

PENN-DELCO SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2014



Certified Public Accountants and Business Consultants

INTRODUCTORY SECTION

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FINANCIAL SECTION

Independent Auditors' Report

To the Board of School Directors
Penn-Delco School District
Aston, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Penn-Delco School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Penn-Delco School 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 fraud or error.

Auditors' 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 auditors' 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 and the aggregate remaining fund information of the Penn-Delco School District as of June 30, 2014, 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.

To the Board of School Directors
Penn-Delco School District
Aston, Pennsylvania

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 5 through 11, budgetary comparison information on pages 44 and 45 and postemployment benefits other than pension funding progress on page 46 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.

Other Information

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

The schedule of expenditures of federal and certain state awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and certain state awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2014, on our consideration of the Penn-Delco 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 the Penn-Delco School District's internal control over financial reporting and compliance.

Maillie LLP

Oaks, Pennsylvania
November 3, 2014

PENN-DELCO SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2014

The discussion and analysis of Penn-Delco School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the notes to the financial statements and financial statements.

Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement Number 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments*, presented in the MD&A.

SCHOOL DISTRICT HIGHLIGHTS

The Penn-Delco School District consists of six schools--four elementary, one middle and a secondary school--consisting of approximately 3,400 students. The Penn-Delco School District is located in Southeastern Pennsylvania approximately 15 miles southwest of Philadelphia. The School District encompasses Brookhaven and Parkside Boroughs and Aston Township. The School District employs approximately 470 full-time and 45 part-time employees.

FINANCIAL HIGHLIGHTS

The trends of the prior year indicated that during fiscal year 2013 - 2014 the Penn-Delco School District would experience another year of increasing costs for salaries and benefits for our employees, with the most significant being attributed to the District's healthcare contribution and increased obligation to the retirement system. In the budgeting process, the Board of School Directors was able to balance the budget with a 2.9% tax increase to the taxpayers of the Penn-Delco School District.

OVERVIEW OF THE FINANCIAL STATEMENTS

The accompanying financial statements have been prepared in accordance with GASB Statement Number 34 and present both government-wide and fund level financial statements using both the accrual and modified accrual basis of accounting, respectively.

Government-Wide Financial Statements

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 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 and liabilities. 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 it has changed. Net Position, the difference between the District's assets and liabilities, is one way to measure the District's financial health or position.

PENN-DELCO SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2014

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 non-financial factors, such as changes in the District's property tax base and the performance of the students.

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, state and federal subsidies and grants finance most of these activities.
- **Business-Type Activities:** The District runs a food service operation and charges fees to staff and students to cover the costs of the food service operations.

Fund Level Financial Statements

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 the District's general services were financed in the short-term as well as what remains for future spending. Proprietary Fund statements offer short-term 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.

The School District has three kinds of funds:

- **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. Governmental Funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The Governmental Funds 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 Fund** - This fund is used to account for 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 the Proprietary Fund. 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.

PENN-DELCO SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2014

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

FINANCIAL ANALYSIS OF THE DISTRICT - GOVERNMENT-WIDE STATEMENTS

Revenues of the School District come from two major program sources. These sources include charges for services (\$1.16 million) and operating and capital grants and contributions from local, state and federal sources (\$7.6 million). In addition to program sources, the general revenues of the School District include local taxes (\$37.5 million), state grants and subsidies for general operations (\$5.9 million) and miscellaneous local income and investments earnings (\$341 thousand).

The following table presents condensed financial information for the net position of the District as of June 30, 2014.

Schedules of Net Position (In Millions of Dollars)						
Years Ended June 30, 2013 and 2014						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>
ASSETS						
Current assets	\$ 52.90	\$ 51.43	\$ 0.01	\$ 0.06	\$ 52.91	\$ 51.49
Capital assets, net	62.83	84.27	0.04	0.03	62.87	84.30
TOTAL ASSETS	<u>115.73</u>	<u>135.70</u>	<u>0.05</u>	<u>0.09</u>	<u>115.78</u>	<u>135.79</u>
LIABILITIES						
Long-term liabilities	62.78	86.45	-	-	62.78	86.45
Other liabilities	9.91	7.22	0.06	0.18	9.97	7.40
TOTAL LIABILITIES	<u>72.69</u>	<u>93.67</u>	<u>0.06</u>	<u>0.18</u>	<u>72.75</u>	<u>93.85</u>
NET POSITION						
Net investment in capital assets	20.82	25.00	0.04	0.03	20.86	25.03
Unrestricted	22.22	17.03	(0.05)	(0.12)	22.17	16.91
TOTAL NET POSITION	<u>\$ 43.04</u>	<u>\$ 42.03</u>	<u>\$ (0.01)</u>	<u>\$ (0.09)</u>	<u>\$ 43.03</u>	<u>\$ 41.94</u>

PENN-DELCO SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2014

The following table presents condensed financial information for the Statement of Activities in a different format so that you can see our total revenues for the year.

Changes in Net Position (In Millions of Dollars)						
Years Ended June 30, 2013 and 2014						
	Governmental Activities		Business-Type Activities		Totals	
	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>
REVENUES						
Program revenues	\$ 7.77	\$ 7.50	\$ 1.36	\$ 1.27	\$ 9.13	\$ 8.77
General revenues	<u>43.17</u>	<u>43.95</u>	<u>-</u>	<u>-</u>	<u>43.17</u>	<u>43.95</u>
TOTAL REVENUES	50.94	51.45	1.36	1.27	52.30	52.72
EXPENSES	<u>46.84</u>	<u>52.45</u>	<u>1.39</u>	<u>1.35</u>	<u>48.23</u>	<u>53.80</u>
CHANGE IN NET POSITION	\$ <u>4.10</u>	\$ <u>(1.00)</u>	\$ <u>(0.03)</u>	\$ <u>(0.08)</u>	\$ <u>4.07</u>	\$ <u>(1.08)</u>

Governmental Activities

Governmental activities consist of the General Fund, the Capital Reserve Fund and the Capital Projects Fund. Revenues for the governmental activities include property taxes, grants and entitlements, investment earnings, personal income tax, rental income, charges for services and other miscellaneous items. Expenditures are classified as instruction, support services, operation of non-instructional services and debt service. Total revenues for governmental activities were \$51.45 million, and total expenditures were \$52.45 million.

Business-Type Activities

Business-type activities include the food service program. This program has revenues of \$1.27 million and expenses of approximately \$1.35 million. The program is designed to operate at or near break-even point so that the cost for the services offered will benefit the School District residents.

The Food Service program provided over 200,000 lunches last year. Food Service receives both federal and state subsidies for milk, lunch and breakfast programs and also receives some government commodities on a routine basis.

PENN-DELCO SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2014

THE DISTRICT FUNDS

General Fund

At June 30, 2014, the District reported a fund balance of \$42.8 million of which \$15.7 million is in the General Fund, \$4.3 million is in the Capital Reserve Fund and \$22.8 million is in the Capital Projects Fund. The District has several capital improvement projects in process, including the construction of a new Coebourn Elementary and major renovations and an addition to Northley Middle School. The Capital Projects Fund reflects the proceeds from the 2013 Bond Issue that will be used primarily for the Northley Middle School project.

Revenue - Revenues totaled \$51,390,086 for the 2013-2014 year. The following table reflects sources of revenue.

