

EASTON AREA SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2023

EASTON AREA SCHOOL DISTRICT  
TABLE OF CONTENTS

	Page
Independent Auditor's Report	1 - 3
Management's Discussion and Analysis	4 - 11
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements	
Balance Sheet - Governmental Funds	14
Reconciliation of Balance Sheet - Governmental Funds to Statement of Net Position	15
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	16
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Fund Balances - Governmental Funds to the Statement of Activities	17
Statement of Net Position - Proprietary Fund	18
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund	19
Statement of Cash Flows - Proprietary Fund	20
Statement of Net Position - Fiduciary Funds	21
Statement of Revenues, Expenses and Changes in Net Position - Fiduciary Funds	22
Notes to Financial Statements	23 - 53
Required Supplementary Information	
Budgetary Comparison Schedule, General Fund	54
Notes to the Budgetary Comparison Schedule	55
Schedule of the District's Proportionate Share of the Net Pension Liability	56
Schedule of the District's Pension Contributions	57
Schedule of Changes in Total OPEB Liability and Related Ratios - Retirees Health Plan	58
Schedule of the District's Proportionate Share of the Net OPEB Liability - PSERS Plan	59
Schedule of the District's OPEB Contributions - PSERS Plan	60
Single Audit Supplement	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	61 - 62
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by The Uniform Guidance	63 - 65
Schedule of Expenditures of Federal Awards	66 - 67
Notes to the Schedule of Expenditures of Federal Awards	68
Schedule of Findings and Questioned Costs	69 - 71
Schedule of Prior Year Audit Findings	72
Corrective Action Plan	73 - 74



# *Zelenkofske Axelrod LLC*

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## Independent Auditor's Report

To the Board of School Directors  
Easton Area School District  
Easton, 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 Easton Area School District (the District) as of and for the year ended June 30, 2023, 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, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *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.

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34745 Burbage Road, Frankford, DE 19945

2370 York Road, Suite A-5, Jamison, PA 18929  
420 Chinquapin Round Road, Suite 2-i, Annapolis, MD 21401  
210 Tollgate Hill Road, Greensburg, PA 15601



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Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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. 91, *Conduit Debt Obligations*, GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, and GASB Statement No. 99, *Omnibus 2022*. 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 54-60 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.



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

In accordance with Government Auditing Standards, we have also issued our report dated March 14, 2024 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  
March 14, 2024

**EASTON AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED  
JUNE 30, 2023**

The discussion and analysis of the Easton Area School District's ("the District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2023. The intent of this discussion and analysis is to look at the District's performance as a whole; readers should also review the accompanying basic financial statements and notes to enhance their understanding of the District's financial activities.

The Management Discussion and Analysis ("MD&A") is an element of the reporting model adopted by the Government Accounting Standards Board ("GASB") in its Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." The MD&A provides certain comparative information between the current fiscal year and the prior year.

#### FINANCIAL HIGHLIGHTS

The District's overall financial position, as reflected in total net position of \$(83,727,079) reflects an increase for the current year of \$9,217,715. The negative total net position is a result of GASB 68 and GASB 75, which required governmental entities to recognize unfunded pension and other postemployment benefit plan liabilities. As such, School Districts across the state of Pennsylvania now need to recognize their pro-rated share of the Pennsylvania Public School Employees' Retirement System ("PSERS") Funding Deficit and the District's Single Employer OPEB Plan Funding Deficits. These Statements have a massive impact on all government entity wide statements. It affects every government in the Commonwealth of PA and every other government located in all 50 states, including state governments. The District's Pension and OPEB liabilities are calculated to be \$(243,542,785).

The District closed the 2023 fiscal year with a General Fund fund balance of \$28,808,825, a decrease of \$5,149,425, resulting from the negative change in total expenditures over total revenues. \$20,000,000 of the General Fund fund balance was committed for various purposes, \$5,260,588 was assigned to balance the 2024 school year and the remaining fund balance of \$3,548,237 was unassigned.

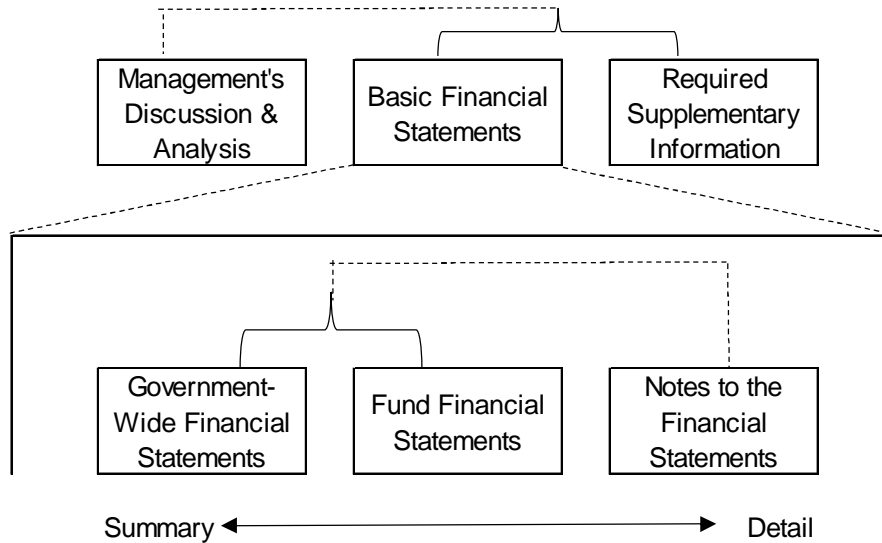
#### USING THE BASIC FINANCIAL STATEMENTS

The Management Discussion and Analysis introduces the District's basic financial statements, which consist of a series of financial statements and accompanying notes. The financial statements are organized so that the reader may first understand the District as a whole. These first, or more global, set of statements are the Government (or District)-wide financial statements. The Government-wide financial statements are then followed by a series of Fund Financial Statements that provide a more detailed look at specific financial activities.

**EASTON AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED  
JUNE 30, 2023**

Figure 1 shows the components of this financial report as required by GASB 34 and how they relate to one another.

**Figure 1  
Required Components of the Financial Report**



## OVERVIEW OF FINANCIAL STATEMENTS

### Government-wide Financial Statements

The government-wide financial statements are designed to report a broad overview of the District's financial position. They are prepared using the accrual basis of accounting and take a long-term focus.

The government-wide financial statements consist of two statements – Statement of Net Position and Statement of Activities.

The Statement of Net Position includes all of the District's assets (what it owns) and all of the District's liabilities (what it owes) at the end of the fiscal year. The difference between the two, or net position, may serve as a useful indicator of how the District's financial position has changed from the prior year and whether or not it is improving (increase in net assets) or deteriorating (decrease in net assets). An analysis of the change in the District's net position during the fiscal year is contained in the Statement of Activities. Because the Statement of Activities utilizes the accrual method of accounting, all changes in net position are reported as soon as they occur, regardless of the timing of the underlying cash flows. Thus, some revenues and expenses (e.g., uncollected taxes and earned but unused compensated absences) are reported now, but the corresponding cash flow will be realized in come future period.

The government-wide financial statements distinguish between those functions of the District that are part of the basic services provided, including instruction, administrative support, capital projects, and community services, called governmental activities and those that are ancillary to these functions, such as food service, called business type activities. Governmental activities are principally supported through local taxation and state and federal subsidies and grants. Business type activities recover a portion of their costs through user fees and charges.

**EASTON AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED  
JUNE 30, 2023**

The government-wide financial statements can be found on pages 12 and 13 of this report.

#### Fund Financial Statements

More detailed financial information may be found in the District's fund financial statements. These statements focus on specific aspects of the District's financial operation defined as funds, not on the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been designated for specific purposes. Fund financial statements are prepared on a modified accrual basis of accounting and have a short-term focus. As such there is not a direct relationship between the government-wide financial statements and the fund financial statements. However, a reconciliation statement is constructed to help draw out the connections between these two types of statements and the impact of short-term financing decisions on the long-term financial health of the District. There are three types of fund financial statements – governmental, proprietary, and fiduciary.

Governmental funds report the financial activities of the District's most basic services, similar to those included in the governmental activities contained within the government-wide financial statements. Governmental fund information helps the reader evaluate the impact of short-term inflows and outflows of spendable resources and their ability to meet short-term financing requirements. The District operates three governmental funds – General Fund, Capital Reserve Fund, and Capital Projects Fund. Information is presented for each of these funds individually with a single column in the Governmental Fund Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances.

The governmental fund financial statements can be found on pages 14-17 of this report.

Proprietary funds are used to account for those activities of the District that are similar to business operations in the private sector or where a significant portion of the funding is through user charges. The District operates one proprietary fund, the Food Service Fund. The information reported in the fund financial statements is the same as that reported in the government-wide financial statements under business type activities only with additional information on cash flows. The proprietary fund financial statements can be found on pages 18 through 20.

Fiduciary funds represent those activities for which the District does not maintain ownership, but for which it acts as the trustee or fiduciary agent. These funds include scholarships, student activity accounts, and the library tax collection fund. Fiduciary funds are excluded from the District's government-wide financial statements because the District may not use them to finance its operations. The fiduciary fund financial statements can be found on pages 21 and 22.

**EASTON AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED  
JUNE 30, 2023**

ANALYSIS OF GOVERNMENT-WIDE FINANCIAL STATEMENTS (DISTRICT AS A WHOLE)

Table 1 represents a condensed version of the Statement of Net Position that appears on page 12.

**Table 1  
Condensed Statement of Net Position  
June 30, 2023 and June 30, 2022**

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
<b>Assets</b>						
Current Assets	\$ 75,681,921	\$ 77,994,778	\$ 3,412,198	\$ 3,475,113	\$ 79,094,119	\$ 81,469,891
Capital Assets, Net	240,837,465	235,470,567	79,758	51,432	240,917,223	235,521,999
<b>Total Assets</b>	<u>316,519,386</u>	<u>313,465,345</u>	<u>3,491,956</u>	<u>3,526,545</u>	<u>320,011,342</u>	<u>316,991,890</u>
Deferred Outflows of Resources	39,470,936	42,744,645	-	-	39,470,936	42,744,645
<b>Liabilities</b>						
Long-Term Liabilities	385,218,676	375,778,588	-	-	385,218,676	375,778,588
Current and Other Liabilities	44,313,515	39,796,625	140,309	229,974	44,453,824	40,026,599
<b>Total Liabilities</b>	<u>429,532,191</u>	<u>415,575,213</u>	<u>140,309</u>	<u>229,974</u>	<u>429,672,500</u>	<u>415,805,187</u>
Deferred Inflows of Resources	13,536,857	36,876,142	-	-	13,536,857	36,876,142
<b>Net Position</b>						
Net Investment in Capital Assets	80,048,810	94,361,501	79,758	51,432	80,128,568	94,412,933
Restricted	13,249,684	13,446,967	-	-	13,249,684	13,446,967
Unrestricted	<u>(180,377,220)</u>	<u>(204,049,833)</u>	<u>3,271,889</u>	<u>3,245,139</u>	<u>(177,105,331)</u>	<u>(200,804,694)</u>
<b>Total Net Position</b>	<u>\$ (87,078,726)</u>	<u>\$ (96,241,365)</u>	<u>\$ 3,351,647</u>	<u>\$ 3,296,571</u>	<u>\$ (83,727,079)</u>	<u>\$ (92,944,794)</u>

The District's non-current assets are its investment in physical plant and equipment. For fiscal year 2023, net capital assets totaled \$240,837,465. This represents an increase of \$5,366,898 representing capital additions in excess of current depreciation. The District's long-term liabilities are in the form of general obligation bonds/notes and capital leases in the amount of \$150,412,416 and the net pension, OPEB and compensated absences liabilities of \$248,078,461.

The Statement of Activities shows the results of the year's activities. Specific charges, grants, revenues, and subsidies that directly relate to specific expense categories are represented to determine the final amount of District activities that are supported by general revenues. The two principal sources of general revenues are the Basic Education subsidy provided through the Commonwealth of Pennsylvania and local taxes assessed to taxpayers by the District.

**EASTON AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED  
JUNE 30, 2023**

Table 2 takes the information contained in the Statement of Activities founds on page 13 and rearranges it slightly to illustrate the total revenues and expenditures for the year and the net impact on net position.

During fiscal year 2023, the District realized revenues totaling \$199,408,936 for governmental activities to offset expenses of \$190,246,297, resulting in a increase in net position of \$9,162,639. Business-type activities had a \$55,706 increase in net position from the food service operation. The total net increase in net position to the District was \$9,217,715.

