

**REPORT ON
EAST PENN SCHOOL DISTRICT
SINGLE AUDIT REPORT
FISCAL YEAR ENDED JUNE 30, 2015**

EAST PENN SCHOOL DISTRICT

Single Audit Report

For the Fiscal Year Ended June 30, 2015

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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, 2015, and have enclosed the Single Audit reporting package.

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

1. An audit of the basic financial statements, and our opinion thereon;
2. 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;
3. An examination of the Schedule of Expenditures of Federal Awards, and our report thereon; and,
4. An opinion on compliance with requirements applicable to each major program and a review of internal control over compliance in accordance with 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.

November 20, 2015



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. Michael Schilder, 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, 2015, and have issued our report thereon dated November 20, 2015.

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 September 4, 2015.

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 reports on Other Post-Employment Benefits, and the Net Pension Liability. 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 November 20, 2015. We advise the governing body to request this letter from management for their review. In conjunction 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 2014-15 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:

RECOMMENDATIONS

Athletic Game Events

There were only two issues associated with athletic game receipts this past fiscal year. Since these items are non-recurring in nature, we do not believe they are a deficiency in controls, but rather a human error in following procedures. The first item pertains to the wrestling match with Dieruff. The control form recording the tickets sold and deposited did not have the beginning tickets attached to the control form; as such, we cannot verify the cash collected of \$635 is accurate.

The second issue pertained to the girls' basketball game with CCHS. The control form showed \$602 in game receipts, but the deposit was \$757. Since this overage was not investigated at the time, we cannot determine the reason for the apparent overage. It is possible; another ticket roll was used and not recorded on the control form.

In the future, we recommend the personnel in charge of completing these forms to investigate immediately any problems and correct the issues immediately.

Activity Funds

During our review of Eyer Middle School student clubs, we noticed the sale of muffins during the PSSA week in April 2015 was not deposited until late July 2015. The advisor did not remember to deposit the money on a timely basis, and the form reporting the amount deposited was not signed by any student officer.

In the future, we advise the officials to deposit sale proceeds immediately, with student approval of this process.

OTHER INFORMATION

We would be remiss if we didn't keep the management and the School Board 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. 72, 73, 74, 75, 76, and 77 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. 72

This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in

Board of School Directors · Dr. Michael Schilder, Superintendent

an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes, along with applying fair value to certain investments and disclosures related to all fair value measurements.

This Statement requires a government to use valuation techniques using the market approach, the cost approach, or the income approach. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. This Statement distinguishes between three levels of inputs.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets and liabilities. Level 2 inputs are inputs, other than quoted prices, that are observable for the asset or liability, either directly or indirectly. Finally, Level 3 inputs are unobservable inputs, such as management's assumption of the default rate among underlying mortgages of a mortgage-backed security. Effective date is the 2015-16 fiscal year.

GASB Statement No. 73

This new accounting standard pertains to Pensions and related assets that are not within the Scope of GASB Statement 68, and amendments to certain provisions of GASB Statements 67 and 68. The amendments pertaining to Statement 68 will not affect cost-sharing employers. In addition, this Statement pertains to defined benefit pensions that do not relate to the District. Effective for the 2016-17 fiscal year.

GASB Statement No. 74 & 75

These new accounting standards, affects Other Post Employment Benefit Plans and replaces GASB Statement 43 and 45. Statement 74 pertains to the financial reporting of any Other Post Employment Benefit Trust Plans. Statement 75 pertains to the financial reporting of individual governments.

These two Statements in essence treats OPEB in future years similar to GASB Statements 67 and 68 pertained to defined benefit and contribution pension plans. Statement 75 requires all governments to report as a long-term liability the actuarial value of its Other Post-Employment Benefits, similar to the treatment of your PSERS defined benefit pension plan.

Instead of having a Net OPEB obligation amortizing 1/30th of the total actuarial liability each year, you will be recording the entire actuarial liability as a long-term Net OPEB Liability on the government-wide financial statements.

Effective date for Statement 74 is the 2016-17 fiscal year for OPEB Trusts, and 2017-18 fiscal year for governmental employers.

GASB Statement No. 76

This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The biggest change in this accounting principle is that all implementation guides issued by GASB staff is now considered authoritative literature. Effective date for this standard is the 2015-16 fiscal year.

GASB Statement No. 77

In an effort to improve financial reporting for the government's citizens, taxpayers, legislative and oversight bodies, municipal bond analysts, and others, this Statement requires governments involved in Tax

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Abatement agreements; commonly known as Tax Incentive Financing (TIF) arrangements to disclose certain information on all such agreements.

This Standard defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens.

This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The following information about the agreements must be disclosed:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients.
- The gross dollar amount of taxes abated during the period.
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

Governments should organize those disclosures by major tax abatement program and may disclose information for individual tax abatement agreements within those programs.

Tax abatement agreements of other governments should be organized by the government that entered into the tax abatement agreement and the specific tax being abated. For those tax abatement agreements, a reporting government should disclose:

- The names of the governments that entered into the agreements
- The specific taxes being abated
- The gross dollar amount of taxes abated during the period

The effective date of the Statement is the 2016-17 fiscal year.

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.

November 20, 2015

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, 2015, 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, 2015, 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-G to the financial statements, the East Penn School District adopted new accounting guidance from GASB Statement No. 68 for the 2014-15 fiscal year. Our opinion is not modified with respect to this pronouncement.

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 11-21, the Schedule of Funding Progress, the District's Proportionate Share of Net Pension Liability, and the District's Contributions – Pensions on pages 87-89, 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 November 20, 2015, 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,



November 20, 2015

EAST PENN SCHOOL DISTRICT
Emmaus, PA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
(UNAUDITED)
For the Year Ended June 30, 2015

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, 2015. 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 2014-2015 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. For 2014-2015, higher regular increases for teachers were paid based on Amendment No. 1 to their bargaining agreement, which utilized the original 2012-2013 salary schedule, but allowed a one year addition in service credit and adjustments for changes in certification status.

The number of special education students increased from 841 in March of 2014 to 926 in March of 2015. Several regular education teaching positions were eliminated through attrition. The number of charter school students was very close to the previous year's enrollment. The state eliminated up to 30% reimbursement that districts could receive for payments to charter schools in '11/12 and has not reinstated it since then.

Lehigh County Reassessment went into effect for our real estate taxes starting July 1, 2013 and we adopted a revenue neutral millage in 2013-2014, but we would have been allowed to go up 1.7% that year without requesting any exceptions. In 2014-2015, our millage increased 3.34% which exceeded the 2.1% Act 1 index, but we received approval from PDE for \$882,995 in special education and \$995,587 in retirement contribution increases that exceeded the index. Combined, our allowed exceptions were \$1,878,582, which would have allowed us to increase the millage by 4.4%. For 2014-15, 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 100.5 % of budgeted real estate tax. Interim real estate tax collected was only 47.4% of budget, and less than what was collected in the previous fiscal year. Real estate tax collected was 107.4% of budget. Actual earned income tax collected was 102.6% of budget, but delinquent earned income tax was only 30.8% of budget. Delinquent real estate tax collected was 123.5% 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 and paying refunds through Keystone through June of 2015 for earnings prior to January of 2012. Earnings on investments were only 76.0% of the budgeted amount because we did not lower our budgeted interest income enough to reflect interest rates on allowable investments that stayed extremely low.

Rental & sinking fund revenue was only 90.6% of budget primarily due to debt refinancing, but Section 1305 & 1306 subsidy was 95.2% of budget. Transportation state subsidy was 114.0% of budget due to use of new vehicles as part of the switch to a new contractor. Overall, the total state revenue collected was 100% of budget.

Total revenue received was 100.3% of original budgeted revenue.

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

We refunded the 2005A, 2008A, 2009A, 2010A and part of the 2010 bond issues at lower interest rates with the 2014A, 201A and 2015B issues, but did not transfer any savings to our capital reserve fund as we have often done in the past to be used for future capital improvements. These bond refunding's saved \$881,701 over the life of the old issues, but they occurred in various fiscal years. We also noticed during the year that revenue was running under budget and charter school and some other uncontrollable costs were running above budget, so we cut off discretionary spending and did not do any transfers to the capital reserve fund.

General fund salaries were 99.3% and benefits spent were 97.7% of their original budget, including tuition reimbursement costs that were only 62.3% of their budget and lower than any of the four previous years. Intermediate Unit instructional costs were 97.2% 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, which 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, was only 73.1% of the amount originally budgeted, and was lower than each of the four previous fiscal years. Legal expenses, contracted security costs, as well as some other contracted services were significantly below budget in that category. Disposal/Custodial services spent were only 71.6% of their original budget, and less spent than in any of the four previous fiscal years, due to reduced refuse collection costs. Fuel and utilities were only 96.7% of their budget. This is a difficult area to estimate based on usage related to unpredictable weather. Charter School expenditures were 101.1% of their original budget, but the increase from the previous fiscal year was \$257,872 or 7.2%. Approved Private Schools/Private Residential Rehabilitative Institutions were 67.5% of their original budget, and lower than the previous year's expenditure, but this area fluctuates greatly based on student placements. Other Schools were 251.0% of their original budget, but less than what we spent in each of the previous three fiscal years, which had shown a big increase in expenditures from 2010-11. This area fluctuates greatly due to student placements. Supplies/Books/Software spent was only 91.0% of its original budget, but Equipment spent was 135.4% of its original budget. Our Miscellaneous category was 98.0% of what was originally budgeted. Debt service expenditures were only 89.4% 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 97.6% of original budgeted expenditures.

Total expenditures for the fiscal year exceeded revenue and other sources by \$1,947,447 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.

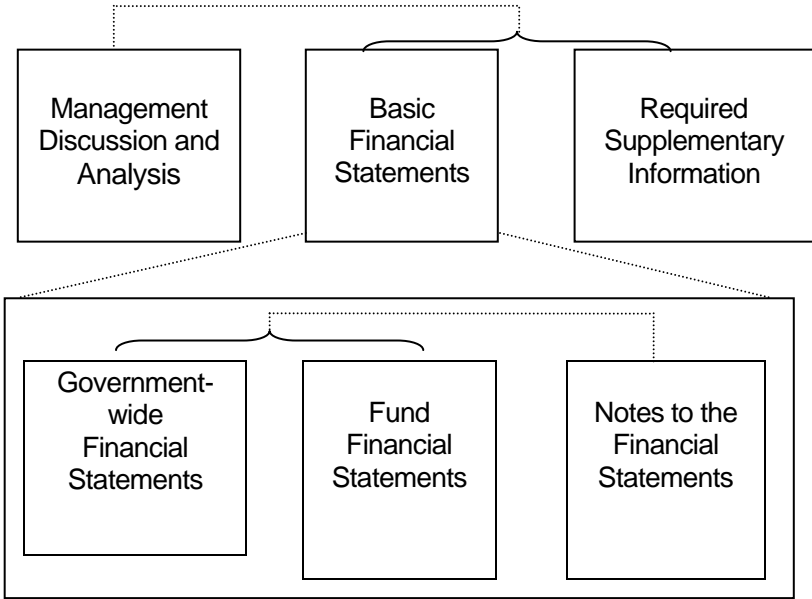
The first two statements are government-wide financial statements - the Statement of Net Position and the Statement of Activities. These provide both long-term and short-term information about the District's overall financial status.

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 outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

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

To assess the overall health of the District, 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 (\$88,091,842) at June 30, 2015. The decrease in net position of \$155,848,434 from the previous fiscal year is due to the implementation of GASB Statement 68, which requires the district to report its proportionate share of the PSERS (PA School Employees Retirement System) pension trust's unfunded actuarial pension liability

**Table A-1
Fiscal Year ended June 30, 2015
Net Position (In Millions)**

	<u>2015</u>			<u>2014</u>		
	<u>Govern- mental Activities</u>	<u>Business- Type Activities</u>	<u>Total Primary Government</u>	<u>Govern- mental Activities</u>	<u>Business- Type Activities</u>	<u>Total Primary Government</u>
Current assets	\$ 26.4	\$ 0.8	\$ 27.2	\$ 27.9	\$ 0.4	\$ 28.3
Non-Current assets	155.7	0.2	155.9	159.4	0.3	159.7
Deferred Outflow of Resources	18.7	0.3	19.0	1.5	-	1.5
Total Assets & Deferred Outflow of Resources	\$ 200.8	\$ 1.3	\$ 202.1	\$ 188.8	\$ 0.7	\$ 189.5
Current and other liabilities	\$ 23.9	\$ 0.1	\$ 24.0	\$ 22.8	\$ 0.2	\$ 23.0
Long-term liabilities	250.6	3.1	253.7	98.8	-	98.8
Deferred Inflow of Resources	12.3	0.2	12.5	-	-	-
Total Liabilities & Deferred Inflow of Resources	286.8	3.4	290.2	121.6	0.2	121.8
Net Position						
Net Investment in Capital Assets	63.4	0.2	63.6	56.1	0.3	56.4
Retirement of Long-Term Debt	-	-	-	-	-	-
Other Restrictions	2.1	-	2.1	2.4	-	2.4
Unrestricted	(151.5)	(2.3)	(153.8)	8.7	0.2	8.9
Total Net Position	\$ (86.0)	\$ (2.1)	\$ (88.1)	\$ 67.2	\$ 0.5	\$ 67.7
Total Liabilities, Deferred Inflow of Resources, & Net Position	\$ 200.8	\$ 1.3	\$ 202.1	\$ 188.8	\$ 0.7	\$ 189.5

Most of the District's net position is invested in capital assets (buildings, land, and equipment) totaling \$63.6 million. The remaining unrestricted net portion is a combined of designated and undesignated amounts. The designated balance of \$2.1 million is set aside to fund capital projects as planned by the district. The unrestricted net position reflects a negative balance of (\$153.8) million.

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**

The implementation of GASB Statement No. 68 resulted in a prior period adjustment of \$156.8 million. Additional information is provided in the notes to the financial statements.

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, 2015
Changes in Net Position (In Thousands)**

	2015			2014		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
REVENUES						
<i>Program revenues</i>						
Charges for services	\$ 294	\$ 2,090	\$ 2,384	\$ 309	\$ 2,054	\$ 2,363
Operating grants and contributions	16,336	1,412	17,748	14,460	1,274	15,734
Capital grants and contributions	1,493	-	1,493	1,572	-	1,572
<i>General revenues</i>						
Property taxes	83,442	-	83,442	79,539	-	79,539
Other taxes	10,526	-	10,526	10,001	-	10,001
Grants, subsidies and contributions, unrestricted	12,449	-	12,449	12,499	-	12,499
Other	299	10	309	312	-	312
TOTAL REVENUES	\$ 124,839	\$ 3,512	\$ 128,351	\$ 118,692	\$ 3,328	\$ 122,020
EXPENSES						
Instruction	\$ 77,556	\$ -	\$ 77,556	\$ 71,303	\$ -	\$ 71,303
Instructional student support	9,799	-	9,799	8,494	-	8,494
Administrative and financial support	9,243	-	9,243	8,528	-	8,528
Operation and maintenance of plant	11,860	-	11,860	10,951	-	10,951
Pupil transportation	7,503	-	7,503	6,304	-	6,304
Student activities	1,836	-	1,836	1,716	-	1,716
Community services	30	-	30	45	-	45
Scholarships and awards	1	-	1	1	-	1
Interest on long-term debt	1,888	-	1,888	2,567	-	2,567
Unallocated depreciation expense	4,265	-	4,265	4,293	-	4,293
Food Services	-	3,422	3,422	-	3,198	3,198
TOTAL EXPENSES	123,981	3,422	127,403	114,202	3,198	117,400
Increase (decrease) in net position	\$ 858	\$ 90	\$ 948	\$ 4,490	\$ 130	\$ 4,620
Total Net Position - Beginning	\$ 67,248	\$ 509	\$ 67,757	\$ 62,578	\$ 379	\$ 66,137
Prior Period Adjustment	\$ (154,115)	\$ (2,682)	\$ (156,797)	\$ -	\$ -	\$ -
Total Net Position - Ending	\$ (86,009)	\$ (2,083)	\$ (88,092)	\$ 67,248	\$ 509	\$ 67,757

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, 2015
Governmental Activities (In Thousands)**

Functions/Programs	2015		2014	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 77,556	\$ 65,591	\$ 71,303	\$ 60,673
Instructional student support	9,799	8,717	8,494	7,580
Administrative	9,243	8,519	8,528	7,908
Operation and maintenance	11,860	11,199	10,951	10,402
Pupil transportation	7,503	5,565	6,304	4,490
Scholarships and awards	1,836	1,584	1,716	1,482
Student activities	30	22	45	37
Community services	1	1	1	1
Interest on long-term debt	1,888	395	2,567	995
Unallocated depreciation expense	4,265	4,265	4,293	4,293
Total governmental activities	\$ 123,981	\$ 105,858	\$ 114,202	\$ 97,861
Less:				
Unrestricted grants, subsidies		12,499		12,499
Total needs from local taxes and other revenues		\$ 93,409		\$ (85,362)

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, 2015
Business – type
Activities**

Functions/Programs	2015		2014	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Food Services	\$ 3,422,405	\$ 80,108	\$ 3,198,488	\$ 130,088
Less:				
Investment earnings & other misc.		9,798		140
Total business-type activities		\$ 89,906		\$ 130,228

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, 2015, the District governmental funds reported a combined fund balance of \$13,587,715, a decrease of \$2,714,850 from the previous year.