	<u>Amount Received</u>
Local revenues	\$ 38,183,371
State sources	12,208,627
Federal sources	<u>998,088</u>
	<u>\$ 51,390,086</u>

The District balanced its budget with funds from three sources: the Taxpayers of Aston, Brookhaven and Parkside, the State of Pennsylvania and the Federal Government. For the Taxpayers of Aston, Brookhaven and Parkside, the millage rate increased from 24.549 mills to 25.276 mills in 2013-2014. State gaming revenue was available again this year in the amount of 1.4 million dollars which equals the homestead tax credit applied to eligible properties.

General Fund Budget - During the fiscal year, the Board of School Directors authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. Those adjustments are again confirmed at the time the annual audit is accepted. This is done after the end of the fiscal year in accordance with state law. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided on page 44 of this report.

The District applies for federal, state and local grants and these grants cannot always be anticipated in the budgeting process. Budgeted revenues are adjusted to reflect actual revenues received for all approved grants.

Budgeted expenditures are also adjusted to reflect the actual expenditures made for all approved grants. Transfers between specific categories of expenditures/financing uses occur during the year.

The Budgetary Reserve includes amounts that will be funded for operating contingencies such as unpredictable change in the cost of goods and services and the occurrence of events which are vaguely perceptible during the time of the budget process, but which nonetheless may require expenditures by the District during the year of operation.

PENN-DELCO SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2014

CAPITAL ASSETS

At June 30, 2014, the District had \$84,301,615 invested in a broad range of capital assets, including land, buildings and furniture and equipment. This amount represents a net increase (including additions, deletions and depreciation) of \$21,435,203 or 34% from last year. The increase in capital assets is due to the two major construction projects, building a new Coebourn Elementary School and major renovations to Northley Middle School.

The following schedule shows the investment in capital assets and the corresponding amount of accumulated depreciation.

Schedules of Capital Assets and Accumulated Depreciation
As of June 30, 2013 and 2014

	Governmental Activities		Business-Type Activities		Totals	
	2013	2014	2013	2014	2013	2014
CAPITAL ASSETS						
Land and site improvements	\$ 948,970	\$ 948,970	\$ -	\$ -	\$ 948,970	\$ 948,970
Buildings and building improvements	82,230,679	82,230,679	-	-	82,230,679	82,230,679
Furniture and equipment	11,145,350	11,113,524	638,944	638,944	11,784,294	11,752,468
Construction in progress	4,733,559	28,107,432	-	-	4,733,559	28,107,432
TOTAL CAPITAL ASSETS	99,058,558	122,400,605	638,944	638,944	99,697,502	123,039,549
Accumulated depreciation	(36,230,741)	(38,131,336)	(600,349)	(606,598)	(36,831,090)	(38,737,934)
CAPITAL ASSETS, net	\$ 62,827,817	\$ 84,269,269	\$ 38,595	\$ 32,346	\$ 62,866,412	\$ 84,301,615

DEBT ADMINISTRATION

Debt Service Schedule
June 30, 2014

	Principal Outstanding July 1, 2013	Additions (Payments)	Principal Outstanding June 30, 2014
GENERAL OBLIGATION BONDS			
Series A of 2002	\$ 115,000	\$ (5,000)	\$ 110,000
Series A of 2004	30,000	(5,000)	25,000
Series A of 2009	2,915,000	(635,000)	2,280,000
Series B of 2009	7,375,000	(2,410,000)	4,965,000
Series of 2010	15,140,000	(5,000)	15,135,000
Series of 2011	7,890,000	(5,000)	7,885,000
Series of 2012	5,160,000	(325,000)	4,835,000
Series of 2013	24,450,000	-	24,450,000
Series of 2013A	-	23,160,000	23,160,000
	\$ 63,075,000	\$ 19,770,000	\$ 82,845,000

PENN-DELCO SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2014

Other obligations include accrued vacation pay and severance for specific employees of the District. More detailed information about our long-term liabilities is included in the Notes to the Basic Financial Statements.

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE

The government of the Commonwealth of Pennsylvania has changed the way that school taxes are levied on taxpayers through legislation titled Act 1 that was passed on June 27, 2006. However, real estate taxes will continue to be the main source of revenue for the School District, and it is anticipated that gaming revenue will continue to be an offset to property taxes.

The financial markets and the U.S. economy continue to impact the revenue side of the financials. Historically low prevailing short-term interest rates, declining home sales and property values continued to have an adverse impact on the School District during the 2013-2014 fiscal year.

The Penn-Delco School Board, administration and staff are strongly committed to continue providing a high quality education and sound financial management.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors, creditors and any other stakeholder with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office.

PENN-DELCO SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 46,403,152	\$ 19,474	\$ 46,422,626
Taxes receivable, net	1,221,550	-	1,221,550
Due from other governments	1,255,303	27,685	1,282,988
Other receivables, net	2,439,814	-	2,439,814
Inventories	48,396	11,932	60,328
Prepaid expenses	58,715	-	58,715
Capital assets			
Land and site improvements	948,970	-	948,970
Buildings and building improvements	82,230,679	-	82,230,679
Furniture and equipment	11,113,524	638,944	11,752,468
Construction in progress	28,107,432	-	28,107,432
Accumulated depreciation	(38,131,336)	(606,598)	(38,737,934)
TOTAL ASSETS	\$ 135,696,199	\$ 91,437	\$ 135,787,636
LIABILITIES AND NET POSITION			
LIABILITIES			
Accounts payable	\$ 4,337,880	\$ 68,688	\$ 4,406,568
Accrued salaries and benefits	2,503,747	-	2,503,747
Accrued interest	490,034	-	490,034
Internal balances	(111,167)	111,167	-
Unearned revenue	3,075	-	3,075
Long-term liabilities			
Portion due or payable within one year			
Bonds payable	3,540,000	-	3,540,000
Bond premium, net of discount	146,847	-	146,847
Compensated absences	91,486	-	91,486
Portion due or payable after one year			
Bonds payable	79,305,000	-	79,305,000
Bond premium, net of discount	2,043,218	-	2,043,218
Compensated absences	823,370	-	823,370
Net OPEB obligation	498,033	-	498,033
TOTAL LIABILITIES	93,671,523	179,855	93,851,378
NET POSITION			
Net investment in capital assets	24,997,634	32,346	25,029,980
Unrestricted	17,027,042	(120,764)	16,906,278
TOTAL NET POSITION	42,024,676	(88,418)	41,936,258
TOTAL LIABILITIES AND NET POSITION	\$ 135,696,199	\$ 91,437	\$ 135,787,636

See accompanying notes to the basic financial statements.