**Table 2  
Condensed Statement of Activities  
Fiscal Years Ended June 30, 2023 and June 30, 2022**

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
<b>Revenues</b>						
Charges for Services	\$ 297,955	\$ 276,590	\$ 455,730	\$ 294,196	\$ 753,685	\$ 570,786
Operating and capital grants and contributions	71,159,418	37,379,143	4,805,691	6,666,284	75,965,109	44,045,427
General revenue	<u>127,951,563</u>	<u>150,586,518</u>	<u>183,290</u>	<u>57</u>	<u>128,134,853</u>	<u>150,586,575</u>
Total Revenues	<u>199,408,936</u>	<u>188,242,251</u>	<u>5,444,711</u>	<u>6,960,537</u>	<u>204,853,647</u>	<u>195,202,788</u>
<b>Expenses</b>						
Instruction	131,106,270	119,509,722	-	-	131,106,270	119,509,722
Instruction student support	25,560,376	15,203,381	-	-	25,560,376	15,203,381
Administrative and financial support services	3,173,400	14,169,721	-	-	3,173,400	14,169,721
Operation and maintenance of plant services	15,244,831	14,751,593	-	-	15,244,831	14,751,593
Pupil transportation	7,671,157	8,336,807	-	-	7,671,157	8,336,807
Student activities	2,263,456	2,028,286	-	-	2,263,456	2,028,286
Community services	419,865	218,895	-	-	419,865	218,895
Interest on Long-Term Debt	4,806,942	4,127,493	-	-	4,806,942	4,127,493
Food Service	-	-	<u>5,389,635</u>	<u>5,228,878</u>	<u>5,389,635</u>	<u>5,228,878</u>
Total Expenses	<u>190,246,297</u>	<u>178,345,898</u>	<u>5,389,635</u>	<u>5,228,878</u>	<u>195,635,932</u>	<u>183,574,776</u>
Change in Net Position	<u>\$ 9,162,639</u>	<u>\$ 9,896,353</u>	<u>\$ 55,076</u>	<u>\$ 1,731,659</u>	<u>\$ 9,217,715</u>	<u>\$ 11,628,012</u>

**EASTON AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED  
JUNE 30, 2023**

Table 3 shows the District's eight major functions that characterize the governmental activities-instructional programs, instructional student support, administration, operation and maintenance of plant services, pupil transportation, student activities, community services, and debt services as well as each program's net cost (total cost less revenues generated by these activities). The table also includes the unrestricted grants subsidies, and contributions available to offset these net costs and the remaining financial needs that must be supported by local taxes and other miscellaneous revenues.

**Table 3  
Net Cost of Governmental Activities  
Fiscal Years Ended June 30, 2023 and June 30, 2022**

	Total Cost of Services		Net Cost of Services	
	2023	2022	2023	2022
Instruction	\$ 131,106,270	\$ 119,509,722	\$ 63,967,668	\$ 92,290,859
Instruction student support	25,560,376	15,203,381	25,413,235	12,550,039
Administrative and financial support services	3,173,400	14,169,721	3,173,400	14,030,231
Operation and maintenance of plant services	15,244,831	14,751,593	12,950,900	12,170,536
Pupil transportation	7,671,157	8,336,807	6,028,931	6,042,270
Student activities	2,263,456	2,028,286	2,027,983	1,593,323
Community services	419,865	218,895	419,865	218,895
Interest on Long-Term Debt	4,806,942	4,127,493	4,806,942	1,794,012
	<u>\$ 190,246,297</u>	<u>\$ 178,345,898</u>	118,788,924	140,690,165
			<u>(27,994,734)</u>	<u>(25,735,745)</u>
			<u>\$ 90,794,190</u>	<u>\$ 114,954,420</u>

The District operates one business activity – the Food Service Program. In fiscal year 2023, the Food Service program had expenses of \$5,389,635, which were offset by charges for services and grant subsidies of \$5,261,421, and an additional \$183,920 in interest earnings, resulting in net income of \$55,076.

**ANALYSIS OF FUND FINANCIAL STATEMENTS**

At June 30, 2023, the District's governmental funds reported a fund balance of \$42,058,509. This is a decrease of \$8,674,791 from the prior year.

The General Fund realized a loss of \$5,149,425 toward the total fund balance. The Capital Projects and Capital Reserve fund balances decreased in total by \$3,525,366, as a result of the use of General Obligation Bonds Series 2021 bond proceeds issued in the prior year for planned capital projects.

The results of the Food Service Fund (business-type activities) was previously explained.

**EASTON AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED  
JUNE 30, 2023**

General Fund

The District applies for federal, state, and local grants that cannot always be anticipated during the budgetary process. Budgets for expenditures can be revised during the year to reflect these grant activities, special education, and charter school educational costs for approval by the Board of Education. A schedule showing the District's original and final budget amounts compared with actual revenues and expenditures is provided on page 54.

Actual expenditures and other financing uses exceeded revenues and other financing sources by \$5,149,425 resulting in a fund balance in the General Fund of \$28,808,825. This decrease in fund balance is due to several factors. Expenditures exceed budgeted levels by \$8,809,827. On the revenue side, local revenues exceeded the budgeted levels by \$5,322,392, primarily in the categories of interest earned and earned income tax, State sources exceeded budgeted levels by \$4,345,131, primarily due to State basic education funding and state share of retirement. Federal sources were under budget by \$2,335,100 due to reduced ESSER grant funding.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

Capital Assets

Capital assets include land, construction in progress, buildings, construction in progress, site improvements, building and improvements and furniture and equipment. The District's investment in capital assets, net of depreciation is summarized in Table 4.

**Table 4  
Capital Assets – Net of Depreciation  
June 30, 2023 and 2022**

	Governmental Activities		Business-type Activities	
	2023	2022	2023	2022
Land	\$ 5,773,200	\$ 5,773,200	\$ -	\$ -
Construction in Progress	-	18,423,460	-	-
Site Improvements	32,129,642	30,667,244	-	-
Buildings and Building Improvements	350,659,799	318,250,539	-	-
Furniture and Equipment	9,605,043	7,692,343	744,900	706,950
Accumulated Depreciation	<u>(157,330,219)</u>	<u>(145,336,219)</u>	<u>(665,142)</u>	<u>(655,518)</u>
	<u>\$ 240,837,465</u>	<u>\$ 235,470,567</u>	<u>\$ 79,758</u>	<u>\$ 51,432</u>

More detail information about the District's capital assets may be found in Note 5 of the financial statements.

Long-term Debt

As of July 1, 2022, the District had outstanding capital debt obligations of \$136,530,000 excluding unamortized premiums. During the year, the District retired principal per scheduled maturities totaling \$11,795,000. The District issued new debt of \$10,000,000 to fund future capital projects. Total outstanding capital debt obligations totaled \$134,735,000 as of June 30, 2023.

The District's underlying bond rating from Moody's is Aa2 and reflects the District's strong financial position.

**EASTON AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED  
JUNE 30, 2023**

The District has also entered into capital lease agreements to finance the acquisition of computer equipment and buses. The net present value of these capital lease obligations is \$3,476,863. Additional information concerning the District's long-term debt may be found in Note 7 of the financial statements.

**ECONOMIC FACTORS AND OUTLOOK**

The District is continuing to manage economic challenges. Enrollments continue to remain steady over the last few years with cyber/charter school expense increasing as a result of the pandemic. The District will continued to monitor any changes in housing developments and growth.

Like all Pennsylvania school districts, the District is subject to Act 1 of 2006. Act 1 replaced Act 72 of 2004 and restricts the ability of a district to increase its tax rate above an index without getting public approval through a referendum.

For the 2023-2024 school year, the District taxes are 68.200 mills, an increase of 1.33 mills. The 2023-2024 budget has a deficit of \$5,260,588, which will be funded by current fund balance.

**REQUESTS FOR INFORMATION**

This financial reports has been designed to provide our citizens, taxpayers, parents, students, investors, and creditors with a general overview of the District's finances. If you have questions about this report or wish to request additional information, please contact Chief Financial Officer/Board Treasurer, Easton Area School District, 1801 Bushkill Drive, Easton, PA 18040-8186, (610) 250-2400 ext. 35013.

EASTON AREA SCHOOL DISTRICT  
GOVERNMENT WIDE STATEMENT OF NET POSITION  
JUNE 30, 2023

	Governmental Activities	Business-Type Activities	Totals
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 46,696,277	\$ 3,279,338	\$ 49,975,615
Restricted Cash	9,267,566	-	9,267,566
Investments	-	-	-
Taxes Receivable, Net	4,765,596	-	4,765,596
Due from Other Governments	11,670,190	39,002	11,709,192
Other Receivables	3,282,292	-	3,282,292
Inventories	-	93,858	93,858
<b>Capital Assets</b>			
Land	5,773,200	-	5,773,200
Site Improvements	32,129,642	-	32,129,642
Building and Building Improvements	350,659,799	-	350,659,799
Furniture and Equipment	9,605,043	744,900	10,349,943
Accumulated Depreciation	(157,330,219)	(665,142)	(157,995,361)
Total Assets	<u>316,519,386</u>	<u>3,491,956</u>	<u>320,011,342</u>
<b>Deferred Outflows of Resources</b>			
Deferred Amount of Refunding	279,995	-	279,995
Deferred Outflows of Resources, Pension Activity	33,984,930	-	33,984,930
Deferred Outflows of Resources, OPEB Activity	5,206,011	-	5,206,011
Total Deferred Outflows of Resources	<u>39,470,936</u>	<u>-</u>	<u>39,470,936</u>
<b>Liabilities</b>			
Accounts Payable	15,564,103	140,309	15,704,412
Accrued Interest on Long-Term Debt	1,388,668	-	1,388,668
Accrued Salaries and Benefits	10,869,959	-	10,869,959
Other Current Liabilities	1,746,809	-	1,746,809
Unearned Revenue	1,471,775	-	1,471,775
<b>Long-Term Liabilities</b>			
Portion Due or Payable Within One Year			
Notes Payable	13,838,550	-	13,838,550
Leases	1,087,201	-	1,087,201
Portion Due or Payable After One Year			
Notes Payable	133,097,003	-	133,097,003
Leases	2,389,662	-	2,389,662
Compensated Absences	4,535,676	-	4,535,676
Net Pension Liability	221,360,000	-	221,360,000
Net OPEB Obligation	22,182,785	-	22,182,785
Total Liabilities	<u>429,532,191</u>	<u>140,309</u>	<u>429,672,500</u>
<b>Deferred Inflows of Resources</b>			
Deferred Inflows of Resources, Pension Activity	5,670,000	-	5,670,000
Deferred Inflows of Resources, OPEB Activity	7,866,857	-	7,866,857
Total Deferred Inflows of Resources	<u>13,536,857</u>	<u>-</u>	<u>13,536,857</u>
<b>Net Position</b>			
Net Investment in Capital Assets	80,048,810	79,758	80,128,568
Restricted for			
Capital Projects	13,249,684	-	13,249,684
Unrestricted	(180,377,220)	3,271,889	(177,105,331)
Total Net Position	<u>\$ (87,078,726)</u>	<u>\$ 3,351,647</u>	<u>\$ (83,727,079)</u>

