

**REPORT ON
EAST PENN SCHOOL DISTRICT
SINGLE AUDIT REPORT
FISCAL YEAR ENDED JUNE 30, 2013**

EAST PENN SCHOOL DISTRICT

Single Audit Report

For the Fiscal Year Ended June 30, 2013

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INTRODUCTORY SECTION



GORMAN & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have performed the Single Audit of the East Penn School District for the fiscal year ended June 30, 2013, and have enclosed the Single Audit reporting package.

The Single Audit was done to fulfill the requirements of OMB Circular A-133, which entailed:

An audit of the basic financial statements, and our opinion thereon;

A review of compliance and on internal control over financial reporting based on an audit of the financial statements performed in accordance with Governmental Auditing Standards, and our report thereon;

An examination of the Schedule of Expenditures of Federal Awards, and our report thereon; and,

An opinion on compliance with requirements applicable to each major program and a review of internal control over compliance in accordance with OMB Circular A-133, and our report thereon.

As part of our report, we have enclosed our management letter.

Respectfully submitted,

Gorman & Associates, P.C.

December 12, 2013



GORMAN & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

Board of School Directors
Dr. Thomas Seidenberger, Superintendent
East Penn School District
800 Pine Street
Emmaus, PA 18049

We have audited the financial statements of the governmental activities, business-type activities each major fund, and the aggregate remaining fund information of the East Penn School District for the year ended June 30, 2013, and have issued our report thereon dated December 12, 2013.

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether your financial statements are fairly presented, in all material respects, in conformity with the U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities, including having compensating controls in place to ensure our preparation of your financial statements and note disclosures are not materially misstated.

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matter on August 12, 2013.

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the East Penn School District are described in the notes to the financial statements. No new accounting policies were adopted during this past year and the existing policies were properly applied. We did not discover any transactions entered into by the District that lacked authoritative guidance or consensus. In addition, there are no significant transactions affecting the financial statements that have been recognized incorrectly in the wrong year.

Accounting estimates, which are part of the significant accounting policies, are an integral part of the financial statements and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events may differ significantly from those expected. The most sensitive estimates affecting the financial statements was depreciation taken on capital assets based upon the estimated useful life of each asset and calculated on the straight-line basis of depreciation and the actuary's report on Other Post Employment Benefits. We have evaluated the factors and assumptions used to develop these estimates and have determined the estimates to be reasonable in relation to the financial statements taken as a whole.

We wish to inform you that the disclosures in your financial statements are neutral, consistent, and clear. From time to time, certain disclosures are more sensitive than others due to their significance to financial statement users. The most sensitive disclosures involve capital assets and long-term debt.

We have requested certain representations from management that are included in the management representation letter provided to us on December 12, 2013. We advise the governing body to request this letter from management for their review. In conjunctions with their representation, we wish to inform you we did not encounter any significant difficulties in dealing with management and had no disagreements with your management. To our knowledge, management did not find a need to converse with any other independent accountant on any related accounting or auditing issue.

In addition, the representation letter provided to us, by management, confirmed there were no uncorrected misstatements. Management has recorded all of our adjusting journal entries, and has agreed to the conversion entries necessary to convert governmental funds and proprietary funds to governmental activities and business-type activities, respectively.

In accordance with auditing standards, generally accepted in the United States of America, we have acquired a sufficient understanding of the District and its environment, including its internal control, to assess the risk of material misstatements of the financial statements whether due to error or fraud, and to design the nature, timing, and extent of further audit procedures that were necessary to express an opinion on the 2012-13 basic financial statements.

Our consideration of the District's internal control components was not designed for the purpose of making detailed recommendations and would not necessarily disclose all significant deficiencies within the components. Our audit procedures have been appropriately adjusted to compensate for any observed significant deficiencies. The following three paragraphs define the three different types of deficiencies that can occur:

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

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.

As the primary purpose of our audit is to form an opinion on the basic financial statements, you will appreciate that reliance must be placed on adequate methods of internal control as your principal safeguard against errors and fraud which audit procedures may not disclose. The objective of internal control over financial reporting is to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use and that financial records are reliable for preparing financial statements in accordance with generally accepted accounting principles and for maintaining the accountability for assets. The concept of reasonable assurance recognizes that the cost of internal control should not exceed the related benefits; to operationalize this concept, management is required to formulate estimates and judgments of the cost/benefit ratios of alternative controls.

There are inherent limitations that should be recognized in considering the potential effectiveness of internal control over financial reporting. Errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, fatigue, and other personnel factors. Control procedures whose effectiveness depends upon the segregation of duties can be circumvented by collusion or by management. What's more, any projection of internal control evaluations to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions or due to the deterioration of the degree of compliance with control procedures.

As an adjunct to our audit, we remained alert throughout for opportunities to enhance internal controls and operating efficiency. These matters were discussed with management as the audit progressed and have subsequently been reviewed in detail to formulate practical recommendations. We wish to thank your staff for their courtesies and cooperation, which facilitated the efficient performance of audit procedures. The remainder of this letter will explain any internal control deficiencies discovered during the audit, other auditor recommendations, and other information pertinent to the District.

A control deficiency is determined to be considered a material weakness or significant deficiency based upon the magnitude of the problem as it pertains to a particular opinion unit. In other words, what is considered a significant deficiency in one fund may only be a control deficiency in another fund of greater size.

The following section in this governance/management letter is separated by categories based on importance, with any material weaknesses or significant deficiencies listed in the beginning:

CONTROL DEFICIENCIES

Student Activity Funds

During our review of student clubs and organizations, known as Student Activity Funds, we discovered a number of continuing issues that management needs to resolve in the handling of student funds versus government funds. As such, we are providing the following intensive list of recommendations to improve the overall segregation of student funds versus government funds. In addition, some of our recommendations will improve the overall controls associated with student clubs or organizations:

- We wish to advise the individual school principals and advisors to deposit student activity fund monies on a daily basis, including using a night deposit bag, versus leaving money in the school's safe for days at a time. In addition, all cash receipts collected should have copies of receipt forms maintained at the office with a copy given to each individual submitting cash.
- During our review of PASBO's Student Activity Fund Guide, it states: a general activity account is permissible to allow activity funds to benefit the entire student body as opposed to a specific club. We would like to suggest each school only maintain "one" general account called "Student Body Account". As such, accounts titled "In and Out" or "Principal Account" or "General" should not be used.
- All activity accounts need to have bylaws, written minutes, and a student treasurer who should approve all disbursements made in an individual student club, along with the faculty advisor and principal. If payments are made from the general account (Student Body) all invoices should be signed by the principal or faculty advisor for that account.
- Library fines and lost book fees charged by the District or the Library of the School should no longer be put into a "library activity account"; instead these revenues should be recorded to the general fund revenue function 6740.
- Any admissions collected for Musical or Drama events should be controlled by the use of numeric tickets following the same guidance as used in Athletic events. Similar controls should be used; such as different colored rolls for different ticket prices, persons who sell the tickets should not collect the tickets to the event. The faculty advisor to these events or the principal's office should control the unused ticket rolls. Finally, an event form should be used for each event with the total amount received correlated to the deposit made.
- School Board Policy No. 618 should be revised to eliminate the Athletic Fund, which is now part of the General Fund. The portion of the policy discussing approval of payments from the activity accounts should also be revised to mention the need for student officers to approve the payments, if applicable.

Board of School Directors - Dr. Thomas Seidenberger, Superintendent

- School Board Policy No. 121 and 122 should be revised to specify whether a field trip will be paid from a student activity club or by the general fund using specific criteria. This recommendation will help alleviate potential problems with the State Auditor General's Office.
- During our review of individual club balances, we discovered a number of student clubs with large cash balances. We suggest management consider establishing a policy or rules to ensure that balances accumulated are utilized for the benefit of current students versus future students. After all, money raised by the students is supposed to benefit them. Once these policies or rules are established, it behooves management to review these stipulations on an ongoing basis.
- All new student activity accounts must be approved by the School Board. Without their approval, the account is not allowed to exist. In the event, a club ceases operations; any remaining balance can go into the "Student Body Account" or the General Fund.
- We wish to advise management to examine the activity account called: "LMMS Cares". It is our understanding this account is funded by outside donations not obtained by the students, and expended without any student involvement. Assuming our investigation is correct; this account has nothing to do with students and should be eliminated.
- As an example of why we are requesting the District to tighten their controls over these activity accounts, this past year we discovered water cooler refills for the faculty office were purchased from the Principal Activity Account. In another situation, we discovered invoices for landscaping fees paid from the activity account for an elementary school. We are of the opinion these type of disbursements are not benefitting the students.

OTHER RECOMMENDATIONS

ACH Wire Transfers

During our review of issues affecting the use of advanced technology dealing with financial institutions and the potential for fraud that has been happening throughout the world, we have decided to incorporate suggestions to our clients to make sure your anti-fraud controls are up to date dealing with wire transfers. The following represents an extensive list of controls that should be implemented in all organizations. Please review this list with your existing controls:

- 1. Require the bank to limit daily wire transfer amounts.**
- 2. Require two persons to consummate all wire transfers to external parties.**
- 3. If the wire transfer request is by phone or by fax, require the bank to call your organization back before the wire transfer is consummated.**
- 4. The bank should require the use of unique passwords to access wire-transfer software.**
- 5. Restrict the bank accounts from which a wire transfer can be made.**
- 6. Restrict certain bank accounts so that wire transfers can only be made to other bank accounts of the organization.**
- 7. Have someone peruse the daily bank account activity, at a minimum, reconcile bank accounts in a timely fashion.**

- 8. Require sufficient documentation for all wire transfer journal entries; require a second person review of these journal entries.**
- 9. Consider using a dedicated computer for all wire transfers.**
- 10. Use all bank-provided wire transfer controls.**
- 11. Any transactions over a certain high dollar amount must have the approval of the business manager.**

Not using controls offered by banks may make your organization liable should funds be stolen by hackers. Make sure your district uses appropriate firewall and antivirus protection.

If one person can make external wire transfers and journal entries to record those transactions, you have the makings of fraud.

OTHER INFORMATION

We would be remiss if we didn't keep the management and the Board of School Directors informed of changes in accounting principles that will affect the District next year and future years. The Government Accounting Standards Board (GASB) has issued Statement Nos. 67, 68, 69, and 70 that will come into effect in years to come. The statements that could affect the District next year and future years are as follows:

GASB Statement No. 68

This statement and its component statement no. 67 will have a massive impact on all governments' entity-wide financial statements. It will affect every government in the Commonwealth of PA and every other government located in all 50 states, including state governments.

It will require all governments to report the entire amount of the unfunded actuarial liability for any pension plans associated with each respective government onto their government-wide financial statements that are used by bond rating agencies to establish your debt ratings. Presently, governments only report approximately one-thirtieth of this liability on their financial statements assuming they have a stand-alone pension plan.

Those governments, like this School District, that don't report any pension obligation because they and you belong to a pension trust (PSERS), will soon have to report your proportionate share of the pension trust's unfunded actuarial pension liability. Your proportionate share of this significant liability will be based upon the percentage of your contributions into the plan compared to the total contributions submitted by all participating governments in the pension trust.

This standard will have a devastating effect for larger governments, whom are already in dire straits as a result of the poor economy. This standard becomes effective for your 2014-2015 fiscal year.

GASB Statement No. 69

This new accounting standard explains the proper accounting treatment of government mergers, acquisitions, transfer of operations, and disposals of government operations. In the current economic climate, there is much discussion on merging governments or transferring operations from one government entity to another. As a result, the Standards Board deliberated the proper financial

recognition of assets, liabilities, deferred outflow or inflow of resources, and net position affected by such transactions. This standard takes effect in the 2014-15 fiscal year.

GASB Statement No. 70

This new accounting standard takes effect in the 2013-14 fiscal year. It pertains to governments extending non-exchange financial guarantees. As an example, when a school district creates a financing authority, then this Statement will apply. It requires governments extending financial guarantees on debt issued by another government to make certain disclosures in their notes to financial statements, and the government issuing the debt to also make certain disclosures.

In addition, the Statement provides criteria when a liability should be recorded on the Statement of Net Position for the guarantor government, and when the issuing government should reclassify its debt. It also provides guidance on the proper handling when the issuing government reimburses the guarantor government.

This letter is required by our standards and has been combined with, what we previously referred to as the management letter. The intent of this letter is to communicate with those charged with governance on matters pertaining to the audit and includes information that we believe can help you correct or improve operating efficiency, under the limitations of staff availability, within the School District.

Respectively submitted,

Norman Associates, P.C.

December 12, 2013

REPORT DISTRIBUTION LIST

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

ONE COPY:
(Submitted Electronically)

BUREAU OF THE CENSUS
DATA PREPARATION DIVISION

ONE COPY:
(Submitted Electronically)

COMMONWEALTH OF PENNSYLVANIA
OFFICE OF THE BUDGET/BUREAU OF AUDITS

ONE COPY TO :

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

FINANCIAL SECTION



GORMAN & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the general fund budgetary comparison statement of the East Penn School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 error or fraud.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the general fund budgetary comparison statement of the East Penn School District, as of June 30, 2013, 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.

Emphasis of Matter

As discussed in Note 2-F to the financial statements, the East Penn School District adopted new accounting guidance from GASB Statement Nos. 63 and 65 for the 2012-13 fiscal year. Our opinion is not modified with respect to these pronouncements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 11-22, and the Schedule of Funding Progress, on page 83, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the East Penn School District's basic financial statements. The *combining and individual fund statements and schedules, and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The *combining and individual fund financial statements, schedules, and the schedule of expenditures of federal awards* are the responsibility of management and were derived from and related to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, *the combining and individual fund financial statements, schedules, and the*


East Penn School District

schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2013, on our consideration of the East Penn School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering East Penn School District's internal control over financial reporting and compliance.

Respectfully submitted,



December 12, 2013

EAST PENN SCHOOL DISTRICT
Emmaus, PA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
(UNAUDITED)
For the Year Ended June 30, 2013

The discussion and analysis of East Penn School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the financial statements and notes to enhance their understanding of the District's financial performance.

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

FINANCIAL HIGHLIGHTS

The 2012-2013 budget year had many special features. In 2011-2012, employees agreed to a salary freeze and a number of support teaching positions were eliminated through attrition. The teachers also agreed to concessions for the 2012-2013 fiscal year.

However, an additional elementary teacher was hired due to enrollment. The number of special education students increased from 734 in March of 2012 to 808 in March of 2013. Seven Generations Charter School, which opened in September of 2009 within the district's boundaries, added a grade level and we had approximately 6 more students attend there than in the previous school year. The state also eliminated the up to 30% reimbursement that districts could receive for payments to charter schools in '11/12 and did not reinstate it for '12/13. However, the number of cyber charter school students decreased by approximately 48 students, so overall the number of charter school students decreased by approximately 23 students.

Budgeted tax revenues reflected the continuing local and national slump in the housing market and the economy. The real estate tax rate increased 1.3% over the previous year, which was less than the 1.7% legal limit that we were allowed to go up without requesting any exceptions or referendums based on Act 1, and much less than the 2.91% that the Department of Education approved us for based on referendum exceptions submitted for special education and retirement contribution increases that exceeded the index. The 5-year average real estate tax rate increase was 2.92% without subtracting the homestead/farmstead reduction. We continued the senior citizen property tax rebate program. We had eliminated the per capita tax for the 2002-2003 school year and have not reinstated it since then. Actual real estate tax collected was 100.7% of budgeted real estate tax. Interim real estate tax collected was only 36.9% of budget, but more than what was collected in the previous fiscal year. Real estate transfer tax collected was 90.3% of budget. Actual earned income tax collected was 108.6% of budget and delinquent earned income tax was 135.2% of budget. Delinquent real estate tax collected was 100.3% of budget. As a result of Act 32, starting in January of 2012, Berkheimer was selected by the county-wide tax collection committee to collect all current earned income taxes for every school district and municipality in Lehigh County. However, we were still receiving collections from Keystone through June of 2013 for earnings prior to January of 2012. Earnings on investments were only 68.6% of the budgeted amount because we did not lower our budgeted interest income enough to reflect interest rates on allowable investments that went even lower than in the previous year. We received the final donation from Rodale towards the artificial track.

Rental & sinking fund revenue was only 83.1% of budget primarily due to debt refinancing, contributing to the total state revenue collected being 98.6% of budget.

Total revenue received was 100.5% of original budgeted revenue.

EAST PENN SCHOOL DISTRICT
Emmaus, PA

We refinanced some bond issues at lower interest rates, and transferred savings to our capital reserve fund as we have often done in the past to be used for future capital improvements. The amount transferred there was the final \$100,000 received from Rodale towards the track construction, as well as \$1,022,033 in savings on ebt costs. The Series of 2012A refunded the Series of 2004AA and part of the Series of 2007 saving \$583,091 in 2012-13 and the Series of 2013 refunded the balance of the Series of 2007 and the Series of 2008 saving \$96,418 in 2012-13. These two issues combined saved \$1,533,050 over the life of the old issues.

General fund salaries were 99% and benefits spent were 97.3% of their original budget. Some positions were not filled until near the end of the fiscal year and some were filled at lower salaries. Tuition reimbursement costs were only 79.2% of their budget. Intermediate Unit instructional costs were only 88.0% of their budget, which is based on the number and type of students that we have them educate. The Other Purchased Prof./Tech. Services area includes the cost of our own cyber alternative program to try to keep cyber charter school costs down, as well as other contracted professionals and expenses were only 74.2% of their amount originally budgeted, but it was still an increase over the previous year. Disposal/Custodial services spent were only 77.3% of their original budget, but we had very little snow that had to be plowed in 2012-13. Fuel and utilities were only 88.7% of their budget due to implementation of some significant energy cost saving measures and very mild weather. This is a difficult area to estimate based on usage related to unpredictable weather. Charter School expenditures were 90.4% of their original budget, but the increase from the previous fiscal year was \$223,600 or 7.4% due mainly to the addition of another grade at Seven Generations Charter School in Emmaus. Approved Private Schools/Private Residential Rehabilitative Institutions were only 54.5% of their original budget, and a decrease of \$222,430 or 40.7% from the previous year expenditure. Other Schools were 126.1% of their original budget, but slightly less than what we spent in the previous fiscal year, which had shown a big increase in expenditures. Supplies/Books/Software spent was 114.9% of its original budget, but Equipment spent was only 85.7% of its original budget. Our Miscellaneous category was only 71.3% of what was originally budgeted, but the previous year included \$219,150 spent there for Refund of Prior Year Receipts, which was mainly paid due to retroactive tax assessment appeal decisions. Reassessment was done county-wide for 2013-14, so there was only \$21,524 spent for refunds of prior years in 2012-13. Many appeals came in for the new assessments, but they will not take effect until 2013-14. Debt service expenditures were 88.3% of their original budget due to savings from refinancing and low interest on our variable rate notes. Actual total expenditures excluding transfers and budgetary reserve were 96.4% of original budgeted expenditures.

Total expenditures for the fiscal year exceeded total revenues by \$161,636 in the General Fund.

USING THE ANNUAL FINANCIAL REPORT

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

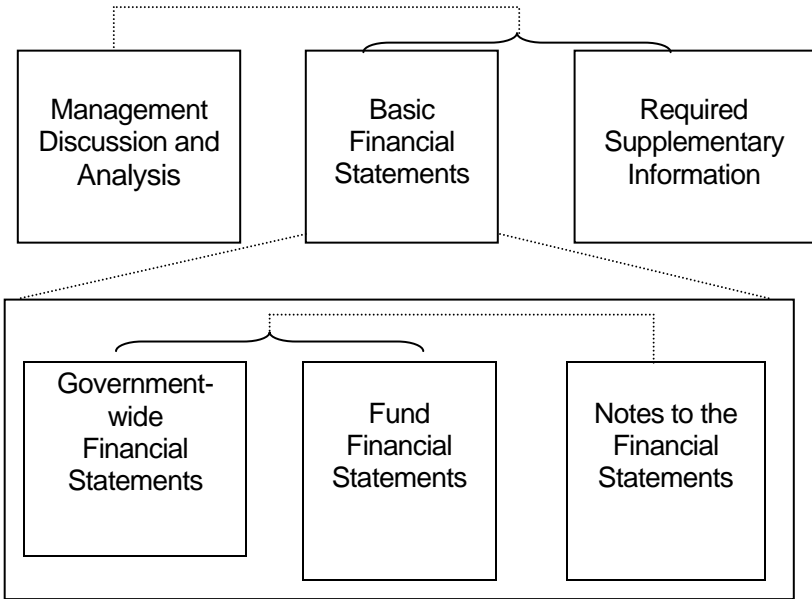
The first two statements are government-wide financial statements - the Statement of Net Position and the Statement of Activities. These provide both long-term and short-term information about the District's overall financial status.

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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Figure A-1 shows how the required parts of the Financial Section are arranged and relate to one another:

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



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

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

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

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

OVERVIEW OF FINANCIAL STATEMENTS

Government-wide Statements

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

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

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

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

The government-wide financial statements of the District are divided into two categories:

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

Fund Financial Statements

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

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

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

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

Fiduciary funds - The District is the trustee, or fiduciary, for some scholarship funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position. We exclude these activities from the District's other financial statement because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's total net position was \$63,136,469 at June 30, 2013. This is an increase in net position of \$6,027,258 from the net position for the previous fiscal year.

