual payments of principal and interest totalling \$164,404; useful life of equipment is 5 years.
March 24, 2020	538,899	127,525	538,899	242,504	Equipment; annual payments of principal and interest totalling \$127,525; useful life of equipment is 5 years.
July 1, 2020	346,549	173,574	346,549	138,620	Equipment; annual payments of principal and interest totalling \$88,776; useful life of equipment is 5 years.
August 19, 2020	836,770	418,743	836,770	318,524	Equipment; annual payments of principal and interest totalling \$215,687; useful life of equipment is 5 years.
July 15, 2021	655,707	488,459	655,707	131,141	Equipment; 4 annual payments of principal and interest totalling \$167,248; Interest at 1.354%; useful life of equipment is 5 years.
July 15, 2021	483,163	362,672	483,163	96,633	Equipment; 4 annual payments of principal and interest totalling \$120,491; useful life of equipment is 5 years.
	<u>\$ 5,367,058</u>	<u>\$ 1,742,255</u>	<u>\$ 5,367,058</u>	<u>\$ 2,797,113</u>	

EAST STROUDSBURG AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

## NOTE 7 LONG-TERM DEBT (CONTINUED)

**Debt Payments**

Payments on bonds, notes and leases are made by the General Fund. The vested and other employee benefits will be liquidated by the Governmental and Proprietary Funds, accordingly.

## NOTE 8 CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2022, was as follows:

	Balance July 1, 2021	Additions	Reductions	Balances June 30, 2022	Due Within One Year
<b>Governmental Activities</b>					
<b>General Obligation Notes:</b>					
Series of 2006	\$ 351,460	\$ -	\$ (30,950)	\$ 320,510	\$ 32,543
Series 2020	16,250,000	-	(1,195,000)	15,055,000	2,260,000
Series 2021	9,999,000	-	(50,000)	9,949,000	179,000
Series 2022	-	7,190,000	-	7,190,000	170,000
Total General Obligation Notes	<u>26,600,460</u>	<u>7,190,000</u>	<u>(1,275,950)</u>	<u>32,514,510</u>	<u>2,641,543</u>
<b>Deferred amounts</b>					
Premium/Discount	1,517,583	-	(151,758)	1,365,825	-
Total General Obligation Notes, Net	<u>28,118,043</u>	<u>7,190,000</u>	<u>(1,427,708)</u>	<u>33,880,335</u>	<u>2,641,543</u>
<b>General Obligation Bonds:</b>					
Series A 2010 QSCB	604,825	-	(59,201)	545,624	75,938
Series D 2011 QZAB	292,150	-	(22,353)	269,797	29,167
Series 2014	2,781,000	-	(2,421,000)	360,000	360,000
Series 2016	315,000	-	(315,000)	-	-
Series 2016A	175,000	-	(144,810)	30,190	30,190
Series 2017	6,930,000	-	(6,929,935)	65	65
Series 2017A	1,555,000	-	(115,000)	1,440,000	115,000
Series 2017AA	55,675,000	-	(6,210,000)	49,465,000	8,215,000
Series 2017AAA	16,070,000	-	(5,000)	16,065,000	5,000
Series 2019	8,165,000	-	(5,000)	8,160,000	5,000
Total General Obligation Bonds	<u>92,562,975</u>	<u>-</u>	<u>(16,227,299)</u>	<u>76,335,676</u>	<u>8,835,360</u>
<b>Deferred amounts</b>					
Premium/Discount	5,354,221	-	(1,368,695)	3,985,526	-
Total General Obligation Bonds, Net	<u>97,917,196</u>	<u>-</u>	<u>(17,595,994)</u>	<u>80,321,202</u>	<u>8,835,360</u>
<b>Other</b>					
Lease Liability	1,929,258	1,138,870	(1,325,873)	1,742,255	873,358
Accrued Compensated Absences	7,437,292	1,882,518	-	9,319,810	-
Net Pension Liability	227,647,120	-	(38,724,904)	188,922,216	-
Other Postemployment Benefits	42,865,052	1,786,934	-	44,651,986	-
Total Other	<u>279,878,722</u>	<u>4,808,322</u>	<u>(40,050,777)</u>	<u>244,636,267</u>	<u>873,358</u>
Total Governmental Activities	<u>\$ 405,913,961</u>	<u>\$ 11,998,322</u>	<u>\$ (59,074,479)</u>	<u>\$ 358,837,804</u>	<u>\$ 12,350,261</u>
<b>Business-Type Activities</b>					
<b>Accrued Compensated Absences</b>					
Accrued Compensated Absences	\$ 245,575	\$ -	\$ (36,453)	\$ 209,122	\$ -
<b>Net Pension Liability</b>					
Net Pension Liability	5,597,880	-	(1,348,096)	4,249,784	-
<b>Other Postemployment Benefits</b>					
Other Postemployment Benefits	604,253	31,722	-	635,975	-
Total Business-Type Activities	<u>\$ 6,447,708</u>	<u>\$ 31,722</u>	<u>\$ (1,384,549)</u>	<u>\$ 5,094,881</u>	<u>\$ -</u>

EAST STROUDSBURG AREA SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2022

NOTE 9 DEFERRED INFLOW OF RESOURCES AND UNAVAILABLE AND UNEARNED REVENUE

**General Fund**

Unavailable revenues represent primarily delinquent taxes not collected within 60 days subsequent to the School District's year-end. It is expected that these receivables will be collected and included in revenues of future fiscal years. In the Governmental Funds financial statements, these receivables are reported as unearned revenue.