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

EASTON AREA SCHOOL DISTRICT  
GOVERNMENT WIDE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2023

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals	
<b>Governmental Activities</b>								
Instruction								
Regular Programs	\$ 91,644,628	\$ 62,482	\$ 65,444,737	\$ -	\$ (26,137,409)	\$ -	\$ (26,137,409)	
Special Programs	32,894,646	-	1,631,383	-	(31,263,263)	-	(31,263,263)	
Vocational Programs	6,211,772	-	-	-	(6,211,772)	-	(6,211,772)	
Other Instructional Programs	355,224	-	-	-	(355,224)	-	(355,224)	
Support Services								
Pupil Personnel Services	6,686,166	-	-	-	(6,686,166)	-	(6,686,166)	
Nonpublic	1,467,362	-	-	-	(1,467,362)	-	(1,467,362)	
Instructional Staff Services	6,618,582	-	-	-	(6,618,582)	-	(6,618,582)	
Administrative Services	8,729,088	-	147,141	-	(8,581,947)	-	(8,581,947)	
Pupil Health Services	2,059,178	-	-	-	(2,059,178)	-	(2,059,178)	
Business Services	1,441,861	-	-	-	(1,441,861)	-	(1,441,861)	
Operation & Maintenance of Plant Services	15,244,831	-	24,037	2,269,894	(12,950,900)	-	(12,950,900)	
Operation of Non-Instructional Services								
Student Transportation Services	7,671,157	-	1,642,226	-	(6,028,931)	-	(6,028,931)	
Central and Other Support Services	1,731,539	-	-	-	(1,731,539)	-	(1,731,539)	
Student Activities and Athletics	2,263,456	235,473	-	-	(2,027,983)	-	(2,027,983)	
Community Services	419,865	-	-	-	(419,865)	-	(419,865)	
Interest on Long-Term Debt	4,806,942	-	-	-	(4,806,942)	-	(4,806,942)	
Total Governmental Activities	<u>190,246,297</u>	<u>297,955</u>	<u>68,889,524</u>	<u>2,269,894</u>	<u>(118,788,924)</u>	<u>-</u>	<u>(118,788,924)</u>	
<b>Business-Type Activities</b>								
Food Service	5,389,635	455,730	4,805,691	-	-	(128,214)	(128,214)	
Total School District Activities	<u>\$ 195,635,932</u>	<u>\$ 753,685</u>	<u>\$ 73,695,215</u>	<u>\$ 2,269,894</u>	<u>(118,788,924)</u>	<u>(128,214)</u>	<u>(118,917,138)</u>	
<b>General Revenues</b>								
Taxes								
Property Taxes, Levied for General Purposes, Net								
					112,696,618	-	112,696,618	
					10,795,426	-	10,795,426	
					112,684	-	112,684	
					3,172,630	183,290	3,355,920	
					601,708	-	601,708	
					572,497	-	572,497	
					<u>127,951,563</u>	<u>183,290</u>	<u>128,134,853</u>	
					Change in Net Position	9,162,639	55,076	9,217,715
					Net Position at Beginning of Year, Restated	(96,241,365)	3,296,571	(92,944,794)
					Net Position at End of Year	<u>\$ (87,078,726)</u>	<u>\$ 3,351,647</u>	<u>\$ (83,727,079)</u>

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

EASTON AREA SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2023

	General Fund	Capital Reserve Fund	Capital Projects Fund	Total Governmental Funds
<b>Assets</b>				
Cash and Cash Equivalents	\$ 42,876,888	\$ 3,718,813	\$ 100,576	\$ 46,696,277
Restricted Cash	-	-	9,267,566	9,267,566
Taxes Receivable, Net	4,765,596	-	-	4,765,596
Due from Other Governments	11,670,190	-	-	11,670,190
Other Receivables, Net	1,518,333	-	1,763,959	3,282,292
	<b>\$ 60,831,007</b>	<b>\$ 3,718,813</b>	<b>\$ 11,132,101</b>	<b>\$ 75,681,921</b>
 <b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 13,962,873	\$ -	\$ 1,601,230	\$ 15,564,103
Unearned Revenue	1,471,775	-	-	1,471,775
Accrued Salaries and Benefits	10,869,959	-	-	10,869,959
Other Current Liabilities	1,746,809	-	-	1,746,809
	<b>28,051,416</b>	<b>-</b>	<b>1,601,230</b>	<b>29,652,646</b>
 <b>Deferred Inflows of Resources</b>				
Unavailable Revenue, Property Taxes	3,970,766	-	-	3,970,766
	<b>3,970,766</b>	<b>-</b>	<b>-</b>	<b>3,970,766</b>
 <b>Fund Balances</b>				
Restricted	-	3,718,813	9,530,871	13,249,684
Committed	20,000,000	-	-	20,000,000
Assigned				
Balance the 2023-2024 Budget	5,260,588	-	-	5,260,588
Unassigned	3,548,237	-	-	3,548,237
	<b>28,808,825</b>	<b>3,718,813</b>	<b>9,530,871</b>	<b>42,058,509</b>
	<b>\$ 60,831,007</b>	<b>\$ 3,718,813</b>	<b>\$ 11,132,101</b>	<b>\$ 75,681,921</b>

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

EASTON AREA SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEETS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2023

Total Governmental Funds Balances	\$ <u>42,058,509</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	5,773,200
Site Improvements	32,129,642
Building and Building Improvements	350,659,799
Furniture and Equipment	9,605,043
Accumulated Depreciation	<u>(157,330,219)</u>
	<u>240,837,465</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>279,995</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>28,314,930</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>(2,660,846)</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>3,970,766</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>	
Notes Payable	(146,935,553)
Accrued Interest	(1,388,668)
Leases	(3,476,863)
Compensated Absences	(4,535,676)
Net Pension Liability	(221,360,000)
Other Postemployment Benefits	<u>(22,182,785)</u>
	<u>(399,879,545)</u>
Net Position of Governmental Activities	<u>\$ (87,078,726)</u>

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

EASTON AREA SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2023

	General Fund	Capital Reserve Fund	Capital Projects Fund	Total Governmental Funds
<b>Revenues</b>				
Local Sources	\$ 128,117,820	\$ 131,326	\$ 555,527	\$ 128,804,673
State Sources	58,806,292	-	-	58,806,292
Federal Sources	10,674,900	-	-	10,674,900
<b>Total Revenues</b>	<b>197,599,012</b>	<b>131,326</b>	<b>555,527</b>	<b>198,285,865</b>
<b>Expenditures</b>				
Regular Programs	89,435,424	-	-	89,435,424
Special Programs	32,894,646	-	-	32,894,646
Vocational Programs	6,211,772	-	-	6,211,772
Other Instructional Programs	355,224	-	-	355,224
Pupil Personnel Services	6,686,166	-	-	6,686,166
Nonpublic	1,467,362	-	-	1,467,362
Instructional Staff Services	6,618,582	-	-	6,618,582
Administrative Services	8,729,088	-	-	8,729,088
Pupil Health Services	2,059,178	-	-	2,059,178
Business Services	1,335,933	-	105,928	1,441,861
Operation and Maintenance of Plant	15,137,078	-	-	15,137,078
Facilities Acquisition, Construction and Improvement Services	-	-	14,106,291	14,106,291
Student Transportation Services	9,460,892	-	-	9,460,892
Central and Other Support Services	3,353,000	-	-	3,353,000
Student Activities and Athletics	2,263,456	-	-	2,263,456
Community Services	419,865	-	-	419,865
Refund of Prior Year Revenues	685	-	-	685
Debt Service	17,494,291	-	-	17,494,291
<b>Total Expenditures</b>	<b>203,922,642</b>	<b>-</b>	<b>14,212,219</b>	<b>218,134,861</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(6,323,630)</b>	<b>131,326</b>	<b>(13,656,692)</b>	<b>(19,848,996)</b>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	601,708	-	-	601,708
Refunds of prior year expenditures	572,497	-	-	572,497
Issuance of Bonds	-	-	10,000,000	10,000,000
<b>Total Other Financing Sources (Uses)</b>	<b>1,174,205</b>	<b>-</b>	<b>10,000,000</b>	<b>11,174,205</b>
<b>Net Change in Fund Balances</b>	<b>(5,149,425)</b>	<b>131,326</b>	<b>(3,656,692)</b>	<b>(8,674,791)</b>
<b>Fund Balances at Beginning of Year, Restated</b>	<b>33,958,250</b>	<b>3,587,487</b>	<b>13,187,563</b>	<b>50,733,300</b>
<b>Fund Balances at End of Year</b>	<b>\$ 28,808,825</b>	<b>\$ 3,718,813</b>	<b>\$ 9,530,871</b>	<b>\$ 42,058,509</b>

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

EASTON 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, 2023

Net Changes in Fund Balances - Total Governmental Funds \$ (8,674,791)

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

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.

Capital Outlays	17,360,898
Depreciation	<u>(11,994,000)</u>
	<u>5,366,898</u>

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.

(51,134)

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).

952,723

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:

Accrued Interest	(23,602)
OPEB Plan Expense	(193,679)
Pension Plan Expense	<u>7,362,612</u>
	<u>7,145,331</u>

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.

Issuance of Notes	(10,000,000)
Repayment of Note Principal	11,795,000
Amortization of Note Discounts, Premiums and Refunding Loss	915,951
Repayment of Lease Obligations	<u>1,712,661</u>
	<u>4,423,612</u>

Change in Net Position of Governmental Activities \$ 9,162,639

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

EASTON AREA SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2023

	Enterprise Fund
	Food Service Fund
Assets	
Cash and Cash Equivalents	\$ 3,279,338
Due from Other Governments	39,002
Inventories	93,858
Total Current Assets	3,412,198
Capital Assets, Net	79,758
Total Assets	3,491,956
Liabilities	
Accounts Payable	140,309
Total Liabilities	140,309
Net Position	
Net Investment in Capital Assets	79,758
Unrestricted	3,271,889
Total Net Position	\$ 3,351,647

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

EASTON AREA SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2023

	Enterprise Fund <u>Food Service Fund</u>
Operating Revenues	
Food Service Revenue	<u>\$ 455,730</u>
Operating Expenses	
Operating	539,341
Purchased Services	4,840,670
Depreciation	9,624
Total Operating Expenses	<u>5,389,635</u>
Operating Loss	<u>(4,933,905)</u>
Nonoperating Revenues	
Earnings on Investments	183,290
State Sources	450,188
Federal Sources	4,355,503
Total Nonoperating Revenues	<u>4,988,981</u>
Change in Net Position	55,076
Net Position at Beginning of Year, Restated	<u>3,296,571</u>
Net Position at End of Year	<u><u>\$ 3,351,647</u></u>

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

EASTON AREA SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2023

	Enterprise Fund <u>Food Service Fund</u>
Cash Flows From Operating Activities	
Cash Received from Users	\$ 566,494
Cash Payments to Suppliers for Goods and Services	(5,500,852)
Net Cash Used By Operating Activities	<u>(4,934,358)</u>
Cash Flows From Noncapital Financing Activities	
State Sources	450,188
Federal Sources	4,355,503
Net Cash Provided by Noncapital Financing Activities	<u>4,805,691</u>
Cash Flows From Investing Activities	
Interest Received	183,290
Purchase of Equipment	(37,950)
Net Cash Used In Investing Activities	<u>145,340</u>
Net Increase In Cash and Cash Equivalents	16,673
Cash and Cash Equivalents At Beginning Of Year	<u>3,262,665</u>
Cash and Cash Equivalents at End of Year	<u>\$ 3,279,338</u>
Reconciliation of Operating Loss To Net Cash Used By Operating Activities	
Operating Loss	\$ (4,933,905)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation	9,624
(Increase) Decrease in	
Due from Other Governments	110,764
Inventories	(31,176)
Increase (Decrease) in	
Accounts Payable	(89,665)
Net Cash Used By Operating Activities	<u>\$ (4,934,358)</u>
Supplemental Disclosures	
Noncash Activities	
Donated Foods	<u>\$ 417,707</u>

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

EASTON AREA SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2023

		Custodial Funds	
	Private Purpose Trusts	Student Activities	Tax Collection Library
Assets			
Cash and Cash Equivalents	\$ 1,942,822	\$ 456,231	\$ 120,232
Total Assets	1,942,822	456,231	120,232
 Net Position	 \$ 1,942,822	 \$ 456,231	 \$ 120,232

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

EASTON AREA SCHOOL DISTRICT  
STATEMENT OF CHANGES IN NET POSITION  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2023

	Private Purpose Trusts	Custodial Funds	
		Student Activities	Tax Collection Library
<b>Additions</b>			
Taxes	\$ -	\$ -	\$ 1,729,353
Receipts for student activities	-	365,866	-
Intergovernmental	-	-	115,853
Donations	83,855	-	-
Investment Income	6,151	-	-
<b>Total Additions</b>	<u>90,006</u>	<u>365,866</u>	<u>1,845,206</u>
<b>Deductions</b>			
Scholarships	118,750	-	-
Bank charges	1,780	-	-
Payments for student activities	-	357,852	-
Payments to other governments	-	-	1,845,206
<b>Total Deductions</b>	<u>120,530</u>	<u>357,852</u>	<u>1,845,206</u>
<b>Change in Net Position</b>	(30,524)	8,014	-
<b>Net Position At Beginning of Year, Restated</b>	<u>1,973,346</u>	<u>448,217</u>	<u>120,232</u>
<b>Net Position At End of Year</b>	<u>\$ 1,942,822</u>	<u>\$ 456,231</u>	<u>\$ 120,232</u>

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

EASTON AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 1 DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Reporting Entity

The Easton Area School District (“the District”) is a primary governmental entity whose operational procedures are defined by the Pennsylvania Public School Code of 1949. The District functions as a Board of Directors chosen in a general election and is considered to be fiscally independent. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provisions of the School Laws of Pennsylvania as a school district of the third class. The District serves the Townships of Forks, Lower Mount Bethel, Palmer, and the City of Easton.

