

EASTERN LEBANON COUNTY  
SCHOOL DISTRICT

YEAR ENDED JUNE 30, 2009

# Eastern Lebanon County School District

## Financial Statements with Supplementary Information

Year Ended June 30, 2009

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# Eastern Lebanon County School District

## Financial Statements with Supplementary Information

Year Ended June 30, 2009

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## INDEPENDENT AUDITORS' REPORT

To the Board Officers and Members  
**Eastern Lebanon County School District**  
Lebanon County, Pennsylvania

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 **Eastern Lebanon County School District** as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of **Eastern Lebanon County School District's** management. Our responsibility is to express an opinion 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 *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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 **Eastern Lebanon County School District** as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 11 and 56 and 57 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 5, 2010, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance with the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise **Eastern Lebanon County School District's** basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

January 5, 2010  
Lancaster, Pennsylvania

*Trout, Ebersole & Groff, LLP*

TROUT, EBERSOLE & GROFF, LLP  
Certified Public Accountants

# Eastern Lebanon County School District

## MANAGEMENT'S DISCUSSION and ANALYSIS

Year Ended June 30, 2009

The discussion and analysis of **Eastern Lebanon County School District's** financial performance provides an overall review of the School District's financial activities for the year ended June 30, 2009. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. It should be read in conjunction with the notes to the basic financial statements and the financial statements to enhance the understanding of the School District's financial performance.

### Financial Highlights

Key financial highlights for 2009 are as follows:

- In total, net assets decreased \$261,630. Net assets of governmental activities decreased \$268,413, which represents a 12 percent decrease from 2008. Net assets of business-type activities increased \$6,783 or 20 percent from 2008.
- Revenues totaled \$29,814,290. General revenues accounted for \$23,938,606 in revenue or 80.29 percent of total revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$5,875,684 or 19.71 percent of total revenues.
- Total assets of governmental activities increased by \$9,995,134 primarily due to bond proceeds related to construction of a new building.
- The School District had \$28,978,382 in expenses related to governmental activities; \$4,771,480 of these expenses was offset by program specific charges for services, grants, or contributions. General revenues (primarily taxes) of \$23,938,489 and fund balance were adequate to provide for these programs.
- Among major funds, the general fund had \$28,575,685 in revenues and other financing sources and \$28,928,056 in expenditures and other financing uses. The general fund's fund balance decreased to \$485,905 from \$823,298. This decrease was due in large part to a timing issue with collection of earned income tax.
- Net assets for enterprise funds increased by \$6,783. This increase resulted from operating expenses of \$1,097,538 exceeding operating revenues of \$733,834. However, grants of \$370,370 and investment earnings of \$117 in the food service fund offset the operating loss. Prices were increased for the 2009-10 school year to keep pace with increasing food and supplies costs.

### Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand **Eastern Lebanon County School District** as a financial whole.

The statement of net assets and statement of activities provide information about the activities of the entire School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how the services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of **Eastern Lebanon County School District**, the general fund is the most significant fund.

# Eastern Lebanon County School District

## MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2009

### Reporting the School District as a Whole

Our analysis for the School District as a whole begins on page 5. One of the most important questions asked about the School District's finances is, "Is the School District as a whole better off or worse off as a result of the year's activities?" The statement of net assets and the statement of activities report information about the School District as a whole and about the activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in net assets. The change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors.

In the statement of net assets and the statement of activities, the School District's financial information is divided into two distinct kinds of activities:

- ***Governmental Activities*** - Most of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, and extracurricular activities.
- ***Business-Type Activities*** - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The School District's food service program is reported as business activity.

### Reporting the School District's Most Significant Funds

#### Fund Financial Statements

The analysis of the School District's major funds begins on page 9. The fund financial statements begin on page 16 and provide detailed information about the most significant funds-not the School District as a whole. The School District's two types of funds (governmental and proprietary) use different accounting approaches.

- ***Governmental Funds*** - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These 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 fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is reconciled in the financial statements.
- ***Proprietary Funds*** - Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

# Eastern Lebanon County School District

## MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2009

### The School District as a Whole

The statement of net assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2009 compared to 2008:

**Table 1**  
**Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>Assets</b>						
Current and						
Other Assets	12,577,699	3,617,684	36,464	14,351	12,614,163	3,632,035
Capital Assets	<u>39,928,037</u>	<u>38,892,918</u>	<u>9,250</u>	<u>16,314</u>	<u>39,937,287</u>	<u>38,909,232</u>
<b>Total Assets</b>	<b>52,505,736</b>	<b>42,510,602</b>	<b>45,714</b>	<b>30,665</b>	<b>52,551,450</b>	<b>42,541,267</b>
<b>Liabilities</b>						
Long-Term						
Liabilities	44,531,544	34,703,558	51,381	41,193	44,582,925	34,744,751
Other Liabilities	<u>6,008,336</u>	<u>5,572,774</u>	<u>21,852</u>	<u>23,774</u>	<u>6,030,188</u>	<u>5,596,548</u>
<b>Total Liabilities</b>	<b>50,539,880</b>	<b>40,276,332</b>	<b>73,233</b>	<b>64,967</b>	<b>50,613,113</b>	<b>40,341,299</b>
<b>Net Assets</b>						
Invested in Capital						
Assets Net of Debt	2,310,394	2,062,977	9,250	16,314	2,319,644	2,079,291
Restricted		4,011			-0-	4,011
Unrestricted (Deficit)	<u>(344,538)</u>	<u>167,282</u>	<u>(36,769)</u>	<u>(50,616)</u>	<u>(381,307)</u>	<u>116,666</u>
<b>Total Net Assets</b>	<b>1,965,856</b>	<b>2,234,270</b>	<b>(27,519)</b>	<b>(34,302)</b>	<b>1,938,337</b>	<b>2,199,968</b>

Net assets of the School District's governmental activities decreased \$268,413. The net assets of the School District business-type activities increased \$6,783, due primarily to increases in lunch prices and decreases in medical insurance and retirement benefits for the staff.

# Eastern Lebanon County School District

## MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2009

### The School District as a Whole (Continued)

Table 2 shows the changes in net assets for fiscal year 2009 and 2008.

**Table 2**  
**Changes in Net Assets**  
**Governmental Activities**

	June 30, 2009			June 30, 2008		
	Governmental	Business-Type Activities	Total	Governmental	Business-Type Activities	Total
<b>Revenues</b>						
Program Revenues:						
Charges for Services	101,643	733,834	835,477	88,165	754,880	843,045
Operating Grants and Contributions	4,270,237	370,370	4,640,607	4,541,295	345,433	4,886,728
Capital Grants and Contributions	399,600		399,600	423,863		423,863
General Revenues:						
Property Taxes	16,753,427		16,753,427	16,024,135		16,024,135
Unrestricted Grants and Subsidies	4,968,910		4,968,910	4,385,406		4,385,406
Other	<u>2,216,152</u>	<u>117</u>	<u>2,216,269</u>	<u>3,069,717</u>	<u>871</u>	<u>3,070,588</u>
<b>Total Revenues</b>	<b>28,709,969</b>	<b>1,104,321</b>	<b>29,814,290</b>	<b>28,532,581</b>	<b>1,101,184</b>	<b>29,633,765</b>
<b>Expenses</b>						
Program Expenses:						
Instruction	17,528,110		17,528,110	16,850,454		16,850,454
Support Services:						
Instructional						
Student Support	2,486,399		2,486,399	2,394,490		2,394,490
Administrative and Finance Support Services	2,226,811		2,226,811	2,249,941		2,249,941
Operation and Maintenance of Plant Services	2,833,247		2,833,247	2,646,453		2,646,453
Pupil Transportation	1,519,639		1,519,639	1,426,423		1,426,423
Student Activities	833,835		833,835	787,276		787,276
Community Services	2,074		2,074	5,656		5,656
Interest on Long-Term Debt	1,548,267		1,548,267	1,556,099		1,556,099
Food Service		<u>1,097,538</u>	<u>1,097,538</u>		<u>1,105,399</u>	<u>1,105,399</u>
<b>Total Expenses</b>	<b>28,978,382</b>	<b>1,097,538</b>	<b>30,075,920</b>	<b>27,916,792</b>	<b>1,105,399</b>	<b>29,022,191</b>
<b>Increase (Decrease)</b>						
<b>In Net Assets</b>	<b>(268,413)</b>	<b>6,783</b>	<b>(261,630)</b>	<b>615,789</b>	<b>(4,215)</b>	<b>611,574</b>

# Eastern Lebanon County School District

## MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2009

### The School District as a Whole (Continued)

The School District passed a 96.04 mill levy during June 2009. Management will work to carefully control expenses during the coming years to assure tax levy revenues are prudently managed.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. It identifies the cost of these services supported by tax revenue and unrestricted State entitlements. Table 4 shows, for business-type activities, the total cost of services and the net cost of services.

**Table 3  
Governmental Activities**

	2009		2008	
	Total Cost	Net Cost	Total Cost	Net Cost
Instruction	17,528,110	14,300,182	16,850,454	13,411,087
Support Services:				
Instructional Student Support	2,486,399	2,328,301	2,394,490	2,219,846
Administrative and Finance Support Services	2,226,811	2,146,521	2,249,941	2,156,671
Operation and Maintenance of Plant Services	2,833,247	2,784,680	2,646,453	2,591,701
Pupil Transportation	1,519,639	742,693	1,426,423	632,403
Student Activities	833,835	753,784	787,276	713,869
Community Services	2,074	2,074	5,656	5,656
Interest on Long-Term Debt	<u>1,548,267</u>	<u>1,148,667</u>	<u>1,556,099</u>	<u>1,132,236</u>
<b>Total Expenses</b>	<b>28,978,382</b>	<b>24,206,902</b>	<b>27,916,792</b>	<b>22,863,469</b>

**Table 3  
Governmental Activities**

	2009		2008	
	Total Cost	Net Revenue	Total Cost	Net Cost
Food Services	1,097,538	6,666	1,105,399	5,086

### Governmental Activities

The dependence upon tax revenues for governmental activities is apparent. For all governmental activities, general revenue support is just over 82.6 percent. The community, as a whole, is by far the primary financial support for **Eastern Lebanon County School District** students.

# Eastern Lebanon County School District

## MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2009

### **Business-Type Activities**

Business-type activities include food service operations. This program had revenues of \$1,104,321 and expenses of \$1,097,538 for fiscal year 2009. The School District continues taking steps to reduce expenses. Business-type activities receive no support from tax revenues.

### **The School District's Funds**

Information about the School District's major funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$28,639,364 and other financing sources of \$23,987,838. Those same funds had expenditures of \$31,948,130 and other financing uses of \$12,257,070. The net change in fund balance for the year was most significant in the capital projects fund which shows an increase of \$8,770,843 due to financing revenue in preparation for construction of an intermediate school. Also in the general fund there was a decrease of \$352,371. As previously discussed, the School District approved a 96.04 mill operation levy in June of 2009. This new tax revenue, to be received during fiscal 2010, will improve School District financial stability for several years.

### **General Fund Budgeting Highlights**

The School District's budget is prepared according to Pennsylvania law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal 2009, the School District amended its general fund budget several times to accommodate differences from the original budget to the actual expenditures of the School District. The School District used site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, budget basis revenue and other financing sources was \$28,575,685; \$1,206,355 below final budget estimates of \$29,782,040.

The School District's ending unobligated fund balance was \$352,371 below the final budgeted amount. This was due primarily to lower earned income tax revenue. The method of collecting earned income tax revenue was changed effective October 1, 2008, when the Lebanon County Earned Income Tax Bureau ceased collection of taxes and contracted with Keystone Municipal Collections, Inc. for collection of those taxes. The Lebanon County Earned Income Tax Bureau distributed funds based on estimates through August 2008 while Keystone Municipal Collections, Inc. distributes funds based on reconciled data as required by Act 32 of 2008. This change in the distribution process resulted in a delay of funds to the School District. It should be noted that \$254,699 in collections which would have been received by the School District in August as part of an estimated distribution under the previous collection method was received in September based on actual reconciliations.

# Eastern Lebanon County School District

## MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2009

### Capital Assets and Debt Administration

**Capital Assets** - At the end of fiscal 2009, the School District had \$39.94 million invested in land, buildings, equipment, and textbooks, with \$39.93 million in governmental activities. Table 5 shows the fiscal 2009 balance compared to 2008:

**Table 5**  
**Capital Assets at June 30**  
**(Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land and						
Land Improvements	475,428	562,746			475,428	562,746
Building and Building						
Improvements	35,100,361	36,531,239			35,100,361	36,531,239
Furniture, Fixtures, and						
Equipment	802,711	998,319	9,250	16,314	811,961	1,014,633
Vehicles	74,026	87,890			74,026	87,890
Textbooks and Library						
Books	249,395	296,115			249,395	296,115
Construction in Progress	2,609,132	25,798			2,609,132	25,798
Bond Issue Costs	616,984	390,811			616,984	390,811
<b>Totals</b>	<b>39,928,037</b>	<b>38,892,918</b>	<b>9,250</b>	<b>16,314</b>	<b>39,937,287</b>	<b>38,909,232</b>

The increase was due primarily to construction in progress on a new school building.

