

**REPORT ON
EAST PENN SCHOOL DISTRICT
SINGLE AUDIT REPORT
FISCAL YEAR ENDED JUNE 30, 2017**

EAST PENN SCHOOL DISTRICT

Single Audit Report

For the Fiscal Year Ended June 30, 2017

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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, 2017, and have enclosed the Single Audit reporting package.

The Single Audit was done to fulfill the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, which entailed:

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

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

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

An opinion on compliance with requirements applicable to each major program, and a review of internal control over compliance in accordance with the Uniformed Guidance, explained above, and our report thereon.

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

Respectfully submitted,

Gorman & Associates, P.C.

November 29, 2017



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, 2017, and have issued our report thereon dated November 29, 2017.

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

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matter on August 29, 2017.

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 29, 2017. 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 2016-17 basic financial statements.

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

A control deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

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

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

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

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

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

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

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

CONTROL DEFICIENCIES

Food Service Fund

During our review on the lunch line observing the cash registers at Eyer Middle School, we discovered the cashier does not lock the cash register drawers in the cafeteria while the registers are idle and unattended. We suggest management instruct the cashiers to lock all cash registers when leaving them unoccupied at any point throughout the day to limit the threat of theft.

RECOMMENDATIONS

Food Service Fund

During our visit in the cafeteria, we noticed management does not keep track of their inventorial items when the food is purchased and delivered. Currently, the food service manager takes a physical count of the inventory at the end of every month.

We would like management to consider maintaining a perpetual record of the inventory, which will give management better control of items in stock and available for sale.

Due From / Due To Accounts

Currently, there is a lack of segregation of what comprises these interfund receivables and payables pertaining to what fund is owed the money. This creates confusion in proving out these accounts when one Due From account has balances owing two or three other funds. The same situation applies to the Due To accounts.

We would like to recommend management consider creating a separate interfund receivable or interfund payable account for each fund owing money or anticipating money from a particular fund. This will enable management and the auditors to trace any variances between the funds in a much easier fashion.

Activity Funds

During our review of the student club subsequent disbursements made in the 2017-18 fiscal year, we discovered check nos. 2356, 2357, 2358, 2359, 2360, and 2364 that should have been paid by the General Fund. Since these are checks in the new unaudited year, it is possible reimbursement has or will occur.

We will like to suggest management investigate these instances to ensure proper reimbursement occurs.

OTHER INFORMATION

Activity Funds

GASB Statement No. 84 on Fiduciary Activities becomes effective for the 2019-20 fiscal year. Since this date is a few years away, you might wonder why we are bringing it to your attention now. The reason is to provide the District ample time to change their recordkeeping on Student Clubs. When this Statement goes into effect, the Student Clubs will be considered Custodial Funds and there will be two financial statements: Statement of Net Position and Statement of Changes in Net Position. To make this easier think of a balance sheet and income statement.

Currently, most Districts report their disbursements as Deletions by School without breaking the disbursements into categories similar to the Food Service Fund. Receipts are reported as Additions without breaking out the categories of receipts. This new Statement will require management to separate receipts into revenue categories and disbursements into expense categories.

We wanted to give our clients ample time to revise their recordkeeping and computer systems to accommodate these changes.

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 29, 2017

REPORT DISTRIBUTION LIST

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

ONE COPY TO:
(Submitted Electronically)

BUREAU OF THE CENSUS
DATA PREPARATION DIVISION

ONE COPY TO:
(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

ONE COPY TO:

PENNSYLVANIA EMERGENCY MANAGEMENT AGENCY
OFFICE OF THE DIRECTOR
1810 ELMERTON AVENUE
HARRISBURG, PA 17110

ONE COPY TO:

INTERMEDIATE UNIT 1
ONE INTERMEDIAT UNIT DRIVE
COAL CENTER, PA 15423-9642

FINANCIAL SECTION



GORMAN & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Members of
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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, 2017, 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, 2017, 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, effective July 1, 2016, the East Penn School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, Governmental Accounting Standards Board Statement No. 77, Tax Abatement Disclosures, Governmental Accounting Standards Board Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Plans, Governmental Accounting Standards Board Statement No. 80, Blending Requirements for Certain Component Units, and Governmental Accounting Standards Board Statement No. 82, An amendment of GASB Statements Nos. 67, 68, and 73.

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 10-19, the Schedule of Funding Progress, the District's Proportionate Share of Net Pension Liability, and the District's Contributions – Pensions on pages 84-86, 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, by Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for federal awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

East Penn School District

The *combining and individual fund financial statements, schedules, and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for federal awards, are 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 schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for federal awards, are fairly stated in all material respects in relation to the basic financial statements as a whole.

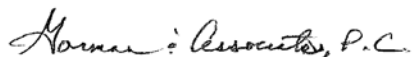
Supplementary Information – Statistical Tables

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 Statistical Tables on pages 104-105, are presented for additional analysis pertaining to the District's annual submission to the National Repository, known as EMMA (Electronic Municipal Market Access) to satisfy the Securities and Exchange Commission requirements. This supplemental information is not part of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on this information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2017, 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 29, 2017

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
(UNAUDITED)
For the Year Ended June 30, 2017**

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, 2017. 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 District-wide total net position decreased by \$595,043 to a balance of (\$87,275,136).
- * The governmental net position has decreased by \$662,808 to a balance of (\$85,396,544).
- * The business type net position has increased by \$67,763 to a balance of (\$1,878,592).
- * The District's General Fund Balances have increased by \$804,402 to a balance of \$10,457,746.

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.

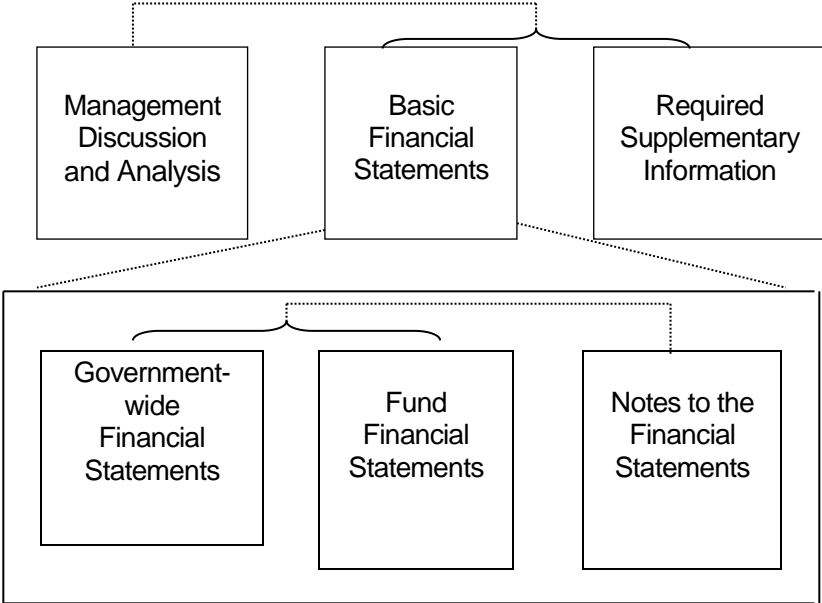
The remaining statements are fund financial statements that focus on individual parts of the District's operations in more detail than the government-wide statements. The governmental funds statements tell how general District services were financed in the short term as well as what remains for future 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.

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

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**

	Fund 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 (\$87,275,136) at June 30, 2017. This reflects an decrease in net position of \$595,043 from the previous fiscal year.

**Table A-1
Fiscal Year ended June 30, 2017
Net Position**

	<u>2017</u>			<u>2016</u>		
	Govern- mental Activities	Business- Type Activities	Total Primary Government	Govern- mental Activities	Business- Type Activities	Total Primary Government
Current assets	\$ 29,860,634	\$ 1,228,121	\$ 31,088,755	\$ 25,713,652	\$ 1,237,099	\$ 26,950,751
Non-Current assets	146,935,623	318,977	147,254,600	151,358,379	280,258	151,638,637
Deferred Outflow of Resources	46,148,495	805,855	46,954,350	24,149,338	421,961	24,571,299
Total Assets & Deferred Outflow of Resources	<u>\$ 222,944,752</u>	<u>\$ 2,352,953</u>	<u>\$ 225,297,705</u>	<u>\$ 201,221,369</u>	<u>\$ 1,939,318</u>	<u>\$ 203,160,687</u>
Current and other liabilities	\$ 25,782,541	\$ 163,012	\$ 25,945,553	\$ 23,124,655	\$ 359,143	\$ 23,483,798
Long-term liabilities	279,838,285	4,027,077	283,865,362	260,946,871	3,492,730	264,439,601
Deferred Inflow of Resources	2,720,470	41,456	2,761,926	1,883,579	33,800	1,917,379
Total Liabilities & Deferred Inflow of Resources	308,341,296	4,231,545	312,572,841	285,955,105	3,885,673	289,840,778
Net Position	-----	-----	-----	-----	-----	-----
Net Investment in Capital Assets	78,487,377	318,977	78,806,354	58,638,540	280,258	58,918,798
Retirement of Long-Term Debt	-	-	-	-	-	-
Other Restrictions	3,288,018	-	3,288,018	2,066,579	-	2,066,579
Unrestricted	<u>(167,171,939)</u>	<u>(2,197,569)</u>	<u>(169,369,508)</u>	<u>(145,438,855)</u>	<u>(2,226,613)</u>	<u>(147,665,468)</u>
Total Net Position	<u>(85,396,544)</u>	<u>(1,878,592)</u>	<u>(87,275,136)</u>	<u>(84,733,736)</u>	<u>(1,946,355)</u>	<u>(86,680,091)</u>
Total Liabilities, Deferred Inflow of Resources, & Net Position	<u>\$ 222,944,752</u>	<u>\$ 2,352,953</u>	<u>\$ 225,297,705</u>	<u>\$ 201,221,369</u>	<u>\$ 1,939,318</u>	<u>\$ 203,160,687</u>

Most of the District's net position is invested in capital assets (buildings, land, and equipment) totaling \$78,806,354. The remaining unrestricted net portion is a combination of designated and undesignated amounts. The designated capital projects balance of \$3,288,018 is set aside to fund capital projects as planned by the district. The unrestricted net position reflects a negative balance of (\$169,369,508).

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.

Additional information is provided in the notes to the financial statements

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

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

**Table A-2
Fiscal Year ended June 30, 2017
Changes in Net Position**

	<u>2017</u>			<u>2016</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>
REVENUES						
<i>Program revenues</i>						
Charges for services	\$ 363,147	\$ 2,087,011	\$ 2,450,158	\$ 293,695	\$ 2,101,538	\$ 2,395,233
Operating grants and contributions	20,052,921	1,602,717	21,655,638	18,623,896	1,481,743	20,105,639
Capital grants and contributions	1,362,029	-	1,362,029	1,508,525	-	1,508,525
<i>General revenues</i>						
Property taxes	90,987,106	-	90,987,106	86,925,161	-	86,925,161
Other taxes	10,702,685	-	10,702,685	10,600,186	-	10,600,186
Grants, subsidies and contributions, unrestricted	13,403,405	-	13,403,405	12,878,332	-	12,878,332
Other	<u>950,087</u>	<u>(1,690)</u>	<u>948,397</u>	<u>295,686</u>	<u>(30)</u>	<u>295,656</u>
TOTAL REVENUES	\$ 137,821,380	\$ 3,688,038	\$ 141,509,418	\$ 131,125,481	\$ 3,583,251	\$ 134,708,732
EXPENSES						
Instruction	\$ 89,872,518	\$ -	\$ 89,872,518	\$ 83,424,017	\$ -	\$ 83,424,017
Instructional student support	11,298,430	-	11,298,430	10,283,868	-	10,283,868
Administrative and financial support	9,531,412	-	9,531,412	9,208,921	-	9,208,921
Operation and maintenance of plant	12,871,472	-	12,871,472	12,162,457	-	12,162,457
Pupil transportation	7,267,866	-	7,267,866	6,989,250	-	6,989,250
Student activities	1,806,572	-	1,806,572	1,911,499	-	1,911,499
Community services	63,501	-	63,501	50,198	-	50,198
Scholarships and awards	-	-	-	500	-	500
Interest on long-term debt	1,480,312	-	1,480,312	1,554,912	-	1,554,912
Unallocated depreciation expense	4,292,103	-	4,292,103	4,264,576	-	4,264,576
Food Services	<u>-</u>	<u>3,620,275</u>	<u>3,620,275</u>	<u>-</u>	<u>3,446,785</u>	<u>3,446,785</u>
TOTAL EXPENSES	<u>138,484,186</u>	<u>3,620,275</u>	<u>142,104,461</u>	<u>129,850,198</u>	<u>3,446,785</u>	<u>133,296,983</u>
Increase (decrease) in net position	\$ (662,806)	\$ 67,763	\$ (595,043)	\$ 1,275,283	\$ 136,466	\$ 1,411,749
Total Net Position - Beginning	\$ (84,733,738)	\$ (1,946,355)	\$ (86,680,093)	\$ (86,009,019)	\$ (2,082,821)	\$ (88,091,840)
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Net Position - Ending	<u>\$ (85,396,544)</u>	<u>\$ (1,878,592)</u>	<u>\$ (87,275,136)</u>	<u>\$ (84,733,736)</u>	<u>\$ (1,946,355)</u>	<u>\$ (86,680,091)</u>

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, 2017
Governmental Activities**

Functions/Programs	2017		2016	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 89,872,518	\$ 75,289,654	\$ 83,424,017	\$ 69,991,697
Instructional student support	11,298,430	9,881,256	10,283,868	9,029,088
Administrative	9,531,412	8,675,115	9,208,921	8,380,144
Operation and maintenance	12,871,472	11,939,072	12,162,457	11,341,854
Pupil transportation	7,267,866	4,967,472	6,989,250	4,702,643
Scholarships and awards	1,806,572	1,488,716	1,911,499	1,626,435
Student activities	63,501	54,418	50,198	40,758
Community services	-	-	500	500
Interest on long-term debt	1,480,312	118,283	1,554,912	46,387
Unallocated depreciation expense	4,292,103	4,292,103	4,264,576	4,264,576
Total governmental activities	\$ 138,484,186	\$ 116,706,089	\$ 129,850,198	\$ 109,424,082
Less:				
Unrestricted grants, subsidies		13,403,405		12,878,332
Total needs from local taxes and other revenues		\$ 103,302,684		\$ 96,545,750

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, 2017
Business – Type Activities**

Functions/Programs	2017		2016	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Food Services	<u>\$ 3,620,275</u>	\$ (69,453)	<u>\$ 3,446,785</u>	\$ 136,496
Less:				
Investment earnings & other misc.		1,690		30
Total business-type activities		\$ (67,763)		\$ 136,466

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, 2017, the District governmental funds reported a combined fund balance of \$13,745,764, an increase of \$2,025,841 from the previous year.

General fund revenues and other sources exceeded expenditures by \$804,402 which resulted in an ending total General Fund balance of \$10,457,746.

East Penn School District
Management's Discussion and Analysis

With the implementation of GASB Statement #54, Capital Reserve Fund balances are now reported as part of the Capital Projects balances. The overall Capital Projects Fund balances have increased by \$1,221,439, which resulted in ending balances of \$3,288,018.

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 \$246,206 were covered by the Capital Reserve Fund, while a \$1,465,729 transfer was received from the General Fund, so the Capital Reserve Fund's fund balance increased by \$1,221,439.

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. These types of adjustments are not prohibited by state law. The District's original and final budget amounts compared with amounts actually paid and received is provided on the Statement of Revenues' Expenditures and Changes in Fund Balance-Budget and Actual-General Fund.

The General Fund overall operating revenues of \$138,220,681 were \$2,327,600 greater than originally budgeted. Local revenues were \$1,068,539 higher than budgeted due to real estate, earned income taxes and other revenues exceeding budgeted levels. State subsidy revenues were \$480,052 greater than budgeted. Higher than budgeted basic education, transportation, orphan, PlanCon and safe school revenues offset lower than budgeted reimbursements for special education, FICA and retirement. Federal grant revenues were 12,335 less than budgeted. Title 1 and ACCESS revenues were less than budgeted which offset increase funding from other federal grants.