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

The District is a municipal corporation governed by an elected school member board. As required by generally accepted accounting principles, these financial statements are to present the District (the primary government) and organizations for which the primary government is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization’s resources; the District is legally entitled to or can otherwise access the organization’s resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organizations. The District does not have any component units.

Joint Ventures

The District participates with other school districts of eastern Northampton County in the operation of the Career Institute of Technology. The Institute is considered to be fiscally independent and is governed by a board of directors appointed by the member school districts. The financial statements are available at the Center Institute of Technology’s business office.

The District participates with other school districts of Northampton County by contributing support for the operation of the Northampton Community College. The annual operating costs of the college are apportioned among member school districts. The financial statements are available at the Northampton Community College administrative office.

Colonial Intermediate Unit 20 was organized by constituent school districts in Northampton, Monroe, and Pike Counties. The District receives services from Colonial Intermediate Unit 20 for special education of District students. Colonial Intermediate Unit 20 is considered to be fiscally independent and is governed by a board of directors appointed by member districts. The financial statements for Colonial Intermediate Unit 20 are available at the Colonial Intermediate Unite 20 business office.

EASTON AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

- Government-wide Financial Statements – The statement of net position and the statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Internal activity is limited to interfund transfers which are eliminated to avoid “doubling up” revenues and expenses. Net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants, grantors, contributors, or law or regulations of other governments or imposed by law through constitutional provisions or enabling legislation).
- Fund Financial Statements – The financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balanced accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is presented in a single column on the governmental fund financial statements.

EASTON AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Funds

These are the funds through which most government functions are furnished. The funds of the financial reporting entity are described below:

- General Fund – Accounts for all furnished resources except those required to be accounted for in other funds. The General Fund is the primary operating fund of the District and always classified as a major fund.
- Capital Reserve Fund – Authorized by Section 1432 of the Municipal Code of Pennsylvania accounts for (1) monies transferred during any fiscal year from appropriations made for any particular purpose which may not be needed and (2) surplus monies in the general fund of the District at the end of any fiscal year.
- Capital Project Fund – The District's recent bond issues are combined and presented as one Capital Project Fund and account for financial resources used to acquire or construct major capital facilities and equipment.

Proprietary Fund

Accounts for operations that are financed and operated in a manner similar to private business enterprises. These activities are financed primarily by user charges and the measurement of financial activities focuses on net income.

- Food Service Fund – Accounts for all financial resources associated with the operations of the cafeterias.

Fiduciary Funds

Fiduciary funds reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and custodial funds. The District has two classifications of fiduciary funds:

- Student Activity and Tax Collection Funds – These funds are considered custodial funds and are reported as such in the statement of net position – fiduciary funds and the statement of changes in net position - fiduciary funds. Custodial funds are used to report fiduciary activities that are not required to be reported in one of the other three fiduciary fund types.
- Scholarship Funds – These funds are considered custodial private purpose trust funds and are reported as such in the statement of net position – fiduciary funds and the statement of changes in net position - fiduciary funds. Private purpose trust funds meet the trust or trust equivalent requirements, and the government controls the assets which are fiduciary derived.

EASTON AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transaction are recorded regardless of the measurement focus applied.

*Measurement Focus*

On the government-wide statement of net position and statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balances as their measure of available spendable financial resources at the end of the period.
- The proprietary and fiduciary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Proprietary and fiduciary fund equity is classified as net position.

*Basis of Accounting*

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

In the government-wide statement of net position and statement of activities, both governmental and business-type activities, as well as the proprietary and fiduciary fund financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

EASTON AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within 60 days after year end.

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

Revenues – Exchange and Non-Exchange Transactions

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

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

Budgetary Process

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

The District cancels all purchase orders open at year-end; therefore, it does not have any outstanding encumbrances at June 30, 2023. In addition, the District can include a portion of the prior year's fund balance represented by unappropriated liquid assets remaining in the fund as budgeted revenue in the succeeding year. Legal budgetary control is maintained at the sub-function/major object level. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all 2022-2023 budget transfers.

EASTON AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Board of School Directors may take transfers of funds appropriated to any particular item of expenditure by legislative action in accordance with the Pennsylvania School Code. Appropriations lapse at the end of the fiscal period.

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.

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

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

Internal Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans) and are subject to elimination upon consolidation. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances". Transfers between governmental and proprietary funds are netted as part of the reconciliation of government-wide financial statements.

Property Taxes

Based upon assessed valuations by Northampton County, the District's real estate valuation is \$1,763,219,700 resulting in \$117,906,501 of taxes levied. Elected tax collectors bill and collect the District's property taxes and real estate taxes levied on behalf of the Easton Area Public Library. The schedule for property taxes levied for fiscal year ended June 30, 2023 is as follows:

EASTON AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The District millage rate for real estate taxes for the year ended June 30, 2023 was 66.87 mills.

The Easton Area Public Library millage rate for real estate taxes for the year ended June 30, 2023 was 1.12 mills.

Prepaid Items and Inventories

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

All inventories are valued at the lower of cost (first-in, first-out method) or market. The costs for inventories of governmental activities are recorded as expenditures at the time individual inventory items are purchased.

Inventory type items in proprietary funds use the consumption method, in which items are purchased for inventory and charged to expenses when used. The only proprietary fund of the District is the Food Service Fund. Inventory within this fund consists of donated commodities, which are valued at the USDA's approximate costs and purchased food.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide and proprietary fund financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost of purchase or as constructed. Donated capital assets are recorded at estimated fair 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 assets' lives are not capitalized.

All reported capital assets except land, certain land improvements, and construction-in-progress are depreciated. Improvements are depreciated over the remaining useful lives of the related assets.

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

Buildings and improvements	20 – 50 years
Furniture and equipment	5 – 20 years

EASTON AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

The District's policies regarding vacation and sick time permit certain employees to accumulate earned but unused sick and vacation leave. The liability for these compensated absences and retirement incentives is recorded as long-term liability in the government-wide financial statements. In the fund financial statements, governmental funds would report only the compensated absence liability payable from expendable available financial resources.

Long-term Obligations

In the entity-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are netted against outstanding principal balances and amortized over the life of the bonds. Bond issuance costs are expensed when incurred. Deferred amounts on refunding are recorded as a deferred inflow or outflow of resources and amortized over the life of the old debt or the life of the new debt, whichever is shorter. All amortized amounts are amortized using the straight-line method.

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

Deferred Inflows and Deferred Outflows of Resources

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

EASTON AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Fund Balance

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

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

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

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

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

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

*Unassigned* – all other spendable amounts.

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

Commitments

*Encumbrances*

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

EASTON AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Government-wide and Proprietary Fund Net Position

Government-wide and proprietary fund net position are divided into three components:

Net investment in capital assets – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

Restricted net position – consists of net assets that are restricted by the District's creditors (for example, through debt covenants), by the state enabling legislation, by grantors, or by other contributors.

Operating Revenues and Expenses

The District's proprietary funds distinguish between operating and non-operating revenues and expenses. Operating revenues and expenses of the Food Service Fund consist of charges for services including food service and rental charges and the costs of providing those services. All other revenues and expenses are reported as non-operating.

Unrestricted – all other net assets are reported in this category.

Use of Estimates

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

Adoption of Governmental Accounting Standards Board (GASB) Statements

The District adopted certain effective provisions of GASB Statement No. 91, *Conduit Debt Obligations*. This Statement had no effect on the financial statements.

The District adopted certain effective provisions of GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement had no effect on the financial statements.

The District adopted certain effective provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement had no effect on the financial statements.

The District adopted certain effective provisions of GASB Statement No. 99, *Omnibus 2022*. This Statement had no effect on the financial statements.

EASTON AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Pending Changes in Accounting Principles*

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 District's 2024 financial statements.

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

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement is required to be adopted for the District's 2025 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 3 DEPOSITS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The District does not have a policy for custodial credit risk but adheres to Commonwealth of Pennsylvania Law Act 72 ("Act 72") for the collateralization requirements governing public funds. At June 30, 2023, the carrying amount of the District's deposits was \$61,762,466, and the bank balance was \$62,241,820. Of the bank balance, \$750,000 was covered by federal depository insurance, and \$18,245,955 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.

The remaining cash deposits totaling \$43,245,865 are in the Pennsylvania School District Liquid Asset Fund ("PSDLAF"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF acts like money market mutual funds in that its objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization, and is subject to an independent annual audit. As of June 30, 2023, PSDLAF had a Standard and Poor's rating of AAAm.

NOTE 4 INTERGOVERNMENTAL RECEIVABLE

Amounts due from other governmental represent various subsidies from state and federal sources earned by the District. As of June 30, 2023, the following amounts are due from other governmental units:

	General Fund	Food Service Fund	Total
Federal agencies	\$ 4,072,247	\$ 39,002	\$ 4,111,249
State agencies	7,597,943	-	7,597,943
	\$ 11,670,190	\$ 39,002	\$ 11,709,192

EASTON AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 5 CAPITAL ASSETS

The following is a summary of changes in governmental activities capital assets for the year ended June 30, 2023.

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets not being depreciated				
Land	\$ 5,773,200	\$ -	\$ -	\$ 5,773,200
Construction in Progress	18,423,460	13,985,800	(32,409,260)	-
Total Capital Assets Not Being Depreciated	<u>24,196,660</u>	<u>13,985,800</u>	<u>(32,409,260)</u>	<u>5,773,200</u>
Capital Assets being depreciated				
Site Improvements	30,667,244	1,462,398	-	32,129,642
Buildings and building improvements	318,250,539	32,409,260	-	350,659,799
Furniture and Equipment	7,692,343	1,912,700	-	9,605,043
Total Capital Assets Being Depreciated	<u>356,610,126</u>	<u>35,784,358</u>	<u>-</u>	<u>392,394,484</u>
Accumulated Depreciation				
Site improvements	(26,269,598)	(1,449,660)	-	(27,719,258)
Buildings and building improvements	(111,810,917)	(10,330,175)	-	(122,141,092)
Furniture and equipment	(7,255,704)	(214,165)	-	(7,469,869)
Total Accumulated Depreciation	<u>(145,336,219)</u>	<u>(11,994,000)</u>	<u>-</u>	<u>(157,330,219)</u>
Total Capital Assets Being Depreciated, Net	<u>211,273,907</u>	<u>23,790,358</u>	<u>-</u>	<u>235,064,265</u>
Governmental Activities Capital Assets, Net	<u>\$ 235,470,567</u>	<u>\$ 37,776,158</u>	<u>\$ (32,409,260)</u>	<u>\$ 240,837,465</u>

Note: Beginning balances were restated from prior year.

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

Governmental Activities:

Instruction	\$ 10,330,175
Operation and maintenance of plant services	1,449,660
Pupil Transportation	214,165
Total Depreciation Expense - Governmental Activities	<u>\$ 11,994,000</u>

The following is a summary of changes in business-type activities capital assets for the year ended June 30, 2023.

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities</b>				
Capital Assets Being Depreciated				
Furniture and Equipment	\$ 706,950	37,950	-	\$ 744,900
Accumulated Depreciation	(655,518)	(9,624)	-	(665,142)
Business-Type Activities Capital Assets, Net	<u>\$ 51,432</u>	<u>\$ 28,326</u>	<u>\$ -</u>	<u>\$ 79,758</u>

Note: Beginning balances were restated from prior year.

Depreciation for Business-type activities was charged to the Food Service function.

EASTON AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 6 LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2023.