# Eastern Lebanon County School District

## MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2009

### Capital Assets and Debt Administration (Continued)

#### Debt

At June 30, 2009, the School District had \$46.56 million in bonds and notes outstanding; with \$2.6 million due within one year. Table 6 summarizes bonds and notes outstanding:

**Table 6**  
**Outstanding Debts at Year End**  
**(In Thousands)**

	<b>Governmental Activities 2009</b>	<b>Governmental Activities 2008</b>
General Obligation Bonds:		
2002 Bonds	-0-	3,830
2003 Bonds	465	1,375
2003A Bonds	70	1,550
2003AA Bonds	1,240	1,835
2004 Bonds	-0-	2,925
2006 Bonds	7,325	7,810
2007 Bonds	7,445	7,470
2008A Bonds	9,950	9,995
2008 Bonds	2,000	-0-
2008B Bonds	1,730	-0-
2009 Bonds	6,565	-0-
2009A Bonds	<u>9,770</u>	<u>-0-</u>
<b>Total</b>	<b>46,560</b>	<b>36,790</b>

The 2003, 2003AA, 2007, 2008B, and 2009 issues were to refinance prior General Obligation Bond issues.

The 2002, 2003A, and 2004 issues were issued to renovate the middle school and an elementary school. Both buildings were constructed in 1972 and were in need of upgraded mechanical systems and repairs. The renovations prepared the buildings for the next twenty years.

The 2006 issue refinanced the 2001A and 2001B issues while the 2007 issue refinanced part of the 2003A issue. Part of the 2002 and 2004 issues were refinanced by the 2008A issue in 2007-08 fiscal year. The 2003A and 2004 issues were refinanced during the 2008-09 year by the 2008B and the balance of the 2002 and 2004 issues were refinanced by the 2009 issues.

The 2008 and 2009A issues were issued to build a new Intermediate School expected to open in August 2010. The building is tentatively planned to house all students in grades three through five and the Fort Zeller and Jackson Elementary Buildings are tentatively planned to be converted to house students in kindergarten through second grades.

# Eastern Lebanon County School District

## MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2009

### **For the Future**

**Eastern Lebanon County School District** is financially sound. As the preceding information shows, the School District heavily depends on its property taxpayers. With the passage of a 96.04 mill operating levy and collection beginning in fiscal 2010, the School District will be able to continue its education programs. However, financially the future is not without challenges.

While the School District was successful in increasing its tax revenue base, additional increases will be needed to fund the additional debt in the final year of the millage phase-in plan. Management must continue to diligently plan expenses, staying carefully within the School District's five-year plan.

In conclusion, **Eastern Lebanon County School District** has committed itself to financial excellence for many years. All of the School District's financial abilities will be needed to meet the challenges of the future.

### **Contacting the School District's Financial Management**

This financial report is designed to provide our citizen's, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it received. If you have questions about this report or need additional financial information please contact Gwen Boltz, Business Manager at **Eastern Lebanon County School District**, 180 ELCO Drive, Myerstown, PA 17067.

# Eastern Lebanon County School District

## STATEMENT of NET ASSETS

June 30, 2009

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 469,174	\$ 15,648	\$ 484,822
Investments	10,220,824	-0-	10,220,824
Taxes Receivable, net	519,008	-0-	519,008
Internal Balances	(5,255)	5,255	-0-
Due from Other Governments	869,845	357	870,202
Other Receivables	38,328	754	39,082
Inventories	210,495	14,450	224,945
Prepaid Expenses	255,280	-0-	255,280
<b>Total Current Assets</b>	<b>12,577,699</b>	<b>36,464</b>	<b>12,614,163</b>
<b>Noncurrent Assets</b>			
Land and Land Improvements, net of Accumulated Depreciation	475,428	-0-	475,428
Building and Building Improvements, net of Accumulated Depreciation	35,100,361	-0-	35,100,361
Furniture, Fixtures, and Equipment, net of Accumulated Depreciation	802,711	9,250	811,961
Vehicles, net of Accumulated Depreciation	74,026	-0-	74,026
Textbooks, net of Accumulated Depreciation	177,916	-0-	177,916
Library Books, net of Accumulated Depreciation	71,479	-0-	71,479
Construction in Progress	2,609,132	-0-	2,609,132
Bond Issue Costs, net of Accumulated Amortization	616,984	-0-	616,984
<b>Total Noncurrent Assets</b>	<b>39,928,037</b>	<b>9,250</b>	<b>39,937,287</b>
<b>TOTAL ASSETS</b>	<b>\$ 52,505,736</b>	<b>\$ 45,714</b>	<b>\$ 52,551,450</b>

See notes to financial statements.

# Eastern Lebanon County School District

## STATEMENT of NET ASSETS

(Continued)

June 30, 2009

	Governmental Activities	Business-Type Activities	Total
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 931,539	\$ 2,744	\$ 934,283
Current Portion of Bonds Payable	2,600,000	-0-	2,600,000
Current Portion of Capital Lease Obligations	22,834	-0-	22,834
Accrued Salaries and Benefits	1,770,103	6,566	1,776,669
Compensated Absences Due Within One Year	65,828	-0-	65,828
Accrued Interest on Long-Term Debt	295,428	-0-	295,428
Payroll Deductions and Withholdings	207,251	-0-	207,251
Deferred Revenues	1,875	12,542	14,417
Due to Other Governmental Agencies	113,275	-0-	113,275
Other Current Liabilities	203	-0-	203
<b>Total Current Liabilities</b>	<b>6,008,336</b>	<b>21,852</b>	<b>6,030,188</b>
<b>Noncurrent Liabilities</b>			
Bonds Payable, net of Unamortized Discount	43,438,755	-0-	43,438,755
Capital Lease Obligations	32,700	-0-	32,700
Long-Term Portion of Compensated Absences	925,294	47,233	972,527
Accrued Post Employment Benefit	134,795	4,148	138,943
<b>Total Noncurrent Liabilities</b>	<b>44,531,544</b>	<b>51,381</b>	<b>44,582,925</b>
<b>TOTAL LIABILITIES</b>	<b>50,539,880</b>	<b>73,233</b>	<b>50,613,113</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, net of Related Debt	2,310,394	9,250	2,319,644
Unrestricted	(344,538)	(36,769)	(381,307)
<b>TOTAL NET ASSETS</b>	<b>\$ 1,965,856</b>	<b>\$ (27,519)</b>	<b>\$ 1,938,337</b>

See notes to financial statements.

## Eastern Lebanon County School District

### STATEMENT of ACTIVITIES

Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenue			Net Revenue (Expense) and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities:							
Instruction	\$ 17,528,110	\$ 44,125	\$ 3,183,803	\$ -0-	\$ (14,300,182)	\$ -0-	\$ (14,300,182)
Instructional Student Support	2,486,399	-0-	158,098	-0-	(2,328,301)	-0-	(2,328,301)
Administrative and Finance							
Support Services	2,226,811	-0-	80,290	-0-	(2,146,521)	-0-	(2,146,521)
Operation and Maintenance of							
Plant Services	2,833,247	-0-	48,567	-0-	(2,784,680)	-0-	(2,784,680)
Pupil Transportation	1,519,639	-0-	776,946	-0-	(742,693)	-0-	(742,693)
Student Activities	833,835	57,518	22,533	-0-	(753,784)	-0-	(753,784)
Community Services	2,074	-0-	-0-	-0-	(2,074)	-0-	(2,074)
Interest on Long-Term Debt	1,548,267	-0-	-0-	399,600	(1,148,667)	-0-	(1,148,667)
<b>Total Governmental Activities</b>	<b>28,978,382</b>	<b>101,643</b>	<b>4,270,237</b>	<b>399,600</b>	<b>(24,206,902)</b>	<b>-0-</b>	<b>(24,206,902)</b>
Business-Type Activities:							
Food Service	<u>1,097,538</u>	<u>733,834</u>	<u>370,370</u>	<u>-0-</u>	<u>-0-</u>	<u>6,666</u>	<u>6,666</u>
<b>Total Government</b>	<b>\$ 30,075,920</b>	<b>\$ 835,477</b>	<b>\$ 4,640,607</b>	<b>\$ 399,600</b>	<b>\$ (24,206,902)</b>	<b>\$ 6,666</b>	<b>\$ (24,200,236)</b>

See notes to financial statements.

# Eastern Lebanon County School District

## STATEMENT of ACTIVITIES

(Continued)

Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenue			Net Revenue (Expense) and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, net					\$ 16,753,427	\$ -0-	\$ 16,753,427
Public Utility Realty, Earned Income, Occupation and Per Capita Taxes Levied for General Purposes, net					2,002,723	-0-	2,002,723
Unrestricted Grants and Subsidies					4,968,910	-0-	4,968,910
Investment Earnings					176,881	117	176,998
Miscellaneous Income					21,387	-0-	21,387
Gain on Fixed Asset Dispositions					15,161	-0-	15,161
<b>Total General Revenues</b>					<b>23,938,489</b>	<b>117</b>	<b>23,938,606</b>
<b>CHANGES in NET ASSETS</b>					<b>(268,413)</b>	<b>6,783</b>	<b>(261,630)</b>
<b>NET ASSETS</b>							
Beginning					2,234,269	(34,302)	2,199,967
Ending					<b>\$ 1,965,856</b>	<b>\$ (27,519)</b>	<b>\$ 1,938,337</b>

See notes to financial statements.

# Eastern Lebanon County School District

## BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2009

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Capital Project	Debt Service		
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 466,468	\$ -0-	\$ -0-	\$ 2,706	\$ 469,174
Investments	726,684	9,491,604	2,536	-0-	10,220,824
Taxes Receivable, net	519,008	-0-	-0-	-0-	519,008
Due from Other Governments	869,845	-0-	-0-	-0-	869,845
Other Receivables	38,328	-0-	-0-	-0-	38,328
Inventories	210,493	-0-	-0-	-0-	210,493
Prepaid Expenses	254,760	-0-	-0-	520	255,280
<b>TOTAL ASSETS</b>	<b><u>3,085,586</u></b>	<b><u>9,491,604</u></b>	<b><u>2,536</u></b>	<b><u>3,226</u></b>	<b><u>12,582,952</u></b>
<b>LIABILITIES and FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts Payable	211,137	719,530	-0-	872	931,539
Due to Other Funds	5,458	-0-	-0-	-0-	5,458
Accrued Salaries and Benefits	1,770,103	-0-	-0-	-0-	1,770,103
Payroll Deductions and Withholdings	207,251	-0-	-0-	-0-	207,251
Payable to Other Governments	113,275	-0-	-0-	-0-	113,275
Deferred Revenues	226,629	-0-	-0-	-0-	226,629
Compensated Absences	65,828	-0-	-0-	-0-	65,828
<b>TOTAL LIABILITIES</b>	<b><u>2,599,681</u></b>	<b><u>719,530</u></b>	<b><u>-0-</u></b>	<b><u>872</u></b>	<b><u>3,320,083</u></b>
<b>FUND BALANCES</b>					
Reserved for:					
Inventories	210,493	-0-	-0-	-0-	210,493
Prepaid Expenses	254,760	-0-	-0-	-0-	254,760
Unreserved - Undesignated:					
General Fund	20,652	-0-	-0-	-0-	20,652
Special Revenue Funds	-0-	-0-	-0-	2,354	2,354
Capital Projects Funds	-0-	8,772,074	-0-	-0-	8,772,074
Debt Service Fund	-0-	-0-	2,536	-0-	2,536
<b>TOTAL FUND BALANCES</b>	<b><u>485,905</u></b>	<b><u>8,772,074</u></b>	<b><u>2,536</u></b>	<b><u>2,354</u></b>	<b><u>9,262,869</u></b>
<b>TOTAL LIABILITIES and FUND BALANCES</b>	<b><u>\$ 3,085,586</u></b>	<b><u>\$ 9,491,604</u></b>	<b><u>\$ 2,536</u></b>	<b><u>\$ 3,226</u></b>	<b><u>\$ 12,582,952</u></b>

See notes to financial statements.

**Eastern Lebanon County School District**  
 RECONCILIATION of the GOVERNMENTAL FUNDS BALANCE SHEET  
 to the STATEMENT of NET ASSETS  
 June 30, 2009

Total fund balances - governmental funds \$ 9,262,869

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds. The cost of assets is \$67,097,452, and the accumulated depreciation is \$27,786,399. 39,311,053

Property taxes receivable are available for collection this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds. 224,756

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Bonds Payable, net of Unamortized Discount	(46,038,755)
Accrued Interest on Long-Term Debt	(295,428)
Bond Issue Costs, net of Accumulated Amortization	616,984
Long-Term Portion of Capital Lease Obligations	(55,534)
Compensated Absences	(925,294)
Post-Employment Benefits	<u>(134,795)</u>

**TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES \$ 1,965,856**

See notes to financial statements.