General fund expenditures exceeded revenues by \$1,947,447. The decrease in the General Fund balance was \$1,947,447, since no transfers were made from the general fund to the capital reserve fund

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

during the year. 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 decreased by \$767,403.

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 \$330,697 were covered by the Capital Reserve Fund this year, while no transfers were received from the General Fund, so the Capital Reserve Fund's fund balance increased by \$328,254.

The Capital Projects Fund had a negative change in its fund balance since ongoing construction project expenditures amounted to \$442,881. The Capital Project portion of fund balance decreased by \$442,867.

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, transfer tax, and earned income tax revenues exceeded budgetary figures which offset lower interim real estate and delinquent earned income tax revenues and interest income. Total local revenue was \$309,976 higher than budgeted. State revenue was \$9,682 higher than budgetary figures, primarily due to transportation revenues offsetting lower rental and sinking fund, and special education revenues. Basic education subsidy requirements exceeded budget projections, while Section 1305 and 1306 tuition subsidy, retirement, and social security reimbursements were less than budgeted. Federal Revenue was \$28,748 higher than budgeted due to increased Title 1 and medical Access grant revenues offsetting decreased funding received from other federal grants.

Salaries and benefits, purchased professional/technical services, fuel, utility costs, and debt service, were lower than originally budgeted, driving the total expenditures (excluding fund transfers and budgetary reserve) to be \$3,017,190 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, 2015, the District had \$155,737,535 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 \$3,690,632, or 2.31% from last year.

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

**Table A-5
Governmental Activities
Fiscal Year Ended June 30, 2015
Capital assets - net of depreciation**

	2015	2014
Land	\$ 11,235,048	\$ 11,235,048
Site Improvements	2,524,444	2,764,309
Buildings	139,694,510	143,710,713
Furniture & Equipment	1,567,876	1,718,097
Construction in Progress	715,657	-

DEBT ADMINISTRATION

As of July 1, 2014, the District had total outstanding debt of \$104,450,000. During the year, the District issued \$20,060,000 in additional debt, but retired and repaid \$32,215,000 resulting in ending outstanding debt as of June 30, 2015, of \$92,295,000

**Table A-6
Outstanding Debt**

	2015	2014
General Obligation Notes/Bonds:		
- Bonds, Series B of 2015	\$ 4,050,000	\$ -
- Bonds, Series A of 2015	5,735,000	-
- Bonds, Series A of 2014	9,125,000	-
- Bonds, Series of 2014	8,435,000	8,535,000
- Bonds, Series of 2013	3,970,000	6,010,000
- Bonds, Series A of 2012	9,350,000	9,895,000
- Bonds, Series of 2012	9,490,000	9,495,000
- Bonds, Series of 2011	8,355,000	10,280,000
- Bonds, Series A of 2010	-	3,980,000
- Bonds, Series of 2010	1,625,000	6,585,000
- Bonds, Series A of 2009	-	3,275,000
- Bonds, Series A of 2008	-	1,035,000
- Notes, Series A of 2007	11,800,000	11,900,000
- Bonds, Series A of 2005	-	10,855,000
- Notes, Series A of 2004	8,800,000	9,600,000
- Notes, Series A of 2003	8,700,000	9,500,000
- Notes, Series of 1998	2,860,000	3,505,000
TOTAL	92,295,000	\$ 104,450,000

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 January 6, 2015. The Aa2 rating reflects their opinion of the "District's

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

- Historically strong financial operations, resulting in satisfactory reserve levels
- A large suburban community with wealth levels that exceed state and national medians
- A manageable profile that is expected to remain affordable as future borrowing plans are minimal”

They stated that in their opinion, “Going forward, management’s ability to maintain satisfactory financial flexibility by addressing rising expenditures and limited revenue growth will be a key driving factor”.

The revenue budget for the 2015-2016 year is \$5,758,283 higher than the original budget of 2014 -2015, representing a 4.6% increase in budget revenues and includes a 0.5501 mil or 3.3% real estate tax increase.

With the passing of Act 1, the District was required to pass a preliminary budget in February and obtain approval for increasing taxes above an allowed index or pass a resolution stating that would not be exceeded. For the 2015-2016 budget, this index was 2.2%, and the District approved a preliminary budget and applied for exceptions from PDE to exceed the index for the 2015-2016 school year. We were granted exceptions for special education (\$1,510,921) and retirement contributions (\$960,436) totaling \$2,471,357, but only used \$950,234 when the final budget was adopted. These exceptions based on the tax data in the preliminary budget, would have allowed us to implement a real estate tax rate of 17.5311 mills, which would have been a 5.20% real estate tax increase, but the actual final budget had a real tax estate tax rate of 17.2150 mills, or a 3.3% rate increase.

The expenditure budget for the 2015-2016 year is \$4,367,234 higher than the original budget for 2014-2015, or a 3.2% increase. The budgetary reserve accounts for \$6,066,390 of the total expenditure budget.

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

**Table A-7
BUDGETED REVENUES**

	2015-2016	2014-2015
Local	76.2%	76.8%
State	23.0%	22.3%
Federal/Other	0.8%	0.9%

BUDGETED EXPENDITURES

	2015-2016	2014-2015
Instruction	56.5%	55.9%
Support Services	26.7%	26.7%
Non-Instruction/Community	1.3%	1.3%
Fund Transfers/Debt	15.5%	16.1%

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, and (610) 966-8307

BASIC FINANCIAL STATEMENTS

**East Penn School District
Statement of Net Position
As of June 30, 2015**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 20,542,480	\$ 519,731	\$ 21,062,211
Restricted Cash	5,003		5,003
Investments	-	-	-
Receivables, net	2,157,984	-	2,157,984
Internal Balances	-	18,306	-
Due From Other Governments	3,521,701	157,873	3,679,574
Other Receivables	34,280	1,684	35,964
Inventories	134,608	85,284	219,892
Prepaid Expenses	-	-	-
Other Current Assets	-	-	-
Total Current Assets	26,396,056	782,878	27,160,628
Non-Current Assets			
Other Long-Term Receivables	-	-	-
Land	11,235,048	-	11,235,048
Site Improvements (net of depreciation)	2,524,444	-	2,524,444
Building and Bldg. Improvements (net of depreciation)	139,694,510	-	139,694,510
Furniture and Equipment (net of depreciation)	1,567,876	256,563	1,824,439
Construction in Progress	715,657	-	715,657
Total Non-Current Assets	155,737,535	256,563	155,994,098
Total Assets	\$ 182,133,591	\$ 1,039,441	\$ 183,154,726
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources - Change in Proportion of NPL	6,055,565	113,435	6,169,000
Deferred Outflows of Resources - 2014-15 Contributions	11,320,053	206,125	11,526,178
Deferred Amount on Debt Refundings, net	1,284,028	-	1,284,028
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 200,793,237	\$ 1,359,001	\$ 202,133,932
LIABILITIES			
Current Liabilities:			
Internal Balances	\$ 18,306	\$ -	\$ -
Due to other governments	498,469	-	498,469
Accounts Payable	1,306,362	19,309	1,325,671
Current Portion of Long-Term Obligations	12,742,975	-	12,742,975
Accrued Salaries and Benefits	9,075,577	-	9,075,577
Payroll Deductions and Withholdings	-	-	-
Prepayments	-	84,243	84,243
Deposit Payable	5,003	-	5,003
Other Current Liabilities	209,462	-	209,462
Total Current Liabilities	23,856,154	103,552	23,941,400
Non-Current Liabilities			
Bonds and Notes Payable	81,049,503	-	81,049,503
Extended Term Financing Agreements Payable	-	-	-
Lease Purchase Obligations	-	-	-
Long-Term Portion of Compensated Absences	1,682,293	34,034	1,716,327
Net Pension Liability	164,275,787	3,077,275	167,353,062
Net OPEB Obligation	3,047,904	1,955	3,049,859
Other Retirement Benefits	552,680	-	552,680
Total Liabilities	274,464,321	3,216,816	277,662,831
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources - Diff. in Projected vs Actual Invest. Earnings	11,765,602	220,398	11,986,000
Deferred Inflows of Resources - Diff. in Projected vs Actual Contributions	245,955	4,608	250,563
Deferred Inflows of Resources - Change in Proportion of NPL	-	-	-
Unearned Revenue from TIF arrangement	326,380	-	326,380
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	286,802,258	3,441,822	290,225,774
NET POSITION			
Net Investment in Capital Assets	63,404,143	256,563	63,660,706
Restricted For:			
Retirement of Long-Term Debt	-	-	-
Capital Projects	2,113,544	-	2,113,544
Other Restrictions	-	-	-
Unrestricted (deficit)	(151,526,708)	(2,339,384)	(153,866,092)
TOTAL NET POSITION	(86,009,021)	(2,082,821)	(88,091,842)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 200,793,237	\$ 1,359,001	\$ 202,133,932

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, 2015

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
GOVERNMENTAL ACTIVITIES:							
Instruction	\$ 77,556,236	\$ 141,365	\$ 11,824,092	\$ -	\$ (65,590,779)	\$ -	\$ (65,590,779)
Instructional Student Support	9,798,639	-	1,081,182	-	(8,717,457)	-	(8,717,457)
Admin. & Fin'l Support Services	9,242,816	-	724,350	-	(8,518,466)	-	(8,518,466)
Oper. & Maint. of Plant Svcs.	11,859,921	-	661,295	-	(11,198,626)	-	(11,198,626)
Pupil Transportation	7,502,515	-	1,937,820	-	(5,564,695)	-	(5,564,695)
Student activities	1,835,772	152,545	98,595	-	(1,584,632)	-	(1,584,632)
Community Services	30,061	-	8,511	-	(21,550)	-	(21,550)
Scholarships and Awards	1,250	-	-	-	(1,250)	-	(1,250)
Interest on Long-Term Debt	1,887,992	-	-	1,492,901	(395,091)	-	(395,091)
Unallocated Depreciation Expense	4,265,349	-	-	-	(4,265,349)	-	(4,265,349)
TOTAL GOVERNMENTAL ACTIVITIES	123,980,551	293,910	16,335,845	1,492,901	(105,857,895)	-	(105,857,895)
BUSINESS-TYPE ACTIVITIES:							
Food Services	3,422,405	2,090,221	1,412,292	-	-	80,108	80,108
Other Enterprise Funds	-	-	-	-	-	-	-
TOTAL PRIMARY GOVERNMENT	\$ 127,402,956	\$ 2,384,131	\$ 17,748,137	\$ 1,492,901	\$ (105,857,895)	\$ 80,108	\$ (105,777,787)
GENERAL REVENUES:							
Property taxes Levied for general purposes, net					\$ 83,441,906	\$ -	\$ 83,441,906
Taxes levied for specific purposes					10,525,947	-	10,525,947
Grants, subsidies, & contributions not restricted					12,448,766	-	12,448,766
Investment Earnings					86,112	140	86,252
Miscellaneous Income					214,841	13,056	227,897
Special item - Gain (Loss) on sale of capital assets					(1,619)	(3,398)	(5,017)
Extraordinary Items					-	-	-
Transfers					-	-	-
TOTAL GENERAL REVENUES, SPECIAL ITEMS, EXTRAORDINARY ITEMS, AND TRANSFERS					106,715,953	9,798	106,725,751
CHANGES IN NET POSITION					858,058	89,906	947,964
NET POSITION - BEGINNING					67,247,582	509,010	67,756,592
Prior Period Adjustment					(154,114,661)	(2,681,737)	(156,796,398)
NET POSITION - ENDING					\$ (86,009,021)	\$ (2,082,821)	\$ (88,091,842)

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

**East Penn School District
Balance Sheet
Governmental Funds
As of June 30, 2015**

	GENERAL	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>			
Cash and cash equivalents	\$ 18,082,396	\$ 2,460,084	\$ 20,542,480
Restricted Cash	5,003	-	5,003
Investments	-	-	-
Taxes Receivable, net	2,157,984	-	2,157,984
Due from other funds	1,859	-	1,859
Due from Other Governments	3,521,701	-	3,521,701
Other Receivables	32,421	-	32,421
Inventories	-	-	-
Prepaid Expenditures	-	-	-
Other Current Assets	-	-	-
TOTAL ASSETS	\$ 23,801,364	\$ 2,460,084	\$ 26,261,448
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Charges of Bond Refundings, net	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 23,801,364	\$ 2,460,084	\$ 26,261,448
<u>LIABILITIES</u>			
Due to Other Funds	\$ 18,306	\$ -	\$ 18,306
Due to Other Governments	498,469	-	498,469
Accounts Payable	975,623	330,739	1,306,362
Current Portion of Long-Term Debt	162,975	-	162,975
Accrued Salaries and Benefits	9,075,577	-	9,075,577
Payroll Deductions and Withholdings	-	-	-
Deposit Payable	5,003	-	5,003
Other Current Liabilities	40,222	-	40,222
TOTAL LIABILITIES	10,776,175	330,739	11,106,914
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unearned Revenue from Property Taxes	1,566,819	-	1,566,819
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	12,342,994	330,739	12,673,733
FUND BALANCES:			
Nonspendable Fund Balance	-	-	-
Restricted Fund Balance	18,414	2,125,627	2,144,041
Committed Fund Balance	625,147	-	625,147
Assigned Fund Balance	10,770,544	3,718	10,774,262
Unassigned Fund Balance	44,265	-	44,265
TOTAL FUND BALANCES	11,458,370	2,129,345	13,587,715
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 23,801,364	\$ 2,460,084	\$ 26,261,448

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, 2015**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 13,587,715

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 \$218,971,992 and the accumulated depreciation is \$63,234,457. 155,737,535

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 outflows of resources resulting in deferred charges on refunding prior bond issues. 1,284,028

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. 1,240,439

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. 134,608

This represents the deferred outflows of resources, net of deferred inflows of resources pertaining to the Net Pension Liability 5,364,061

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	\$ (93,629,503)	
Accrued interest on the bonds	(169,240)	
Compensated absences	(1,682,293)	
Net Defined Benefit Pension Liability	(164,275,787)	
Net Defined Contribution Pension Obligation	(552,680)	
Net OPEB Obligation	(3,047,904)	<u>(263,357,407)</u>

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES **\$ (86,009,021)**

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, 2015

	<u>GENERAL</u>	<u>NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES			
Local Sources	\$ 96,143,145	\$ 2,457	\$ 96,145,602
State Sources	27,855,335	-	27,855,335
Federal Sources	1,207,235	-	1,207,235
TOTAL REVENUES	<u>125,205,715</u>	<u>2,457</u>	<u>125,208,172</u>
EXPENDITURES			
Instruction	75,381,018	-	75,381,018
Support Services	36,391,040	253,892	36,644,932
Operation of Non-Instructional Services	1,795,026	-	1,795,026
Capital Outlay	-	773,328	773,328
Debt Service	13,549,937	3,041	13,552,978
TOTAL EXPENDITURES	<u>127,117,021</u>	<u>1,030,261</u>	<u>128,147,282</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,911,306)</u>	<u>(1,027,804)</u>	<u>(2,939,110)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from Bond Issues	-	-	-
Refunding Bond Proceeds	-	20,060,000	20,060,000
Bond Premiums	-	1,137,408	1,137,408
Insurance Recoveries	11,567	-	11,567
Interfund Transfers In	-	-	-
Sale/Compensation for Fixed Assets	3,500	-	3,500
Payment to bond refunding escrow agent	-	(20,937,007)	(20,937,007)
Bond Discounts	-	-	-
Refunds of Prior Year Receipts	(51,208)	-	(51,208)
Operating Transfers Out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(36,141)</u>	<u>260,401</u>	<u>224,260</u>
SPECIAL/EXTRAORDINARY ITEMS			
Special Items	-	-	-
Extraordinary Items	-	-	-
NET CHANGE IN FUND BALANCES	<u>(1,947,447)</u>	<u>(767,403)</u>	<u>(2,714,850)</u>
FUND BALANCES - BEGINNING	<u>13,405,817</u>	<u>2,896,748</u>	<u>16,302,565</u>
FUND BALANCES - ENDING	<u>\$ 11,458,370</u>	<u>\$ 2,129,345</u>	<u>\$ 13,587,715</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, 2015

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (2,714,850)

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	\$ 4,521,815	
	less - capital outlays	<u>836,301</u>	(3,685,514)

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. (5,119)

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 inflows of resources decreased by this amount this year. (379,511)

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. 11,630,000

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. 944,988

SUB-TOTAL IN CHANGES BETWEEN BASIS OF ACCOUNTING **5,789,994**

**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, 2015**

SUB-TOTAL IN CHANGES BETWEEN BASIS OF ACCOUNTING \$ 5,789,994
(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. 86,193

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. (260,400)

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. -

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. 39,336

The difference between current year pension expense reported on the governmental activities column of the government-wide financial statements and the pension contributions made this past year reported as expenditures in the governmental funds. (4,797,065)