Total expenditures and financing uses of \$137,416,279 (excluding budgetary reserve) were \$790,037 lower than originally budgeted. Charter school and special education costs exceeded original budget projections offset by positive budget variances in a majority of other categories.

Further, the budgeted budgetary reserve amount of \$4,000,000 was not needed, as there were no significant, unexpected expenditures during the year. 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.

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.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2017, the District had \$146,935,623 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 \$4,422,756, or 2.92% from last year.

**Table A-5
Governmental Activities
Fiscal Year Ended June 30, 2017
Capital Assets - Net of Depreciation**

	2017	2016
Land	\$ 10,665,048	\$ 10,685,048
Site Improvements	6,614,099	6,636,821
Buildings	196,322,613	196,495,803
Furniture & Equipment	5,059,121	5,128,152
Construction in Progress	7,181	152,881
Total Capital Assets	\$ 218,668,062	\$ 219,098,705
Less: Accumulated Depreciation	(71,732,439)	(67,740,326)
Total Capital Assets, net of Accum. Depr.	\$ 146,935,623	\$ 151,358,379

DEBT ADMINISTRATION

As of July 1, 2016, the District had total outstanding debt of \$79,864,000. During the year, the District did not issue additional debt, but retired and repaid \$11,140,000 resulting in ending outstanding debt as of June 30, 2017 of \$68,724,000.

**Table A-6
Outstanding Debt**

	2017	2016
General Obligation Notes/Bonds:		
- Notes, Series of 2016	\$ 6,524,000	\$ 6,524,000
- Bonds, Series B of 2015	4,040,000	4,045,000
- Bonds, Series A of 2015	1,910,000	3,775,000
- Bonds, Series A of 2014	2,660,000	6,620,000
- Bonds, Series of 2014	7,595,000	8,090,000
- Bonds, Series of 2013	1,610,000	2,805,000
- Bonds, Series A of 2012	8,100,000	8,730,000
- Bonds, Series of 2012	9,095,000	9,485,000
- Notes, Series A of 2007	11,600,000	11,700,000
- Notes, Series A of 2004	7,100,000	8,000,000
- Notes, Series A of 2003	7,000,000	7,900,000
- Notes, Series of 1998	1,490,000	2,190,000
TOTAL	68,724,000	79,864,000

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

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 revenue budget for the 2017-2018 year is \$4,978,857 higher than the original budget of 2016 - 2017, representing a 3.7% increase in budget revenues and includes a 0.3880 mil or 2.19% real estate tax increase.

With the passage 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. The 2017-2018 Act 1 index was 2.9% and the District approved a preliminary budget and applied to PDE for a \$455,647 special education and a \$403,883 retirement contribution index exception for the 2017-2018 school year. The District was granted a total exception of \$778,517, but did not include any in the final budget adopted. The 2017-2018 final budget adopted reflects a real estate tax rate of 18.0850 mils, a 2.19% rate increase.

The expenditure budget for the 2017-2018 year is \$6,380,863 higher than the original budget for 2016-2017, or a 4.5% increase. The budgetary reserve accounts for \$7,069,700 of the total expenditure budget.

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

**Table A-7
BUDGETED REVENUES**

	2017-2018	2016-2017
Local	75.4%	75.7%
State	23.7%	23.4%
Federal/Other	0.9%	0.9%

BUDGETED EXPENDITURES

	2017-2018	2016-2017
Instruction	58.0%	58.7%
Support Services	27.1%	27.8%
Non-Instruction/Community	1.3%	1.3%
Fund Transfers/Debt	13.6%	12.2%

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 Robert E. Saul, Business Administrator 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, 2017**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 21,094,366	\$ 1,110,170	\$ 22,204,536
Restricted Cash	1,140,350		1,140,350
Investments	-	-	-
Receivables, net	2,091,381	-	2,091,381
Internal Balances	7,156	8,421	-
Due From Other Governments	5,488,013	40,261	5,528,274
Other Receivables	25,093	2,310	27,403
Inventories	12,746	66,959	79,705
Prepaid Expenses	-	-	-
Other Current Assets	1,529	-	1,529
Total Current Assets	29,860,634	1,228,121	31,073,178
Non-Current Assets			
Other Long-Term Receivables	-	-	-
Land	10,665,048	-	10,665,048
Site Improvements (net of depreciation)	2,163,509	-	2,163,509
Building and Bldg. Improvements (net of depreciation)	132,793,903	-	132,793,903
Furniture and Equipment (net of depreciation)	1,305,982	318,977	1,624,959
Construction in Progress	7,181	-	7,181
Total Non-Current Assets	146,935,623	318,977	147,254,600
Total Assets	\$ 176,796,257	\$ 1,547,098	\$ 178,327,778
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources - Change in Proportion of NPL	8,700,285	161,715	8,862,000
Deferred Outflows of Resources - Current Year Contributions	16,838,029	295,376	17,133,405
Deferred Outflows of Resources - Changes in Assumptions	7,794,483	139,517	7,934,000
Deferred Outflows of Resources - Diff. in Projected vs Actual Invest. Earnings	12,040,753	209,247	12,250,000
Deferred Outflows of Resources - Change in Assumption - GASB 73	30,522	-	30,522
Deferred Outflows of Resources - Current Yr. Contributions - GASB 73	96,171	-	96,171
Deferred Amount on Debt Refundings, net	648,252	-	648,252
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 222,944,752	\$ 2,352,953	\$ 225,282,128
LIABILITIES			
Current Liabilities:			
Internal Balances	\$ 8,421	\$ 7,156	\$ -
Due to other governments	432,305	-	432,305
Accounts Payable	1,794,984	61,738	1,856,722
Current Portion of Long-Term Obligations	11,524,687	-	11,524,687
Accrued Salaries and Benefits	11,793,118	-	11,793,118
Payroll Deductions and Withholdings	-	-	-
Prepayments	-	94,118	94,118
Deposit Payable	-	-	-
Other Current Liabilities	229,026	-	229,026
Total Current Liabilities	25,782,541	163,012	25,929,976
Non-Current Liabilities			
Bonds and Notes Payable	57,676,498	-	57,676,498
Lease Purchase Obligations	-	-	-
Long-Term Portion of Compensated Absences	1,849,560	31,417	1,880,977
Net Pension Liability	214,447,269	3,990,898	218,438,167
Net OPEB Obligation	5,273,838	4,762	5,278,600
Other Retirement Benefits	591,120	-	591,120
Total Liabilities	305,620,826	4,190,089	309,795,338
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources - Diff. in Projected vs Actual Contributions	495,800	9,025	504,825
Deferred Inflows of Resources - Diff. between Expected vs Actual Experience	1,798,569	32,431	1,831,000
Deferred Inflows of Resources - Diff. between Proportionate Share vs Actual Pd. - POS	69,338	-	69,338
Deferred Inflows of Resources - Changes in Experience - GASB 73	32,232	-	32,232
Unearned Revenue from TIF arrangement/Deposit on Sale	324,531	-	324,531
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	308,341,296	4,231,545	312,557,264
NET POSITION			
Net Investment in Capital Assets	78,487,377	318,977	78,806,354
Restricted For:			
Retirement of Long-Term Debt	-	-	-
Capital Projects	3,288,018	-	3,288,018
Other Restrictions	-	-	-
Unrestricted (deficit)	(167,171,939)	(2,197,569)	(169,369,508)
TOTAL NET POSITION	(85,396,544)	(1,878,592)	(87,275,136)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 222,944,752	\$ 2,352,953	\$ 225,282,128

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, 2017

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	\$ 89,872,518	\$ 159,139	\$ 14,423,725	\$ -	\$ (75,289,654)	\$ -	\$ (75,289,654)
Instructional Student Support	11,298,430	-	1,417,174	-	(9,881,256)	-	(9,881,256)
Admin. & Fin'l Support Services	9,531,412	-	856,297	-	(8,675,115)	-	(8,675,115)
Oper. & Maint. of Plant Svcs.	12,871,472	-	932,400	-	(11,939,072)	-	(11,939,072)
Pupil Transportation	7,267,866	-	2,300,394	-	(4,967,472)	-	(4,967,472)
Student activities	1,806,572	204,008	113,848	-	(1,488,716)	-	(1,488,716)
Community Services	63,501	-	9,083	-	(54,418)	-	(54,418)
Scholarships and Awards	-	-	-	-	-	-	-
Interest on Long-Term Debt	1,480,312	-	-	1,362,029	(118,283)	-	(118,283)
Unallocated Depreciation Expense	4,292,103	-	-	-	(4,292,103)	-	(4,292,103)
TOTAL GOVERNMENTAL ACTIVITIES	138,484,186	363,147	20,052,921	1,362,029	(116,706,089)	-	(116,706,089)
BUSINESS-TYPE ACTIVITIES:							
Food Services	3,620,275	2,087,011	1,602,717	-	-	69,453	69,453
Other Enterprise Funds	-	-	-	-	-	-	-
TOTAL PRIMARY GOVERNMENT	\$ 142,104,461	\$ 2,450,158	\$ 21,655,638	\$ 1,362,029	\$ (116,706,089)	\$ 69,453	\$ (116,636,636)
GENERAL REVENUES:							
Property taxes Levied for general purposes, net					\$ 90,987,106	\$ -	\$ 90,987,106
Taxes levied for specific purposes					10,702,685	-	10,702,685
Grants, subsidies, & contributions not restricted					13,403,405	-	13,403,405
Investment Earnings					214,235	505	214,740
Miscellaneous Income					175,544	1,206	176,750
Special item - Gain (Loss) on sale of capital assets					560,308	(3,401)	556,907
Extraordinary Items					-	-	-
Transfers					-	-	-
TOTAL GENERAL REVENUES, SPECIAL ITEMS, EXTRAORDINARY ITEMS, AND TRANSFERS					116,043,283	(1,690)	116,041,593
CHANGES IN NET POSITION					(662,806)	67,763	(595,043)
NET POSITION - BEGINNING					(84,733,738)	(1,946,355)	(86,680,093)
NET POSITION - ENDING					\$ (85,396,544)	\$ (1,878,592)	\$ (87,275,136)

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

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**East Penn School District
Balance Sheet
Governmental Funds
As of June 30, 2017**

	GENERAL	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>			
Cash and cash equivalents	\$ 18,946,698	\$ 2,147,668	\$ 21,094,366
Restricted Cash	-	1,140,350	1,140,350
Investments	-	-	-
Taxes Receivable, net	2,091,381	-	2,091,381
Due from other funds	10,473	-	10,473
Due from Other Governments	5,488,013	-	5,488,013
Other Receivables	21,776	-	21,776
Inventories	-	-	-
Prepaid Expenditures	-	-	-
Other Current Assets	1,529	-	1,529
TOTAL ASSETS	\$ 26,559,870	\$ 3,288,018	\$ 29,847,888
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Charges of Bond Refundings, net	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 26,559,870	\$ 3,288,018	\$ 29,847,888
<u>LIABILITIES</u>			
Due to Other Funds	\$ 8,421	\$ -	\$ 8,421
Due to Other Governments	432,305	-	432,305
Accounts Payable	1,794,984	-	1,794,984
Current Portion of Long-Term Debt	104,687	-	104,687
Accrued Salaries and Benefits	11,793,118	-	11,793,118
Payroll Deductions and Withholdings	-	-	-
Deposit Payable	-	-	-
Other Current Liabilities	116,417	-	116,417
TOTAL LIABILITIES	14,249,932	-	14,249,932
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unearned Revenue from Property Taxes	1,852,192	-	1,852,192
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	16,102,124	-	16,102,124
FUND BALANCES:			
Nonspendable Fund Balance	-	-	-
Restricted Fund Balance	19,600	3,288,018	3,307,618
Committed Fund Balance	-	-	-
Assigned Fund Balance	7,715,241	-	7,715,241
Unassigned Fund Balance	2,722,905	-	2,722,905
TOTAL FUND BALANCES	10,457,746	3,288,018	13,745,764
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 26,559,870	\$ 3,288,018	\$ 29,847,888

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, 2017**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 13,745,764

**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 \$218,668,062 and the accumulated depreciation is \$71,732,439. 146,935,623

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. 648,252

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. 1,527,661

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. 12,746

This represents the deferred outflows of resources, net of deferred inflows of resources pertaining to the Net Pension Liability 43,104,304

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	\$ (69,096,498)	
Accrued interest on the bonds	(112,609)	
Compensated absences	(1,849,560)	
Net Defined Benefit Pension Liability	(214,447,269)	
Net Defined Contribution Pension Obligation	(591,120)	
Net OPEB Obligation	(5,273,838)	<u>(291,370,894)</u>

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES **\$ (85,396,544)**

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, 2017

	<u>GENERAL</u>	<u>NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES			
Local Sources	\$ 103,935,784	\$ 1,916	\$ 103,937,700
State Sources	32,309,741	-	32,309,741
Federal Sources	1,179,312	-	1,179,312
TOTAL REVENUES	<u>137,424,837</u>	<u>1,916</u>	<u>137,426,753</u>
EXPENDITURES			
Instruction	82,975,438	-	82,975,438
Support Services	38,462,976	-	38,462,976
Operation of Non-Instructional Services	1,802,478	-	1,802,478
Capital Outlay	-	246,206	246,206
Debt Service	12,706,863	-	12,706,863
TOTAL EXPENDITURES	<u>135,947,755</u>	<u>246,206</u>	<u>136,193,961</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,477,082</u>	<u>(244,290)</u>	<u>1,232,792</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from Bond Issues	-	-	-
Refunding Bond Proceeds	-	-	-
Bond Premiums	-	-	-
Insurance Recoveries	-	-	-
Interfund Transfers In	-	1,465,729	1,465,729
Sale/Compensation for Fixed Assets	795,844	-	795,844
Payment to bond refunding escrow agent	-	-	-
Bond Discounts	-	-	-
Refunds of Prior Year Receipts	(2,795)	-	(2,795)
Operating Transfers Out	(1,465,729)	-	(1,465,729)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(672,680)</u>	<u>1,465,729</u>	<u>793,049</u>
SPECIAL/EXTRAORDINARY ITEMS			
Special Items	-	-	-
Extraordinary Items	-	-	-
NET CHANGE IN FUND BALANCES	804,402	1,221,439	2,025,841
FUND BALANCES - BEGINNING	<u>9,653,344</u>	<u>2,066,579</u>	<u>11,719,923</u>
FUND BALANCES - ENDING	<u>\$ 10,457,746</u>	<u>\$ 3,288,018</u>	<u>\$ 13,745,764</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, 2017**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 2,025,841

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	\$ 4,498,462	
	less - capital outlays	<u>308,626</u>	(4,189,836)

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. (232,921)

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 increased by this amount this year. (168,296)

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. 11,140,000

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. (1,318,166)

SUB-TOTAL IN CHANGES BETWEEN BASIS OF ACCOUNTING **7,256,622**

**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, 2017**

SUB-TOTAL IN CHANGES BETWEEN BASIS OF ACCOUNTING \$ 7,256,622
(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. 89,345

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. -

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. (82,985)

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. (7,925,788)