	Balance July 1, 2022	Additions	Reductions	Balances June 30, 2023	Due Within One Year
Governmental Activities					
General Obligation Notes:					
Series of 2017 B	\$ 7,420,000	\$ -	\$ (330,000)	\$ 7,090,000	\$ 7,090,000
Series of 2018 A	30,850,000	-	(5,000)	30,845,000	5,000
Series of 2018 B	6,095,000	-	(2,155,000)	3,940,000	2,230,000
Series of 2019	9,475,000	-	(5,000)	9,470,000	5,000
Series of 2020 A	39,415,000	-	(3,375,000)	36,040,000	2,845,000
Series of 2020 B	16,415,000	-	-	16,415,000	-
Series of 2021	20,945,000	-	(5,000)	20,940,000	5,000
Series of 2022	-	10,000,000	(5,000)	9,995,000	5,000
Total General Obligation Notes	<u>130,615,000</u>	<u>10,000,000</u>	<u>(5,880,000)</u>	<u>134,735,000</u>	<u>12,185,000</u>
Deferred amounts					
Premium/Discount	13,854,103	-	(1,653,550)	12,200,553	1,653,550
Total General Obligation Notes, Net	<u>144,469,103</u>	<u>10,000,000</u>	<u>(7,533,550)</u>	<u>146,935,553</u>	<u>13,838,550</u>
General Obligation Bonds:					
Series of 2021 A	5,915,000	-	(5,915,000)	-	-
Total General Obligation Bonds	<u>5,915,000</u>	<u>-</u>	<u>(5,915,000)</u>	<u>-</u>	<u>-</u>
Other					
Lease Liability	5,189,524	-	(1,712,661)	3,476,863	1,087,201
Accrued Compensated Absences	5,488,399	-	(952,723)	4,535,676	-
Net Pension Liability	202,410,000	18,950,000	-	221,360,000	-
Other Postemployment Benefits	27,498,543	-	(5,315,758)	22,182,785	-
Total Other	<u>240,586,466</u>	<u>18,950,000</u>	<u>(7,981,142)</u>	<u>251,555,324</u>	<u>1,087,201</u>
Total Governmental Activities	<u>\$ 390,970,569</u>	<u>\$ 28,950,000</u>	<u>\$ (21,429,692)</u>	<u>\$ 398,490,877</u>	<u>\$ 14,925,751</u>

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

EASTON AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 6 LONG-TERM DEBT (CONTINUED)

Descriptions of debt outstanding as of June 30, 2023 are as follows:

Series of 2017B, maturing April 1, 2024, bearing interest of 1.540%, interest payable semi-annually on October 1 and April 1.	\$ 7,090,000
Series of 2018A, maturing April 1, 2030, bearing interest ranging from 1.800% to 5.000%, interest payable semi-annually on October and April 1.	30,845,000
Series of 2018B, maturing April 1, 2025, bearing interest ranging from 2.000% to 4.000%, interest payable semi-annually on October 1 and April 1.	3,940,000
Series of 2019, maturing April 1, 2030, bearing interest from 1.400% to 3.682%, interest payable semi-annually on October 1 and April 1.	9,470,000
Series of 2020A, maturing April 1, 2028, bearing interest from 1.220% to 1.740%, interest payable semi-annually on October 1 and April 1.	36,040,000
Series of 2020B, maturing February 1, 2032, bearing interest from 1.89% to 2.000%, interest payable semi-annually on February 1 and August 1.	16,415,000
Series of 2021, maturing April 1, 2033, bearing interest from 1.000% to 1.650%, interest payable semi-annually on October 1 and April 1.	20,940,000
Series of 2022, maturing April 1, 2023, bearing interest at 3.67%, interest payable semi-annually on October 1 and April 1.	<u>\$ 9,995,000</u>
	<u>\$ 134,735,000</u>

The annual requirements to maturity, including principal and interest, for long-term Capital Debt Obligation as of June 30, 2023 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 12,185,000	\$ 5,554,672	\$ 17,739,672
2025	12,150,000	5,252,708	17,402,708
2026	12,020,000	4,767,038	16,787,038
2027	12,390,000	4,286,566	16,676,566
2028	12,895,000	3,791,188	16,686,188
2029-2033	<u>73,095,000</u>	<u>9,397,920</u>	<u>82,492,920</u>
	<u>\$ 134,735,000</u>	<u>\$ 33,050,092</u>	<u>\$ 167,785,092</u>

NOTE 7 LEASES

The District has entered into various lease agreements as lessee for financing the acquisition of Apple computer equipment and transportation vehicles. These lease agreements qualify as financed purchases for accounting purposes, and therefore, have been recorded as the present value of future minimum lease payments as of the inception or placed into service date.

Leased capital assets are being depreciated using the straight-line method of depreciation over varied lives of 5 to 10 years

EASTON AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 7 LEASES (CONTINUED)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2023 were as follows:

Year Ending June 30,	Amount
2024	\$ 1,159,475
2025	1,027,593
2026	852,523
2027	379,692
2028	253,128
Amount Representing Interest	(195,548)
Present Value of Minimum Lease Payments	\$ 3,476,863

Other pertinent information regarding leases is presented below:

Issue Date	Initial Liability	Liability June 30, 2023	Asset Value June 30, 2023	Accumulated Amortization June 30, 2023	Description
May 15, 2022	1,620,295	1,576,348	1,710,000	68,400	Bus lease; annual principal and interest payments totaling \$379,692, useful life of equipment is 5 years.
April 15, 2020	760,071	131,882	760,071	456,043	Equipment; annual payments of principal \$131,883; useful life of equipment is 5 years.
April 15, 2021	1,023,960	350,140	1,023,960	409,584	Equipment; 4 annual payments of principal totaling \$175,070; useful life of equipment is 5 years.
March 15, 2022	2,574,324	1,418,493	2,574,324	514,865	Equipment; 4 annual payments of principal totaling \$472,831; useful life of equipment is 5 years.
	\$ 5,978,650	\$ 3,476,863	\$ 6,068,355	\$ 1,448,892	

EASTON AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 8 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 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.

EASTON AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 8 PENSION PLAN (CONTINUED)

**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, 2022, was 34.31% of covered payroll (33.51% for 2022) which includes .20% 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 \$24,742,930 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$221,360,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2021 to June 30, 2022.

The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2022, the District's proportion was 0.4979 percent, which was an increase of 0.0049 percent from its proportion measured as of June 30, 2021.

EASTON AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 8 PENSION PLAN (CONTINUED)

For the year ended June 30, 2023, the District recognized pension expense of \$7,362,612. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Governmental Activities		
Difference Between Expected and Actual Experience	\$ 100,000	\$ (1,915,000)
Change of Assumptions	6,610,000	-
Net Difference Between Projected and Actual		
Investment Earnings	-	(3,755,000)
Changes in Proportions	2,532,000	-
Contributions Subsequent to the Measurement Date	24,742,930	-
	\$ 33,984,930	\$ (5,670,000)

The \$24,742,930 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Governmental Activities
2024	\$ 2,666,231
2025	2,707,699
2026	(19,799,822)
2027	17,997,892
	\$ 3,572,000

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

- Actuarial cost method - Entry Age Normal level % of pay
- Investment return - 7.00%, includes inflation at 2.75%
- 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.

EASTON AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 8 PENSION PLAN (CONTINUED)

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 PSERS'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.

For the year ended June 30, 2023, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 2.40%.

<u>Asset Class</u>	<u>Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	28%	5.3%
Private equity	12%	8.0%
Fixed income	33%	2.3%
Commodities	9%	2.3%
Infrastructure/MLPs	9%	5.4%
Real estate	11%	4.6%
Absolute return	6%	3.5%
Cash	3%	0.5%
Leverage	-11%	0.5%
	<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.

EASTON AREA SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2023

NOTE 8 PENSION PLAN (CONTINUED)

**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 6%	Current Discount Rate 7%	1% Increase 8%
School District's Proportionate Share of the Net Pension Liability	\$286,314,000	\$ 221,360,000	\$ 166,596,000

**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.

NOTE 9 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.

EASTON AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS-PSERS

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, 2022 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, 2022 was 0.75% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the School were \$537,734 for the year ended June 30, 2023.

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 \$9,134,000 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, 2021 to June 30, 2022. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2022, the District's proportion was 0.4962 percent, which was an increase of 0.0040 percent from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the District recognized OPEB expense of (\$5,564,035). At June 30, 2023, the School 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
Governmental Activities		
Difference Between Expected and Actual Experience	\$ 84,000	\$ (49,000)
Changes in Assumptions	1,014,000	(2,157,000)
Net Difference Between Projected and Actual		
Investment Earnings	25,000	-
Changes in Proportions	249,000	(10,000)
Contributions Subsequent to the Measurement Date	537,734	-
	\$ 1,909,734	\$ (2,216,000)

EASTON AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS-PSERS

\$537,734 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Governmental Activities
2024	\$ (180,261)
2025	(120,224)
2026	(151,145)
2027	(182,124)
2028	(210,246)
Thereafter	-
	\$ (844,000)

Actuarial Assumptions

The total OPEB liability as of June 30, 2022 was determined by rolling forward the PSERS' total OPEB liability as of the June 30, 2021 actuarial valuation to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 4.09% - S&P 20 Year Municipal Bond Rate.
- Salary growth – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit 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, 2020 determined the employer contribution rate for fiscal year 2022.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Mortality Improvement Scale.

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

EASTON AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS-PSERS

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	100%	0.5%
	<u>100%</u>	

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

Discount rate

The discount rate used to measure the total OPEB liability was 4.09%. Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date.

The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 4.09% which represents the S&P 20 year Municipal Bond Rate at June 30, 2022, was applied to all projected benefit payments to measure 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, 2022, retirees' Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. 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, 2022, 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	\$ 9,133,000	\$ 9,134,000	\$ 9,135,000

EASTON AREA SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2023

NOTE 9 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 (3.09 percent) or higher (5.09 percent) than the current discount rate:

	1% Decrease	Current Rates 4.09%	1% Increase
The School's proportionate share of net OPEB liability	\$ 10,329,000	\$ 9,134,000	\$ 8,134,000

OPEB plan fiduciary net position.

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

NOTE 10 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, 2022, plan membership consisted of the following:

Active Plan Members	956		
Retired Members	47		
	1,003		

***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, 2023 benefit payments paid as they came due were \$477,746.

EASTON AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS – SINGLE EMPLOYER PLAN (CONTINUED)

**Benefits Provided**

Administrators – Act 110/43 or 10 years of service with the District (5 years must be with central administration. Coverage: Medical, dental, and prescription drug. Premium sharing: If the member retires with 10 years of service with the District, the District will pay the full premium for medical and prescription drug coverage for the member and spouse. If the member reaches eligibility for retirement through PSERS but does not have 10 years of service with the District, the member and spouse may continue benefits by paying the full premium as determined for the purpose of COBRA. Dependents: Spouses included. Note: Certain retirees received HRA contributions until Medicare age. Subsidized premiums are provided until member reaches Medicare age. The retiree can continue coverage in a Medicare supplement policy at the retiree's own expense. Spouse coverage continues until earliest of Medicare age, member Medicare age, or member death.

Teachers and Act 93 – Act 110/43. Medical, dental, and prescription drug. Premium sharing: The member and spouse must pay the full premium as determined for the purpose of COBRA to continue coverage. If the member reaches 30 years of PSERS service and 25 years of service with the District, the member will receive an HRA worth \$5,000 per year. Dependents: Spouses included. Note: Certain retirees receive HRA contribution equal to different amounts determined at the time of retirement. Members coverage continues until Medicare age. Spouse coverage continues until earliest of Medicare age, member Medicare age, or member death. HRA contributions are provided until member reaches Medicare age.

Support Staff – Act 110/43. Note: Certain retirees receive HRA contributions until Medicare age. Members coverage continues until Medicare age. Spouse coverage continues until earliest of Medicare age, member Medicare age, or member death.

2014 and 2020 Retirement Incentives – Coverage: Medical and Prescription Drug. Premium Sharing: The member and spouse would receive free coverage until member's Medicare age. Dependents: Spouses included. Member coverage continues until Medicare age. Spouse coverage continues until earliest of Medicare age, member Medicare age, or member death.

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

**Assumptions**

The following assumptions and actuarial methods and calculation were used:

**Discount Rate** – 4.06% Based on S&P Municipal Bond 20 Year High Grade Rate at July 1, 2022.

**Salary** – An assumption for salary increases is used only for spreading contributions over future pay under the entry age normal cost method. For this purpose, salary increases are composed of a 2.5% cost of living adjustment, 1.5% real wage growth, and for teachers and administrators a merit increase which varies 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 25.93% for men and 27.46% for women and decrease with age and service.

EASTON AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS – SINGLE EMPLOYER PLAN (CONTINUED)

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

**Mortality** – PubT-2010 headcount-weighted mortality table including rates for contingent survivors for teachers. PubT-2010 headcount-weighted mortality table including rates for contingent survivors for all other employees. Incorporated into the tables are rates projected generationally using Scale MP-2021 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** – 100% of Teachers and Administrators eligible for a district subsidy and 25% of all other employees are assumed to elect coverage.