# Eastern Lebanon County School District

## STATEMENT of REVENUES, EXPENDITURES, and CHANGES in FUND BALANCES - GOVERNMENTAL FUNDS Year Ended June 30, 2009

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Capital Project	Debt Service		
<b>REVENUES</b>					
Local Sources:					
Real Estate Taxes	\$ 16,697,984	\$ -0-	\$ -0-	\$ -0-	\$ 16,697,984
Other Taxes	2,002,723	-0-	-0-	-0-	2,002,723
Investment Earnings	142,500	26,245	8,105	31	176,881
Rent	1,970	-0-	-0-	-0-	1,970
Student Activities	-0-	-0-	-0-	56,407	56,407
Other Revenue	469,737	-0-	-0-	1,114	470,851
Total Local Sources	19,314,914	26,245	8,105	57,552	19,406,816
State Sources	8,559,566	-0-	-0-	-0-	8,559,566
Federal Sources	672,982	-0-	-0-	-0-	672,982
<b>Total Revenues</b>	<b>28,547,462</b>	<b>26,245</b>	<b>8,105</b>	<b>57,552</b>	<b>28,639,364</b>
<b>EXPENDITURES</b>					
Instruction Services	15,953,002	-0-	-0-	-0-	15,953,002
Support Services	8,575,844	248,360	111,675	-0-	8,935,879
Noninstructional Services	542,365	-0-	-0-	235,547	777,912
Capital Outlay	-0-	2,599,175	-0-	-0-	2,599,175
Debt Service	39,395	-0-	3,599,932	-0-	3,639,327
Refund of Prior Year Receipts	42,835	-0-	-0-	-0-	42,835
<b>Total Expenditures</b>	<b>25,153,441</b>	<b>2,847,535</b>	<b>3,711,607</b>	<b>235,547</b>	<b>31,948,130</b>
<b>EXCESS (DEFICIENCY)</b>					
<b>of REVENUES over</b>					
<b>EXPENDITURES</b>	<b>3,394,021</b>	<b>(2,821,290)</b>	<b>(3,703,502)</b>	<b>(177,995)</b>	<b>(3,308,766)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Bond Proceeds	-0-	11,770,000	-0-	-0-	11,770,000
Refunding Bond Proceeds	-0-	-0-	8,415,000	-0-	8,415,000
Debt Discount	-0-	(179,014)	(88,670)	-0-	(267,684)
Debt Service (Payment to Refunded					
Bond Escrow Agent)	-0-	-0-	(8,214,771)	-0-	(8,214,771)
Interfund Transfers In	-0-	1,147	3,590,468	183,000	3,774,615
Interfund Transfers Out	(3,774,615)	-0-	-0-	-0-	(3,774,615)
Proceeds from Sale of Fixed Assets	28,223	-0-	-0-	-0-	28,223
<b>Net Other Financing</b>					
<b>Sources (Uses)</b>	<b>(3,746,392)</b>	<b>11,592,133</b>	<b>3,702,027</b>	<b>183,000</b>	<b>11,730,768</b>
<b>NET CHANGES in</b>					
<b>FUND BALANCES</b>					
	<b>(352,371)</b>	<b>8,770,843</b>	<b>(1,475)</b>	<b>5,005</b>	<b>8,422,002</b>
<b>FUND BALANCES</b>					
Beginning	823,298	1,231	4,011	(2,651)	825,889
Change in Inventory	14,978	-0-	-0-	-0-	14,978
<b>Ending</b>	<b>\$ 485,905</b>	<b>\$ 8,772,074</b>	<b>\$ 2,536</b>	<b>\$ 2,354</b>	<b>\$ 9,262,869</b>

See notes to financial statements.

**Eastern Lebanon County 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, 2009

Net changes in fund balances - total governmental funds \$ 8,422,002

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

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. The amount by which depreciation exceeds capital outlays in the period is as follows:

Depreciation Expense	(1,924,757)	
Capital Outlays	2,751,143	
Net Loss on Disposed Assets	<u>(13,062)</u>	813,324

Because some property taxes will not be collected for several months after the School District's fiscal year ends, they are not considered available revenues in the governmental funds. Deferred tax revenues increased by 55,443

The governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. Also, governmental funds report the effect of issuance costs and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

General Obligation Bond Proceeds	(11,770,000)	
General Obligation Refunding Bond Proceeds	(8,415,000)	
General Obligation Principal Refunded	8,100,000	
Bond Issuance Costs	287,667	
Bond Discount	267,684	
Repayment of Bond Principal	2,315,000	
Accrued Interest Expense - General Obligation Bonds	(53,899)	
Amortization of Bond Issuance Costs	(61,490)	
Amortization of Bond Discounts/Premiums	<u>(33,175)</u>	\$ (9,363,213)

See notes to financial statements.

**Eastern Lebanon County School District**  
 RECONCILIATION of the GOVERNMENTAL FUNDS STATEMENT of  
 REVENUES, EXPENDITURES, and CHANGES in FUND BALANCES  
 to the STATEMENT of ACTIVITIES  
 (Continued)  
 Year Ended June 30, 2009

The governmental funds report repayment of capital lease obligations as expenditures. However, in the statement of activities these repayments reduce the liability, for capital lease obligations.	\$ 26,465
In the statement of activities, certain operating expenses (e.g., compensated absences) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used.	(102,617)
The accrued post-employment benefit is recorded as a liability in the government-wide financial statement but not in the fund financial statements. This amount represents the change in the accrued post-employment benefit for the year.	(134,795)
The governmental funds follow the purchase method of inventory, however, the statement of net assets uses the consumption method of inventory.	<u>14,978</u>
<b>CHANGES in NET ASSETS of GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ (268,413)</u></b>

See notes to financial statements.

**Eastern Lebanon County School District**

STATEMENT of NET ASSETS -

PROPRIETARY FUNDS

June 30, 2009

	Food Service
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and Cash Equivalents	\$ 15,648
Due from Other Funds	5,255
Due from Other Governments	357
Other Receivables	754
Inventories	<u>14,450</u>
<b>Total Current Assets</b>	<b>36,464</b>
<b>Noncurrent Assets</b>	
Furniture, Fixtures, and Equipment, net of Accumulated Depreciation	<u>9,250</u>
<b>TOTAL ASSETS</b>	<b><u>45,714</u></b>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts Payable	2,744
Accrued Salaries and Benefits	6,566
Deferred Revenue	<u>12,542</u>
<b>Total Current Liabilities</b>	<b>21,852</b>
<b>Noncurrent Liabilities</b>	
Long-Term Portion of Compensated Absences	47,233
Accrued Post-Employment Benefit	<u>4,148</u>
<b>Total Noncurrent Liabilities</b>	<b><u>51,381</u></b>
<b>TOTAL LIABILITIES</b>	<b><u>73,233</u></b>
<b>NET ASSETS</b>	
Invested in Capital Assets, net of Related Debt	9,250
Unrestricted	<u>(36,769)</u>
<b>TOTAL NET ASSETS</b>	<b><u>\$ (27,519)</u></b>

See notes to financial statements.

**Eastern Lebanon County School District**  
 STATEMENT of REVENUES, EXPENSES, and CHANGES in NET ASSETS -  
 PROPRIETARY FUNDS  
 Year Ended June 30, 2009

	<b>Food Service</b>
<b>OPERATING REVENUES</b>	
Food Service Revenue	<b>\$ 733,834</b>
<b>OPERATING EXPENSES</b>	
Salaries	320,736
Employee Benefits	197,707
Purchased Professional and Technical Services	3,307
Purchased Property Services	25,127
Other Purchased Services	1,817
Supplies	541,543
Depreciation	7,064
Dues and Fees	237
<b>Total Operating Expenses</b>	<u><b>1,097,538</b></u>
 <b>OPERATING LOSS</b>	 <b>(363,704)</b>
 <b>NONOPERATING REVENUES</b>	
Investment Earnings	117
State Sources	57,003
Federal Sources	313,367
<b>Nonoperating Revenues</b>	<u><b>370,487</b></u>
 <b>CHANGES in NET ASSETS</b>	 <b>6,783</b>
 <b>NET ASSETS</b>	
Beginning	<u>(34,302)</u>
 <b>Ending</b>	 <u><b>\$ (27,519)</b></u>

See notes to financial statements.

# Eastern Lebanon County School District

## STATEMENT of CASH FLOWS -

### PROPRIETARY FUNDS

Year Ended June 30, 2009

	<b>Food Service</b>
<b>CASH FLOWS from OPERATING ACTIVITIES</b>	
Cash Received from Users	\$ 733,368
Cash Payments to Employees for Services	(508,232)
Cash Payments to Suppliers for Goods and Services	(510,707)
Cash Payments for Other Operating Expenses	(237)
<b>Net Cash Used by Operating Activities</b>	<b><u>(285,808)</u></b>
<b>CASH FLOWS from NONCAPITAL FINANCING ACTIVITIES</b>	
State Sources	57,647
Federal Sources	253,912
Loan from General Fund	(15,350)
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b><u>296,209</u></b>
<b>CASH FLOWS from INVESTING ACTIVITIES</b>	
Investment Earnings	<u>117</u>
<b>INCREASE in CASH and CASH EQUIVALENTS</b>	<b>10,518</b>
<b>CASH and CASH EQUIVALENTS</b>	
Beginning of Year	<u>5,130</u>
<b>End of Year</b>	<b><u><u>15,648</u></u></b>
<b>RECONCILIATION of OPERATING LOSS to NET CASH USED by OPERATING ACTIVITIES</b>	
Operating Loss	<b>(363,704)</b>
<b>ADJUSTMENTS to RECONCILE OPERATING LOSS to NET CASH USED by OPERATING ACTIVITIES</b>	
Depreciation	7,064
Donated Commodities Used	63,032
Decrease in Inventory	(2,150)
Increase in Other Current Assets	1,684
Increase in Accounts Payable	(1,945)
Increase in Accrued Salaries and Benefits	10,211
<b>Total Adjustments</b>	<b><u>77,896</u></b>
<b>Net Cash Used by Operating Activities</b>	<b><u>\$ (285,808)</u></b>

See notes to financial statements.

**Eastern Lebanon County School District**

STATEMENT of NET ASSETS -

FIDUCIARY FUNDS

June 30, 2009

	<b>Private Purpose Trust</b>	<b>Agency Fund</b>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 15,855	\$ 126,830
Investments	81,904	-0-
Other Receivables	-0-	591
Due from Other Funds	-0-	203
	<u>97,759</u>	<u>127,624</u>
<b>TOTAL ASSETS</b>	<b><u>97,759</u></b>	<b><u>127,624</u></b>
<b>LIABILITIES</b>		
Accounts Payable	9,297	278
Other Current Liabilities	-0-	127,346
	<u>9,297</u>	<u>127,624</u>
<b>TOTAL LIABILITIES</b>	<b><u>9,297</u></b>	<b><u>127,624</u></b>
<b>NET ASSETS</b>		
Restricted for Scholarships	<u>\$ 88,462</u>	<u>\$ -0-</u>

See notes to financial statements.

**Eastern Lebanon County School District**  
 STATEMENT of CHANGES in NET ASSETS -  
 FIDUCIARY FUNDS  
 Year Ended June 30, 2009

	<b>Private Purpose Trust</b>
<b>ADDITIONS</b>	
Investment Earnings	\$ 6,929
Realized and Unrealized Gain on Investments	(36,596)
Gifts and Contributions	<u>5,255</u>
<b>Total Additions</b>	<b>(24,412)</b>
<b>DEDUCTIONS</b>	
Scholarships Awarded	<u>9,892</u>
<b>CHANGES in NET ASSETS</b>	<b>(34,304)</b>
<b>NET ASSETS</b>	
Beginning	<u>122,766</u>
<b>Ending</b>	<b><u>\$ 88,462</u></b>

See notes to financial statements.

# Eastern Lebanon County School District

## NOTES to FINANCIAL STATEMENTS

### NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES

**Eastern Lebanon County School District**, located in Lebanon County, Pennsylvania, provides a full range of educational services appropriate to grade levels kindergarten through 12 to students living in Myerstown and Richland Boroughs and Heidelberg, Jackson, and Millcreek Townships. These include regular, advanced academic, and vocational education programs, and special education programs for gifted and handicapped children. The governing body of the School District is a board of nine school directors who are each selected for a four-year term. The daily operation and management of the School District is carried out by the administrative staff of the School District, headed by the Superintendent of Schools who is appointed by the Board of School Directors. The School District is comprised of four elementary schools, one middle school, and one high school serving approximately 2,508 students.

The accounting policies of **Eastern Lebanon County School District** conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The following is a summary of the School District's significant accounting policies:

#### **Reporting Entity**

Consistent with guidance contained in Statement No. 14 of the Governmental Accounting Standards Board (GASB), *The Financial Reporting Entity*, the criteria used by the School District to evaluate the possible inclusion of related entities (Authorities, Boards, Councils, and so forth) within its reporting entity are financial accountability and the nature and significance of the relationship. In determining financial accountability in a given case, the School District reviews the applicability of the following criteria:

The School District is financially accountable for:

1. Organizations that make up its legal entity.
2. Legally separate organizations if School District officials appoint a voting majority of the organization's governing body and the School District is able to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the School District as defined below.

**Impose its Will** - If the School District can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.

**Financial Benefit or Burden** - If the School District (1) is entitled to the organization's resources or (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization or (3) is obligated in some manner for the debt of the organization.

3. Organizations that are fiscally dependent on the School District. Fiscal dependency is established if the organization is unable to adopt its own budget, levy taxes or set rates or charges, or issue bonded debt without the approval of the School District.

# Eastern Lebanon County School District

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Reporting Entity (Continued)

Based on the foregoing criteria, no additional entities are included in the accompanying basic financial statements.

#### Joint Ventures

##### **Lebanon County Career and Technology Center**

The School District is one of six member school districts of the Lebanon County Career and Technology Center (LCCTC). LCCTC provides vocational-technical training and education to participating students of the member districts. LCCTC is controlled and governed by the Career and Technology Center Board for Lebanon County, which is comprised of school board members of all the member districts. No member school district exercises specific control over the fiscal policies or operations of LCCTC. The LCCTC is not reported as part of the School District's reporting entity. The School District's share of annual operating costs for LCCTC fluctuates, based upon the percentage of enrollment of each member school district. General fund expenditures include \$656,315 paid and accrued by the School District to LCCTC during the year ended June 30, 2009. At June 30, 2009, there were no amounts receivable from or payable to LCCTC. Complete financial statements for LCCTC can be obtained from the Administrative Office at 833 Metro Drive, Lebanon, PA 17042.