CHANGE IN NET POSITION ON GOVERNMENTAL ACTIVITIES **\$ 858,058**

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, 2015

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 519,731	\$ -	\$ 519,731
Investments	-	-	-
Due from other funds	18,306	-	18,306
Due From Other Governments	157,873	-	157,873
Other Receivables	1,684	-	1,684
Inventories	85,284	-	85,284
Prepaid expenses	-	-	-
Other Current Assets	-	-	-
TOTAL CURRENT ASSETS	782,878	-	782,878
NON-CURRENT ASSETS:			
Building & Bldg. Improvements (net)	-	-	-
Machinery & Equipment (net)	256,563	-	256,563
Other Long-Term Receivables	-	-	-
TOTAL NON-CURRENT ASSETS	256,563	-	256,563
TOTAL ASSETS	\$ 1,039,441	\$ -	\$ 1,039,441
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources - Change in Proportion of NPL	113,435	-	113,435
Deferred Outflows of Resources - 2014-15 Contributions	206,125	-	206,125
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 1,359,001	\$ -	\$ 1,359,001
LIABILITIES			
CURRENT LIABILITIES:			
Due to Other Funds	\$ -	\$ -	\$ -
Due to Other Governments	-	-	-
Accounts Payable	19,309	-	19,309
Compensated Absences	-	-	-
Accrued Salaries and Benefits	-	-	-
Other Current Liabilities	-	-	-
Prepayments	84,243	-	84,243
TOTAL CURRENT LIABILITIES	103,552	-	103,552
NON-CURRENT LIABILITIES:			
Long-Term Portion of Compensated Absences	34,034	-	34,034
Net Pension Liability	3,077,275	-	3,077,275
Net OPEB Obligation	1,955	-	1,955
TOTAL NON-CURRENT LIABILITIES	3,113,264	-	3,113,264
TOTAL LIABILITIES	3,216,816	-	3,216,816
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources - Diff. in Projected vs Actual Invest. Earnings	220,398	-	220,398
Deferred Inflows of Resources - Diff. in Projected vs Actual Contributions	4,608	-	4,608
Deferred Inflows of Resources - Change in Proportion of NPL	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	3,441,822	-	3,441,822
FUND NET POSITION			
Net Investment in Capital Assets	256,563	-	256,563
Restricted for Legal Purposes	-	-	-
Unrestricted	(2,339,384)	-	(2,339,384)
TOTAL FUND NET POSITION	(2,082,821)	-	(2,082,821)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND NET POSITION	\$ 1,359,001	\$ -	\$ 1,359,001

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, 2015

	<u>FOOD SERVICE</u>	<u>NON-MAJOR FUNDS</u>	<u>TOTAL</u>
OPERATING REVENUES:			
Food Service Revenue	\$ 2,090,221	\$ -	\$ 2,090,221
Charges for Services	-	-	-
Other Operating Revenues	13,056	-	13,056
TOTAL OPERATING REVENUES	<u>2,103,277</u>	<u>-</u>	<u>2,103,277</u>
OPERATING EXPENSES:			
Salaries	1,074,835	-	1,074,835
Employee Benefits	494,467	-	494,467
Purchased Professional and Technical Services	88	-	88
Purchased Property Service	34,136	-	34,136
Other Purchased Services	1,538,597	-	1,538,597
Supplies	199,834	-	199,834
Depreciation	14,079	-	14,079
Dues and Fees	-	-	-
Equipment	6,354	-	6,354
Other Operating Expenses	60,015	-	60,015
TOTAL OPERATING EXPENSES	<u>3,422,405</u>	<u>-</u>	<u>3,422,405</u>
OPERATING INCOME (LOSS)	<u>(1,319,128)</u>	<u>-</u>	<u>(1,319,128)</u>
NON-OPERATING REVENUES (EXPENSES)			
Earnings on investments	140	-	140
Contributions and Donations	-	-	-
Gain/Loss on Sale of Fixed Assets	(3,398)	-	(3,398)
State Sources	250,528	-	250,528
Federal Sources	1,161,764	-	1,161,764
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>1,409,034</u>	<u>-</u>	<u>1,409,034</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	89,906	-	89,906
Capital Contributions	-	-	-
Transfers in (out)	-	-	-
CHANGES IN FUND NET POSITION	89,906	-	89,906
FUND NET POSITION - BEGINNING	509,010	-	509,010
Prior Period Adjustment	(2,681,737)	-	(2,681,737)
FUND NET POSITION - ENDING	<u>\$ (2,082,821)</u>	<u>\$ -</u>	<u>\$ (2,082,821)</u>

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, 2015

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Users	\$ 2,094,713	\$ -	\$ 2,094,713
Cash Received from Assessments made to Other Funds	-	-	-
Cash Received from Earnings on Investments	-	-	-
Cash Received from Other Operating Revenue	13,056	-	13,056
Cash Payments to Employees for Services	(1,470,061)	-	(1,470,061)
Cash Payments for Insurance Claims	-	-	-
Cash Payments to Suppliers for Goods and Services	(1,690,008)	-	(1,690,008)
Cash Payments to Other Operating Expenses	-	-	-
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(1,052,300)	-	(1,052,300)
	-----	-----	-----
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Local Sources	205,196	-	205,196
State Sources	252,989	-	252,989
Federal Sources	995,011	-	995,011
Capital Contributions	-	-	-
Interest Paid on Notes/Loans	-	-	-
Operating Transfers In (Out)	-	-	-
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	1,453,196	-	1,453,196
	-----	-----	-----
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of Equipment	(16,053)	-	(16,053)
Gain/Loss on Sale of Fixed Assets (Proceeds)	997	-	997
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(15,056)	-	(15,056)
	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES			
Earnings on Investments	140	-	140
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	140	-	140
	-----	-----	-----
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	385,980	-	385,980
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	133,751	-	133,751
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 519,731	\$ -	\$ 519,731

East Penn School District
Statement of Cash Flows - Proprietary Funds
As of June 30, 2015

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)	\$ (1,319,128)	\$ -	(1,319,128)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES			
Depreciation and Net Amortization	14,079	-	14,079
Provision for Uncollectible Accounts	-	-	-
Donated Commodities Used	177,830	-	177,830
CHANGE IN ASSETS AND LIABILITIES:			
(Increase) Decrease in Accounts Receivable	7,524	-	7,524
(Increase) Decrease in Advances to Other Funds	(7,836)	-	(7,836)
(Increase) Decrease in Inventories	640	-	640
(Increase) Decrease in Prepaid Expenses	4,804	-	4,804
(Increase) Decrease in Other Current Assets	-	-	-
(Increase) Decrease in Deferred Outflows of Resources - Change in Proportion of NPL	(113,435)	-	(113,435)
(Increase) Decrease in Deferred Outflows of Resources - 2014-15 Contributions	(206,125)	-	(206,125)
Increase (Decrease) in Accounts Payable	(14,319)	-	(14,319)
Increase (Decrease) in Accrued Salaries and Benefits	2,638	-	2,638
Increase (Decrease) in Advances from Other Funds	(6,937)	-	(6,937)
Increase (Decrease) in Net OPEB Obligations	815	-	815
Increase (Decrease) in Net Pension Liability	190,342	-	190,342
Increase (Decrease) in Deferred Inflows of Resources - Diff. in Projected vs Actual Invest. Earnings	220,398	-	220,398
Increase (Decrease) in Deferred Inflows of Resources - Diff. in Projected vs Actual Contributions	4,608	-	4,608
Increase (Decrease) in Deferred Inflows of Resources - Changes in Proportion to NPL	-	-	-
Increase (Decrease) in Other Current Liabilities	(8,198)	-	(8,198)
TOTAL ADJUSTMENTS	<u>266,828</u>	<u>-</u>	<u>266,828</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ (1,052,300)</u>	<u>\$ -</u>	<u>\$ (1,052,300)</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, 2015

	PRIVATE PURPOSE TRUST	PENSION AND OTHER EMPLOYEE BENEFIT TRUST	AGENCY FUNDS
ASSETS			
Cash and cash equivalents	\$ 152,409	\$ -	\$ 692,436
Investments	-	-	-
Due from Other Funds	-	-	-
Other Receivables	-	-	804
Prepaid Expenses	-	-	-
Other Current Assets	-	-	-
TOTAL ASSETS	\$ 152,409	\$ -	\$ 693,240
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charges on Refundings, net	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 152,409	\$ -	\$ 693,240
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ -
Due to Other Funds	-	-	1,859
Due to Student Clubs	-	-	252,644
Other Current Liabilities	-	-	438,737
TOTAL LIABILITIES	-	-	693,240
DEFERRED INFLOWS OF RESOURCES			
Unearned Revenue	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	-	-	693,240
NET POSITION			
Restricted	-	-	-
Unrestricted	152,409	-	-
TOTAL NET POSITION	\$ 152,409	\$ -	\$ -

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, 2015

	PRIVATE-PURPOSE TRUST FUND	PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
ADDITIONS		
Contributions	\$ 56,769	\$ -
Transfers from other funds	-	-
INVESTMENT EARNINGS:		
Interest and Dividends	429	-
Net increase (decrease) in fair value of investments	-	-
Less investment expense	-	-
TOTAL ADDITIONS	57,198	-
	-----	-----
DEDUCTIONS		
Transfers to other funds	-	-
Administrative charges	-	-
Scholarships	25,550	-
TOTAL DEDUCTIONS	25,550	-
	-----	-----
CHANGES IN NET POSITION	31,648	-
NET POSITION - BEGINNING OF YEAR	120,761	-
NET POSITION - END OF YEAR	\$ 152,409	\$ -

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, 2015

	<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	\$ 95,833,169	\$ 95,833,169	\$ 96,143,145	\$ 309,976	\$ -	\$ 96,143,145
State Sources	27,845,653	27,845,653	27,855,335	9,682	-	27,855,335
Federal Sources	1,178,487	1,178,487	1,207,235	28,748	-	1,207,235
TOTAL REVENUES	<u>124,857,309</u>	<u>124,857,309</u>	<u>125,205,715</u>	<u>348,406</u>	<u>-</u>	<u>125,205,715</u>
EXPENDITURES						
Regular Instruction	54,068,779	54,039,281	52,872,396	1,166,885	-	52,872,396
Special Programs	17,761,718	17,796,015	17,754,741	41,274	-	17,754,741
Vocational Programs	3,295,070	3,265,070	3,227,532	37,538	-	3,227,532
Other Instructional Programs	489,285	575,924	549,134	26,790	-	549,134
Nonpublic School Programs	35,560	36,560	36,484	76	-	36,484
Adult Education Programs	33,607	23,607	22,765	842	-	22,765
Community/Junior College Ed. Programs	917,966	917,966	917,966	-	-	917,966
Pupil Personnel Services	4,325,534	4,399,774	4,391,557	8,217	-	4,391,557
Instructional Staff Services	3,607,238	3,436,399	3,414,200	22,199	-	3,414,200
Administrative Services	5,564,590	5,567,879	5,530,116	37,763	-	5,530,116
Pupil Health	1,490,321	1,446,221	1,431,885	14,336	-	1,431,885
Business Services	1,006,493	999,871	997,274	2,597	-	997,274
Operation & Maintenance of Plant Services	11,715,782	11,340,782	11,327,597	13,185	-	11,327,597
Student Transportation Services	7,042,893	7,517,893	7,502,515	15,378	-	7,502,515
Central Support Services	1,683,407	1,682,001	1,659,274	22,727	-	1,659,274
Other Support Services	139,203	139,203	136,622	2,581	-	136,622
Student Activities	1,758,280	1,783,780	1,765,053	18,727	-	1,765,053
Community Services	49,961	29,961	28,723	1,238	-	28,723
Scholarships and Awards	-	1,500	1,250	250	-	1,250
Facilities, Acquisition and Construction	-	-	-	-	-	-
Debt Service	15,200,524	15,134,524	13,549,937	1,584,587	-	13,549,937
TOTAL EXPENDITURES	<u>130,186,211</u>	<u>130,134,211</u>	<u>127,117,021</u>	<u>3,017,190</u>	<u>-</u>	<u>127,117,021</u>
Excess (deficiency) of revenues over expenditures	(5,328,902)	(5,276,902)	(1,911,306)	3,365,596	-	(1,911,306)
OTHER FINANCING SOURCES (USES)						
Interfund Transfers In	-	-	-	-	-	-
Sale/Compensation for Fixed Assets	3,000	3,000	3,500	500	-	3,500
Insurance Recoveries	-	-	11,567	11,567	-	11,567
Refund of Prior Year Receipts	-	(52,000)	(51,208)	792	-	(51,208)
Fund Transfers Out	(326,380)	(326,380)	-	326,380	-	-
Budgetary Reserve	(6,509,311)	(6,509,311)	-	6,509,311	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(6,832,691)</u>	<u>(6,884,691)</u>	<u>(36,141)</u>	<u>6,848,550</u>	<u>-</u>	<u>(36,141)</u>
Special Items	-	-	-	-	-	-
Extraordinary Items	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	<u>(12,161,593)</u>	<u>(12,161,593)</u>	<u>(1,947,447)</u>	<u>10,214,146</u>	<u>-</u>	<u>(1,947,447)</u>
FUND BALANCE - JULY 1, 2014	<u>12,931,000</u>	<u>\$ 12,931,000</u>	<u>\$ 13,405,817</u>	<u>\$ 474,817</u>	<u>\$ -</u>	<u>\$ 13,405,817</u>
FUND BALANCE - JUNE 30, 2015	<u>\$ 769,407</u>	<u>\$ 769,407</u>	<u>\$ 11,458,370</u>	<u>\$ 10,688,963</u>	<u>\$ -</u>	<u>\$ 11,458,370</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, 2015

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, 2015

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

The Business Manager, recommended by the Superintendent and appointed by the Board of School Directors, shall supervise and coordinate all business and operational aspects of the School District. In this capacity, he or she shall be responsible to insure that all work accomplished by him/her, or by persons under his/her supervision, is in the best interests of the East Penn School District. The Business Manager 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 2014-15 was \$2,166,695.

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, 2015

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 2014-15 was \$917,966.

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 Standards Board's jurisdiction.

A. *Basis of Presentation*

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

East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015

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 outflows of resources is recorded in a particular governmental fund where costs are spent for a future period. Current Liabilities are assigned to the governmental fund from which they will be paid. Deferred inflows of resources is recorded in a particular governmental fund that has received resources for a future period. The difference between the sum of assets and deferred outflows of resources minus the sum of liabilities and deferred inflows of resources is reported as fund balance. The following are the School District's major governmental funds

General Fund

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

East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015

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, 2015

C. Measurement Focus

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

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

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

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. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows of resources, and in the presentation of expenses versus expenditures.

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

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

East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015

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 2014-15 budget transfers.

East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015

F. 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.

G. Changes in Accounting Principles

During the 2014-15 fiscal year the District implemented the required GASB Statement No. 68 (*Accounting and Financial Reporting for Pensions*), which requires all governments to record the net pension liability on all defined benefit and defined contribution plans. Since this District is a cost-sharing participating member of the Public School Employees' Retirement System (PSERS), they must record their proportionate share of the Plan's Net Pension Liability as calculated by the Plan's actuary. In addition, GASB Statement No. 68 requires recording applicable deferred outflows of resources and deferred inflows of resources required under the guidance found in the accounting standard.

H. Pensions

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

I. Assets, Liabilities, and Net Position

Cash and Cash Equivalents

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

Investments

In accordance 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.

East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015

Receivables and Payables

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

Property Tax Levy

Property taxes, which were levied during the fiscal year ended June 30, 2015, are recognized as revenue in the fund financial statements when received by the District during the fiscal year and also estimated to be received by the District within sixty (60) days after the fiscal year ended.

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

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

Inventories

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis, and are expensed when used. As of June 30, 2015, the inventory shown in the governmental activities column of the government-wide statement of net position is \$134,608 and \$85,284 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, 2015; 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, 2015, consist of:

Donated Commodities	\$	65,046
Supplies		7,020
Food		13,218
TOTAL	\$	<u>85,284</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.

**East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015**

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their 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.

East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015

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 outflows of resources and amortized over the life of the bond issue. Bond issuance costs are expensed in the year they are incurred.

In the 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, 2015, presentation of government-wide financial statements on the accrual basis of accounting versus the governmental fund financial statements reported on the modified accrual basis of accounting.

Net Position

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

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

Fund Balance Categories

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Below are the potential categories of fund balance the government may use with their definitions, the actual categories used is explained in Note 8 to the financial statements:

East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015

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.

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.

**East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015**

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 \$263,357,407 differences are:

Bonds payable		\$ 92,295,000
Less: Issuance discount (to be amortized as interest expense)		(8,366)
Add: Issuance premium (to be amortized as a contra to interest expense)		1,342,869
Accrued interest payable		169,240
Net Defined Benefit Pension Liability		164,275,787
Net Defined Contribution Pension Liability		552,680
Net OPEB Obligation		3,047,904
Compensated absences		1,682,293
Net adjustment to reduce "fund balance - total governmental funds" to arrive at "net position - governmental activities"		\$ 263,357,407

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

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

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

East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015

debt proceeds are recorded as a liability; principal payments are recorded as a reduction of liabilities.