At June 30, 2022, deferred inflow of resources consisted of delinquent taxes receivable of \$9,019,180.

NOTE 10 PENSION PLAN

**Summary of Significant Accounting Policies**

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

**General Information About the Pension Plan**

**Plan Description** - PSERS is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in PSERS include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at [www.psers.state.pa.us](http://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 become new members on or after July 1, 2011. Act 120 created two 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 three years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending on membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of

EAST STROUDSBURG AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 10 PENSION PLAN (CONTINUED)

the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

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

**Contributions**

**Members Contributions**

- Active members who joined the System prior to July 22, 1983, contribute 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 Class T-D membership, the higher contribution rates began with services 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 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and the Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

**Employer Contributions**

The School District's contractually required contribution rate for the fiscal year ended June 30, 2021, was 33.51% of covered payroll (33.69% for 2021) which includes .18% for the Act 5 defined contribution plan members, actuarially determined as an amount that, when combined with employee contributions is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the plan from the District were \$23,025,082 for the year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of \$193,172,000 for its proportionate share of the net pension liability. Of that, \$188,922,216 was for governmental type activities and \$4,249,784 was business-type activities. The net pension liability was measured as of June 30, 2020, and the

EAST STROUDSBURG AREA SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2022

NOTE 10 PENSION PLAN (CONTINUED)

total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2020 to June 30, 2021.

The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2021, the District's proportion was 0.4705 percent, which was a decrease of 0.0032 percent from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the District recognized pension expense of \$10,610,091. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

The \$23,025,982 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>Governmental Activities</b>		
Difference Between Expected and Actual Experience	\$ 138,876	\$ (2,482,164)
Change of Assumptions	9,162,882	-
Net Difference Between Projected and Actual Investment Earnings	-	(30,072,522)
Changes in Proportions	2,556,590	(1,129,590)
Contributions Subsequent to the Measurement Date	22,519,410	-
	<u>\$ 34,377,758</u>	<u>\$ (33,684,276)</u>
<b>Business-Type Activities</b>		
Difference Between Expected and Actual Experience	\$ 3,124	\$ (55,836)
Change of Assumptions	206,118	-
Net Difference Between Projected and Actual Investment Earnings	-	(676,478)
Changes in Proportions	57,510	(25,410)
Contributions Subsequent to the Measurement Date	506,572	-
	<u>\$ 773,324</u>	<u>\$ (757,724)</u>

EAST STROUDSBURG AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 10 PENSION PLAN (CONTINUED)

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2022	\$ (4,264,080)	\$ (95,920)
2023	(3,811,266)	(85,734)
2024	(4,033,272)	(90,728)
2025	<u>(9,717,310)</u>	<u>(218,590)</u>
	<u>\$ (21,825,928)</u>	<u>\$ (490,972)</u>

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

- Actuarial cost method - Entry Age Normal level % of pay
- Investment return - 7.00%, includes inflation at 2.50%
- Salary increases - Effective average of 4.50%, which reflects an allowance for inflation of 2.50% and real wage growth and merit or seniority increases of 2.00%
- Mortality 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 Plan did not include an assumption for projected ad hoc postemployment benefit changes as they are not considered to be substantively automatic.

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

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

Plan Assets

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

EAST STROUDSBURG AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 10 PENSION PLAN (CONTINUED)

For the year ended June 30, 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 24.58%.

Asset Class	Allocation	Long-Term Expected Real Rate of Return
Global public equity	27%	5.2%
Private equity	12%	7.3%
Fixed income	35%	1.8%
Commodities	10%	2.0%
Absolute return	8%	3.1%
Infrastructure/MLPs	8%	5.1%
Real estate	10%	4.7%
Cash	3%	0.1%
Leverage	-13%	0.1%
	<u>100%</u>	

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

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

	1% Decrease <u>6%</u>	Current Discount Rate <u>7%</u>	1% Increase <u>8%</u>
School District's Proportionate Share of the Net Pension Liability	<u>\$253,545,190</u>	<u>\$193,172,000</u>	<u>\$142,244,072</u>

**Pension Plan Fiduciary Net Position** - Detailed information about PSERS's fiduciary net position is available in the PSERS Comprehensive Annual Financial Report which can be found on the System's website at [www.psers.state.pa.us](http://www.psers.state.pa.us).

On June 12, 2017, the Commonwealth of Pennsylvania Act 5 of 2017 was signed into law. This legislation established a new hybrid defined benefit/defined contribution retirement benefit plan applicable to all school employees who become new members of PSERS on July 1, 2019 and thereafter. The three new plan options under Act 5 include two hybrid plans consisting of defined benefit and defined contribution components and a stand-alone defined contribution plan. The current stand-alone defined benefit plan is no longer available to new members after June 30, 2019.

EAST STROUDSBURG AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS – PSERS

**Health Insurance Premium Assistance Program**

PSERS provides a Health Insurance Premium Assistance Program (Premium Assistance) for all eligible annuitants who qualify and elect to participate. Under this program, 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 annuitants are entitled to receive Premium Assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium.

**Premium Assistance Eligibility Criteria**

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

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

**Benefits Provided**

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2021 there were no assumed future benefit increases to participating eligible retirees.

**Employer Contributions**

The District's contractually required contribution rate for fiscal year ended June 30, 2021 was 0.82% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the School were \$547,162 for the year ended June 30, 2021.

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

At June 30, 2022, the District reported a liability of \$11,164,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the PSERS total OPEB liability as of June 30, 2020 to June 30, 2021. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2021, the District's proportion was 0.4710 percent, which was a decrease of 0.0027 percent from its proportion measured as of June 30, 2020.