PENN-DELCO SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
Instruction				
Regular programs	\$ 20,789,885	\$ 11,667	\$ 1,482,063	\$ -
Special programs	7,665,655	-	3,419,164	-
Vocational education	387,840	18,840	-	-
Other instructional programs	188,764	14,686	8,149	-
Support services				
Pupil personnel services	1,801,576	-	129,575	-
Instructional staff services	1,722,487	-	132,299	-
Administration services	3,857,358	-	279,539	-
Pupil health services	681,308	-	134,782	-
Business services	826,250	-	58,260	-
Operation and maintenance of plant services	6,278,695	59,977	924,455	-
Student transportation services	2,649,516	-	691,110	-
Central services	1,150,475	-	56,272	-
Other services	64,522	-	-	-
Operation of non-instructional services				
Student activities	803,906	26,198	46,744	-
Community services	112,691	-	1,529	-
Interest on long-term debt	3,471,913	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	52,452,841	131,368	7,363,941	-
BUSINESS-TYPE ACTIVITIES				
Food service	1,355,148	1,031,251	250,248	-
TOTAL SCHOOL DISTRICT ACTIVITIES	\$ 53,807,989	\$ 1,162,619	\$ 7,614,189	\$ -

GENERAL REVENUES

Taxes

Property taxes, levied for general purposes

Public utility taxes

Earned income taxes

Grants and contributions not restricted to specific
programs

Investment earnings

Miscellaneous

TOTAL GENERAL REVENUES

CHANGE IN NET POSITION

NET POSITION AT BEGINNING OF YEAR

NET POSITION AT END OF YEAR

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-Type Activities	Totals
\$ (19,296,155)	\$ -	\$ (19,296,155)
(4,246,491)	-	(4,246,491)
(369,000)	-	(369,000)
(165,929)	-	(165,929)
(1,672,001)	-	(1,672,001)
(1,590,188)	-	(1,590,188)
(3,577,819)	-	(3,577,819)
(546,526)	-	(546,526)
(767,990)	-	(767,990)
(5,294,263)	-	(5,294,263)
(1,958,406)	-	(1,958,406)
(1,094,203)	-	(1,094,203)
(64,522)	-	(64,522)
(730,964)	-	(730,964)
(111,162)	-	(111,162)
<u>(3,471,913)</u>	<u>-</u>	<u>(3,471,913)</u>
(44,957,532)	-	(44,957,532)
<u>-</u>	<u>(73,649)</u>	<u>(73,649)</u>
<u>(44,957,532)</u>	<u>(73,649)</u>	<u>(45,031,181)</u>
34,872,161	-	34,872,161
43,115	-	43,115
2,786,403	-	2,786,403
5,907,643	-	5,907,643
135,157	1,140	136,297
205,894	-	205,894
<u>43,950,373</u>	<u>1,140</u>	<u>43,951,513</u>
(1,007,159)	(72,509)	(1,079,668)
<u>43,031,835</u>	<u>(15,909)</u>	<u>43,015,926</u>
<u>\$ 42,024,676</u>	<u>\$ (88,418)</u>	<u>\$ 41,936,258</u>

PENN-DELCO SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 16,311,751	\$ 4,327,971	\$ 25,763,430	\$ 46,403,152
Taxes receivable, net	1,221,550	-	-	1,221,550
Due from other funds	97,266	16,400	31,320	144,986
Due from other governments	1,255,303	-	-	1,255,303
Other receivables	2,379,669	136	62,165	2,441,970
Inventories	48,396	-	-	48,396
Prepaid expenses	58,715	-	-	58,715
TOTAL ASSETS	\$ 21,372,650	\$ 4,344,507	\$ 25,856,915	\$ 51,574,072
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 1,214,096	\$ 53,971	\$ 3,069,813	\$ 4,337,880
Due to other funds	35,975	-	-	35,975
Unearned revenue	3,075	-	-	3,075
Accrued salaries and benefits	2,503,747	-	-	2,503,747
Compensated absences	914,856	-	-	914,856
TOTAL LIABILITIES	4,671,749	53,971	3,069,813	7,795,533
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues, property taxes	948,272	-	-	948,272
FUND BALANCES				
Nonspendable				
Inventories	48,396	-	-	48,396
Prepaid expenses	58,715	-	-	58,715
Restricted for capital projects	-	-	22,787,102	22,787,102
Assigned to technology and technology infrastructure	1,200,000	-	-	1,200,000
Committed to				
Capital projects	4,300,000	4,290,536	-	8,590,536
Debt service	2,961,406	-	-	2,961,406
Retirement rate stabilization	3,000,000	-	-	3,000,000
Unassigned	4,184,112	-	-	4,184,112
TOTAL FUND BALANCES	15,752,629	4,290,536	22,787,102	42,830,267
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 21,372,650	\$ 4,344,507	\$ 25,856,915	\$ 51,574,072

See accompanying notes to the basic financial statements.

PENN-DELCO SCHOOL DISTRICT

RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2014

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 42,830,267
 Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. These assets consist of:	
Land and site improvements	948,970
Buildings and building improvements	82,230,679
Furniture and equipment	11,113,524
Construction in progress	28,107,432
Accumulated depreciation	(38,131,336)
 Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
Accrued interest	(490,034)
Bonds payable	(82,845,000)
Bond premium	(2,190,065)
Net OPEB obligation	(498,033)
 Some of the School District's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.	
	<u>948,272</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>42,024,676</u>

See accompanying notes to the basic financial statements.

PENN-DELCO SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Local sources	\$ 38,183,371	\$ 5,597	\$ 58,921	\$ 38,247,889
State sources	12,208,627	-	-	12,208,627
Federal sources	998,088	-	-	998,088
TOTAL REVENUES	<u>51,390,086</u>	<u>5,597</u>	<u>58,921</u>	<u>51,454,604</u>
EXPENDITURES				
Instruction	27,393,402	-	-	27,393,402
Support services	16,506,585	-	-	16,506,585
Operation of non-instructional services	875,126	-	241,267	1,116,393
Facilities acquisition, construction and improvement services	734,846	2,766,735	21,615,074	25,116,655
Debt service	4,605,217	-	2,356,887	6,962,104
Refund of prior year revenues	79,543	-	-	79,543
TOTAL EXPENDITURES	<u>50,194,719</u>	<u>2,766,735</u>	<u>24,213,228</u>	<u>77,174,682</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,195,367</u>	<u>(2,761,138)</u>	<u>(24,154,307)</u>	<u>(25,720,078)</u>
OTHER FINANCING SOURCES				
Proceeds from bond issuance	-	-	23,165,000	23,165,000
Bond premium	-	-	145,257	145,257
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>23,310,257</u>	<u>23,310,257</u>
NET CHANGE IN FUND BALANCES	1,195,367	(2,761,138)	(844,050)	(2,409,821)
FUND BALANCES AT BEGINNING OF YEAR	<u>14,557,262</u>	<u>7,051,674</u>	<u>23,631,152</u>	<u>45,240,088</u>
FUND BALANCES AT END OF YEAR	<u>\$ 15,752,629</u>	<u>\$ 4,290,536</u>	<u>\$ 22,787,102</u>	<u>\$ 42,830,267</u>

See accompanying notes to the basic financial statements.

PENN-DELCO SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2014

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (2,409,821)

Capital outlays are reported in Governmental Funds 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 exceed depreciation and construction in progress in the current period.

21,441,452

Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position.

3,395,000

New borrowings increase Governmental Funds balances; however, this is an increase to liabilities in the statement of net position.

(23,165,000)

Bond premiums are reported in Governmental Funds as revenues; however, in the statement of activities, the revenues from bond premiums are allocated over the term lives of debt instruments as an offset to interest expense.

1,590

Because some property taxes and earned income taxes will not be collected for several months after the School District's fiscal year ends, they are not considered as "available" revenues in the Governmental Funds. Deferred tax revenues increased by this amount this year.