CHANGE IN NET POSITION ON GOVERNMENTAL ACTIVITES **\$ (662,806)**

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, 2017

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 1,110,170	\$ -	\$ 1,110,170
Investments	-	-	-
Due from other funds	10,651	-	10,651
Due From Other Governments	40,261	-	40,261
Other Receivables	80	-	80
Inventories	66,959	-	66,959
Prepaid expenses	-	-	-
Other Current Assets	-	-	-
TOTAL CURRENT ASSETS	1,228,121	-	1,228,121
NON-CURRENT ASSETS:			
Building & Bldg. Improvements (net)	-	-	-
Machinery & Equipment (net)	318,977	-	318,977
Other Long-Term Receivables	-	-	-
TOTAL NON-CURRENT ASSETS	318,977	-	318,977
TOTAL ASSETS	\$ 1,547,098	\$ -	\$ 1,547,098
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources - Change in Proportion of NPL	161,715	-	161,715
Deferred Outflows of Resources - Current Year Contributions	295,376	-	295,376
Deferred Outflows of Resources - Changes in Assumptions	139,517	-	139,517
Deferred Outflows of Resources - Diff. in Projected vs Actual Contributions	-	-	-
Deferred Outflows of Resources - Diff. in Projected vs Actual Invest. Earnings	209,247	-	209,247
Deferred Outflows of Resources - Diff. between Expected vs Actual Experience	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 2,352,953	\$ -	\$ 2,352,953
LIABILITIES			
CURRENT LIABILITIES:			
Due to Other Funds	\$ 7,156	\$ -	\$ 7,156
Due to Other Governments	-	-	-
Accounts Payable	61,738	-	61,738
Compensated Absences	-	-	-
Accrued Salaries and Benefits	-	-	-
Other Current Liabilities	-	-	-
Prepayments	94,118	-	94,118
TOTAL CURRENT LIABILITIES	163,012	-	163,012
NON-CURRENT LIABILITIES:			
Long-Term Portion of Compensated Absences	31,417	-	31,417
Net Pension Liability	3,990,898	-	3,990,898
Net OPEB Obligation	4,762	-	4,762
TOTAL NON-CURRENT LIABILITIES	4,027,077	-	4,027,077
TOTAL LIABILITIES	4,190,089	-	4,190,089
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources - Diff. in Projected vs Actual Invest. Earnings	-	-	-
Deferred Inflows of Resources - Change in Proportion of NPL	-	-	-
Deferred Inflows of Resources - Change in Assumptions	-	-	-
Deferred Inflows of Resources - Diff. in Projected vs Actual Contributions	9,025	-	9,025
Deferred Inflows of Resources - Diff. between Expected vs Actual Experience	32,431	-	32,431
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	4,231,545	-	4,231,545
FUND NET POSITION			
Net Investment in Capital Assets	318,977	-	318,977
Restricted for Legal Purposes	-	-	-
Unrestricted	(2,197,569)	-	(2,197,569)
TOTAL FUND NET POSITION	(1,878,592)	-	(1,878,592)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND NET POSITION	\$ 2,352,953	\$ -	\$ 2,352,953

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, 2017

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
OPERATING REVENUES:			
Food Service Revenue	\$ 2,087,011	\$ -	\$ 2,087,011
Charges for Services	-	-	-
Other Operating Revenues	1,206	-	1,206
TOTAL OPERATING REVENUES	2,088,217	-	2,088,217
OPERATING EXPENSES:			
Salaries	1,062,735	-	1,062,735
Employee Benefits	677,013	-	677,013
Purchased Professional and Technical Services	-	-	-
Purchased Property Service	70,171	-	70,171
Other Purchased Services	1,489,207	-	1,489,207
Supplies	237,176	-	237,176
Depreciation	20,382	-	20,382
Dues and Fees	-	-	-
Equipment	-	-	-
Other Operating Expenses	63,591	-	63,591
TOTAL OPERATING EXPENSES	3,620,275	-	3,620,275
OPERATING INCOME (LOSS)	(1,532,058)	-	(1,532,058)
NON-OPERATING REVENUES (EXPENSES)			
Earnings on investments	505	-	505
Contributions and Donations	-	-	-
Gain/Loss on Sale of Fixed Assets	(3,401)	-	(3,401)
State Sources	293,057	-	293,057
Federal Sources	1,309,660	-	1,309,660
TOTAL NON-OPERATING REVENUES (EXPENSES)	1,599,821	-	1,599,821
INCOME (LOSS) BEFORE CONTRIBUTIONS	67,763	-	67,763
Capital Contributions	-	-	-
Transfers in (out)	-	-	-
CHANGES IN FUND NET POSITION	67,763	-	67,763
FUND NET POSITION - BEGINNING	(1,946,355)	-	(1,946,355)
FUND NET POSITION - ENDING	\$ (1,878,592)	\$ -	\$ (1,878,592)

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, 2017

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Users	\$ 2,091,271	\$ -	\$ 2,091,271
Cash Received from Assessments made to Other Funds	-	-	-
Cash Received from Earnings on Investments	-	-	-
Cash Received from Other Operating Revenue	1,206	-	1,206
Cash Payments to Employees for Services	(1,581,639)	-	(1,581,639)
Cash Payments for Insurance Claims	-	-	-
Cash Payments to Suppliers for Goods and Services	(1,835,587)	-	(1,835,587)
Cash Payments to Other Operating Expenses	-	-	-
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(1,324,749)	-	(1,324,749)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Local Sources	-	-	-
State Sources	305,015	-	305,015
Federal Sources	1,245,641	-	1,245,641
Capital Contributions	-	-	-
Interest Paid on Notes/Loans	-	-	-
Operating Transfers In (Out)	-	-	-
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	1,550,656	-	1,550,656
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of Equipment	(63,262)	-	(63,262)
Gain/Loss on Sale of Fixed Assets (Proceeds)	760	-	760
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(62,502)	-	(62,502)
CASH FLOWS FROM INVESTING ACTIVITIES			
Earnings on Investments	505	-	505
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	505	-	505
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	163,910	-	163,910
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	946,260	-	946,260
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,110,170	\$ -	\$ 1,110,170

East Penn School District
Statement of Cash Flows - Proprietary Funds
As of June 30, 2017

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

	FOOD SERVICE	NON-MAJOR FUNDS	TOTAL
OPERATING INCOME (LOSS)	\$ (1,532,058)	\$ -	(1,532,058)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES			
Depreciation and Net Amortization	20,382	-	20,382
Provision for Uncollectible Accounts	-	-	-
Donated Commodities Used	217,514	-	217,514
CHANGE IN ASSETS AND LIABILITIES:			
(Increase) Decrease in Accounts Receivable	7,185	-	7,185
(Increase) Decrease in Advances to Other Funds	(2,925)	-	(2,925)
(Increase) Decrease in Inventories	3,174	-	3,174
(Increase) Decrease in Prepaid Expenses	-	-	-
(Increase) Decrease in Other Current Assets	-	-	-
(Increase) Decrease in Deferred Outflows of Resources - Change in Proportion of NPL	7,051	-	7,051
(Increase) Decrease in Deferred Outflows of Resources - Current Year Contributions	(42,181)	-	(42,181)
(Increase) Decrease in Deferred Outflows of Resources - Changes in Assumptions	(139,517)	-	(139,517)
(Increase) Decrease in Deferred Outflows of Resources - Diff. in Projected vs Actual Contributions	-	-	-
(Increase) Decrease in Deferred Outflows of Resources - Diff. in Projected vs Actual Invest. Earnings	(209,247)	-	(209,247)
(Increase) Decrease in Deferred Outflows of Resources - Diff. between Expected vs Actual Experience	-	-	-
Increase (Decrease) in Accounts Payable	(4,419)	-	(4,419)
Increase (Decrease) in Accrued Salaries and Benefits	(1,433)	-	(1,433)
Increase (Decrease) in Advances from Other Funds	(196,025)	-	(196,025)
Increase (Decrease) in Net OPEB Obligations	2,205	-	2,205
Increase (Decrease) in Net Pension Liability	533,575	-	533,575
Increase (Decrease) in Deferred Inflows of Resources - Diff. in Projected vs Actual Invest. Earnings	(12,900)	-	(12,900)
Increase (Decrease) in Deferred Inflows of Resources - Diff. in Projected vs Actual Contributions	2,092	-	2,092
Increase (Decrease) in Deferred Inflows of Resources - Changes in Proportion to NPL	-	-	-
Increase (Decrease) in Deferred Inflows of Resources - Diff. between Expected vs Actual Experience	18,464	-	18,464
Increase (Decrease) in Deferred Inflows of Resources - Changes in Assumptions	-	-	-
Increase (Decrease) in Other Current Liabilities	4,314	-	4,314
TOTAL ADJUSTMENTS	207,309	-	207,309
 NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	 \$ (1,324,749)	 \$ -	 \$ (1,324,749)

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, 2017

	PRIVATE PURPOSE TRUST	PENSION AND OTHER EMPLOYEE BENEFIT TRUST	AGENCY FUNDS
ASSETS			
Cash and cash equivalents	\$ 152,186	\$ -	\$ 667,910
Investments	-	-	-
Due from Other Funds	-	-	-
Other Receivables	-	-	6,176
Prepaid Expenses	-	-	-
Other Current Assets	-	-	-
TOTAL ASSETS	\$ 152,186	\$ -	\$ 674,086
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charges on Refundings, net	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 152,186	\$ -	\$ 674,086
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ -
Due to Other Funds	-	-	5,547
Due to Student Clubs	-	-	226,539
Other Current Liabilities	-	-	442,000
TOTAL LIABILITIES	-	-	674,086
DEFERRED INFLOWS OF RESOURCES			
Unearned Revenue	-	-	-
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	-	-	674,086
NET POSITION			
Restricted	-	-	-
Unrestricted	152,186	-	-
TOTAL NET POSITION	\$ 152,186	\$ -	\$ -

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, 2017

	PRIVATE-PURPOSE TRUST FUND	PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
ADDITIONS		
Contributions	\$ 28,238	\$ -
Transfers from other funds	-	-
INVESTMENT EARNINGS:		
Interest and Dividends	712	-
Net increase (decrease) in fair value of investments	-	-
Less investment expense	-	-
TOTAL ADDITIONS	28,950	-
	-----	-----
DEDUCTIONS		
Transfers to other funds	-	-
Administrative charges	-	-
Scholarships	30,009	-
TOTAL DEDUCTIONS	30,009	-
	-----	-----
CHANGES IN NET POSITION	(1,059)	-
NET POSITION - BEGINNING OF YEAR	153,245	-
NET POSITION - END OF YEAR	\$ 152,186	\$ -

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, 2017

	<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>ACTUAL</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>(NEGATIVE)</u>	<u>DIFFERENCE</u>	<u>GAAP BASIS</u>
REVENUES						
Local Sources	\$ 102,867,245	\$ 102,867,245	\$ 103,935,784	\$ 1,068,539	\$ -	\$ 103,935,784
State Sources	31,829,689	31,829,689	32,309,741	480,052	-	32,309,741
Federal Sources	<u>1,191,647</u>	<u>1,191,647</u>	<u>1,179,312</u>	<u>(12,335)</u>	-	<u>1,179,312</u>
TOTAL REVENUES	<u>135,888,581</u>	<u>135,888,581</u>	<u>137,424,837</u>	<u>1,536,256</u>	-	<u>137,424,837</u>
EXPENDITURES						
Regular Instruction	58,593,989	57,775,778	57,654,074	121,704	-	57,654,074
Special Programs	19,645,834	20,852,834	20,452,418	400,416	-	20,452,418
Vocational Programs	3,627,231	3,576,231	3,569,815	6,416	-	3,569,815
Other Instructional Programs	580,535	334,535	321,086	13,449	-	321,086
Nonpublic School Programs	21,247	46,247	44,874	1,373	-	44,874
Adult Education Programs	31,569	31,569	23,191	8,378	-	23,191
Community College Sponsorship	909,980	909,980	909,980	-	-	909,980
Pupil Personnel Services	4,584,843	4,726,774	4,711,345	15,429	-	4,711,345
Instructional Staff Services	3,821,053	4,078,903	4,041,484	37,419	-	4,041,484
Administrative Services	6,109,532	5,852,760	5,802,421	50,339	-	5,802,421
Pupil Health	1,687,902	1,659,702	1,644,201	15,501	-	1,644,201
Business Services	1,040,109	1,041,109	1,032,410	8,699	-	1,032,410
Operation & Maintenance of Plant Services	12,567,824	12,057,824	12,034,655	23,169	-	12,034,655
Student Transportation Services	7,688,370	7,276,014	7,267,866	8,148	-	7,267,866
Central Support Services	1,899,676	1,815,726	1,791,230	24,496	-	1,791,230
Other Support Services	138,736	138,736	137,364	1,372	-	137,364
Student Activities	1,902,026	1,782,026	1,740,617	41,409	-	1,740,617
Community Services	43,889	62,697	61,861	836	-	61,861
Scholarships and Awards	-	-	-	-	-	-
Facilities, Acquisition and Construction	-	-	-	-	-	-
Debt Service	<u>13,311,971</u>	<u>12,717,871</u>	<u>12,706,863</u>	<u>11,008</u>	-	<u>12,706,863</u>
TOTAL EXPENDITURES	<u>138,206,316</u>	<u>136,737,316</u>	<u>135,947,755</u>	<u>789,561</u>	-	<u>135,947,755</u>
Excess (deficiency) of revenues over expenditures	<u>(2,317,735)</u>	<u>(848,735)</u>	<u>1,477,082</u>	<u>2,325,817</u>	-	<u>1,477,082</u>
OTHER FINANCING SOURCES (USES)						
Interfund Transfers In	-	-	-	-	-	-
Sale/Compensation for Fixed Assets	3,000	3,000	795,844	792,844	-	795,844
Insurance Recoveries	1,500	1,500	-	(1,500)	-	-
Refund of Prior Year Receipts	-	(3,000)	(2,795)	205	-	(2,795)
Fund Transfers Out	-	(1,466,000)	(1,465,729)	271	-	(1,465,729)
Budgetary Reserve	<u>(4,000,000)</u>	<u>(4,000,000)</u>	-	<u>4,000,000</u>	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,995,500)</u>	<u>(5,464,500)</u>	<u>(672,680)</u>	<u>4,791,820</u>	-	<u>(672,680)</u>
Special Items	-	-	-	-	-	-
Extraordinary Items	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	<u>(6,313,235)</u>	<u>(6,313,235)</u>	<u>804,402</u>	<u>7,117,637</u>	-	<u>804,402</u>
FUND BALANCE - JULY 1, 2016	<u>7,839,959</u>	<u>\$ 7,839,959</u>	<u>\$ 9,653,344</u>	<u>\$ 1,813,385</u>	<u>\$ -</u>	<u>\$ 9,653,344</u>
FUND BALANCE - JUNE 30, 2017	<u>\$ 1,526,724</u>	<u>\$ 1,526,724</u>	<u>\$ 10,457,746</u>	<u>\$ 8,931,022</u>	<u>\$ -</u>	<u>\$ 10,457,746</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, 2017

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, 2017

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

The Business Administrator, recommended by the Superintendent and appointed by the Board of School Directors, shall supervise and coordinate all business 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 Administrator is directly responsible to the Superintendent.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to 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 2016-17 was \$2,323,983.

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.

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Notes To Basic Financial Statements
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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 2016-17 was \$909,980.

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, 2017

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, 2017

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) 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, 2017

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 reconciliations 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, 2017

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 2016-17 budget transfers.

East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2017

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 2016-17 fiscal year the District implemented the following new generally accepted accounting principles:

- GASB Statement No. 74 (*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*), which establishes new reporting requirements about postemployment benefits other than pensions included in the general purpose external financial reports of state and local governmental OPEB plans.
- GASB Statement No. 77 (Tax Abatement Disclosures). The purpose of these disclosures is intended, among other things, to assist the users of these financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services, (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. Financial statement users need information about certain limitations on a government's ability to raise resources, including limitations imposed by tax abatement programs.
- GASB Statement No. 78 (Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans). This Statement amends Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer.
- GASB Statement No. 80 (Blending Requirements for Certain Component Units). This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. As such, it amends Statement No. 14. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member.
- GASB Statement No. 82 (An amendment of GASB Statements Nos. 67, 68, and 73). This Statement addresses certain issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2017

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 to GASB Statement No. 72, investments generally are to be measured at fair value. An investment is defined as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has the present service capacity based solely on its ability to generate cash or to be sold to generate cash. Investments not measured at fair value continue to include, for example, money market investments, 2a7-like external investment pools, investments in life insurance contracts, common stock meeting the criteria for applying the equity method, unallocated insurance contracts, and synthetic guaranteed investment contracts.

A government is permitted in certain circumstances to establish the fair value of an investment that does not have a readily determinable fair value by using the net asset value per share of the investment.

This Statement requires measurement at acquisition value (an entry price) for donated capital assets, donated works of art, historical treasures, and similar assets. These assets were previously required to be measured at fair value.