**Table A-1
Fiscal Year ended June 30, 2013
Net Position (In Millions)**

	<u>2013</u>			<u>2012</u>		
	Govern- mental Activities	Business- Type Activities	Total Primary Government	Govern- mental Activities	Business- Type Activities	Total Primary Government
Current assets	\$ 29.3	\$ 0.4	\$ 29.7	\$ 27.1	\$ 0.3	\$ 27.4
Non-Current assets	163.1	0.3	163.4	167.9	0.3	168.2
Deferred Outflow of Resources	<u>1.6</u>	<u>-</u>	<u>1.6</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets & Deferred Outflow of Resources	<u>\$ 194.0</u>	<u>\$ 0.7</u>	<u>\$ 194.7</u>	<u>\$ 195.0</u>	<u>\$ 0.6</u>	<u>\$ 195.6</u>
Current and other liabilities	\$ 21.1	\$ 0.3	\$ 21.4	\$ 19.7	\$ 0.2	\$ 19.9
Long-term liabilities	110.2	-	110.2	118.6	-	118.6
Deferred Inflow of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities & Deferred Inflow of Resources	131.3	0.3	131.6	138.3	0.2	138.5
Net Position	-----					
Net Investment in Capital Assets	49.4	0.3	49.7	44.2	0.3	44.5
Retirement of Long-Term Debt	-	-	-	-	-	-
Other Restrictions	2.8	-	2.8	1.9	-	1.9
Unrestricted	<u>10.5</u>	<u>0.1</u>	<u>10.6</u>	<u>10.6</u>	<u>0.1</u>	<u>10.7</u>
Total Net Position	<u>\$ 62.7</u>	<u>\$ 0.4</u>	<u>\$ 63.1</u>	<u>\$ 56.7</u>	<u>\$ 0.4</u>	<u>\$ 57.1</u>
Total Liabilities, Deferred Inflow of Resources, & Net Position	<u>\$ 194.0</u>	<u>\$ 0.7</u>	<u>\$ 194.7</u>	<u>\$ 195.0</u>	<u>\$ 0.6</u>	<u>\$ 195.6</u>

Most of the District's net position are invested in capital assets (buildings, land, and equipment). The remaining unrestricted net position are combined of designated and undesignated amounts. The designated balances are amounts set-aside to fund future purchases or capital projects as planned by the district.

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

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

Table A-2 takes the information from that Statement and rearranges it slightly, so that you can see our total revenues for the year.

**Table A-2
Fiscal Year ended June 30, 2013
Changes in Net Position (In Thousands)**

	<u>2013</u>			<u>2012</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
<u>REVENUES</u>						
<i>Program revenues</i>						
Charges for services	\$ 590	\$ 1,997	\$ 2,587	\$ 485	\$ 2,143	\$ 2,628
Operating grants and contributions	12,838	1,175	14,013	11,604	1,043	12,647
Capital grants and contributions	1,453	-	1,453	2,743	12	2,755
<i>General revenues</i>						
Property taxes	78,913	-	78,913	77,491	-	77,491
Other taxes	9,418	-	9,418	9,057	-	9,057
Grants, subsidies and contributions, unrestricted	12,157	-	12,157	12,161	-	12,161
Other	275	-	275	261	-	261
TOTAL REVENUES	\$ 115,644	\$ 3,172	\$ 118,816	\$ 113,802	\$ 3,198	\$ 117,000
<u>EXPENSES</u>						
Instruction	\$ 65,906	\$ -	\$ 65,906	\$ 62,459	\$ -	\$ 62,459
Instructional student support	8,198	-	8,198	7,950	-	7,950
Administrative and financial support	8,275	-	8,275	7,876	-	7,876
Operation and maintenance of plant	10,494	-	10,494	10,273	-	10,273
Pupil transportation	6,933	-	6,933	6,464	-	6,464
Student activities	1,637	-	1,637	1,538	-	1,538
Community services	11	-	11	8	-	8
Interest on long-term debt	2,982	-	2,982	3,894	-	3,894
Unallocated depreciation expense	4,079	-	4,079	3,969	-	3,969
Food Services	-	3,192	3,192	-	3,101	3,101
TOTAL EXPENSES	108,515	3,192	111,707	104,431	3,101	107,532
Increase (decrease) in net position	\$ 7,129	\$ (20)	\$ 7,109	\$ 9,371	\$ 97	\$ 9,468

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

Table A-3 shows the District's eight largest functions - instructional programs, instructional student support, administrative, operation and maintenance of plant, pupil transportation, student activities, community services, food service as well as each program's net cost (total cost less revenues generated by the activities). This table also shows the net costs offset by the other unrestricted grants, subsidies, and contributions to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

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

**Table A-3
Fiscal Year ended June 30, 2013
Governmental Activities (In Thousands)**

Functions/Programs	2013		2012	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 65,906	\$ 56,133	\$ 62,459	\$ 53,692
Instructional student support	8,198	7,426	7,950	7,338
Administrative	8,275	7,773	7,876	7,492
Operation and maintenance	10,494	10,062	10,273	9,929
Pupil transportation	6,933	5,220	6,464	4,701
Student activities	1,637	1,450	1,538	1,321
Community services	11	(37)	8	6
Interest on long-term debt	2,982	1,529	3,894	1,151
Unallocated depreciation expense	4,079	4,079	3,969	3,969
Total governmental activities	\$ 108,515	\$ 93,635	\$ 104,431	\$ 89,599
Less:				
Unrestricted grants, subsidies		12,157		12,161
Total needs from local taxes and other revenues		\$ (81,478)		\$ (77,438)

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

**Table A-4
Fiscal Year ended June 30, 2013
Business – type
Activities**

Functions/Programs	2013		2012	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Food Services	\$ 3,191,914	\$ (19,932)	\$ 3,101,406	\$ 96,894
Less:				
Investment earnings & other misc.		174		171
Total business-type activities		\$ (19,758)		\$ 97,065

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

THE DISTRICT FUNDS

At June 30, 2013, the District governmental funds reported a combined fund balance of \$18,825,419, an increase of \$395,942 from the previous year.

General fund revenues exceeded expenditures (not including transfers) by \$960,396 but a \$1,122,033 transfer to the capital reserve fund caused the General Fund to show a final \$161,637 decrease in fund balance.

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

With the implementation of GASB Statement #54, Capital Reserve Fund balances are now reported as part of the Capital Projects balances. The overall Capital Projects Fund balances have increased by \$563,653.

The District utilizes the Capital Reserve Fund to actively prepare for unexpected and proposed capital projects each year. In order to fund these projects without the need for additional borrowing issues, the district has established this fund and makes transfers from available fund balance of the General Fund to this fund. Capital outlay projects and support costs of \$173,497 were covered by the Capital Reserve Fund this year, while \$1,122,033 was received from the General Fund, so the Capital Reserve Fund's fund balance increased by \$952,453.

The Capital Projects Fund had a negative change in its fund balance since ongoing construction project expenditures amounted to \$389,700. The Capital Project portion of fund balance decreased by \$388,800.

General Fund Budget

During the fiscal year, the Board of School Directors (The Board) authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. All adjustments are again confirmed at the time the annual audit is accepted, which is after the end of the fiscal year, which is not prohibited by state law. A statement showing the District's original and final budget amounts compared with amounts actually paid and received is provided in the Annual Financial Report.

Local revenues were higher than budgetary figures due to conservative budgeting based on the recession and assessment appeals starting to come in. Current, delinquent real estate and earned income tax revenues exceeded budgetary figures which offset lower interim real estate, transfer tax revenues and interest income. Total local revenue was \$763,177 higher than budgeted. State revenue was \$349,336 lower than budgetary figures, primarily due to lower rental, sinking fund and transportation revenues than budgeted. Special and basic education subsidy reimbursements exceeded budget projections while retirement and social security reimbursements were less than budgeted. Federal Revenue was \$200,849 higher than budgeted due to increased Title 1 grant revenues offsetting decreased funding received from other federal grants.

Salaries and benefits, utility costs and debt service, were lower than originally budgeted, driving the total expenditures (excluding fund transfers and budgetary reserve) to be \$3,276,194 lower than budgeted. See the Financial Highlights section near the beginning of this MD&A for further details.

Further, there were no significant, unexpected expenditures during the year, so the budgeted reserve amount was not needed. While the District does prepare a budget with a reserve each year for unexpected emergencies, this expenditure is dependent upon actual experience during the fiscal year. Board policy is to include a budgetary reserve account appropriation equal to 5% of the annual budget appropriations. The Board is using this method of budgeting to control tax increases while also protecting the integrity of the fund balance.

Transfers between specific categories of expenditures/financing uses occur during the year. The most significant transfers occur due to use of grant funds, whose amounts are not known at the time that the budget must be approved.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2013, the District had \$163,076,752 invested in a broad range of capital assets, including land, buildings, furniture and equipment. This amount represents a net decrease (including additions, deletions and depreciation) of \$3,682,955, or 2.21% from last year.

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

**Table A-5
Governmental & Business-Type Activities
Fiscal Year Ended June 30, 2013
Capital assets - net of depreciation**

	2013	2012
Land	\$ 11,235,048	\$ 11,235,048
Site Improvements	2,881,108	3,106,393
Buildings	146,878,321	127,975,781
Furniture & Equipment	1,893,655	1,976,875
Construction in Progress	188,620	22,465,610

DEBT ADMINISTRATION

As of July 1, 2012, the District had total outstanding debt of \$126,280,000. During the year, the District issued \$17,710,000 in additional debt, but retired and repaid \$28,465,000 resulting in ending outstanding debt as of June 30, 2013, of \$115,525,000

**Table A-6
Outstanding Debt**

	2013	2012
General Obligation Notes/Bonds:		
- Bonds, Series of 2013	\$ 7,810,000	\$ -
- Bonds, Series A of 2012	9,900,000	-
- Bonds, Series of 2012	9,500,000	9,500,000
- Bonds, Series A of 2011	12,145,000	13,960,000
- Bonds, Series A of 2010	3,985,000	3,990,000
- Bonds, Series of 2010	8,745,000	10,840,000
- Bonds, Series A of 2009	4,055,000	4,820,000
- Bonds, Series of 2009	8,590,000	8,940,000
- Bonds, Series A of 2008	2,365,000	4,245,000
- Bonds, Series of 2008	-	6,245,000
- Bonds, Series of 2007	-	8,985,000
- Bonds, Series A of 2007	12,000,000	12,100,000
- Bonds, Series A of 2005	11,605,000	12,320,000
- Bonds, Series AA of 2004	-	3,515,000
- Notes, Series A of 2004	10,400,000	11,100,000
- Notes, Series C of 2003	-	500,000
- Notes, Series A of 2003	10,300,000	10,500,000
- Notes, Series of 1998	4,125,000	4,720,000
TOTAL	\$ 115,525,000	\$ 126,280,000

Other obligations include accrued vacation pay and sick leave for specific employees of the District. More detailed information about our long-term liabilities is included in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's most recent general obligation bond rating of Aa2 (with an underlying rating of Aa2) was issued by Moody's Investor Service on December 6, 2012. The Aa2 rating reflects their opinion of the "District's

- Historically strong financial operations, resulting in satisfactory reserve levels

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

- A large suburban Allentown area community with wealth levels that exceed state and national medians
- An average debt profile that is expected to remain affordable as future capital and borrowing plans are minimal”

They stated that in their opinion, “The district continues to demonstrate its trend of solid operating flexibility through prudent budgetary practices” and “a history of structurally balanced operations”, but notes that “Going forward, management’s ability to maintain satisfactory financial flexibility by addressing rising expenditures and limited revenue growth will be a key rating driver”.

With the passing of Act 1, the District was required to pass a preliminary 2013-2014 budget in January 2013 and obtain approval for increasing taxes above an allowed index or pass a resolution stating that we would not exceed the index. The District approved a resolution in January 2013 that the 2013-2014 tax rate would not exceed the 1.7% increase permitted by the Act 1 index, even though the district projected it was eligible for a \$750,000 exception to the index cap for retirement contributions.

The revenue budget for the 2013-2014 year is \$3,275,057 higher than the original budget of 2012-2013, representing a 2.8% increase in budgeted revenues. There is no tax rate increase in the 2013-2014 budget. The district has reduced the millage rate from 46.75 mils to 16.1259 mils in order that the Lehigh County Reassessment changes effective July 2013 would be revenue neutral to the district. The expenditure budget for the 2013-2014 year is \$4,741,665 higher than the original budget for 2012-2013, or a 3.9% increase. The budgetary reserve accounts for \$6,343,178 of the total expenditure budget.

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

**Table A-7
BUDGETED REVENUES**

	2013-2014	2012-2013
Local	76.9%	77.9%
State	22.0%	21.2%
Federal/Other	1.1%	0.9%

BUDGETED EXPENDITURES

	2013-2014	2012-2013
Instruction	55.2%	54.2%
Support Services	27.2%	27.1%
Non-Instruction/Community	1.3%	1.3%
Fund Transfers/Debt	16.3%	17.4%

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Debra A. Surdoval, Business Manager at East Penn School District, 800 Pine Street, Emmaus, PA 18049, (610) 966-8307

BASIC FINANCIAL STATEMENTS

**East Penn School District
Statement of Net Position
As of June 30, 2013**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 24,647,807	\$ 158,293	\$ 24,806,100
Restricted Cash	5,001		5,001
Investments	-	-	-
Receivables, net	2,219,561	-	2,219,561
Internal Balances	3,243	7,297	-
Due From Other Governments	2,332,723	144,489	2,477,212
Other Receivables	13,294	8,501	21,795
Inventories	138,308	97,885	236,193
Prepaid Expenses	-	-	-
Other Current Assets	-	-	-
Total Current Assets	29,359,937	416,465	29,765,862
Non-Current Assets			
Other Long-Term Receivables	-	-	-
Land	11,235,048	-	11,235,048
Site Improvements (net of depreciation)	2,881,108	-	2,881,108
Building and Bldg. Improvements (net of depreciation)	146,878,321	-	146,878,321
Furniture and Equipment (net of depreciation)	1,893,655	278,450	2,172,105
Construction in Progress	188,620	-	188,620
Total Non-Current Assets	163,076,752	278,450	163,355,202
Total Assets	\$ 192,436,689	\$ 694,915	\$ 193,121,064
DEFERRED OUTFLOW OF RESOURCES			
Deferred Amount on Debt Refundings, net	1,650,256	-	1,650,256
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	\$ 194,086,945	\$ 694,915	\$ 194,771,320
LIABILITIES			
Current Liabilities:			
Internal Balances	\$ 7,297	\$ 3,243	\$ -
Due to other governments	331,795	-	331,795
Accounts Payable	1,792,571	182,519	1,975,090
Current Portion of Long-Term Obligations	12,254,611	-	12,254,611
Accrued Salaries and Benefits	6,406,856	-	6,406,856
Payroll Deductions and Withholdings	-	-	-
Prepayments	-	78,505	78,505
Deposit Payable	5,001	-	5,001
Other Current Liabilities	327,241	18,782	346,023
Total Current Liabilities	21,125,372	283,049	21,397,881
Non-Current Liabilities			
Bonds and Notes Payable	105,054,820	-	105,054,820
Extended Term Financing Agreements Payable	-	-	-
Lease Purchase Obligations	-	-	-
Long-Term Portion of Compensated Absences	1,496,830	32,684	1,529,514
Net OPEB Obligation	1,678,456	400	1,678,856
Other Retirement Benefits	1,973,780	-	1,973,780
Total Liabilities	131,329,258	316,133	131,634,851
DEFERRED INFLOW OF RESOURCES			
Unearned Revenue from Grants	-	-	-
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	131,329,258	316,133	131,634,851
NET POSITION			
Net Investment in Capital Assets	49,421,893	278,450	49,700,343
Restricted For:			
Retirement of Long-Term Debt	-	-	-
Capital Projects	2,818,681	-	2,818,681
Other Restrictions	-	-	-
Unrestricted (deficit)	10,517,113	100,332	10,617,445
TOTAL NET POSITION	62,757,687	378,782	63,136,469
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION	\$ 194,086,945	\$ 694,915	\$ 194,771,320

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

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

East Penn School District
Statement of Activities
For the Year Ended June 30, 2013

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
GOVERNMENTAL ACTIVITIES:							
Instruction	\$ 65,905,759	\$ 423,616	\$ 9,349,520	\$ -	\$ (56,132,623)	\$ -	\$ (56,132,623)
Instructional Student Support	8,197,573	-	771,767	-	(7,425,806)	-	(7,425,806)
Admin. & Fin'l Support Services	8,275,270	-	502,363	-	(7,772,907)	-	(7,772,907)
Oper. & Maint. of Plant Svcs.	10,493,905	-	431,579	-	(10,062,326)	-	(10,062,326)
Pupil Transportation	6,933,145	-	1,713,290	-	(5,219,855)	-	(5,219,855)
Student activities	1,637,155	166,844	20,293	-	(1,450,018)	-	(1,450,018)
Community Services	11,813	-	48,898	-	37,085	-	37,085
Interest on Long-Term Debt	2,982,400	-	-	1,452,611	(1,529,789)	-	(1,529,789)
Unallocated Depreciation Expense	4,078,533	-	-	-	(4,078,533)	-	(4,078,533)
TOTAL GOVERNMENTAL ACTIVITIES	108,515,553	590,460	12,837,710	1,452,611	(93,634,772)	-	(93,634,772)
BUSINESS-TYPE ACTIVITIES:							
Food Services	3,191,914	1,996,786	1,175,196	-	-	(19,932)	(19,932)
Other Enterprise Funds	-	-	-	-	-	-	-
TOTAL PRIMARY GOVERNMENT	\$ 111,707,467	\$ 2,587,246	\$ 14,012,906	\$ 1,452,611	\$ (93,634,772)	\$ (19,932)	\$ (93,654,704)
GENERAL REVENUES:							
Property taxes. Levied for general purposes, net					\$ 78,913,049	\$ -	\$ 78,913,049
Taxes levied for specific purposes					9,418,035	-	9,418,035
Grants, subsidies, & contributions not restricted					12,156,860	-	12,156,860
Investment Earnings					107,164	174	107,338
Miscellaneous Income					168,561	-	168,561
Special item - Gain (Loss) on sale of capital assets					-	-	-
Extraordinary Items					-	-	-
Transfers					-	-	-
TOTAL GENERAL REVENUES, SPECIAL ITEMS, EXTRAORDINARY ITEMS, AND TRANSFERS					100,763,669	174	100,763,843
CHANGES IN NET POSITION					7,128,897	(19,758)	7,109,139
NET POSITION - BEGINNING					56,710,671	398,540	57,109,211
PRIOR PERIOD ADJUSTMENT					(1,081,881)	-	(1,081,881)
NET POSITION - ENDING					\$ 62,757,687	\$ 378,782	\$ 63,136,469

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

**East Penn School District
Balance Sheet
Governmental Funds
As of June 30, 2013**

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 20,544,156	\$ 4,103,651	\$ -	\$ 24,647,807
Restricted Cash	5,001			5,001
Investments	-	-	-	-
Taxes Receivable, net	2,203,817	-	-	2,203,817
Due from other funds	3,243	-	-	3,243
Due from Other Governments	2,332,723	-	-	2,332,723
Other Receivables	13,294	-	-	13,294
Inventories	-	-	-	-
Prepaid Expenditures	-	-	-	-
Other Current Assets	-	-	-	-
TOTAL ASSETS	\$ 25,102,234	\$ 4,103,651	\$ -	\$ 29,205,885
<u>DEFERRED OUTFLOW OF RESOURCES</u>				
Deferred Charges of Bond Refundings, net	-	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOW OF RESOURCES	\$ 25,102,234	\$ 4,103,651	\$ -	\$ 29,205,885
<u>LIABILITIES</u>				
Due to Other Funds	\$ 7,297	\$ -	\$ -	\$ 7,297
Due to Other Governments	331,795	-	-	331,795
Accounts Payable	1,632,307	160,265	-	1,792,572
Current Portion of Long-Term Debt	274,018	-	-	274,018
Accrued Salaries and Benefits	6,406,856	-	-	6,406,856
Payroll Deductions and Withholdings	-	-	-	-
Deposit Payable	5,001	-	-	5,001
Other Current Liabilities	69,628	-	-	69,628
TOTAL LIABILITIES	8,726,902	160,265	-	8,887,167
<u>DEFERRED INFLOW OF RESOURCES</u>				
Unearned Revenue from Property Taxes	1,493,299	-	-	1,493,299
TOTAL LIABILITIES & DEFERRED INFLOW OF RESOURCES	10,220,201	160,265	-	10,380,466
FUND BALANCES:				
Nonspendable Fund Balance	-	-	-	-
Restricted Fund Balance	3,291	3,943,386	-	3,946,677
Committed Fund Balance	1,250,294	-	-	1,250,294
Assigned Fund Balance	11,724,785	-	-	11,724,785
Unassigned Fund Balance	1,903,663	-	-	1,903,663
TOTAL FUND BALANCES	14,882,033	3,943,386	-	18,825,419
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES	\$ 25,102,234	\$ 4,103,651	\$ -	\$ 29,205,885

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

**East Penn School District
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
As of June 30, 2013**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 18,825,419

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$217,226,307 and the accumulated depreciation is \$54,149,555. 163,076,752

Additional receivables established that do not meet the availability criteria reflected in the fund financial statements. This amount represents the difference between the prior year receivables and the current year receivables established under the accrual basis of accounting. -