(8,922)

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 Governmental Funds when it is due and, thus, requires the use of current financial resources. In the statement of activities, interest expense is recognized as interest accrues, regardless of when it is due.

(51,656)

The net change in the asset for the net OPEB obligation is reported in the government-wide statements but not in the Governmental Funds statements.

(209,802)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (1,007,159)

See accompanying notes to the basic financial statements.

PENN-DELCO SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2014

Enterprise
Fund
Food
Service Fund

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 19,474
Due from other governments	27,685
Due from other funds	7,000
Inventories	<u>11,932</u>

TOTAL CURRENT ASSETS	<u>66,091</u>
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CAPITAL ASSETS

Furniture and equipment	638,944
Accumulated depreciation	<u>(606,598)</u>
TOTAL CAPITAL ASSETS	<u>32,346</u>

TOTAL ASSETS	<u>\$ 98,437</u>
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LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts payable	\$ 68,688
Due to other funds	<u>118,167</u>

TOTAL CURRENT LIABILITIES	<u>186,855</u>
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NET POSITION

Net investment in capital assets	32,346
Unrestricted	<u>(120,764)</u>
TOTAL NET POSITION	<u>(88,418)</u>

TOTAL LIABILITIES AND NET POSITION	<u>\$ 98,437</u>
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See accompanying notes to the basic financial statements.

PENN-DELCO SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2014

	Enterprise Fund Food Service Fund
OPERATING REVENUES	
Charges for services	\$ 1,006,855
Miscellaneous	<u>24,396</u>
TOTAL OPERATING REVENUES	<u>1,031,251</u>
OPERATING EXPENSES	
Salaries	19,869
Employee benefits	12,624
Purchased property services	12,428
Supplies	1,290,541
Depreciation	6,249
Repairs and maintenance	<u>13,437</u>
TOTAL OPERATING EXPENSES	<u>1,355,148</u>
OPERATING LOSS	<u>(323,897)</u>
NONOPERATING REVENUES	
Interest and investment revenue	1,140
Federal sources	235,365
State sources	<u>14,883</u>
TOTAL NONOPERATING REVENUES	<u>251,388</u>
CHANGE IN NET POSITION	(72,509)
NET POSITION AT BEGINNING OF YEAR	<u>(15,909)</u>
NET POSITION AT END OF YEAR	<u>\$ (88,418)</u>

See accompanying notes to the basic financial statements.

PENN-DELCO SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2014

	Enterprise Fund Food Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,041,123
Cash paid for operating expenses	(1,246,906)
NET CASH USED BY OPERATING ACTIVITIES	<u>(205,783)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal sources	192,030
State sources	14,883
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>206,913</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on investments	<u>1,140</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,270
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>17,204</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 19,474</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (323,897)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	6,249
Donated food	43,335
(Increase) decrease in	
Due from other governments	16,844
Inventories	(6,972)
Increase in	
Accounts payable	10,139
Due to other funds	48,519
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (205,783)</u></u>
SUPPLEMENTAL DISCLOSURES	
Noncash activities	
Donated food	\$ 43,335

See accompanying notes to the basic financial statements.

PENN-DELCO SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2014

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 201,315
Due from other funds	<u>2,156</u>
TOTAL ASSETS	\$ <u>203,471</u>
LIABILITIES	
Accounts payable	\$ 18,147
Other current liabilities	<u>185,324</u>
TOTAL LIABILITIES	\$ <u>203,471</u>

See accompanying notes to the basic financial statements.

PENN-DELCO SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Penn-Delco School District (the "School District") operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provisions of the School Laws of Pennsylvania. The School District operates under a locally elected nine-member board form of government.

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

Reporting Entity

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

Basis of Presentation and Accounting

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 the Fiduciary Fund. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

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

PENN-DELCO SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function or program of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

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

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

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

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

PENN-DELCO SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Proprietary Fund distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. The principal operating revenues of the School District's Enterprise Fund are charges to customers for sales and services. Operating expenses for the Enterprise Fund include cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Trust Funds are reported using the economic resources measurement focus.

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

Fund Accounting

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

Governmental Funds

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

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

Special Revenue Funds - These funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The School District's *Capital Projects Fund* is accounted for in this fund type as required by Section 29432 of the Municipal Code.

Proprietary Fund

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

PENN-DELCO SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Fund

Agency Fund - The Agency Fund is used to account for assets held by the School District in a trustee capacity or as an agent for individuals. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled under Act 72 of the Pennsylvania General Assembly of 1971. Monies for all funds, including the Proprietary Fund, are maintained in this pool. Individual fund integrity is maintained throughout the School District's records.

The School District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments are valued at fair value.

Short-Term Interfund Receivables/Payables

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

Inventories and Prepaid Items

Inventory of food and milk in the Food Service Fund consists of supplies purchased and donated food received from the federal government. The donated food is valued at its fair market value in accordance with the *Manual of Accounting for Pennsylvania School Systems - Food Service Fund*. Food and supplies are carried at cost using the first-in, first-out method. Inventories of Governmental Funds are recorded as expenditures when consumed rather than when purchased.

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

PENN-DELCO SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include property, plant, equipment and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The School District defines a capital asset as an asset with an initial, individual cost equal to or greater than \$5,000. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed, inclusive of ancillary costs.

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

	<u>Years</u>
Buildings and building improvements	15-40
Furniture and equipment	5-20

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenues*, is reported only in the Governmental Funds balance sheet. The Governmental Funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Obligations

In the government-wide financial statements and Proprietary Fund Type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or Proprietary Fund Type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year incurred.

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

Typically, the General Fund has been used to liquidate other long-term liabilities, such as compensated absences, in prior years.

Compensated Absences

It is the School District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The benefits are accrued when incurred in the government-wide, Proprietary and Fiduciary Funds financial statements. A liability for these amounts is reported in Governmental Funds only if they have matured, for example, as a result of employee resignations and retirements.

Net Position

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

PENN-DELCO SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

GASB Statement No. 54

As of June 30, 2011, the School District has adopted GASB Statement No. 54, which redefined how fund balances of the Governmental Funds are presented in the financial statements. Fund balances are classified as follows:

- ***Nonspendable*** - Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.
- ***Restricted*** - Amounts that can be spent only for specific purposes because of state or federal laws or externally imposed conditions by grantors or creditors.
- ***Committed*** - Amounts that can be used only for specific purposes determined by a formal action by the Board of School Directors. This includes the budget reserve account.
- ***Assigned*** - Amounts that are intended to be used for a specific purpose, as expressed by the Board of School Directors or by an official or body to which the Board of School Directors delegates the authority.
- ***Unassigned*** - All amounts not included in other spendable classifications.

The details of the fund balances are included in the Governmental Funds balance sheet (page 14). Restricted funds are used first as appropriate, followed by committed resources and then assigned resources, to the extent that expenditure authority has been budgeted by the Board of School Directors. The School District does reserve the right to first reduce unassigned fund balance to defer the use of these other classified funds. In the event that unassigned fund balance becomes zero, then assigned and committed fund balances are used in that order.