EAST STROUDSBURG AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS – PSERS (CONTINUED)

For the year ended June 30, 2022, the District recognized OPEB expense of \$586,192. At June 30, 2022, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<b>Governmental Activities</b>		
Difference Between Expected and Actual Experience	\$ 101,712	\$ (145,722)
Changes in Assumptions	1,162,842	-
Net Difference Between Projected and Actual		
Investment Earnings	21,516	-
Changes in Proportions	246,456	(352,080)
Contributions Subsequent to the Measurement Date	529,232	-
	<u>\$ 2,061,758</u>	<u>\$ (497,802)</u>
<b>Business-Type Activities</b>		
Difference Between Expected and Actual Experience	\$ 2,288	\$ (3,278)
Changes in Assumptions	26,158	-
Net Difference Between Projected and Actual		
Investment Earnings	484	-
Changes in Proportions	5,544	(7,920)
Contributions Subsequent to the Measurement Date	11,905	-
	<u>\$ 46,379</u>	<u>\$ (11,198)</u>

\$541,137 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2022	\$ (98,778)	\$ (2,222)
2023	(96,822)	(2,178)
2024	(265,038)	(5,962)
2025	(264,060)	(5,940)
2026	(174,084)	(3,916)
Thereafter	(135,942)	(3,058)
	<u>\$ (1,034,724)</u>	<u>\$ (23,276)</u>

EAST STROUDSBURG AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS – PSERS (CONTINUED)

Actuarial Assumptions

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

- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 2.18% - S&P 20 Year Municipal Bond Rate.
- Salary growth – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit and 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 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, 2019 determined the employer contribution rate for fiscal year 2021.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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.

<u>Asset Class</u>	<u>Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	79.8%	0.1%
US Core Fixed Income	17.5%	0.7%
Non-US Developed Fixed	2.7%	-0.3%
	<u>100%</u>	

EAST STROUDSBURG AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS – PSERS (CONTINUED)

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2021.

Discount rate

The discount rate used to measure the total OPEB liability was 2.18%. 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 2.18% which represents the S&P 20 year Municipal Bond Rate at June 30, 2021, was applied to all projected benefit payments to measure total OPEB liability.

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2021, retirees' Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. The number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

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

	1% Decrease (Between 4% to 6%)	Current Trend Rate (Between 5% to 7%)	1% Increase (Between 8% to 9%)
The School's proportionate share of net OPEB liability	<u>\$ 11,161,824</u>	<u>\$ 11,164,000</u>	<u>\$ 11,164,089</u>

EAST STROUDSBURG AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS – PSERS (CONTINUED)

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

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

	<u>1% Decrease</u>	<u>Current Rates 2.18%</u>	<u>1% Increase</u>
The School's proportionate share of net OPEB liability	<u>\$ 12,811,040</u>	<u>\$ 11,164,000</u>	<u>\$ 9,805,758</u>

OPEB plan fiduciary net position.

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

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS – SINGLE EMPLOYER PLAN

***Plan Description***

The School District provides medical and dental insurance benefits to eligible retired employees, spouses and dependents through a single-employer defined benefit plan. The benefits, benefits level, employee contribution and employer contribution are administered by the Board and can be amended by the Board through its personnel manual and union contracts. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a stand-alone financial report. The activity of the plan is reported in the School District's General Fund.

***Plan Membership***

At July 1, 2021, plan membership consisted of the following:

Active Plan Members	1,202
Retired Members	<u>56</u>
	<u>1,258</u>

***Funding Policy and Funding Status***

The plan is an unfunded plan with no assets accumulated in a trust. Contributions to the plan are equal to benefit payments. For the year ended June 30, 2022 benefit payments paid as they came due were \$775,330.

EAST STROUDSBURG AREA SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2022

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS – SINGLE EMPLOYER PLAN (CONTINUED)

**Benefits Provided**

The 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 is eligible for Medicare or becomes eligible for other group health coverage. In order to obtain coverage, retired employees must provide payment equal to the full premium rate.

In addition, for those administration who reach 20 years of service with the District or ten years as Administrator with the District, the District will pay the full premium toward medical, prescription drug, dental, and vision coverage for the member.

**Assumptions**

The following assumptions and actuarial methods and calculation were used:

**Discount Rate** – 1.28% Based on S&P Municipal Bond 20 Year High Grade Rate at July 1, 2021.

**Salary** – An assumption for salary increases is used only for spreading contributions over future pay under the entry age normal cost method. For this purpose, salary increases are composed of a 2.5% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75 to 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.

Age	Male Rate	Female Rate	Age	Male Rate	Female Rate
25	2.57%	5.02%	45	1.37%	1.65%
30	2.57%	4.02%	50	1.92%	2.06%
35	1.50%	2.85%	55	3.38%	3.11%
40	1.34%	1.60%	60	5.57%	6.40%

**Mortality** – Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined pension plan actuarial valuation. Incorporated into that are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.

**Disability** – No disability was assumed.

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

**Percentage of Eligible Retirees Electing Coverage in the Plan** – 90% of employees eligible for subsidy and 50% of employees not eligible for subsidy are assumed to elect coverage. 100% of Administrators eligible for Life Insurance are assumed to elect it.

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

**Spouse Age** – Wives are assumed to be two years younger their husbands.

EAST STROUDSBURG AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS – SINGLE EMPLOYER PLAN (CONTINUED)

**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 are assumed to not vary with age or gender.

**Life Insurance** – It is assumed that the annual cost to provide life insurance varies by age. The assumed cost is equal to the amount of coverage times the applicable mortality factor contained in the valuation mortality table.