	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	\$ 83,821,417	\$ (379,511)	\$ -	\$ -	\$ 83,441,906
Taxes levied for specific purposes	10,525,947	-	-	-	10,525,947
Interest and investment earnings	86,112	-	-	-	86,112
Miscellaneous	176,920	-	-	-	176,920
Contributions and Donations	37,921	-	-	-	37,921
Charges for Services	293,910	-	-	-	293,910
Grants, subsidies & contributions not restricted	12,448,766	-	-	-	12,448,766
INTERMEDIATE SOURCES:					
Charges for Services	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-
STATE SOURCES:					
Operating & Capital grants and contributions	15,406,569	-	-	-	15,406,569
FEDERAL SOURCES:					
Operating & Capital grants and contributions	2,422,177	-	-	-	2,422,177
SPECIAL AND EXTRAORDINARY SOURCES:					
Bond Premium	1,137,408	-	-	(1,137,408)	-
Proceeds from Refunding of Bonds	20,060,000	-	-	(20,060,000)	-
Gain or (Loss) on disposal of assets	3,500	-	(5,119)	-	(1,619)
TOTAL REVENUES	146,420,647	(379,511)	(5,119)	(21,197,408)	124,838,609
EXPENDITURES/EXPENSES					
Instruction	75,381,018	2,048,488	126,730	-	77,556,236
Instructional Student Support	9,237,642	542,567	18,430	-	9,798,639
Admin. & Fin'l Support Services	8,577,178	632,303	33,335	-	9,242,816
Oper. & Maint. Of Plant Svcs.	11,327,640	507,626	24,655	-	11,859,921
Pupil Transportation	7,502,515	-	-	-	7,502,515
Student activities	1,765,053	81,610	(10,891)	-	1,835,772
Community Services	28,723	149	1,189	-	30,061
Scholarships and Awards	1,250	-	-	-	1,250
Capital Outlay	773,285	-	(773,285)	-	-
Debt Service	34,541,193	-	-	(32,653,201)	1,887,992
Transfers Out	-	-	-	-	-
Depreciation - unallocated	-	-	4,265,349	-	4,265,349
TOTAL EXPENDITURES/EXPENSES	149,135,497	3,812,743	3,685,512	(32,653,201)	123,980,551
NET CHANGE FOR THE YEAR	\$ (2,714,850)	\$ (4,192,254)	\$ (3,690,631)	\$ 11,455,793	\$ 858,058

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, 2015, except the governmental activities had a deficit of \$86,009,021, and the business-type activity (Food Service Fund) had a deficit of \$2,082,821.

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, 2015**

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, 2015. 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, 2015, \$20,267,499, of the District's bank balance of \$21,271,217 and restricted cash of \$5,003 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$	5,003
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		20,267,499
TOTAL	\$	<u>20,272,502</u>

Reconciliation to Financial Statements

Uncollateralized Amount above	\$	20,267,499
Plus: Insured Amount		1,003,718
Less: Outstanding Checks		(1,023,565)
Carrying Amount - Cash Balances		20,247,652
Plus: Petty Cash		1,890
Deposit in Pooled Investments Considered Cash Equivalents		1,662,517
Less: Certificates of Deposit considered Investments by School Code		-
TOTAL CASH PER FINANCIAL STATEMENTS	\$	<u>21,912,059</u>

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, 2015**

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, 2015, the District had the following investments:

<i>Investment</i>	Maturities	Fair Value
PLGIT		\$ 1,650,392
PLGIT-ARM		12,125
Certificates of Deposit		-
TOTAL		\$ 1,662,517

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, 2015, 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.

Reconciliation to Financial Statements

Total Investments Above	\$ 1,662,517
Less: Deposits in Investment Pool Considered Cash Equivalents	(1,662,517)
Total Investments Per Financial Statements	\$ -

Property Taxes

Property taxes are levied on July 1, on the assessed value listed, as of that date, for all taxable real property located in the District. Assessed values are established by the County Board of Assessments. All taxable real property was assessed at \$5,147,372,200. The tax rate for the year was \$1.66649 per \$100 of assessed valuation or 16.6649 mills. In accordance with Act 1 of 2006, the District received \$1,792,485 in property tax reduction funds for the 2014-15 fiscal year.

**East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015**

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	2,157,984	-	-	-	-	2,157,984
Accounts	32,421	-	1,684	-	804	34,909
Intergovernmental	3,521,701	-	157,873	-	-	3,679,574
GROSS RECEIVABLES	5,712,106	-	159,557	-	804	5,872,467
Less: Allowance for Uncollectibles	-	-	-	-	-	-
NET RECEIVABLES	\$ 5,712,106	\$ -	\$ 159,557	\$ -	\$ 804	\$ 5,872,467

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

	UNAVAILABLE	UNEARNED
Delinquent Property Taxes - General Fund	\$ 1,240,439	\$ -
Deposit on TIF Real Estate Tax Arrangement		\$ 326,380
Grants drawdowns prior to meeting eligibility requirements	-	-
TOTAL	\$ 1,240,439	\$ 326,380

East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015

Capital Assets

Capital asset balances and activity for the year ending June 30, 2015, were:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
GOVERNMENTAL ACTIVITIES:				
Capital Assets not being depreciated:				
Land	\$ 11,235,048	\$ -	\$ -	\$ 11,235,048
Construction in Progress	-	773,285	(57,628)	715,657
Total Capital Assets not being depreciated	<u>11,235,048</u>	<u>773,285</u>	<u>(57,628)</u>	<u>11,950,705</u>
Capital Assets being depreciated:				
Site Improvements	6,548,821	-	-	6,548,821
Buildings and Improvements	195,362,307	57,628	-	195,419,935
Furniture and Equipment	5,003,545	63,016	(14,030)	5,052,531
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>206,914,673</u>	<u>120,644</u>	<u>(14,030)</u>	<u>207,021,287</u>
Less accumulated depreciation for:				
Site Improvements	(3,784,512)	(239,865)	-	(4,024,377)
Buildings and Improvements	(51,651,594)	(4,073,831)	-	(55,725,425)
Furniture and Equipment	(3,285,448)	(208,118)	8,911	(3,484,655)
TOTAL ACCUMULATED DEPRECIATION	<u>(58,721,554)</u>	<u>(4,521,814)</u>	<u>8,911</u>	<u>(63,234,457)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED NET OF ACCUMULATED DEPRECIATION	<u>148,193,119</u>	<u>(4,401,170)</u>	<u>(5,119)</u>	<u>143,786,830</u>
 GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	 <u>\$ 159,428,167</u>	 <u>\$ (3,627,885)</u>	 <u>\$ (62,747)</u>	 <u>\$ 155,737,535</u>
 BUSINESS-TYPE ACTIVITIES:				
Capital Assets being depreciated:				
Furniture and Equipment	\$ 1,226,296	\$ 16,053	\$ (43,949)	\$ 1,198,400
Less accumulated depreciation	(967,312)	(14,079)	39,554	(941,837)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	<u>\$ 258,984</u>	<u>\$ 1,974</u>	<u>\$ (4,395)</u>	<u>\$ 256,563</u>

**East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015**

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

Regular Instruction	\$ 133,154
Special Instruction	3,408
Vocational Instruction	-
Other Instruction	-
Adult Instruction	-
Community College Instruction	-
Pupil Services	116
Instructional Staff Svcs.	39,287
Administrative Services	915
Health Services	333
Business Services	621
Operation & Maintenance of Plant Svcs.	41,828
Pupil Transportation	-
Central Services	31,799
Other Support Services	-
Student Activities	3,815
Community Services	1,189
Depreciation - unallocated	<u>4,265,349</u>
TOTAL DEPRECIATION FOR GOVERNMENTAL ACTIVITIES	<u>\$ 4,521,814</u>

The government disposed of \$14,030 in capital assets during the year, with \$8,911 in accumulated depreciation leaving a loss on disposition of \$1,619. The business-type activities disposed of \$43,949 in capital assets during the year, with accumulated depreciation of \$39,554, leaving a loss on disposition of \$3,398.

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, 2015**

	<u>CONTRACT AMOUNT</u>	<u>EXPENDED TO 6/30/15</u>	<u>OUTSTANDING COMMITMENTS</u>
<u>EMMAUS HS - ROOF REPAIR</u>			
C & D Waterproofing Corp.	\$ 542,940	\$ 338,797	\$ 204,143
<u>SHOEMAKER & EYER PAVING REPAIRS</u>			
Patrick Paving Services	88,000	-	88,000
<u>MACUNGIE & EYER MASONRY REPAIRS</u>			
Machmer Contracting	82,280	-	82,280
TOTAL	<u>\$ 713,220</u>	<u>\$ 338,797</u>	<u>\$ 374,423</u>

Short-term debt

Interfund receivables and payables

The following interfund receivables and payables were in existence on June 30, 2015:

	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 1,859	\$ 18,306
Special Revenue (Capital Reserve) Fund	-	-
Capital Project (2004AA Construction) Fund	-	-
Enterprise (Food Service) Fund	18,306	-
Private Purpose (Trust) Fund	-	-
Private Purpose (Memorial) Fund	-	-
Agency (Payroll) Fund	-	1,859
Agency (Activity) Fund	-	-
TOTAL	<u>\$ 20,165</u>	<u>\$ 20,165</u>

The District also made the following interfund transfers during the fiscal year ended June 30, 2015:

	<u>TRANSFER IN</u>	<u>TRANSFER OUT</u>
General Fund	\$ -	\$ -
Capital Project (Capital Reserve) Fund	-	-
Private Purpose (Memorial) Fund	-	-
TOTAL	<u>\$ -</u>	<u>\$ -</u>

**East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015**

Long-term liabilities

Long-term liability balances and activity for the year ended June 30, 2015, were:

Changes in Long-Term Liabilities

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	AMOUNTS DUE WITHIN ONE YEAR
GOVERNMENTAL ACTIVITIES					
<i>General Obligation Debt:</i>					
<i>Bonds and notes payable:</i>					
Capital Projects	\$ 105,266,317	\$ 21,233,118	\$ 32,869,932	\$ 93,629,503	\$ 12,580,000
Other than capital projects	-	-	-	-	-
Total general obligation debt	105,266,317	21,233,118	32,869,932	93,629,503	12,580,000
<i>Other liabilities:</i>					
<i>Vested employee benefits:</i>					
Vacation pay	858,139	57,537	-	915,676	108,593
Sick pay	893,641	35,951	-	929,592	54,382
Net OPEB Obligation	2,181,007	866,897	-	3,047,904	-
Net Defined Benefit Pension Liability	154,114,661	10,161,126	-	164,275,787	-
Net Defined Contribution Pension Obligation	441,600	111,080	-	552,680	-
Other retirement benefits	2,106,173	-	2,106,173	-	-
Total other liabilities	160,595,221	11,232,591	2,106,173	169,721,639	162,975
TOTAL GOVERNMENTAL ACTIVITY LONG-TERM LIABILITIES	\$ 265,861,538	\$ 32,465,709	\$ 34,976,105	\$ 263,351,142	\$ 12,742,975
BUSINESS TYPE ACTIVITIES					
<i>Other liabilities:</i>					
<i>Vested employee benefits:</i>					
Vacation pay	-	-	-	-	-
Sick pay	31,396	2,638	-	34,034	-
Net Defined Benefit Pension Liability	2,886,933	190,342	-	3,077,275	-
Net OPEB Obligation	1,140	815	-	1,955	-
TOTAL BUSINESS-TYPE ACTIVITY LONG-TERM LIABILITIES	\$ 2,919,469	\$ 193,795	\$ -	\$ 3,113,264	\$ -

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:	EXPENSE	PAID
General obligation debt	\$ 1,887,992	\$ 1,974,186
Refund of Prior Year Receipts	-	-
Short-term borrowings	-	-
TOTAL INTEREST PAID BY GOVERNMENTAL ACTIVITIES	\$ 1,887,992	\$ 1,974,186

East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015

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, 2015, are based on the interest rate of 1.21% at year end:

FISCAL YEAR	PRINCIPAL	INTEREST
2015-16	\$ 670,000	\$ 31,369
2016-17	700,000	23,041
2017-18	730,000	14,423
2018-19	760,000	5,442
TOTAL OUTSTANDING	\$ 2,860,000	\$ 74,275

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, 2015, using the year end interest rate of 1.10% are:

FISCAL YEAR	PRINCIPAL	INTEREST
2015-16	\$ 800,000	\$ 87,910
2016-17	900,000	77,868
2017-18	900,000	67,969
2018-19	900,000	58,068
2019-20	1,000,000	47,291
2020-24	4,200,000	75,550
TOTAL OUTSTANDING	\$ 8,700,000	\$ 414,656

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

**East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015**

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, 2015, using the year end interest rate of 1.10% are:

FISCAL YEAR	PRINCIPAL	INTEREST
2015-16	\$ 800,000	\$ 89,013
2016-17	900,000	78,968
2017-18	900,000	69,068
2018-19	900,000	59,168
2019-20	1,000,000	48,394
2020-24	4,300,000	76,747
TOTAL OUTSTANDING	\$ 8,800,000	\$ 421,358

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 Governmental 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.

On September 29, 2014, the District refunded the Series A of 2005 (\$10,855,000), with interest rates ranging from 4.0% to 5.0%, with new debt in the amount of \$10,275,000, with interest rates ranging from 3.0% to 5.0%.

East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015

	REFUNDING OF GOB SERIES
	A OF 2005
<u>SOURCES</u>	
Gross Proceeds of Bonds	\$ 10,275,000
Plus: Accrued Interest	-
Premium	923,748
Less: Original Issue Discount	-
Underwriter's Discount	(13,769)
TOTAL SOURCES	<u>\$ 11,184,979</u>
<u>USES</u>	
Escrow Deposit	\$ 11,080,075
Issuance Costs	101,863
Sinking Fund Deposit	3,041
TOTAL USES	<u>\$ 11,184,979</u>
<u>DIFFERENCE IN CASH FLOW REQUIREMENTS</u>	
Old Debt Service Cash Flows	\$ 11,824,675
Cash Flows From New Debt:	
New Debt Service Cash flow	\$ 11,298,853
Less: Excess Funds Deposited in Sinking Fund	(3,041)
Net Cash Flows From New Debt	11,295,812
Net Difference in Cash Flows	\$ 528,863
<u>ECONOMIC GAIN/LOSS</u>	
Present Value of Old Debt Service Cash Flows	\$ 11,608,270
Present Value of New Debt Service Cash Flows	\$ 11,083,116
Less: Excess Funds Deposited in Sinking Fund	(3,041)
Total	11,080,075
Economic Gain	<u>\$ 528,195</u>

**East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015**

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, 2015, using the year end interest rate of 1.10% are:

FISCAL YEAR	PRINCIPAL	INTEREST
2015-16	\$ 100,000	\$ 129,149
2016-17	100,000	127,696
2017-18	1,100,000	116,561
2018-19	1,100,000	104,461
2019-20	1,300,000	90,598
2020-23	8,100,000	99,111
SUB-TOTAL	\$ 11,800,000	\$ 667,576
Unamortized Discount	-	
TOTAL OUTSTANDING	\$ 11,800,000	

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.

On March 30, 2015, the District currently refunded the GOB Series A of 2008 - \$525,000, with interest rates of 3.5%, the GOB Series A of 2009 - \$2,485,000, with interest rates ranging from 2.0% to 2.5%, and a portion of GOB Series of 2010 - \$2,745,000, with interest rates ranging from 2.0% to 2.75%, with new debt GOB Series A of 2015 in the amount of \$5,735,000, with interest at 2.0%.

East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015

	REFUNDING OF GOB SERIES A OF
	2008
<u>SOURCES</u>	
Gross Proceeds of Bonds	\$ 523,175
Plus: Accrued Interest	-
Premium	10,949
Less: Original Issue Discount	-
Underwriter's Discount	(1,396)
TOTAL SOURCES	\$ 532,728
<u>USES</u>	
Escrow Deposit	\$ 530,668
Issuance Costs	1,920
Sinking Fund Deposit	140
TOTAL USES	\$ 532,728
<u>DIFFERENCE IN CASH FLOW REQUIREMENTS</u>	
Old Debt Service Cash Flows	\$ 550,154
Cash Flows From New Debt:	
New Debt Service Cash flow	\$ 538,809
Less: Excess Funds Deposited in Sinking Fund	(140)
Net Cash Flows From New Debt	538,669
Net Difference in Cash Flows	\$ 11,485
<u>ECONOMIC GAIN/LOSS</u>	
Present Value of Old Debt Service Cash Flows	\$ 541,804
Present Value of New Debt Service Cash Flows	\$ 530,808
Less: Excess Funds Deposited in Sinking Fund	(140)
Total	530,668
Economic Gain	\$ 11,136

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.

On March 30, 2015, the District currently refunded the GOB Series A of 2008 - \$525,000, with interest rates of 3.5%, the GOB Series A of 2009 - \$2,485,000, with interest rates ranging from 2.0% to 2.5%, and a portion of GOB Series of 2010 - \$2,745,000, with interest rates ranging from 2.0% to 2.75%, with new debt GOB Series A of 2015 in the amount of \$5,735,000, with interest at 2.0%.

East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015

<u>SOURCES</u>	<u>REFUNDING OF GOB SERIES A OF 2002</u>
Gross Proceeds of Bonds	\$ 2,476,364
Plus: Accrued Interest	-
Premium	51,827
Less: Original Issue Discount	-
Underwriter's Discount	(6,612)
TOTAL SOURCES	\$ 2,521,579
<u>USES</u>	
Escrow Deposit	\$ 2,511,827
Issuance Costs	9,090
Sinking Fund Deposit	662
TOTAL USES	\$ 2,521,579
<u>DIFFERENCE IN CASH FLOW REQUIREMENTS</u>	
Old Debt Service Cash Flows	\$ 2,604,063
Cash Flows From New Debt:	
New Debt Service Cash flow	\$ 2,550,361
Less: Excess Funds Deposited in Sinking Fund	(662)
Net Cash Flows From New Debt	<u>2,549,699</u>
Net Difference in Cash Flows	<u>\$ 54,364</u>
<u>ECONOMIC GAIN/LOSS</u>	
Present Value of Old Debt Service Cash Flows	\$ 2,564,539
Present Value of New Debt Service Cash Flows	\$ 2,512,489
Less: Excess Funds Deposited in Sinking Fund	(662)
Total	<u>2,511,827</u>
Economic Gain	\$ 52,712

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.