PENN-DELCO SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE B - CASH AND INVESTMENTS

Cash

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. The School District's deposit policy for custodial credit risk follows the Commonwealth of Pennsylvania School Code. As of June 30, 2014, \$22,265,545 of the School District's bank balance of \$48,728,805 is uninsured and collateralized with securities held by the pledging bank's trust department not in the School District's name and \$26,213,260 is uninsured and uncollateralized. The uninsured and uncollateralized funds are placed with the Pennsylvania School District Liquid Asset Fund (PSDLAF) and the Pennsylvania Local Government Investment Trust (PLGIT).

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

Investments

Credit Risk - State law permits the School District to invest funds in the following types of investments:

Obligations of (1) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (2) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (3) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

The School District's investment policy does not further limit its investment choices. As of June 30, 2014, the School District's investment in the state investment pool was rated AAAM by Standard & Poor's.

PENN-DELCO SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE C - PROPERTY TAXES

The School Board is authorized by state law to levy property taxes for School District operations, capital improvements and debt service. Property taxes are based on assessed valuations of real property within the School District.

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

Discount period July 1 to August 31 - 2% of gross levy
 Flat period September 1 to November 1
 Penalty period November 2 to December 31 - 10% of gross levy
 Lien date January 1

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

NOTE D - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2014, consisted of taxes, interest, other revenue and intergovernmental grants and entitlements. All receivables are considered fully collectible due to the ability to lien property for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds.

A summary of accounts receivable by fund is as follows:

	General Fund	Capital Reserve Fund	Capital Projects Fund	Food Service Fund
Real estate taxes	\$ 1,173,723	\$ -	\$ -	\$ -
Real estate transfer taxes	47,827	-	-	-
Due from other governments	1,255,303	-	-	27,685
Other receivables	2,379,669	136	62,165	-
	<u>\$ 4,856,522</u>	<u>\$ 136</u>	<u>\$ 62,165</u>	<u>\$ 27,685</u>

PENN-DELCO SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE E - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land and site improvements	\$ 948,970	\$ -	\$ -	\$ 948,970
Construction in progress	4,733,559	23,373,873	-	28,107,432
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	5,682,529	23,373,873	-	29,056,402
Capital assets being depreciated				
Buildings and building improvements	82,230,679	-	-	82,230,679
Furniture and equipment	11,145,350	140,917	(172,743)	11,113,524
TOTAL CAPITAL ASSETS BEING DEPRECIATED	93,376,029	140,917	(172,743)	93,344,203
Accumulated depreciation				
Buildings and building improvements	(26,343,054)	(1,643,857)	-	(27,986,911)
Furniture and equipment	(9,887,687)	(429,481)	172,743	(10,144,425)
TOTAL ACCUMULATED DEPRECIATION	(36,230,741)	(2,073,338)	172,743	(38,131,336)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	57,145,288	(1,932,421)	-	55,212,867
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	62,827,817	21,441,452	-	84,269,269
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Furniture and equipment	638,944	-	-	638,944
Accumulated depreciation	(600,349)	(6,249)	-	(606,598)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	38,595	(6,249)	-	32,346
CAPITAL ASSETS, net	\$ 62,866,412	\$ 21,435,203	\$ -	\$ 84,301,615

PENN-DELCO SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE E - CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

GOVERNMENTAL ACTIVITIES

Instruction	
Regular programs	\$ 844,289
Special programs	311,306
Vocational education	15,750
Other instructional programs	7,666
Support services	
Pupil personnel services	73,163
Instructional staff services	69,951
Administration services	156,649
Pupil health services	27,668
Business services	33,554
Operation and maintenance of plant services	339,180
Student transportation services	107,598
Central services	46,721
Other services	2,620
Operation of non-instructional services	
Student activities	32,647
Community services	4,576
	<u>\$ 2,073,338</u>

NOTE F - LONG-TERM DEBT

General Obligation Bonds

Series A of 2002 - On August 15, 2002, the School District issued \$9,895,000 in General Obligation Bonds. The bonds were issued to finance various capital projects including the construction, furnishing and equipping of alterations, additions, renovations and improvements to various School District properties including, but not limited to, Pennell Elementary School, Sun Valley High School and the School District's transportation and maintenance service buildings and the acquisition of modular classrooms, furniture and equipment to be used for the School District's purposes. Interest is payable on a semimonthly basis. The bonds bear interest at a variable rate, are outstanding in the amount of \$110,000 at June 30, 2014, and mature annually through 2016. A portion of the bonds was advance refunded through the issuance of the General Obligation Bonds, Series of 2007.

PENN-DELCO SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE F - LONG-TERM DEBT (Continued)

Future maturities are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2015	\$ 5,000	\$ 4,806	\$ 9,806
2016	<u>105,000</u>	<u>4,593</u>	<u>109,593</u>
	<u>\$ 110,000</u>	<u>\$ 9,399</u>	<u>\$ 119,399</u>

Series A of 2004 - On November 1, 2004, the School District issued \$14,000,000 in General Obligation Bonds. The bonds were issued for renovating the heating, ventilation and air conditioning system at Sun Valley High School; planning, designing, acquiring, constructing and equipping of additions and renovations to Aston Elementary School; completion of the construction, furnishing and equipping of alterations, additions, renovations and improvements to various school properties, including, but not limited to, Sun Valley High School, Northley Middle School, Pennell Elementary School and the School District's Services Center and the purchase of certain school buses; and to advance refund all of the School District's outstanding General Obligation Bonds, Series of 1999. The bonds bear interest at a fixed rate, are outstanding in the amount of \$25,000 at June 30, 2014, and mature annually through 2019. A portion of the bonds was advance refunded through the issuance of the General Obligation Bonds, Series A of 2006.

Future maturities are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2015	\$ 5,000	\$ 942	\$ 5,942
2016	5,000	762	5,762
2017	5,000	578	5,578
2018	5,000	390	5,390
2019	<u>5,000</u>	<u>200</u>	<u>5,200</u>
	<u>\$ 25,000</u>	<u>\$ 2,872</u>	<u>\$ 27,872</u>

PENN-DELCO SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE F - LONG-TERM DEBT (Continued)

Series A of 2009 - On November 23, 2009, the School District issued \$8,840,000 in General Obligation Bonds. The bonds, along with the General Obligation Bonds, Series B of 2009, were issued to advance refund all of the School District's outstanding General Obligation Bonds, Series of 2003, Series A of 2003 and Series B of 2004, and pay the costs and expenses of issuing and insuring the bonds. The bonds bear interest at rates ranging from 1.50% to 3.00%, are outstanding in the amount of \$2,280,000 at June 30, 2014, and mature annually through 2017.

Future maturities are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2015	\$ 645,000	\$ 70,310	\$ 715,310
2016	680,000	50,960	730,960
2017	955,000	30,560	985,560
	<u>\$ 2,280,000</u>	<u>\$ 151,830</u>	<u>\$ 2,431,830</u>

Series B of 2009 - On November 23, 2009, the School District issued \$12,195,000 in General Obligation Bonds. The bonds, along with the General Obligation Bonds, Series A of 2009, were issued to advance refund all of the School District's outstanding General Obligation Bonds, Series of 2003, Series A of 2003 and Series B of 2004, and pay the costs and expenses of issuing and insuring the bonds. The bonds bear interest at rates ranging from 2.00% to 4.00%, are outstanding in the amount of \$4,965,000 at June 30, 2014, and mature annually through 2016.