##### **Lebanon County Area Career and Technology Center Authority**

The School District is also a member of the Lebanon County Area Career and Technology Center Authority (Authority). In 1965, the Authority entered into an agreement with the member school districts and the Lebanon County Career and Technology Center (LCCTC) to acquire land and construct buildings to provide the facilities for the operation of LCCTC. In February 2001, the Authority entered into an additional agreement with the same parties to provide funding for the upgrading and modernization of the LCCTC facilities. In May 2008, the Authority entered into an additional agreement with the same parties to currently refund the Authority's 2001 bonds and to construct improvements to the LCCTC's premises and facilities. The School District has an ongoing financial responsibility to the Authority for a portion of the debt obligations relating to these improvements. The balance of the School District's share of these obligations at June 30, 2009, was \$1,998,923. The School District's lease payment to the Authority for the year ended June 30, 2009, was \$39,395 which has been reported in the School District's general fund. Complete general purpose financial statements for the Authority can be obtained from the Administrative Office at 833 Metro Drive, Lebanon, PA 17042.

# Eastern Lebanon County School District

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Joint Ventures (Continued)

##### **Lancaster-Lebanon Joint Authority**

The School District is a member in the Lancaster-Lebanon Joint Authority (Authority). The Authority was incorporated on February 14, 1980, under the Municipality Authorities Act of 1945, Act of May 2, 1945, P. L. 382, as amended by the Boards of School Directors of the 22 school districts located in Lancaster and Lebanon counties. The school districts established the Authority for the purposes of acquiring, holding, constructing, improving, maintaining, operating, owning and/or leasing projects for public school purposes and for the purposes of the Lancaster-Lebanon Intermediate Unit No. 13. The Authority is not reported as part of the School District's reporting entity. The School District did not have any financial transactions with the Authority during the year ended June 30, 2009. Complete general purpose financial statements for the Authority can be obtained from the Administrative Office at 1020 New Holland Avenue, Lancaster, PA 17601.

##### **Lancaster-Lebanon Intermediate Unit (LLIU)**

The LLIU Board of Directors consists of 22 members from the IU's constituent school districts. The LLIU Board members are school district board members who are elected by the public and are appointed to the LLIU Board by the member districts' Boards of Directors. **Eastern Lebanon County School District** is responsible for appointing one of these members. The LLIU Board has decision-making authority, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters. **Eastern Lebanon County School District** contracts with the LLIU for special education services for School District students. General fund expenditures for these services for the year ended June 30, 2009, were approximately \$1,049,267. At June 30, 2009, \$24,346 was receivable from LLIU and \$61,693 was payable to LLIU. Complete financial information for LLIU can be obtained from the Administrative Office at 1020 New Holland Avenue, Lancaster, PA 17601.

##### **Lebanon County Earned Income Tax Bureau (Bureau)**

The School District participates with five other school districts and 25 municipalities in the county for the collection of earned income taxes. Each public school district appoints one member to serve on the Executive Committee. Currently four of the six districts have a municipal representative on the Committee. The Executive Committee has contracted with Keystone Municipal Collections to collect the earned income tax. Collection costs, currently 1.4% of collections, are deducted from the weekly distributions. Complete financial information for the Bureau can be obtained by mailing a request to PO Box 723, Lebanon, PA 17042.

#### **Basis of Presentation - Fund Accounting**

The accounts of the School District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts comprising each fund's assets, liabilities, fund equity, revenues, and expenditures/expenses. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent.

# Eastern Lebanon County School District

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Basis of Presentation - Financial Statements**

##### **Government-Wide Financial Statements**

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

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents direct expenses and program revenues 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 governmental function is self-financing or draws from the general revenues of the School District.

##### **Fund Financial Statements**

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for nonmajor 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 fund types are accounted for using a flow of current financial resources measurement focus. 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.

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

# Eastern Lebanon County School District

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Basis of Presentation - Financial Statements (Continued)

##### Fund Financial Statements (Continued)

Fiduciary funds are reported using the economic resources measurement focus.

The School District reports the following major governmental funds:

**General Fund** - The general fund is the principal operating fund of the School District. It is used to account for all financial resources except those required to be accounted for in another fund.

**Capital Projects Fund** - This fund is used to account for financial resources related to fixed asset acquisitions, construction, and improvements.

**Debt Service Fund** - This fund is used to account for the accumulation of resources for, and the payment of general long-term debt principal and interest, and for the payment of future variable interest debt payments.

The School District reports the following proprietary fund:

**Food Service Fund** - This fund accounts for the revenues, food purchases, and other costs and expenses of providing meals to students during the school year.

The School District accounts for assets held by the School District in a trustee capacity in a private purpose trust fund. This fund accounts for the receipts and disbursement of monies contributed to the School District for scholarships and memorials.

The agency fund is used to account for assets held by the School District as agent for others. Agency funds are custodial in nature and do not involve measurement of results of operations. This fund includes the student activities fund.

The School District reports the following nonmajor governmental fund:

**Athletic Fund** - This fund accounts for gate receipts and other revenues from athletic events and costs of the athletic program.

#### Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

# Eastern Lebanon County School District

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Basis of Accounting (Continued)**

Government-wide, proprietary, and fiduciary fund financial statements measure and report all assets, liabilities, revenues, expenses, gains, and losses using the economic resources measurement focus and accrual basis of accounting. 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. Net assets (total assets less total liabilities) are used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net assets. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the statement of net assets.

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the School District is considered to be 60 days after fiscal year end. Revenue from federal, state, and other grants designated for payment of specific school district expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as deferred revenues until earned. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except debt service and compensated absence payments which are recognized when due.

Under the modified accrual basis, the following revenue sources are considered susceptible to accrual at year end: property taxes, tuition, grants and entitlements, student fees, and interest on investments. Current property taxes measurable at June 30, 2009, and which are not intended to finance fiscal 2009 operations have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) are recognized as revenue at year end.

The accrual basis of accounting is utilized for reporting purposes by the government-wide financial statements, proprietary funds, and the fiduciary funds. Revenues are recognized when they are earned and expenses are recognized when incurred.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the School District follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

# Eastern Lebanon County School District

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Basis of Accounting (Continued)**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. The principal operating revenues of the School District's food service fund are charges to students and staff for food. Operating expenses include the costs to provide food. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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.

#### **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, amounts in demand, and interest-bearing bank deposits.

#### **Investments**

Investments are recorded at fair value.

#### **Taxes Receivable and Deferred Tax Revenues**

The portion of delinquent real estate taxes receivable that is expected to be received within 60 days of June 30 is recorded as revenue in the current year. The remaining amount of those and other taxes receivable is recorded as deferred tax revenues. All taxes receivable are considered to be fully collectible.

# Eastern Lebanon County School District

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Inventories**

On the government-wide financial statements, inventories are presented at estimated cost on a first-in/first-out basis, and are expensed when used.

Inventories in the governmental funds represent the estimated cost using the first-in/first-out (FIFO) method of supplies on hand at June 30, 2009. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, an estimated value of inventories is reported as an asset in the general fund. The inventories in the general fund are equally offset by a fund balance reserve which indicates they do not constitute "available spendable resources" even though they are a component of net current assets.

Inventories in the food service fund represent the cost using the first-in/first-out (FIFO) method of food and supplies on hand at June 30, 2009, including the value of commodities donated by the federal government.

#### **Prepaid Expenses**

Prepaid expenses represent the cost of goods and services that have been paid for in advance of receipt. The consumption method is used to account for prepaid expenses in all fund types. Under the consumption method, prepaid expenses are recorded as assets and expended or expensed as the goods or services are received.

#### **Capital Assets and Depreciation**

The School District's property, plant, and equipment with useful lives of more than one year are stated at historical cost (or estimated historical cost) and comprehensively reported in the government-wide financial statements. Proprietary fund capital assets are also reported in their fund financial statements. Donated assets are stated at fair value on the date donated. The School District generally capitalizes assets with a cost of \$4,000 or more as purchase and construction outlays occur. Assets other than computers with a useful life of longer than one year that have an individual value less than \$4,000 but are purchased in quantities that exceed \$10,000 will also be capitalized. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations. Estimated historical costs of capital assets were derived, when information supporting historical costs was not obtainable, by adjusting current replacement cost back to the estimated year of acquisition. Estimated useful lives, in years, for depreciable assets are generally as follows:

School Buildings	40 Years
Land Improvements	20 Years
Furniture, Fixtures, and Equipment	5 - 12 Years
Vehicles	12 Years
Textbooks	5 Years
Library Books	5 Years

# Eastern Lebanon County School District

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources 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 expenditures.

#### **Compensated Absences**

The School District accrues vacation leave as a liability as the benefits are earned by the employees if it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive severance benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the School District's severance policy. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected.

Additional amounts are accrued for salary-related payments associated with the payment of compensated absences using the rates in effect at the balance sheet date. The School District has accrued the employer's share of social security and medicare taxes.

#### **Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration and project control in the general fund. Encumbrances outstanding at year end are reported as reservations of fund balances because they do not constitute expenditures or liabilities. As of June 30, 2009, the School District had no encumbrances.

# Eastern Lebanon County School District

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Pension Plan**

Substantially all full-time and qualifying part-time employees of the School District participate in a cost-sharing multiple employer defined benefit pension plan. The School District recognizes annual pension expenditures or expenses equal to its contractually required contributions, subject to the modified accrual basis of accounting in governmental funds. (That is, if contributions from governmental funds are required but not made, the difference would not be reported as an expenditure until payable with expendable, available financial resources.) The School District made all required contributions for the year ended June 30, 2009, and has recognized them as expenditures and expenses in the governmental and proprietary funds, respectively.

#### **Interfund Activity**

On fund financial statements, receivables, and payables resulting from short-term interfund loans or interfund services provided and used are classified as interfund receivables and payables. Interfund balances within governmental activities are eliminated on the government-wide statement of net assets. The only interfund balances which remain on the government-wide statement of net assets are those between governmental and business-type activities. Those amounts are reflected as "internal balances."

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Exchange transactions between governmental funds are eliminated on the government-wide statements.

#### **Fund Equity**

Unreserved fund balances for governmental fund types represent the amount available for budgeting future operations. Reserved fund balances for governmental fund types represent the amounts that have been identified for a specified expenditure. Designations of fund balances represent tentative management plans that are subject to change. Unrestricted net assets for proprietary fund types represent the net assets available for future operations or distribution.

#### **Estimates**

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

#### **Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2009.

# Eastern Lebanon County School District

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 2 - CASH and CASH EQUIVALENTS and INVESTMENTS

Under Section 440.1 of the Public School Code of 1949, as amended, the School District is permitted to invest its monies as follows:

Obligations of (a) 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, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (c) 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.

Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law is pledged by the depository.

The deposit and investment policy of the School District adheres to state statutes. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the School District.

#### Cash and Cash Equivalents - 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 does not have a policy for custodial credit risk although the public school code requires that all deposits of the School District which are not insured are collateralized by the depository institution. As of June 30, 2009, \$401,962 of the School District's bank balance of \$651,962 is exposed to custodial credit risk as:

Uninsured and Uncollateralized	-0-
Collateralized with Securities Held by the Pledging Financial Institution	-0-
Uninsured and Collateral Held by the Pledging Bank's Trust Department not in the School District's Name	<u>401,962</u>
	<b>401,962</b>

#### Reconciliation of Cash and Cash Equivalents to the Financial Statement

Uninsured Amount Above	401,962
Insured Amount	<u>250,000</u>
Bank Balance	651,962
Outstanding Checks	(25,105)
Deposits in Transit	<u>-0-</u>
Carrying Amount - Bank Balances	626,857
Petty Cash	<u>650</u>
<b>Total Cash and Cash Equivalents per Financial Statement</b>	<b>627,507</b>

# Eastern Lebanon County School District

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 2 - CASH and CASH EQUIVALENTS and INVESTMENTS (Continued)

#### Investments

The School District invests in the Pennsylvania Local Government Investment Trust. The Pennsylvania Local Government Investment Trust (PLGIT) ensures that it will not place deposits with any single issuing institution if the largest participant's pro rata share of such deposits exceeds \$100,000, unless such deposits are collateralized as prescribed by Act 72 of the Commonwealth of Pennsylvania. PLGIT funds have the characteristics of open-end mutual funds and are not subject to credit risk classification. The fair value of the School District's position in these investment pools is equivalent to the value of the pool shares. The National Association of Securities Dealers acts as the formal external regulatory oversight for the investment pools.

The School District also invests in the Pennsylvania School District Liquid Asset Fund as authorized by the Board of School Directors. The Pennsylvania School District Liquid Asset Fund (PSDLAF), the liquid asset series, and the MAX series (PSDMAX) were established to enable school districts to pool funds for investment in instruments authorized by Section 440.1 of the Pennsylvania Public School Code of 1949 as amended.

Balances in the School District's debt service funds are invested in Goldman Sachs Financial Square Treasury Obligation Money Market Fund.

The School District also invested in certificates of deposit during the year ended June 30, 2009.

The School District's private purpose trust fund has investments in common stock and preferred securities.