On March 30, 2015, the District currently refunded the GOB Series A of 2008 - \$525,000, with interest rates of 3.5%, the GOB Series A of 2009 - \$2,485,000, with interest rates ranging from 2.0% to 2.5%, and a portion of GOB Series of 2010 - \$2,745,000, with interest rates ranging from 2.0% to 2.75%, with new debt GOB Series A of 2015 in the amount of \$5,735,000, with interest at 2.0%.

East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015

	REFUNDING OF GOB SERIES OF
	2010
<u>SOURCES</u>	
Gross Proceeds of Bonds	\$ 2,735,460
Plus: Accrued Interest	-
Premium	57,249
Less: Original Issue Discount	-
Underwriter's Discount	(7,302)
TOTAL SOURCES	\$ 2,785,407
<u>USES</u>	
Escrow Deposit	\$ 2,774,634
Issuance Costs	10,041
Sinking Fund Deposit	732
TOTAL USES	\$ 2,785,407
<u>DIFFERENCE IN CASH FLOW REQUIREMENTS</u>	
Old Debt Service Cash Flows	\$ 2,876,520
Cash Flows From New Debt:	
New Debt Service Cash flow	\$ 2,817,199
Less: Excess Funds Deposited in Sinking Fund	(732)
Net Cash Flows From New Debt	2,816,467
Net Difference in Cash Flows	\$ 60,053
<u>ECONOMIC GAIN/LOSS</u>	
Present Value of Old Debt Service Cash Flows	\$ 2,832,861
Present Value of New Debt Service Cash Flows	\$ 2,775,365
Less: Excess Funds Deposited in Sinking Fund	(732)
Total	2,774,633
Economic Gain	\$ 58,228

The remaining debt service obligations at June 30, 2015, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2015-16	\$ 1,625,000	\$ 16,250
SUB-TOTAL	\$ 1,625,000	\$ 16,250
Unamortized Premium	4,894	
Unamortized Discount	(164)	
TOTAL OUTSTANDING	\$ 1,629,730	

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.

On March 30, 2015, the District currently refunded the GOB Series A of 2010, - \$4,975,000, with interest rates ranging from 2.0% to 3.6%, with new GOB Series B of 2015 in the amount of \$4,050,000, with interest at 2.0%.

East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015

<u>SOURCES</u>	<u>Refunding of GOB Series A of 2010</u>
Gross Proceeds of Bonds	\$ 4,050,000
Plus: Accrued Interest	-
Premium	93,634
Less: Original Issue Discount	-
Underwriter's Discount	(24,988)
TOTAL SOURCES	\$ 4,118,646
<u>USES</u>	
Escrow Deposit	\$ 4,039,804
Issuance Costs	76,659
Sinking Fund Deposit	2,183
TOTAL USES	\$ 4,118,646
<u>DIFFERENCE IN CASH FLOW REQUIREMENTS</u>	
Old Debt Service Cash Flows	\$ 4,828,399
Cash Flows From New Debt:	
New Debt Service Cash flow	\$ 4,531,725
Less: Excess Funds Deposited in Sinking Fund	(2,183)
Net Cash Flows From New Debt	<u>4,529,542</u>
Net Difference in Cash Flows	<u>\$ 298,857</u>
<u>ECONOMIC GAIN/LOSS</u>	
Present Value of Old Debt Service Cash Flows	\$ 4,328,219
Present Value of New Debt Service Cash Flows	\$ 4,041,987
Less: Excess Funds Deposited in Sinking Fund	(2,183)
Total	<u>4,039,804</u>
Economic Gain	\$ 288,415

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 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, 2015, are:

<u>FISCAL YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2015-16	\$ 1,980,000	\$ 223,788
2016-17	2,040,000	163,488
2017-18	2,100,000	101,387
2018-19	1,100,000	53,388
2019-20	<u>1,135,000</u>	<u>18,444</u>
SUB-TOTAL	\$ 8,355,000	\$ 560,495
Unamortized Premium	111,764	
Unamortized Discount	<u>(3,158)</u>	
TOTAL OUTSTANDING	\$ 8,463,606	

East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015

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, 2015, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2015-16	\$ 5,000	\$ 199,976
2016-17	390,000	195,926
2017-18	395,000	188,076
2018-19	770,000	176,426
2019-20	1,375,000	154,976
2020-25	<u>6,555,000</u>	<u>340,787</u>
SUB-TOTAL	\$ 9,490,000	\$ 1,256,167
Unamortized Premium	62,215	
Unamortized Discount	<u>(5,044)</u>	
TOTAL OUTSTANDING	\$ 9,547,171	

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, 2015, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2015-16	\$ 620,000	\$ 201,020
2016-17	630,000	188,520
2017-18	645,000	175,770
2018-19	685,000	162,470
2019-20	600,000	149,620
2020-25	3,215,000	556,903
2025-29	<u>2,955,000</u>	<u>157,932</u>
SUB-TOTAL	\$ 9,350,000	\$ 1,592,235
Unamortized Premium	102,938	
TOTAL OUTSTANDING	\$ 9,452,938	

East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015

General Obligation Bonds – Series of 2013

On January 17, 2013, the District issued \$7,810,000 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, 2015, are:

FISCAL YEAR	PRINCIPAL	INTEREST
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	\$ 3,970,000	\$ 136,400
Unamortized Premiums	85,777	
TOTAL OUTSTANDING	\$ 4,055,777	

General Obligation Bonds – Series of 2014

On March 25, 2014, the District issued \$8,535,000 of General Obligation Bonds – Series of 2014. The proceeds will be used (1) to refund the School District’s outstanding GOB Series of 2009 (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 November 15, 2014 to November 15, 2028. Interest rates range from .25% to 3.25% with total indebtedness of \$2,008,618.30. The outstanding debt service requirements at June 30, 2015, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2015-16	\$ 345,000	\$ 214,716
2016-17	495,000	202,116
2017-18	515,000	186,966
2018-19	540,000	173,841
2019-20	550,000	162,941
2020-25	3,095,000	628,995
2025-29	2,895,000	188,451
SUB-TOTAL	\$ 8,435,000	\$ 1,758,026
Unamortized Premiums	137,168	
Unamortized Discount	-	
TOTAL OUTSTANDING	\$ 8,572,168	

General Obligation Bonds – Series A of 2014

On March 30, 2015, the District issued \$5,735,000 of General Obligation Bonds – Series A of 2014. The proceeds will be used (1) to refund the School District’s outstanding GOB Series A of 2005 (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 December 15, 2014 to December 15, 2017. Interest rates range from 3% to 5% with total indebtedness of \$1,023,852.78.

East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015

The outstanding debt service requirements at June 30, 2015, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2015-16	\$ 2,505,000	\$ 393,625
2016-17	3,960,000	232,000
2017-18	2,660,000	66,500
SUB-TOTAL	\$ 9,125,000	\$ 692,125
Unamortized Premiums	624,454	
TOTAL OUTSTANDING	\$ 9,749,454	

General Obligation Bonds – Series A of 2015

On September 29, 2014, the District issued \$5,735,000 of General Obligation Bonds – Series A of 2015. The proceeds will be used (1) to refund the School District's outstanding GOB Series A of 2008, Series A of 2009 and a portion of Series of 2010 (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 October 1, 2015 to October 1, 2017. Interest rates at 2% total interest indebtedness of \$171,368.61. The outstanding debt service requirements at June 30, 2015, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2015-16	\$ 1,960,000	\$ 95,419
2016-17	1,865,000	56,850
2017-18	1,910,000	19,100
SUB-TOTAL	\$ 5,735,000	\$ 171,369
Unamortized Premiums	120,025	
TOTAL OUTSTANDING	\$ 5,855,025	

General Obligation Bonds – Series B of 2015

On March 30, 2015, the District issued \$4,050,000 of General Obligation Bonds – Series B of 2015. The proceeds will be used (1) to refund the School District's outstanding GOB Series A of 2010 (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 October 1, 2015 to October 1, 2023. Interest rates at 2% total interest indebtedness of \$481,725.

The outstanding debt service requirements at June 30, 2015, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2015-16	\$ 5,000	\$ 81,175
2016-17	5,000	80,850
2017-18	470,000	76,100
2018-19	130,000	70,100
2019-20	655,000	62,250
2020-24	2,785,000	111,250
SUB-TOTAL	\$ 4,050,000	\$ 481,725
Unamortized Premiums	93,634	
TOTAL OUTSTANDING	\$ 4,143,634	

East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015

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.

Combined Long-Term Debt

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

East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015

SUMMARY OF PRINCIPAL REQUIREMENTS

<u>FISCAL YEAR</u>	<u>G.O.N. SERIES OF 1998</u>	<u>G.O.N. SERIES A OF 2003</u>	<u>G.O.N. SERIES A OF 2004</u>	<u>G.O.N. SERIES A OF 2007</u>	<u>G.O.B SERIES OF 2010</u>	<u>G.O.B SERIES OF 2011</u>	<u>G.O.B SERIES OF 2012</u>
2015-16	\$ 670,000	\$ 800,000	\$ 800,000	\$ 100,000	\$ 1,625,000	\$ 1,980,000	\$ 5,000
2016-17	700,000	900,000	900,000	100,000	-	2,040,000	390,000
2017-18	730,000	900,000	900,000	1,100,000	-	2,100,000	395,000
2018-19	760,000	900,000	900,000	1,100,000	-	1,100,000	770,000
2019-20	-	1,000,000	1,000,000	1,300,000	-	1,135,000	1,375,000
2020-25	-	4,200,000	4,300,000	8,100,000	-	-	6,555,000
2025-30	-	-	-	-	-	-	-
2030-33	-	-	-	-	-	-	-
TOTAL	2,860,000	8,700,000	8,800,000	11,800,000	1,625,000	8,355,000	9,490,000
LESS PAYABLE WITH- IN ONE YEAR	670,000	800,000	800,000	100,000	1,625,000	1,980,000	5,000
LONG-TERM PRINC. DUE AFTER							
ONE YEAR	\$ 2,190,000	\$ 7,900,000	\$ 8,000,000	\$ 11,700,000	\$ -	\$ 6,375,000	\$ 9,485,000

SUMMARY OF PRINCIPAL AND INTEREST REQUIREMENTS

<u>FISCAL YEAR</u>	<u>G.O.N. SERIES OF 1998</u>	<u>G.O.N. SERIES A OF 2003</u>	<u>G.O.N. SERIES A OF 2004</u>	<u>G.O.N. SERIES A OF 2007</u>	<u>G.O.B SERIES OF 2010</u>	<u>G.O.B SERIES OF 2011</u>	<u>G.O.B SERIES OF 2012</u>
2015-16	\$ 701,369	\$ 887,910	\$ 889,013	\$ 229,149	\$ 1,641,250	\$ 2,203,788	\$ 204,876
2016-17	723,041	977,868	978,968	227,696	-	2,203,488	585,926
2017-18	744,423	967,968	969,068	1,216,561	-	2,201,387	583,076
2018-19	765,442	958,068	959,168	1,204,461	-	1,153,388	946,426
2019-20	-	1,047,291	1,048,394	1,390,598	-	1,153,444	1,529,976
2020-25	-	4,275,550	4,376,747	8,199,111	-	-	6,895,787
2025-30	-	-	-	-	-	-	-
2030-33	-	-	-	-	-	-	-
TOTAL	\$ 2,934,275	\$ 9,114,655	\$ 9,221,358	\$ 12,467,576	\$ 1,641,250	\$ 8,915,495	\$ 10,746,067

G.O.B SERIES A OF 2012	G.O.B SERIES OF 2013	G.O.B SERIES OF 2014	G.O.B SERIES A OF 2014	G.O.B SERIES A OF 2015	G.O.B SERIES B OF 2015	TOTAL PRINCIPAL PAYMENTS
\$ 620,000	\$ 1,165,000	\$ 345,000	\$ 2,505,000	\$ 1,960,000	\$ 5,000	\$ 12,580,000
630,000	1,195,000	495,000	3,960,000	1,865,000	5,000	13,180,000
645,000	1,190,000	515,000	2,660,000	1,910,000	470,000	13,515,000
685,000	420,000	540,000	-	-	130,000	7,305,000
600,000	-	550,000	-	-	655,000	7,615,000
3,215,000	-	3,095,000	-	-	2,785,000	32,250,000
2,955,000	-	2,895,000	-	-	-	5,850,000
-	-	-	-	-	-	-
<u>9,350,000</u>	<u>3,970,000</u>	<u>8,435,000</u>	<u>9,125,000</u>	<u>5,735,000</u>	<u>4,050,000</u>	<u>92,295,000</u>
<u>620,000</u>	<u>1,165,000</u>	<u>345,000</u>	<u>2,505,000</u>	<u>1,960,000</u>	<u>5,000</u>	<u>12,580,000</u>
\$ 8,730,000	\$ 2,805,000	\$ 8,090,000	\$ 6,620,000	\$ 3,775,000	\$ 4,045,000	\$ 79,715,000

G.O.B SERIES A OF 2012	G.O.B SERIES OF 2013	G.O.B SERIES OF 2014	G.O.B SERIES A OF 2014	G.O.B SERIES A OF 2015	G.O.B SERIES B OF 2015	TOTAL DEBT SVC. PAYMENTS
\$ 821,020	\$ 1,232,750	\$ 559,716	\$ 2,898,625	\$ 2,055,419	\$ 86,175	\$ 14,411,060
818,520	1,239,150	697,116	4,192,000	1,921,850	85,850	14,651,473
820,770	1,210,300	701,966	2,726,500	1,929,100	546,100	14,617,219
847,470	424,200	713,841	-	-	200,100	8,172,564
749,620	-	712,941	-	-	717,250	8,349,514
3,771,903	-	3,723,995	-	-	2,896,250	34,139,343
3,112,932	-	3,083,451	-	-	-	6,196,383
-	-	-	-	-	-	-
<u>\$ 10,942,235</u>	<u>\$ 4,106,400</u>	<u>\$ 10,193,026</u>	<u>\$ 9,817,125</u>	<u>\$ 5,906,369</u>	<u>\$ 4,531,725</u>	<u>\$ 100,537,556</u>

East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015

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.	Secretarial & Aide Members	- \$20 per day
4.	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, \$34,034, 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, 2015. 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 \$54,382, 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 \$875,210, 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, 2015, that will use currently available financial resources is \$108,593, 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, 2015, of \$807,083, 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 Plan

The Government Accounting Standards Board (GASB) requires that state and local governmental employers disclose in their notes to financial statements, certain information about the public employee retirement systems to which they contribute.

East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015

General Information about the Pension Plan

Plan Description

The Public School Employees' Retirement System (PSERS) is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

Benefits provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

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

Contributions

Member Contributions:

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

East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015

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

Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50 percent (automatic Membership Class T-D). For all new hires and for members who elected Class T-D 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%.

Employer Contributions:

The school districts' contractually required contribution rate for fiscal year ended June 30, 2015 was 20.50% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$11,526,177 for the year ended June 30, 2015.

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

At June 30, 2015, the District reported a liability of \$167,353,062 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, with rolling forward the System's total pension liability as of June 30, 2014.. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2014, the District's proportion was 0.4236 percent, which was an increase of 0.0187 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$16,419,030. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015

<u>Sources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience.	\$ -	\$ -
Changes in Assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	11,986,000
Changes in proportion of the Net Pension Liability	6,169,000	-
Net difference between projected and actual contributions made	-	250,563
District contributions subsequent to the measurement date	11,526,178	-
Total	<u>\$ 17,695,178</u>	<u>\$ 12,236,563</u>

\$11,526,178 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	<u>Amount</u>
2015	\$ (1,449,624)
2016	(1,449,624)
2017	(1,449,624)
2018	(1,449,624)
2019	283,376
Thereafter	<u>9,056</u>
Total	\$ (5,506,062)

Actuarial assumptions

The total pension liability as of June 30, 2014 was determined by rolling forward the System's total pension liability as of the June 30, 2013 actuarial valuation to June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement.

- Actuarial cost method - Entry Age Normal – level % of pay
- Investment return - 7.50%, includes inflation at 3.00%
- Salary increases – Effective average of 5.50%, which reflects an allowance for inflation of 3.00%, real wage growth of 1%, and merit or seniority increases of 1.50%
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females. For disabled annuitants the RP-2000 Combined Disable Tables (male and female) with age set back 7 years for males and 3 years for females.

The actuarial assumptions used in the June 30, 2013 valuation were based on the experience study that was performed for the five-year period ending June 30, 2010. The recommended assumption changes based on this experience study were adopted by the Board at its March 11, 2011 Board meeting, and were effective beginning with the June 30, 2011 actuarial valuation.

East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public markets global equity	19%	5.0%
Private markets (equity)	21%	6.5%
Private real estate	13%	4.7%
Global fixed income	8%	2.0%
U.S. long treasuries	3%	1.4%
TIPS	12%	1.2%
High yield bonds	6%	1.7%
Cash	3%	0.9%
Absolute return	10%	4.8%
Risk parity	5%	3.9%
MLPs/Infrastructure	3%	5.3%
Commodities	6%	3.3%
Financing (LIBOR)	-9%	1.1%
	<u>100%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2014.

For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 14.98%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015**

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percentage point higher (8.50%) than the current rate, using the net position liability reported by PSERS before adjusting for differences on projected vs actual contributions made.

	1% Decrease	Current Discount Rate	1% Increase 8.50%
	6.50%	7.50%	
Net Pension Liability	\$ 209,138,000	\$ 167,664,000	\$ 132,257,000

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Public School Employees' Retirement System's *Comprehensive Annual Financial Report* (CAFR) that includes financial statements and required supplementary information for the plan, which can be found at www.psers.state.pa.us.