Fair Value is measured using a hierarchy of inputs using valuation techniques. The hierarchy has three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices, that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs

The valuation techniques should be consistent with one or more of the following approaches: the market approach, the cost approach, or the income approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The cost approach reflects the amount that would be required to replace the present service capacity of an asset. The income approach converts future amounts (such as cash flows or income and expenses) to a single current (discounted) amount.

East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2017

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, 2017, 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, 2017, the inventory shown in the governmental activities column of the government-wide statement of net position is \$12,746 and \$66,959 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, 2017; 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, 2017, consist of:

Donated Commodities	\$	46,912
Supplies		6,618
Food		13,429
TOTAL	\$	<u>66,959</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, 2017**

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 acquisition 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, 2017

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, 2017, 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
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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
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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 \$291,370,894 differences are:

Bonds payable	\$ 68,724,000
Less: Issuance discount (to be amortized as interest expense)	(3,455)
Add: Issuance premium (to be amortized as a contra to interest expense)	375,953
Accrued interest payable	112,609
Defined Benefit Net Pension Liability	214,447,269
Net Defined Contribution Pension Liability	591,120
Net OPEB Obligation	5,273,838
Compensated absences	<u>1,849,560</u>
Net adjustment to reduce "fund balance - total governmental funds" to arrive at "net position - governmental activities"	<u>\$ 291,370,894</u>

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

Due to the differences in the measurement focus and basis of accounting used on the 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, 2017

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	\$ 91,155,402	\$ (168,296)	\$ -	\$ -	\$ 90,987,106
Taxes levied for specific purposes	10,702,685	-	-	-	10,702,685
Interest and investment earnings	214,235	-	-	-	214,235
Miscellaneous	124,611	-	2,615	-	127,226
Contributions and Donations	48,318	-	-	-	48,318
Charges for Services	363,147	-	-	-	363,147
Grants, subsidies & contributions not restricted	13,403,405	-	-	-	13,403,405
INTERMEDIATE SOURCES:					
Charges for Services	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-
STATE SOURCES:					
Operating & Capital grants and contributions	18,906,336	-	-	-	18,906,336
FEDERAL SOURCES:					
Operating & Capital grants and contributions	2,508,614	-	-	-	2,508,614
SPECIAL AND EXTRAORDINARY SOURCES:					
Bond Premium	-	-	-	-	-
Proceeds from Refunding of Bonds	-	-	-	-	-
Gain or (Loss) on disposal of assets	795,844	-	(235,536)	-	560,308
TOTAL REVENUES	138,222,597	(168,296)	(232,921)	-	137,821,380
EXPENDITURES/EXPENSES					
Instruction	82,975,438	6,815,252	81,828	-	89,872,518
Instructional Student Support	10,397,030	876,171	25,229	-	11,298,430
Admin. & Fin'l Support Services	8,763,425	754,956	13,031	-	9,531,412
Oper. & Maint. Of Plant Svcs.	12,034,655	811,639	25,178	-	12,871,472
Pupil Transportation	7,267,866	-	-	-	7,267,866
Student activities	1,740,617	68,474	(2,519)	-	1,806,572
Community Services	61,861	451	1,189	-	63,501
Scholarships and Awards	-	-	-	-	-
Capital Outlay	246,206	-	(246,206)	-	-
Debt Service	12,709,658	-	-	(11,229,346)	1,480,312
Transfers Out	-	-	-	-	-
Depreciation - unallocated	-	-	4,292,103	-	4,292,103
TOTAL EXPENDITURES/EXPENSES	136,196,756	9,326,943	4,189,833	(11,229,346)	138,484,186
NET CHANGE FOR THE YEAR	\$ 2,025,841	\$ (9,495,239)	\$ (4,422,754)	\$ 11,229,346	\$ (662,806)

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, 2017, except the governmental activities had a deficit of \$85,396,544, and the business-type activity (Food Service Fund) had a deficit of \$1,878,592.

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, 2017**

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, 2017. 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, 2017, \$21,571,048, of the District's bank balance of \$22,534,697 was exposed to custodial credit risk as follows, including \$1,140,350 of restricted cash:

Uninsured and uncollateralized	\$	-
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		21,571,048
TOTAL		<u><u>\$ 21,571,048</u></u>

Reconciliation to Financial Statements

Uncollateralized Amount above	\$	21,571,048
Plus: Insured Amount		1,000,000
Less: Outstanding Checks		<u>(1,452,411)</u>
Carrying Amount - Cash Balances		21,118,637
Plus: Petty Cash		4,000
Deposit in Pooled Investments Considered Cash Equivalents		3,042,345
Less: Certificates of Deposit considered Investments by School Code		<u>-</u>
TOTAL CASH PER FINANCIAL STATEMENTS		<u><u>\$ 24,164,982</u></u>

Investments

Permitted investments for East Penn School District are defined in the Public School Code of 1949, as amended by Act 10 of 2016 as:

1. United States Treasury Bills;

East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2017

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,
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.
5. Obligations, participations or other instruments of any Federal Agency, instrumentality or United States government sponsored enterprise, including those issued or fully guaranteed as the principal and interest by Federal agencies, instrumentalities or United States government sponsored enterprises, if the debt obligations are rated at least "A" or its equivalent by at least two nationally recognized statistical ratings organizations.
6. Repurchase agreements with respect to United States Treasury bills or obligations, participations or other instruments of or guaranteed by the United States or any Federal agency, instrumentality or United States government sponsored enterprise.
7. Negotiable certificates of deposit or other evidences of deposit, with a remaining maturity of three years or less, issued by a nationally or State-chartered bank, a Federal or State savings and loan association or a State-licensed branch of a foreign bank. For obligations with a maturity of one year or less, the debt obligations of the issuing institution or its parent must be rated in the top short-term rating category by at least two nationally recognized statistical ratings organizations. For obligations with a maturity in excess of one year, the senior debt obligations of the issuing institution or its parent must be rated at least "A" or its equivalent by at least two nationally recognized statistical ratings organizations.
8. Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances, if the bankers' acceptances do not exceed 180 days maturity and the accepting bank is rated in the top short-term category by at least two nationally recognized statistical ratings organizations.
9. Commercial paper issued by corporations or other business entities organized in accordance with Federal or State law, with a maturity not to exceed 270 days, if the paper is rated in the top short-term category by at least two nationally recognized statistical ratings organizations.
10. Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933 and, if all of the following conditions are met:
 - The investments of the company are the authorized investments listed above.
 - The investment company is managed in accordance with 17 CFR 270.2a-7 (related to money market funds).

**East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2017**

- The investment company is rated in the highest category by a nationally recognized rating agency.

11. Savings or demand deposits placed in accordance with the following conditions:

- The money is initially deposited and invested through a federally insured institution having a place of business in this Commonwealth, which is selected by the public corporation or municipal authority.
- The selected institution arranges for the redeposit of the money in savings or demand deposits in one or more financial institutions insured by the Federal Deposit Insurance Corporation, for the account of the public corporation or municipal authority.
- The full amount of principal and any accrued interest of each such deposit is insured by the Federal Deposit Insurance Corporation.
- On the same date that the money is redeposited pursuant to above, the selected institution receives an amount of deposits from customers of other financial institutions equal to or greater than the amount of money initially invested through the selected institution by the public corporation or municipal authority.

As of June 30, 2017, the District had the following investments:

<i>Investment</i>	Maturities	Fair Value
PLGIT		\$ 3,042,345
PLGIT-ARM		-
Certificates of Deposit		-
TOTAL		\$ 3,042,345

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, 2017, 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.

**East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2017**

Reconciliation to Financial Statements

Total Investments Above	\$ 3,042,345
Less: Deposits in Investment Pool Considered Cash Equivalents	<u>(3,042,345)</u>
Total Investments Per Financial Statements	<u>\$ -</u>

Fair Value Reporting

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District did not have any recurring fair value investments at June 30, 2017. The District did have Cash Equivalents in 2a7-like external investment pools, which GASB Statement No. 72 allows to be recorded at amortized cost as provided in paragraph 16 of GASB Statement No. 31.

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 \$5,236,658,000. The tax rate for the year was \$1.7697 per \$100 of assessed valuation or 17.697 mills. In accordance with Act 1 of 2006, the District received \$1,818,605 in property tax reduction funds for the 2016-17 fiscal year. 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.

**East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2017**

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	2,091,381	-	-	-	-	2,091,381
Accounts	21,776	-	80	-	6,176	28,032
Intergovernmental	5,488,013	-	40,261	-	-	5,528,274
GROSS RECEIVABLES	7,601,170	-	40,341	-	6,176	7,647,687
Less: Allowance for Uncollectibles	-	-	-	-	-	-
NET RECEIVABLES	\$ 7,601,170	\$ -	\$ 40,341	\$ -	\$ 6,176	\$ 7,647,687

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:

	<u>UNAVAILABLE</u>	<u>UNEARNED</u>
Delinquent Property Taxes - General Fund	\$ 1,527,661	\$ -
Deposit on TIF Real Estate Tax Arrangement		324,531
Grants drawdowns prior to meeting eligibility requirements	-	-
TOTAL	\$ 1,527,661	\$ 324,531

Capital Assets

Capital asset balances and activity for the year ending June 30, 2017, were:

East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2017

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
GOVERNMENTAL ACTIVITIES:				
Capital Assets not being depreciated:				
Land	\$ 10,685,048	\$ -	\$ (20,000)	\$ 10,665,048
Construction in Progress	152,881	203,546	(349,246)	7,181
Total Capital Assets not being depreciated	<u>10,837,929</u>	<u>203,546</u>	<u>(369,246)</u>	<u>10,672,229</u>
Capital Assets being depreciated:				
Site Improvements	6,636,821	23,500	(46,222)	6,614,099
Buildings and Improvements	196,495,803	325,746	(498,936)	196,322,613
Furniture and Equipment	5,128,152	105,081	(174,112)	5,059,121
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>208,260,776</u>	<u>454,327</u>	<u>(719,270)</u>	<u>207,995,833</u>
Less accumulated depreciation for:				
Site Improvements	(4,266,223)	(225,967)	41,600	(4,450,590)
Buildings and Improvements	(59,797,857)	(4,100,752)	369,899	(63,528,710)
Furniture and Equipment	(3,676,246)	(171,743)	94,850	(3,753,139)
TOTAL ACCUMULATED DEPRECIATION	<u>(67,740,326)</u>	<u>(4,498,462)</u>	<u>506,349</u>	<u>(71,732,439)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED NET OF ACCUMULATED DEPRECIATION	<u>140,520,450</u>	<u>(4,044,135)</u>	<u>(212,921)</u>	<u>136,263,394</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	<u>\$ 151,358,379</u>	<u>\$ (3,840,589)</u>	<u>\$ (582,167)</u>	<u>\$ 146,935,623</u>
BUSINESS-TYPE ACTIVITIES:				
Capital Assets being depreciated:				
Furniture and Equipment	\$ 1,234,623	\$ 63,262	\$ (41,615)	\$ 1,256,270
Less accumulated depreciation	(954,365)	(20,382)	37,454	(937,293)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	<u>\$ 280,258</u>	<u>\$ 42,880</u>	<u>\$ (4,161)</u>	<u>\$ 318,977</u>

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

Regular Instruction	\$ 115,673
Special Instruction	1,978
Vocational Instruction	-
Other Instruction	-
Adult Instruction	-
Community College Instruction	-
Pupil Services	382
Instructional Staff Svcs.	34,621
Administrative Services	915
Health Services	333
Business Services	-
Operation & Maintenance of Plant Svcs.	36,271
Pupil Transportation	-
Central Services	12,116
Other Support Services	-
Student Activities	2,881
Community Services	1,189
Depreciation - unallocated	4,292,103
TOTAL DEPRECIATION FOR GOVERNMENTAL ACTIVITIES	<u><u>\$ 4,498,462</u></u>

**East Penn School District
Notes To Basic Financial Statements
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The government disposed of \$739,270 in capital assets during the year, with \$506,349 accumulated depreciation leaving a gain on disposition of \$560,308. The business-type activities disposed of \$41,615 in capital assets during the year, with accumulated depreciation of \$37,454, leaving a loss on disposition of \$3,401.

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:

	<u>CONTRACT AMOUNT</u>	<u>EXPENDED TO 6/30/17</u>	<u>OUTSTANDING COMMITMENTS</u>
<u>WESCOVILLE ROOF REPLACEMENT</u>			
C & D Waterproofing Corp.	\$ 169,800	\$ -	\$ 169,800
TOTAL	<u>\$ 169,800</u>	<u>\$ -</u>	<u>\$ 169,800</u>

Short-term debt

Interfund receivables and payables

The following interfund receivables and payables were in existence on June 30, 2017:

**East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2017**

	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund	\$ 10,473	\$ 8,421
Special Revenue (Capital Reserve) Fund	-	-
Capital Project (2004AA Construction) Fund	-	-
Enterprise (Food Service) Fund	10,651	7,156
Private Purpose (Trust) Fund	-	-
Private Purpose (Memorial) Fund	-	-
Agency (Payroll) Fund	-	850
Agency (Activity) Fund	-	4,697
	TOTAL	TOTAL
	\$ 21,124	\$ 21,124

The District also made the following interfund transfers during the fiscal year ended June 30, 2017:

	TRANSFER IN	TRANSFER OUT
General Fund	\$ -	\$ 1,465,729
Capital Project (Capital Reserve) Fund	1,465,729	-
	TOTAL	TOTAL
	\$ 1,465,729	\$ 1,465,729

**East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2017**

Long-term liabilities

Long-term liability balances and activity for the year ended June 30, 2017, were:

Changes in Long-Term Liabilities

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	AMOUNTS DUE WITHIN ONE YEAR
GOVERNMENTAL ACTIVITIES					
General Obligation Debt:					
<i>Bonds and notes payable:</i>					
Capital Projects	\$ 80,565,870	\$ 787	\$ 11,470,159	\$ 69,096,498	\$ 11,420,000
Other than capital projects	-	-	-	-	-
Total general obligation debt	80,565,870	787	11,470,159	69,096,498	11,420,000
<i>Other liabilities:</i>					
Vested employee benefits:					
Vacation pay	938,703	52,068	-	990,771	36,570
Sick pay	976,216	-	12,740	963,476	68,117
Net OPEB Obligation	4,044,504	1,229,334	-	5,273,838	-
Net Defined Benefit Pension Liability	185,122,798	29,324,471	-	214,447,269	-
Net Defined Contribution Pension Obligation	592,972	-	1,852	591,120	-
Other retirement benefits	-	-	-	-	-
Total other liabilities	191,675,193	30,605,873	14,592	222,266,474	104,687
TOTAL GOVERNMENTAL ACTIVITY LONG-TERM LIABILITIES	\$ 272,241,063	\$ 30,606,660	\$ 11,484,751	\$ 291,362,972	\$ 11,524,687
BUSINESS TYPE ACTIVITIES					
<i>Other liabilities:</i>					
Vested employee benefits:					
Vacation pay	-	-	-	-	-
Sick pay	32,850	-	1,433	31,417	-
Net Defined Benefit Pension Liability	3,457,323	533,575	-	3,990,898	-
Net OPEB Obligation	2,557	2,205	-	4,762	-
TOTAL BUSINESS-TYPE ACTIVITY LONG-TERM LIABILITIES	\$ 3,492,730	\$ 535,780	\$ 1,433	\$ 4,027,077	\$ -

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	\$ 1,477,517	\$ 1,566,863
Refund of Prior Year Receipts	2,795	2,795
Short-term borrowings	-	-
TOTAL INTEREST PAID BY GOVERNMENTAL ACTIVITIES	\$ 1,480,312	\$ 1,569,658

**East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2017**

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, 2017, are based on the interest rate of 2.20% at year-end:

FISCAL YEAR	PRINCIPAL	INTEREST
2017-18	\$ 730,000	\$ 26,224
2018-19	760,000	9,895
TOTAL OUTSTANDING	\$ 1,490,000	\$ 36,119

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, 2017, using the year end interest rate of 1.93% are:

FISCAL YEAR	PRINCIPAL	INTEREST
2017-18	\$ 900,000	\$ 119,253
2018-19	900,000	101,883
2019-20	1,000,000	82,974
2020-21	1,000,000	63,452
2021-22	1,000,000	44,152
2022-24	2,200,000	24,952
TOTAL OUTSTANDING	\$ 7,000,000	\$ 436,666

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, 2017

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, 2017, using the year end interest rate of 1.93% are:

FISCAL YEAR	PRINCIPAL	INTEREST
2017-18	\$ 900,000	\$ 121,183
2018-19	900,000	103,813
2019-20	1,000,000	84,909
2020-21	1,000,000	65,382
2021-22	1,100,000	44,321
2022-24	2,200,000	24,952
TOTAL OUTSTANDING	\$ 7,100,000	\$ 444,560

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, 2017, using the year end interest rate of 1.93% are:

FISCAL YEAR	PRINCIPAL	INTEREST
2017-18	\$ 1,100,000	\$ 204,511
2018-19	1,100,000	183,281
2019-20	1,300,000	158,958
2020-21	2,600,000	110,549
2021-22	2,700,000	58,609
2022-23	2,800,000	4,738
SUB-TOTAL	\$ 11,600,000	\$ 720,646
Unamortized Discount	-	
TOTAL OUTSTANDING	\$ 11,600,000	

East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2017

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, 2017, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2017-18	\$ 395,000	\$ 188,076
2018-19	770,000	176,426
2019-20	1,375,000	154,976
2020-21	1,405,000	127,176
2021-22	1,430,000	98,826
2022-25	3,720,000	114,785
SUB-TOTAL	\$ 9,095,000	\$ 860,265
Unamortized Premium	42,610	
Unamortized Discount	(3,455)	
TOTAL OUTSTANDING	\$ 9,134,155	

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, 2017, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2017-18	\$ 645,000	\$ 175,770
2018-19	685,000	162,470
2019-20	600,000	149,620
2020-21	615,000	137,470
2021-22	625,000	125,070
2022-27	3,405,000	410,906
2027-29	1,525,000	41,389
SUB-TOTAL	\$ 8,100,000	\$ 1,202,695
Unamortized Premium	77,754	
TOTAL OUTSTANDING	\$ 8,177,754	

East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2017

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, 2017, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2017-18	\$ 1,190,000	\$ 20,300
2018-19	420,000	4,200
SUB-TOTAL	\$ 1,610,000	\$ 24,500
Unamortized Premiums	15,407	
TOTAL OUTSTANDING	\$ 1,625,407	

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, 2017, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2017-18	\$ 515,000	\$ 186,966
2018-19	540,000	173,841
2019-20	550,000	162,941
2020-21	575,000	151,691
2021-22	600,000	139,941
2022-27	3,310,000	476,331
2027-29	1,505,000	49,483
SUB-TOTAL	\$ 7,595,000	\$ 1,341,194
Unamortized Premium	104,645	
Unamortized Discount	-	
TOTAL OUTSTANDING	\$ 7,699,645	

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, 2017

The outstanding debt service requirements at June 30, 2017, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2017-18	\$ 2,660,000	\$ 66,500
SUB-TOTAL	\$ 2,660,000	\$ 66,500
Unamortized Premiums	59,998	
TOTAL OUTSTANDING	\$ 2,719,998	

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, 2017, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2017-18	\$ 1,910,000	\$ 19,100
SUB-TOTAL	\$ 1,910,000	\$ 19,100
Unamortized Premiums	13,397	
TOTAL OUTSTANDING	\$ 1,923,397	

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, 2017, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2017-18	\$ 470,000	\$ 76,100
2018-19	130,000	70,100
2019-20	655,000	62,250
2020-21	685,000	48,850
2021-22	705,000	34,950
2022-24	1,395,000	27,450
SUB-TOTAL	\$ 4,040,000	\$ 319,700
Unamortized Premiums	62,142	
TOTAL OUTSTANDING	\$ 4,102,142	

**East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2017**

General Obligation Note – Series of 2016

On April 15, 2016, the District issued \$6,524,000 of General Obligation Note, Series of 2016. The proceeds will be used (1) to refund the School District's outstanding GOB Bonds, Series of 2011, and (2) to pay costs of issuing the notes. In accordance with the Local Governmental Unit Debt Act, a sinking fund has been established with the paying agent. The notes mature from November 15, 2017 to November 15, 2020. Interest rates at 2% total interest indebtedness of \$481,725.

The outstanding debt service requirements at June 30, 2017, are:

FISCAL YEAR	PRINCIPAL	INTEREST
2017-18	\$ 5,000	\$ 90,649
2018-19	2,533,000	73,010
2019-20	2,558,000	37,627
2020-21	1,428,000	9,925
SUB-TOTAL	\$ 6,524,000	\$ 211,211
Unamortized Premiums	-	
TOTAL OUTSTANDING	\$ 6,524,000	

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, 2017

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 2012</u>
2017-18	\$ 730,000	\$ 900,000	\$ 900,000	\$ 1,100,000	\$ 395,000
2018-19	760,000	900,000	900,000	1,100,000	770,000
2019-20	-	1,000,000	1,000,000	1,300,000	1,375,000
2020-21	-	1,000,000	1,000,000	2,600,000	1,405,000
2021-22	-	1,000,000	1,100,000	2,700,000	1,430,000
2022-27	-	2,200,000	2,200,000	2,800,000	3,720,000
2027-32	-	-	-	-	-
2032-33	-	-	-	-	-
TOTAL	1,490,000	7,000,000	7,100,000	11,600,000	9,095,000
LESS PAYABLE WITH- IN ONE YEAR	730,000	900,000	900,000	1,100,000	395,000
LONG-TERM PRINC. DUE AFTER ONE YEAR	\$ 760,000	\$ 6,100,000	\$ 6,200,000	\$ 10,500,000	\$ 8,700,000

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 2012</u>
2017-18	\$ 756,224	\$ 1,019,253	\$ 1,021,183	\$ 1,304,511	\$ 583,076
2018-19	769,895	1,001,883	1,003,813	1,283,281	946,426
2019-20	-	1,082,974	1,084,909	1,458,958	1,529,976
2020-21	-	1,063,452	1,065,382	2,710,549	1,532,176
2021-22	-	1,044,152	1,144,321	2,758,609	1,528,826
2022-27	-	2,224,952	2,224,952	2,804,738	3,834,785
2027-32	-	-	-	-	-
2032-33	-	-	-	-	-
TOTAL	\$ 1,526,119	\$ 7,436,666	\$ 7,544,560	\$ 12,320,646	\$ 9,955,265

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	G.O.N. SERIES OF 2016	TOTAL PRINCIPAL PAYMENTS
\$ 645,000	\$ 1,190,000	\$ 515,000	\$ 2,660,000	\$ 1,910,000	\$ 470,000	\$ 5,000	\$ 11,420,000
685,000	420,000	540,000	-	-	130,000	2,533,000	8,738,000
600,000	-	550,000	-	-	655,000	2,558,000	9,038,000
615,000	-	575,000	-	-	685,000	1,428,000	9,308,000
625,000	-	600,000	-	-	705,000	-	8,160,000
3,405,000	-	3,310,000	-	-	1,395,000	-	19,030,000
1,525,000	-	1,505,000	-	-	-	-	3,030,000
-	-	-	-	-	-	-	-
<u>8,100,000</u>	<u>1,610,000</u>	<u>7,595,000</u>	<u>2,660,000</u>	<u>1,910,000</u>	<u>4,040,000</u>	<u>6,524,000</u>	<u>68,724,000</u>
<u>645,000</u>	<u>1,190,000</u>	<u>515,000</u>	<u>2,660,000</u>	<u>1,910,000</u>	<u>470,000</u>	<u>5,000</u>	<u>11,420,000</u>
<u>\$ 7,455,000</u>	<u>\$ 420,000</u>	<u>\$ 7,080,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,570,000</u>	<u>\$ 6,519,000</u>	<u>\$ 57,304,000</u>

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	G.O.N. SERIES OF 2016	TOTAL DEBT SVC. PAYMENTS
\$ 820,770	\$ 1,210,300	\$ 701,966	\$ 2,726,500	\$ 1,929,100	\$ 546,100	\$ 95,649	\$ 12,714,632
847,470	424,200	713,841	-	-	200,100	2,606,010	9,796,919
749,620	-	712,941	-	-	717,250	2,595,627	9,932,255
752,470	-	726,691	-	-	733,850	1,437,925	10,022,495
750,070	-	739,941	-	-	739,950	-	8,705,869
3,815,906	-	3,786,331	-	-	1,422,450	-	20,114,114
1,566,389	-	1,554,483	-	-	-	-	3,120,872
-	-	-	-	-	-	-	-
<u>\$ 9,302,695</u>	<u>\$ 1,634,500</u>	<u>\$ 8,936,194</u>	<u>\$ 2,726,500</u>	<u>\$ 1,929,100</u>	<u>\$ 4,359,700</u>	<u>\$ 6,735,211</u>	<u>\$ 74,407,156</u>

East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2017

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, \$31,417, 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, 2017. 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 \$68,117, 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 \$895,359, 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, 2017, that will use currently available financial resources is \$36,570, 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, 2017, of \$954,201, 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, 2017

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, 2017

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, 2017 was 29.20% 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 \$17,133,405 for the year ended June 30, 2017.

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

At June 30, 2017, the District reported a liability of \$218,438,167 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, with rolling forward the System's total pension liability as of June 30, 2016. 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, 2016, the District's proportion was 0.4435 percent, which was an increase of 0.0064 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$25,296,261. At June 30, 2017, 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, 2017

<u>Sources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Proportionate Share vs Actual		
Paid Separately Finance Liabilities	\$ -	\$ 69,338
Changes in Assumptions	7,934,000	-
Net difference between projected and actual contributions made	-	504,825
Net difference between projected and actual earnings on pension plan investments	12,250,000	-
Difference between expected and actual experience	-	1,831,000
Changes in proportion of the Net Pension Liability	8,862,000	-
District contributions subsequent to the measurement date	17,133,405	-
Total	<u>\$ 46,179,405</u>	<u>\$ 2,405,163</u>

\$17,133,405 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, 2018. 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>
2017	\$ 6,723,000
2018	6,537,261
2019	8,411,261
2020	5,037,579
2021	(68,264)
Thereafter	-
Total	<u>\$ 26,640,837</u>

Actuarial assumptions

The total pension liability of June 30, 2016, was determined by rolling forward the System's total pension liability as of June 30, 2015 to June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 7.25%, includes inflation at 2.75%
- Salary increases – Effective average of 5.00%, which reflects an allowance for inflation of 2.75%, and 2.25% for real wage growth and for merit or seniority increases
- Mortality rates were based on the RP-2014 Combined Healthy Annuitant Tables (male and female) adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. For disabled annuitants the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2017

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
Global public equity	22.5%	5.3%
Fixed Income	28.5%	2.1%
Commodities	8.0%	2.5%
Absolute return	10.0%	3.3%
Risk parity	10.0%	3.9%
Infrastructure/MLPs	5.0%	4.8%
Real estate	12.0%	4.0%
Alternative investments	15.0%	6.6%
Cash	3.0%	0.2%
Financing (LIBOR)	-14.0%	0.5%
	100%	

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, 2016.

For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 1.11%. 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 7.25%. 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, 2017**

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 7.25%, 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 (6.25%) or 1-percentage point higher (8.25%) than the current rate, using the net position liability reported by PSERS before adjusting for differences on projected vs actual contributions made.

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net Pension Liability	\$ 268,856,000	\$ 219,785,000	\$ 178,550,000

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 to a 403(b) or 457(b) deferred compensation account 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. 73, this benefit is considered a defined contribution pension plan.

**East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2017**

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 \$96,171 for the year ended June 30, 2017.

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

At June 30, 2017, the District reported a liability of \$591,120 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016, with rolling forward the System's total pension liability as of June 30, 2017.

For the year ended June 30, 2017, the District recognized pension expense of (\$143). The following table reflects the changes to the pension obligation during the year:

Contribution Rates:	Retirement Incentive Pension Benefit Actuarially Determined
Interest Rate	2.49%
Plan Members	36
Changes in Total Pension Liability:	
Balance at June 30, 2016	\$ 592,972
Changes in Experience	(34,918)
Changes in Assumption	33,066
Balance at June 30, 2017	\$ 591,120

Actuarial assumptions

The total pension liability as of June 30, 2016, was determined by rolling forward the System's total pension liability as of June 30, 2015 to June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement.

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 4.5%

**East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2017**

The actuarial assumptions used in the July 1, 2016 valuation were the same as the GASB 45 Report conducted by the actuary, except for the discount rate, which is 2.49%.

Schedule on Defined Contribution Pension Deferred Outflows/Inflows

<u>Sources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of Assumptions	\$ 30,522	\$ -
Current Year Contributions	96,171	-
Changes in Experience	-	32,232
Total	<u>\$ 126,693</u>	<u>\$ 32,232</u>

Schedule on Amortizing of Deferrals

Year ended June 30:

2018	\$ (143)
2019	(143)
2020	(143)
2021	(143)
Thereafter	<u>(1,138)</u>
Total	<u>\$ (1,710)</u>

Funded Status and Funding Process. The funded status of the benefits as of June 30, 2017, was as follows:

	Retirement Incentive Benefit Governmental Activity
Actuarial accrued liability (a)	\$ 591,120
Actuarial value of plan assets (b)	-
Unfunded actuarial accrued liability (a) - (b)	<u>\$ 591,120</u>
Funded Ratio (b) / (a)	0.0%
Covered payroll	\$ 3,805,949
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll.	15.5%

Sensitivity of the District's proportionate share of the net defined contribution pension liability in the discount rate:

The following presents the District's proportionate share of the net defined contribution pension liability calculated using the discount rate of 2.49%, as well as what the District's proportionate share of the net defined contribution pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.49%) or 1-percent higher (3.49%) than the current rate, using the net defined contribution liability reported by the actuary before adjusting for differences on projected vs actual contributions made.

**East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2017**

	1% Decrease	Current Discount Rate	1% Increase
	<u>1.49%</u>	<u>2.49%</u>	<u>3.49%</u>
Net Defined Contribution Pension Liability	\$ 617,469	\$ 591,120	\$ 565,203

457(b) Deferred Compensation Plan

On October 24, 2016, the School Board approved plans to implement a voluntary 457(b) Deferred Compensation Plan effective November 1, 2016. The adoption of such a plan was required under the Administrative Compensation Plan's (7/1/15 - 6/30/18) Retention Incentive Program. Payments for the Retention Incentive Program will be made directly to the deferred compensation account.

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, 2017**

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, 2017, 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, 2017**

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 RIP or previously under the ERIP, the district will pay for the amount of the PPO 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 PPO 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, 2017**

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 Sharing: The member and spouse may elect medical, prescription drug, and dental coverage by paying the full premiums. ● 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: PSERS Retirement:

1. For individuals who were members of PSERS prior to July 1, 2011, and employee is eligible for PSERS retirement if he (or she) is eligible for either: 1) PSERS early retirement while under 62 with 5 years of PSERS Service or 2) PSERS superannuation retirement upon reaching age 60 with 30 years of PSERS service, age 62 with 1 year PSERS service or 35 years of PSERS service regardless of age.
2. For individuals who became members of PSERS on or after July 1, 2011, and employee is eligible for PSERS retirement if he (or she) is eligible for either: 1) PSERS early retirement while under 65 with 10 years of PSERS Service or 2) PSERS superannuation retirement upon reaching age 65 with 3 years of PSERS service or upon attainment of a total combination of age plus service equal to or greater than 92 with a minimum of 35 years of PSERS service.
3. All individuals are eligible for a special early retirement upon reaching age 55 with 25 years of PSERS service.