This represents deferred outflow of resources resulting in deferred charges on refunding prior bond issues. This amount was previously reported as a contra to Bonds Payable under long-term debt; however GASB Statement No. 65 changed the classification of this item to deferred outflow of resources. 1,650,256

Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds. 1,509,043

The governmental funds follow the purchase method of inventory; therefore no inventory is reflected on the balance sheet. However, the statement of net position uses the consumption method of inventory. 138,308

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:

Bonds payable	\$ (116,429,820)	
Accrued interest on the bonds	(257,612)	
Compensated absences	(1,496,830)	
Other Retirement Benefits	(2,191,797)	
Net Pension Obligation	(387,576)	
Net OPEB Obligation	(1,678,456)	(122,442,091)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES **\$ 62,757,687**

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

East Penn School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES				
Local Sources	\$ 90,303,545	\$ 4,817	\$ -	\$ 90,308,362
State Sources	24,002,467	-	-	24,002,467
Federal Sources	1,281,590	-	-	1,281,590
TOTAL REVENUES	<u>115,587,602</u>	<u>4,817</u>	<u>-</u>	<u>115,592,419</u>
EXPENDITURES				
Instruction	65,822,573	-	-	65,822,573
Support Services	33,387,740	35,195	282,704	33,705,639
Operation of Non-Instructional Services	1,634,122	-	-	1,634,122
Capital Outlay	-	528,002	-	528,002
Debt Service	13,761,247	-	8,418	13,769,665
TOTAL EXPENDITURES	<u>114,605,682</u>	<u>563,197</u>	<u>291,122</u>	<u>115,460,001</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>981,920</u>	<u>(558,380)</u>	<u>(291,122)</u>	<u>132,418</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Bond Issues	-	-	-	-
Refunding Bond Proceeds	-	-	17,710,000	17,710,000
Bond Premiums	-	-	397,477	397,477
Insurance Recoveries	-	-	-	-
Interfund Transfers In	-	1,122,033	-	1,122,033
Sale/Compensation for Fixed Assets	-	-	-	-
Payment to bond refunding escrow agent	-	-	(17,822,429)	(17,822,429)
Bond Discounts	-	-	-	-
Refunds of Prior Year Receipts	(21,524)	-	-	(21,524)
Operating Transfers Out	(1,122,033)	-	-	(1,122,033)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,143,557)</u>	<u>1,122,033</u>	<u>285,048</u>	<u>263,524</u>
SPECIAL/EXTRAORDINARY ITEMS				
Special Items	-	-	-	-
Extraordinary Items	-	-	-	-
NET CHANGE IN FUND BALANCES	(161,637)	563,653	(6,074)	395,942
FUND BALANCES - BEGINNING	<u>15,043,670</u>	<u>3,379,733</u>	<u>6,074</u>	<u>18,429,477</u>
FUND BALANCES - ENDING	<u>\$ 14,882,033</u>	<u>\$ 3,943,386</u>	<u>\$ -</u>	<u>\$ 18,825,419</u>

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

**East Penn School District
 Reconciliation of the Governmental Funds
 Statement of Revenues, Expenditures, and Changes In Fund Balances
 to the Statement of Activities
 For the Year Ended June 30, 2013**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 395,942

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

	Depreciation expense	\$ 4,368,671	
	less - capital outlays	<u>685,716</u>	(3,682,955)

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

-

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

152,031

Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

10,940,000

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

(178,786)

SUB-TOTAL IN CHANGES BETWEEN BASIS OF ACCOUNTING **7,626,232**

**East Penn School District
Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures, and Changes In Fund Balances
to the Statement of Activities
For the Year Ended June 30, 2013**

SUB-TOTAL IN CHANGES BETWEEN BASIS OF ACCOUNTING \$ 7,626,232
(cont'd)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. This would include accumulated interest accreted on capital appreciation bonds. The additional interest accrued in the statement of activities over the amount due is shown here. (131,211)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Refunding bond issues becomes a use of current financial resources in governmental funds, but refundings represent payments of long-term debt in the statement of net position. This figure represents the difference between bond proceeds and refunding payments made to paying agents. (285,047)

In the statement of activities, certain operating revenues are recognized when earned versus the revenues using the modified accrual basis of accounting in the fund statements that are recognized when the funds are available. As such, the amount shown here represents the difference between earned revenues and revenues that are earned, but not available. (100,000)

The governmental funds use the purchase method of inventory, where all items purchased are charged to expenditures. However, the statement of activities is reflected on the consumption method of recording inventory type items; therefore, this adjustment reflects the inventory difference. 18,923

CHANGE IN NET POSITION ON GOVERNMENTAL ACTIVITES **\$ 7,128,897**

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

East Penn School District
Statement of Fund Net Position - Proprietary Funds
As of June 30, 2013

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
<u>ASSETS</u>			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 158,293	\$ -	\$ 158,293
Investments	-	-	-
Due from other funds	7,297	-	7,297
Due From Other Governments	144,489	-	144,489
Other Receivables	8,501	-	8,501
Inventories	97,885	-	97,885
Prepaid expenses	-	-	-
Other Current Assets	-	-	-
TOTAL CURRENT ASSETS	416,465	-	416,465
NON-CURRENT ASSETS:			
Building & Bldg. Improvements (net)	-	-	-
Machinery & Equipment (net)	278,450	-	278,450
Other Long-Term Receivables	-	-	-
TOTAL NON-CURRENT ASSETS	278,450	-	278,450
TOTAL ASSETS	\$ 694,915	\$ -	\$ 694,915
<u>DEFERRED OUTFLOW OF RESOURCES</u>			
Deferred Charges on Refundings	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOW OF RESOURCES	\$ 694,915	\$ -	\$ 694,915
<u>LIABILITIES</u>			
CURRENT LIABILITIES:			
Due to Other Funds	\$ 3,243	\$ -	\$ 3,243
Due to Other Governments	-	-	-
Accounts Payable	182,519	-	182,519
Compensated Absences	-	-	-
Accrued Salaries and Benefits	-	-	-
Other Current Liabilities	18,782	-	18,782
Prepayments	78,505	-	78,505
TOTAL CURRENT LIABILITIES	283,049	-	283,049
NON-CURRENT LIABILITIES:			
Long-Term Portion of Compensated Absences	32,684	-	32,684
Net OPEB Obligation	400	-	400
TOTAL NON-CURRENT LIABILITIES	33,084	-	33,084
TOTAL LIABILITIES	316,133	-	316,133
<u>DEFERRED INFLOW OF RESOURCES</u>			
Unearned Revenue	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOW OF RESOURCES	316,133	-	316,133
<u>FUND NET POSITION</u>			
Net Investment in Capital Assets	278,450	-	278,450
Restricted for Legal Purposes	-	-	-
Unrestricted	100,332	-	100,332
TOTAL FUND NET POSITION	378,782	-	378,782
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND NET POSITION	\$ 694,915	\$ -	\$ 694,915

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

East Penn School District
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds
For the Year Ended June 30, 2013

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
OPERATING REVENUES:			
Food Service Revenue	\$ 1,996,786	\$ -	\$ 1,996,786
Charges for Services	-	-	-
Other Operating Revenues	-	-	-
TOTAL OPERATING REVENUES	1,996,786	-	1,996,786
OPERATING EXPENSES:			
Salaries	1,131,783	-	1,131,783
Employee Benefits	340,968	-	340,968
Purchased Professional and Technical Services	4,739	-	4,739
Purchased Property Service	27,635	-	27,635
Other Purchased Services	1,420,609	-	1,420,609
Supplies	175,346	-	175,346
Depreciation	29,789	-	29,789
Dues and Fees	-	-	-
Claims and Judgments	-	-	-
Other Operating Expenses	61,045	-	61,045
TOTAL OPERATING EXPENSES	3,191,914	-	3,191,914
OPERATING INCOME (LOSS)	(1,195,128)	-	(1,195,128)
NON-OPERATING REVENUES (EXPENSES)			
Earnings on investments	174	-	174
Contributions and Donations	-	-	-
Gain/Loss on Sale of Fixed Assets	-	-	-
State Sources	208,965	-	208,965
Federal Sources	966,231	-	966,231
TOTAL NON-OPERATING REVENUES (EXPENSES)	1,175,370	-	1,175,370
INCOME (LOSS) BEFORE CONTRIBUTIONS	(19,758)	-	(19,758)
Capital Contributions	-	-	-
Transfers in (out)	-	-	-
CHANGES IN FUND NET POSITION	(19,758)	-	(19,758)
FUND NET POSITION - BEGINNING	398,540	-	398,540
FUND NET POSITION - ENDING	\$ 378,782	\$ -	\$ 378,782

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

East Penn School District
Statement of Cash Flows - Proprietary Funds
As of June 30, 2013

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Users	\$ 1,992,017	\$ -	\$ 1,992,017
Cash Received from Assessments made to Other Funds	-	-	-
Cash Received from Earnings on Investments	-	-	-
Cash Received from Other Operating Revenue	-	-	-
Cash Payments to Employees for Services	(1,482,897)	-	(1,482,897)
Cash Payments for Insurance Claims	-	-	-
Cash Payments to Suppliers for Goods and Services	(1,399,858)	-	(1,399,858)
Cash Payments to Other Operating Expenses	-	-	-
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>(890,738)</u>	<u>-</u>	<u>(890,738)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Local Sources	-	-	-
State Sources	197,946	-	197,946
Federal Sources	698,598	-	698,598
Capital Contributions	-	-	-
Interest Paid on Notes/Loans	-	-	-
Operating Transfers In (Out)	-	-	-
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	<u>896,544</u>	<u>-</u>	<u>896,544</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of Equipment	(6,183)	-	(6,183)
Gain/Loss on Sale of Fixed Assets (Proceeds)	-	-	-
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(6,183)</u>	<u>-</u>	<u>(6,183)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Earnings on Investments	174	-	174
Purchase of Investment Securities/Deposits to Investment Pools	-	-	-
Withdrawals from Investment Pools	-	-	-
Proceeds from Sale and Maturity of Investment Securities	-	-	-
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	<u>174</u>	<u>-</u>	<u>174</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(203)	-	(203)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>158,496</u>	<u>-</u>	<u>158,496</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 158,293</u>	<u>\$ -</u>	<u>\$ 158,293</u>

East Penn School District
Statement of Cash Flows - Proprietary Funds
As of June 30, 2013

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

	<u>FOOD SERVICE</u>	<u>NON-MAJOR FUNDS</u>	<u>TOTAL</u>
OPERATING INCOME (LOSS)	\$ (1,195,128)	\$ -	(1,195,128)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES			
Depreciation and Net Amortization	29,789	-	29,789
Provision for Uncollectible Accounts	-	-	-
Donated Commodities Used	149,616	-	149,616
CHANGE IN ASSETS AND LIABILITIES:			
(Increase) Decrease in Accounts Receivable	(5,004)	-	(5,004)
(Increase) Decrease in Advances to Other Funds	235	-	235
(Increase) Decrease in Inventories	-	-	-
(Increase) Decrease in Prepaid Expenses	(10,649)	-	(10,649)
(Increase) Decrease in Other Current Assets	-	-	-
Increase (Decrease) in Accounts Payable	157,520	-	157,520
Increase (Decrease) in Accrued Salaries and Benefits	(10,546)	-	(10,546)
Increase (Decrease) in Advances from Other Funds	2,405	-	2,405
Increase (Decrease) in Net OPEB Obligations	400	-	400
Increase (Decrease) in Other Current Liabilities	(9,376)	-	(9,376)
TOTAL ADJUSTMENTS	<u>304,390</u>	<u>-</u>	<u>304,390</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ (890,738)</u>	<u>\$ -</u>	<u>\$ (890,738)</u>

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

East Penn School District
Statement of Net Position - Fiduciary Funds
As of June 30, 2013

	PRIVATE PURPOSE TRUST	PENSION AND OTHER EMPLOYEE BENEFIT TRUST	AGENCY FUNDS
ASSETS			
Cash and cash equivalents	\$ 34,827	\$ -	\$ 676,805
Investments	105,160	-	-
Due from Other Funds	-	-	-
Other Receivables	-	-	10,664
Prepaid Expenses	-	-	-
Other Current Assets	-	-	-
TOTAL ASSETS	\$ 139,987	\$ -	\$ 687,469
DEFERRED OUTFLOW OF RESOURCES			
Deferred Charges on Refundings, net	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOW OF RESOURCES	\$ 139,987	\$ -	\$ 687,469
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-
Due to Student Clubs	-	-	284,340
Other Current Liabilities	-	-	403,129
TOTAL LIABILITIES	-	-	687,469
DEFERRED INFLOW OF RESOURCES			
Unearned Revenue	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOW OF RESOURCES	-	-	687,469
NET POSITION			
Restricted	-	-	-
Unrestricted	139,987	-	-
TOTAL NET POSITION	\$ 139,987	\$ -	\$ -

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

East Penn School District
Statement of Changes in Net Position - Fiduciary Funds
For the Year Ended June 30, 2013

	PRIVATE-PURPOSE TRUST FUND	PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
ADDITIONS		
Contributions	\$ 39,946	\$ -
Transfers from other funds	-	-
INVESTMENT EARNINGS:		
Interest and Dividends	526	-
Net increase (decrease) in fair value of investments	-	-
Less investment expense	-	-
TOTAL ADDITIONS	40,472	-
 DEDUCTIONS		
Transfers to other funds	-	-
Administrative charges	-	-
Scholarships	21,637	-
TOTAL DEDUCTIONS	21,637	-
 CHANGES IN NET POSITION	 18,835	 -
 NET POSITION - BEGINNING OF YEAR	 121,152	 -
 NET POSITION - END OF YEAR	 \$ 139,987	 \$ -

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

East Penn School District
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual -
General Fund
For the Year Ended June 30, 2013

	<u>BUDGET AMOUNTS</u>		<u>ACTUAL</u> <u>(BUDGETARY BASIS)</u>	<u>VARIANCE WITH</u> <u>FINAL BUDGET</u> <u>POSITIVE</u>	<u>BUDGET TO</u> <u>GAAP</u> <u>DIFFERENCE</u>	<u>ACTUAL</u> <u>AMOUNTS</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>(NEGATIVE)</u>		<u>GAAP BASIS</u>
REVENUES						
Local Sources	\$ 89,540,368	\$ 89,540,368	\$ 90,303,545	\$ 763,177	\$ -	\$ 90,303,545
State Sources	24,351,803	24,351,803	24,002,467	(349,336)	-	24,002,467
Federal Sources	<u>1,080,740</u>	<u>1,080,740</u>	<u>1,281,590</u>	<u>200,850</u>	-	<u>1,281,590</u>
TOTAL REVENUES	<u>114,972,911</u>	<u>114,972,911</u>	<u>115,587,602</u>	<u>614,691</u>	-	<u>115,587,602</u>
EXPENDITURES						
Regular Instruction	47,743,514	47,612,333	46,185,422	1,426,911	-	46,185,422
Special Programs	15,429,293	15,452,000	14,983,062	468,938	-	14,983,062
Vocational Programs	3,118,453	3,224,418	3,163,978	60,440	-	3,163,978
Other Instructional Programs	467,563	534,601	459,937	74,664	-	459,937
Nonpublic School Programs	19,000	36,374	35,497	877	-	35,497
Adult Education Programs	64,019	40,879	29,542	11,337	-	29,542
Community/Junior College Ed. Programs	965,135	965,135	965,135	-	-	965,135
Pupil Personnel Services	3,796,563	3,834,126	3,694,881	139,245	-	3,694,881
Instructional Staff Services	3,282,869	3,291,880	3,252,513	39,367	-	3,252,513
Administrative Services	5,312,551	5,314,893	5,155,231	159,662	-	5,155,231
Pupil Health	1,266,853	1,309,353	1,279,406	29,947	-	1,279,406
Business Services	956,107	932,771	897,941	34,830	-	897,941
Operation & Maintenance of Plant Services	11,082,931	10,799,431	10,427,003	372,428	-	10,427,003
Student Transportation Services	6,446,432	6,936,522	6,931,472	5,050	-	6,931,472
Central Support Services	1,582,585	1,639,349	1,610,840	28,509	-	1,610,840
Other Support Services	138,569	140,499	138,453	2,046	-	138,453
Student Activities	1,636,552	1,685,924	1,623,498	62,426	-	1,623,498
Community Services	6,600	11,700	10,624	1,076	-	10,624
Facilities, Acquisition and Construction	-	-	-	-	-	-
Debt Service	<u>15,628,320</u>	<u>14,119,688</u>	<u>13,761,247</u>	<u>358,441</u>	-	<u>13,761,247</u>
TOTAL EXPENDITURES	<u>118,943,909</u>	<u>117,881,876</u>	<u>114,605,682</u>	<u>3,276,194</u>	-	<u>114,605,682</u>
Excess (deficiency) of revenues over expenditures	<u>(3,970,998)</u>	<u>(2,908,965)</u>	<u>981,920</u>	<u>3,890,885</u>	-	<u>981,920</u>
OTHER FINANCING SOURCES (USES)						
Interfund Transfers In	-	-	-	-	-	-
Sale/Compensation for Fixed Assets	2,100	2,100	-	(2,100)	-	-
Insurance Recoveries	-	-	-	-	-	-
Refund of Prior Year Receipts	-	(40,000)	(21,524)	18,476	-	(21,524)
Fund Transfers Out	(100,000)	(1,122,033)	(1,122,033)	-	-	(1,122,033)
Budgetary Reserve	<u>(5,952,195)</u>	<u>(5,952,195)</u>	<u>-</u>	<u>5,952,195</u>	-	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(6,050,095)</u>	<u>(7,112,128)</u>	<u>(1,143,557)</u>	<u>5,968,571</u>	-	<u>(1,143,557)</u>
Special Items	-	-	-	-	-	-
Extraordinary Items	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	<u>(10,021,093)</u>	<u>(10,021,093)</u>	<u>(161,637)</u>	<u>9,859,456</u>	-	<u>(161,637)</u>
FUND BALANCE - JULY 1, 2012	<u>11,279,872</u>	<u>\$ 11,279,872</u>	<u>\$ 15,043,670</u>	<u>\$ 3,763,798</u>	<u>\$ -</u>	<u>\$ 15,043,670</u>
FUND BALANCE - JUNE 30, 2013	<u>\$ 1,258,779</u>	<u>\$ 1,258,779</u>	<u>\$ 14,882,033</u>	<u>\$ 13,623,254</u>	<u>\$ -</u>	<u>\$ 14,882,033</u>

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

East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013

Note 1 - Description of the School District and Reporting Entity

School District

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

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

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

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

Board of School Directors

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

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

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

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

Administration

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

East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013

Board of School Directors. The Superintendent shall be responsible for the overall administration, supervision, and operation of the School District.

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

Reporting Entity

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

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

Joint Ventures

Lehigh Career and Technical Institute

The School District is a participating member of the Lehigh Career and Technical Institute (LCTI). The LCTI is run by a joint committee consisting of members from each participating district. No participating district appoints a majority of the joint committee. The board of directors of each participating district must approve the LCTI's annual operating budget. Each participating district pays a pro-rata share of the LCTI's operating costs based on the number of students attending the LCTI for each District. The District's share of the LCTI operating costs for 2012-13 was \$2,180,240.

On dissolution of the Lehigh Career and Technical Institute, the net position of LCTI will be shared on a pro-rata basis of each participating district's current market value of taxable real property as certified by the Pennsylvania State Tax Equalization Board. However, the District does not have an equity interest in LCTI as defined by GASB Statement No. 14, except a residual interest in the net position upon dissolution that should not be reflected on the basic financial statements. Complete financial statements for the LCTI can be obtained from the LCTI's administrative office at 2300 Main Street, Schnecksville, PA.

East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013

Lehigh-Carbon Community College.

The District is a participating member of the Lehigh-Carbon Community College (LCCC). The LCCC is run by a Board of Trustees elected by the participating member districts' boards of directors. No participating district appoints a majority of the Board of Trustees. A vote of two-thirds of all member districts shall be required for approval of the LCCC's annual operating budget. The amount of the annual operating costs of the LCCC shall be apportioned among the member districts on the basis of the number of full-time equivalent students enrolled in LCCC and residing in the respective geographical areas of each of the member districts. The District's share of LCCC's operating costs for 2012-13 was \$965,135.

On dissolution of the Lehigh-Carbon Community College, the net position of LCCC will be shared on a pro-rata basis of each member district's current market value of taxable real property as certified by the Pennsylvania State Tax Equalization Board. However, the District does not have an equity interest in LCCC as defined by GASB Statement No. 14, except a residual interest in the net position upon dissolution that should not be reflected on the basic financial statements. Complete financial statements for the LCCC can be obtained from the LCCC's administrative office at 2300 Main Street, Schnecksville, PA.

Jointly Governed Organizations

Carbon-Lehigh Intermediate Unit

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

Note 2 - Summary of significant accounting policies

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

A. *Basis of Presentation*

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

East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013

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

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

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

B. Fund Accounting

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

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

General Fund

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

East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013

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

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

Capital Project Funds

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

The District has the following Capital Project Funds:

a) 2010 Construction Fund

This fund received the proceeds of \$4,000,000 from the General Obligation Bonds – Series A of 2010. The proceeds will be used for capital improvements to facilities owned and operated by the school district, and to pay costs of issuance.

b) Capital Reserve Fund

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

Proprietary Funds Proprietary funds focus on the determination of changes in net position, financial position and cash flows and are classified as enterprise funds.