As of June 30, 2009, the School District has the following investments:

Investments	Fair Value
PSDLAF/PSDMAX	153,072
PLGIT	10,183,621
Goldman Sachs Financial Square Treasury Obligation Money Market Mutual Fund	3,044
Blackrock Closed End Mutual Funds Money Market Fund	3,392
Common Stock	153,524
Preferred Securities	36,828
Carrying Amount	<u>41,684</u>
Outstanding Checks	10,575,165
Deposits in Transit	(392,937)
	<u>120,500</u>
<b>Total Investments per Financial Statement</b>	<b>10,302,728</b>

#### Interest Rate Risk

The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

# Eastern Lebanon County School District

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 2 - CASH and CASH EQUIVALENTS and INVESTMENTS (Continued)

#### Credit Risk

The School District has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2009, the School District investments are rated as:

Investments	Standard & Poor's
PSDLAF	AAAm
PSDMAX	AAAm
PLGIT	AAAm
Goldman Sachs Financial Square Treasury Obligation Money Market Mutual Fund	AAAm
Blackrock Closed End Mutual Funds	AAA

#### Concentration of Credit Risk

The School District places no limit on the amount the School District may invest in any one issuer. Investments that represent 5% or more of a reporting unit's total investments are as follows:

Governmental Activities:	
PLGIT	97%
General Fund:	
PLGIT	69%
Capital Project Fund:	
PLGIT	100%
Debt Service Fund:	
Goldman Sachs Financial Square Treasury Obligation Money Market Mutual Fund	100%
Aggregate Remaining Funds:	
PPL Corporation Common Securities	34%
ABN AMRO Preferred Securities	6%
MBNA Preferred Securities	19%
NPB Capital Preferred Securities	20%
Royal Bank of Scotland Preferred Securities	5%

#### Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The School District has no investment subject to custodial credit risk.

# Eastern Lebanon County School District

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 3 - REAL ESTATE TAXES

Based upon assessments provided by the County, the Lebanon County Earned Income Tax Bureau bills and collects property taxes and remits them to the School District. The School District tax rate for the year ended June 30, 2009, was 91.65 mills (\$91.65 per \$1,000 of assessed valuation) as levied by the Board of School Directors. The schedule for real estate taxes levied for the fiscal year ended June 30, 2009, follows:

July 1	- Levy Date
July 1 - August 31	- 2% Discount Period
September 1 - October 31	- Face Payment Period
November 1 - December 31	- 10% Penalty Period
January 1	- Lien Date (Lebanon County Tax Claim Bureau)

### NOTE 4 - TAXES RECEIVABLE and DEFERRED TAXES

The School District, in accordance with accounting principles generally accepted in the United States of America, recognizes the delinquent and unpaid taxes receivable. All taxes are determined to be collectible. A portion of the receivable amount which was measurable and available within 60 days was recognized as revenue and the balance deferred in the fund financial statements. The balances at June 30, 2009, are as follows:

	<b>Taxes Receivable</b>	<b>Revenue Recognized</b>	<b>Deferred Taxes</b>
Real Estate Taxes	350,801	126,047	224,754
Real Estate Transfer Taxes	22,824	22,824	-0-
Earned Income Taxes	145,339	145,339	-0-
Delinquent Per Capita Taxes	<u>44</u>	<u>44</u>	<u>-0-</u>
	<b>519,008</b>	<b>294,254</b>	<b>224,754</b>

# Eastern Lebanon County School District

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 5 - DUE from OTHER GOVERNMENTS

Amounts due from other governments represent receivables for revenues earned by the School District. At June 30, 2009, the following amounts are due from other governmental units:

	General Fund	Enterprise Fund	Total
Federal Grants	194,118	-0-	194,118
State Retirement Subsidy	128,831	139	128,970
State FICA Subsidy	80,599	218	80,817
State Transportation Subsidy	3,638	-0-	3,638
State Sinking Fund Subsidy	389,458	-0-	389,458
Due from IU 13 for Special Education Overpayment	<u>73,201</u>	<u>-0-</u>	<u>73,201</u>
	<b>869,845</b>	<b>357</b>	<b>870,202</b>

### NOTE 6 - INTERFUND ACCOUNTS

Individual fund receivable and payable balances at June 30, 2009, are as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund	-0-	5,458
Enterprise Fund - Food Service	5,255	-0-
Agency Fund	<u>203</u>	<u>-0-</u>
	<b>5,458</b>	<b>5,458</b>

Balances of \$5,255 and \$203 are due from the general fund to the enterprise fund to reimburse a payroll overpayment and for Pepsi commissions allocated to the student activity fund, respectively.

Interfund transfers for the year ended June 30, 2009, are as follows:

Fund	Transfers In	Transfers Out
General Fund	-0-	3,774,615
Debt Service Fund	3,590,468	-0-
Capital Project Fund	1,147	-0-
Athletic Fund	<u>183,000</u>	<u>-0-</u>
	<b>3,774,615</b>	<b>3,774,615</b>

# Eastern Lebanon County School District

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 6 - INTERFUND ACCOUNTS (Continued)

Transfers are made from the general fund to the debt service fund for the payment of principal and interest on general obligation bonds.

Transfers are made from the general fund to the construction fund to cover the cost of a construction contract settlement.

Transfers are made from the general fund to the athletic fund to provide funding for athletic activities not supported by user charges.

### NOTE 7 - CHANGES in CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2009, is as follows:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Historical Cost:				
Capital Assets not Being Depreciated:				
Land	71,150	-0-	-0-	71,150
Construction in Progress	<u>25,798</u>	<u>2,609,132</u>	<u>25,798</u>	<u>2,609,132</u>
<b>Total Cost</b>	<b>96,948</b>	<b>2,609,132</b>	<b>25,798</b>	<b>2,680,282</b>
Capital Assets Being Depreciated:				
Land and Land Improvements	1,805,228	-0-	-0-	1,805,228
Building and Building Improvements	57,902,744	-0-	-0-	57,902,744
Furniture, Fixtures, and Equipment	2,788,232	81,443	28,868	2,840,807
Vehicles	261,317	-0-	-0-	261,317
Textbooks	1,163,806	55,018	-0-	1,218,824
Library Books	<u>356,901</u>	<u>31,349</u>	<u>-0-</u>	<u>388,250</u>
<b>Total Cost</b>	<b>64,278,228</b>	<b>167,810</b>	<b>28,868</b>	<b>64,417,170</b>

# Eastern Lebanon County School District

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 7 - CHANGES in CAPITAL ASSETS (Continued)

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Accumulated Depreciation:				
Land and Land Improvements	1,313,632	87,318	-0-	1,400,950
Building and Building Improvements	21,371,505	1,430,878	-0-	22,802,383
Furniture, Fixtures, and Equipment	1,789,913	259,610	11,427	2,038,096
Vehicles	173,427	13,864	-0-	187,291
Textbooks	943,296	97,612	-0-	1,040,908
Library Books	<u>281,296</u>	<u>35,475</u>	<u>-0-</u>	<u>316,771</u>
<b>Total Accumulated         Depreciation</b>	<b><u>25,873,069</u></b>	<b><u>1,924,757</u></b>	<b><u>11,427</u></b>	<b><u>27,786,399</u></b>
 <b>Net Capital Assets Being Depreciated</b>	 <b><u>38,405,159</u></b>	 <b><u>(1,756,947)</u></b>	 <b><u>17,441</u></b>	 <b><u>36,630,771</u></b>
 <b>Net Capital Assets</b>	 <b>38,502,107</b>	 <b>852,185</b>	 <b>43,239</b>	 <b>39,311,053</b>

Capital asset activity for business-type activities for the year ended June 30, 2009, is as follows:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Historical Cost:				
Capital Assets Being Depreciated:				
Furniture, Fixtures, and Equipment	330,361	-0-	-0-	330,361
Accumulated Depreciation:				
Furniture, Fixtures, and Equipment	<u>314,047</u>	<u>7,064</u>	<u>-0-</u>	<u>321,111</u>
<b>Net Capital Assets</b>	<b><u>16,314</u></b>	<b><u>(7,064)</u></b>	<b><u>-0-</u></b>	<b><u>9,250</u></b>

Depreciation expenses were charged to governmental functions as follows:

Instruction	1,499,555
Instructional Student Support	117,277
Administrative and Finance Support Services	47,062
Operation and Maintenance of Plant Services	196,399
Student Activities	<u>64,464</u>
	<b>1,924,757</b>

# Eastern Lebanon County School District

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 8 - ACCRUED SALARIES and BENEFITS

At June 30, 2009, the School District was liable for payroll and related benefits, which are payable during July and August 2009, to those employees who have a ten-month contract but are paid over a twelve-month period, to non-salaried employees who performed services through June 30, 2009.

The balances at June 30, 2009, are as follows:

	General Fund	Enterprise Fund	Total
Accrued Payroll	1,569,269	5,852	1,575,121
Retirement	124,403	435	124,838
Social Security	<u>76,431</u>	<u>279</u>	<u>76,710</u>
	<b>1,770,103</b>	<b>6,566</b>	<b>1,776,669</b>

### NOTE 9 - DEFERRED REVENUES

Deferred revenues at June 30, 2009, consist of the following:

	General Fund	Enterprise Fund	Total
Deferred Taxes	224,754	-0-	224,754
Unearned Grant Revenue	1,875	-0-	1,875
Prepaid Student Lunches	<u>-0-</u>	<u>12,542</u>	<u>12,542</u>
	<b>226,629</b>	<b>12,542</b>	<b>239,171</b>

### NOTE 10 - FUND BALANCE RESERVES

In accordance with the purchase method of accounting for inventories, a corresponding reservation of fund balance is made to indicate that the inventories, while included as an asset, are unavailable for appropriation. Prepaid expenses are reported as assets of the specific governmental fund that will derive future benefits from the expenditure. Because prepayments are not current financial resources, the fund's fund balance has been reserved by the amount presented in the asset balance.

Accordingly, the standard fund balance reserve for the general fund includes \$210,493 for inventory and \$254,760 for prepaid expenses for the total standard reserve of \$465,253.

# Eastern Lebanon County School District

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 11 - RESTRICTED NET ASSETS

The net assets in the private purpose trust fund are restricted for the payment of scholarships.

### NOTE 12 - LONG-TERM DEBT

#### General Obligation Debt

The School District issues general obligation bonds to provide funds for major capital improvements. These bonds are direct obligations and pledge the full faith and credit of the School District. Currently, the School District has general obligation debt with interest rates and outstanding principal amounts at June 30, 2009, as follows:

Issue	Final Maturity Date	Interest Rates	Principal Amount Outstanding at June 30, 2009	Balance Due Within One Year
Series of 2003 Bonds	April 1, 2010	2.00% - 3.45%	465,000	465,000
Series A of 2003 Bonds	May 15, 2011	1.35% - 4.70%	70,000	-0-
Series AA of 2003 Bonds	May 1, 2011	2.00% - 2.85%	1,240,000	610,000
Series of 2006 Bonds	February 15, 2014	3.50% - 3.75%	7,325,000	980,000
Series of 2007 Bonds	May 15, 2025	3.60% - 4.00%	7,445,000	25,000
Series A of 2008 Bonds	May 15, 2026	2.80% - 4.00%	9,950,000	50,000
Series of 2008 Bonds	May 15, 2033	2.375% - 4.75%	2,000,000	55,000
Series B of 2008 Bonds	May 15, 2022	2.00% - 4.125%	1,730,000	5,000
Series of 2009 Bonds	May 15, 2019	2.00% - 3.50%	6,565,000	325,000
Series A of 2009 Bonds	June 15, 2033	2.00% - 5.00%	<u>9,770,000</u>	<u>85,000</u>
			<b>46,560,000</b>	<b>2,600,000</b>

Annual debt service requirements to maturity for the above governmental bond obligations are as follows:

Year Ending June 30, Commitment	Principal	Interest	Total
2010	2,600,000	1,744,902	4,344,902
2011	2,835,000	1,615,603	4,450,603
2012	2,850,000	1,529,283	4,379,283
2013	2,940,000	1,436,528	4,376,528
2014	2,855,000	1,332,896	4,187,896
2015 - 2019	15,150,000	5,236,780	20,386,780
2020 - 2024	9,480,000	2,892,171	12,372,171
2025 - 2029	4,800,000	1,277,295	6,077,295
2030 - 2033	<u>3,050,000</u>	<u>385,090</u>	<u>3,435,090</u>
	<b>46,560,000</b>	<b>17,450,548</b>	<b>64,010,548</b>

# Eastern Lebanon County School District

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 12 - LONG-TERM DEBT (Continued)

#### General Obligation Debt (Continued)

On November 1, 2002, the School District issued Series of 2002 General Obligation Bonds in the aggregate principal amount of \$10,000,000 with interest rates ranging from 3.80% to 4.25%. Proceeds of the Bonds were used for planning, designing, acquiring, constructing, equipping and furnishing renovations, additions, alterations and/or improvements to the School District's existing Fort Zeller Elementary School and Eastern Lebanon County Middle School, capitalizing interest on the Bonds, and paying the costs of issuing and insuring the Bonds. A portion of the Bonds were currently refunded with the proceeds of the General Obligation Bonds, Series A of 2008. The remainder of the Bonds were currently refunded with the proceeds of the General Obligation Bonds, Series of 2009. The principal amount of the Bonds outstanding at June 30, 2009, was \$-0-.

On January 1, 2003, the School District issued Series of 2003 General Obligation Bonds in the aggregate principal amount of \$6,130,000 with interest rates ranging from 2.00% to 3.45%. Proceeds of the Bonds were used for the current refunding of the School District's Series AA of 1998 General Obligation Bonds and paying the costs of issuing and insuring the Bonds. The principal amount of the Bonds outstanding at June 30, 2009, was \$465,000 due on April 1, 2010.