Future maturities are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2015	\$ 2,490,000	\$ 171,700	\$ 2,661,700
2016	2,475,000	81,250	2,556,250
	<u>\$ 4,965,000</u>	<u>\$ 252,950</u>	<u>\$ 5,217,950</u>

PENN-DELCO SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE F - LONG-TERM DEBT (Continued)

Series of 2010 - On October 12, 2010, the School District issued \$15,155,000 in General Obligation Bonds. The bonds were issued to advance refund all of the School District's outstanding General Obligation Bonds, Series of 2006, and pay the costs and expenses of issuing and insuring the bonds. The bonds bear interest at rates ranging from 1.500% to 3.375%, are outstanding in the amount of \$15,135,000 at June 30, 2014, and mature annually through 2024.

Future maturities are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2015	\$ 55,000	\$ 467,566	\$ 522,566
2016	180,000	466,466	646,466
2017	190,000	462,866	652,866
2018	190,000	458,686	648,686
2019	195,000	453,841	648,841
2020 to 2024	<u>14,325,000</u>	<u>1,410,413</u>	<u>15,735,413</u>
	<u>\$ 15,135,000</u>	<u>\$ 3,719,838</u>	<u>\$ 18,854,838</u>

Series of 2011 - On October 26, 2011, the School District issued \$7,895,000 in General Obligation Bonds. The bonds were issued to advance refund all of the School District's outstanding General Obligation Bonds, Series of 2007, and pay the costs and expenses of issuing and insuring the bonds. The bonds bear interest at rates ranging from 1.000% to 2.375%, are outstanding in the amount of \$7,885,000 at June 30, 2014, and mature annually through June 2019.

Future maturities are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2015	\$ 5,000	\$ 193,256	\$ 198,256
2016	5,000	193,194	198,194
2017	2,555,000	193,119	2,748,119
2018	2,635,000	116,469	2,751,469
2019	<u>2,685,000</u>	<u>63,769</u>	<u>2,748,769</u>
	<u>\$ 7,885,000</u>	<u>\$ 759,807</u>	<u>\$ 8,644,807</u>

PENN-DELCO SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE F - LONG-TERM DEBT (Continued)

Series of 2012 - On March 28, 2012, the School District issued \$5,190,000 in General Obligation Bonds. The bonds were issued to advance refund all of the School District's outstanding General Obligation Bonds, Series A of 2007, and pay the costs and expenses of issuing and insuring the bonds. The bonds bear interest at rates ranging from 1.00% to 3.15%, are outstanding in the amount of \$4,835,000 at June 30, 2014, and mature annually through June 2027.

Future maturities are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2015	\$ 325,000	\$ 117,321	\$ 442,321
2016	335,000	110,821	445,821
2017	340,000	104,121	444,121
2018	345,000	97,321	442,321
2019	355,000	92,146	447,146
2020 to 2024	1,875,000	346,786	2,221,786
2025 to 2027	1,260,000	79,395	1,339,395
	<u>\$ 4,835,000</u>	<u>\$ 947,911</u>	<u>\$ 5,782,911</u>

Series of 2013 - On December 3, 2012, the School District issued \$24,450,000 in General Obligation Bonds. The bonds were issued to fund the construction, renovation and equipping of the Northley Middle School and other properties, pay capitalized interest on the bonds and pay the costs and expenses of issuing and insuring the bonds. The bonds bear interest at rates ranging from 1.00% to 4.00%, are outstanding in the amount of \$24,450,000 at June 30, 2014, and mature annually through June 2038.

Future maturities are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2015	\$ 5,000	\$ 977,400	\$ 982,400
2016	5,000	977,350	982,350
2017	5,000	977,300	982,300
2018	5,000	977,200	982,200
2019	5,000	977,100	982,100
2020 to 2024	25,000	4,883,000	4,908,000
2025 to 2029	6,355,000	4,443,600	10,798,600
2030 to 2034	9,235,000	2,899,000	12,134,000
2035 to 2038	8,810,000	898,400	9,708,400
	<u>\$ 24,450,000</u>	<u>\$ 18,010,350</u>	<u>\$ 42,460,350</u>

PENN-DELCO SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE F - LONG-TERM DEBT (Continued)

Series A of 2013 - On July 18, 2013, the School District issued \$23,165,000 in General Obligation Bonds. The bonds were issued to fund the construction, renovation and equipping of the Northley Middle School, the Coeburn Elementary School and certain other capital improvements of the properties of the School District, pay capitalized interest on the bonds and pay the costs and expenses of issuing and insuring the bonds. The bonds bear interest at rates ranging from 2.00% to 5.00%, are outstanding in the amount of \$23,160,000 at June 30, 2014, and mature annually through June 2038.

Future maturities are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2015	\$ 5,000	\$ 1,082,938	\$ 1,087,938
2016	5,000	1,082,838	1,087,838
2017	5,000	1,082,738	1,087,738
2018	5,000	1,082,638	1,087,638
2019	5,000	1,082,488	1,087,488
2020 to 2024	25,000	5,409,814	5,434,814
2025 to 2029	6,660,000	4,905,575	11,565,575
2030 to 2034	8,245,000	3,317,250	11,562,250
2035 to 2038	8,205,000	1,050,250	9,255,250
	<u>\$ 23,160,000</u>	<u>\$ 20,096,529</u>	<u>\$ 43,256,529</u>

PENN-DELCO SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE G - CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2014, was as follows:

	<u>Balance July 1, 2013</u>
GENERAL OBLIGATION BONDS	
Series A of 2002	\$ 115,000
Series A of 2004	30,000
Series A of 2009	2,915,000
Series B of 2009	7,375,000
Series of 2010	15,140,000
Series of 2011	7,890,000
Series of 2012	5,160,000
Series of 2013	24,450,000
Series A of 2013	-
TOTAL GENERAL OBLIGATION BONDS	<u>63,075,000</u>
BOND PREMIUM (DISCOUNT)	
Series A of 2009	15,282
Series B of 2009	149,422
Series of 2010	(191,656)
Series of 2011	71,477
Series of 2012	(4,817)
Series of 2013	2,151,947
Series A of 2013	-
TOTAL BOND PREMIUM (DISCOUNT)	<u>2,191,655</u>
COMPENSATED ABSENCES	<u>842,437</u>
NET OPEB OBLIGATION	<u>288,231</u>
TOTAL LONG-TERM LIABILITIES	<u><u>\$ 66,397,323</u></u>

<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2014</u>	<u>Due Within One Year</u>
\$ -	\$ (5,000)	\$ 110,000	\$ 5,000
-	(5,000)	25,000	5,000
-	(635,000)	2,280,000	645,000
-	(2,410,000)	4,965,000	2,490,000
-	(5,000)	15,135,000	55,000
-	(5,000)	7,885,000	5,000
-	(325,000)	4,835,000	325,000
-	-	24,450,000	5,000
23,165,000	(5,000)	23,160,000	5,000
<u>23,165,000</u>	<u>(3,395,000)</u>	<u>82,845,000</u>	<u>3,540,000</u>
-	(5,095)	10,187	5,095
-	(49,807)	99,615	49,807
-	17,423	(174,233)	(17,423)
-	(14,296)	57,181	14,296
-	402	(4,415)	(402)
-	(89,664)	2,062,283	89,664
145,257	(5,810)	139,447	5,810
<u>145,257</u>	<u>(146,847)</u>	<u>2,190,065</u>	<u>146,847</u>
<u>72,419</u>	<u>-</u>	<u>914,856</u>	<u>91,486</u>
<u>209,802</u>	<u>-</u>	<u>498,033</u>	<u>-</u>
\$ <u>23,592,478</u>	\$ <u>(3,541,847)</u>	\$ <u>86,447,954</u>	\$ <u>3,778,333</u>

PENN-DELCO SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE H - DEFERRED INFLOWS OF RESOURCES AND UNEARNED REVENUE

General Fund

Real estate taxes collected within 60 days of the close of the fiscal year are recorded as current revenues. The noncurrent portion of real estate taxes receivable is recorded as deferred revenue until such time as it becomes available. Program grants received prior to the incurrence of qualifying expenditures are recorded as unearned revenue.