Cash Payments: Cash payments are not GASB 45 liabilities

- Financial Incentives under the ERIP are valued under GASB 47. (Note: All current administrators elected the RIP and therefore, are not eligible for the Financial Incentives under ERIP.)
- Financial Incentives under the RIP are valued under GASB 68.
-

* The final 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, 2017

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	824
Annual Required Contribution	\$ 2,198,001
Interest on net OPEB obligation	182,118
Adjustment to annual required contribution	<u>(248,455)</u>
Annual OPEB cost	2,131,664
Contributions made	<u>(900,125)</u>
Increase in net OPEB obligation	1,231,539
Net OPEB obligation - beginning of year	<u>4,047,061</u>
Net OPEB obligation - end of year	<u>\$ 5,278,600</u>

The following table shows the benefit separated by fund:

	Other Post Employment Benefit Plan		
	General Fund	Food Service	Total
Demographic Information:			
Active Participants	737	15	752
Retired Participants	72	0	72
Total	<u>809</u>	<u>15</u>	<u>824</u>
Annual Payroll of Active Participants	<u>\$ 52,166,143</u>	<u>\$ 336,938</u>	<u>\$ 52,503,081</u>
Annual Required Contributions	2,195,754	2,247	2,198,001
Interest on Net OPEB Obligation	182,003	115	182,118
Adjustment to Annual Required Contribution	<u>(248,298)</u>	<u>(157)</u>	<u>(248,455)</u>
Annual OPEB Cost	2,129,459	2,205	2,131,664
Contributions made	<u>(900,125)</u>	<u>-</u>	<u>(900,125)</u>
Increase in Net OPEB Obligation	1,229,334	2,205	1,231,539
Net OPEB Obligation - beginning of year	<u>4,044,504</u>	<u>2,557</u>	<u>4,047,061</u>
Net OPEB Obligation - end of year	<u>\$ 5,273,838</u>	<u>\$ 4,762</u>	<u>\$ 5,278,600</u>

**East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2017**

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

<u>Year ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2017	\$ 2,131,664	42.2%	\$ 5,278,600
6/30/2016	1,981,146	49.7%	4,047,061
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

Funding Status and Funding Process. The funded status of the benefits as of June 30, 2017, was as follows:

	<u>Healthcare Benefit Governmental Activity</u>	<u>Healthcare Benefit Business-Type Activity</u>
Actuarial accrued liability (a)	\$ 17,058,234	\$ 22,070
Actuarial value of plan assets (b)	-	-
Unfunded actuarial accrued liability (a) - (b)	<u>\$ 17,058,234</u>	<u>\$ 22,070</u>
Funded Ratio (b) / (a)	0.0%	0.0%
Covered payroll	\$ 52,166,143	\$ 336,938
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll.	32.7%	6.6%

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, 2017**

	Healthcare Benefit
Actuarial Valuation Date	7/1/2016
Actuarial Cost Method	Entry Age Normal Level dollar method over a 30 year period
Amortization Method	14.29 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	
2016 +	6.5% to 3.8%

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, 2017**

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 monies 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	648,180
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, 2017

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 Capital Reserve Fund's \$3,288,018 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. The General Fund has \$19,600 of contributions restricted at year end.

Committed Fund Balance

There are no commitments of fund balance this year.

Assigned Fund Balance

The General Fund has \$7,715,241, assigned for appropriations in the 2017-18 budget.

Note 9 – Net Investment in Capital Assets

The portion of net position for governmental activities, shown on the government-wide statement of net position invested in capital assets, net of related debt is \$78,487,377. The business-type activities column reflects \$318,977 invested in capital assets with no related debt. In addition, \$3,288,018 of net position in the governmental activities column has been restricted for future capital projects.

Note 10 - Contingencies

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and a condition specified in the grant agreements, and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund, or other applicable funds. However, in the opinion of management any such disallowed claims will not have a material adverse effect on the overall financial position of the School District as of June 30, 2017.

Litigation

In accordance with management, there are no legal matters that could materially affect the financial position of the District as of June 30, 2017.

East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2017

Note 11 – New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued the following standards, which have not yet been implemented:

- Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* – This statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. The scope of this statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures.
- Statement No. 81, *Irrevocable Split-Interest Agreements* – The purpose of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement, at present, will not apply to this government.
- Statement No. 83, *Certain Asset Retirement Obligations* – This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.
- Statement No. 84, *Fiduciary Activities* – This Statement is designed to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists.
- Statement No. 85, *Omnibus 2017* – The objective of this Statement is to address practice issues that have been identified during implementation and application of certain previous GASB Statements. This Statement addresses a variety of topics related to blending component units, goodwill, fair value measurement and application, and postemployment benefits.
- Statement No. 86, *Certain Debt Extinguishment Issues* – The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt – and placed in an irrevocable trust for the sole purpose of extinguishing debt.

East Penn School District
Notes To Basic Financial Statements
Fiscal Year Ended June 30, 2017

- Statement No. 87, *Leases* – The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement requires certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

REQUIRED SUPPLEMENTAL INFORMATION

**East Penn School District
Schedule of Funding Progress
Fiscal Year Ended June 30, 2017**

Healthcare benefit						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Unit Credit (b)	Unfunded AAL (UALL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
7/1/2016	\$ -	\$ 17,080,304	\$ 17,080,304	0.0%	\$ 52,503,081	32.53%
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%
Retention Incentive Benefit						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Unit Credit (b)	Unfunded AAL (UALL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
7/1/2016	\$ -	\$ 591,120	\$ 591,120	0.0%	\$ 3,805,949	15.53%
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%

**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, 2017**

	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>
District's proportion of the net pension liability (asset)	0.4435%	43.7410%	0.4236%
District's proportionate share of the net pension liability (asset)	\$ 219,785,000	\$ 189,332,000	\$ 167,664,000
District's covered employee payroll	58,676,043	57,594,539	56,225,255
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	26.70%	30.42%	33.53%
Plan fiduciary net position as a percentage of the total pension liability	50.14%	54.36%	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, 2017

	<u>2016-17</u>	<u>2015-16</u>	<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>
Contractually required contribution	\$ 17,133,405	\$ 14,398,635	\$ 11,526,177	\$ 8,486,543	\$ 5,827,021	\$ 3,954,697	\$ 2,551,200	\$ 1,969,355	\$ 1,945,655	\$ 2,859,281
Contributions in relation to the contractually required contribution	17,133,405	14,398,635	11,526,177	8,486,543	5,827,021	3,954,697	2,551,200	1,969,355	1,945,655	2,859,281
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 58,676,043	\$ 57,594,539	\$ 56,225,255	\$ 53,040,892	\$ 50,669,745	\$ 49,433,713	\$ 51,024,007	\$ 49,233,881	\$ 48,641,375	\$ 44,398,770
Contributions as a percentage of covered employee payroll	29.20%	25.00%	20.50%	16.00%	11.50%	8.00%	5.00%	4.00%	4.00%	6.44%

**East Penn School District
Notes To Required Supplementary Information
Fiscal Year Ended June 30, 2017**

Public School Employees' Retirement System

Changes of benefit terms

None

Changes in assumptions

- The Investment Rate of Return was adjusted from 7.50% to 7.25%
- The inflation assumption was decreased from 3.0% to 2.75%
- Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.5%, to an effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were modified from the RP-2000 Combined healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. For disabled annuitants the RP-2000 Combined Disabled Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale

Methods and assumptions used in calculations of actuarially determined contributions

The actuarially determined contributions, by PSERS, are calculated as of the June 30 preceding the fiscal year in which contributions are made. It does not include an adjustment made for the difference between projected vs actual contributions. The following methods and assumptions were used to determine contribution rates reported:

- Investment return – 7.25%, includes inflation at 2.75%.
- Salary increases – Effective average of 5.0%, which reflects an allowance for inflation of 2.75%, and 2.25% for real wage growth and merit or seniority increases.
- 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, 2017

	<u>MEMORIAL FUND</u>	<u>COMMENCEMENT AWARDS FUND</u>	<u>TOTAL</u>
ASSETS			
Cash	\$ 139,094	\$ 13,092	\$ 152,186
Investments	-	-	-
Interest Receivable	-	-	-
Due from Other Funds	-	-	-
TOTAL ASSETS	\$ 139,094	\$ 13,092	\$ 152,186
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charges on Refundings, net	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 139,094	\$ 13,092	\$ 152,186
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	\$ 139,094	\$ 13,092	\$ 152,186

Combining Statement of Changes in Fiduciary Net Position
Private Purpose Trust Funds
For the Year Ended June 30, 2017

	<u>MEMORIAL FUND</u>	<u>COMMENCEMENT AWARDS FUND</u>	<u>TOTAL</u>
ADDITIONS:			
Contributions	\$ 2,800	\$ 25,438	\$ 28,238
Transfers from Other Funds	-	-	-
INVESTMENT EARNINGS:			
Interest and dividends	709	3	712
TOTAL ADDITIONS	3,509	25,441	28,950
DEDUCTIONS:			
Administrative Charges	-	-	-
Transfers to Other Funds	-	-	-
Awards	4,555	25,454	30,009
TOTAL DEDUCTIONS	4,555	25,454	30,009
CHANGES IN NET POSITION	(1,046)	(13)	(1,059)
NET POSITION - BEGINNING OF THE YEAR	140,140	13,105	153,245
NET POSITION - END OF THE YEAR	\$ 139,094	\$ 13,092	\$ 152,186

**East Penn School District
Combining Balance Sheet
All Agency Funds
As of June 30, 2017**

	<u>ACTIVITY FUND</u>	<u>PAYROLL FUND</u>	<u>TOTAL</u>
ASSETS			
Cash	\$ 236,658	\$ 431,252	\$ 667,910
Investments	-	-	-
Other Receivables	6,176	-	6,176
Due from General Fund	-	-	-
TOTAL ASSETS	<u>\$ 242,834</u>	<u>\$ 431,252</u>	<u>\$ 674,086</u>
LIABILITIES			
Federal Income Tax	\$ -	\$ 154,370	\$ 154,370
PA State Income Tax Withholding	-	49,019	49,019
Due Student Organizations	226,539	-	226,539
Due to General Fund	2,467	850	3,317
Due to Food Service Fund	2,230	-	2,230
Annuities	-	-	-
Wage Taxes	-	195,968	195,968
Retirement-Buy Backs	-	18,277	18,277
Union Dues	-	-	-
OPT	-	12,768	12,768
Accounts Payable	11,598	-	11,598
Other	-	-	-
TOTAL LIABILITIES	<u>\$ 242,834</u>	<u>\$ 431,252</u>	<u>\$ 674,086</u>

East Penn School District
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2017

<u>ACTIVITY FUND</u>	<u>BALANCE</u> <u>7/1/16</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>6/30/17</u>
ASSETS				
Cash	\$ 280,790	\$ 1,331,734	\$ 1,375,866	\$ 236,658
Investments	-	-	-	-
Due from Other Funds	-	-	-	-
Other Receivable	8,579	6,176	8,579	6,176
TOTAL ASSETS	\$ 289,369	\$ 1,337,910	\$ 1,384,445	\$ 242,834
LIABILITIES				
Due to the General Fund	\$ -	\$ 2,467	\$ -	\$ 2,467
Due to Food Service Fund	-	2,230	-	2,230
Accounts Payable	6,836	11,598	6,836	11,598
Due to Student Organizations	282,533	1,321,615	1,377,609	226,539
TOTAL LIABILITIES	\$ 289,369	\$ 1,337,910	\$ 1,384,445	\$ 242,834
 <u>PAYROLL FUND</u>				
ASSETS				
Cash	\$ 418,141	431,252	418,141	\$ 431,252
Investments	-	-	-	-
Other Receivables	-	-	-	-
Due from General Fund	-	-	-	-
TOTAL ASSETS	\$ 418,141	\$ 431,252	\$ 418,141	\$ 431,252
LIABILITIES				
Due to General Fund	\$ -	\$ 850	\$ -	\$ 850
Payroll Deductions	418,141	430,402	418,141	430,402
TOTAL LIABILITIES	\$ 418,141	\$ 431,252	\$ 418,141	\$ 431,252
 <u>ALL AGENCY FUNDS</u>				
ASSETS				
Cash	\$ 698,931	\$ 1,762,986	\$ 1,794,007	\$ 667,910
Investments	-	-	-	-
Due from Other Funds	-	-	-	-
Accounts Receivable	8,579	6,176	8,579	6,176
TOTAL ASSETS	\$ 707,510	\$ 1,769,162	\$ 1,802,586	\$ 674,086
LIABILITIES				
Due to Student Organizations	\$ 282,533	\$ 1,321,615	\$ 1,377,609	\$ 226,539
Accounts Payable	6,836	11,598	6,836	11,598
Payroll Deductions	418,141	430,402	418,141	430,402
Due to Other funds	-	5,547	-	5,547
TOTAL LIABILITIES	\$ 707,510	\$ 1,769,162	\$ 1,802,586	\$ 674,086

**East Penn School District
General Fund
Schedule on Tax Collectors' Receipts
For the Year Ended June 30, 2017**

	<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	\$ 145,687,300	\$ 819,910,800	\$ 3,314,413,400	\$ 229,308,500	\$ 727,338,000	\$ 5,236,658,000
Millage Rate	<u>0.0176970</u>	<u>0.0176970</u>	<u>0.0176970</u>	<u>0.0176970</u>	<u>0.0176970</u>	<u>0.0176970</u>
TOTAL TAX PER DUPLICATE	2,578,228	14,509,961	58,655,248	4,058,073	12,871,904	92,673,414
Less: Farmland Preservation	-	-	6,861	-	9,058	15,919
Less: Act 1 Deduction	<u>74,371</u>	<u>311,937</u>	<u>1,071,527</u>	<u>83,301</u>	<u>273,783</u>	<u>1,814,919</u>
TOTAL TAX TO BE COLLECTED	<u>2,503,857</u>	<u>14,198,024</u>	<u>57,576,860</u>	<u>3,974,772</u>	<u>12,589,063</u>	<u>90,842,576</u>
PLUS - Additions	-	-	1,849	-	-	1,849
- Penalties	<u>6,180</u>	<u>24,767</u>	<u>77,173</u>	<u>4,851</u>	<u>31,351</u>	<u>144,322</u>
CURRENT REAL ESTATE TAXES TO BE COLLECTED	<u>2,510,037</u>	<u>14,222,791</u>	<u>57,655,882</u>	<u>3,979,623</u>	<u>12,620,414</u>	<u>90,988,747</u>
LESS - Discount	43,628	242,851	1,017,253	69,224	208,417	1,581,373
- Reductions	-	-	339	-	-	339
- Refunds	10,951	9,931	24,421	1,930	22,730	69,963
- TIF Payment	-	-	196,517	-	-	196,517
- Rebates	3,300	47,807	50,479	9,150	22,119	132,855
- Returned to County	60,093	260,460	580,795	114,550	227,111	1,243,009
- Exonerations	<u>-</u>	<u>35,561</u>	<u>99,832</u>	<u>-</u>	<u>-</u>	<u>135,393</u>
NET CURRENT REAL ESTATE TAXES COLLECTED	<u>\$ 2,392,065</u>	<u>\$ 13,626,181</u>	<u>\$ 55,686,246</u>	<u>\$ 3,784,769</u>	<u>\$ 12,140,037</u>	<u>\$ 87,629,298</u>
CURRENT INTERIM REAL ESTATE TAXES COLLECTED	<u>\$ 61,532</u>	<u>\$ 55,749</u>	<u>\$ 1,341,905</u>	<u>\$ 15,936</u>	<u>\$ 62,037</u>	<u>\$ 1,537,159</u>

East Penn School District
General Fund - Budget vs Actual
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2017