Defined Contribution Pension Plan

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. 68, this benefit is considered a pension plan.

**East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015**

Employer Contributions

The school district pays this benefit on a pay-as-you-go basis. It does not accumulate funds into any trust for future benefits. Contributions to the pension plan from the District were \$44,811 for the year ended June 30, 2015.

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

At June 30, 2015, the District reported a liability of \$552,680 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014, with rolling forward the System's total pension liability as of June 30, 2016.

For the year ended June 30, 2015, the District recognized pension expense of \$111,080. At June 30, 2015, the District did not have any reported deferred outflows of resources and deferred inflows of resources related to the defined contribution pension. The following table reflects the changes to the pension obligation during the year:

Contribution Rates:	
	Retirement Incentive Pension Benefit Actuarially Determined
Interest Rate	4.5%
Plan Members	37
Annual Required Contribution	\$ 61,766
Interest on net Pension obligation	18,581
Adjustment to annual required contribution	<u>75,544</u>
Annual Pension Cost	155,891
Contributions made	<u>(44,811)</u>
Increase in net Pension obligation	111,080
Net Pension obligation - beginning of year	<u>441,600</u>
Net Pension obligation - end of year	<u>\$ 552,680</u>

Actuarial assumptions

The total pension liability as of June 30, 2015 was determined by the actuarial valuation on January 1, 2014, with rolling forward the System's total pension liability using the following actuarial assumptions, applied to all periods included in the measurement.

**East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015**

- Actuarial cost method - Entry Age Normal – level % of pay
- Investment return – 4.5%
- Salary increases – Effective average of 5.50%, which reflects an allowance for inflation of 3.00%, real wage growth of 1%, and merit or seniority increases of 1.50%
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females. For disabled annuitants the RP-2000 Combined Disable Tables (male and female) with age set back 7 years for males and 3 years for females.

The actuarial assumptions used in the January 1, 2014 valuation were based on the experience study conducted by the actuary, including the assumed retirement rates based on PSERS plan experience and vary by age, service and gender.

Funded Status and Funding Process. The funded status of the benefits as of June 30, 2015, was as follows:

	Retirement Incentive Benefit Governmental Activity
Actuarial accrued liability (a)	\$ 552,680
Actuarial value of plan assets (b)	-
Unfunded actuarial accrued liability (a) - (b)	<u>\$ 552,680</u>
Funded Ratio (b) / (a)	0.0%
Covered payroll	\$ 3,663,858
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll.	15.1%

Other Employee Benefits

Special Termination Benefits

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

Option 1

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

<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%

**East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015**

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, 2015, there were no eligible persons that accepted the offer that were not paid or recorded as a liability under GASB Statement No 47.

Under the provisions of Board Policy 450, the East Penn School District will pay, for those employees electing the Early Retirement Incentive Program explained in the preceding note, the premium for the retiring employee in an early retiree's hospitalization/medical plan. Such coverage will continue until the employee becomes eligible for government sponsored hospitalization/medical insurance or reaches age 65. Such insurance plan will be substantially equivalent to the plan offered to regular employees, but will have a mandatory reduction in major medical benefits. The Actuary has included this benefit under Other-Post Employment Benefits.

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, 2015**

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 style="text-align: center;">Same as I</p>

**East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015**

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 68.

* The first schedule of this valuation contains supplemental calculations under GASB 68. 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, 2015

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	836
Annual Required Contribution	\$ 2,031,137
Interest on net OPEB obligation	98,196
Adjustment to annual required contribution	<u>(133,965)</u>
Annual OPEB cost	1,995,368
Contributions made	<u>(1,127,656)</u>
Increase in net OPEB obligation	867,712
Net OPEB obligation - beginning of year	<u>2,182,147</u>
Net OPEB obligation - end of year	<u><u>\$ 3,049,859</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	734	9	743
Retired Participants	92	1	93
Total	<u>826</u>	<u>10</u>	<u>836</u>
Annual Payroll of Active Participants	<u>\$ 49,956,630</u>	<u>\$ 201,288</u>	<u>\$ 50,157,918</u>
Annual Required Contributions	2,030,303	834	2,031,137
Interest on Net OPEB Obligation	98,145	51	98,196
Adjustment to Annual Required Contribution	<u>(133,895)</u>	<u>(70)</u>	<u>(133,965)</u>
Annual OPEB Cost	1,994,553	815	1,995,368
Contributions made	<u>(1,127,656)</u>	<u>-</u>	<u>(1,127,656)</u>
Increase in Net OPEB Obligation	866,897	815	867,712
Net OPEB Obligation - beginning of year	<u>2,181,007</u>	<u>1,140</u>	<u>2,182,147</u>
Net OPEB Obligation - end of year	<u><u>\$ 3,047,904</u></u>	<u><u>\$ 1,955</u></u>	<u><u>\$ 3,049,859</u></u>

East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015

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:

Year ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$ 1,995,368	56.5%	\$ 3,049,859
6/30/2014	1,661,561	69.7%	2,182,147
6/30/2013	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

Funding Status and Funding Process. The funded status of the benefits as of June 30, 2015, was as follows:

	Healthcare Benefit	
	Governmental Activity	Business-Type Activity
Actuarial accrued liability (a)	\$ 15,898,694	\$ 7,929
Actuarial value of plan assets (b)	-	-
Unfunded actuarial accrued liability (a) - (b)	<u>\$ 15,898,694</u>	<u>\$ 7,929</u>
Funded Ratio (b) / (a)	0.0%	0.0%
Covered payroll	\$ 49,956,630	\$ 201,288
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll.	31.8%	3.9%

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, 2015**

	Healthcare Benefit
Actuarial Valuation Date	7/1/2014
Actuarial Cost Method	Entry Age Normal Level dollar method over a 30 year period
Amortization Method	15.29 years
Remaining amortization period	pay as you go basis
Asset Valuation Method	
Actuarial Assumptions:	
Investment rate of return	4.5%
Projected salary increases	3.75% to 6.25%
Healthcare inflation rate	
2015	6.0%
2016 +	5.5% to 4.2%

Note 6 - Tax Increment Financing Agreement – Hamilton Crossing

On June 23, 2014, East Penn School District entered a Tax Increment Financing Agreement

Under the authority of the Pennsylvania Tax Increment Financing Act, the local taxing body (East Penn School District) is to provide 50% of necessary financing to TGG/TCH-Hamilton Crossings Associates, L.P. (the developer) to undertake retail and commercial development on 63 acres of land located in Lower Macungie Township.

Under the authority of the Pennsylvania Tax Increment Financing Act, the developer must complete the project dependent upon the requirements including infrastructure improvements as such: Road improvements to Route 222 Bypass, Krocks Road and Hamilton Boulevard, facilities to manage and infiltrate storm water and control regional flooding, to upgrade utility facilities, fund capitalized interest (if any), and fund issuance costs of obligations.

Full aggregate market value of all taxable real property located within the TIF district as of the effective date of creation is \$2,863,200.

East Penn School District pledges to pay over to the authority to be held in a TIF Agreement 50% of the real estate taxes assessed on the TIF District properties for each year within the agreement based upon the calculation below:

East Penn School District Pledged Increment = (.50 x (the annual current assessment less the Tax Increment Base) x School District mileage at current year's calculation.

**East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015**

The developer is to pay annually assessed property taxes on all properties within the TIF District, amounts pledged to be contributed by the School District and other TIF Agreement Parties will be deposited into the TIF Agreement Escrow account (split into both school district and township contributions), held by the authority, to be used in payment or trust for Obligations associated with project expenses.

Upon completion of payment for project obligations, any remaining moneys held within the School District's portion of the TIF Agreement Escrow account held by the Authority will be returned to the School District.

Upon completion, the recipient of the TIF Tax Increment agrees to continue to pay 100% of real estate taxes on land and improvements in which the School District and Township will keep 100% of going forward. Additionally, the recipient agrees not to file any tax assessment appeal during the term of the TIF debt.

Projected Tax Revenue Reduction for School District of TIF Agreement

<u>Calender Year End</u>	<u>Estimated Incremental TIF Contribution</u>
12/31/2014	\$ -
12/31/2015	-
12/31/2016	540,978
12/31/2017	592,861
12/31/2018	598,684
12/31/2019	598,684
12/31/2020	604,507
12/31/2021	604,507
12/31/2022	610,694
12/31/2023	610,694
12/31/2024	616,881
12/31/2025	616,881
12/31/2026	632,068
12/31/2027	632,068
12/31/2028	629,255
12/31/2029	629,255
12/31/2030	635,442
12/31/2031	635,442
12/31/2032	641,629
12/31/2033	641,629
12/31/2034	<u>648,180</u>
TOTAL	<u>\$ 11,720,339</u>

Estimated surplus amounts which will be turned over after TIF obligations have been settled, and will be reimbursed to East Penn School District total \$4,095,697,34.

East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015

Note 7 - 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 8 – 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 \$2,113,544 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 \$12,083, in fund balance at year end within this fund is considered restricted.

The General Fund has \$18,414 in restricted fund balance as a result of donations not expended at year end.

Committed Fund Balance

The Board of School Directors has committed \$625,147 for future retirement rate increases from PSERS.

Assigned Fund Balance

The General Fund has \$10,770,544, assigned for appropriations in the 2015-16 budget. The Debt Service Fund for the GOB- Series A of 2015 and the GOB – Series B of 2015 fund balances of \$3,718, has been assigned for the purpose of the funds.

Note 9 –Prior Period Adjustments

During the 2014-15 fiscal year, the District implemented GASB Statement No. 68 associated with Pensions. As such, the beginning Net Position for governmental activities and business-type activities has been modified below to reflect the prior period adjustment to record the Net Pension Liability at June 30, 2014. In addition, the Business-Type Activity (Food Service Fund) made a prior period adjustment for prior advancements owed from Nutrition, Inc.:

**East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2015**

	Governmental Activities	Business-Type Activities	Total
Net Position - June 30, 2014 (as reported)	\$ 67,247,582	\$ 509,010	\$ 67,756,592
Prior Period Adjustment - Pension Liability	(154,114,661)	(2,886,933)	(157,001,594)
Prior Period Adjustment - Nutrition, Inc.	-	205,196	205,196
Net Position - June 30, 2014 (as restated)	<u>\$ (86,867,079)</u>	<u>\$ (2,172,727)</u>	<u>\$ (89,039,806)</u>

Note 10 – Net Investment in Capital Assets

The portion of net position for governmental activities, shown on the government-wide statement of net position invested in capital assets, net of related debt is \$63,404,143. The business-type activities column reflects \$256,563 invested in capital assets with no related debt. In addition, \$2,113,544 of net position in the governmental activities column has been restricted for future capital projects.

Note 11 - Contingencies

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and a condition specified in the grant agreements, and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund, or other applicable funds. However, in the opinion of management any such disallowed claims will not have a material adverse effect on the overall financial position of the School District as of June 30, 2015.

Litigation

In accordance with management, there are no legal matters that could materially affect the financial position of the District as of June 30, 2015.

REQUIRED SUPPLEMENTAL INFORMATION

**East Penn School District
Schedule of Funding Progress
Fiscal Year Ended June 30, 2015**

<u>Healthcare benefit</u>						
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)
7/1/2014	\$ -	\$ 15,906,623	\$ 15,906,623	0.0%	\$ 50,157,918	31.71%
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%
<u>Retention Incentive Benefit</u>						
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)
7/1/2014	\$ -	\$ 552,680	\$ 552,680	0.0%	\$ 3,663,858	15.08%
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%

EAST PENN SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED JUNE 30, 2015

	<u>2014-15</u>
District's proportion of the net pension liability (asset)	0.4236%
District's proportionate share of the net pension liability (asset)	\$ 167,664,000
District's covered employee payroll	\$ 56,225,255
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	33.53%
Plan fiduciary net position as a percentage of the total pension liability	57.24%

EAST PENN SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
CUMULATIVE TEN FISCAL YEARS REPORT
FOR THE YEAR ENDED JUNE 30, 2015

	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>
Contractually required contribution	\$ 11,526,177	8,486,543	5,827,021	3,954,697	2,551,200	1,969,355	1,945,655	2,859,281	2,394,383	1,589,957
Contributions in relation to the contractually required contribution	<u>11,526,177</u>	<u>8,486,543</u>	<u>5,827,021</u>	<u>3,954,697</u>	<u>2,551,200</u>	<u>1,969,355</u>	<u>1,945,655</u>	<u>2,859,281</u>	<u>2,394,383</u>	<u>1,589,957</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 56,225,255	\$ 53,040,892	\$ 50,669,745	\$ 49,433,713	\$ 51,024,007	\$ 49,233,881	\$ 48,641,375	\$ 44,398,770	\$ 41,859,837	\$ 39,748,915
Contributions as a percentage of covered employee payroll	20.50%	16.00%	11.50%	8.00%	5.00%	4.00%	4.00%	6.44%	5.72%	4.00%

East Penn School District
Notes To Required Supplementary Information
Fiscal Year Ended June 30, 2015

Public School Employees' Retirement System

Changes of benefit terms

None

Changes in assumptions

None

Methods and assumptions used in calculations of actuarially determined contributions

The actuarially determined contributions are calculated as of the June 30 preceding the fiscal year in which contributions are made. The following methods and assumptions were used to determine contribution rates reported:

- Investment return – 7.50%, includes inflation at 3.00%.
- Salary increases – Effective average of 5.50%, which reflects an allowance for inflation of 3.00%, real growth rate of 1%, and merit or seniority increases of 1.50%.
- Benefit payments – no postretirement benefit increases assumed in the future.
- Multiple decrement tables – mortality, vesting, retirement age, and withdrawal estimates are based upon tables provided by the actuary.

Proportionate Share of the Net Pension Liability

The amount reported as the District's proportionate share of the net pension liability (asset) does not include the adjustment for the difference between projected vs actual contributions made.

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, 2015

	<u>MEMORIAL FUND</u>	<u>COMMENCEMENT AWARDS FUND</u>	<u>TOTAL</u>
ASSETS			
Cash	\$ 138,896	\$ 13,513	\$ 152,409
Investments	-	-	-
Interest Receivable	-	-	-
Due from Other Funds	-	-	-
TOTAL ASSETS	<u>\$ 138,896</u>	<u>\$ 13,513</u>	<u>\$ 152,409</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charges on Refundings, net	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 138,896</u>	<u>\$ 13,513</u>	<u>\$ 152,409</u>
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ -
Interfund Payables	-	-	-
TOTAL LIABILITIES	-	-	-
DEFERRED INFLOWS OF RESOURCES			
Unearned Revenue	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	-	-	-
NET POSITION			
Held in Trust for future recipients	<u>\$ 138,896</u>	<u>\$ 13,513</u>	<u>\$ 152,409</u>

Combining Statement of Changes in Fiduciary Net Position
Private Purpose Trust Funds
For the Year Ended June 30, 2015

	<u>MEMORIAL FUND</u>	<u>COMMENCEMENT AWARDS FUND</u>	<u>TOTAL</u>
ADDITIONS:			
Contributions	\$ 33,284	\$ 23,485	\$ 56,769
Transfers from Other Funds	-	-	-
INVESTMENT EARNINGS:			
Interest and dividends	426	3	429
TOTAL ADDITIONS	<u>33,710</u>	<u>23,488</u>	<u>57,198</u>
DEDUCTIONS:			
Administrative Charges	-	-	-
Transfers to Other Funds	-	-	-
Awards	4,800	20,750	25,550
TOTAL DEDUCTIONS	<u>4,800</u>	<u>20,750</u>	<u>25,550</u>
CHANGES IN NET POSITION	28,910	2,738	31,648
NET POSITION - BEGINNING OF THE YEAR	<u>109,986</u>	<u>10,775</u>	<u>120,761</u>
NET POSITION - END OF THE YEAR	<u>\$ 138,896</u>	<u>\$ 13,513</u>	<u>\$ 152,409</u>

East Penn School District
Combining Balance Sheet - All Non-Major Governmental Funds
As of June 30, 2015

	<u>CAPITAL PROJECT FUNDS</u>		<u>DEBT SERVICE FUNDS</u>			<u>TOTAL</u>
	<u>CAPITAL RESERVE FUND</u>	<u>2010 CONSTRUCTION FUND</u>	<u>2014 A DEBT SERVICE FUND</u>	<u>2015 A DEBT SERVICE FUND</u>	<u>2015 B DEBT SERVICE FUND</u>	
ASSETS						
Cash	\$ 2,444,241	\$ 12,125	\$ -	\$ 1,534	\$ 2,184	\$ 2,460,084
Investments	-	-	-	-	-	-
Accounts Receivable	-	-	-	-	-	-
Accrued Interest Receivable	-	-	-	-	-	-
Other Recoverable Disbursements	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-
TOTAL ASSETS	\$ 2,444,241	\$ 12,125	\$ -	\$ 1,534	\$ 2,184	\$ 2,460,084
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Charges on Refundings, net	-	-	-	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 2,444,241	\$ 12,125	\$ -	\$ 1,534	\$ 2,184	\$ 2,460,084
LIABILITIES						
Accounts Payable	\$ 330,697	\$ 42	\$ -	\$ -	\$ -	\$ 330,739
Due to Other Funds	-	-	-	-	-	-
Other Liabilities	-	-	-	-	-	-
Prepayments	-	-	-	-	-	-
DEFERRED INFLOWS OF RESOURCES						
Unearned/Unavailable Revenue	-	-	-	-	-	-
FUND BALANCES:						
Nonspendable Fund Balance	-	-	-	-	-	-
Restricted Fund Balance	2,113,544	12,083	-	-	-	2,125,627
Committed Fund Balance	-	-	-	-	-	-
Assigned Fund Balance	-	-	-	1,534	2,184	3,718
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 2,444,241	\$ 12,125	\$ -	\$ 1,534	\$ 2,184	\$ 2,460,084