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

**Health Care Cost Trend Rate** –5.5% in 2020 through 2023. Rates gradually decrease from 5.4% in 2024 to 4.0% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

**Actuarial Value of Assets** – Equal to the Market Value of Assets

**Actuarial Cost Method** – 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** – Based on census information as of July 2020. Due to the timing of school district turnover, the data is believed to be representative of the population for the 2020-2021 school year.

**Changes in Assumptions** - In the 2021 actuarial valuation, the discount rate changed from 1.86% to 2.28%. The trend assumption was updated.

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

The following presents the total OPEB liability of the School, as well as what the School's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (0.86%) or 1-percentage-point higher (2.86%) than the current discount rate:

	1% Decrease	Current Rates 2.28%	1% Increase
The School's proportionate share of net OPEB liability	\$ 36,497,065	\$ 34,123,961	\$ 31,833,968

EAST STROUDSBURG AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS – SINGLE EMPLOYER PLAN (CONTINUED)

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

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

	1% Decrease	Current Trend Rate 5.5%	1% Increase
The School's proportionate share of net OPEB liability	\$ 30,062,594	\$ 34,123,961	\$ 38,921,172

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** - For the year ended June 30, 2022, the District recognized OPEB expense of \$1,759,153. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>Governmental Activities</b>		
Difference Between Expected and Actual Experience	\$ 176,465	\$ (987,150)
Changes in Assumptions	1,116,890	(1,553,512)
Contributions Subsequent to the Measurement Date	759,450	-
	\$ 2,052,805	\$ (2,540,662)
<b>Business-Type Activities</b>		
Difference Between Expected and Actual Experience	\$ 698	\$ (96,448)
Changes in Assumptions	16,290	(13,125)
Contributions Subsequent to the Measurement Date	15,880	-
	\$ 32,868	\$ (109,573)

EAST STROUDSBURG AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS – SINGLE EMPLOYER PLAN (CONTINUED)

\$759,450 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. 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 Ending June 30,	Governmental Activities	Business-Type Activities
2023	\$ (90,670)	\$ (7,227)
2024	(90,670)	(7,227)
2025	(90,670)	(7,227)
2026	(90,670)	(7,227)
2027	(90,670)	(7,227)
Thereafter	(793,957)	(56,450)
	<u>\$ (1,247,307)</u>	<u>\$ (92,585)</u>

NOTE 13 CONTINGENCIES AND COMMITMENTS

***Grant Programs***

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

NOTE 14 RISKS AND UNCERTAINTIES

As the effects of the Coronavirus pandemic continue to evolve and are dependent upon future developments, the impact of the Coronavirus on the District's operations and financial results are uncertain at this time.

NOTE 15 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs. There were no significant reductions in insurance coverages in the 2021-2022 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The District is a member of the Employee Benefit Trust of Eastern Pennsylvania (the "Trust") which provides hospitalization, medical, dental and prescription drug benefits to District employees. The Trust manages a schedule of benefits as determined by its respective members, ensures the Trust is adequately funded, reviews claims and administration and obtains excess catastrophic insurance.

EAST STROUDSBURG AREA SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2022

NOTE 15 RISK MANAGEMENT (CONTINUED)

The Trust has appointed NCAS Pennsylvania to provide administrative services. NCAS Pennsylvania is a Pennsylvania corporation with insurance and consulting expertise in administration of health and welfare plans. The Trust has entered into an agreement with the Pennsylvania Trust to provide stop loss insurance beginning at \$130,000 for members of the Trust, thus maintaining the financial security of the Trust.

The latest financial statements of the Trust are available at the District's business office for the year ended June 30, 2022.

NOTE 16 FUND BALANCES

As of June 30, 2022, fund balances are composed of the following:

	General Fund	Capital Projects Fund	Special Activities Fund	Scholarships Fund	Total Governmental Funds
Nonspendable					
Prepaid Expenditures	\$ 667,814	\$ -	\$ -	\$ -	\$ 667,814
Restricted					
Capital Projects	-	16,363,893	-	-	16,363,893
Special Activities	-	-	319,013	-	319,013
Scholarships	-	-	-	199,833	199,833
Committed					
Capital Projects	-	6,000,000	-	-	6,000,000
Future Retirement Benefits	18,000,000	-	-	-	18,000,000
Future Healthcare Costs	6,000,000	-	-	-	6,000,000
Assigned					
To Balance the 2022-2023 Budget	6,276,388	-	-	-	6,276,388
Future Budget Expenditures	5,000,000	-	-	-	5,000,000
Future Educational Programs	6,000,000	-	-	-	6,000,000
Unassigned	7,209,524	-	-	-	7,209,524
	<u>\$49,153,726</u>	<u>\$22,363,893</u>	<u>\$ 319,013</u>	<u>\$ 199,833</u>	<u>\$72,036,465</u>

NOTE 17 SUBSEQUENT EVENTS

The District has evaluated all subsequent events through December 15, 2022, the date the financial statements were available to be issued. There have been no events that require disclosure.