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

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

Fiduciary Funds Fiduciary funds reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments, and are therefore not available to support the School District's own programs. The School District has two private purpose trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013

C. Measurement Focus

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

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

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

D. 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. Government funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also 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 inflow of resources, and in the presentation of expenses versus expenditures.

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

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

East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013

a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

E. Budgetary Process

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

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

Accelerated Budget Process Option

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

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

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

Board Resolution Option

Under the Board Resolution Option, the Board shall adopt a resolution that it will not raise the rate of any tax for the following fiscal year by more than the Index. Such resolution shall be adopted no later than 110 days prior to the primary election. At least 30 days prior to adoption of the final budget the Board shall prepare a proposed budget. The proposed budget shall be available for public inspection at least 20 days prior to adoption of the budget. The Board shall give public notice of its intent to adopt at least 10 days prior to adoption of the proposed budget. The Board shall annually adopt the final budget by a majority vote of all members of the Board by June 30.

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

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the PDE 2028 when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all 2012-13 budget transfers.

East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013

F. Change in Accounting Principles

During the 2012-13 fiscal year the District implemented the required GASB Statement No. 63, which establishes five (5) elements to the financial position statement previously known as the *Statement of Net Assets*, and now known as the *Statement of Net Position*. The five (5) elements are: Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources, and Net Position. The definition of these elements can be found in GASB Concepts Statement No. 4; however, a deferred outflow of resources is a consumption of net assets by the government that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net assets by the government that is applicable to a future reporting period.

In addition, the District has chosen to early implement GASB Statement No. 65, which was issued to explain what items previously classified as assets and liabilities will now be classified as deferred outflows of resources and deferred inflows of resources. As such, previously unamortized bond issuance costs are being adjusted to expense on the Statement of Activities because Statement No. 65 now requires bond issuance costs to be expensed in the year incurred. Also, deferred charges on refundings of bond issues has been reclassified by GASB Statement No. 65 from a contra of bonds payable to a deferred outflow of resources.

G. Use of Estimates

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

H. Assets, Liabilities, and Net Position

Cash and Cash Equivalents

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

Investments

In accordance with GASB Statement 31, investments are stated at fair value, except:

- a) Non-participating interest earning investment contracts are recorded at amortized cost;
- b) Money market investments and participating interest earning investment contracts that mature within one year of acquisition are recorded at amortized cost; and,
- c) Investments held in 2a7-like pools (Pennsylvania Local Government Investment Trust and Pennsylvania Treasurer's Invest Program), are recorded at the pool's share price.

Receivables and Payables

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

East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013

Property Tax Levy

Property taxes, which were levied during the fiscal year ended June 30, 2013, are recognized as revenue in the fund financial statements when received by the District during the fiscal year and also estimated to be received by the District within sixty (60) days after the fiscal year ended.

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

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

Inventories

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis, and are expensed when used. As of June 30, 2013, the inventory shown in the governmental activities column of the government-wide statement of net position is \$138,308 and \$97,885 is shown as inventory in the business-type activities column of the government-wide statement of net position.

Inventory type items in governmental funds utilize the purchase method, that is, they are charged to expenditures when purchased. There was no physical inventory taken as of June 30, 2013; therefore, there is no offsetting nonspendable fund balance in the General Fund.

Inventory type items in Proprietary Funds use the consumption method, in which items are purchased for inventory and charged to expenses when used. The only Proprietary Fund of the District is the Food Service Fund. Inventory within this fund consists of supplies purchases, food and donated commodities, which are valued at U.S.D.A.'s approximate costs. Inventories on hand at June 30, 2013, consist of:

Donated Commodities	\$	59,291
Supplies		12,357
Food		<u>26,237</u>
TOTAL	\$	<u>97,885</u>

Prepaid Expenses

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

Capital Assets

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

**East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

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

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

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings and Improvements	10 -50 years	10 - 50 years
Furniture and Equipment	5 - 20 years	5 -20 years
Vehicles	8 years	8 years

Compensated Absences

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

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

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

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

Long-Term Obligations

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

East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013

In the government-wide financial statements, and proprietary fund types 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 while discounts and premiums on debt issuances are reported as other financing uses and other financing sources, respectively. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as support service expenditures.

Reclassification

Certain amounts have been reclassified to conform to the June 30, 2013, presentation of government-wide financial statements on the accrual basis of accounting versus the governmental fund financial statements reported on the modified accrual basis of accounting.

Net Position

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

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

Fund Balance Categories

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Below are the potential categories of fund balance the government may use with their definitions, the actual categories used is explained in Note 7 to the financial statements:

Nonspendable Fund Balance

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

Restricted Fund Balance

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

East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013

Committed Fund Balance

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

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

Assigned Fund Balance

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

Unassigned Fund Balance

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

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

Contributions of Capital

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

Note 3 - Reconciliation of government-wide and fund financial statements

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

The governmental fund balance sheet includes reconciliation between "fund balance -total governmental funds" and "net position - governmental activities" as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds". The details of this \$122,442,091 differences are:

**East Penn School District
Notes To Basic Financial Statements
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Bonds payable	\$ 115,525,000
Less: Issuance discount (to be amortized as interest expense)	(88,578)
Add: Issuance premium (to be amortized as a contra to interest expense)	993,398
Accrued interest payable	257,612
Other Retirement Benefits	2,191,797
Net Pension Obligation	387,576
Net OPEB Obligation	1,678,456
Compensated absences	<u>1,496,830</u>
 Net adjustment to reduce "fund balance - total governmental funds" to arrive at "net position - governmental activities"	 <u>\$ 122,442,091</u>

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

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

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

**East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

	TOTAL GOVERN- MENTAL FUNDS	LONG-TERM REVENUES/ EXPENSES	CAPITAL RELATED ITEMS	LONG-TERM DEBT TRANS- ACTIONS	TOTAL FOR STATEMENT OF ACTIVITIES
REVENUES AND OTHER SOURCES					
LOCAL SOURCES:					
Property Taxes	\$ 78,761,019	\$ 152,030	\$ -	\$ -	\$ 78,913,049
Taxes levied for specific purposes	9,418,035	-	-	-	9,418,035
Interest and investment earnings	107,164	-	-	-	107,164
Miscellaneous	153,611	-	-	-	153,611
Contributions and Donations	114,950	(100,000)	-	-	14,950
Charges for Services	590,460	-	-	-	590,460
Grants, subsidies & contributions not restricted	12,156,860	-	-	-	12,156,860
INTERMEDIATE SOURCES:					
Charges for Services	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-
STATE SOURCES:					
Operating & Capital grants and contributions	11,857,097	-	-	-	11,857,097
FEDERAL SOURCES:					
Operating & Capital grants and contributions	2,433,224	-	-	-	2,433,224
SPECIAL AND EXTRAORDINARY SOURCES:					
Bond Premium	397,477	-	-	(397,477)	-
Proceeds from Refunding of Bonds	17,710,000	-	-	(17,710,000)	-
Gain or (Loss) on disposal of assets	-	-	-	-	-
TOTAL REVENUES	133,699,897	52,030	-	(18,107,477)	115,644,450
EXPENDITURES/EXPENSES					
Instruction	65,822,573	(46,544)	129,730	-	65,905,759
Instructional Student Support	8,226,800	37,038	(66,265)	-	8,197,573
Admin. & Fin'l Support Services	8,086,233	143,373	45,664	-	8,275,270
Oper. & Maint. Of Plant Svcs.	10,472,497	20,395	1,013	-	10,493,905
Pupil Transportation	6,931,472	-	1,673	-	6,933,145
Student activities	1,623,498	5,602	8,055	-	1,637,155
Community Services	10,624	-	1,189	-	11,813
Capital Outlay	516,640	-	(516,640)	-	-
Debt Service	31,613,617	-	-	(28,631,217)	2,982,400
Transfers Out	-	-	-	-	-
Depreciation - unallocated	-	-	4,078,533	-	4,078,533
Impairment Loss	-	-	-	-	-
TOTAL EXPENDITURES/EXPENSES	133,303,954	159,864	3,682,952	(28,631,217)	108,515,553
NET CHANGE FOR THE YEAR	\$ 395,943	\$ (107,834)	\$ (3,682,952)	\$ 10,523,740	\$ 7,128,897

Note 4 - Stewardship, Compliance, and Accountability

A. Compliance with finance related legal and contractual provisions

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

B. Deficit fund balance or net position of individual funds

No individual fund contains a deficit fund balance or net position at June 30, 2013.

C. Excess of expenditures over appropriations in individual funds

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

**East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

D. Budgetary compliance

The District's only legally adopted budget is for the General Fund. All budgetary transfers were made within the last nine months of the fiscal year. The District cancels all purchase orders open at year-end; therefore, it does not have any outstanding encumbrances at June 30, 2013. In addition, the District includes a portion of the prior year's fund balance represented by unappropriated liquid assets remaining in the fund as budgeted revenue in the succeeding year. The results of operations on a GAAP basis do not recognize the fund balance allocation as revenue as it represents prior period's excess of revenues over expenditures.

Note 5 - Detailed notes on all funds and account groups

Cash

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The District does not have a policy for custodial credit risk. As of June 30, 2013, \$18,017,407, of the District's bank balance of 18,867,565 and restricted cash of \$5,001 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 5,001
Collateralized with securities held by the pledging financial institution	-
Uninsured and collateral held by the pledging bank's trust department not in the District's name	18,012,406
TOTAL	\$ 18,017,407

Reconciliation to Financial Statements

Uncollateralized Amount above	\$ 18,012,405
Plus: Insured Amount	855,160
Less: Outstanding Checks	(920,616)
Carrying Amount - Cash Balances	17,946,949
Plus: Petty Cash	1,890
Deposit in Pooled Investments Considered Cash Equivalents	7,679,054
Less: Certificates of Deposit considered Investments by School Code	(105,160)
TOTAL CASH PER FINANCIAL STATEMENTS	\$ 25,522,733

Investments

Permitted investments for Pennsylvania School Districts are defined in the Public School Code of 1949 as:

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

**East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

4. Obligations of the United States of America or any of its agencies or instrumentalities, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities or any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities.

As of June 30, 2013, the District had the following investments:

<i>Investment</i>	Maturities	Fair Value
PLGIT		\$ 6,544,434
PLGIT-ARM		1,134,620
Certificates of Deposit		105,160
TOTAL		\$ 7,784,214

Interest Rate Risk

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

Credit Risk

The District has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2013, the District's investment in PLGIT was rated AAA by Standard & Poor's.

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer. Of the Fiduciary Activities' investments, 85.95% are in Certificate of Deposit. Of the Entity Wide investments, only 1.35% are in Certificate of Deposit.

Reconciliation to Financial Statements

Total Investments Above	\$ 7,784,214
Less: Deposits in Investment Pool Considered Cash Equivalents	(7,679,054)
Total Investments Per Financial Statements	\$ 105,160

Property Taxes

Property taxes are levied on July 1, on the assessed value listed, as of that date, for all taxable real property located in the District. Assessed values are established by the County Board of Assessments. All taxable real property was assessed at \$1,741,537,750. The tax rate for the year was \$4.675 per \$100 of assessed valuation or 46.75 mills. In accordance with Act 1 of 2006, the District received \$1,795,989 in property tax reduction funds for the 2012-13 fiscal year.

**East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

The property tax calendar is:

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

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

Receivables

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

	GENERAL FUND	CAPITAL PROJECT FUNDS	FOOD SERVICE FUND	NON- MAJOR FUNDS	FIDUCIARY FUNDS	TOTAL
RECEIVABLES:						
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	2,203,817	-	-	-	-	2,203,817
Accounts	13,294	-	8,501	-	10,664	32,459
Intergovernmental	2,332,723	-	144,489	-	-	2,477,212
GROSS RECEIVABLES	4,549,834	-	152,990	-	10,664	4,713,488
Less: Allowance for Uncollectibles	-	-	-	-	-	-
NET RECEIVABLES	\$ 4,549,834	\$ -	\$ 152,990	\$ -	\$ 10,664	\$ 4,713,488

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

	<u>UNAVAILABLE</u>	<u>UNEARNED</u>
Delinquent Property Taxes - General Fund	\$ 1,493,299	\$ -
Grants drawdowns prior to meeting eligibility requirements	-	-
TOTAL	\$ 1,493,299	\$ -

East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013

Capital Assets

Capital asset balances and activity for the year ending June 30, 2013, were:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
GOVERNMENTAL ACTIVITIES:				
Capital Assets not being depreciated:				
Land	\$ 11,235,048	\$ -	\$ -	\$ 11,235,048
Construction in Progress	22,465,610	516,640	(22,793,630)	188,620
Total Capital Assets not being depreciated	<u>33,700,658</u>	<u>516,640</u>	<u>(22,793,630)</u>	<u>11,423,668</u>
Capital Assets being depreciated:				
Site Improvements	6,419,499	8,963	-	6,428,462
Buildings and Improvements	171,646,306	22,783,720	-	194,430,026
Furniture and Equipment	4,774,128	170,024	-	4,944,152
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>182,839,933</u>	<u>22,962,707</u>	<u>-</u>	<u>205,802,640</u>
Less accumulated depreciation for:				
Site Improvements	(3,313,106)	(234,248)	-	(3,547,354)
Buildings and Improvements	(43,670,525)	(3,881,180)	-	(47,551,705)
Furniture and Equipment	(2,797,253)	(253,244)	-	(3,050,497)
TOTAL ACCUMULATED DEPRECIATION	<u>(49,780,884)</u>	<u>(4,368,672)</u>	<u>-</u>	<u>(54,149,556)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED NET OF ACCUMULATED DEPRECIATION	<u>133,059,049</u>	<u>18,594,035</u>	<u>-</u>	<u>151,653,084</u>
 GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION				
	<u>\$ 166,759,707</u>	<u>\$ 19,110,675</u>	<u>\$ (22,793,630)</u>	<u>\$ 163,076,752</u>
 BUSINESS-TYPE ACTIVITIES:				
Capital Assets being depreciated:				
Furniture and Equipment	\$ 1,220,113	\$ 6,183	\$ -	\$ 1,226,296
Less accumulated depreciation	(918,057)	(29,789)	-	(947,846)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	<u>\$ 302,056</u>	<u>\$ (23,606)</u>	<u>\$ -</u>	<u>\$ 278,450</u>

**East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

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

Regular Instruction	\$ 136,884
Special Instruction	3,111
Vocational Instruction	-
Other Instruction	-
Adult Instruction	-
Community College Instruction	-
Pupil Services	116
Instructional Staff Svcs.	42,920
Administrative Services	3,514
Health Services	333
Business Services	1,493
Operation & Maintenance of Plant Svcs.	44,243
Pupil Transportation	1,673
Central Services	46,606
Other Support Services	-
Student Activities	8,056
Community Services	1,190
Depreciation - unallocated	<u>4,078,533</u>
TOTAL DEPRECIATION FOR GOVERNMENTAL ACTIVITIES	<u>\$ 4,368,672</u>

The government did not dispose of any capital assets during the year. The business-type activities did not dispose of any capital assets during the year.

Commitments

Encumbrances

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

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

Long-Term Construction Commitments

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

**East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

	<u>CONTRACT AMOUNT</u>	<u>EXPENDED TO 6/30/13</u>	<u>OUTSTANDING COMMITMENTS</u>
<u>WILLOW LANE ELEMENTARY</u>			
General Contractor- Perrotto Builders	\$ 13,979,794	\$ 13,425,295	\$ 554,499
TOTAL	\$ 13,979,794	\$ 13,425,295	\$ 554,499
<u>LINCOLN ROOF REPLACEMENT</u>			
Spotts Brothers	370,800	148,950	221,850
GRAND TOTAL	\$ 14,350,594	\$ 13,574,245	\$ 776,349

Short-term debt

Interfund receivables and payables

The following interfund receivables and payables were in existence on June 30, 2013:

	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 3,243	\$ 7,297
Special Revenue (Capital Reserve) Fund	-	-
Capital Project (2004AA Construction) Fund	-	-
Enterprise (Food Service) Fund	7,297	3,243
Agency (Payroll) Fund	-	-
Agency (Activity) Fund	-	-
TOTAL	\$ 10,540	\$ 10,540

The District also made the following interfund transfers during the fiscal year ended June 30, 2013

	<u>TRANSFER IN</u>	<u>TRANSFER OUT</u>
General Fund	\$ -	\$ 1,122,033
Capital Project (Capital Reserve) Fund	1,122,033	-
Capital Project (2010 Construction) Fund	-	-
TOTAL	\$ 1,122,033	\$ 1,122,033

**East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

Long-term liabilities

Long-term liability balances and activity for the year ended June 30, 2013, were:

Changes in Long-Term Liabilities

	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>ENDING BALANCE</u>	<u>AMOUNTS DUE WITHIN ONE YEAR</u>
<u>GOVERNMENTAL ACTIVITIES</u>					
General Obligation Debt:					
<i>Bonds and notes payable:</i>					
Capital Projects	\$ 125,120,019	\$ 20,480,238	\$ 29,170,437	\$ 116,429,820	\$ 11,375,000
Other than capital projects	-	-	-	-	-
Total general obligation debt	125,120,019	20,480,238	29,170,437	116,429,820	11,375,000
<i>Other liabilities:</i>					
Vested employee benefits:					
Vacation pay	754,969	44,196	-	799,165	146,475
Sick pay	948,002	-	58,497	889,505	45,365
Net OPEB Obligation	1,316,593	361,863	-	1,678,456	-
Net Pension Obligation	296,566	91,010	-	387,576	-
Other retirement benefits	2,548,772	-	274,797	2,273,975	687,771
Total other liabilities	5,864,902	497,069	333,294	6,028,677	879,611
TOTAL GOVERNMENTAL ACTIVITY LONG-TERM LIABILITIES	\$ 130,984,921	\$ 20,977,307	\$ 29,503,731	\$ 122,458,497	\$ 12,254,611
<u>BUSINESS TYPE ACTIVITIES</u>					
<i>Other liabilities:</i>					
Vested employee benefits:					
Vacation pay	3,143	-	3,143	-	-
Sick pay	40,087	-	7,403	32,684	-
Net OPEB Obligation	-	400	-	400	-
TOTAL BUSINESS-TYPE ACTIVITY LONG-TERM LIABILITIES	\$ 43,230	\$ 400	\$ 10,546	\$ 33,084	\$ -

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

Total Interest paid and accrued during the year:

GOVERNMENTAL ACTIVITIES:	<u>EXPENSE</u>	<u>PAID</u>
General obligation debt	\$ 2,982,400	\$ 2,821,247
Refund of Prior Year Receipts	-	21,524
Short-term borrowings	-	-
TOTAL INTEREST PAID BY GOVERNMENTAL ACTIVITIES	\$ 2,982,400	\$ 2,842,771

East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013

General Obligation Notes - Series of 1998

On December 30, 1998, the District issued \$10,215,000 of General Obligation Notes - Series of 1998. The purpose of this issue was to provide funds needed to refund the General Obligation Notes - Series A of 1997, capitalized interest, and paying the costs of issuance. A sinking fund has been established with the paying agent in accordance with the Local Governmental Unit Debt Act. The Notes mature from February 1, 2001, to February 1, 2020. The Notes shall bear interest at a variable rate based on the issuer's weekly rate, not to exceed 25% per annum. Interest shall be paid on the third day prior to the end of each month. The outstanding principal and interest requirements at June 30, 2013, are based on the interest rate of 1.01% at year end:

FISCAL YEAR	PRINCIPAL	INTEREST
2013-14	\$ 620,000	\$ 42,591
2014-15	645,000	35,659
2015-16	670,000	28,517
2016-17	700,000	20,947
2017-18	730,000	13,112
2018-19	760,000	4,947
TOTAL OUTSTANDING	\$ 4,125,000	\$ 145,773

General Obligation Notes - Series A of 2003

On November 3, 2003, the District issued \$10,500,000 of General Obligation Notes - Series A of 2003. The purposes of this issue are: (1) to provide a portion of the funds needed for the planning, designing, acquiring, constructing, equipping and furnishing of renovations to (a) the existing Alburdis Elementary School, (b) the existing Shoemaker Elementary School; (c) the existing Emmaus Senior High School; and (d) various other existing school buildings and facilities and, (2) paying the remarketing costs. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The notes mature from August 1, 2012 to August 1, 2023. Interest rate is variable equal to the Issuer's weekly rate plus 0.55% not to exceed 15.55%. In the event of a default, the Credit Note-Series B of 2003 of \$10,760,112 becomes effective. The outstanding debt service requirements at June 30, 2013, using the year end interest rate of 1.01% are:

FISCAL YEAR	PRINCIPAL	INTEREST
2013-14	\$ 800,000	\$ 96,658
2014-15	800,000	88,578
2015-16	800,000	80,717
2016-17	900,000	71,497
2017-18	900,000	62,407
2018-23	5,000,000	165,134
2023-24	1,100,000	974
TOTAL OUTSTANDING	\$ 10,300,000	\$ 565,965

**East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

General Obligation Notes - Series A of 2004

On October 1, 2004, the District issued \$15,000,000 of General Obligation Notes – Series A of 2004. The purpose of this issue is to provide funds for: (1) the cost of planning, designing, acquiring, constructing, equipping and furnishing additions and renovations to (a) the existing Shoemaker Elementary School and to (b) the existing Alburdis Elementary School; (2) planning, designing, acquiring, constructing, equipping and furnishing alterations, additions and renovations or improvements to existing school buildings and facilities, or acquiring related land, fixtures, furnishings or equipment for school purposes; (3) capitalizing the interest on the Note; and (4) paying the remarketing costs. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The notes mature from August 1, 2005, to August 1, 2023. Interest rates are variable equal to the issuer's weekly rate plus 0.55% not to exceed 15.55%. In the event of a default, the Credit Note – Series B of 2004 of \$15,388,480 becomes effective.