On March 1, 2003, the School District issued Series of A of 2003 General Obligation Bonds in the aggregate principal amount of \$9,800,000 with interest rates ranging from 1.35% to 4.70%. Proceeds of the Bonds were used for planning, designing, acquiring, constructing, equipping and furnishing renovations, additions, alterations and/or improvements to the School District's existing Fort Zeller Elementary School and Eastern Lebanon County Middle School, capitalizing a portion of the interest on the Bonds, and paying the costs of issuing and insuring the Bonds. A portion of the Bonds were advance refunded with the proceeds of the General Obligation Bonds, Series of 2007. A portion of the Bonds were also currently refunded with the proceeds of the General Obligation Bonds, Series B of 2008. The principal amount of the Bonds outstanding at June 30, 2009, was \$70,000 due on May 15, 2011.

On August 1, 2003, the School District issued General Obligation Bonds, Series AA of 2003 in the aggregate principal amount of \$4,395,000 with interest rates ranging from 2.00% to 2.85%. Proceeds of the Bonds were used for the current refunding of the School District's General Obligation Bonds, Series B of 1998 and paying the costs of issuing and insuring the Bonds. The principal amount of the Bonds outstanding at June 30, 2009, was \$1,240,000 due in various amounts from May 1, 2010, through May 1, 2011.

On May 1, 2004, the School District issued General Obligation Bonds, Series of 2004 in the aggregate principal amount of \$6,735,000 with interest rates ranging from 2.00% to 4.60%. Proceeds of the Bonds were applied towards payment of the costs of acquiring, designing, constructing, furnishing and equipping alterations, additions, renovations and other improvements to the School District's existing school buildings and other related facilities, capitalizing interest on a portion of the Bonds, and to pay the cost of issuing the Bonds. A portion of the Bonds were advance refunded with the proceeds of the General Obligation Bonds, Series A of 2008. A portion of the Bonds were advance refunded with the proceeds of the General Obligation Bonds, Series B of 2008. The remainder of the Bonds were currently refunded with the proceeds of General Obligation Bonds, Series of 2009. The principal amount of the Bonds outstanding at June 30, 2009, was \$-0-.

# Eastern Lebanon County School District

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 12 - LONG-TERM DEBT (Continued)

#### General Obligation Debt (Continued)

On October 1, 2006, the School District issued General Obligation Bonds, Series of 2006, in the aggregate principal amount of \$8,615,000 with interest rates ranging from 3.50% to 3.75%. Proceeds of the Bonds were used to currently refund the outstanding portion of the General Obligation Bonds, Series A and B of 2001, and to pay the cost of issuing and insuring the Bonds. The General Obligation Bonds, Series A of 2001, were issued for the advance refunding of the General Obligation Bonds, Series A of 1998. The General Obligation Bonds, Series B of 2001 were issued to undertake various improvements to school buildings and related facilities, and to provide for the current refunding of the General Obligation Note, Series of 2000. The economic gain from the refunding, calculated as the difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at the effective interest rate of the new debt, was \$134,323. The principal amount of the Bonds outstanding at June 30, 2009, was \$7,325,000 due in various amounts from February 15, 2010 through February 15, 2014.

On April 1, 2007, the School District issued General Obligation Bonds, Series of 2007, in the aggregate principal amount of \$7,495,000 with interest rates ranging from 3.60% to 4.00%. Proceeds of the Bonds were used to advance refund a portion of the General Obligation Bonds, Series A of 2003, and to pay the cost of issuing and insuring the Bonds. The General Obligation Bonds, Series A of 2003, provided funding for renovations, additions, alterations and/or improvements to the School District's existing Fort Zeller Elementary School and Eastern Lebanon County Middle School. The economic gain from the refunding, calculated as the difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at the effective interest rate of the new debt, was \$216,377. The principal amount of the bonds outstanding at June 30, 2009, is \$7,445,000 due in various amounts from May 15, 2010 through May 15, 2025.

On February 1, 2008, the School District issued General Obligation Bonds, Series A of 2008, in the aggregate principal amount of \$10,000,000 with interest rates ranging from 2.80% to 4.00%. Proceeds of the Bonds were used to currently refund a portion of the General Obligation Bonds, Series 2002, advance refund a portion of the General Obligation Bonds, Series of 2004, and to pay the cost of issuing the Bonds. The General Obligation Bonds, Series of 2002, were used for planning, designing, acquiring, constructing, equipping and furnishing renovations, additions, alterations and/or improvements to the School District's existing Fort Zeller Elementary School and Eastern Lebanon County Middle School, capitalizing interest on the Bonds, and paying the costs of issuing and insuring the Bonds. The General Obligation Bonds, Series of 2004, were applied towards payment of the costs of acquiring, designing, constructing, furnishing and equipping alterations, additions, renovations and other improvements to the School District's existing school buildings and other related facilities, capitalizing interest on a portion of the Bonds, and to pay the cost of issuing the Bonds. As a result of the refinancing, the School District reduced its total debt service requirements by \$225,587, which resulted in an economic gain calculated as the difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at the effective interest rate of the new debt, of \$223,632. The principal amount of the Bonds outstanding at June 30, 2009, is \$9,950,000 due in various amounts from May 15, 2010 through May 15, 2026.

# Eastern Lebanon County School District

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 12 - LONG-TERM DEBT (Continued)

#### General Obligation Debt (Continued)

On October 1, 2008, the School District issued General Obligation Bonds, Series of 2008 in the aggregate principal amount of \$2,000,000 with interest rates ranging from 2.375% to 4.75%. Proceeds of the Bonds will be used for payment of the costs of the design, planning, and construction of improvements, additions, alterations, and/or renovations to buildings and facilities of the School District, and to pay the cost of issuing the Bonds. The principal amount of the Bonds outstanding at June 30, 2009, was \$2,000,000 due in various amounts from May 15, 2010 through May 15, 2033.

On October 1, 2008, the School District issued General Obligation Bonds, Series B of 2008 in the aggregate principal amount of \$1,735,000 with interest rates ranging from 2.00% to 4.125%. Proceeds of the Bonds were used to currently refund a portion of General Obligation Bonds, Series A of 2003, advance refund a portion of General Obligation Bonds, Series of 2004, and to pay the cost of issuing the Bonds. As a result of the refinancing, the School District reduced its total debt service requirements by \$805,711, which resulted in an economic gain calculated as the difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at the effective interest rate of the new debt, of \$109,629. The principal amount of the Bonds outstanding at June 30, 2009, was \$1,730,000 due in various amounts from May 15, 2010 through May 15, 2022.

On February 15, 2009, the School District issued General Obligation Bonds, Series of 2009 in the aggregate principal amount of \$6,680,000 with interest rates ranging from 2.00% to 3.50%. Proceeds of the Bonds were used to currently refund the remainder of the General Obligation Bonds, Series of 2002, currently refund the remainder of the General Obligation Bonds, Series of 2004, and to pay the cost of issuing the Bonds. As a result of the refinancing, the School District reduced its total debt service requirements by \$204,181, which resulted in an economic gain calculated as the difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at the effective interest rate of the new debt, of \$202,238. The principal amount of the Bonds outstanding at June 30, 2009, was \$6,565,000 due in various amounts from May 15, 2010 through May 15, 2019.

On May 1, 2009, the School District issued General Obligation Bonds, Series of A 2009 in the aggregate principal amount of \$9,770,000 with interest rates ranging from 2.00% to 5.00%. Proceeds of the Bonds will be used for payment of the costs of the design, planning, and construction of improvements, additions, alterations, and/or renovations to buildings and facilities of the School District, and to pay the cost of issuing the Bonds. The principal amount of the Bonds outstanding at June 30, 2009, was \$9,770,000 due in various amounts from June 15, 2010 through June 15, 2033.

#### Capital Leases

The School District leases equipment through capital lease arrangements. Furniture and equipment includes \$131,724 and accumulated depreciation includes \$47,919 for equipment held under capital leases. The following is a schedule of future minimum lease payments under the capital leases, together with the net present value of the minimum lease payments as of June 30, 2009.

# Eastern Lebanon County School District

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 12 - LONG-TERM DEBT (Continued)

#### Capital Leases (Continued)

	2010	27,148
	2011	25,126
	2012	<u>9,800</u>
Minimum Lease Payments for all Capital Leases		62,074
Amount Representing Interest		<u>(6,540)</u>
<b>Present Value of Minimum Lease Payments</b>		<b>55,534</b>

Long-term obligation activity for governmental activities can be summarized as follows:

	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009
General Obligation Bonds	36,790,000	20,185,000	(10,415,000)	46,560,000
Bond Premium, net of Amortization	3,625	-0-	(2,165)	1,460
Bond Discount, net of Amortization	(290,361)	(267,684)	35,340	(522,705)
Capital Leases	86,379	-0-	(30,845)	55,534
Estimated Liability for				
Compensated Absences	861,472	168,445	(38,795)	991,122
Estimated Liability for Other				
Post Employment Benefits	<u>-0-</u>	<u>134,795</u>	<u>-0-</u>	<u>134,795</u>
	37,451,115	20,220,556	(10,451,465)	47,220,206
Short-Term Portions				<u>(2,688,662)</u>
<b>Total Noncurrent Liabilities</b>				<b>44,531,544</b>

The resources of the general fund have been used to liquidate the long-term obligations of the governmental activities in the current and prior years.

Long-term obligation activity for business-type activities can be summarized as follows:

	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009
Estimated Liability for				
Compensated Absences	41,193	6,040	-0-	47,233
Estimated Liability for Other				
Post Employment Benefits	<u>-0-</u>	<u>4,148</u>	<u>-0-</u>	<u>4,148</u>
	<b>41,193</b>	<b>10,188</b>	<b>-0-</b>	<b>51,381</b>

# Eastern Lebanon County School District

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 13 - COMPENSATED ABSENCES

A summary of the amount recorded as a liability in the governmental activities and business-type activities for compensated absences is as follows as of June 30, 2009:

	Governmental Activities	Business-Type Activities
Accumulated Compensated Absences	954,608	45,493
Employer Social Security and Medicare on Leave Amounts Above	<u>36,514</u>	<u>1,740</u>
	<b>991,122</b>	<b>47,233</b>

### NOTE 14 - POST-EMPLOYMENT HEALTH CARE BENEFITS and LIABILITIES

#### Description

Effective July 1, 2008, the School District adopted the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post Retirement Benefits Other Than Pensions*. In addition to the relevant disclosures within this note related to the implementation of GASB Statement No. 45, the financial statements reflect a long-term liability and related expenses of \$138,943 in total liabilities resulting from the adoption.

Under provisions of collective bargaining and other employment-related agreements, the School District permits certain retirees to continue group medical coverage, as follows:

	Administrative Personnel	Professional and Support Personnel
Retiree Eligibility	Employees who retire from active service with ten years of service on or after July 1, 2004.	Employees who retire from active service on or after July 1, 2006.
Period of Coverage		
Retiree	Months of coverage is equal to years of service times two. Retiree coverage ends at age 65.	Until age 65.
Dependents	Until retiree benefit would have ended based only on months of coverage.	Until retiree's age 65.
Medical Benefits	Medical coverage provided to active employees is continued for eligible retirees and dependents.	Medical coverage provided to active employees is continued for eligible retirees and dependents.

# Eastern Lebanon County School District

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 14 - POST-EMPLOYMENT HEALTH CARE BENEFITS and LIABILITIES (Continued)

#### Description (Continued)

	Administrative Personnel	Professional and Support Personnel
Retiree Contributions	During the period of coverage, retiree pays \$100 per month. After the period of coverage, retiree pays the full active premium.	Retiree pays full active premium rate.

The plan is governed by the School District which may amend the benefit provisions and contribution requirements by action of its Board of Directors, subject to collective bargaining where applicable. The plan does not issue financial statements.

#### Funding Policy

The School District has elected to finance post employment benefits on a pay-as-you-go basis. The School District recognizes expenditures for post employment group insurance when claims are filed with the Plan Administrator. These financial statements assume that pay-as-you-go funding will continue.

#### Annual OPEB Cost and Net OPEB Obligation

The School District's annual cost for other post employment retirement benefits (OPEB) is calculated based on the annual required contribution (ARC) of the School District, an amount actuarially determined in accordance with the parameters of GASB 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 following illustrates 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:

Annual Required Contribution	458,016
Interest on OPEB Obligation	-0-
Adjustment to Annual Required Contribution	<u>-0-</u>
Annual OPEB Cost	458,016
Contributions Made	<u>319,073</u>
Estimated Increase in Net OPEB Obligation	138,943
Net OPEB Obligation - Beginning of Year	<u>-0-</u>
Net OPEB Obligation - End of Year	<b>138,943</b>

# Eastern Lebanon County School District

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 14 - POST-EMPLOYMENT HEALTH CARE BENEFITS and LIABILITIES (Continued)

#### Annual OPEB Cost and Net OPEB Obligation (Continued)

The School District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2009 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation-End of Year
6/30/2009	458,016	70%	138,943

Because the year ended June 30, 2009, was the year of transition for GASB Statement No. 45, requirements of GASB Statement No. 45 has been implemented prospectively; therefore, the above illustration does not reflect similar information respective of the two preceding years.

#### Funding Status and Funding Progress

As of July 1, 2008, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits equaled \$3,114,067, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,114,067. The covered payroll (annual payroll of active employees covered by the Plan) equaled \$14,263,725, and the ratio of the UAAL to the covered payroll equaled 21.83%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about the 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 is to present multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. However, because the School District maintains no Plan assets, information relative to Plan asset required disclosures is not applicable. Additionally, because the year ended June 30, 2009, was the year of transition for GASB Statement No. 45, requirements of GASB Statement No. 45 have been implemented prospectively, therefore, the RSI does not reflect similar information respective of the two preceding years.

#### Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the School District and 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 School District and Plan members to that point. There are no legal or contractual funding limitations that would potentially affect the projection of benefits for financial accounting purposes. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

# Eastern Lebanon County School District

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 14 - POST-EMPLOYMENT HEALTH CARE BENEFITS and LIABILITIES (Continued)

#### Actuarial Methods and Assumptions (Continued)

In the actuarial valuation dated July 1, 2008, the unit credit cost method was used. Because the School District funds its OPEB on a pay-as-you-go basis, the Plan has no assets (investments) legally held exclusively for paying the post-retirement medical benefits. Actuarial assumptions included a discount rate of 4.0% per annum, health care cost trend rate of 10.0% in the first year gradually decreasing by 1.0% per year to an ultimate rate of 5% in 2013 and later.

### NOTE 15 - OPERATING LEASES

In May 2008, Lease Revenue Bonds, Series of 2008 were issued by the Lebanon County Area Career and Technology Center Authority (Authority) to currently refund the Authority's 2001 bonds and to construct improvements to the Lebanon County Career and Technology Center (LCCTC) premises and facilities. The 2001 Bonds were issued to provide funds for upgrading and modernization of the LCCTC facilities. The LCCTC Board and six member school districts have entered into a lease agreement with the Authority and each school district will pay its proportionate share of the lease rentals in order to fund the Lease Revenue Bonds. The School District's lease payment to the Authority for the year ended June 30, 2009, was \$39,395 which has been reported in the School District's general fund.

In 1999, Cornwall Lebanon School District issued General Obligation Bonds, Series A of 1999. A portion of this Bond issue was to fund an addition to the Cedar Crest High School TMR Center, which is used by six Lebanon County school districts, including **Eastern Lebanon County School District**.

These six school districts entered into a lease agreement and each school district will pay its proportionate share of the debt obligation relating to the TMR Center. The School District's lease payment to Cornwall Lebanon School District for the year ended June 30, 2009, was \$14,019, which has been reported in the School District's general fund.

Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year as of June 30, 2009, for each of the next five years and in the aggregate are as follows:

	2010	41,568
	2011	40,824
	2012	87,100
	2013	87,328
	2014	87,512
	2015 - 2019	435,594
	2020 - 2024	435,176
	2025 - 2029	435,642
	2030 - 2033	<u>348,178</u>
<b>Total Minimum Future Rental Payments</b>		<b>1,998,922</b>

# Eastern Lebanon County School District

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 15 - OPERATING LEASES (Continued)

On June 16, 2008, the School District entered into a master lease purchase agreement with Apple Inc. for the use of computer equipment. The lease states that in the event that the School District does not approve a sufficient appropriation of funds for any fiscal year during the lease term, the School District shall have the right to terminate the lease without penalty or expense as of the last day of the fiscal year for which sufficient funds were appropriated. In the event of such termination, the School District shall immediately return the equipment at its own expense to Apple Inc. The purchase price of the equipment is \$640,356 and the lease payments are due annually from July 1, 2008 to July 1, 2010, in the amount of \$201,849 and on July 1, 2011, in the amount of \$74,634.

### NOTE 16 - RISK MANAGEMENT

#### Income Protection

The School District provides a fully-insured Income Protection Plan for certain employees in cases of long-term disability. Under the Plan, teachers shall be reimbursed at the rate of two thirds (2/3) of earnings and supervisors and administrators shall be reimbursed at the rate of 60%. The reimbursements will continue for as long as the disability exists, up to a maximum of five years for accidental bodily injury or two years for sickness. Support staff will be reimbursed at the rate of two-thirds (2/3) of earnings for a maximum of twenty-four months. The Plans are funded by the general fund. There was no liability for claims at June 30, 2009.

#### Medical Insurance

The School District has a fully-insured health plan with Highmark Blue Shield funded by the general fund.

#### Dental

The School District has a self-funded dental plan with Delta Dental. A liability for claims incurred but not paid prior to June 30, 2009, for \$11,298 was recorded in accounts payable in the general fund.

#### Other Risks

The School District is exposed to various risks of loss related to workers compensation; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The School District has purchased various insurance policies to safeguard its assets from risk of loss. During the year ended June 30, 2009, and the two previous fiscal years, no settlements exceeded insurance coverage.

# Eastern Lebanon County School District

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 17 - DEFINED BENEFIT PENSION PLAN

#### Plan Description

The School District contributes to a governmental cost-sharing multiple-employer defined benefit pension plan administered by Pennsylvania Public School Employees' Retirement System (PSERS). Benefit provisions of the plan are established under the provisions of the Pennsylvania Public School Employees' Retirement Code (the Code) and may be amended by an act of the Pennsylvania State Legislature. The Plan provides retirement, disability, and death benefits, legislatively mandated ad hoc cost-of-living adjustments, and healthcare insurance premium assistance to qualifying plan members and beneficiaries. It also provides for refunds of a member's accumulated contribution upon termination of a member's employment in the public school sector. PSERS issues a publicly available financial report that includes financial statements for the Plan. That report may be obtained by writing to PSERS, P. O. Box 125, Harrisburg, PA 17108-0125.

#### Funding Policy

The contribution policy is set by the Code and requires contributions by active employees and by participating employers. Plan members may belong to two membership classes. Class TC and Class TD are available to plan members. Active members who joined the Plan before July 22, 1983, are required to contribute 5.25% of their compensation if they are in Class TC or 6.5% for Class TD. Members who joined on or after July 22, 1983, and were active or inactive as of July 1, 2001, are required to contribute 6.25% for Class TC or 7.5% for Class TD. Members who joined the Plan after June 30, 2001, are automatically in Class TD and are required to contribute 7.5%. The contributions required of participating employers are based on an actuarial valuation and is expressed as a percentage of annual covered payroll during the period for which the amount is determined. For fiscal year ended June 30, 2009, the rate of employer contribution was 4.76% of covered payroll. The 4.76% rate is composed of a pension contribution rate of 4.00% for pension benefits and 0.76% for health insurance premium assistance. The School District is required to pay the entire employer contribution rate and is reimbursed by the Commonwealth in an amount equal to the Commonwealth's share as determined by the income aid ratio (as defined in Act 29 of 1994), which is at least one-half of the total employer rate.

Eastern Lebanon County School District's contributions to PSERS for the years ending June 30, 2009, 2008, and 2007, were \$698,282, \$944,553 and \$814,663, respectively. Those amounts are equal to the required contribution for each year.

### NOTE 18 - CONTINGENT LIABILITIES

#### Grant Programs

Amounts received or receivable from grantor agencies are subject to audit adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

#### Legal Matters

The School District is involved in various claims and legal actions arising in the ordinary course of business. The outcome of these matters cannot be determined at this time.

# Eastern Lebanon County School District

## NOTES to FINANCIAL STATEMENTS

(Continued)

### NOTE 18 - CONTINGENT LIABILITIES (Continued)

#### **Lebanon County Earned Income Tax Bureau**

During the fiscal year ended June 30, 2007, a preliminary investigation revealed that a theft of funds had occurred at the Lebanon County Earned Income Tax Bureau. It was further determined that some of the member districts could have been overpaid, while other districts may have been underpaid in prior years. According to the most recent analysis prepared by the Bureau's consultant, the overpayments to **Eastern Lebanon County School District** from 2004 through 2007 may total approximately \$1,182,000. This investigation is ongoing and currently it is unknown how much the School District may be required to pay for overpaid earned income taxes received in prior years.

#### **Pepsi Bottling Group Agreement**

The School District has an agreement with the Pepsi Bottling Group (PBG) which states that the PBG will be the exclusive provider of vending machine drinks for the School District from October 1, 1999, until September 30, 2009. In accordance with the agreement, the School District received a one-time payment of \$104,700 in November 1999. In the event of the School District's default on the agreement, the School District would be required to refund to the PBG \$10,100 for each full year remaining in the agreement.

### NOTE 19 - DEFICIT FUND BALANCES and NET ASSETS

At June 30, 2009, the food service fund had a deficit in net assets of \$27,519. The School District plans to eliminate this deficit through food sales.

### NOTE 20 - FUTURE COMMITMENTS

The School District has contractual commitments at June 30, 2009, for future purchases of gasoline and fuel oil in the total amount of 159,768 gallons for \$309,305.

The School District is in the process of constructing new facilities. As of June 30, 2009, outstanding contract commitments totaled \$14,274,687.

### NOTE 21 - SUBSEQUENT EVENT

On November 2, 2009, the School District adopted a resolution authorizing the issuance of General Obligation Note, Series of 2009 in the principal amount of \$7,600,000, with interest at a variable rate not to exceed 25% per annum, an issuance date of December 10, 2009, and a maturity date of October 1, 2030, to provide funds for certain capital projects. The resolutions also approved sale of the Note at private sale by negotiation and accepted a proposal by Emmaus General Authority for the purchase of the Note for a purchase price of \$7,600,000.

**Eastern Lebanon County School District**  
 SCHEDULE of REVENUES, EXPENDITURES, and CHANGES in FUND BALANCES -  
 BUDGET and ACTUAL -  
 GENERAL FUND  
 Year Ended June 30, 2009

	Budgeted Amounts		Actual Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local Sources:				
Real Estate Taxes	\$ 16,798,085	\$ 16,798,085	\$ 16,697,984	\$ (100,101)
Other Taxes	2,830,047	2,830,047	2,002,723	(827,324)
Investment Earnings	235,000	235,000	142,500	(92,500)
Rent	-0-	-0-	1,970	1,970
Other Revenue	403,650	416,962	469,737	52,775
Total Local Sources	20,266,782	20,280,094	19,314,914	(965,180)
State Sources	8,779,979	8,825,375	8,559,566	(265,809)
Federal Sources	671,571	671,571	672,982	1,411
<b>Total Revenues</b>	<b>29,718,332</b>	<b>29,777,040</b>	<b>28,547,462</b>	<b>(1,229,578)</b>
<b>EXPENDITURES</b>				
Instructional Services:				
Regular Programs	12,316,770	12,531,744	12,270,453	261,291
Special Programs	2,546,345	2,608,909	2,437,231	171,678
Vocational Programs	998,802	976,092	966,230	9,862
Other Instructional Programs	281,789	295,884	279,088	16,796
Support Services:				
Pupil Personnel Services	857,910	875,278	852,605	22,673
Instructional Staff Services	1,143,233	1,218,191	1,187,549	30,642
Administrative Services	1,529,366	1,522,480	1,434,948	87,532
Pupil Health	347,812	347,910	332,256	15,654
Business Services	383,076	383,253	363,368	19,885
Operation of Plant and Maintenance Services	2,597,294	2,780,794	2,625,253	155,541
Student Transportation Services	1,453,379	1,521,704	1,519,236	2,468
Central and Other Support Services	314,600	267,689	237,176	30,513
Other Support Services	25,000	25,000	23,453	1,547
Noninstructional Services:				
Student Activities	530,697	547,663	540,291	7,372
Community Services	4,900	4,900	2,074	2,826
Debt Service	49,559	39,559	39,395	164
Refund of Prior Year Receipts	5,000	42,850	42,835	15
<b>Total Expenditures</b>	<b>25,385,532</b>	<b>25,989,900</b>	<b>25,153,441</b>	<b>836,459</b>
<b>EXCESS of REVENUES over EXPENDITURES (Carried Forward)</b>	<b>\$ 4,332,800</b>	<b>\$ 3,787,140</b>	<b>\$ 3,394,021</b>	<b>\$ (393,119)</b>

See auditors' report.

**Eastern Lebanon County School District**  
 SCHEDULE of REVENUES, EXPENDITURES, and CHANGES in FUND BALANCES -  
 BUDGET and ACTUAL -  
 GENERAL FUND  
 (Continued)  
 Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Budgetary Basis	
<b>EXCESS of REVENUES over EXPENDITURES (Brought Forward)</b>	<b>\$ 4,332,800</b>	<b>\$ 3,787,140</b>	<b>\$ 3,394,021</b>	<b>\$ (393,119)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund Transfers Out	(4,177,327)	(3,775,767)	(3,774,615)	1,152
Proceeds from Sale of Fixed Assets	5,000	5,000	28,223	23,223
Budgetary Reserve	(122,000)	-0-	-0-	-0-
<b>Net Other Financing (Uses)</b>	<b>(4,294,327)</b>	<b>(3,770,767)</b>	<b>(3,746,392)</b>	<b>24,375</b>
<b>NET CHANGES in FUND BALANCES</b>	<b>38,473</b>	<b>16,373</b>	<b>(352,371)</b>	<b>(368,744)</b>
<b>FUND BALANCES</b>				
Beginning			823,298	
Change in Inventory			14,978	
<b>Ending</b>			<b>\$ 485,905</b>	

See auditors' report.

**Eastern Lebanon County School District**  
NOTES to REQUIRED SUPPLEMENTARY INFORMATION

**Eastern Lebanon County School District** follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. The Pennsylvania Department of Education (PDE) issues a schedule of actions for School Districts for the development of the annual budget under Act 1. One deadline is the action to resolve to keep any tax increase in the real estate tax millage rate below the index announced by the PDE. Prior to that deadline, management submits to the Board, for consideration, a draft operating budget projection or other information to review, for the fiscal year commencing the following July 1. The Board determines if it will approve a resolution to keep any tax increase below the index.
2. If the Board adopts the resolution, management submits prior to May 31 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 for the general fund.
3. A public hearing is conducted to obtain taxpayer comments.
4. If the Board does not adopt the resolution, management prepares and submits a proposed operating budget for the fiscal year commencing the following July 1 in accordance to the deadlines established by PDE under Act 1. These deadlines will vary with the setting of the spring municipal election date each year.
5. Prior to June 30, the budget is legally enacted through passage of a resolution.
6. Legal budgetary control is maintained by the School Board at the departmental level. Transfers between departments, whether between funds or within a fund, or revisions that alter the total revenues and expenditures of any fund, must be approved by the Board. Budgetary information in the combined operating statements is presented at or below the legal level of budgetary control. It also includes the effects of approved budget amendments.
7. Budgetary data is included in the School District's management information system and is employed as a management control device during the year.
8. Unused appropriations lapse at the end of each fiscal year; however, the School District increases the subsequent year's appropriation by an amount equal to outstanding encumbrances and reserves a portion of the fund balance in a like amount. There were no outstanding encumbrances for the year ended June 30, 2009.
9. The budget for the general fund is adopted on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.
10. Where applicable, unbudgeted federal and state revenue and expenditures have been added to the original budgeted revenue and expenditures.