**Percentage Married at Retirement** – 40% 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.

**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 assuming to not vary with age or gender.

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

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

**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 service to reduce or increase the Unfunded Accrued Liability.

**Participant Data** – Based on census information as of March 2023. Due to the timing of school district turnover, the data is believed to be representative of the population for the 2022-2023 school year.

EASTON AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS – SINGLE EMPLOYER PLAN (CONTINUED)

**Changes in Assumptions** – The discount rate changed from 2.28% to 4.06%. The trend assumption was updated. Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS experience study. The percentage of eligible retirees assumed to elect coverage in the plan decreased from 50% to 25% for unsubsidized retirees.

**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 (3.06%) or 1-percentage-point higher (5.06%) than the current discount rate:

	1% Decrease	Current Rates 4.06%	1% Increase
The School's proportionate share of net OPEB liability	\$ 14,098,849	\$ 13,048,785	\$ 12,044,140

**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	\$ 11,873,605	\$ 13,048,785	\$ 14,420,514

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** - For the year ended June 30, 2023, the District recognized OPEB expense of \$5,757,714. At June 30, 2023, 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
Governmental Activities		
Difference Between Expected and Actual Experience	\$ 1,246,092	\$ (917,095)
Changes in Assumptions	1,447,218	(4,733,762)
Contributions Subsequent to the Measurement Date	602,967	-
	\$ 3,296,277	\$ (5,650,857)

EASTON AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS – SINGLE EMPLOYER PLAN (CONTINUED)

\$602,967 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Governmental Activities
2024	\$ (283,956)
2025	(283,956)
2026	(283,956)
2027	(283,956)
2027	(283,956)
Thereafter	(1,537,767)
	<u><u>\$ (2,957,547)</u></u>

NOTE 11 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 except for health insurance for health insurance claims in excess of \$200,000. In addition, the District has committed \$6,000,000 of fund balance towards health insurance stabilization. For insured programs, management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

The following summary provides aggregate information on prior year self-insurance liabilities, incurred claims, and payments during the last two fiscal years:

June 30, 2021 Liability	\$ 991,532
Incurred Claims and Payments, Net	<u>995,195</u>
June 30, 2022 Liability	1,986,727
Incurred Claims and Payments, Net	<u>(239,918)</u>
June 30, 2023 Liability	<u><u>\$ 1,746,809</u></u>

EASTON AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 12 CONTINGENCIES

Grant Program Involvement

In the normal course of operations, the District participates in various federal or state grant programs from year to year. The grant programs are often subject to additional audits by agents of the granting agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability of reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

NOTE 13 LITIGATION

The District is a party to various legal proceedings that normally occur in the course of governmental operations. The outcome of some of the above noted proceedings cannot be predicted, and the range of potential loss is undetermined. Insurance coverage maintained by the District for defense of the proceedings should apply net of applicable insurance deductibles, the District feels that settlements or judgments not covered by insurance would not have material adverse effect on the financial condition of the District.

NOTE 14 FUND BALANCE ALLOCATIONS

The District has the following fund balance designations as of June 30, 2023:

	General Fund	Capital Reserve Fund	Capital Projects Fund	Total Governmental Funds
Restricted				
Capital Projects	\$ -	\$ 3,718,813	\$ 9,530,871	\$ 13,249,684
Committed				
Capital Equipment & Projects	10,000,000	-	-	10,000,000
Health Insurance Rate Stabilization	3,000,000	-	-	3,000,000
Tax Stabilization	3,000,000	-	-	3,000,000
Other Postemployment Benefits	3,000,000	-	-	3,000,000
Compensated Absences	1,000,000	-	-	1,000,000
Assigned				
To Balance the 2023-2024 Budget	5,260,588	-	-	5,260,588
Unassigned	3,548,237	-	-	3,548,237
	<u>\$28,808,825</u>	<u>\$ 3,718,813</u>	<u>\$ 9,530,871</u>	<u>\$42,058,509</u>

EASTON AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 15 COMMITMENTS

The District has entered into subscription-based information technology agreements with various vendors to provide electronic educational programs as well as administrative storage and operating systems. These agreements are for a maximum term of twelve months or include a provision that either party can terminate with a reasonable amount of notice and, as such, the District has not recorded a liability in the financial statements for these agreements in accordance with GASB 96.

Career Institute of Technology

The District participates with four other districts located in Northampton County in the operation of the Career Institute of Technology (CIT). In addition to payments for the operation of the CIT, the District is committed to a pro rata share of annual debt service costs of the 2005 and 2005A Bond issues. The District's share is based upon a percentage of all members market values each year as computed by Northampton County. The District's percentage of the debt service was 39.859% for the current year. The CIT issued the 2005 and 2005A Bonds primarily to provide funds for significant capital project costs to existing and additional facilities. The Revenue Bond Series of 2005 and 2005A were refinanced by the 2014A and 2014B Bond issues. The 2019 Bond issue issued December 27, 2019 refinanced the 2014A Bond issue providing a net present value savings of \$216,621 to the CIT. The 2019 Bond issue bears an interest rate of 2.100%, maturing October 15, 2028.

Colonial Intermediate Unit 20

The District participates with 10 other district located in Northampton, Monroe, and Pike Counties in the operation of the Colonial Intermediate Unit 20. In addition to payments for the operation of and special services provided by the Colonial Intermediate Unit 20, the District is committed to a pro-rata share of annual debt service costs of the 2015 Bond issue. The District's share is based upon a three-year average of all member's market values.

NOTE 16 TAX ABATEMENTS

The District may enter into property tax abatement agreements under the Pennsylvania Tax Increment Financing Act of 1990. The Act authorizes local taxing bodies to cooperate in providing financing for public facilities and residential, commercial and industrial development and revitalization in order to eliminate or prevent the development or spread of blight within their respective jurisdictions.

Cooperation and School District Tax Fund Agreements Regarding Route 33 Tax Increment Financing District

The Route 33 Tax Increment Financing District was established as a result of The Chrin Company desiring to develop a mix-use retail, office, and industrial parcel of land it owns, which is dependent upon the construction of certain public infrastructure including a new Route 33 interchange. A Cooperation Agreement regarding the Route 33 Tax Increment Financial District was entered into by the District in 2011; the Agreement is among the Township of Palmer, County of Northampton, Northampton County Industrial Development Authority, and the Easton Area School District.

EASTON AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 16 TAX ABATEMENTS (CONTINUED)

Included within the Agreement are the provisions for a Tax Increment Financing Plan and a Tax Increment Financing District necessary for financing, the Northampton County Industrial Development Authority Tax Increment Financing Revenue Bonds (Route 33), Series of 2013. The TIF District will have a term not in excess of 20 years from the effective date of creation. The Tax Increment Base was set at the market value of all taxable real property located within the TIF District as of July 1, 2012. Revenues pledged by the District for transfer to a "Tax Increment Fund" for the initial five fiscal years following the establishment of the TIF District are 100% of the real estate tax revenues in excess of the Increment Base; and for each of the remaining years during the term of the TIP District, revenues pledged are 80% of the real estate tax revenues in excess of the Increment Base. The current year amount of the net real estate exonerations for the TIF District was \$3,122,081.

NOTE 17 RESTATEMENTS

The District has decreased its July 1, 2022 governmental activities net position by \$5,352,512 to correctly state capital assets. The fund balance for capital projects was restated by \$3,328,083 to correctly account for receivables. General fund fund balance was restated (\$4,051,762) to correctly account for receivables, self-insurance liability, and cash accounts. Food service fund balance was restated by \$51,432 to correctly account for capital assets. Private purpose trusts was restated by \$8,700 to properly account for cash accounts. The custodial fund, Library tax collection fund was restated by \$98,858 to properly account for cash accounts.

NOTE 18 SUBSEQUENT EVENTS

The District has evaluated all subsequent events through March 14, 2024 the date the financial statements were available to be issued. No events were noted to be disclosed.

REQUIRED  
SUPPLEMENTARY  
INFORMATION

EASTON AREA SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Local sources	\$ 122,795,428	\$ 122,795,428	\$ 128,117,820	\$ 5,322,392
State sources	54,461,161	54,461,161	58,806,292	4,345,131
Federal sources	13,010,000	13,010,000	10,674,900	(2,335,100)
Total Revenues	<u>190,266,589</u>	<u>190,266,589</u>	<u>197,599,012</u>	<u>7,332,423</u>
<b>Expenditures</b>				
Regular Programs	88,108,656	87,808,656	89,435,424	(1,626,768)
Special Programs	28,418,189	28,418,189	32,894,646	(4,476,457)
Vocational Programs	6,481,966	6,481,966	6,211,772	270,194
Other Instructional Programs	393,706	393,706	355,224	38,482
Pupil Personnel Services	6,718,176	6,576,692	6,686,166	(109,474)
Nonpublic	1,467,900	1,467,900	1,467,362	538
Instructional Staff Services	6,063,866	6,505,350	6,618,582	(113,232)
Administrative Services	8,312,911	8,312,911	8,729,088	(416,177)
Pupil Health Services	1,905,283	1,905,283	2,059,178	(153,895)
Business Services	1,734,872	1,734,872	1,335,933	398,939
Operation and Maintenance of Plant	14,681,430	14,681,430	15,137,078	(455,648)
Student Transportation Services	8,040,705	8,040,705	9,460,892	(1,420,187)
Central and Other Support Services	2,994,240	2,994,240	3,353,000	(358,760)
Student Activities and Athletics	2,151,194	2,151,194	2,263,456	(112,262)
Community Services	378,399	378,399	419,865	(41,466)
Refund of Prior Year Revenues	-	-	685	(685)
Debt Service	17,261,322	17,261,322	17,494,291	(232,969)
Total Expenditures	<u>195,112,815</u>	<u>195,112,815</u>	<u>203,922,642</u>	<u>(8,809,827)</u>
<b>Other Financing Sources (Uses):</b>				
Refunds of prior year expenditures	190,000	190,000	572,497	382,497
Sale of Capital Assets	50,000	50,000	601,708	551,708
Total Other Financing Sources (Uses)	<u>240,000</u>	<u>240,000</u>	<u>1,174,205</u>	<u>934,205</u>
Net Change in Fund Balance	(4,606,226)	(4,606,226)	(5,149,425)	<u>\$ (543,199)</u>
Fund Balance at Beginning of Year, Restated	<u>33,958,250</u>	<u>33,958,250</u>	<u>33,958,250</u>	
Fund Balance at End of Year	<u>\$ 29,352,024</u>	<u>\$ 29,352,024</u>	<u>\$ 28,808,825</u>	

See accompanying notes to the budgetary comparison schedule.

EASTON AREA SCHOOL DISTRICT  
 NOTES TO THE BUDGETARY COMPARISON SCHEDULE  
 YEAR ENDED JUNE 30, 2023

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 2022-2023 budget transfers.

NOTE 2 COMPLIANCE

*Excess of Expenditures Over Appropriations*

	<u>Appropriation</u>	<u>Expenditures</u>	<u>Excess %</u>
<u>General Fund:</u>			
Regular Programs	\$ 87,808,656	\$ 89,435,424	1.82%
Special Programs	28,418,189	32,894,646	13.61%
Pupil Personnel Services	6,576,692	6,686,166	1.64%
Instructional Staff Services	6,505,350	6,618,582	1.71%
Administrative Services	8,312,911	8,729,088	4.77%
Pupil Health Services	1,905,283	2,059,178	7.47%
Operation and Maintenance of Plant	14,681,430	15,137,078	3.01%
Student Transportation Services	8,040,705	9,460,892	15.01%
Central and Other Support Services	2,994,240	3,353,000	10.70%
Student Activities and Athletics	2,151,194	2,263,456	4.96%
Community Services	378,399	419,865	9.88%
Refund of Prior Year Revenues	-	685	100.00%
Debt Service	17,261,322	17,494,291	1.33%

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

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

	<b>Measurement Date</b>								
	<b>June 30, 2022</b>	<b>June 30, 2021</b>	<b>June 30, 2020</b>	<b>June 30, 2019</b>	<b>June 30, 2018</b>	<b>June 30, 2017</b>	<b>June 30, 2016</b>	<b>June 30, 2015</b>	<b>June 30, 2014</b>
District's proportion of the net pension liability	0.4979%	0.4930%	0.4921%	0.4869%	0.4810%	0.4717%	0.4750%	0.4757%	0.5022%
District's proportion of the net pension liability dollar value	\$ 221,360,000	\$ 202,410,000	\$ 242,305,000	\$ 227,785,000	\$ 230,904,000	\$ 232,965,000	\$ 235,395,000	\$ 206,051,000	\$ 198,774,000
District's covered employee payroll	\$ 72,963,311	\$ 69,795,604	\$ 68,846,307	\$ 67,051,641	\$ 65,065,176	\$ 62,896,188	\$ 61,440,983	\$ 61,205,541	\$ 61,205,541
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	303.39%	290.00%	351.95%	339.72%	354.88%	370.40%	383.12%	336.65%	324.76%
Plan fiduciary net position as a percentage of the total pension liability	61.34%	63.67%	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%

\* 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.