REQUIRED  
SUPPLEMENTARY  
INFORMATION

EAST STROUDSBURG AREA SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Local sources	\$ 108,000,429	\$ 108,000,429	\$ 111,857,739	\$ 3,857,310
State sources	49,902,534	49,902,534	50,830,798	928,264
Federal sources	14,885,180	14,885,180	9,421,910	(5,463,270)
Total Revenues	<u>172,788,143</u>	<u>172,788,143</u>	<u>172,110,447</u>	<u>(677,696)</u>
<b>Expenditures</b>				
Regular Programs	59,571,472	62,024,354	61,977,273	47,081
Special Programs	30,387,862	30,290,230	28,701,891	1,588,339
Vocational Programs	2,933,122	2,934,010	2,640,737	293,273
Other Instructional Programs	1,180,776	1,488,882	1,488,236	646
Pupil Personnel Services	7,802,829	7,790,018	6,705,239	1,084,779
Instructional Staff Services	2,781,827	2,889,119	2,889,358	761
Administrative Services	8,623,640	8,631,291	8,376,880	254,411
Pupil Health Services	2,064,766	2,064,563	2,020,781	43,782
Business Services	1,678,228	1,678,476	1,464,411	214,065
Operation and Maintenance of Plant	15,177,315	15,699,065	15,698,390	675
Facilities Acquisition, Construction and Improvement Services	-	2,000,000	1,904,518	95,482
Student Transportation Services	9,814,768	9,928,776	8,617,074	1,311,702
Central and Other Support Services	5,077,176	5,341,261	5,330,461	10,800
Student Activities and Athletics	3,029,903	3,037,085	2,886,877	150,208
Community Services	87,097	140,097	139,402	695
Refund of Prior Year Revenues	-	-	232,671	(232,671)
Debt Service	16,106,179	16,022,418	15,788,815	233,603
Total Expenditures	<u>166,316,960</u>	<u>171,960,645</u>	<u>166,863,014</u>	<u>5,097,631</u>
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(11,000,000)	(5,355,704)	(6,000,612)	(644,908)
Issuance of capital leases	-	-	1,138,924	1,138,924
Sale of Capital Assets	-	-	22,791	22,791
Total Other Financing Sources (Uses)	<u>(11,000,000)</u>	<u>(5,355,704)</u>	<u>(4,838,897)</u>	<u>516,807</u>
Net Change in Fund Balance	(4,528,817)	(4,528,206)	408,536	4,936,742
Fund Balance at Beginning of Year	<u>48,745,190</u>	<u>48,745,190</u>	<u>48,745,190</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 44,216,373</u>	<u>\$ 44,216,984</u>	<u>\$ 49,153,726</u>	<u>\$ 4,936,742</u>

See accompanying notes to the budgetary comparison schedule.

NOTE 1 BUDGETARY INFORMATION

An operating budget is adopted prior to the beginning of each year for the General Fund on a basis consistent with generally accepted accounting principles. The General Fund is the only fund for which a budget is legally required.

The Pennsylvania School Code dictates specific procedures relative to adoption of the School District's budget and reporting of its financial statements, specifically:

- The School District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.
- The School District is required to publish notice by advertisement, at least once in two newspapers of general circulation in the municipality in which it is located and within 15 days of final action, that the proposed budget has been prepared and is available for public inspection at the administrative office of the School District.
- Notice that public hearings will be held on the proposed operating budget must be included in the advertisement; such hearings are required to be scheduled at least ten days prior to when final action on adoption is taken by the Board.

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

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the Pennsylvania Department of Education's 2028 Report when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all 2021-2022 budget transfers.

NOTE 2 COMPLIANCE

*Excess of Expenditures Over Appropriations*

	<u>Appropriation</u>	<u>Expenditures</u>	<u>Excess %</u>
<u>General Fund:</u>			
Refund of Prior Year Revenues	\$ -	\$ 232,671	100.00%
Transfers Out	\$ 5,355,704	\$ 6,000,612	10.75%

Funds sufficient to provide for the excess expenditures were made available from other functions within the fund and other financing sources.

EAST STROUDSBURG AREA SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 LAST 10 YEARS\*

	Measurement Date							
	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension liability	0.4705%	0.4737%	0.4717%	0.4536%	0.4655%	0.4979%	0.4816%	0.4727%
District's proportionate share of the net pension liability	\$ 193,172,000	\$ 233,245,000	\$ 220,674,000	\$ 217,751,000	\$ 229,903,000	\$ 246,743,000	\$ 208,606,000	\$ 187,098,000
District's covered payroll	\$ 66,837,768	\$ 66,520,204	\$ 65,053,554	\$ 61,082,533	\$ 61,975,884	\$ 64,481,384	\$ 61,968,592	\$ 60,318,006
District's proportionate share of the net pension liability as a percentage of its covered payroll	289.02%	350.64%	339.22%	356.49%	370.96%	382.66%	336.63%	310.19%
Plan fiduciary net position as a percentage of the total pension liability	63.67%	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%

\* This schedule is intended to illustrate information for 10 years. However, until a 10 year trend is compiled, the School is presenting information for those years for which information is available.

EAST STROUDSBURG AREA SCHOOL DISTRICT  
 SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS  
 LAST 10 YEARS\*

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Contractually required contribution	\$ 23,025,082	\$ 22,437,091	\$ 22,130,335	\$ 21,124,000	\$ 19,248,000	\$ 19,218,000	\$ 17,831,000	\$ 15,775,000	\$ 12,435,000
Contributions in relation to the contractually required contribution	23,025,082	22,437,091	22,130,335	21,124,000	21,432,525	19,218,000	17,831,000	15,775,000	12,435,000
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,184,525)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 68,711,077	\$ 66,837,768	\$ 66,520,204	\$ 65,053,554	\$ 61,082,533	\$ 61,975,884	\$ 64,481,384	\$ 61,968,592	\$ 60,318,006
Contributions as a percentage of covered payroll	33.51%	33.57%	33.27%	32.47%	35.09%	31.01%	27.65%	25.46%	20.62%

\* This schedule is intended to illustrate information for 10 years. However, until a 10 year trend is compiled, the School is presenting information for those years for which information is available.