The outstanding debt service requirements at June 30, 2013, using the year end interest rate of 1.01% are:

FISCAL YEAR	PRINCIPAL	INTEREST
2013-14	\$ 800,000	\$ 97,668
2014-15	800,000	89,588
2015-16	800,000	81,730
2016-17	900,000	72,507
2017-18	900,000	63,417
2018-23	5,100,000	168,254
2023-24	1,100,000	974
TOTAL OUTSTANDING	\$ 10,400,000	\$ 574,138

General Obligation Bonds – Series AA of 2004

On October 4, 2004, the District issued \$10,000,000 of General Obligation Bonds – Series AA of 2004. The purpose of this issue is to provide funds for: (a) the cost of planning, designing, acquiring, constructing, furnishing and equipping alterations, additions, and improvements to: (1) Eyer Middle School; (2) various school buildings and facilities of the School District; and (b) paying the costs and expenses of issuing the bonds. In accordance with the Local Governmental Unit Debt Act, a Sinking Fund has been established with the paying agent. Interest rates range from 3.00% to 4.75% with total interest indebtedness of \$5,261,614. The bonds mature from November 15, 2005, to November 15, 2024.

On December 30, 2006, the District advance refunded a portion of the Series AA of 2004 General Obligation Bonds (\$3,985,000) with interest rates ranging from 4.2% to 4.75%.

On August 17, 2012, the District refunded the Series AA of 2004 (\$3,515,000), and a portion of Series of 2007 (\$6,160,000), with interest rates ranging from 3.5% to 4.5%, with new debt in the amount of \$9,900,000, with interest rates ranging from 2.0% to 3.75%.

**East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

		<u>PORTION PERTAINING TO THE SERIES 2004 AA BONDS REFUNDED</u>	
		36.33%	
Gross Proceeds of Bonds	\$	3,596,744	
Plus: Accrued Interest			
Premium		51,333	
Less: Original Issue Discount			
Underwriter's Discount		(20,573)	
TOTAL SOURCES		<u>3,627,504</u>	
Escrow Deposit	\$	3,586,992	
Issuance Costs		40,177	
Sinking Fund Deposit		335	
TOTAL USES		<u>3,627,504</u>	
<u>DIFFERENCE IN CASH FLOW REQUIREMENTS</u>			
Old Deb Service Cash Flows			\$ 4,039,823
Cash Flows From New Debt:			
New Debt Service Cash Flow		4,390,763	
Less: Excess Funds Deposited in Sinking Fund		(335)	
Net Cash Flows From New Debt		<u>4,390,428</u>	
Net Difference in Cash Flows			<u>\$ (350,605)</u>
<u>ECONOMIC GAIN/LOSS</u>			
Present Value of Old Dept Service Cash Flows			\$ 3,760,779
Present Value of New Debt Service Cash Flows	\$	3,618,086	
Less Excess Funds Deposited in Sinking fund		(335)	
TOTAL			<u>\$ 3,617,751</u>
ECONOMIC GAIN			<u>\$ (3,617,751)</u>

General Obligation Bonds – Series A of 2005

On August 1, 2005, the District issued \$16,245,000 of General Obligation Bonds – Series A of 2005. The purpose of this issue is to advance refund the General Obligation Bonds – Series A of 2001, to advance refund the General Obligation Bonds – Series AAA of 2002, and to pay the costs and expenses of issuing the bonds. In accordance with the Local Government Unit Debt Act, a sinking fund has been established with the paying agent. The bonds mature from December 15, 2005 to December 15, 2017. Interest rates range from 3.00% to 4.00% with total interest indebtedness of \$6,026,838.33. The outstanding debt service requirements at June 30, 2013, are:

<u>FISCAL YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2013-14	\$ 750,000	\$ 468,900
2014-15	1,595,000	410,275
2015-16	2,580,000	318,800
2016-17	4,005,000	187,100
2017-18	<u>2,675,000</u>	<u>53,500</u>
SUB-TOTAL	11,605,000	<u>\$ 1,438,575</u>
Unamortized Premium	128,425	
TOTAL OUTSTANDING	<u>\$ 11,733,425</u>	

**East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

General Obligation Note – Series A of 2007

On July 2, 2007, the District issued \$12,400,000 of General Obligation Note – Series A of 2007. The proceeds will be used: (1) For the planning, designing, constructing, equipping & furnishing additions, alterations and for renovations to existing Eyer Middle School; (2) Planning, designing, acquiring, constructing, equipping, and furnishing alterations, additions and renovations or improvements to existing school buildings and facilities or acquiring related land, fixtures, furnishings, or equipment for school purposes, (3) Paying the remarketing costs. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The Note matures from August 1, 2009 to August 1, 2022. In the event of default, the Credit Note Series B of 2007 of \$12,721,150 becomes effective. Interest rate is variable equal to the weekly rate plus .55% per annum. The outstanding debt service requirements at June 30, 2013, using the year end interest rate of 1.01% are:

FISCAL YEAR	PRINCIPAL	INTEREST
2013-14	\$ 100,000	\$ 120,279
2014-15	100,000	119,269
2015-16	100,000	118,582
2016-17	100,000	107,024
2017-18	1,100,000	117,249
2018-23	10,500,000	270,101
SUB-TOTAL	\$ 12,000,000	\$ 852,504
Unamortized Discount	-	-
Unamortized Deferred Chgs.	-	-
TOTAL OUTSTANDING	\$ 12,000,000	

General Obligation Bonds – Series of 2007

On November 29, 2007, the District issued \$10,000,000 of General Obligation Bonds – Series of 2007. The proceeds will be used: (1) to provide funds for and toward planning, designing, acquiring, constructing, furnishing, and equipping a new elementary center; and (2) paying the costs and expenses of this issue. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The bonds mature from November 15, 2008 to November 15, 2028. Interest rates range from 3.30% to 4.30% with total interest indebtedness of \$5,316,835.

On August 17, 2012, the District refunded the Series AA of 2004 (\$3,515,000), and a portion of the Series of 2007 (\$6,160,000), with interest rates ranging from 3.5% to 4.5%, with new debt in the amount of \$9,900,000, with interest rates ranging from 2.0% to 3.75%.

East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013

		<u>PORTRION PERTAINING</u> <u>TO THE SERIES 2007</u> <u>BONDS REFUNDED</u>
		63.67%
<u>SOURCES</u>		
Gross Proceeds of Bonds	\$ 6,303,256	
Plus: Accrued Interest	-	
Premium	89,961	
Less: Original Issue Discount	-	
Underwriter's Discount	<u>(36,055)</u>	
TOTAL SOURCES	\$ 6,357,162	
<u>USES</u>		
Escrow Deposit	\$ 6,286,164	
Issuance Costs	70,411	
Sinking Fund Deposit	<u>587</u>	
TOTAL USES	\$ 6,357,162	
<u>DIFFERENCE IN CASH FLOW REQUIREMENTS</u>		
Old Debt Service Cash Flows		\$ 9,357,910
Cash Flows From New Debt:		
New Debt Service Cash flow	\$ 7,694,765	
Less: Excess Funds Deposited in Sinking Fund	<u>(587)</u>	
Net Cash Flows From New Debt		<u>7,694,178</u>
Net Difference in Cash Flows		<u>\$ 1,663,732</u>
<u>ECONOMIC GAIN/LOSS</u>		
Present Value of Old Debt Service Cash Flows		\$ 7,496,932
Present Value of New Debt Service Cash Flows	\$ 6,340,657	
Less: Excess Funds Deposited in Sinking Fund	<u>(587)</u>	
Total		<u>6,340,070</u>
Economic Gain		\$ 1,156,862

On January 1, 2013, the District refunded the remaining Series of 2007 (\$2,475,000), and the Series of 2008 (\$5,375,000), with interest rates ranging from 3.0% to 4.0%, with new debt in the amount of \$7,810,000, with interest rate at 2.0%.

East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013

	<u>PORTION PERTAINING TO THE SERIES 2007 BONDS REFUNDED</u>
	31.53%
<u>SOURCES</u>	
Gross Proceeds of Bonds	\$ 2,462,389
Plus: Accrued Interest	-
Premium	80,771
Less: Original Issue Discount	-
Underwriter's Discount	(10,047)
TOTAL SOURCES	<u>\$ 2,533,113</u>
<u>USES</u>	
Escrow Deposit	\$ 2,506,300
Issuance Costs	26,365
Sinking Fund Deposit	448
TOTAL USES	<u>\$ 2,533,113</u>
<u>DIFFERENCE IN CASH FLOW REQUIREMENTS</u>	
Old Debt Service Cash Flows	\$ 2,812,013
Cash Flows From New Debt:	
New Debt Service Cash flow	\$ 2,590,829
Less: Excess Funds Deposited in Sinking Fund	(448)
Net Cash Flows From New Debt	<u>2,590,380</u>
Net Difference in Cash Flows	<u>\$ 221,633</u>
<u>ECONOMIC GAIN/LOSS</u>	
Present Value of Old Debt Service Cash Flows	\$ 2,695,816
Present Value of New Debt Service Cash Flows	\$ 2,506,748
Less: Excess Funds Deposited in Sinking Fund	(448)
Total	<u>2,506,299</u>
Economic Gain	<u>\$ 189,517</u>

General Obligation Bonds – Series of 2008

On April 15, 2008, the District issued \$10,000,000 of General Obligation Bonds – Series of 2008. The proceeds will be used: (1) to currently refund a portion (\$610,000) of the Series AA of 2001 bonds; (2) to currently refund the outstanding (\$6,180,000) Series of 2002 bonds; (3) to currently refund a portion (\$2,990,000) of the Series of AA 2002 bonds; and (4) to pay the costs of the issue. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The bonds mature from October 1, 2008 to October 1, 2017. Interest rates range from 3.00% to 3.500%, with total interest indebtedness of \$1,493,682.

On January 1, 2013, the District refunded the Series of 2007 (\$2,475,000), and the Series of 2008 (\$5,375,000), with interest rates ranging from 3.0% to 4.0%, with new debt in the amount of \$7,810,000 with interest rate of 2.0%.

**East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

	<u>PORTION PERTAINING TO THE SERIES 2008 BONDS REFUNDED 68.47%</u>
<u>SOURCES</u>	
Gross Proceeds of Bonds	\$ 5,347,611
Plus: Accrued Interest	-
Premium	175,412
Less: Original Issue Discount	-
Underwriter's Discount	<u>(21,818)</u>
TOTAL SOURCES	<u>\$ 5,501,205</u>
<u>USES</u>	
2008 Escrow Deposit	\$ 5,442,973
Issuance Costs	57,258
Sinking Fund Deposits	<u>974</u>
TOTAL USES	<u>\$ 5,501,205</u>
<u>DIFFERENCE IN CASH FLOW REQUIREMENTS</u>	
Old Debt Service Cash Flows	\$ 5,819,538
Cash Flows From New Debt:	
New Debt Service Cash Flow	\$ 5,626,547
Less: Amount Deposited in Sinking Fund	<u>(974)</u>
Net cash Flows From New Debt	<u>5,625,573</u>
Net Difference in Cash Flows	<u>\$ 193,965</u>
<u>ECONOMIC GAIN/LOSS</u>	
Present Value of Old Debt Service Cash Flows	\$ 5,646,508
Present Value of New debt Service Cash Flows	\$ 5,443,947
Less: Amount Deposited in Sinking Fund	<u>(974)</u>
TOTAL	<u>5,442,973</u>
ECONOMIC GAIN	<u>\$ 203,535</u>

General Obligation Bonds – Series A of 2008

On August 14, 2008, the District issued \$9,845,000 of General Obligation Bonds – Series A of 2008. The proceeds will be used: (1) to refund a portion of Series 2003 bonds, (2) to refund series 2001 A Bond, (3) to refund series 2002 AA Bonds, and (4) to pay related costs, fees, and expenses. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The bonds mature from September 15, 2008 to September 15, 2015. Interest rates range from 3.25% to 3.50% with total interest indebtedness of \$1,058,529.17. The outstanding debt service requirements at June 30, 2013, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2013-14	\$ 1,330,000	\$ 59,500
2014-15	510,000	27,299
2015-16	<u>525,000</u>	<u>9,188</u>
SUB-TOTAL	<u>\$ 2,365,000</u>	<u>\$ 95,987</u>
Unamortized Premium	11,600	
TOTAL OUTSTANDING	<u>\$ 2,376,600</u>	

**East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

General Obligation Bonds – Series of 2009

On June 1, 2009, the district issued \$9,615,000 of General Obligation Bonds – Series of 2009. The proceeds will be used to provide funds for designing, acquiring, constructing, furnishing and equipping (1) a new Willow Lane Elementary School, (2) capital improvements to buildings and facilities owned and operated by the School District, and (3) to pay the costs of issuing the bonds. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. Interest rates range from 2.0% to 4.375% with total interest indebtedness of \$4,437,160.89. The outstanding debt service requirements at June 30, 2013, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2013-14	\$ 355,000	\$ 315,053
2014-15	375,000	306,638
2015-16	395,000	296,519
2016-17	415,000	284,863
2017-18	435,000	271,786
2018-23	2,545,000	1,106,051
2023-28	3,300,000	527,716
2028-29	770,000	16,844
SUB-TOTAL	\$ 8,590,000	\$ 3,125,470
Unamortized Discount	(45,462)	
TOTAL OUTSTANDING	\$ 8,544,538	

General Obligation Bonds – Series A of 2009

On December 30, 2009, the District issued \$6,105,000 of General Obligation Bonds – Series A of 2009. The proceeds will be issued to (1) currently refund GOB Series of 2004 (2) and to pay related costs and expenses of issuance. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The bonds mature from November 15, 2010 to November 15, 2017. Interest rates range from 2.0% to 2.5% with total interest indebtedness of \$609,085.94. The outstanding debt service requirements at June 30, 2013, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2013-14	\$ 780,000	\$ 79,612
2014-15	790,000	63,913
2015-16	810,000	47,912
2016-17	825,000	30,532
2017-18	850,000	10,625
SUB-TOTAL	\$ 4,055,000	\$ 232,594
Unamortized Discount	(6,071)	
Unamortized Premiums	29,664	
TOTAL OUTSTANDING	\$ 4,078,593	

East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013

General Obligation Bonds – Series of 2010

On March 1, 2010, the District issued \$14,280,000 of General Obligation Bonds – Series of 2010. The proceeds will be used (1) to currently refund GOB Series A of 2002 (2) to currently refund GOB Series 2005 (3) to pay related costs, fees, and expenses. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The bonds mature from October 1, 2010 to October 1, 2017. Interest rates range from 2.00% to 2.75% with total indebtedness of \$1,416,857,29. The outstanding debt service requirements at June 30, 2013, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2013-14	\$ 2,160,000	\$ 198,062
2014-15	2,215,000	132,437
2015-16	2,280,000	76,413
2016-17	1,030,000	41,382
2017-18	1,060,000	14,575
SUB-TOTAL	\$ 8,745,000	\$ 462,869
Unamortized Premium	139,391	
Unamortized Discount	(4,678)	
TOTAL OUTSTANDING	\$ 8,879,713	

General Obligation Bonds – Series A of 2010

On March 1, 2010, the District issued \$4,000,000 of General Obligation Bonds – Series A of 2010. The proceeds will be used (1) toward capital improvements to facilities owned and operated by the School District (2) to pay related costs, fees, and expenses. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The bonds mature from October 1, 2010 to October 1, 2023. Interest rates range from 2.00% to 3.6% with total indebtedness of \$1,448,724,79. The outstanding debt service requirements at June 30, 2013, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2013-14	\$ 5,000	\$ 129,757
2014-15	5,000	129,658
2015-16	5,000	129,557
2016-17	5,000	129,448
2017-18	550,000	122,170
2018-23	2,745,000	395,360
2023-25	670,000	12,060
SUB-TOTAL	\$ 3,985,000	\$ 1,048,010
Unamortized Discount	(19,055)	
Unamortized Premiums	344	
TOTAL OUTSTANDING	\$ 3,966,289	

General Obligation Bonds – Series of 2011

On March 1, 2011, the District issued \$15,395,000 of General Obligation Bonds – Series of 2011. The proceeds will be used (1) to currently refund GOB Series A of 2004 (2) to currently refund GOB Series of 2006, (3) to pay related costs, fees, and expenses. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The bonds

East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013

mature from November 15, 2011 to November 15, 2019. Interest rates range from 2.00% to 3.25% with total indebtedness of \$2,074,082. The outstanding debt service requirements at June 30, 2013, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2013-14	\$ 1,865,000	\$ 339,212
2014-15	1,925,000	282,362
2015-16	1,980,000	223,788
2016-17	2,040,000	163,488
2017-18	2,100,000	101,387
2018-20	2,235,000	71,832
SUB-TOTAL	\$ 12,145,000	\$ 1,182,069
Unamortized Premium	235,707	
Unamortized Discount	(6,660)	
TOTAL OUTSTANDING	\$ 12,374,047	

General Obligation Bonds – Series of 2012

On January 17, 2012, the District issued \$9,500,000 of General Obligation Bonds – Series of 2012. The proceeds will be used (1) to refund the School District's outstanding GOB Series A of 2006 (2) to pay costs of issuing the bonds. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The bonds mature from September 15, 2013 to September 15, 2024. Interest rates range from 2.00% to 2.25% with total indebtedness of 1,888,488.19. The outstanding debt service requirements at June 30, 2013, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2013-14	\$ 5,000	\$ 200,076
2014-15	5,000	199,976
2015-16	5,000	199,876
2016-17	390,000	195,926
2017-18	395,000	188,076
2018-23	6,445,000	626,365
2023-25	2,255,000	45,824
SUB-TOTAL	\$ 9,500,000	\$ 1,656,119
Unamortized Premium	82,030	
Unamortized Discount	(6,651)	
TOTAL OUTSTANDING	\$ 9,575,379	

General Obligation Bonds – Series A of 2012

On August 17, 2012, the District issued \$9,900,000 of General Obligation Bonds – Series of 2012. The proceeds will be used (1) to refund the School District's outstanding GOB Series AA of 2004 (2) to refund a portion of the District's GOB Series of 2007, and (3) to pay costs of issuing the bonds. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The bonds mature from November 15, 2013 to November 15, 2028. Interest rates range from 2.00% to 2.75% with total indebtedness of 2,185,527.67. The outstanding debt service requirements at June 30, 2013, are:

**East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

FISCAL YEAR	PRINCIPAL	INTEREST
2013-14	\$ 5,000	\$ 218,170
2014-15	545,000	212,670
2015-16	620,000	201,020
2016-17	630,000	188,520
2017-18	645,000	175,770
2018-23	3,165,000	687,050
2023-28	3,520,000	329,287
2028-29	770,000	10,588
SUB-TOTAL	\$ 9,900,000	\$ 2,023,075
Unamortized Premium	130,791	
TOTAL OUTSTANDING	\$ 10,030,791	

General Obligation Bonds – Series of 2013

On January 17, 2013, the District issued \$9,900,000 of General Obligation Bonds – Series of 2013. The proceeds will be used (1) to refund the School District's outstanding GOB Series AA of 2004 (2) to refund a portion of the District's GOB Series of 2007, and (3) to pay costs of issuing the bonds. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The bonds mature from November 15, 2013 to November 15, 2028. Interest rates range from 2.00% to 2.75% with total indebtedness of \$2,185,527.67. The outstanding debt service requirements at June 30, 2013, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2013-14	\$ 1,800,000	\$ 138,200
2014-15	2,040,000	99,800
2015-16	1,165,000	67,750
2016-17	1,195,000	44,150
2017-18	1,190,000	20,300
2018-19	420,000	4,200
SUB-TOTAL	\$ 7,810,000	\$ 374,400
Unamortized Premiums	235,445	
TOTAL OUTSTANDING	\$ 8,045,445	

Lease Rental Debt

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

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

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

East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013

Combined Long-Term Debt

The combined general long-term debt obligations for subsequent years, except for compensated absences and retirement benefits are:

SUMMARY OF PRINCIPAL REQUIREMENTS

FISCAL YEAR	G.O.N. SERIES OF 1998	G.O.N. SERIES A OF 2003	G.O.N. SERIES A OF 2004	G.O.B SERIES A OF 2005	G.O.N. SERIES A OF 2007	G.O.B SERIES A OF 2008	G.O.B SERIES OF 2009
2013-14	\$ 620,000	\$ 800,000	\$ 800,000	\$ 750,000	\$ 100,000	\$ 1,330,000	\$ 355,000
2014-15	645,000	800,000	800,000	1,595,000	100,000	510,000	375,000
2015-16	670,000	800,000	800,000	2,580,000	100,000	525,000	395,000
2016-17	700,000	900,000	900,000	4,005,000	100,000	-	415,000
2017-18	730,000	900,000	900,000	2,675,000	1,100,000	-	435,000
2018-23	760,000	5,000,000	5,100,000	-	10,500,000	-	2,545,000
2023-28	-	1,100,000	1,100,000	-	-	-	3,300,000
2028-33	-	-	-	-	-	-	770,000
TOTAL	4,125,000	10,300,000	10,400,000	11,605,000	12,000,000	2,365,000	8,590,000
LESS PAYABLE WITH- IN ONE YEAR	620,000	800,000	800,000	750,000	100,000	1,330,000	355,000
LONG-TERM PRINC. DUE AFTER							
ONE YEAR	\$ 3,505,000	\$ 9,500,000	\$ 9,600,000	\$ 10,855,000	\$ 11,900,000	\$ 1,035,000	\$ 8,235,000