EASTON AREA SCHOOL DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS  
 LAST 10 YEARS\*

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 24,742,930	\$ 24,680,546	\$ 23,388,507	\$ 22,967,128	\$ 21,858,835	\$ 20,651,687	\$ 18,365,687	\$ 15,360,246	\$ 12,547,136
Contributions in relation to the contractually required contribution	<u>24,742,930</u>	<u>24,680,546</u>	<u>23,388,507</u>	<u>22,967,128</u>	<u>21,858,835</u>	<u>20,651,687</u>	<u>18,365,687</u>	<u>15,360,246</u>	<u>12,547,136</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 71,697,856	\$ 72,963,311	\$ 69,795,604	\$ 68,846,307	\$ 67,051,641	\$ 65,065,176	\$ 62,896,188	\$ 61,440,983	\$ 61,205,541
Contributions as a percentage of covered payroll	34.51%	33.83%	33.51%	33.36%	32.60%	31.74%	29.20%	25.00%	20.50%

\* 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.

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

	Measurement Date					
	<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>
District's proportion of the net OPEB liability	0.4962%	0.4922%	0.4906%	0.4869%	0.4810%	0.4717%
District's proportionate share of the net OPEB liability	\$ 9,134,000	\$ 11,666,000	\$ 10,600,000	\$ 10,356,000	\$ 10,029,000	\$ 9,610,000
District's covered payroll	\$ 72,963,311	\$ 69,795,604	\$ 68,846,307	\$ 67,051,641	\$ 65,065,176	\$ 62,896,188
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	12.52%	16.71%	15.40%	15.44%	15.41%	15.28%
Plan fiduciary net position as a percentage of the total OPEB liability	6.86%	5.30%	5.69%	5.56%	5.56%	5.73%

\* 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.

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

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Contractually determined contribution	\$ 537,734	\$ 580,890	\$ 572,324	\$ 578,309	\$ 556,529	\$ 540,041
Contributions in relation to the contractually determined contribution	<u>537,734</u>	<u>580,890</u>	<u>572,324</u>	<u>578,309</u>	<u>556,529</u>	<u>540,041</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 71,697,856	\$ 72,963,311	\$ 69,795,604	\$ 68,846,307	\$ 67,051,641	\$ 65,065,176
Contributions as a percentage of covered payroll	0.75%	0.80%	0.82%	0.84%	0.83%	0.83%

\* 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.

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

	Measurement Date					
	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB liability						
Service cost	\$ 910,154	\$ 923,414	\$ 682,253	\$ 682,272	\$ 707,022	\$ 692,374
Interest	375,833	302,139	435,185	378,812	436,217	335,840
Changes of benefit terms	-	-	-	-	(319,195)	-
Differences between expected and actual experience	817,978	-	645,163	-	(1,490,280)	-
Changes of assumptions	(4,409,977)	(494,452)	1,752,154	(394,193)	21,646	159,874
Benefit payments	(477,746)	(478,248)	(446,754)	(403,125)	(735,579)	(775,013)
Net change in total OPEB liability	(2,783,758)	252,853	3,068,001	263,766	(1,380,169)	413,075
Total OPEB liability - beginning	15,832,543	15,579,690	12,511,689	12,247,923	13,628,092	13,215,017
Total OPEB liability - ending	<u>\$ 13,048,785</u>	<u>\$ 15,832,543</u>	<u>\$ 15,579,690</u>	<u>\$ 12,511,689</u>	<u>\$ 12,247,923</u>	<u>\$ 13,628,092</u>
Covered payroll	\$ 72,963,311	\$ 69,795,604	\$ 68,846,307	\$ 67,051,641	\$ 65,065,176	\$ 62,896,188
District's total OPEB liability as a percentage of covered payroll	17.88%	22.68%	22.63%	18.66%	18.82%	21.67%

Changes of Assumptions

- The discount rate changed from 2.28% to 4.06% in 2022
- 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.

SINGLE  
AUDIT  
SUPPLEMENT



# Zelenkofske Axelrod 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  
Easton Area School District  
Easton, 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 Easton Area School District ("the District") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 14, 2024.

### ***Report on 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) as a basis for designing 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-003 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2023-002 and 2023-0044 to be significant deficiencies.



# *Zelenkofske Axlerod LLC*

CERTIFIED PUBLIC ACCOUNTANTS

EXPERIENCE | EXPERTISE | ACCOUNTABILITY

## ***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 financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as items 2023-003.

## **District's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## ***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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Zelenkofske Axlerod LLC*

ZELENKOFKSKE AXELROD LLC

Jamison, Pennsylvania  
March 14, 2024



# *Zelenkofske Axlerod LLC*

CERTIFIED PUBLIC ACCOUNTANTS

EXPERIENCE | EXPERTISE | ACCOUNTABILITY

## **Report on Compliance for Each Major Program; Report on Internal Control over Compliance in Accordance with the Uniform Guidance**

### ***Independent Auditor's Report***

To the Board of School Directors  
Easton Area School District  
Easton, Pennsylvania

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

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

We have audited Easton 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, 2023. 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.

#### ***Adverse Opinion on Elementary and Secondary School Emergency Relief Fund (ALN 84.425)***

In our opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of our report, the District did not comply in all material respects, with the compliance requirements referred to above that could have a direct and material effect on *Elementary and Secondary School Emergency Relief Fund (ALN 84.425)* for the year ended June 30, 2023.

#### ***Unmodified Opinion on Each of the Other Major Federal Programs***

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 other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2023.

#### ***Basis for Adverse and Unmodified Opinions***

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.

830 Sir Thomas Court, Suite 100, Harrisburg, PA 17109  
3800 McKnight East Drive, Suite 3805, Pittsburgh, PA 15237  
34745 Burbage Road, Frankford, DE 19945

2370 York Road, Suite A-5, Jamison, PA 18929  
420 Chinquapin Round Road, Suite 2-i, Annapolis, MD 21401  
210 Tollgate Hill Road, Greensburg, PA 15601

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# *Zelenkofske Axelrod LLC*

CERTIFIED PUBLIC ACCOUNTANTS

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## *Matter Giving Rise to Adverse Opinion on Assistance Listing Number 84.425*

As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding Assistance Listing Number 84.425 *Elementary and Secondary School Emergency Relief Fund* as described in finding number 2023-003 for Reporting. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

### ***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.



# *Zelenkofske Axlerod LLC*

CERTIFIED PUBLIC ACCOUNTANTS

EXPERIENCE | EXPERTISE | ACCOUNTABILITY

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

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

*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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-003 to be material weaknesses.

*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 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.

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 Axlerod LLC*

ZELENKOFKSKE AXELROD LLC

Jamison, Pennsylvania

March 14, 2024

**EASTON AREA SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2023**

Federal Grantor/Project Title	Source Code	Federal CFDA Number	Pass-through Grantor Number	Grant Period Beginning - Ending Dates	Grant Amount	Total Received for Year	Accrued (Unearned) Revenue at July 1, 2022	Revenue Recognized	Expenditures	Accrued (Unearned) Revenue at June 30, 2023	Passed Through To Subrecipients
U.S. DEPARTMENT OF EDUCATION											
Passed through the Pennsylvania Department of Education											
School Health Education Programs	I	93.079	N/A	7/1/22 - 6/30/23	N/A	\$ 700	\$ -	\$ 1,500	\$ 1,500	\$ 800	\$ -
Title I Grants to Local Education Agencies	I	84.010	013-230133	8/11/22 - 9/30/23	2,115,357	755,504	-	1,405,367	1,405,367	649,863	-
Title I Grants to Local Education Agencies	I	84.010	013-220133	9/16/21 - 9/30/23	2,142,173	1,320,031	710,056	710,056	710,056	100,081	-
Title I Grants to Local Education Agencies	I	84.010	013-210133	7/29/20 - 9/30/21	2,257,895	532,967	838,897	1,767	1,767	307,697	-
<b>Total CFDA #84.010</b>						<u>2,608,502</u>	<u>1,548,953</u>	<u>2,117,190</u>	<u>2,117,190</u>	<u>1,057,641</u>	<u>-</u>
Title II Improving Teacher Quality State Grants	I	84.367	020-230133	8/11/22 - 9/30/23	268,882	227,918	-	227,918	227,918	-	-
Title II Improving Teacher Quality State Grants	I	84.367	020-220133	9/16/21 - 9/30/23	246,387	171,174	56,409	114,765	114,765	-	-
Title II Improving Teacher Quality State Grants	I	84.367	020-210133	7/29/20 - 9/30/21	320,118	60,134	-	60,134	60,134	-	-
<b>Total CFDA #84.367</b>						<u>459,226</u>	<u>56,409</u>	<u>402,817</u>	<u>402,817</u>	<u>-</u>	<u>-</u>
Title III LEP Language Instruction	I	84.365	010-230133	8/11/22 - 9/30/23	92,924	43,818	-	95,942	95,942	52,124	-
Title III LEP Language Instruction	I	84.365	010-220133	9/16/21 - 9/30/23	86,568	60,263	60,263	-	-	-	-
Title III LEP Language Instruction	I	84.365	010-210133	7/29/20 - 9/30/21	86,928	11,590	11,590	-	-	-	-
<b>Total CFDA #84.365</b>						<u>115,671</u>	<u>71,853</u>	<u>95,942</u>	<u>95,942</u>	<u>52,124</u>	<u>-</u>
Title IV Student Support & Academic Enrichment Grants	I	84.424	144-230133	8/11/22 - 9/30/23	168,560	57,347	-	54,930	54,930	(2,417)	-
Title IV Student Support & Academic Enrichment Grants	I	84.424	144-220133	9/16/21 - 9/30/23	170,240	117,889	(26,326)	144,215	144,215	-	-
Title IV Student Support & Academic Enrichment Grants	I	84.424	144-210133	7/29/20 - 9/30/21	135,369	63,172	63,172	-	-	-	-
<b>Total CFDA #84.424</b>						<u>238,408</u>	<u>36,846</u>	<u>199,145</u>	<u>199,145</u>	<u>(2,417)</u>	<u>-</u>
ARP ESSER Homeless Children and Youth	I	84.425	181-212132	7/1/21 - 9/30/24	87,562	87,562	-	87,562	87,562	-	*
CARES Act - ESSER Fund Local	I	84.425D	200-210133	3/13/20 - 9/30/23	8,359,530	5,443,415	3,105,058	4,860,192	4,860,192	2,521,835	*
ARP ESSER	I	84.425U	223-210133	3/13/20 - 9/30/24	16,908,910	1,844,608	(1,161,924)	1,537,174	1,537,174	(1,469,358)	*
ARP ESSER 2.5%	I	84.425	224-210133	3/13/20 - 9/30/24	144,434	18,382	-	18,382	18,382	-	*
ARP ESSER 7%	I	84.425U	225-210133	3/13/20 - 9/30/24	1,314,202	1,051,362	403,854	1,027,467	1,027,467	379,959	*
CARES Act - ESSER Fund Local	I	84.425D	200-200133	3/13/20 - 9/30/22	77,161	77,161	-	-	-	-	*
aTSI GEER - Governor Emergency Relief	I	84.425C	254-200133	3/13/20 - 9/30/22	157,247	52,295	52,295	41,704	41,704	41,704	*
GEERS - Continuity of Education Equity Grant	I	84.425C	253-200133	3/13/20 - 9/30/22	90,170	28,475	28,475	-	-	-	*
Passed through the Pennsylvania Commission on Crime and Delinquency											
CARES Act - ESSER Fund Local	I	84.425D	220-ES-01	3/13/20 - 9/30/22	273,699	246,819	96,848	149,971	149,971	-	*
<b>Total CFDA #84.425</b>						<u>8,850,079</u>	<u>2,601,767</u>	<u>7,722,452</u>	<u>7,722,452</u>	<u>1,474,140</u>	<u>-</u>
Passed through the Colonial Intermediate Unit 20											
IDEA Special Education - Grants to States	I	84.027	N/A	7/1/21 - 9/30/22	1,148,600	1,148,600	1,148,600	-	-	-	*
IDEA Special Education - Grants to States	I	84.027	N/A	7/1/22 - 9/30/23	1,258,339	828,802	-	1,258,339	1,258,339	429,537	*
IDEA ARP of 2021	I	84.027X	N/A	7/1/21 - 9/30/23	332,538	-	-	332,538	332,538	332,538	*
<b>Total CFDA #84.027</b>						<u>1,977,402</u>	<u>1,148,600</u>	<u>1,590,877</u>	<u>1,590,877</u>	<u>762,075</u>	<u>-</u>
IDEA -Section 619	I	84.173	N/A	7/1/21 - 9/30/22	2,365	2,365	2,365	-	-	-	*
<b>Total CFDA #84.173</b>						<u>2,365</u>	<u>2,365</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Special Education Cluster</b>						<u>1,979,767</u>	<u>1,150,965</u>	<u>1,590,877</u>	<u>1,590,877</u>	<u>762,075</u>	<u>-</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>						<u>14,252,353</u>	<u>5,466,793</u>	<u>12,129,923</u>	<u>12,129,923</u>	<u>3,344,363</u>	<u>-</u>