East Penn School District
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances - All Non-Major Governmental Funds
For the Year Ended June 30, 2015

	<u>CAPITAL PROJECT FUNDS</u>		<u>DEBT SERVICE FUNDS</u>			<u>TOTAL</u>
	<u>CAPITAL RESERVE FUND</u>	<u>2010 CONSTRUCTION FUND</u>	<u>2014 A DEBT SERVICE FUND</u>	<u>2015 A DEBT SERVICE FUND</u>	<u>2015 B DEBT SERVICE FUND</u>	
REVENUES						
Local Sources	\$ 2,443	\$ 14	\$ -	\$ -	\$ -	\$ 2,457
OTHER FINANCING SOURCES						
Refunding Bond Proceeds	-	-	10,275,000	5,735,000	4,050,000	20,060,000
Bond Premium	-	-	923,748	120,025	93,635	1,137,408
Interfund Transfers In	-	-	-	-	-	-
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>2,443</u>	<u>14</u>	<u>11,198,748</u>	<u>5,855,025</u>	<u>4,143,635</u>	<u>21,199,865</u>
EXPENDITURES AND OTHER FINANCING USES						
Instructional Services	-	-	-	-	-	-
Support Services	-	250	115,632	36,363	101,647	253,892
Capital Outlay	330,697	442,631	-	-	-	773,328
Debt Service	-	-	3,041	-	-	3,041
Bond Discount	-	-	-	-	-	-
Payment to Refunded Bonds Escrow Agent	-	-	11,080,075	5,817,128	4,039,804	20,937,007
Interfund Transfers Out	-	-	-	-	-	-
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>330,697</u>	<u>442,881</u>	<u>11,198,748</u>	<u>5,853,491</u>	<u>4,141,451</u>	<u>21,967,268</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(328,254)	(442,867)	-	1,534	2,184	(767,403)
FUND BALANCE - JULY 1, 2014	<u>2,441,798</u>	<u>454,950</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,896,748</u>
FUND BALANCE - JUNE 30, 2015	<u>\$ 2,113,544</u>	<u>\$ 12,083</u>	<u>\$ -</u>	<u>\$ 1,534</u>	<u>\$ 2,184</u>	<u>\$ 2,129,345</u>

**East Penn School District
Combining Balance Sheet
All Agency Funds
As of June 30, 2015**

	ACTIVITY FUND	PAYROLL FUND	TOTAL
ASSETS			
Cash	\$ 253,522	\$ 438,914	\$ 692,436
Investments	-	-	-
Other Receivables	605	199	804
Due from General Fund	-	-	-
TOTAL ASSETS	\$ 254,127	\$ 439,113	\$ 693,240
 LIABILITIES			
Federal Income Tax	\$ -	\$ 179,690	\$ 179,690
PA State Income Tax Withholding	-	38,747	38,747
Due Student Organizations	252,644	-	252,644
Due to General Fund	-	1,859	1,859
Annuities	-	-	-
Wage Taxes	-	188,646	188,646
Retirement-Buy Backs	-	17,407	17,407
Union Dues	-	-	-
OPT	-	12,764	12,764
Accounts Payable	1,483	-	1,483
Other	-	-	-
TOTAL LIABILITIES	\$ 254,127	\$ 439,113	\$ 693,240

East Penn School District
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2015

<u>ACTIVITY FUND</u>	<u>BALANCE</u> <u>7/1/14</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>6/30/15</u>
ASSETS				
Cash	\$ 253,376	\$ 1,210,942	\$ 1,210,796	\$ 253,522
Investments	-	-	-	-
Due from Other Funds	-	-	-	-
Other Receivable	-	605	-	605
TOTAL ASSETS	<u>\$ 253,376</u>	<u>\$ 1,211,547</u>	<u>\$ 1,210,796</u>	<u>\$ 254,127</u>
LIABILITIES				
Due to the General Fund	\$ 1,143	\$ -	\$ 1,143	\$ -
Accounts Payable	7,548	1,483	7,548	1,483
Due to Student Organizations	244,685	1,210,064	1,202,105	252,644
TOTAL LIABILITIES	<u>\$ 253,376</u>	<u>\$ 1,211,547</u>	<u>\$ 1,210,796</u>	<u>\$ 254,127</u>
 <u>PAYROLL FUND</u>				
ASSETS				
Cash	\$ 416,663	438,914	416,663	\$ 438,914
Investments	-	-	-	-
Other Receivables	-	199	-	199
Due from General Fund	-	-	-	-
TOTAL ASSETS	<u>\$ 416,663</u>	<u>\$ 439,113</u>	<u>\$ 416,663</u>	<u>\$ 439,113</u>
LIABILITIES				
Due to General Fund	\$ 1,252	\$ 1,859	\$ 1,252	\$ 1,859
Payroll Deductions	415,411	437,254	415,411	437,254
TOTAL LIABILITIES	<u>\$ 416,663</u>	<u>\$ 439,113</u>	<u>\$ 416,663</u>	<u>\$ 439,113</u>
 <u>ALL AGENCY FUNDS</u>				
ASSETS				
Cash	\$ 670,039	\$ 1,649,856	\$ 1,627,459	\$ 692,436
Investments	-	-	-	-
Due from Other Funds	-	-	-	-
Accounts Receivable	-	804	-	804
TOTAL ASSETS	<u>\$ 670,039</u>	<u>\$ 1,650,660</u>	<u>\$ 1,627,459</u>	<u>\$ 693,240</u>
LIABILITIES				
Due to Student Organizations	\$ 244,685	\$ 1,210,064	\$ 1,202,105	\$ 252,644
Accounts Payable	7,548	1,483	7,548	1,483
Payroll Deductions	415,411	437,254	415,411	437,254
Due to Other funds	2,395	1,859	2,395	1,859
TOTAL LIABILITIES	<u>\$ 670,039</u>	<u>\$ 1,650,660</u>	<u>\$ 1,627,459</u>	<u>\$ 693,240</u>

**East Penn School District
General Fund
Schedule on Tax Collectors' Receipts
For the Year Ended June 30, 2015**

	<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	\$ 132,287,100	\$ 823,692,000	\$ 3,240,539,400	\$ 227,313,500	\$ 723,540,200	\$ 5,147,372,200
Millage Rate	<u>0.0166649</u>	<u>0.0166649</u>	<u>0.0166649</u>	<u>0.0166649</u>	<u>0.0166649</u>	<u>0.0166649</u>
TOTAL TAX PER DUPLICATE	2,204,551	13,726,745	54,003,265	3,788,157	12,057,725	85,780,443
Less: Farmland Preservation	-	-	11,359	-	6,401	17,760
Less: Act 1 Deduction	<u>70,473</u>	<u>314,160</u>	<u>1,054,495</u>	<u>82,462</u>	<u>268,667</u>	<u>1,790,257</u>
TOTAL TAX TO BE COLLECTED	<u>2,134,078</u>	<u>13,412,585</u>	<u>52,937,411</u>	<u>3,705,695</u>	<u>11,782,657</u>	<u>83,972,426</u>
	-----	-----	-----	-----	-----	-----
PLUS - Additions	-	-	59,689	-	-	59,689
- Penalties	<u>5,786</u>	<u>25,347</u>	<u>79,965</u>	<u>4,858</u>	<u>35,773</u>	<u>151,729</u>
CURRENT REAL ESTATE TAXES TO BE COLLECTED	<u>2,139,864</u>	<u>13,437,932</u>	<u>53,077,065</u>	<u>3,710,553</u>	<u>11,818,430</u>	<u>84,183,844</u>
	-----	-----	-----	-----	-----	-----
LESS - Discount	36,117	226,423	930,336	65,363	193,896	1,452,135
- Reductions	-	-	42,231	-	-	42,231
- Refunds	855	7,220	85,896	6,752	24,383	125,106
- Rebates	6,366	48,059	49,795	10,100	21,696	136,016
- Returned to County	76,328	355,469	650,143	89,556	259,171	1,430,667
- Exonerations	<u>-</u>	<u>-</u>	<u>55,015</u>	<u>-</u>	<u>-</u>	<u>55,015</u>
NET CURRENT REAL ESTATE TAXES COLLECTED	<u>\$ 2,020,198</u>	<u>\$ 12,800,761</u>	<u>\$ 51,263,649</u>	<u>\$ 3,538,782</u>	<u>\$ 11,319,284</u>	<u>\$ 80,942,674</u>
	-----	-----	-----	-----	-----	-----
CURRENT INTERIM REAL ESTATE TAXES COLLECTED	<u>\$ 49,641</u>	<u>\$ 10,893</u>	<u>\$ 391,454</u>	<u>\$ 4,635</u>	<u>\$ 65,039</u>	<u>\$ 521,662</u>

**East Penn School District
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2015**

REVENUES

LOCAL SOURCES:

Current Real Estate Taxes	\$ 80,942,674	
Interim Real Estate Taxes	521,662	
Public Utility	111,475	
Payment in Lieu of Taxes	11,017	
Earned Income Tax	8,835,358	
Real Estate Transfer Tax	1,557,320	
Delinquent Real Estate Taxes	2,357,081	
Delinquent EIT Taxes	10,777	
Admissions	57,495	
Fees	88,655	
Other Student Activity Income	6,395	
Interest	83,656	
State Revenue from Other Public Schools	-	
I/U Services - Federal	1,214,942	
Rentals	83,969	
Contributions	37,921	
Capital Contributions	-	
Summer School	52,005	
Adult Education Tuition	20,239	
Receipts from Other LEA's - Education	5,351	
Other Tuition From Patrons	63,770	
Energy Efficiency Revenue	39,637	
Miscellaneous	41,703	
Revenue from Community Service Activities	-	
Refunds of Prior Yr. Expenditures	43	
TOTAL LOCAL SOURCE REVENUE	96,143,145	\$

STATE SOURCES:

Basic Subsidy - ESBE	10,656,281
Orphan Tuition	80,958
Homebound	-
Alternative Education	-
Driver Education	-
Special Education	3,174,622
Transportation	1,937,820
Rentals	1,492,901
Health Services	154,542
Migratory Children	-
State Property Tax Reduction Allocation	1,792,485
Accountability Grants	-
Ready to Learn Grant	532,997
FICA Revenue	2,070,705
SUB-TOTAL	21,893,311

**East Penn School District
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2015**

REVENUE (CONT'D)

SUB-TOTAL (CARRIED FORWARD)	\$ 21,893,311	
Retirement Revenue	5,962,024	
Other State Grants	-	
TOTAL STATE SOURCE REVENUE	-	\$ 27,855,335

FEDERAL SOURCES:

Title I	761,800	
Title IIA, IID	165,850	
Title III	35,767	
Title IV	-	
Medical Access	221,453	
Medical Assistance	22,365	
	-	
TOTAL FEDERAL SOURCE REVENUE		1,207,235
TOTAL REVENUE		125,205,715

EXPENDITURES

Regular Programs - Elem./Secondary	52,065,996
Federally Funded Regular Programs	806,400
Special Education	-
Life Skills Support - Public	-
Life Skills Support - PRRI	-
Deaf or Hearing Impaired Support	84,303
Blind or Visually Impaired Support	2,085
Speech & Language Impaired	1,240,781
Emotional Support - Public	862,685
Autistic Support	1,803,339
Learning Support - Public	8,240,964
Gifted Support	850,481
Physical Support	3,741
Multi-Handicapped Support	248,026
Development Delay Support	45,284
Early Intervention Support	-
Other Support	4,373,052
Business Education	1,060,837
Other Vocational Education Programs	2,166,695
Drivers' Education	165,974
Summer School	74,703
Homebound Instruction	148,667
Adjudicated/Court Placed Programs	6,506
Alternative Education Program	132,846
Additional Other Instructional Program	20,438
Other Adult Education Programs	22,765
Nonpublic School Programs	36,484
SUB-TOTAL	74,463,052

**East Penn School District
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2015**

SUB-TOTAL (CARRIED FORWARD)	\$ 74,463,052
Community College Programs	917,966
Supervision of Pupil Personnel Services - Head	164,269
Supervision of Student Services	153,330
Guidance Services	3,098,166
Psychological Services	876,056
Social Work Services	99,736
Other Pupil Personnel Services	-
Support Services - Instructional Staff	-
Technology Support Services	621,481
Educational Television Services	13,690
Computer Assisted Instruction Services	183,305
School Library Services	1,306,694
Instructional & Curriculum Dev. Service	1,141,569
Instructional Staff Development Services	-
Instructional Staff Development	97,157
Instructional Staff Development - Non-certified	-
Non-Public Support Services	-
Other Instructional Staff Services	50,304
Board Services	45,044
Board Treasurer Services	9,814
Tax Assessment & Collection Service	106,796
Staff Relations	338,205
Legal Services	85,033
Office of the Superintendent Services	623,462
Community Relations Services	112,557
Office of the Principal Services	4,209,205
Other Administration Services	-
Supervision of Health Services	-
Medical Services	11,070
Dental Services	756
Nursing Services	1,356,579
Non-Public Health Services	63,480
Supervision of Fiscal Services	175,549
Payroll Services	169,760
Financial Accounting Services	651,965
Supervision of Operation and Maintenance of Plant Services - Head	139,380
Supervision of Operation and Maintenance of Plant Services - Head	242,876
Operation of Building Services	10,795,879
Care and Upkeep of Grounds Services	124,983
Vehicle Operation and Maint. Services	24,479
Vehicle Operation Services	5,796,376
Non-Public Transportation	1,706,139
Support Services - Central	-
SUB-TOTAL	109,976,162

East Penn School District
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2015

SUB-TOTAL (CARRIED FORWARD)	\$ 109,976,162	
Planning, Research, Development & Evaluation Svcs.	211,444	
System-Wide Technology Services	1,243,544	
Staff Development Services	3,654	
Health Services	746	
Staff Development-Non-Instruction	5,125	
Data Processing Services	122,755	
State and Federal Agency Liaison Services	72,006	
Other Support Services	136,622	
Student Activities	-	
School Sponsored Student Activities	379,594	
School Sponsored Athletics	1,385,459	
Community Services	28,723	
Scholarships and Awards	1,250	
Existing Building Improvement Services	-	
Debt Service	13,549,937	
Refund of Prior Yr. Receipts	<u>51,208</u>	
TOTAL EXPENDITURES		\$ 127,168,229
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		\$ (1,962,514)
OTHER FINANCING SOURCES (USES)		
Proceeds from Extended Term Financing	-	
Transfer from Trust Funds	-	
Transfer from Activity Funds	-	
Sale of Fixed Assets	3,500	
Insurance Recoveries	11,567	
Special Revenue Fund Transfers Out	-	
Capital Projects Funds Transfers Out	-	
Food Service Fund Transfers Out	-	
Activity Fund Transfers Out	<u>-</u>	
TOTAL OTHER FINANCING SOURCES (USES)	15,067	
Special Items	-	
Extraordinary Items	<u>-</u>	<u>15,067</u>
NET CHANGE IN FUND BALANCE		(1,947,447)
FUND BALANCE - JULY 1, 2014		<u>13,405,817</u>
FUND BALANCE - JUNE 30, 2015		<u><u>\$ 11,458,370</u></u>

East Penn School District
Capital Reserve Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2015

FUND BALANCE - JULY 1, 2014 \$ 2,441,798

REVENUES AND OTHER FINANCING SOURCES

Interest	\$	2,443	
Refund of Prior Year Expenditures		-	
Transfer from General Fund		-	2,443
TOTAL FUNDS AVAILABLE			2,444,241

EXPENDITURES

INSTRUCTIONAL SERVICES:

Equipment -

SUPPORT SERVICES:

Professional Services -

Equipment -

CAPITAL OUTLAY:

Professional Services -

Construction Services 330,697

Land & Improvements -

Miscellaneous -

Equipment - 330,697

FUND BALANCE - JUNE 30, 2015 **\$ 2,113,544**

East Penn School District
Food Service Fund
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2015

REVENUES

Sales	\$ 2,059,189	
Donated Commodities	181,821	
Special Events	28,287	
Over or (Short)	(22)	
State Subsidies	250,528	
Federal Subsidies	979,943	
Interest	140	
Rebates	2,767	
Gain (Loss) on Sale of Fixed Assets	(3,398)	
Miscellaneous	13,056	
TOTAL REVENUES		\$ 3,512,311

COST OF COMMODITIES

Beginning Inventory - 7/1	61,055	
Purchases	181,821	
Ending Inventory - 6/30	(65,046)	
TOTAL COST OF COMMODITIES SOLD		177,830
GROSS PROFIT		3,334,481

SALARY AND BENEFIT EXPENSES

Cafeteria Aides	958,054	
Clerical	26,859	
Overtime	2,052	
Custodial/Maintenance	73,366	
Technology Assistants	5,019	
Other	9,485	
Benefits	494,467	
		1,569,302

OPERATING EXPENSES

Supplies	12,751	
Food Service Management Costs	1,537,176	
Professional Services	88	
Repairs and Maintenance	34,136	
Communications	1,351	
Software	9,253	
Electricity	60,000	
Books & Periodicals	15	
Travel	70	
Depreciation	14,079	
Equipment	6,354	
Dues and Fees	-	
TOTAL EXPENSES		1,675,273
		3,244,575