SUMMARY OF PRINCIPAL AND INTEREST REQUIREMENTS

FISCAL YEAR	G.O.N. SERIES OF 1998	G.O.N. SERIES A OF 2003	G.O.N. SERIES A OF 2004	G.O.B SERIES A OF 2005	G.O.N. SERIES A OF 2007	G.O.B SERIES A OF 2008	G.O.B SERIES OF 2009
2013-14	\$ 662,591	\$ 896,658	\$ 897,668	\$ 1,218,900	\$ 220,279	\$ 1,389,500	\$ 670,053
2014-15	680,659	888,578	889,588	2,005,275	219,269	537,299	681,638
2015-16	698,517	880,717	881,730	2,898,800	218,582	534,188	691,519
2016-17	720,947	971,497	972,507	4,192,100	217,249	-	699,863
2017-18	743,112	962,407	963,417	2,728,500	1,207,024	-	706,786
2018-23	764,947	5,165,134	5,268,254	-	10,770,101	-	3,651,051
2023-28	-	1,100,974	1,100,974	-	-	-	3,827,716
2028-33	-	-	-	-	-	-	786,844
TOTAL	\$ 4,270,773	\$ 10,865,965	\$ 10,974,138	\$ 13,043,575	\$ 12,852,504	\$ 2,460,987	\$ 11,715,470

G.O.B SERIES A OF 2009	G.O.B SERIES OF 2010	G.O.B SERIES A OF 2010	G.O.B SERIES OF 2011	G.O.B SERIES OF 2012	G.O.B SERIES A OF 2012	G.O.B SERIES OF 2013	TOTAL PRINCIPAL PAYMENTS
\$ 780,000	\$ 2,160,000	\$ 5,000	\$ 1,865,000	\$ 5,000	\$ 5,000	\$ 1,800,000	\$ 11,375,000
790,000	2,215,000	5,000	1,925,000	5,000	545,000	2,040,000	12,350,000
810,000	2,280,000	5,000	1,980,000	5,000	620,000	1,165,000	12,735,000
825,000	1,030,000	5,000	2,040,000	390,000	630,000	1,195,000	13,135,000
850,000	1,060,000	550,000	2,100,000	395,000	645,000	1,190,000	13,530,000
-	-	2,745,000	2,235,000	6,445,000	3,165,000	420,000	38,915,000
-	-	670,000	-	2,255,000	3,520,000	-	11,945,000
-	-	-	-	-	770,000	-	1,540,000
4,055,000	8,745,000	3,985,000	12,145,000	9,500,000	9,900,000	7,810,000	115,525,000
780,000	2,160,000	5,000	1,865,000	5,000	5,000	1,800,000	11,375,000
\$ 3,275,000	\$ 6,585,000	\$ 3,980,000	\$ 10,280,000	\$ 9,495,000	\$ 9,895,000	\$ 6,010,000	\$ 104,150,000

G.O.B SERIES A OF 2009	G.O.B SERIES OF 2010	G.O.B SERIES A OF 2010	G.O.B SERIES OF 2011	G.O.B SERIES OF 2012	G.O.B SERIES A OF 2012	G.O.B SERIES OF 2013	TOTAL DEBT SVC. PAYMENTS
\$ 859,612	\$ 2,358,062	\$ 134,757	\$ 2,204,212	\$ 205,076	\$ 223,170	\$ 1,938,200	\$ 13,878,738
853,913	2,347,437	134,658	2,207,362	204,976	757,670	2,139,800	14,548,122
857,912	2,356,413	134,557	2,203,788	204,876	821,020	1,232,750	14,615,369
855,532	1,071,382	134,448	2,203,488	585,926	818,520	1,239,150	14,682,609
860,625	1,074,575	672,170	2,201,387	583,076	820,770	1,210,300	14,734,149
-	-	3,140,360	2,306,832	7,071,365	3,852,050	424,200	42,414,294
-	-	682,060	-	2,300,824	3,849,287	-	12,861,835
-	-	-	-	-	780,588	-	1,567,432
\$ 4,287,594	\$ 9,207,869	\$ 5,033,010	\$ 13,327,069	\$ 11,156,119	\$ 11,923,075	\$ 8,184,400	\$ 129,302,548

**East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

Compensated Absences

Sick-Pay

Under the District's various bargaining agreements and plans, professional and eligible support personnel accumulate unused sick days from year to year based on their classification. These accumulated sick days are non-vesting during the employee's tenure. Only administrators employed prior to 7-1-04 who have opted to retain this benefit are eligible for payment. Upon retirement, these employees, except for administrators, are eligible for remuneration for unused sick days under the following bargaining agreements:

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

The District maintains records of each employee's accumulated sick days that are vested with employees who are eligible to retire, and for those under the administrative plan. In accordance with GASB Statement No. 16, \$32,684, including FICA tax (net of reimbursement), has been recorded in the Food Service (Enterprise) Fund for sick leave termination benefits earned by Cafeteria employees at June 30, 2013. This amount is also included as a long-term liability in the business-type activity column of the government-wide statement of net position. The amount recorded in the General Fund for governmental employees, which will use currently available financial resources, is \$45,365, including FICA tax (net of reimbursement). This amount is reflected as a current liability in the governmental activities column of the government-wide statement of net position. The remaining sick leave termination benefit of \$844,140, including FICA tax (net of reimbursement), is recorded as a long-term liability in the governmental activities column of the government-wide statement of net position.

Vacation Leave

Unused vacation leave is paid upon an employee's termination. The District maintains records of each employee's accumulated vacation days. In accordance with GASB Statement No. 16, the portion of vacation pay earned at June 30, 2013, that will use currently available financial resources is \$146,475, including fica tax and retirement contributions (net of reimbursement), which has been recorded in the General Fund. This amount is also shown as a current liability in the governmental activities column of the government-wide statement of net position. The Enterprise (Food Service) Fund has recorded \$-0-, including fica tax and retirement contributions (net of reimbursement), which is also reflected as a long-term liability in the business-type activity column of the government-wide statement of net position. The remaining vacation pay earned at June 30, 2013, of \$652,690, including FICA tax and retirement contributions (net of reimbursement), is recorded as a long-term liability in the governmental activities column of the government-wide statement of net position.

Defined benefit pension plans

Plan Description

Name of plan: The Public School Employees' Retirement System (the System).

Type of Plan: Governmental cost sharing multiple-employer defined benefit plan.

East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013

Benefits: Retirement and disability legislatively mandated ad hoc cost-of-living adjustments, healthcare insurance premium assistance to qualifying annuitants.

Authority: The Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended) (24 PA C.S. 8101-8535).

Annual Financial Report: The System issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Beth Girman, Office of Financial Management, Public School Employees' Retirement System, 5 N. 5th Street, Harrisburg, PA 17101-1905 or by emailing Beth at bgirman@pa.gov. The report is also available in the publications section of the PSERS website at www.psers.state.pa.us.

Funding Policy

Authority: The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, employers, and the Commonwealth.

Contribution Rates

Member Contributions: Active members, who joined the System prior to July 22, 1983, contributed at 5.25 percent (Membership Class TC) or at 6.50 percent (Membership Class TD) 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 5.4 percent (Membership Class TC) or at 7.50 percent (Membership Class TD) of the member's qualifying compensation. Members who joined the System after June 30, 2001, contribute at 7.50 percent (automatic Membership Class TD). For all new hires and for members who elected Class TD membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011 who elect Class T-F membership contributes at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and 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 Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 30, 2013, the rate of employer contribution was 12.36 percent of covered payroll. The 12.36 percent rate is comprised of a pension contribution rate of 11.50 percent for pension benefits and 0.86 for healthcare insurance premium assistance.

The employer's current year covered payroll was \$51,834,800 and total payroll was \$53,372,319.

The total employee and employer contributions for this current year were \$3,873,972 and \$6,461,644, respectively.

Other Employee Benefits

Special Termination Benefits

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

**East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

Option 1

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

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

Option 2

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

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

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

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

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

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

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

In accordance with GASB Statement No. 47, an employer that provides voluntary termination benefits shall recognize a liability and an expense when the employees accept the offer and the amount can be reasonably estimated. The amount recognized shall include any lump-sum payments and the present value of any expected future payments. The District records a liability when an employee accepts the offer. As of June 30, 2013, there were no eligible persons that accepted the offer that were not paid or recorded as a liability.

Under the provisions of Board Policy 450, the East Penn School District will pay, for those employees electing the Early Retirement Incentive Program explained in the preceding note, the premium for the

**East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

retiring employee in an early retiree's hospitalization/medical plan. Such coverage will continue until the employee becomes eligible for government sponsored hospitalization/medical insurance or reaches age 65. Such insurance plan will be substantially equivalent to the plan offered to regular employees, but will have a mandatory reduction in major medical benefits. In accordance with GASB Statement No. 47, the portion of the ERIP liability at June 30, 2013, that will use currently available financial resources is \$82,178, which has been recorded in the General Fund, while \$687,771 is shown as a current liability in the governmental activities column of the government-wide statement of net position. The remaining ERIP liability at June 30, 2013, of \$1,586,204 is recorded as a long-term liability in the government activities column of the government-wide statement of net position.

Retirement Incentive Benefits

In an effort to retain administrative employees the East Penn School District adopted Board Policy Number 350.1. This policy establishes a Retention Incentive Program applicable to administrative employees. To qualify for this program the employee must be a member of the administrative staff at the time of request, be an employee of the District for at least five years and qualify for retirement under the provisions of the Public School Retirement System. Those employees meeting the qualifications and proper request procedures will receive health insurance benefits at the District's expense until the employee becomes eligible for government sponsored hospitalization or reaches age 65. In addition, the retiring employee is entitled to a payment determined as a percentage of his/her final base salary as:

Age	% of Base Salary for Each Yr of Svc at that Age
49 and below	1%
50 to 54	2%
55 and Over	3%

Employees hired prior to 7-1-04 were given the option to elect to participate in this plan or remain eligible for the early retirement incentive plan discussed previously. Employees electing to participate in this plan waive their right to reimbursement of unused accumulated sick leave days.

In accordance with Government Accounting Standards Board Statement No. 27, this benefit is considered a pension plan.

Funding Policy and Annual Pension Cost

This benefit is determined by contractual agreement between the Board of School Directors and each eligible class of employees. The District's annual pension cost is calculated based on the annual required contribution of the employer (ARC), amount actuarially determined in accordance with the parameters of GASB Statement 27. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost, each year, and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The District's annual pension cost for the current year and the related information is as follows:

East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013

Contribution Rates:		Retirement Incentive Pension Benefit Actuarially Determined
Interest Rate		4.5%
Plan Members		36
Annual Required Contribution	\$	95,871
Interest on net Pension obligation		13,345
Adjustment to annual required contribution		<u>(18,206)</u>
Annual Pension Cost		91,010
Contributions made		<u>-</u>
Increase in net Pension obligation		91,010
Net Pension obligation - beginning of year		<u>296,566</u>
Net Pension obligation - end of year	\$	<u><u>387,576</u></u>

The District's annual pension cost, the percentage of annual Pension cost contributed to the plan and the net pension obligation for the five fiscal years ending June 30th, for the benefits were as follows:

Year ended	Annual Pension Cost	Percentage of Pension Cost Contributed	Net Pension Obligation
6/30/2013	\$ 91,010	0.0%	\$ 387,576
6/30/2012	98,055	0.0%	296,566
6/30/2011	98,882	49.0%	198,511
6/30/2010	102,209	56.8%	148,063
6/30/2009	103,912	0.0%	103,912

Funded Status and Funding Process. The funded status of the benefits as of June 30, 2013, were as follows:

	Retirement Incentive Benefit Governmental Activity
Actuarial accrued liability (a)	\$ 455,703
Actuarial value of plan assets (b)	<u>-</u>
Unfunded actuarial accrued liability (a) - (b)	<u>\$ 455,703</u>
Funded Ratio (b) / (a)	0.0%
Covered payroll	\$ 3,545,438
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll.	12.9%

East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013

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

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

	Retirement Incentive Benefit
Actuarial Valuation Date	7/1/2012
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar method over a 30 year period
Remaining amortization period	26 years
Asset Valuation Method	pay as you go basis
Actuarial Assumptions:	
Investment rate of return	4.5%
Projected salary increases	4.25% to 7.25%
Healthcare inflation rate	
2013	N/A
2014	N/A
2015	N/A
2016 +	N/A

Other Post Employment Benefits

Plan Description: East Penn School District has one single-employer defined benefit plan.

1. In accordance with the PA School Code of 1949, as amended, medical coverage is provided to eligible retirees and spouses with the retiree paying the full active premium rate for coverage until age 65. This benefit has an implicit rate subsidy based upon GASB Statement No. 45, since the retiree pays the premium at the insurance carrier's global rate charged to the School District versus an age-adjusted rate, as defined in the GASB Statement.

**East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

Summary of Plan Provisions			
Group	Eligibility	Coverage And Premium Sharing	Duration
<u>I. ADMINISTRATORS</u>	<p>Retention Incentive Program – (RIP) – must complete 5 years with the district and retire through PSERS.</p> <p>Other – must attain age 55 and retire through PSERS.</p>	<ul style="list-style-type: none"> • Coverage: Medical, Prescription Drug, and Dental. • Premium Sharing: If the member retires under the ERIP or the RIP, the district will pay for the amount of the Classic Blue retiree medical and prescription drug plan for the member only. Any difference in premiums must be paid for by the individual. Spouses may elect coverage by paying the full premiums. Member and spouse may also elect dental coverage by paying the full premiums. • If the member does not meet the requirements for the district subsidy but requirements are met to retire through PSERS, the member and spouse may continue coverage by paying the full premiums. • Upon death of active employee or retiree, the spouse may continue coverage until Medicare Age. • Dependents: Spouses included. 	<ul style="list-style-type: none"> • Member –Benefits cease upon Medicare age. • Spouse - Benefits cease upon Medicare age.
<u>II. TEACHERS</u>	<p>Early Retirement Incentive Program (ERIP) – must attain age 54, but not exceed age 60, and complete 15 consecutive years with the district and retire through PSERS.</p> <p>Other – must attain age 55 and retire through PSERS.</p>	<ul style="list-style-type: none"> • Coverage: Medical, Prescription Drug, and Dental. • Premium Sharing: If the member retires under the ERIP, the district will pay for the amount of the Classic Blue retiree medical and prescription drug plan for the member only. Any difference in premiums must be paid for by the individual. Spouses may elect coverage by paying the full premiums. Member and spouse may also elect dental coverage by paying the full premiums. • If the member does not meet the requirements for the district subsidy but requirements are met to retire through PSERS, the member and spouse may continue coverage by paying the full premiums. • Upon the death of a retiree, the spouse may continue coverage until Medicare age. • Dependents: Spouse included. 	<p>Same as I</p>

**East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

Summary of Plan Provisions			
Group	Eligibility	Coverage And Premium Sharing	Duration
<u>III. SUPPORT STAFF</u>	Must attain age 55 and retire through PSERS.	<ul style="list-style-type: none"> ● Coverage: Medical, Prescription Drug and Dental. ● Premium Share: Retiree pays 100% of the cost. ● Upon death of active employee or retiree, the spouse may continue coverage until Medicare Age. ● Dependents: Spouse Included. 	<ul style="list-style-type: none"> ● Same as I.

Notes: Act 110/43 Benefit: All employees are eligible for this benefit upon retirement with 30 years of PSERS service or upon superannuation retirement (age 60 with 30 years of service, age 62 with 1 year of service, or 35 years of service regardless of age). Retired employees are allowed to continue coverage for themselves and their dependents in the employer's group health plan until the retired employee reaches Medicare age. In order to obtain coverage, retired employees must provide payment equal to the premium determined for the purposes of COBRA.

Cash Payments: Cash payments are not GASB 45 liabilities

- Financial Incentives under the ERIP are valued under GASB 47.
- Financial Incentives under the RIP are valued under GASB 27.

* The first schedule of this valuation contains supplemental calculations under GASB 27. The benefit provision is as follows:

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

**East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

Funding Policy and Annual OPEB Cost. This benefit is state mandated via the School Code statute. The District's annual other post-employment benefit (OPEB) cost (expense) for the plan is calculated based on the annual required contribution of the employer (ARC), and the amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost, each year, and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The District's annual OPEB cost for the current year and the related information is as follows:

Contribution Rates:		Actuarially Determined
Interest Rate		4.5%
Plan Members		858
Annual Required Contribution	\$	1,689,080
Interest on net OPEB obligation		59,231
Adjustment to annual required contribution		<u>(80,806)</u>
Annual OPEB cost		1,667,505
Contributions made		<u>(1,304,889)</u>
Increase in net OPEB obligation		362,616
Net OPEB obligation - beginning of year		<u>1,316,240</u>
Net OPEB obligation - end of year	\$	<u><u>1,678,856</u></u>

The following table shows the benefit separated by fund:

	Other Post Employment Benefit Plan		
	General Fund	Food Service Fund	Total
Demographic Information:			
Active Participants	717	10	727
Retired Participants	131	0	131
Total	<u>848</u>	<u>10</u>	<u>858</u>
Annual Payroll of Active Participants	\$ 45,497,795	\$ 217,666	\$ 45,715,461
Annual Required Contributions	1,688,333	747	1,689,080
Interest on Net OPEB Obligation	59,247	(16)	59,231
Adjustment to Annual Required Contribution	<u>(80,828)</u>	<u>22</u>	<u>(80,806)</u>
Annual OPEB Cost	1,666,752	753	1,667,505
Contributions made	<u>(1,304,889)</u>	<u>-</u>	<u>(1,304,889)</u>
Increase in Net OPEB Obligation	361,863	753	362,616
Net OPEB Obligation - beginning of year	<u>1,316,593</u>	<u>(353)</u>	<u>1,316,240</u>
Net OPEB Obligation - end of year	<u>\$ 1,678,456</u>	<u>\$ 400</u>	<u>\$ 1,678,856</u>

**East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the five fiscal years ending June 30th, for the benefits were as follows:

<u>Year ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2012	\$ 1,667,505	78.3%	\$ 1,678,856
6/30/2012	1,583,190	83.9%	1,316,240
6/30/2011	1,587,953	81.7%	1,061,971
6/30/2010	1,515,843	78.3%	771,440
6/30/2009	1,522,986	71.4%	435,823

Funding Status and Funding Process. The funded status of the benefits as of June 30, 2013, was as follows:

	<u>Healthcare Benefit</u>	
	<u>Governmental Activity</u>	<u>Business-Type Activity</u>
Actuarial accrued liability (a)	\$ 13,443,812	\$ 6,810
Actuarial value of plan assets (b)	-	-
Unfunded actuarial accrued liability (a) - (b)	<u>\$ 13,443,812</u>	<u>\$ 6,810</u>
Funded Ratio (b) / (a)	0.0%	0.0%
Covered payroll	\$ 45,497,795	\$ 217,666
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll.	29.5%	3.1%

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

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

**East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

	Healthcare Benefit
Actuarial Valuation Date	7/1/2012
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar method over a 30 year period
Remaining amortization period	16.29 years
Asset Valuation Method	pay as you go basis
Actuarial Assumptions:	
Investment rate of return	4.5%
Projected salary increases	4.25% to 7.25%
Healthcare inflation rate	
2013	7.0%
2014	6.5%
2015	6.0%
2016 +	5.5%

Note 6 - Risk Management

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

Note 7 – Fund Balance Allocations

Restricted Fund Balance

The two Capital Project Funds have restrictions on the use of the resources at year end. The Capital Reserve Fund's \$2,818,681 fund balance at year end is restricted because of enabling legislation under the Municipal Code in Pennsylvania. Section 1432 of this Code restricts the use of resources for limited purposes.

In addition, the debt covenant on the District's Bond issues restricts the proceeds shown in the 2010 Construction Fund for the purposes outlined in the bond resolution. As such, the \$1,124,705, in fund balance at year end within this fund is considered restricted.

**East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013**

The General Fund has \$3,291 in restricted fund balance as a result of athletic fees received (\$2,500) and donations (\$791) not expended at year end.

Committed Fund Balance

The Board of School Directors has committed \$1,250,294 for future retirement rate increases from PSERS.

Assigned Fund Balance

The General Fund has \$11,724,785, assigned for appropriations in the 2013-14 budget.

Note 8 – Prior Period Adjustment

As a result of early implementing GASB Statement No. 65, a prior period adjustment had to be made in the governmental activities to reflect expensing the remaining unamortized bond issuance costs of \$1,081,881. Statement No. 65 now requires expensing bond issuance costs in the year incurred, which previously were capitalized and amortized over the life of the corresponding bond issue. As such, the opening net position of the governmental activities is restated, as follows:

Net Position at June 30, 2012 (as reported)	\$56,710,671
Less: Unamortized Bond Issuance Costs	<u>(1,081,881)</u>
Net Position at June 30, 2012 (as restated)	<u>\$55,628,790</u>

Note 9 – Net Investment in Capital Assets

The portion of net position for governmental activities, shown on the government-wide statement of net position invested in capital assets, net of related debt is \$49,421,893. The business-type activities column reflects \$278,450 invested in capital assets with no related debt. In addition, \$2,818,681 of net position in the governmental activities column has been restricted for future capital projects.