EAST STROUDSBURG AREA SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS  
RETIREES HEALTH PLAN  
LAST 10 YEARS

	Measurement Date				
	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB liability					
Service cost	\$ 1,984,911	\$ 1,779,419	\$ 1,787,136	\$ 1,727,780	\$ 1,644,481
Interest	647,429	1,122,109	963,757	944,768	680,070
Changes of assumptions	(987,756)	392,649	(919,432)	28,867	1,454,840
Differences between expected and actual experience	-	(1,324,398)	-	278,399	-
Benefit payments	(749,928)	(779,331)	(755,642)	(1,032,654)	(940,582)
Net change in total OPEB liability	894,656	1,190,448	1,075,819	1,947,160	2,838,809
Total OPEB liability - beginning	33,229,305	32,038,857	30,963,038	29,015,878	26,177,069
Total OPEB liability - ending	<u>\$ 34,123,961</u>	<u>\$ 33,229,305</u>	<u>\$ 32,038,857</u>	<u>\$ 30,963,038</u>	<u>\$ 29,015,878</u>
Covered payroll	\$ 62,147,012	\$ 62,147,012	\$ 57,904,669	\$ 57,904,669	\$ 58,055,233
District's total OPEB liability as a percentage of covered payroll	54.91%	53.47%	55.33%	53.47%	49.98%

Changes of Assumptions

- The discount rate changed from 1.86% to 2.28% in 2021
- The discount rate changed from 2.79% to 1.86% in 2020
- The discount rate changed from 2.98% to 2.79% in 2019
- The discount rate changed from 3.13% to 2.98% in 2018

\* This schedule is intended to illustrate information for 10 years. However, until a 10 year trend is compiled, the School is presenting information for those years for which information is available.

EAST STROUDSBURG AREA SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - PSERS PLAN  
 \*LAST 10 YEARS

	Measurement Date				
	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
District's proportion of the net OPEB liability	0.4710%	0.4737%	0.4717%	0.4536%	0.4655%
District's proportionate share of the net OPEB liability	\$ 11,164,000	\$ 10,240,000	\$ 10,032,000	\$ 9,457,000	\$ 9,484,000
District's covered payroll	\$ 66,837,768	\$ 66,520,204	\$ 65,053,554	\$ 61,082,533	\$ 61,975,884
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	16.70%	15.39%	15.42%	15.48%	15.30%
Plan fiduciary net position as a percentage of the total OPEB liability	5.30%	5.56%	5.56%	5.56%	5.73%

\* This schedule is intended to illustrate information for 10 years. However, until a 10 year trend is compiled, the School is presenting information for those years for which information is available.

EAST STROUDSBURG AREA SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS - PSERS PLAN  
 \*LAST 10 YEARS

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Contractually determined contribution	\$ 541,137	\$ 547,162	\$ 558,000	\$ 540,000	\$ 507,000	\$ 503,000
Contributions in relation to the contractually determined contribution	<u>541,137</u>	<u>547,162</u>	<u>558,000</u>	<u>540,000</u>	<u>507,000</u>	<u>503,000</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 68,711,077	\$ 66,837,768	\$ 66,520,204	\$ 65,053,554	\$ 61,082,533	\$ 61,975,884
Contributions as a percentage of covered payroll	0.79%	0.82%	0.84%	0.83%	0.83%	0.81%

\* This schedule is intended to illustrate information for 10 years. However, until a 10 year trend is compiled, the School is presenting information for those years for which information is available.

SUPPLEMENTARY  
INFORMATION

EAST STROUDSBURG AREA SCHOOL DISTRICT  
BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2022

	Scholarship Funds	Special Activities Funds	Total Nonmajor Governmental Funds
<b>Assets</b>			
Cash and Cash Equivalents	\$ 50,620	\$ 271,404	\$ 322,024
Investments	90,687	41,939	132,626
Due from Other Funds	59,526	14,443	73,969
Total Assets	\$ 200,833	\$ 327,786	\$ 528,619
 <b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 1,000	\$ 1,129	\$ 2,129
Other Current Liabilities	-	52	52
Total Liabilities	1,000	1,181	2,181
 <b>Fund Balances</b>			
Restricted	199,833	326,605	526,438
Total Fund Balances	199,833	326,605	526,438
Total Liabilities & Fund Balances	\$ 200,833	\$ 327,786	\$ 528,619

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

EAST STROUDSBURG AREA SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2022

	Scholarship Funds	Special Activities Funds	Total Nonmajor Governmental Funds
Revenues			
Local Sources	\$ 27,017	\$ 207,215	\$ 234,232
Total Revenues	<u>27,017</u>	<u>207,215</u>	<u>234,232</u>
Expenditures			
Student Activities and Athletics	-	203,494	203,494
Scholarships Awarded	21,625	-	21,625
Total Expenditures	<u>21,625</u>	<u>203,494</u>	<u>225,119</u>
Excess of Revenues Over Expenditures	<u>5,392</u>	<u>3,721</u>	<u>9,113</u>
Other Financing Sources			
Interfund Transfers In	612	-	612
Net Change in Fund Balances	6,004	3,721	9,725
Fund Balances at Beginning of Year	<u>193,829</u>	<u>322,884</u>	<u>516,713</u>
Fund Balances at End of Year	<u>\$ 199,833</u>	<u>\$ 326,605</u>	<u>\$ 526,438</u>

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

SINGLE  
AUDIT  
SUPPLEMENT



# Zelenkofske Axlerod LLC

CERTIFIED PUBLIC ACCOUNTANTS

EXPERIENCE | EXPERTISE | ACCOUNTABILITY

## 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*

### *Independent Auditor's Report*

To the Board of School Directors  
East Stroudsburg Area School District  
East Stroudsburg, 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 East Stroudsburg Area School District ("the District") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 15, 2022.