CHANGES IN FUND NET POSITION

FUND NET POSITION - JULY 1, 2014

89,906

509,010

Prior Period Adjustment

(2,681,737)

FUND NET POSITION - JUNE 30, 2015

\$ (2,082,821)

**East Penn School District
Consolidated Memorial Fund
Statement of Additions and Deductions
For the Year Ended June 30, 2015**

<u>SCHOLARSHIP</u>	<u>NET POSITION</u> <u>7/1/2014</u>	<u>CONTRIBUTIONS</u> <u>RECEIVED</u>	<u>INTEREST</u> <u>RECEIVED</u>	<u>AWARDS</u>	<u>INTERFUND</u> <u>TRANSFERS</u>	<u>NET POSITION</u> <u>6/30/2015</u>
Matthew Kush	\$ 15,428	\$ -	\$ 57	\$ 500	\$ -	\$ 14,985
Harvey Becker	-	-	-	-	-	-
Gregory Binder	134	-	1	-	-	135
Class of 1962	-	-	-	-	-	-
Richard Gall	-	-	-	-	-	-
Robert Jepson	325	-	1	300	-	26
Todd Schmoyer	(48)	-	-	1,000	-	(1,048)
Owen S. Krauss	53,469	-	196	-	-	53,665
Bruce Polster	-	-	-	-	-	-
Barbara Solt	162	-	1	150	-	13
Howard Yarus	44	-	-	-	-	44
Vincent Magnotta	29,489	-	108	1,000	-	28,597
Marion Jeffers	-	-	-	-	-	-
Andrew & Kerna Kocis	5,516	-	20	-	-	5,536
Michael G. Clarke	91	-	-	-	-	91
Gene Schantzenbach	3,394	-	12	500	-	2,906
Civil War Veterans	1,982	800	8	350	-	2,440
Sergeant Ashly Lynn Moyer	-	32,484	22	1,000	-	31,506
<u>Total Scholarships</u>	<u>\$ 109,986</u>	<u>\$ 33,284</u>	<u>\$ 426</u>	<u>\$ 4,800</u>	<u>\$ -</u>	<u>\$ 138,896</u>

**East Penn School District
Agency Fund
Payroll Fund - Balance Sheet
For the Year Ended June 30, 2015**

ASSETS

Cash	\$	438,914	
Investments		-	
Other Receivables		199	
Due from General Fund		_____	
TOTAL ASSETS			\$ <u>439,113</u>

LIABILITIES

Sec. 125 Withholding	\$	179,690	
Other Payroll Deductions		38,747	
Annuity		-	
Dues		-	
Unemployment		12,764	
Local Wage Tax		188,646	
OPT		17,407	
Dental Insurance		-	
Due to General Fund		1,859	
Other		_____	
TOTAL LIABILITIES			\$ <u>439,113</u>

**Commencement Awards Fund
Statement of Additions and Deductions
For the Year Ended June 30, 2015**

Net Position - July 1, 2014 \$ 10,775

ADDITIONS

Transfers from Memorial Fund	\$	-	
Transfers from General Fund		_____	
TOTAL TRANSFERS FROM OTHER FUNDS			-

Interest		3	
Contributions		_____	
TOTAL ADDITIONS			<u>23,488</u>

TOTAL FUNDS AVAILABLE 34,263

DEDUCTIONS

Transfer to Memorial Fund		-	
Scholarships - Awards		_____	
		20,750	<u>20,750</u>

Net Position - June 30, 2015 **\$ 13,513**

**East Penn School District
2014 A Bond Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2015**

FUND BALANCE - JULY 1, 2014		\$	-
 REVENUES AND OTHER FINANCING SOURCES			
Interest earnings	\$	-	
Bond Premium		923,748	
Proceeds from Refunded Bond Issues		10,275,000	11,198,748
TOTAL FUNDS AVAILABLE		<u> </u>	<u>11,198,748</u>
 EXPENDITURES AND OTHER FINANCING USES			
Professional Services		113,723	
Printing		1,909	
Bond Discount		-	
Debt Service - Interest		3,041	
Payment to Refunded Bonds Escrow Agent		11,080,075	
Transfer to General Fund		-	11,198,748
		<u> </u>	<u> </u>
FUND BALANCE - JUNE 30, 2015		\$	<u> </u>

**2015 A Bond Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2015**

FUND BALANCE - JULY 1, 2014		\$	-
 REVENUES AND OTHER FINANCING SOURCES			
Interest earnings	\$	-	
Bond Premium		120,025	
Proceeds from Refunded Bond Issues		5,735,000	5,855,025
TOTAL FUNDS AVAILABLE		<u> </u>	<u>5,855,025</u>
 EXPENDITURES AND OTHER FINANCING USES			
Professional Services		35,791	
Printing		572	
Bond Discount		-	
Debt Service - Interest		-	
Payment to Refunded Bonds Escrow Agent		5,817,128	
Transfer to General Fund		-	5,853,491
		<u> </u>	<u> </u>
FUND BALANCE - JUNE 30, 2015		\$	<u>1,534</u>

**East Penn School District
2015 B Bond Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2015**

FUND BALANCE - JULY 1, 2014		\$	-
REVENUES AND OTHER FINANCING SOURCES			
Interest earnings	\$	-	
Bond Premium		93,635	
Proceeds from Refunded Bond Issues		4,050,000	4,143,635
TOTAL FUNDS AVAILABLE			<u>4,143,635</u>
EXPENDITURES AND OTHER FINANCING USES			
Professional Services		100,647	
Printing		1,000	
Bond Discount		-	
Debt Service - Interest		-	
Payment to Refunded Bonds Escrow Agent		4,039,804	
Transfer to General Fund		-	4,141,451
FUND BALANCE - JUNE 30, 2015		\$	<u>2,184</u>

**2010 Construction Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2015**

FUND BALANCE - JULY 1, 2014		\$	454,950
<u>REVENUES AND OTHER FINANCING SOURCES</u>			
Refund of Prior Year Expenditures	\$	1	
Energy Efficiency Revenue		-	
Interest		13	14
TOTAL FUNDS AVAILABLE			<u>454,964</u>
<u>EXPENDITURES AND OTHER FINANCING USES</u>			
INSTRUCTIONAL:			
Supplies		-	
SUPPORT SERVICES:			
Other Admin. Services		250	
Equipment		-	
CAPITAL OUTLAY:			
Professional Services		730	
Equipment		93,801	
Construction Costs		348,100	
DEBT SERVICE:			
Bond Discount		-	
INTERFUND TRANSFERS:			
Transfers Out		-	442,881
FUND BALANCE - JUNE 30, 2015		\$	<u>12,083</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, 2015

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2015-16	\$ 31,369	\$ 670,000
2016-17	23,041	700,000
2017-18	14,423	730,000
2118-19	5,442	760,000
TOTAL OUTSTANDING	\$ 74,275	\$ 2,860,000

Schedule on General Obligation Notes - Series A of 2003
Dated as of November 3, 2003
For the Year Ended June 30, 2015

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2015-16	\$ 87,910	\$ 800,000
2016-17	77,868	900,000
2017-18	67,968	900,000
2018-19	58,068	900,000
2019-20	47,291	1,000,000
2020-21	36,164	1,000,000
2021-22	25,164	1,000,000
2022-23	13,161	1,100,000
2023-24	1,061	1,100,000
TOTAL OUTSTANDING	\$ 414,655	\$ 8,700,000

Schedule on General Obligation Notes - Series A of 2004
Dated as of October 1, 2004
For the Year Ended June 30, 2015

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2015-16	\$ 89,013	\$ 800,000
2016-17	78,968	900,000
2017-18	69,068	900,000
2018-19	59,168	900,000
2019-20	48,394	1,000,000
2020-21	37,264	1,000,000
2021-22	25,261	1,100,000
2022-23	13,161	1,100,000
2023-24	1,061	1,100,000
TOTAL OUTSTANDING	\$ 421,358	\$ 8,800,000

East Penn School District
Schedule on General Obligation Notes - Series A of 2007
Dated as of July 2, 2007
For the Year Ended June 30, 2015

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2015-16	\$ 129,149	\$ 100,000
2016-17	127,696	100,000
2017-18	116,561	1,100,000
2018-19	104,461	1,100,000
2019-20	90,598	1,300,000
2020-21	63,007	2,600,000
2021-22	33,404	2,700,000
2022-23	2,700	2,800,000
TOTAL OUTSTANDING	\$ 667,576	\$ 11,800,000

Schedule on General Obligation Bonds - Series of 2010
Dated as of March 1, 2010
For the Year Ended June 30, 2015

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2015-16	\$ 16,250	\$ 1,625,000

Schedule on General Obligation Bonds - Series of 2011
Dated as of March 1, 2011
For the Year Ended June 30, 2015

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
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	\$ 560,495	\$ 8,355,000

East Penn School District
Schedule on General Obligation Bonds - Series of 2012
Dated as of January 17, 2012
For the Year Ended June 30, 2015

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
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	\$ 1,256,067	\$ 9,490,000

Schedule on General Obligation Bonds - Series A of 2012
Dated as of August 17, 2012
For the Year Ended June 30, 2015

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
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	\$ 1,592,235	\$ 9,350,000

Schedule on General Obligation Bonds - Series of 2013
Dated as of January 15, 2013
For the Year Ended June 30, 2015

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
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	\$ 136,400	\$ 3,970,000

East Penn School District
Schedule on General Obligation Bonds - Series of 2014
Dated as of March 25, 2014
For the Year Ended June 30, 2015

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2015-16	\$ 214,716	\$ 345,000
2016-17	202,116	495,000
2017-18	186,966	515,000
2018-19	173,841	540,000
2019-20	162,941	550,000
2020-21	151,691	575,000
2021-22	139,941	600,000
2022-23	127,407	615,000
2023-24	112,971	645,000
2024-25	96,985	660,000
2025-26	79,481	685,000
2026-27	59,487	705,000
2027-28	36,970	735,000
2028-29	12,513	770,000
TOTAL OUTSTANDING	\$ 1,758,026	\$ 8,435,000

Schedule on General Obligation Bonds - Series A of 2014
Dated as of September 29, 2014
For the Year Ended June 30, 2015

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2015-16	\$ 393,625	\$ 2,505,000
2016-17	232,000	3,960,000
2017-18	66,500	2,660,000
TOTAL OUTSTANDING	\$ 692,125	\$ 9,125,000

Schedule on General Obligation Bonds - Series A of 2015
Dated as of March 30, 2015
For the Year Ended June 30, 2015

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2015-16	\$ 95,419	\$ 1,960,000
2016-17	56,850	1,865,000
2017-18	19,100	1,910,000
TOTAL OUTSTANDING	\$ 171,369	\$ 5,735,000

East Penn School District
Schedule on General Obligation Bonds - Series B of 2015
Dated as of March 30, 2015
For the Year Ended June 30, 2015

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2015-16	\$ 81,175	\$ 5,000
2016-17	80,850	5,000
2017-18	76,100	470,000
2018-19	70,100	130,000
2019-20	62,250	655,000
2020-21	48,850	685,000
2021-22	34,950	705,000
2022-23	20,700	720,000
2023-24	6,750	675,000
TOTAL OUTSTANDING	\$ 481,725	\$ 4,050,000

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, 2015

FEDERAL GRANTOR PROJECT TITLE	SOURCE CODE	CFDA NUMBER	GRANTOR PASS-THROUGH NUMBER	GRANT PERIOD	AWARD AMOUNT	TOTAL RECEIVED	ACCRUED OR (DEFERRED) AT 7/01/14	REVENUE	EXPENDI- TURES	ACCRUED OR (DEFERRED) AT 6/30/15	DISCLOSURE FOOTNOTES
U.S. DEPT. OF EDUCATION											
PASSED THROUGH THE PA											
DEPT. OF EDUCATION											
TITLE IA - IMPROVING BASIC PROGRAMS	I	84.010	013-140127	07/01/13-09/30/14	\$ 609,272	\$ 160,813	\$ 87,663	\$ 73,150	\$ 73,150	\$ -	2
TITLE IA - IMPROVING BASIC PROGRAMS	I	84.010	013-15-0127 A	07/01/14-09/30/15	\$ 720,124	630,852	-	688,650	688,650	57,798	
TOTAL TITLE IA PROGRAM						791,665	87,663	761,800	761,800	57,798	
PASSED THROUGH THE PDE											
TITLE IIA - IMPROVING TEACHER QUALITY	I	84.367	020-14-0127	07/01/13-09/30/14	\$ 159,206	31,625	20,552	11,073	11,073	-	2
TITLE IIA - IMPROVING TEACHER QUALITY	I	84.367	020-15-0127 A	07/01/14-09/30/15	\$ 158,478	136,027	-	154,777	154,777	18,750	
TOTAL TITLE IIA PROGRAM						167,652	20,552	165,850	165,850	18,750	
PASSED THROUGH THE PDE											
TITLE III - LEP/IMMIGRANT	I	84.365	010-14-0127	07/01/13-09/30/14	\$ 40,167	10,711	6,412	4,299	4,299	-	2
TITLE III - LEP/IMMIGRANT	I	84.365	010-15-0127 A	07/01/14-09/30/15	\$ 40,491	28,922	-	31,468	31,468	2,546	
TOTAL TITLE III PROGRAM						39,633	6,412	35,767	35,767	2,546	
PASSED THROUGH CARBON-LEHIGH I.U.											
IDEA	I	84.027	N/A	07/01/13-06/30/14	\$ 1,101,290	383,081	383,081	-	-	-	2
IDEA	I	84.027	N/A	07/01/14-06/30/15	\$ 1,202,107	849,004	-	1,202,107	1,202,107	353,103	1
IDEA - Section 619	I	84.173	N/A	07/01/14-06/30/15	\$ 12,835	12,835	-	12,835	12,835	-	1
TOTAL IDEA CLUSTER						1,244,920	383,081	1,214,942	1,214,942	353,103	
TOTAL U.S. DEPT. OF EDUCATION						2,243,870	497,708	2,178,359	2,178,359	432,197	
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES											
PASSED THROUGH THE PA											
DEPARTMENT OF PUBLIC WELFARE											
TITLE 19 - MEDICAL REIMBURSEMENT	I	93.778	N/A	10/01/14-09/30/15	N/A	24,253	6,415	22,365	22,365	4,527	2
TOTAL U.S. DEPT. OF HEALTH AND HUMAN SERVICES						24,253	6,415	22,365	22,365	4,527	
U.S. DEPARTMENT OF AGRICULTURE											
PASSED THROUGH THE PA											
DEPARTMENT OF EDUCATION											
NATIONAL SCHOOL LUNCH	I	10.555	N/A	07/01/13-06/30/14	N/A	138,199	138,199	-	-	-	2
NATIONAL SCHOOL LUNCH	I	10.555	N/A	07/01/14-06/30/15	N/A	741,220	-	865,373	865,373	124,153	
BREAKFAST PROGRAM	I	10.553	N/A	07/01/13-06/30/14	N/A	20,319	20,319	-	-	-	
BREAKFAST PROGRAM	I	10.553	N/A	07/01/14-06/30/15	N/A	92,183	-	114,570	114,570	22,387	
PASSED THROUGH THE PA											
DEPARTMENT OF AGRICULTURE											
USDA COMMODITIES	I	10.555	N/A	07/01/14-06/30/15	N/A	181,821	(61,056)	177,830	177,830	(65,047)	2
TOTAL CHILD NUTRITION CLUSTER						1,173,742	97,462	1,157,773	1,157,773	81,493	4,5
TOTAL U.S. DEPARTMENT OF AGRICULTURE						1,173,742	97,462	1,157,773	1,157,773	81,493	
TOTAL FEDERAL FINANCIAL AWARDS						\$ 3,441,865	\$ 601,585	\$ 3,358,497	\$ 3,358,497	\$ 518,217	

SOURCE: D - DIRECT; I - INDIRECT

East Penn School District
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

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 1.75% of its total general fund revenue in federal awards, and 32.96% 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	\$ 1,727,738	\$ 1,943,360
Carbon-Lehigh I.U.	2,316,232	1,214,942
PA Department of Public Welfare	N/A	22,365
PA Department of Agriculture	N/A	177,830
Totals	\$ 4,043,970	\$ 3,358,497

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 \$181,821 in the form of commodities. These commodities are valued at U.S.D.A.'s approximate costs. During the 2014-15 fiscal year, the District used \$177,830 in commodities and established a year-end inventory of \$65,047 at June 30, 2015.
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.

<u>FINANCIAL STATEMENT RECONCILIATION</u>	
General Fund Federal Source Revenues	\$ 1,207,235
Federal Grants in Local Sources	1,214,942
Food Service Fund Federal Revenue	1,161,764
Total Federal Revenue, per financial statements	3,583,941
Less - Medical Access Grant	(221,453)
Change in Donated Commodities	(3,991)
Federal Revenue on SEFA	\$ 3,358,497



**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, 2015, and the related notes to the financial statements, which collectively comprise East Penn School District's basic financial statements, and have issued our report thereon dated November 20, 2015.

Internal Control over Financial Reporting

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

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

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

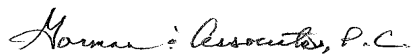
Compliance and Other Matters

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,



November 20, 2015



**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, 2015*. 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, 2015.

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,



November 20, 2015

**East Penn School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015**

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 84.010	Child Nutrition Cluster Title I Program

Percentage of programs tested to total awards 57.2%

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, 2015**

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 finding.