East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2013

Note 10 – Contingencies

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and a condition specified in the grant agreements, and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund, or other applicable funds. However, in the opinion of management any such disallowed claims will not have a material adverse effect on the overall financial position of the School District as of June 30, 2013.

Litigation

In accordance with management, there are no legal matters that could materially affect the financial position of the District as of June 30, 2013.

REQUIRED SUPPLEMENTAL INFORMATION

**East Penn School District
Schedule of Funding Progress
For the Year Ended June 30, 2013**

Healthcare benefit						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Unit Credit (b)	Unfunded AAL (UALL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
7/1/2012	\$ -	\$ 13,450,622	\$ 13,450,622	0.0%	\$ 45,715,461	29.42%
7/1/2010	\$ -	\$ 13,147,059	\$ 13,147,059	0.0%	\$ 46,633,772	28.19%
7/1/2008	-	12,566,485	12,566,485	0.0%	41,208,304	30.50%
Retention Incentive Benefit						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Unit Credit (b)	Unfunded AAL (UALL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
7/1/2012	\$ -	\$ 455,703	\$ 455,703	0.0%	\$ 3,545,438	12.85%
7/1/2010	-	433,789	433,789	0.0%	3,675,020	11.80%
7/1/2008	-	433,789	433,789	0.0%	3,675,021	11.80%

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

East Penn School District
Combining Statement of Fiduciary Net Position
Private Purpose Trust Funds
As of June 30, 2013

	<u>MEMORIAL FUND</u>	<u>COMMENCEMENT AWARDS FUND</u>	<u>TOTAL</u>
ASSETS			
Cash	\$ 27,699	\$ 7,128	\$ 34,827
Investments	105,160	-	105,160
Interest Receivable	-	-	-
Due from Other Funds	-	-	-
TOTAL ASSETS	\$ 132,859	\$ 7,128	\$ 139,987
DEFERRED OUTFLOW OF RESOURCES			
Deferred Charges on Refundings, net	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOW OF RESOURCES	\$ 132,859	\$ 7,128	\$ 139,987
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ -
Interfund Payables	-	-	-
TOTAL LIABILITIES	-	-	-
DEFERRED INFLOW OF RESOURCES			
Unearned Revenue	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOW OF RESOURCES	-	-	-
NET POSITION			
Held in Trust for future recipients	\$ 132,859	\$ 7,128	\$ 139,987

Combining Statement of Changes in Fiduciary Net Position
Private Purpose Trust Funds
For the Year Ended June 30, 2013

	<u>MEMORIAL FUND</u>	<u>COMMENCEMENT AWARDS FUND</u>	<u>TOTAL</u>
ADDITIONS:			
Contributions	\$ 24,153	\$ 15,793	\$ 39,946
Transfers from Other Funds	-	-	-
INVESTMENT EARNINGS:			
Interest and dividends	525	1	526
TOTAL ADDITIONS	24,678	15,794	40,472
DEDUCTIONS:			
Administrative Charges	-	-	-
Transfers to Other Funds	-	-	-
Awards	5,450	16,187	21,637
TOTAL DEDUCTIONS	5,450	16,187	21,637
CHANGES IN NET POSITION	19,228	(393)	18,835
NET POSITION - BEGINNING OF THE YEAR	113,631	7,521	121,152
NET POSITION - END OF THE YEAR	\$ 132,859	\$ 7,128	\$ 139,987

East Penn School District
Combining Balance Sheet - All Capital Project Funds
As of June 30, 2013

	CAPITAL RESERVE FUND	2010 CONSTRUCTION FUND	TOTAL
ASSETS			
Cash	\$ 2,969,031	\$ 1,134,620	\$ 4,103,651
Investments	-	-	-
Accounts Receivable	-	-	-
Accrued Interest Receivable	-	-	-
Other Recoverable Disbursements	-	-	-
Due from Other Funds	-	-	-
TOTAL ASSETS	\$ 2,969,031	\$ 1,134,620	\$ 4,103,651
DEFERRED OUTFLOW OF RESOURCES			
Deferred Charges on Refundings, net	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOW OF RESOURCES	\$ 2,969,031	\$ 1,134,620	\$ 4,103,651
LIABILITIES			
Accounts Payable	\$ 150,350	\$ 9,915	\$ 160,265
Due to Other Funds	-	-	-
Other Liabilities	-	-	-
Prepayments	-	-	-
DEFERRED INFLOW OF RESOURCES			
Unearned/Unavailable Revenue	-	-	-
FUND BALANCES:			
Nonspendable Fund Balance	-	-	-
Restricted Fund Balance	2,818,681	1,124,705	3,943,386
Committed Fund Balance	-	-	-
Assigned Fund Balance	-	-	-
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES	\$ 2,969,031	\$ 1,134,620	\$ 4,103,651

East Penn School District
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances - All Capital Project Funds
For the Year Ended June 30, 2013

	<u>CAPITAL RESERVE FUND</u>	<u>2010 CONSTRUCTION FUND</u>	<u>TOTAL</u>
REVENUES			
Local Sources	\$ 3,917	\$ 900	\$ 4,817
OTHER FINANCING SOURCES			
Bond Proceeds	-	-	-
Bond Premium	-	-	-
Interfund Transfers In	<u>1,122,033</u>	<u>-</u>	<u>1,122,033</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>1,125,950</u>	<u>900</u>	<u>1,126,850</u>
EXPENDITURES AND OTHER FINANCING USES			
Instructional Services	-	-	-
Support Services	5,949	29,246	35,195
Capital Outlay	167,548	360,454	528,002
Debt Service	-	-	-
Bond Discount	-	-	-
Interfund Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>173,497</u>	<u>389,700</u>	<u>563,197</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	952,453	(388,800)	563,653
FUND BALANCE - JULY 1, 2012	<u>1,866,228</u>	<u>1,513,505</u>	<u>3,379,733</u>
FUND BALANCE - JUNE 30, 2013	<u>\$ 2,818,681</u>	<u>\$ 1,124,705</u>	<u>\$ 3,943,386</u>

East Penn School District
Combining Balance Sheet - All Non-Major Funds
As of June 30, 2013

	2012 BOND FUND	2012A BOND FUND	2013 BOND FUND	TOTAL
ASSETS				
Cash	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-
Accounts Receivable	-	-	-	-
Accrued Interest Receivable	-	-	-	-
Other Recoverable Disbursements	-	-	-	-
Due from Other Funds	-	-	-	-
TOTAL ASSETS	\$ -	\$ -	\$ -	\$ -
DEFERRED OUTFLOW OF RESOURCES				
Deferred Charges on Refundings, net	-	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOW OF RESOURCES	\$ -	\$ -	\$ -	\$ -
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-	-
Other Liabilities	-	-	-	-
Prepayments	-	-	-	-
DEFERRED INFLOW OF RESOURCES				
Unearned/Unavailable Revenue	-	-	-	-
FUND BALANCES:				
Nonspendable Fund Balance	-	-	-	-
Restricted Fund Balance	-	-	-	-
Committed Fund Balance	-	-	-	-
Assigned Fund Balance	-	-	-	-
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES	\$ -	\$ -	\$ -	\$ -

East Penn School District
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances - All Non-Major Funds
For the Year Ended June 30, 2013

	2012 BOND FUND	2012A BOND FUND	2013 BOND FUND	TOTAL
REVENUES				
Local Sources	\$ -	\$ -	\$ -	\$ -
OTHER FINANCING SOURCES				
Proceeds on Refunding Bond Issues	-	9,900,000	7,810,000	17,710,000
Bond Premium	-	141,294	256,183	397,477
Interfund Transfers In	-	-	-	-
TOTAL REVENUES AND OTHER FINANCING SOURCES	-	10,041,294	8,066,183	18,107,477
EXPENDITURES AND OTHER FINANCING USES				
Instructional Services	-	-	-	-
Support Services	-	167,216	115,488	282,704
Capital Outlay	-	-	-	-
Debt Service	6,074	922	1,422	8,418
Payment to Refunded Bonds Escrow Agent	-	9,873,156	7,949,273	17,822,429
Bond Discount	-	-	-	-
Interfund Transfers Out	-	-	-	-
TOTAL EXPENDITURES AND OTHER FINANCING USES	6,074	10,041,294	8,066,183	18,113,551
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(6,074)	-	-	(6,074)
FUND BALANCE - JULY 1, 2012	6,074	-	-	6,074
FUND BALANCE - JUNE 30, 2013	\$ -	\$ -	\$ -	\$ -

**East Penn School District
Combining Balance Sheet
All Agency Funds
As of June 30, 2013**

	ACTIVITY FUND	PAYROLL FUND	TOTAL
ASSETS			
Cash	\$ 287,736	\$ 389,069	\$ 676,805
Investments	-	-	-
Other Receivables	10,664	-	10,664
Due from General Fund	-	-	-
TOTAL ASSETS	\$ 298,400	\$ 389,069	\$ 687,469
 LIABILITIES			
Federal Income Tax	\$ -	\$ 133,825	\$ 133,825
PA State Income Tax Withholding	-	53,515	53,515
Due Student Organizations	284,340	-	284,340
Due to General Fund	-	-	-
Annuities	-	-	-
Wage Taxes	-	174,994	174,994
Retirement-Buy Backs	-	14,967	14,967
Union Dues	-	-	-
OPT	-	11,768	11,768
Accounts Payable	14,060	-	14,060
Other	-	-	-
TOTAL LIABILITIES	\$ 298,400	\$ 389,069	\$ 687,469

East Penn School District
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2013

<u>ACTIVITY FUND</u>	<u>BALANCE</u> <u>7/1/12</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>6/30/13</u>
ASSETS				
Cash	\$ 284,753	\$ 1,123,684	\$ 1,120,701	\$ 287,736
Investments	-	-	-	-
Due from Other Funds	-	-	-	-
Other Receivable	802	10,664	802	10,664
TOTAL ASSETS	\$ 285,555	\$ 1,134,348	\$ 1,121,503	\$ 298,400
LIABILITIES				
Due to the General Fund	\$ 695	\$ -	\$ 695	\$ -
Accounts Payable	3,346	14,060	3,346	14,060
Due to Student Organizations	281,514	1,120,288	1,117,462	284,340
TOTAL LIABILITIES	\$ 285,555	\$ 1,134,348	\$ 1,121,503	\$ 298,400
 <u>PAYROLL FUND</u>				
ASSETS				
Cash	\$ 375,465	389,069	375,465	\$ 389,069
Investments	-	-	-	-
Other Receivables	-	-	-	-
Due from General Fund	-	-	-	-
TOTAL ASSETS	\$ 375,465	\$ 389,069	\$ 375,465	\$ 389,069
LIABILITIES				
Due to General Fund	\$ -	\$ -	\$ -	\$ -
Payroll Deductions	375,465	389,069	375,465	389,069
TOTAL LIABILITIES	\$ 375,465	\$ 389,069	\$ 375,465	\$ 389,069
 <u>ALL AGENCY FUNDS</u>				
ASSETS				
Cash	\$ 660,218	\$ 1,512,753	\$ 1,496,166	\$ 676,805
Investments	-	-	-	-
Due from Other Funds	-	-	-	-
Accounts Receivable	802	10,664	802	10,664
TOTAL ASSETS	\$ 661,020	\$ 1,523,417	\$ 1,496,968	\$ 687,469
LIABILITIES				
Due to Student Organizations	\$ 281,514	\$ 1,120,288	\$ 1,117,462	\$ 284,340
Accounts Payable	3,346	14,060	3,346	14,060
Payroll Deductions	375,465	389,069	375,465	389,069
Due to Other funds	695	-	695	-
TOTAL LIABILITIES	\$ 661,020	\$ 1,523,417	\$ 1,496,968	\$ 687,469

**East Penn School District
General Fund
Schedule on Tax Collectors' Receipts
For the Year Ended June 30, 2013**

	<u>ALBURTIS BOROUGH</u>	<u>EMMAUS BOROUGH</u>	<u>LOWER MACUNGIE TOWNSHIP</u>	<u>MACUNGIE BOROUGH</u>	<u>UPPER MILFORD TOWNSHIP</u>	<u>TOTAL</u>
CURRENT REAL ESTATE TAXES						
Assessed Value	\$ 40,632,900	\$ 261,375,900	\$ 1,126,741,200	\$ 67,039,750	\$ 245,748,000	\$ 1,741,537,750
Millage Rate	<u>0.04675</u>	<u>0.04675</u>	<u>0.04675</u>	<u>0.04675</u>	<u>0.04675</u>	<u>0.04675</u>
TOTAL TAX PER DUPLICATE	1,899,591	12,219,336	52,675,082	3,134,112	11,488,799	81,416,920
Less: Farmland Preservation	-	-	3,734	-	3,982	7,716
Less: Act 1 Deduction	<u>71,599</u>	<u>319,509</u>	<u>1,053,953</u>	<u>83,793</u>	<u>267,040</u>	<u>1,795,894</u>
TOTAL TAX TO BE COLLECTED	<u>1,827,992</u>	<u>11,899,827</u>	<u>51,617,395</u>	<u>3,050,319</u>	<u>11,217,777</u>	<u>79,613,310</u>
PLUS - Additions	-	-	31,954	-	6,447	38,401
- Penalties	<u>2,660</u>	<u>29,774</u>	<u>64,872</u>	<u>6,464</u>	<u>36,983</u>	<u>140,753</u>
CURRENT REAL ESTATE TAXES TO BE COLLECTED	<u>1,830,652</u>	<u>11,929,601</u>	<u>51,714,221</u>	<u>3,056,783</u>	<u>11,261,207</u>	<u>79,792,464</u>
LESS - Discount	31,224	200,924	892,213	53,225	184,045	1,361,631
- Reductions	-	-	33,293	-	6,947	40,240
- Refunds	-	6,690	86,131	46	4,350	97,217
- Rebates	6,741	54,553	58,305	11,925	29,136	160,660
- Returned to County	65,000	261,993	744,501	74,835	304,289	1,450,618
- Exonerations	<u>-</u>	<u>-</u>	<u>9,797</u>	<u>-</u>	<u>-</u>	<u>9,797</u>
NET CURRENT REAL ESTATE TAXES COLLECTED	<u>\$ 1,727,687</u>	<u>\$ 11,405,441</u>	<u>\$ 49,889,981</u>	<u>\$ 2,916,752</u>	<u>\$ 10,732,440</u>	<u>\$ 76,672,301</u>
CURRENT INTERIM REAL ESTATE TAXES COLLECTED	<u>\$ 355</u>	<u>\$ 13,651</u>	<u>\$ 307,562</u>	<u>\$ 927</u>	<u>\$ 28,371</u>	<u>\$ 350,866</u>

**East Penn School District
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2013**

REVENUES

LOCAL SOURCES:

Current Real Estate Taxes	\$ 76,672,301	
Interim Real Estate Taxes	350,866	
Public Utility	116,103	
Payment in Lieu of Taxes	9,769	
Current Per Capita Taxes - 511	-	
Current Per Capita Taxes - 679	-	
Occupational Privilege Tax	-	
Earned Income Tax	7,759,725	
Real Estate Transfer Tax	1,134,956	
Delinquent Real Estate Taxes	1,737,852	
Delinquent EIT Taxes	397,482	
Other Food Revenue	229	
Admissions	69,831	
Fees	89,528	
Other Student Activity Income	7,256	
Interest	102,905	
State Revenue from Other Public Schools	11,490	
I/U Services - Federal	1,151,634	
I/U Services - ARRA Federal	-	
Rentals	74,290	
Contributions	14,950	
Capital Contributions	106,000	
Summer School	45,190	
Adult Education Tuition	29,400	
Receipts from Other LEA's - Education	289,444	
Other Tuition From Patrons	59,582	
Energy Efficiency Revenue	42,469	
Miscellaneous	26,410	
Revenue from Community Service Activities	-	
Refunds of Prior Yr. Expenditures	3,883	
TOTAL LOCAL SOURCE REVENUE	90,303,545	\$ 90,303,545

STATE SOURCES:

Basic Subsidy - ESBE	10,360,871
Read to Succeed	-
Charter Schools	-
School Performance	-
Orphan Tuition	112,728
Homebound	-
Alternative Education	-
Driver Education	-
Special Education	3,118,998
SUB-TOTAL	13,592,597

**East Penn School District
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2013**

SUB-TOTAL (CARRIED FORWARD)	\$ 61,168,484
Business Education	983,738
Other Vocational Education Programs	2,180,240
Drivers' Education	154,960
Summer School	48,482
Homebound Instruction	77,234
Adjudicated/Court Placed Programs	-
Alternative Education Program	130,463
Additional Other Instructional Program	48,798
Other Adult Education Programs	29,542
Nonpublic School Programs	35,497
Community College Programs	965,135
Supervision of Pupil Personnel Services	213,970
Guidance Services	2,670,209
Attendance Services	-
Psychological Services	724,173
Social Work Services	86,529
Other Pupil Personnel Services	-
Support Services - Instructional Staff	-
Technology Support Services	609,764
Educational Television Services	13,760
Computer Assisted Instruction Services	228,616
School Library Services	1,220,119
Instructional & Curriculum Dev. Service	934,305
Instructional Staff Development Services	-
Instructional Staff Development	176,692
Instructional Staff Development - Non-certified	716
Non-Public Support Services	-
Other Instructional Staff Services	68,541
Board Services	50,470
Board Treasurer Services	14,239
Tax Assessment & Collection Service	222,881
Staff Relations	338,484
Legal Services	119,091
Office of the Superintendent Services	585,726
Community Relations Services	102,530
Office of the Principal Services	3,721,810
Other Administration Services	-
Supervision of Health Services	6,000
Medical Services	1,730
Dental Services	572
Nursing Services	1,209,145
Non-Public Health Services	61,959
Support Services - Business	897,941
SUB-TOTAL	80,102,545

**East Penn School District
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2013**

SUB-TOTAL (CARRIED FORWARD)	\$ 80,102,545	
Operation and Maintenance of Plant Services	10,427,003	
Vehicle Operation and Maint. Services	5,298,683	
Non-Public Transportation	1,632,789	
Support Services - Central	-	
Planning, Research, Development & Evaluation Svcs.	187,708	
System-Wide Technology Services	1,174,916	
Staff Development Services	8,223	
Health Services	603	
Staff Development-Non-Instruction	8,873	
Data Processing Services	163,609	
State and Federal Agency Liaison Services	66,908	
Other Support Services	138,453	
Pass-Thru Funds	-	
Student Activities	-	
School Sponsored Student Activities	341,856	
School Sponsored Athletics	1,281,642	
Community Services	10,624	
Existing Building Improvement Services	-	
Debt Service	13,761,247	
Refund of Prior Yr. Receipts	21,524	
TOTAL EXPENDITURES	<u>\$ 114,627,206</u>	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		\$ 960,396
OTHER FINANCING SOURCES (USES)		
Proceeds from Extended Term Financing	-	
Debt Service Fund Transfers In	-	
Transfer from Activity Funds	-	
Sale of Fixed Assets	-	
Insurance Recoveries	-	
Special Revenue Fund Transfers Out	-	
Capital Projects Funds Transfers Out	(1,122,033)	
Debt Service Fund Transfers Out	-	
Food Service Fund Transfers Out	-	
Activity Fund Transfers Out	-	
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,122,033)</u>	
Special Items	-	
Extraordinary Items	<u>-</u>	<u>(1,122,033)</u>
NET CHANGE IN FUND BALANCE		(161,637)
FUND BALANCE - JULY 1, 2012		<u>15,043,670</u>
FUND BALANCE - JUNE 30, 2013		<u>\$ 14,882,033</u>

**East Penn School District
Capital Reserve Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2013**

FUND BALANCE - JULY 1, 2012 \$ 1,866,228

REVENUES AND OTHER FINANCING SOURCES

Interest	\$ 3,917	
Refund of Prior Year Expenditures	-	
Transfer from General Fund	<u>1,122,033</u>	<u>1,125,950</u>
TOTAL FUNDS AVAILABLE		2,992,178

EXPENDITURES

INSTRUCTIONAL SERVICES:

Equipment -

SUPPORT SERVICES:

Professional Services -

Equipment 5,949

CAPITAL OUTLAY:

Professional Services 18,598

Construction Services 148,950

Land & Improvements -

Miscellaneous -

Equipment - 173,497

FUND BALANCE - JUNE 30, 2013 **\$ 2,818,681**

**East Penn School District
Food Service Fund
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2013**

REVENUES

Sales	\$ 1,968,968	
Donated Commodities	160,062	
Special Events	27,864	
Over or (Short)	(1,206)	
State Subsidies	208,965	
Federal Subsidies	806,169	
Interest	174	
Rebates	1,160	
Gain (Loss) on Sale of Fixed Assets	-	
Miscellaneous	-	
Capital Contributions	-	
TOTAL REVENUES	-	\$ 3,172,156

COST OF COMMODITIES

Beginning Inventory - 7/1	48,845	
Purchases	160,062	
Ending Inventory - 6/30	(59,291)	
TOTAL COST OF COMMODITIES SOLD	-	149,616
GROSS PROFIT		3,022,540

SALARY AND BENEFIT EXPENSES

Cafeteria Aides	993,836	
Clerical	36,222	
Overtime	6,923	
Custodial/Maintenance	67,731	
Technology Assistants	21,671	
Other	5,400	
Benefits	340,968	1,472,751