### ***Internal Control Over Financial Reporting***

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

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

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

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the 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*.



# *Zelenkofske Axlerod LLC*

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## ***Purpose of this Report***

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

*Zelenkofske Axlerod LLC*

ZELENKOFKSKE AXELROD LLC

Jamison, Pennsylvania  
December 15, 2022



**Report on Compliance for Each Major Program and Report on  
Internal Control over Compliance Required by the Uniform Guidance**

***Independent Auditor's Report***

To the Board of School Directors  
East Stroudsburg Area School District  
East Stroudsburg, Pennsylvania

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited East Stroudsburg Area School District's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (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.

We are required to be independent of the 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 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 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 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 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 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 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 District's internal control over compliance. Accordingly, no such opinion is expressed.

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

### **Report on Internal Control Over Compliance**

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

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



# *Zelenkofske Axelrod LLC*

**CERTIFIED PUBLIC ACCOUNTANTS**

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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.

*Zelenkofske Axelrod LLC*

ZELENKOFKSKE AXELROD LLC  
Jamison, Pennsylvania  
December 15, 2022

EAST STROUDSBURG AREA SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Source	Assistance Listing Number	Pass-Through Grantor's Number	Grant Period	Total Received For The Year	Accrued (Unearned) Revenue at 7/1/2021	Revenue Recognized	Expenditures	Accrued (Unearned) Revenue at 6/30/2022	Passed Through to Subrecipients
U.S. Department of Education Impact Aid	Direct	84.041	N/A	7/1/21-6/30/22	\$ 589,487	\$ -	\$ 589,487	\$ 589,487	\$ -	\$ -
Passed Through Pennsylvania Department of Education:										
Title I Grants to Local Educational Agencies	Indirect	84.010	013-210129	7/1/20-9/30/21	537,086	330,493	206,593	206,593	-	-
Title I Grants to Local Educational Agencies	Indirect	84.010	013-220129	7/1/21-9/30/22	1,502,796	-	1,639,356	1,639,356	136,560	-
Total Assistance Listing Number 84.010					2,039,882	330,493	1,845,949	1,845,949	136,560	-
Supporting Effective Instruction State Grants	Indirect	84.367	020-210129	7/1/20-9/30/21	48,112	30,244	15,905	15,905	(1,963)	-
Supporting Effective Instruction State Grants	Indirect	84.367	020-220129	7/1/21-9/30/22	225,939	-	261,194	261,194	35,255	-
Total Assistance Listing Number 84.367					274,051	30,244	277,099	277,099	33,292	-
English Language Acquisition State Grants	Indirect	84.365	010-210129	7/1/20-9/30/21	18,812	(4,000)	22,812	22,812	-	-
English Language Acquisition State Grants	Indirect	84.365	010-200129	7/1/19-9/30/20	1,826	1,826	-	-	-	-
English Language Acquisition State Grants	Indirect	84.365	010-220129	7/1/21-9/30/22	12,753	-	12,386	12,386	(367)	-
Total Assistance Listing Number 84.365					33,391	(2,174)	35,198	35,198	(367)	-
Student Support and Academic Enrichment Program	Indirect	84.424	144-210129	7/1/20-9/30/21	114,702	(11,957)	126,659	126,659	-	-
Student Support and Academic Enrichment Program	Indirect	84.424	144-220129	7/1/21-9/30/22	51,215	-	33,809	33,809	(17,406)	-
Total Assistance Listing Number 84.424					165,917	(11,957)	160,468	160,468	(17,406)	-
COVID-19 Education Stabilization Fund	Indirect	84.425C	N/A	5/18/20 - 9/30/21	92,200	85,467	6,733	6,733	-	-
COVID-19 Education Stabilization Fund	Indirect	84.425D	N/A	3/13/20 - 9/30/22	732,264	441,465	284,047	284,047	(6,752)	-
COVID-19 Education Stabilization Fund	Indirect	84.425D	N/A	3/13/20 - 9/30/23	7,045,774	5,872,834	1,172,940	1,172,940	(0)	-
COVID-19 Education Stabilization Fund	Indirect	84.425D	N/A	3/13/20 - 9/30/23	1,036,477	131,379	3,005,588	3,005,588	2,100,490	-
COVID-19 Education Stabilization Fund	Indirect	84.425	N/A	3/13/20 - 9/30/21	116,410	(37,207)	141,129	141,129	(12,488)	-
COVID-19 Education Stabilization Fund	Indirect	84.425	N/A	3/13/20 - 9/30/21	37,115	(7,836)	51,136	51,136	6,186	-
COVID-19 Education Stabilization Fund	Indirect	84.425C	N/A	3/13/20 - 9/30/24	7,901	-	1,116	1,116	(6,785)	-
COVID-19 Education Stabilization Fund	Indirect	84.425	N/A	3/13/20 - 9/30/24	100,697	-	147,261	147,261	46,564	-
COVID-19 Education Stabilization Fund	Indirect	84.425W	N/A	7/1/21 - 9/30/21	3,955	-	-	-	(3,955)	-
Passed Through Pennsylvania Commission on Crime and Delinquency:										
COVID-19 Education Stabilization Fund	Indirect	84.425D	N/A	3/13/20-9/30/22	15,978	14,871	-	-	(1,107)	-
Total Assistance Listing Number 84.425					9,188,771	6,500,973	4,809,949	4,809,949	2,122,151	-
Passed Through the Colonial Intermediate Unit:										
Special Education Grants to States	Indirect	84.027	N/A	7/1/21-6/30/22	715,742	-	1,090,402	1,090,402	374,660	-
Special Education Grants to States	Indirect	84.027	N/A	7/1/21-6/30/22	2,580	-	2,580	2,580	-	-
Special Education Grants to States	Indirect	84.027	N/A	7/1/20-6/30/21	656,847	656,847	-	-	-	-
Special Education Grants to States	Indirect	84.027	N/A	7/1/20-6/30/21	19,384	19,384	-	-	-	-
Special Education Grants to States	Indirect	84.027	N/A	7/1/20-6/30/21	4,000	4,000	-	-	-	-
Total Special Education Cluster					1,398,553	680,231	1,092,982	1,092,982	374,660	-
Total U.S. Department of Education					13,690,052	7,527,810	8,811,132	8,811,132	2,648,890	-
U.S. Department of Health and Human Services										
Medical Assistance Program	Indirect	93.778	N/A	7/1/20-6/30/21	101,424	101,424	-	-	-	-
Medical Assistance Program	Indirect	93.778	N/A	7/1/21-6/30/22	44,965	-	144,769	144,769	99,804	-
Total Medicaid Cluster					146,389	101,424	144,769	144,769	99,804	-
Total U.S. Department of Health and Human Services					146,389	101,424	144,769	144,769	99,804	-
U.S. Department of Agriculture										
Passed Through the Pennsylvania Department of Education:										
School Breakfast Program	Indirect	10.553	N/A	7/1/21-6/30/22	1,229,613	72,498	1,221,070	1,221,070	63,955	-
National School Lunch Program	Indirect	10.555	N/A	7/1/21-6/30/22	3,202,247	132,948	3,224,602	3,224,602	155,303	-
National School Lunch Program	Indirect	10.555	N/A	7/1/21-6/30/22	124,826	-	-	-	(124,826)	-
Passed Through the Pennsylvania Department of Agriculture:										
National School Lunch Program	Indirect	10.555	N/A	7/1/21-6/30/22	332,009	175,474	414,028	414,028	93,455	-
Total Child Nutrition Cluster					4,888,695	380,920	4,859,700	4,859,700	187,887	-
State Administrative Expenses for Child Nutrition	Indirect	10.560	N/A	3/1/21-6/30/22	5,270	5,058	212	212	-	-
State Administrative Expenses for Child Nutrition	Indirect	10.649	N/A	3/1/21-6/30/22	3,063	-	3,063	3,063	-	-
Total U.S. Department of Agriculture					4,897,028	385,978	4,862,975	4,862,975	187,887	-
Total Federal Awards					\$ 18,733,469	\$ 8,015,212	\$ 13,818,876	\$ 13,818,876	\$ 2,936,581	\$ -