(Continued)

**EASTON AREA SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2023**

Federal Grantor/Project Title	Source Code	Federal CFDA Number	Pass-through Grantor Number	Grant Period Beginning - Ending Dates	Grant Amount	Total Received for Year	Accrued (Unearned) Revenue at July 1, 2022	Revenue Recognized	Expenditures	Accrued (Unearned) Revenue at June 30, 2023	Passed Through To Subrecipients
<b>U.S. DEPARTMENT OF AGRICULTURE</b>											
Passed through the Pennsylvania Department of Agriculture											
National School Lunch Program - Donated Commoditie	I	10.555	362-000000	7/1/22 - 6/30/23	N/A	417,707	-	417,707	417,707	-	*
National School Lunch Program - Donated Commoditie	I	10.555	N/A	7/1/21 - 6/30/22	N/A	-	-	-	-	-	*
National School Lunch Program - Donated Commoditie	I	10.555	N/A	7/1/20 - 6/30/21	N/A	-	-	-	-	-	*
Passed through the Pennsylvania Department of Education											
National School Lunch Program	I	10.555	N/A	7/1/21 - 6/30/22	N/A	2,612,387	70,582	2,541,805	2,541,805	-	*
Supply Chain Assistance	I	10.555	356-000000	7/1/22 - 6/30/23	N/A	215,225	-	215,225	215,225	-	*
<b>Total CFDA #10.555</b>						<u>3,245,319</u>	<u>70,582</u>	<u>3,174,737</u>	<u>3,174,737</u>	<u>-</u>	
School Breakfast Program	I	10.553	N/A	7/1/21 - 6/30/22	N/A	32,328	32,328	-	-	-	*
School Breakfast Program	I	10.553	365-000000	7/1/22 - 6/30/23	N/A	976,847	-	976,847	976,847	-	*
<b>Total CFDA #10.553</b>						<u>1,009,175</u>	<u>32,328</u>	<u>976,847</u>	<u>976,847</u>	<u>-</u>	
Summer Food Service Program for Children	I	10.559	264-000000	7/1/21 - 6/30/22	N/A	43,131	43,131	-	-	-	*
Summer Food Service Program for Children	I	10.559	264-000000	7/1/22 - 6/30/23	N/A	84,275	-	123,277	123,277	39,002	*
<b>Total CFDA #10.559</b>						<u>127,406</u>	<u>43,131</u>	<u>123,277</u>	<u>123,277</u>	<u>39,002</u>	
<b>Total Child Nutrition Cluster</b>						<u>4,381,900</u>	<u>146,041</u>	<u>4,274,861</u>	<u>4,274,861</u>	<u>39,002</u>	
Child and Adult Care Food Program	I	10.558	164-000000	7/1/21 - 6/30/22	N/A	353	353	-	-	-	-
Child and Adult Care Food Program Emergency Costs	I	10.558	166-000000	7/1/21 - 6/30/22	N/A	-	-	-	-	-	-
Child and Adult Care Food Program	I	10.558	164-000000	7/1/22 - 6/30/23	N/A	77,507	-	77,507	77,507	-	-
<b>Total CFDA #10.558</b>						<u>77,860</u>	<u>353</u>	<u>77,507</u>	<u>77,507</u>	<u>-</u>	
State Pandemic Electronic Benefit Transfer Administr	I	10.649	358-000000	7/1/22 - 6/30/23	N/A	3,135	-	3,135	3,135	-	-
<b>Total CFDA #10.649</b>						<u>3,135</u>	<u>-</u>	<u>3,135</u>	<u>3,135</u>	<u>-</u>	
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>						<u>4,462,895</u>	<u>146,394</u>	<u>4,355,503</u>	<u>4,355,503</u>	<u>39,002</u>	
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>											
Passed through the Pennsylvania Department of Public Welfare											
Medical Assistance Program	I	93.778	N/A	10/1/21-9/30/22	N/A	34,662	34,662	-	-	-	-
Medical Assistance Program	I	93.778	N/A	10/1/22-9/30/23	N/A	22,322	-	40,506	40,506	18,184	-
<b>Total CFDA #93.778</b>						<u>56,984</u>	<u>34,662</u>	<u>40,506</u>	<u>40,506</u>	<u>18,184</u>	
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						<u>56,984</u>	<u>34,662</u>	<u>40,506</u>	<u>40,506</u>	<u>18,184</u>	
<b>TOTAL FEDERAL AWARDS</b>						<u>\$18,772,232</u>	<u>\$5,647,849</u>	<u>\$16,525,932</u>	<u>\$16,525,932</u>	<u>\$ 3,401,549</u>	<u>\$ -</u>

Source Code:  
I - Indirect Funding

\* Program tested as major

EASTON AREA SCHOOL DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2023

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 as 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 2022-2023 fiscal year. The District has food commodities totaling \$29,694 in inventory as of June 30, 2023.

NOTE D 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 E RISK-BASED AUDIT APPROACH

The 20223 threshold for determining Type A programs is \$750,000. Three Type A programs were audited as major programs.

The amount expended under programs audited as major federal programs for the year ended June 30, 2023, totaled \$13,588,190 or 82.22% of total federal awards.

EASTON AREA SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2023

I. PART A - SUMMARY OF AUDITOR'S RESULTS

*Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No \_\_\_\_\_
- Significant deficiencies identified that are not considered to be material weakness(es)?  
Yes X None Reported \_\_\_\_\_

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

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? Yes X No \_\_\_\_\_
- 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 for Child Nutrition Cluster and IDEA

Modified for Elementary and Secondary School Emergency Relief Fund

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

Identification of major programs:

Assistance Listing Numbers	Name of Federal Program or Cluster
10.553, 10.555, 10,556, 10,559, 10,582	Child Nutrition Cluster
84.027, 84.173	Special Education Cluster (IDEA)
84.425	Elementary and Secondary School Emergency Relief Fund

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

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

EASTON AREA SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2023

PART B – FINDINGS RELATED TO FINANCIAL STATEMENTS

**2023-001 (2022-005) – BANK ACCOUNTS AND RECONCILIATIONS**

Condition: During the audit of the District's financial statements, we noted that the District maintains bank accounts that are not accounted for within the District's accounting software. We noted bank accounts related to real estate tax collections, scholarships, and payroll that are not reconciled by the District. We also noted that prepared bank reconciliations are not received and approved by the appropriate level of management.

Criteria: All bank accounts should be accounted for in the accounting software and reconciled monthly to detect and correct errors in a timely manner and to ensure that cash is not materially misstatements in the financial statements.

Cause: District oversight

Effect: Possible misstatement of cash in the District's financial statements

Recommendation: All of the District's bank accounts should be accounted for in its software, reconciled monthly, and approved by the appropriate level of management.

**2023-002 (2022-006) – CAPITAL ASSETS**

Condition: During the audit of the District's financial statements, we noted that the District's capital asset listing included many long-standing fully depreciated assets that were well beyond their identified useful lives. In addition, we noted significant mostly offsetting differences between the capital asset cost and accumulated depreciation balances reported on the District's capital asset listing versus the District's financial statements.

Criteria: A strong system of internal controls and management review requires that capital asset balances be properly reconciled to a subsidiary ledger or other adequate supporting documentation on a periodic basis. Management is responsible for maintaining its accounting records in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP.")

Cause: District oversight.

Effect: In the future, capital assets may be materially misstated in the financial statements.

Recommendation: We recommend that District perform an inventory of all property and equipment currently in use. We also recommend that the District perform an in-depth analysis of fully depreciated assets on the District's capital asset schedule. This evaluation will aid in simplifying annual depreciation schedule roll-forward, as well as ensure that the capital asset figures in the financial statements are not artificially inflated.

**2023-003 – REPORTING**

U.S. Department of Education – An award passed through the Pennsylvania Department of Education - Elementary and Secondary School Emergency Relief Fund. (ALN 84.425)

Condition: Required reports were not submitted to Pennsylvania Department of Education

Criteria: Per Uniform Guidance and grant agreements, the District is to submit quarterly and final reports per each grant funding stream

Effect: The effect is the District is not in compliance with reporting requirements

EASTON AREA SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2023

Cause: The District is not following requirements to timely file reports.

Recommendation: We recommend that the District ensures all grants follow grant requirements

View of Responsible Officials: The School District agrees with the finding and is working towards implementing better controls over their grant reporting.

**2024-004 – INFORMATION TECHNOLOGY-SERVER ROOM**

Condition: Central administration server is not in a secure area

Criteria: Servers should be in a secure area with restricted access

Effect: The effect is the District does not have a secure server area

Cause: The District server is located in an unsecure area accessible to all employees and visitors

Recommendation: We recommend that the District places the server in a secure area with limited access to people

View of Responsible Officials: The School District agrees with the finding and is working towards implementing better controls over the server room.

Part C – FINDINGS RELATED TO FEDERAL AWARDS

**2023-003 – See Part B for full finding information**

EASTON AREA SCHOOL DISTRICT  
SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2023

**STATUS OF PRIOR YEAR FINDINGS**

**2022-001: Resolved**

**2022-002: Resolved**

**2022-003: Resolved**

**2022-004: Resolved**

**2022-005: Repeated as finding 2023-001**

**2022-006: Repeated as finding 2023-002**

**2022-007: Resolved**

**2022-008: Resolved**



# Easton Area School District

1801 Bushkill Drive • Easton, PA 18040-8186 • 610-250-2400

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Hans Baltzersen, Interim Chief Financial Officer [baltzersenh@eastonsd.org](mailto:baltzersenh@eastonsd.org)  
Wendy Minotti, Exec. Asst to the Chief Financial Officer

March 14, 2024

## **Finding 2023-001 (2022-005)**

Management Corrective Action Plan:

Bank accounts related to real estate tax collections, scholarships, and payroll will be reconciled monthly the same as all cash accounts.

Individual(s) Responsible:

Assistant Business Manager  
Accountant

Anticipated Completion Date:

Prior to the issuance of the Fiscal Year 2024 Financial Statements.

## **Finding 2023-002 (2022-006)**

Management Corrective Action Plan:

The District will perform an in-depth analysis of fully depreciated assets on the District's capital assets schedule. As part of the book-close process, adjustments will be made for fully depreciated assets on the District's capital assets schedule.

Individual(s) Responsible:

Chief Financial Officer  
Assistant Business Manager  
Coordinator of Business Services

Anticipated Completion Date:

Prior to the issuance of the Fiscal Year 2024 Financial Statements.

**Finding 2023-003**

Management Corrective Action Plan:

The District will monitor federal programs revenues and expenditures through the submission of quarterly expenditure reports as required by the Pennsylvania Department of Education. Also, the District will submit final expenditure reports in a timely manner.

Individual(s) Responsible:

Assistant Superintendent of Curriculum and Instruction  
Coordinator of Federal Funds  
Assistant Business Manager

Anticipated Completion Date:

Prior to the issuance of the Fiscal Year 2024 Financial Statements.

**Finding 2023-004**

Management Corrective Action Plan:

The District will secure the central administrative server by locking the door and installing an exhaust/ventilation system to prevent overheating.

Individual(s) Responsible:

Assistant Superintendent for District Operations & Services  
Chief Financial Officer

Anticipated Completion Date:

Prior to the issuance of the Fiscal Year 2024 Financial Statements.