OPERATING EXPENSES

Supplies	16,785	
Food Service Management Costs	1,420,466	
Professional Services	4,739	
Repairs and Maintenance	27,635	
Communications	-	
Software	8,945	
Electricity	60,000	
Small Equipment	1,045	
Travel	143	
Depreciation	29,789	
Dues and Fees	-	1,569,547
TOTAL EXPENSES	-	3,042,298

CHANGES IN FUND NET POSITION (19,758)

FUND NET POSITION - JULY 1, 2012 398,540

FUND NET POSITION - JUNE 30, 2013 \$ 378,782

**East Penn School District
Agency Fund
Payroll Fund - Balance Sheet
For the Year Ended June 30, 2013**

ASSETS

Cash	\$	389,069	
Investments		-	
Other Receivables		-	
Due from General Fund			
TOTAL ASSETS			<u>\$ 389,069</u>

LIABILITIES

Sec. 125 Withholding	\$	133,825	
Other Payroll Deductions		53,515	
Annuity		-	
Dues		-	
Unemployment		11,768	
Local Wage Tax		174,994	
OPT		14,967	
Dental Insurance		-	
Due to General Fund		-	
Other		-	
TOTAL LIABILITIES			<u>\$ 389,069</u>

**Memorial Fund
Statement of Additions and Deductions
For the Year Ended June 30, 2013**

FUND NET POSITION - JULY 1, 2012 \$ 113,631

ADDITIONS

Contributions	\$	24,153	
Transfers from Commencement Awards Fund		-	
Interest		525	24,678
TOTAL FUNDS AVAILABLE			138,309

DEDUCTIONS

Awards		5,450	
Transfers to Activity Fund		-	5,450

FUND NET POSITION - JUNE 30, 2013 **\$ 132,859**

**East Penn School District
Commencement Awards Fund
Statement of Additions and Deductions
For the Year Ended June 30, 2013**

FUND NET POSITION - JULY 1, 2012	\$	7,521
ADDITIONS		
Transfers from Memorial Fund	\$ -	
Transfers from Activity Fund	-	

TOTAL TRANSFERS FROM OTHER FUNDS	-	
Interest	1	
Contributions	15,793	

TOTAL ADDITIONS		15,794

TOTAL FUNDS AVAILABLE		23,315
DEDUCTIONS		
Transfer to Memorial Fund	-	
Scholarships - Awards	16,187	
	_____	16,187

FUND NET POSITION - JUNE 30, 2013	\$	<u>7,128</u>

**2012 Bond Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2013**

FUND BALANCE - JULY 1, 2012	\$	6,074
REVENUES AND OTHER FINANCING SOURCES		
Interest earnings	\$ -	
Bond Premium	-	
Proceeds from Refunded Bond Issues	-	
	_____	-
TOTAL FUNDS AVAILABLE		6,074

EXPENDITURES AND OTHER FINANCING USES		
Professional Services	-	
Printing	-	
Bond Discount	-	
Debt Service - Interest	6,074	
Payment to Refunded Bonds Escrow Agent	-	
Transfer to General Fund	-	
	_____	6,074

FUND BALANCE - JUNE 30, 2013	\$	<u>-</u>

**East Penn School District
2012 A Bond Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2013**

FUND BALANCE - JULY 1, 2012		\$	-
REVENUES AND OTHER FINANCING SOURCES			
Interest earnings	\$	-	
Bond Premium		141,294	
Proceeds from Refunded Bond Issues		9,900,000	10,041,294
TOTAL FUNDS AVAILABLE			10,041,294
EXPENDITURES AND OTHER FINANCING USES			
Professional Services		167,216	
Printing		-	
Bond Discount		-	
Debt Service - Interest		922	
Payment to Refunded Bonds Escrow Agent		9,873,156	
Transfer to General Fund		-	10,041,294
			10,041,294
FUND BALANCE - JUNE 30, 2013			-

**2013 Bond Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2013**

FUND BALANCE - JULY 1, 2012		\$	-
REVENUES AND OTHER FINANCING SOURCES			
Interest earnings	\$	-	
Bond Premium		256,183	
Proceeds from Refunded Bond Issues		7,810,000	8,066,183
TOTAL FUNDS AVAILABLE			8,066,183
EXPENDITURES AND OTHER FINANCING USES			
Professional Services		115,488	
Printing		-	
Bond Discount		-	
Debt Service - Interest		1,422	
Payment to Refunded Bonds Escrow Agent		7,949,273	
Transfer to General Fund		-	8,066,183
			8,066,183
FUND BALANCE - JUNE 30, 2013			-

**East Penn School District
2010 Construction Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2013**

FUND BALANCE - JULY 1, 2012		\$ 1,513,505
 <u>REVENUES AND OTHER FINANCING SOURCES</u>		
Refund of Prior Year Expenditures	\$ 559	
Energy Efficiency Revenue	-	
Interest	341	<u>900</u>
 TOTAL FUNDS AVAILABLE		 1,514,405
 <u>EXPENDITURES AND OTHER FINANCING USES</u>		
INSTRUCTIONAL:		
Equipment	-	
Supplies	-	
SUPPORT SERVICES:		
Other Admin. Services	1,064	
Dues & Fees	-	
Equipment	28,182	
CAPITAL OUTLAY:		
Professional Services	39,613	
Equipment	-	
Construction Costs	309,982	
Supplies	9,700	
Dues & Fees	1,159	
Fines	-	
DEBT SERVICE:		
Bond Discount	-	
INTERFUND TRANSFERS:		
Transfers Out	-	<u>389,700</u>
 FUND BALANCE - JUNE 30, 2013		 <u>\$ 1,124,705</u>

East Penn School District
Schedule on General Obligation Notes - Series of 1998
Dated as of December 30, 1998
For the Year Ended June 30, 2013

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2013-14	\$ 42,591	\$ 620,000
2014-15	35,659	645,000
2015-16	28,517	670,000
2016-17	20,947	700,000
2017-18	13,112	730,000
2118-19	4,947	760,000
TOTAL OUTSTANDING	\$ 145,773	\$ 4,125,000

Schedule on General Obligation Notes - Series A of 2003
Dated as of November 3, 2003
For the Year Ended June 30, 2013

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2013-14	\$ 96,658	\$ 800,000
2014-15	88,578	800,000
2015-16	80,717	800,000
2016-17	71,497	900,000
2017-18	62,407	900,000
2018-19	53,317	900,000
2019-20	43,422	1,000,000
2020-21	33,206	1,000,000
2021-22	23,105	1,000,000
2022-23	12,084	1,100,000
2023-24	974	1,100,000
TOTAL OUTSTANDING	\$ 565,965	\$ 10,300,000

Schedule on General Obligation Notes - Series A of 2004
Dated as of October 1, 2004
For the Year Ended June 30, 2013

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2013-14	\$ 97,668	\$ 800,000
2014-15	89,588	800,000
2015-16	81,730	800,000
2016-17	72,507	900,000
2017-18	63,417	900,000
2018-19	54,327	900,000
2019-20	44,434	1,000,000
2020-21	34,215	1,000,000
2021-22	23,194	1,100,000
2022-23	12,084	1,100,000
2023-24	974	1,100,000
TOTAL OUTSTANDING	\$ 574,138	\$ 10,400,000

East Penn School District
Schedule on General Obligation Bonds - Series A of 2005
Dated as of August 1, 2005
For the Year Ended June 30, 2013

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2013-14	\$ 468,900	\$ 750,000
2014-15	410,275	1,595,000
2015-16	318,800	2,580,000
2016-17	187,100	4,005,000
2017-18	53,500	2,675,000
TOTAL OUTSTANDING	\$ 1,438,575	\$ 11,605,000

Schedule on General Obligation Notes - Series A of 2007
Dated as of July 2, 2007
For the Year Ended June 30, 2013

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2013-14	\$ 120,279	\$ 100,000
2014-15	119,269	100,000
2015-16	118,582	100,000
2016-17	117,249	100,000
2017-18	107,024	1,100,000
2018-19	95,914	1,100,000
2019-20	83,185	1,300,000
2020-21	57,852	2,600,000
2021-22	30,671	2,700,000
2022-23	2,479	2,800,000
TOTAL OUTSTANDING	\$ 852,504	\$ 12,000,000

Schedule on General Obligation Bonds - Series A of 2008
Dated as of August 1, 2008
For the Year Ended June 30, 2013

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2013-14	\$ 59,500	\$ 1,330,000
2014-15	27,299	510,000
2015-16	9,188	525,000
TOTAL OUTSTANDING	\$ 95,987	\$ 2,365,000

East Penn School District
Schedule on General Obligation Bonds - Series of 2009
Dated as of June 1, 2009
For the Year Ended June 30, 2013

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2013-14	\$ 315,053	\$ 355,000
2014-15	306,638	375,000
2015-16	296,519	395,000
2016-17	284,863	415,000
2017-18	271,786	435,000
2018-19	257,230	460,000
2019-20	241,213	475,000
2020-21	223,178	505,000
2021-22	203,063	540,000
2022-23	181,367	565,000
2023-24	158,067	600,000
2024-25	133,568	625,000
2025-26	107,454	660,000
2026-27	79,352	690,000
2027-28	49,275	725,000
2028-29	16,844	770,000
TOTAL OUTSTANDING	\$ 3,125,470	\$ 8,590,000

Schedule on General Obligation Bonds - Series A of 2009
Dated as of December 30, 2009
For the Year Ended June 30, 2013

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2013-14	\$ 79,612	\$ 780,000
2014-15	63,913	790,000
2015-16	47,912	810,000
2016-17	30,532	825,000
2017-18	10,625	850,000
TOTAL OUTSTANDING	\$ 232,594	\$ 4,055,000

Schedule on General Obligation Bonds - Series of 2010
Dated as of March 1, 2010
For the Year Ended June 30, 2013

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2013-14	\$ 198,062	\$ 2,160,000
2014-15	132,437	2,215,000
2015-16	76,413	2,280,000
2016-17	41,382	1,030,000
2017-18	14,575	1,060,000
TOTAL OUTSTANDING	\$ 462,869	\$ 8,745,000

East Penn School District
Schedule on General Obligation Bonds - Series A of 2010
Dated as of March 1, 2010
For the Year Ended June 30, 2013

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2013-14	\$ 129,757	\$ 5,000
2014-15	129,658	5,000
2015-16	129,557	5,000
2016-17	129,448	5,000
2017-18	122,170	550,000
2018-19	113,601	90,000
2019-20	102,642	615,000
2020-21	82,389	655,000
2021-22	60,270	680,000
2022-23	36,458	705,000
2023-24	12,060	670,000
TOTAL OUTSTANDING	\$ 1,048,010	\$ 3,985,000

Schedule on General Obligation Bonds - Series of 2011
Dated as of March 1, 2011
For the Year Ended June 30, 2013

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2013-14	\$ 339,212	\$ 1,865,000
2014-15	282,362	1,925,000
2015-16	223,788	1,980,000
2016-17	163,488	2,040,000
2017-18	101,387	2,100,000
2018-19	53,388	1,100,000
2019-20	18,444	1,135,000
TOTAL OUTSTANDING	\$ 1,182,069	\$ 12,145,000

East Penn School District
Schedule on General Obligation Bonds - Series of 2012
Dated as of January 17, 2012
For the Year Ended June 30, 2013

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2013-14	\$ 200,076	\$ 5,000
2014-15	199,976	5,000
2015-16	199,876	5,000
2016-17	195,926	390,000
2017-18	188,076	395,000
2018-19	176,426	770,000
2019-20	154,976	1,375,000
2020-21	127,176	1,405,000
2021-22	98,826	1,430,000
2022-23	68,961	1,465,000
2023-24	36,261	1,490,000
2024-25	9,563	765,000
TOTAL OUTSTANDING	\$ 1,656,119	\$ 9,500,000

Schedule on General Obligation Bonds - Series A of 2012
Dated as of August 17, 2012
For the Year Ended June 30, 2013

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2013-14	\$ 218,170	\$ 5,000
2014-15	212,670	545,000
2015-16	201,020	620,000
2016-17	188,520	630,000
2017-18	175,770	645,000
2018-19	162,470	685,000
2019-20	149,620	600,000
2020-21	137,470	615,000
2021-22	125,070	625,000
2022-23	112,420	640,000
2023-24	98,651	655,000
2024-25	83,292	680,000
2025-26	66,990	700,000
2026-27	49,553	730,000
2027-28	30,801	755,000
2028-29	10,588	770,000
TOTAL OUTSTANDING	\$ 2,023,075	\$ 9,900,000

East Penn School District
Schedule on General Obligation Bonds - Series of 2013
Dated as of January 15, 2013
For the Year Ended June 30, 2013

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2013-14	\$ 138,200	\$ 1,800,000
2014-15	99,800	2,040,000
2015-16	67,750	1,165,000
2016-17	44,150	1,195,000
2017-18	20,300	1,190,000
2018-19	4,200	420,000
TOTAL OUTSTANDING	<u>\$ 374,400</u>	<u>\$ 7,810,000</u>

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

EAST PENN SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2013

FEDERAL GRANTOR PROJECT TITLE	SOURCE CODE	CFDA NUMBER	GRANTOR PASS-THROUGH NUMBER	GRANT PERIOD	AWARD AMOUNT	TOTAL RECEIVED	ACCRUED OR (DEFERRED) AT 7/01/12	REVENUE	EXPEN- TURES	ACCRUED OR (DEFERRED) AT 6/30/13	DISCLOSURE FOOTNOTES
U.S. DEPT. OF EDUCATION											
PASSED THROUGH THE PA											
DEPT. OF EDUCATION											
TITLE I IMPROVING BASIC PROGRAMS	I	84.010	013-120127	07/01/11-09/30/12	\$ 375,246	\$ 146,212	\$ 24,511	\$ 121,701	\$ 121,701	\$ -	2
TITLE I IMPROVING BASIC PROGRAMS	I	84.010	013-130127	07/01/12-09/30/13	\$ 669,082	481,311	-	567,361	567,361	86,050	
TITLE I SCHOOL IMPROVEMENT	I	84.010	042-110127	07/24/11-09/30/12	\$ 46,181	5,772	4,672	1,100	1,100	-	
TITLE I SCHOOL IMPROVEMENT	I	84.010	042-120127	07/24/12-09/30/13	\$ 38,436	33,311	-	38,436	38,436	5,125	
TOTAL TITLE I PROGRAM					\$ 1,128,945	666,606	29,183	728,598	728,598	91,175	
TITLE IIA IMPROVING TEACHER QUALITY	I	84.367	020-120127	07/01/11-09/30/12	\$ 164,180	43,342	34,064	9,278	9,278	-	
TITLE IIA IMPROVING TEACHER QUALITY	I	84.367	020-130127	07/01/12-09/30/13	\$ 168,290	120,439	-	160,956	160,956	40,517	
TOTAL TITLE II PROGRAM					\$ 332,470	163,781	34,064	170,234	170,234	40,517	
TITLE III LEP/IMMIGRANT	I	84.365	010-110127	09/13/10-09/30/11	\$ 34,055	18,338	18,338	-	-	-	
TITLE III LEP/IMMIGRANT	I	84.365	010-120127	07/01/11-09/30/12	\$ 43,686	16,798	7,456	9,342	9,342	-	
TITLE III LEP/IMMIGRANT	I	84.365	010-130127	07/01/12-09/30/13	\$ 40,738	23,279	-	25,965	25,965	2,686	
TOTAL TITLE III PROGRAM					\$ 74,793	58,415	25,794	35,307	35,307	2,686	
ARRA - EDUCATION JOB FUND	I	84.410	010-120127	07/01/11-06/30/12	\$ 11,809	11,809	11,809	-	-	-	6
PASSED THROUGH CARBON-LEHIGH I.U.											
IDEA	I	84.027	N/A	07/01/11-06/30/12	\$ 1,144,501	507,844	507,844	-	-	-	1,2
IDEA	I	84.027	N/A	07/01/12-06/30/13	\$ 1,143,710	798,862	-	1,143,710	1,143,710	344,848	
IDEA - Section 619	I	84.173	N/A	07/01/12-06/30/13	\$ 7,924	8,558	634	7,924	7,924	-	
TOTAL IDEA CLUSTER					\$ 2,296,135	1,315,264	508,478	1,151,634	1,151,634	344,848	
TOTAL U.S. DEPT. OF EDUCATION						2,215,875	609,328	2,085,773	2,085,773	479,226	
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES											
PASSED THROUGH THE PA											
DEPARTMENT OF PUBLIC WELFARE											
TITLE 19 - MEDICAL REIMBURSEMENT	I	93.778	N/A	10/01/12-09/30/13	N/A	2,226	-	3,940	3,940	1,714	2
TOTAL U.S. DEPT. OF HEALTH AND HUMAN SERVICES						2,226	-	3,940	3,940	1,714	
U.S. DEPARTMENT OF AGRICULTURE											
PASSED THROUGH THE PA											
DEPARTMENT OF EDUCATION											
NATIONAL SCHOOL LUNCH	I	10.555	N/A	07/01/11-06/30/12	N/A	19,821	19,821	-	-	-	2
NATIONAL SCHOOL LUNCH	I	10.555	N/A	07/01/12-06/30/13	N/A	614,507	-	730,801	730,801	116,294	
BREAKFAST PROGRAM	I	10.553	N/A	07/01/11-06/30/12	N/A	2,414	2,414	-	-	-	
BREAKFAST PROGRAM	I	10.553	N/A	07/01/12-06/30/13	N/A	61,856	-	75,368	75,368	13,512	
PASSED THROUGH THE PA											
DEPARTMENT OF AGRICULTURE											
USDA COMMODITIES	I	10.555	N/A	07/01/12-06/30/13	N/A	160,062	(48,845)	149,616	149,616	(59,291)	2
TOTAL CHILD NUTRITION CLUSTER						858,660	(26,610)	955,785	955,785	70,515	4,5
TOTAL U.S. DEPARTMENT OF AGRICULTURE						858,660	(26,610)	955,785	955,785	70,515	
TOTAL FEDERAL FINANCIAL AWARDS						\$ 3,076,761	\$ 582,718	\$ 3,045,498	\$ 3,045,498	\$ 551,455	

East Penn School District
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Note 1 - Significant Accounting Policies

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

Note 2- Organization and Scope

The District recognized 1.8 % of its total general fund revenue in federal awards, and 30.1% of its total enterprise fund revenue.

Note 3 - Program Disclosure – Footnotes

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

<u>Passed through</u>	<u>Total Awards</u>	<u>Total Expenditures</u>
PA Department of Education	\$ 1,548,017	\$ 1,740,308
Carbon-Lehigh I.U.	2,296,135	1,151,634
PA Department of Public Welfare	N/A	3,940
PA Department of Agriculture	N/A	<u>149,616</u>
Totals	<u>\$ 3,844,152</u>	<u>\$ 3,045,498</u>

3. The Medical Access grant passed through the PA Department of Education is reflected as federal source revenue on the basic financial statements; however, pursuant to instructions from the Commonwealth of PA, it is not reported as revenue on the Schedule of Federal Awards.
4. The District received non-monetary assistance from the U.S. Department of Agriculture of \$160,062 in the form of commodities. These commodities are valued at U.S.D.A.'s approximate costs. During the 2012-13 fiscal year, the District used \$149,616 in commodities and established a year-end inventory of \$59,291 at June 30, 2013.
5. The amount recognized as revenue in the Schedule of Expenditures of Federal Awards, under the U.S. Department of Agriculture heading, represents the commodities used versus the commodities received, which are recognized as revenue in the basic financial statements.
6. The programs reporting this footnote are grants received using funds from the American Recovery and Reinvestment Act.

<u>FINANCIAL STATEMENT RECONCILIATION</u>	
General Fund Federal Source Revenues	\$ 1,281,590
Federal Grants in Local Sources	1,151,634
Food Service Fund Federal Revenue	<u>966,231</u>
Total Federal Revenue, per financial statements	3,399,455
Less - Medical Access Grant	(343,511)
Less - Transportaton Access	-
Change in Donated Commodities	<u>(10,446)</u>
Federal Revenue on SEFA	<u><u>\$ 3,045,498</u></u>



GORMAN & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

**INDEPENDENT AUDITOR'S REPORT
UNDER GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison statement of the general fund of the East Penn School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise East Penn School District's basic financial statements, and have issued our report thereon dated December 12, 2013.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,



December 12, 2013



GORMAN & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

**INDEPENDENT AUDITOR'S REPORT
UNDER OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited East Penn School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of East Penn School District's major federal programs for the year ended June 30, 2013*. East Penn School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of East Penn School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about East Penn School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of East Penn School District's compliance.

Opinion on Each Major Federal Program

In our opinion, East Penn School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management of East Penn School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered East Penn School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of East Penn School District's internal control over compliance.

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

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

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



December 12, 2013

**East Penn School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013**

Section I - Summary of Auditor Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of **OMB** Circular A-133? yes no

Identification of major program:

CFDA Number(s)	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster

Percentage of programs tested to total awards 31.4%

Dollar threshold used to distinguish between type A and type B program: \$ 300,000

Auditee qualified as low-risk auditee? yes no

**East Penn School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013**

Section II – Financial Statement Findings

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

Section III – Findings and Questioned Costs for Federal Awards

There were no findings discovered, relating to the federal awards, which are required to be reported in accordance with OMB Circular A-133, Section 510.

Audit Follow-up Procedures

We did not perform any follow-up procedures on the findings reported last year, since there was no prior year findings.