6000 - Revenue from Local Sources		Budget	Actual	Variance
6111	Current Real Estate Taxes	\$ 87,432,162	\$ 87,629,298	\$ 197,136
6112	Interim Real Estate Taxes	1,145,650	1,537,159	391,509
6113	Public Utility	106,500	105,830	(670)
6114	Payment in Lieu of Taxes	11,000	10,892	(108)
6151	Earned Income Tax	9,125,000	9,164,958	39,958
6153	Real Estate Transfer Tax	1,390,000	1,415,507	25,507
6411	Delinquent Real Estate Taxes	1,850,000	1,988,945	138,945
6451	Delinquent EIT Taxes	8,500	5,498	(3,002)
6510	Interest	100,072	212,319	112,247
6710	Admissions	61,200	63,310	2,110
6740	Fees	89,475	136,063	46,588
6790	Other Student Activity Income	6,700	4,635	(2,065)
6831	Federal Revenue Received From Other Pennsylvania Schools	10,420	32,266	21,846
6832	I/U Services - Federal	1,261,975	1,297,036	35,061
6910	Rentals	41,000	51,173	10,173
6920	Contributions	36,825	48,318	11,493
6942	Summer School	52,000	51,155	(845)
6943	Adult Education Tuition	22,000	32,341	10,341
6944	Receipts from Other LEA's - Education	6,000	10,673	4,673
6949	Other Tuition From Patrons	63,000	64,970	1,970
6991	Refunds of Prior Yr. Expenditures	150	6,059	5,909
6992	Energy Efficiency Revenue	30,000	51,840	21,840
6999	Miscellaneous	17,616	15,539	(2,077)
TOTAL REVENUE FROM LOCAL SOURCES		\$ 102,867,245	\$ 103,935,784	\$ 1,068,539
7000 - Revenue from State Sources				
7110	Basic Subsidy - ESBE	11,192,932	11,584,800	391,868
7160	Orphan Tuition	77,500	165,155	87,655
7271	Special Education	3,449,443	3,337,788	(111,655)
7311	Transportation (Regular and Additional)	1,875,000	1,893,908	18,908
7312	Transportation (Nonpublic and Charter School)	-	374,220	374,220
7320	Rentals	1,311,013	1,362,029	51,016
7330	Health Services	153,000	147,554	(5,446)
7340	State Property Tax Reduction Allocation	1,818,605	1,818,605	-
7360	Safe Schools	-	60,000	60,000
7505	Ready to Learn Grant	705,923	705,924	1
7810	FICA Revenue	2,185,728	2,147,508	(38,220)
7820	Retirement Revenue	9,060,545	8,712,250	(348,295)
TOTAL REVENUE FROM STATE SOURCES		\$ 31,829,689	\$ 32,309,741	\$ 480,052
8000 - Revenue from Federal Sources				
8514	Title I	675,697	639,711	(35,986)
8515	Title II	153,934	157,863	3,929
8516	Title III	38,863	38,863	-
8810	Medical Access	301,153	301,048	(105)
8820	Medical Assistance	22,000	13,633	(8,367)
8690	Other Restricted Federal Grants-In-Aid	-	28,194	28,194
TOTAL REVENUE FROM FEDERAL SOURCES		1,191,647	1,179,312	(12,335)

East Penn School District
General Fund - Budget vs Actual
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2017

<u>9000 - Other Financing Sources</u>		<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
9330	Capital Projects Fund Transfers In	-	-	-
9340	Debt Service Fund Transfers In	-	-	-
9400	Sale of or Compensation For Loss of Fixed Assets	3,000	795,844	792,844
9990	Insurance Recoveries	1,500	-	(1,500)
	TOTAL OTHER FINANCING SOURCES	4,500	795,844	791,344
	TOTAL REVENUE AND OTHER FINANCING SOURCES	\$ 135,893,081	\$ 138,220,681	\$ 2,327,600

1000 - Instruction

1110	Regular Programs - Elem./Secondary	56,958,717	56,899,280	59,437
1190	Federally Funded Regular Programs	817,061	754,794	62,267
1211	Life Skills Support - Public	-	-	-
1221	Deaf or Hearing Impaired Support	78,800	78,032	768
1224	Blind or Visually Impaired Support	-	-	-
1225	Speech & Language Impaired	1,453,284	1,451,881	1,403
1231	Emotional Support - Public	1,356,113	1,306,513	49,600
1233	Autistic Support	2,020,260	1,938,383	81,877
1241	Learning Support - Public	9,079,290	8,850,343	228,947
1243	Gifted Support	939,615	938,745	870
1270	Multi-Handicapped Support	331,380	330,859	521
1281	Development Delay Support	65,385	31,679	33,706
1290	Other Support	5,528,707	5,525,983	2,724
1360	Business Education	1,247,024	1,245,832	1,192
1390	Other Vocational Education Programs	2,329,207	2,323,983	5,224
1410	Drivers' Education	76,460	74,732	1,728
1420	Summer School	24,578	18,485	6,093
1430	Homebound Instruction	114,153	112,343	1,810
1442	Alternative Education Program	119,046	115,526	3,520
1450	Instructional Programs Outside the Established Sch	298	-	298
1500	Nonpublic School Programs	46,247	44,874	1,373
1691	Instructional Services	31,569	23,191	8,378
1700	Community College Programs	909,980	909,980	-
	Total Instruction	83,527,174	82,975,438	551,736

2000 - Support Services

2111	Supervision of Pupil Personnel Services - Head	184,028	183,259	769
2119	Supervision of Student Services	161,731	160,995	736
2120	Guidance Services	3,334,180	3,333,445	735
2140	Psychological Services	932,204	930,596	1,608
2160	Social Work Services	114,631	103,050	11,581
2220	Technology Support Services	584,105	572,389	11,716
2230	Educational Television Services	2,200	-	2,200
	Sub-Total Support Services	5,313,079	5,283,734	29,345

East Penn School District
General Fund - Budget vs Actual
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2017

<u>2000 - Support Services</u>		<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
	Sub-Total Support Services (carried forward)	5,313,079	5,283,734	29,345
2240	Computer Assisted Instruction Services	268,831	265,111	3,720
2250	School Library Services	1,392,804	1,387,523	5,281
2260	Instructional & Curriculum Dev. Service	1,345,750	1,344,768	982
2271	Instructional Staff Development	406,603	398,780	7,823
2290	Other Instructional Staff Services	78,610	72,913	5,697
2310	Board Services	71,783	68,319	3,464
2320	Board Treasurer Services	10,869	10,329	540
2330	Tax Assessment & Collection Service	113,167	94,886	18,281
2340	Staff Relations	390,821	387,069	3,752
2350	Legal Services	116,000	115,300	700
2360	Office of the Superintendent Services	654,460	642,945	11,515
2370	Community Relations Services	123,866	120,424	3,442
2380	Office of the Principal Services	4,371,794	4,363,149	8,645
2410	Supervision of Health Services	6,500	6,000	500
2420	Medical Services	6,000	5,129	871
2430	Dental Services	1,500	895	605
2440	Nursing Services	1,603,288	1,595,266	8,022
2450	Non-Public Health Services	42,414	36,911	5,503
2511	Supervision of Fiscal Services	213,942	212,640	1,302
2514	Payroll Services	178,229	174,211	4,018
2515	Financial Accounting Services	648,938	645,559	3,379
2611	Supervision of Operation and Maintenance of Plant Services - Head	158,090	156,021	2,069
2619	Supervision of Operation and Maintenance of Plant Services	268,094	267,094	1,000
2620	Operation of Building Services	11,219,993	11,214,493	5,500
2630	Care and Upkeep of Grounds Services	248,497	239,907	8,590
2640	Care and Upkeep of Equipment Services	33,700	29,975	3,725
2650	Vehicle Operation and Maint. Services	33,950	32,515	1,435
2660	Security Services	95,500	94,650	850
2720	Vehicle Operation Services	5,907,779	5,904,490	3,289
2750	Non-Public Transportation	1,368,235	1,363,376	4,859
2810	Planning, Research, Development and Evaluation Services	249,663	248,525	1,138
2818	System-Wide Technology Services	1,341,671	1,339,746	1,925
2834	Staff Development Services - Non-Instructional, Certified	58,750	58,720	30
2835	Health Services	1,500	1,301	199
2836	Staff Development Services - Non-Instructional, Non-Certified	13,872	7,612	6,260
2840	Data Processing Services	149,550	135,326	14,224
2850	State and Federal Agency Liaison Services	720	-	720
2910	Support services not listed elsewhere in the 2000	138,736	137,364	1,372
	Total Support Services	38,647,548	38,462,976	184,572
<u>3000 - Operation of Non-Instructional Services</u>				
3210	Student Activities	328,451	325,862	2,589
3250	School Sponsored Student Activities	1,453,575	1,414,755	38,820
3300	Community Services	57,147	56,713	434
3390	Other Community Services	5,550	5,148	402
3400	Scholarships and Awards	-	-	-
	Total Operation of Non-Instructional Services	1,844,723	1,802,478	42,245

**East Penn School District
General Fund - Budget vs Actual
Statement of Revenue, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2017**

<u>4000 - Facilities Acquisition, Construction, and Improvement Services</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
4200 Existing Site Improvement Services	-	-	-
4600 Existing Building Improvement Services	-	-	-
Total Facilities Acquisition, Construction, and Improvement Services	-	-	-
<u>5000 - Other Expenditures and Financing Uses</u>			
5110 Debt Service	12,717,871	12,706,863	11,008
5130 Refund of Prior Year Revenues/Receipts	3,000	2,795	205
5230 Capital Projects Funds Transfers Out	1,466,000	1,465,729	271
5251 Food Service Fund Transfers Out	-	-	-
5900 Budgetary Reserve	4,000,000	-	4,000,000
Total Other Expenditures and Financing Uses	18,186,871	14,175,387	4,011,484
TOTAL EXPENDITURES AND OTHE FINANCING USES	<u>\$ 142,206,316</u>	<u>\$ 137,416,279</u>	<u>\$ 4,790,037</u>
NET REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	\$ (6,313,235)	\$ 804,402	\$ 7,117,637
Special Items	-	-	-
Extraordinary Items	-	-	-
NET REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES AFTER SPECIAL ITEMS AND EXTRAORDINARY ITEMS	(6,313,235)	804,402	7,117,637
FUND BALANCE - JULY 1, 2016	<u>7,839,959</u>	<u>9,653,344</u>	<u>1,813,385</u>
FUND BALANCE - JUNE 30, 2017	<u>\$ 1,526,724</u>	<u>\$ 10,457,746</u>	<u>\$ 8,931,022</u>

East Penn School District
Capital Reserve Fund
Statement of Revenues and Expenditures
For the Year Ended June 30, 2017

FUND BALANCE - JULY 1, 2016 \$ 2,066,579

REVENUES AND OTHER FINANCING SOURCES

Interest	\$ 1,916	
Refund of Prior Year Expenditures	-	
Transfer from General Fund	1,465,729	1,467,645
TOTAL FUNDS AVAILABLE		3,534,224

EXPENDITURES

INSTRUCTIONAL SERVICES:

Equipment -

SUPPORT SERVICES:

Professional Services -

Repairs and Maintenance -

Equipment -

CAPITAL OUTLAY:

Professional Services -

Construction Services 23,500

Land & Improvements -

Supplies 42,660

Equipment	180,046	246,206
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FUND BALANCE - JUNE 30, 2017 **\$ 3,288,018**

East Penn School District
Food Service Fund
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2017

REVENUES

Sales	\$ 2,059,417	
Donated Commodities	189,398	
Special Events	26,880	
Over or (Short)	33	
State Subsidies	293,057	
Federal Subsidies	1,120,262	
Interest	505	
Rebates	681	
Gain (Loss) on Sale of Fixed Assets	(3,401)	
Miscellaneous	1,206	
TOTAL REVENUES		\$ 3,688,038

COST OF COMMODITIES

Beginning Inventory - 7/1	75,029	
Purchases	189,397	
Ending Inventory - 6/30	(46,912)	
TOTAL COST OF COMMODITIES SOLD		217,514
GROSS PROFIT		3,470,524

SALARY AND BENEFIT EXPENSES

Cafeteria Aides	945,755	
Clerical	34,163	
Overtime	273	
Custodial/Maintenance	71,450	
Technology Assistants	3,548	
Other	7,546	
Benefits	677,013	
		1,739,748

OPERATING EXPENSES

Supplies	17,825	
Food Service Management Costs	1,487,545	
Professional Services	-	
Repairs and Maintenance	70,171	
Communications	1,586	
Diesel Fuel	1,837	
Electricity	18,288	
Books & Periodicals	45,303	
Travel	76	
Depreciation	20,382	
Equipment	-	
Dues and Fees	-	
TOTAL EXPENSES		1,663,013
		3,402,761

CHANGES IN FUND NET POSITION

FUND NET POSITION - JULY 1, 2016 (1,946,355)

FUND NET POSITION - JUNE 30, 2017 **\$ (1,878,592)**

**East Penn School District
Consolidated Memorial Fund
Statement of Additions and Deductions
For the Year Ended June 30, 2017**

<u>SCHOLARSHIP</u>	<u>NET POSITION</u> <u>7/1/2016</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>6/30/2017</u>
Matthew Kush	\$ 14,559	\$ -	\$ 73	\$ 500	\$ -	\$ 14,132
Harvey Becker	-	-	-	-	-	-
Gregory Binder	136	-	1	-	-	137
Class of 1962	-	-	-	-	-	-
Richard Gall	-	-	-	-	-	-
Robert Jepson	26	-	1	-	-	27
Todd Schmoyer	(1,049)	2,000	(1)	1,000	-	(50)
Owen S. Krauss	53,929	-	271	-	-	54,200
Bruce Polster	-	-	-	-	-	-
Barbara Solt	113	-	-	113	-	-
Howard Yarus	44	-	-	-	-	44
Vincent Magnotta	27,738	-	139	1,000	-	26,877
Marion Jeffers	-	-	-	-	-	-
Andrew & Kerna Kocis	5,563	-	28	-	-	5,591
Michael G. Clarke	92	-	-	92	-	-
Gene Schantzenbach	2,420	-	12	500	-	1,932
Civil War Veterans	2,903	800	16	350	-	3,369
Mark Speary	2,005	-	10	-	-	2,015
Sergeant Ashly Lynn Moyer	31,661	-	159	1,000	-	30,820
<u>Total Scholarships</u>	<u>\$ 140,140</u>	<u>\$ 2,800</u>	<u>\$ 709</u>	<u>\$ 4,555</u>	<u>\$ -</u>	<u>\$ 139,094</u>

**East Penn School District
Agency Fund
Payroll Fund - Balance Sheet
For the Year Ended June 30, 2017**

ASSETS

Cash	\$	431,252	
Investments		-	
Other Receivables		-	
Due from General Fund		-	
TOTAL ASSETS		<u>431,252</u>	\$ 431,252

LIABILITIES

Sec. 125 Withholding	\$	154,370	
Other Payroll Deductions		49,019	
Annuity		-	
Dues		-	
Unemployment		12,768	
Local Wage Tax		195,968	
OPT		18,277	
Dental Insurance		-	
Due to General Fund		850	
Other		-	
TOTAL LIABILITIES		<u>431,252</u>	\$ 431,252

**Commencement Awards Fund
Statement of Additions and Deductions
For the Year Ended June 30, 2017**

Net Position - July 1, 2016 \$ 13,105

ADDITIONS

Transfers from Memorial Fund	\$	-	
Transfers from General Fund		-	
TOTAL TRANSFERS FROM OTHER FUNDS		<u>-</u>	

Interest		3	
Contributions		25,438	
TOTAL ADDITIONS		<u>25,441</u>	<u>25,441</u>

TOTAL FUNDS AVAILABLE 38,546

DEDUCTIONS

Transfer to Memorial Fund		-	
Scholarships - Awards		25,454	
		<u>25,454</u>	<u>25,454</u>

Net Position - June 30, 2017 **\$ 13,092**

East Penn School District
Schedule on General Obligation Notes - Series of 1998
Dated as of December 30, 1998
For the Year Ended June 30, 2017

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2017-18	\$ 26,224	\$ 730,000
2118-19	9,895	760,000
TOTAL OUTSTANDING	\$ 36,119	\$ 1,490,000

Schedule on General Obligation Notes - Series A of 2003
Dated as of November 3, 2003
For the Year Ended June 30, 2017

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2017-18	\$ 119,253	\$ 900,000
2018-19	101,883	900,000
2019-20	82,974	1,000,000
2020-21	63,452	1,000,000
2021-22	44,152	1,000,000
2022-23	23,091	1,100,000
2023-24	1,861	1,100,000
TOTAL OUTSTANDING	\$ 436,666	\$ 7,000,000

Schedule on General Obligation Notes - Series A of 2004
Dated as of October 1, 2004
For the Year Ended June 30, 2017