\* Program tested as major

NOTE A SCOPE OF THIS SCHEDULE

The federal programs as listed in the schedule of expenditures of federal awards are accounted for by the School District in the General Fund for U.S. Department of Education and in the Food Service Fund for U.S. Department of Agriculture programs.

NOTE B BASIS OF ACCOUNTING

The School District uses the modified accrual method of recording transactions except a noted for the accounting of donated commodities in Note C. Revenues are recorded when measurable and available. Expenditures are recorded when incurred.

NOTE C NONMONETARY FEDERAL AWARDS – DONATED COMMODITIES

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 Assistance Listing Number 10.555 represent surplus food consumed by the District during the 2021-2022 fiscal year. The District has food commodities totaling \$93,455 in inventory as of June 30, 2022.

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, 2022 was \$1,514,136.

NOTE F ARRA PROGRAMS

The Qualified School Construction Bond Program ("QSCB") and Qualified Zone Academy Program ("QZAB") were authorized through the American Recovery and Reinvestment Tax Act ("ARRA"). These ARRA-funded programs are not covered by the single audit requirements and are not required to be included in the schedule of expenditures of federal awards ("SEFA") or in the determination of major programs. Federal subsidy reimbursements related to the QSCB and QZAB debt service payments are, therefore, not considered federal awards as it relates to the SEFA. The total amount of federal subsidy reimbursements received totaled \$81,041 for the year ended June 30, 2022.

NOTE F INDIRECT COST RATES

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

NOTE G RISK-BASED AUDIT APPROACH

The 2022 threshold for determining Type A programs is \$750,000. Two Type A programs were audited as major programs

The amount expended under programs audited as major federal programs for the year ended June 30, 2022, totaled \$4,445,672 or 32.17% of total federal awards.

EAST STROUDSBURG AREA SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2022

I. Section I - Summary of Auditor's Results

*Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes \_\_\_ no X
- Significant deficiencies identified that are not considered to be material weakness(es)?  
Yes \_\_\_\_\_ none reported X

Noncompliance material to financial statements noted? Yes \_\_\_ No X

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? Yes \_\_\_ no X
- Significant deficiencies identified that are not considered to be material weakness(es)?  
Yes \_\_\_ none reported X

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? yes \_\_\_ no X

Identification of major programs:

Assistance Listing Numbers	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? Yes X no \_\_\_

EAST STROUDSBURG AREA SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2022

II. Findings related to the financial statements which are required to be reported in accordance with GAGAS.

**None to be reported.**

III. Findings and questioned costs for federal awards.

**None to be reported.**

EAST STROUDSBURG AREA SCHOOL DISTRICT  
SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2022

**No prior year findings were reported.**