At June 30, 2014, deferred inflows of resources consisted of delinquent taxes receivable of \$948,272 and the unearned revenue consisted of unspent grant money of \$3,075.

NOTE I - PENSIONS

School districts in the Commonwealth of Pennsylvania participate in a state administered pension program. Under the program, contributions are made by each of three parties--the School District, the state and the employee. All full-time employees of the School District and part-time employees who meet certain minimum employment requirements participate in the program.

Plan Description

Name of Plan: Public School Employees' Retirement System (the "System").

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

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

Authority: The Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended) (24 Pa. C. S. 8101-9102).

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

PENN-DELCO SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE I - PENSIONS (Continued)

Funding Policy

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

Contribution Rates

Member Contributions

- Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.
- Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.
- Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with 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 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership contribute at a 10.30% (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 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.30% and 12.30%.

Employer Contributions: Contributions required of employers are based upon an actuarial valuation. For the fiscal year ended June 30, 2014, the rate of employer's contribution was 16.93% of covered payroll. The 16.93% rate is composed of a pension contribution rate of 16.00% for pension benefits and 0.93% for healthcare insurance premium assistance.

The School District's contribution to PSERS for the years ended June 30, 2014, 2013 and 2012, was \$3,900,741, \$2,802,890 and \$1,932,612, respectively, equal to the required contribution for each year.

PENN-DELCO SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE J - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

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

Funding Policy

The School District negotiates the contribution percentage between the School District and employees through union contracts and the personnel policy. The required contribution rates of the employer and the members vary depending on the applicable agreement. The School District currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the plan are paid by the School District.

Annual OPEB Cost and Net OPEB Obligation

The School District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The components of the School District's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the School District's net OPEB obligation to the plan are as follows:

Normal cost	\$ 192,859
Amortization of unfunded actuarial accrued liability	309,298
ANNUAL REQUIRED CONTRIBUTION (ARC)	<u>502,157</u>
Adjustment to ARC	<u>(24,855)</u>
ANNUAL OPEB EXPENSE	477,302
Net OPEB contributions during the year	<u>(267,500)</u>
INCREASE IN NET OPEB OBLIGATION	209,802
Net OPEB obligation at beginning of year	<u>288,231</u>
NET OPEB OBLIGATION AT END OF YEAR	<u>\$ 498,033</u>

PENN-DELCO SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE J - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

<u>Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
2012	\$ 384,004	71.0%	\$ 90,289
2013	462,742	57.2%	288,231
2014	477,302	56.0%	498,033

June 30, 2009 was the year of implementation of GASB Statement No. 45. The School District has elected to implement GASB Statement No. 45 prospectively.

Funded Status and Funding Progress

As of July 1, 2012, the actuarial accrued liability for benefits was \$2,643,000 and the actuarial value of assets was \$0, all of which was unfunded.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information on page 46, will present multiyear trend information in the future about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2012 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 3.25% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8.4% initially, reduced by decrements of .4% over the next four years and then by decrements of 0% to 2% thereafter to an ultimate rate of 5.4% after 40 years. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2014, was 10 years.

PENN-DELCO SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE K - COMPENSATED ABSENCES AND EARLY RETIREMENT INCENTIVE PLAN

School District employees who are required to work on a 12-month schedule are credited with vacation at rates which vary with length of service or job classification. Vacation (for most employee categories) may be taken or accumulated within certain limits and is paid prior to retirement or termination at the employee's current rate of pay.

The School District pays a percentage of an employee's salary, depending on job classification, to employees for unused sick time. All unused vacation time is converted to unused sick time. Compensation payable in future years, which was \$914,856 at June 30, 2014, is recorded in compensated absences on the statement of net position.

The Early Retirement Incentive Policy (ERIP) is designed for employees who qualify for annuity payments in accordance with provisions of the PSERS but do not qualify for Social Security benefits. The primary purpose of the ERIP is to supplement the retiree's PSERS payments with an annual School District funded payment until such time as the employee becomes eligible for Social Security benefits.

In order to obtain ERIP benefits, employees must qualify for retirement in accordance with provisions of the PSERS and must have served as a full-time School District employee for a minimum of 15 years prior to the effective date of retirement.

NOTE L - CONTINGENCIES

The School District is a defendant in various matters of litigation and claims. These matters result from the normal course of business. It is not presently possible to determine the ultimate outcome or settlement cost, if any, of these matters.

The School District receives federal, state and local funding under a number of programs. Payments made by these sources under contractual agreements are provisional and subject to redetermination based on filing of reports and audits of those reports. Final settlements due from or to these sources are recorded in the year in which the related services are performed. Any adjustments resulting from subsequent examinations are recognized in the year in which the results of such examinations become known. School District officials do not expect any significant adjustments as a result of these examinations.

NOTE M - RISK MANAGMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the School District to purchase commercial insurance for the risks of loss to which it is exposed, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

REQUIRED SUPPLEMENTARY INFORMATION

PENN-DELCO SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts GAAP Basis	Final Budget Positive (Negative)
REVENUES				
Local sources	\$ 38,185,854	\$ 38,195,663	\$ 38,183,371	\$ (12,292)
State sources	12,180,923	12,180,923	12,208,627	27,704
Federal sources	1,365,000	1,209,470	998,088	(211,382)
TOTAL REVENUES	<u>51,731,777</u>	<u>51,586,056</u>	<u>51,390,086</u>	<u>(195,970)</u>
EXPENDITURES				
Instruction	28,585,748	28,386,499	27,393,402	993,097
Support services	17,073,145	17,141,520	16,506,585	634,935
Operation of non-instructional services	1,027,135	1,028,226	875,126	153,100
Facilities acquisition, construction and improvement services	-	-	734,846	(734,846)
Debt service	5,067,711	5,067,711	4,605,217	462,494
Refund of prior year revenues	-	-	79,543	(79,543)
Budgetary reserve	260,000	244,062	-	244,062
TOTAL EXPENDITURES	<u>52,013,739</u>	<u>51,868,018</u>	<u>50,194,719</u>	<u>1,673,299</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(281,962)</u>	<u>(281,962)</u>	<u>1,195,367</u>	<u>1,477,329</u>
NET CHANGE IN FUND BALANCE	<u>\$ (281,962)</u>	<u>\$ (281,962)</u>	<u>1,195,367</u>	<u>\$ 1,477,329</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>14,557,262</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 15,752,629</u>	

See accompanying note to the budgetary comparison schedule.