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2017-18	\$ 121,183	\$ 900,000
2018-19	103,813	900,000
2019-20	84,909	1,000,000
2020-21	65,382	1,000,000
2021-22	44,321	1,100,000
2022-23	23,091	1,100,000
2023-24	1,861	1,100,000
TOTAL OUTSTANDING	\$ 444,560	\$ 7,100,000

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, 2017

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2017-18	\$ 204,511	\$ 1,100,000
2018-19	183,281	1,100,000
2019-20	158,958	1,300,000
2020-21	110,549	2,600,000
2021-22	58,609	2,700,000
2022-23	4,738	2,800,000
TOTAL OUTSTANDING	\$ 720,646	\$ 11,600,000

Schedule on General Obligation Bonds - Series of 2012
Dated as of January 17, 2012
For the Year Ended June 30, 2017

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
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	\$ 860,265	\$ 9,095,000

Schedule on General Obligation Bonds - Series A of 2012
Dated as of August 17, 2012
For the Year Ended June 30, 2017

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
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	\$ 1,202,695	\$ 8,100,000

East Penn School District
Schedule on General Obligation Bonds - Series of 2013
Dated as of January 15, 2013
For the Year Ended June 30, 2017

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2017-18	\$ 20,300	\$ 1,190,000
2018-19	4,200	420,000
TOTAL OUTSTANDING	\$ 24,500	\$ 1,610,000

Schedule on General Obligation Bonds - Series of 2014
Dated as of March 25, 2014
For the Year Ended June 30, 2017

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
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	\$ 1,341,194	\$ 7,595,000

Schedule on General Obligation Bonds - Series A of 2014
Dated as of September 29, 2014
For the Year Ended June 30, 2017

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2017-18	\$ 66,500	\$ 2,660,000
TOTAL OUTSTANDING	\$ 66,500	\$ 2,660,000

East Penn School District
Schedule on General Obligation Bonds - Series A of 2015
Dated as of March 30, 2015
For the Year Ended June 30, 2017

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2017-18	\$ 19,100	\$ 1,910,000
TOTAL OUTSTANDING	\$ 19,100	\$ 1,910,000

Schedule on General Obligation Bonds - Series B of 2015
Dated as of March 30, 2015
For the Year Ended June 30, 2017

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
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	\$ 319,700	\$ 4,040,000

Schedule on General Obligation Notes - Series of 2016
Dated as of April 15, 2016
For the Year Ended June 30, 2017

<u>FISCAL YEAR</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
2017-18	\$ 90,649	\$ 5,000
2018-19	73,010	2,533,000
2019-20	37,627	2,558,000
2020-21	9,925	1,428,000
TOTAL OUTSTANDING	\$ 211,211	\$ 6,524,000

EAST PENN SCHOOL DISTRICT
Lehigh County, Pennsylvania

EAST PENN SCHOOL DISTRICT
ENROLLMENT TRENDS

Actual Enrollments					Projected Enrollments				
School Year	Grade K-5	Grade 6-8	Grade 9-12	Total	School Year	Grade K-5	Grade 6-8	Grade 9-12	Total
2013-14	3,564	1,919	2,575	8,058	2018-19	3,174	1,953	2,751	7,878
2014-15	3,443	1,983	2,645	8,071	2019-20	3,135	1,902	2,767	7,804
2015-16	3,402	1,997	2,672	8,071	2020-21	3,125	1,866	2,785	7,776
2016-17	3,351	2,057	2,646	8,054	2021-22	3,099	1,804	2,715	7,618
2017-18	3,398	1,991	2,737	8,126	2022-23	3,099	1,764	2,658	7,521

Source: School District Actual October 1 Enrollment Reports and 2014 PEL Demographics Report.

EAST PENN SCHOOL DISTRICT
REAL PROPERTY TAX COLLECTION DATA

School Year	Total Flat Billing	Mills	Total Adjusted Flat Billing(1)	Current Year Collections	Current Year Collections as Percentage of Total Adjusted Flat Billing	Total Current Plus Delinquent Collections(2)	Total Collections as Percentage of Total Adjusted Flat Billing
2012-13	\$79,613,310	46.7500	\$78,382,635	\$76,672,301	97.82%	\$78,410,153	100.04%
2013-14	\$80,164,067	16.1259	\$78,909,820	\$77,208,452	97.84%	\$78,723,674	99.76%
2014-15	\$83,972,426	16.6649	\$82,617,004	\$80,942,674	97.97%	\$83,299,754	100.83%
2015-16	\$87,729,568	17.2150	\$85,955,918	\$84,065,695	97.80%	\$85,636,564	99.63%
2016-17	\$90,842,576	17.6970	\$89,270,132	\$87,629,298	98.16%	\$89,618,243	100.39%

(1) Flat billing plus penalties, less discounts and exonerations.

(2) Includes delinquent real estate collection.

Note: Beginning in 2008-09 the amount of the Adjusted Levy is reduced by the amount of the Homestead/Farmstead Exemptions. The Adjusted levy shown excludes the amount payable from the Property Tax and Rent Rebate Program funded pursuant to Act 1 of the Commonwealth.

Source: School District Officials

EAST PENN SCHOOL DISTRICT
TEN LARGEST REAL PROPERTY TAXPAYERS

Owner	Type of Property	2017-18 Assessed Value
Liberty Property LP	Warehouse	\$155,002,200
Headlands Realty Corp.	Warehouse & Land	51,265,400
TGG / TCH - Hamilton Crossings Assoc LP	Retail	46,417,300
JDN Development Company Inc.	Retail	27,982,400
Allen Distribution	Warehouse & Land	24,000,000
Cedar - Trexler LLC	Retail	23,014,600
Fieldstone Assoc. Ltd. Partnership	Retail	22,584,200
Mack Trucks Inc.	Truck Manufacturing	19,489,700
Rodale Press Inc.	Printing	19,138,000
HP Altman Colonial Crest Emmaus LP	Apartments	19,123,100
Total		\$408,016,900

Source: Lehigh County Tax Assessors Office

EAST PENN SCHOOL DISTRICT
Lehigh County, Pennsylvania

EAST PENN SCHOOL DISTRICT
TAX RATES

<u>School Year</u>	<u>Real Estate (mills)</u>	<u>Real Estate Transfer (%)</u>	<u>Wage and Income (%)</u>
2013-14	16.1259	0.50%	0.50%
2014-15	16.6649	0.50%	0.50%
2015-16	17.2150	0.50%	0.50%
2016-17	17.6970	0.50%	0.50%
2017-18	18.0850	0.50%	0.50%

Source: Department of Community and Economic Development - Municipal Statistics

EAST PENN SCHOOL DISTRICT
REAL PROPERTY ASSESSMENT DATA

<u>School Year</u>	<u>Market Value</u>	<u>Assessed Value</u>	<u>Ratio</u>
2013-14	\$4,680,663,952	\$5,082,547,800	108.59%
2014-15	\$4,726,417,161	\$5,141,299,900	108.78%
2015-16	\$4,733,941,529	\$5,159,048,700	108.98%
2016-17	\$4,885,960,033	\$5,208,765,600	106.61%
2017-18(1)	\$5,039,057,781	\$5,372,139,500	106.61%
Compound Average Annual % Change =	1.49%	1.11%	

(1) Market Value Estimate based on prior year ratio.

Source: <http://www.newpa.com/local-government/steb> (Tax duplicate information from Lehigh County Tax Assessors Office)

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, 2017

FEDERAL GRANTOR PROJECT TITLE	SOURCE CODE	CFDA NUMBER	GRANTOR PASS-THROUGH NUMBER	GRANT PERIOD	AWARD AMOUNT	TOTAL RECEIVED	ACCRUED OR (DEFERRED) AT 7/01/16	REVENUE	EXPENDI- TURES	ACCRUED OR (DEFERRED) AT 6/30/17	DISCLOSURE FOOTNOTES
U.S. DEPARTMENT OF HOMELAND SECURITY											
FEDERAL EMERGENCY MANAGEMENT AGENCY (FEMA)											
PASSED THROUGH THE PA EMERGENCY MANAGEMENT AGENCY (PEMA)											
PUBLIC ASSISTANCE GRANTS	I	97.036	OMM-026	7/1/16-6/30/17	\$ 28,194	\$ 28,194	\$ -	\$ 28,194	\$ 28,194	\$ -	4 3
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY						28,194	-	28,194	28,194	-	
U.S. DEPT. OF EDUCATION											
PASSED THROUGH THE PA DEPT. OF EDUCATION											
TITLE IA - IMPROVING BASIC PROGRAMS	I	84.010	013-16-0127 A	07/01/15-09/30/16	\$ 686,451	48,607	48,607	-	-	-	4
TITLE IA - IMPROVING BASIC PROGRAMS	I	84.010	013-17-0127 A	07/01/16-09/30/17	\$ 671,145	577,652	-	639,711	639,711	62,059	
TOTAL TITLE IA PROGRAM						626,259	48,607	639,711	639,711	62,059	
PASSED THROUGH THE PDE											
TITLE IIA - IMPROVING TEACHER QUALITY	I	84.367	020-16-0127 A	07/01/15-09/30/16	\$ 157,381	33,575	24,884	8,691	8,691	-	4
TITLE IIA - IMPROVING TEACHER QUALITY	I	84.367	020-17-0127 A	07/01/16-09/30/17	\$ 152,921	131,606	-	149,172	149,172	17,566	
TOTAL TITLE IIA PROGRAM						165,181	24,884	157,863	157,863	17,566	
PASSED THROUGH THE PDE											
TITLE III LEP/IMMIGRANT	I	84.365	010-16-0127 A	07/01/15-09/30/16	\$ 39,704	-	-	-	-	-	4
TITLE III LEP/IMMIGRANT	I	84.365	010-17-0127 A	07/01/16-09/30/17	\$ 38,863	38,863	-	38,863	38,863	-	
TOTAL TITLE III PROGRAM						38,863	-	38,863	38,863	-	
PASSED THROUGH CARBON-LEHIGH I.U.											
IDEA	I	84.027	N/A	07/01/15-06/30/16	\$ 1,220,723	323,161	323,161	-	-	-	4 1
IDEA	I	84.027	N/A	07/01/16-09/30/17	\$ 1,285,203	933,464	-	1,285,203	1,285,203	351,739	1
IDEA - Section 619	I	84.173	N/A	07/01/15-06/30/16	\$ 10,420	-	-	-	-	-	1
IDEA - Section 619	I	84.173	N/A	07/01/16-09/30/17	\$ 5,989	5,989	-	5,989	5,989	-	1
PASSED THROUGH THE INTERMEDIATE UNIT #1											
IDEA - PROJECT AACHIEVE	I	84.027	062-17-0-032	07/01/16-08/15/17	\$ 10,000	-	-	4,569	4,569	4,569	4
IDEA - SCHOOL BASED BEHAVIORAL HEALTH	I	84.027	062-17-0-032	08/01/16-06/30/17	\$ 1,500	-	-	1,276	1,276	1,276	2
TOTAL IDEA CLUSTER						1,262,614	323,161	1,297,037	1,297,037	357,584	
TOTAL U.S. DEPARTMENT OF EDUCATION						2,092,917	396,652	2,133,474	2,133,474	437,209	
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES											
PASSED THROUGH THE PA DEPARTMENT OF PUBLIC WELFARE											
TITLE 19 - MEDICAL REIMBURSEMENT	I	93.778	N/A	7/1/16-09/30/17	N/A	21,648	11,879	13,633	13,633	3,864	4
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						21,648	11,879	13,633	13,633	3,864	
U.S. DEPARTMENT OF AGRICULTURE											
PASSED THROUGH THE PA DEPARTMENT OF EDUCATION											
NATIONAL SCHOOL LUNCH	I	10.555	N/A	07/01/15-06/30/16	N/A	141,432	141,432	-	-	-	4
NATIONAL SCHOOL LUNCH	I	10.555	N/A	07/01/16-06/30/17	N/A	942,152	-	973,572	973,572	31,420	
BREAKFAST PROGRAM	I	10.553	N/A	07/01/15-06/30/16	N/A	20,969	20,969	-	-	-	
BREAKFAST PROGRAM	I	10.553	N/A	07/01/16-06/30/17	N/A	141,087	-	146,690	146,690	5,602	
SEVERE NEED BREAKFAST	I	10.553	N/A	07/01/15-06/30/16	N/A	-	-	-	-	-	
SEVERE NEED BREAKFAST	I	10.553	N/A	07/01/16-06/30/17	N/A	-	-	-	-	-	
PASSED THROUGH THE PA DEPARTMENT OF AGRICULTURE											
NATIONAL SCHOOL LUNCH - USDA COMMODITIES	I	10.555	N/A	07/01/16-06/30/17	N/A	189,398	(75,030)	217,514	217,514	(46,914)	4 6,7
TOTAL CHILD NUTRITION CLUSTER						1,435,038	87,371	1,337,776	1,337,776	(9,892)	
TOTAL U.S. DEPARTMENT OF AGRICULTURE						1,435,038	87,371	1,337,776	1,337,776	(9,892)	
TOTAL FEDERAL FINANCIAL AWARDS						\$ 3,577,797	\$ 495,902	\$ 3,513,077	\$ 3,513,077	\$ 431,181	

SOURCE: D - DIRECT; I - INDIRECT

East Penn School District
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

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 1.6% of its total general fund revenue in federal awards, and 36.3% of its total enterprise fund revenue.

Note 3 – Indirect Costs

The District did not charge any indirect costs to any of their federal grants and programs during this fiscal year. As such, the District did not use the 10% de minimis cost rate.

Note 4 - 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 award, passed through Intermediate Unit #1, 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 statement as local source revenue.
3. The federal awards passed through the PA Emergency Management Agency, under the U.S. Department of Homeland Security heading, is awards received as pass through from the Federal Emergency Management Agency. During the fiscal year 2016-17, the District received \$28,194 of monetary assistance for the Jonas Snow Storm dating back to January 23, 2016. The Schedule of Expenditures of Federal Awards reflects \$28,194 of revenue and \$28,194 of expenditures, however the actual expenditures incurred and paid were in the 2015-16 fiscal year.
4. 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 Emergency Management Agency	\$ 28,194	\$ 28,194
PA Department of Education	1,746,465	1,956,699
Carbon-Lehigh I.U.	2,522,335	1,291,192
Intermediate Unit #1	11,500	5,845
PA Department of Public Welfare	N/A	13,633
PA Department of Agriculture	N/A	217,514
Totals	\$ 4,308,494	\$ 3,513,077

5. The Transportation Access passed through the Carbon Lehigh I.U. is reflected as federal local 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.

East Penn School District
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

6. The District received non-monetary assistance from the U.S. Department of Agriculture of \$189,398 in the form of commodities. These commodities are valued at U.S.D.A.'s approximate costs. During the 2016-17 fiscal year, the District used \$217,514 in commodities and established a year-end inventory of \$46,914 at June 30, 2017.
7. 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.
8. 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.

FINANCIAL STATEMENT RECONCILIATION	
General Fund Federal Source Revenues	\$ 1,179,312
Federal Grants in Local Sources	1,329,302
Food Service Fund Federal Revenue	1,309,660
Total Federal Revenue, per financial statements	3,818,274
Less - Medical Access Grant	(301,048)
Less - Transportation Access Grant	(32,266)
Change in Donated Commodities	28,117
Federal Revenue on SEFA	\$ 3,513,077



**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, 2017, 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 29, 2017.

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 29, 2017



GORMAN & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

**INDEPENDENT AUDITOR'S REPORT
UNDER UNIFORM GUIDANCE**

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 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, 2017*. 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 the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2017.

Report on Internal Control over Compliance

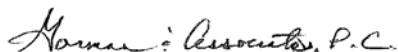
Management of East Penn School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered East Penn School District's internal control 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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



November 29, 2017

**East Penn School District
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2017**

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 200.516 of the Uniform Guidance? yes no

Identification of major program:

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

Percentage of programs tested to total awards 38.1%

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

Auditee qualified as low-risk auditee? yes no

**East Penn School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017**

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 Uniform Guidance, Section 200.516.

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.