PENN-DELCO SCHOOL DISTRICT
NOTE TO THE BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2014

NOTE A - BUDGETARY INFORMATION

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. An annual appropriated budget is adopted for the General Fund. All annual appropriations lapse at fiscal year-end. Project-length financial plans are adopted for the Capital Projects Fund.

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to April 1, the Business Manager submits to the School Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the School District offices to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of an ordinance.
4. The Board may, by resolution, transfer unencumbered budgeted amounts between departments within any fund.
5. The operating budget is adopted on a basis prescribed by the Department of Education.

Controls over spending in the Capital Reserve Fund are achieved by the use of internal spending limits. Effective expenditure control is achieved in the Capital Reserve Fund through bond indenture provisions.

All budget amounts presented in the accompanying required supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions to the annual budgets during the year).

PENN-DELCO SCHOOL DISTRICT
POSTEMPLOYMENT BENEFITS OTHER THAN PENSION FUNDING PROGRESS
YEAR ENDED JUNE 30, 2014

SCHEDULE OF FUNDING PROGRESS

Valuation Date July 1,	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability (AAL)	(c) Unfunded AAL (UAAL) (b)-(a)	(d) Funded Ratio (a)/(b)	(e) Covered Payroll	(f) UAAL as a Percentage of Covered Payroll (c)/(e)
2008	\$ -	\$ 2,238,000	\$ 2,238,000	0%	\$ 22,473,092	9.96%
2010	-	2,399,000	2,399,000	0%	23,269,019	10.31%
2012	-	2,643,000	2,643,000	0%	24,083,435	10.97%

***Independent Auditors' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With Government Auditing Standards***

To the Board of School Directors
Penn-Delco School District
Aston, Pennsylvania

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Penn-Delco School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Penn-Delco School District's basic financial statements, and have issued our report thereon dated November 3, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Penn-Delco 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 the Penn-Delco School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Penn-Delco 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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of School Directors
Penn-Delco School District
Aston, Pennsylvania

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Penn-Delco 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.

Maillie LLP

Oaks, Pennsylvania
November 3, 2014

***Independent Auditors' Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance in Accordance With OMB Circular A-133***

To the Board of School Directors
Penn-Delco School District
Aston, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited the Penn-Delco School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Penn-Delco School District's major federal programs for the year ended June 30, 2014. Penn-Delco School District's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

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

Opinion on Each Major Federal Program

In our opinion, the Penn-Delco 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, 2014.

To the Board of School Directors
Penn-Delco School District
Aston, Pennsylvania

Report on Internal Control Over Compliance

Management of the Penn-Delco 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 the Penn-Delco 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 as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Penn-Delco 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.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Maillie LLP

Oaks, Pennsylvania
November 3, 2014

**SUPPLEMENTARY INFORMATION - MAJOR FEDERAL
AWARD PROGRAMS AUDIT**

PENN-DELCO SCHOOL DISTRICT**SCHEDULE OF EXPENDITURES OF FEDERAL AND CERTAIN STATE AWARDS****YEAR ENDED JUNE 30, 2014**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>
U.S. DEPARTMENT OF EDUCATION				
Passed through the Pennsylvania Department of Education				
Title I - Grants to Local Educational Agencies	I	84.010	013-13-0325	July 1, 2012 to September 30, 2013
Title I - Grants to Local Educational Agencies	I	84.010	013-14-0325	July 1, 2013 to September 30, 2014
Title II A - Improving Teacher Quality	I	84.367	020-13-0325	July 1, 2012 to September 30, 2013
Title II A - Improving Teacher Quality	I	84.367	020-14-0325	July 11, 2013 to September 30, 2014
Passed through the Delaware County Intermediate Unit				
IDEA	I	84.027*	062-14-0325	July 1, 2013 to June 30, 2014
IDEA 619	I	84.173*	131-13-0025	July 1, 2013 to June 30, 2014
TOTAL U.S. DEPARTMENT OF EDUCATION				
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through the Pennsylvania Department of Public Welfare				
Medical Assistance - ACCESS	I	93.778	044-007325	July 1, 2013 to June 30, 2014
U.S. DEPARTMENT OF AGRICULTURE				
Passed through the Pennsylvania Department of Education				
National School Lunch Program	I	10.555	N/A	July 1, 2013 to June 30, 2014
State Matching Share	S	N/A	N/A	July 1, 2013 to June 30, 2014
Passed through the Pennsylvania Department of Agriculture				
Value of U.S.D.A. donated food	I	10.555	N/A	July 1, 2013 to June 30, 2014
TOTAL U.S. DEPARTMENT OF AGRICULTURE				
TOTAL FEDERAL AND STATE AWARDS				
LESS STATE SHARE				
TOTAL FEDERAL AWARDS				

Footnotes:

- (A) Total amount of foods received from Department of Agriculture.
- (B) Beginning inventory at July 1, 2013.
- (C) Total amount of foods used.
- (D) Ending inventory at June 30, 2014.

Source Codes:

- I = Indirect funding
- S = State share
- * = Major program

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2013</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2014</u>
\$ 248,356	\$ 544	\$ 544	\$ -	\$ -	\$ -
224,464	224,464	-	221,389	221,389	(3,075)
60,646	7,875	7,875	-	-	-
57,298	57,298	-	57,298	57,298	-
523,797	406,064	-	523,797	523,797	117,733
4,063	<u>-</u>	<u>-</u>	<u>4,063</u>	<u>4,063</u>	<u>4,063</u>
	<u>696,245</u>	<u>8,419</u>	<u>806,547</u>	<u>806,547</u>	<u>118,721</u>
N/A	<u>3,031</u>	<u>-</u>	<u>4,173</u>	<u>4,173</u>	<u>1,142</u>
N/A	207,669	41,288	192,030	192,030	25,649
N/A	16,087	3,241	14,883	14,883	2,037
N/A	<u>50,308 (A)</u>	<u>(4,959) (B)</u>	<u>43,335</u>	<u>43,335 (C)</u>	<u>(11,932) (D)</u>
	<u>274,064</u>	<u>39,570</u>	<u>250,248</u>	<u>250,248</u>	<u>15,754</u>
	973,340	47,989	1,060,968	1,060,968	135,617
	<u>(16,087)</u>	<u>(3,241)</u>	<u>(14,883)</u>	<u>(14,883)</u>	<u>(2,037)</u>
\$	<u><u>957,253</u></u>	<u><u>44,748</u></u>	<u><u>1,046,085</u></u>	<u><u>1,046,085</u></u>	<u><u>133,580</u></u>

PENN-DELCO SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of the Penn-Delco School District.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the Penn-Delco School District were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With OMB Circular A-133.
5. The auditors' report on compliance for the major award programs for the Penn-Delco School District expresses an unmodified opinion.
6. There are no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs include:

<u>Program</u>	<u>CFDA</u>
SPECIAL EDUCATION CLUSTER (IDEA)	
Special Education - Grants to States (IDEA, Part B)	84.027
Special Education - Preschool Grants (IDEA Preschool)	84.173

8. The threshold used for distinguishing Types A and B programs was \$300,000.
9. Penn-Delco School District was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.