**Eastern Lebanon County School District**  
**SCHEDULE of EXPENDITURES of FEDERAL AWARDS**  
Year Ended June 30, 2009

Federal Grantor Project Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Date	Grant Amount	Accrued (Deferred) Revenue at July 1, 2008	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2009
<b>U.S. Department of Agriculture Passed Through the Pennsylvania Department of Education:</b>									
School Breakfast Program***	I/F	10.553	N/A	07/01/08 - 06/30/09	N/A	\$ -0-	\$ 21,758	\$ 21,758	\$ -0-
	S	N/A	N/A	07/01/08 - 06/30/09	N/A	-0-	2,167	2,167	-0-
School Breakfast Program***	I/F	10.553	N/A	07/01/07 - 06/30/08	N/A	345	345	-0-	-0-
	S	N/A	N/A	07/01/07 - 06/30/08	N/A	40	40	-0-	-0-
National School Lunch Program***	I/F	10.555	N/A	07/01/08 - 06/30/09	N/A	-0-	228,577	228,577	-0-
	S	N/A	N/A	07/01/08 - 06/30/09	N/A	-0-	36,088	36,088	-0-
National School Lunch Program***	I/F	10.555	N/A	07/01/07 - 06/30/08	N/A	3,232	3,232	-0-	-0-
	S	N/A	N/A	07/01/07 - 06/30/08	N/A	<u>566</u>	<u>566</u>	<u>-0-</u>	<u>-0-</u>
<b>Total Passed Through the Pennsylvania Department of Education</b>						<b>4,183</b>	<b>292,773</b>	<b>288,590</b>	<b>-0-</b>
<b>Passed Through the Pennsylvania Department of Agriculture:</b>									
Food Donation (Note 2)	I/F	10.550	N/A	07/01/08 - 06/30/09	N/A	<u>-0-</u>	<u>63,032</u>	<u>63,032</u>	<u>-0-</u>
<b>Total U.S. Department of Agriculture</b>						<b>4,183</b>	<b>355,805</b>	<b>351,622</b>	<b>-0-</b>
<b>U.S. Department of Education Passed Through the Pennsylvania Department of Education:</b>									
Title I Grants to Local Educational Agencies	I/F	84.010	013-090131	07/07/08 - 09/30/09	435,942	-0-	377,968	435,942	57,974
Title I Grants to Local Educational Agencies	I/F	84.010	013-080131	07/01/07 - 09/30/08	468,410	93,653	93,653	-0-	-0-
Title I Grants to Local Educational Agencies	I/F	84.010	077-090131	07/07/08 - 09/30/09	4,000	\$ -0-	\$ 1,600	\$ -0-	\$ (1,600)

See auditors' report.

**Eastern Lebanon County School District**  
**SCHEDULE of EXPENDITURES of FEDERAL AWARDS**  
(Continued)  
Year Ended June 30, 2009

Federal Grantor Project Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Date	Grant Amount	Accrued (Deferred) Revenue at July 1, 2008	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2009
<b>U.S. Department of Education (Continued)</b>									
<b>Passed Through the Pennsylvania</b>									
<b>Department of Education (Continued):</b>									
Safe and Drug-Free Schools and Communities - State Grants	I/F	84.186	100-090131	07/01/08 - 06/30/09	9,193	\$ -0-	\$ 3,940	\$ 2,064	\$ (1,876)
Safe and Drug-Free Schools and Communities - State Grants (Note 3)	I/F	84.186	100-080131	07/01/07 - 06/30/08	10,528	(4,616)	877	4,931	(562)
Improving Teacher Quality State Grants	I/F	84.367	020-090131	07/07/08 - 09/30/09	124,819	-0-	91,534	119,700	28,166
Improving Teacher Quality State Grants	I/F	84.367	020-080131	07/01/07 - 09/30/08	128,311	<u>17,108</u>	<u>17,108</u>	<u>-0-</u>	<u>-0-</u>
<b>Total Passed Through the Pennsylvania Department of Education</b>						<b>106,145</b>	<b>586,680</b>	<b>562,637</b>	<b>82,102</b>
<b>Passed Through Lancaster-Lebanon Intermediate Unit No. 13:</b>									
Special Education - Grants to States	I/F	84.027	062-090013	07/01/08 - 06/30/09	373,312	<u>-0-</u>	<u>373,312</u>	<u>373,312</u>	<u>-0-</u>
<b>Total U.S. Department of Education</b>						<b>106,145</b>	<b>959,992</b>	<b>935,949</b>	<b>82,102</b>
<b>U.S. Department of Health and Human Services</b>									
<b>Passed Through the Pennsylvania Department of Public Welfare:</b>									
Medical Assistance Program*****	I/F	93.778	N/A	10/01/07 - 09/30/08	N/A	<u>-0-</u>	<u>766</u>	<u>766</u>	<u>-0-</u>
<b>TOTAL EXPENDITURES of FEDERAL AWARDS</b>						<b>\$ 110,328</b>	<b>\$ 1,316,563</b>	<b>\$ 1,288,337</b>	<b>\$ 82,102</b>

See auditors' report.

**Eastern Lebanon County School District**  
SCHEDULE of EXPENDITURES of FEDERAL AWARDS  
(Continued)  
Year Ended June 30, 2009

**Legend**

I = Indirect funding

F = Federal share

S = State share

CFDA = Catalog of Federal Domestic Assistance

\*\*\* = Component of Child Nutrition Cluster

\*\*\*\*\* = Component of Medicaid Cluster

**NOTES to SCHEDULE of EXPENDITURES of FEDERAL AWARDS**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

**NOTE 2 - FOOD DONATION**

Per the compliance supplement, the School District has the option to combine the United States Department of Agriculture (USDA) inventory and the School District inventory. The School District has decided to combine the inventories. The revenues and expenditures shown are the amounts of inventory received by the School District.

**NOTE 3 - RETURNED MONEY**

\$562 was returned to the Pennsylvania Department of Education.

**NOTE 4 - ACCESS PROGRAM**

The ACCESS Program is a medical assistance program that reimburses local educational agencies for direct, eligible health-related services provided to enrolled special needs students. Reimbursements are federal monies but are classified as fee-for-service revenues and are not considered federal financial assistance. Because only federal financial assistance is included on the schedule of expenditures of federal awards, ACCESS reimbursements are not included on the schedule. The amount of ACCESS funding received for the year ended June 30, 2009, was \$91,643, which was listed on the Pennsylvania Department of Education confirmation as program #044-007131.

See auditors' report.

**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 Officers and Members  
**Eastern Lebanon County School District**  
Lebanon County, Pennsylvania

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Eastern Lebanon County School District** as of and for the year ended June 30, 2009, which collectively comprise **Eastern Lebanon County School District's** basic financial statements and have issued our report thereon dated January 5, 2010. 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.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered **Eastern Lebanon County School District's** internal control over financial reporting as a basis for designing our auditing procedures 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 **Eastern Lebanon County School District's** internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the **Eastern Lebanon County School District's** internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects **Eastern Lebanon County School District's** ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of **Eastern Lebanon County School District's** financial statements that is more than inconsequential will not be prevented or detected by **Eastern Lebanon County School District's** internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items #2009-1 and #2009-2 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by **Eastern Lebanon County School District's** internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items #2009-1 and #2009-2 to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether **Eastern Lebanon County School District's** financial statements are free of 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*.

We also noted certain other matters that we reported to management of **Eastern Lebanon County School District** in a separate letter dated January 5, 2010.

**Eastern Lebanon County School District's** response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit **Eastern Lebanon County School District's** response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management, School Board, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

January 5, 2010  
Lancaster, Pennsylvania



TROUT, EBERSOLE & GROFF, LLP  
Certified Public Accountants

**REPORT on COMPLIANCE with REQUIREMENTS APPLICABLE  
to each MAJOR PROGRAM and on INTERNAL CONTROL over  
COMPLIANCE in ACCORDANCE with OMB CIRCULAR A-133**

To the Board Officers and Members  
**Eastern Lebanon County School District**  
Lebanon County, Pennsylvania

**Compliance**

We have audited the compliance of **Eastern Lebanon County School District** with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. **Eastern Lebanon County School District's** major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of **Eastern Lebanon County School District's** management. Our responsibility is to express an opinion on **Eastern Lebanon County School District's** compliance based on our audit.

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 **Eastern Lebanon County 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. Our audit does not provide a legal determination of **Eastern Lebanon County School District's** compliance with those requirements.

In our opinion, **Eastern Lebanon County School District** complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

## Internal Control Over Compliance

The management of **Eastern Lebanon County School District** is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered **Eastern Lebanon County School District's** internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 **Eastern Lebanon County School District's** internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the management, School Board, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

January 5, 2010  
Lancaster, Pennsylvania

*Trout, Ebersole & Groff, LLP*

TROUT, EBERSOLE & GROFF, LLP  
Certified Public Accountants

**Eastern Lebanon County School District**  
SCHEDULE of FINDINGS and QUESTIONED COSTS  
Year Ended June 30, 2009

A. Summary of Audit Results

1. The auditors' report expresses an unqualified opinion on the financial statements of **Eastern Lebanon County School District**.
2. Two significant deficiencies relating to the audit of the financial statements are reported in the 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. Both of the significant deficiencies are determined to be material weaknesses.
3. No instances of noncompliance material to the financial statements of **Eastern Lebanon County School District** were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal programs are reported in the Report on Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for **Eastern Lebanon County School District** expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for **Eastern Lebanon County School District** are reported in part C of this schedule.
7. The programs tested as major programs are: Title I Grants to Local Educational Agencies - CFDA #84.010, Special Education - Grants to States - CFDA #84.027, and Improving Teacher Quality State Grants - CFDA #84.367.
8. The threshold for distinguishing type A and B programs was \$300,000.
9. **Eastern Lebanon County School District** was not determined to be a low-risk auditee.

B. Findings - Financial Statements Audit

**Material Weaknesses**

#2009-1 - Preparation of Financial Statements

The School District has designated an employee responsible to oversee Trout, Ebersole & Groff, LLP's preparation of the financial statements. The School District has assumed responsibility for evaluating the adequacy and results of the financial statements and accepted responsibility for them. However, the School District's staff does not possess the expertise to prepare the financial statements and the notes to the financial statements for the **Eastern Lebanon County School District** in conformity with generally accepted accounting principles.

**Eastern Lebanon County School District**  
SCHEDULE of FINDINGS and QUESTIONED COSTS  
(Continued)  
Year Ended June 30, 2009

B. Findings - Financial Statements Audit (Continued)

**Material Weaknesses (Continued)**

#2009-1 - Preparation of Financial Statements (Continued)

School District Response:

Several years ago when GASB 34 was introduced and additional financial statements were required, larger districts added accountants or CPAs to their staff while smaller districts with fewer resources contracted with their auditing firm to do the statements.

While district staff has a general knowledge of the GASB 34 statements, it is not in depth enough to prepare the statements. Any mistake made on statements prepared by the district would have to be considered a material weakness in the audit. Additionally, the time required to prepare the statements is a major concern and would in all likelihood require hiring additional staff. Financial constraints make that option unlikely.

#2009-2 - Capital Projects Fund Accounts Payable

A significant audit adjustment was made to record additional accounts payable in the capital projects fund for services performed and retainage on construction contracts. We recommend that the School District review these transactions and adjustments in order to gain a greater understanding of how they are required to be recorded so that future similar transactions can be recorded in accordance with generally accepted accounting principles.

School District Response:

This was human error. Staff is aware payments for services rendered prior to June 30 and paid after June 30 must be included as accounts payable. In the future, staff will book retainage, if any, when closing the records.

C. Findings and Questioned Costs - Major Federal Awards Programs Audit

None

**Eastern Lebanon County School District**  
SUMMARY SCHEDULE of PRIOR AUDIT FINDINGS  
Year Ended June 30, 2009

**DEPARTMENT OF EDUCATION**

#2008-4 - Improving Teacher Quality State Grants - CFDA #84.367, Grant Number 020-080131, Year Ended June 30, 2008

A Reconciliation of Cash on Hand Quarterly Report was not filed timely for the quarter ended September 30, 2007.

Recommendation: We recommended that procedures should be established to ensure that all required reports are filed in a timely manner.

Current Status: The School District filed its Reconciliation of Cash on Hand Quarterly Reports in a timely manner during the year ended June 30, 2009.

#2008-5 - Improving Teacher Quality State Grants - CFDA #84.367, Grant Number 020-080131, Year Ended June 30, 2008

The School District was unaware of the need to monitor interest earnings on excess cash. Interest earned on advances is required to be submitted promptly, but at least quarterly to the Federal agency. Up to \$100 per year may be kept for administrative expenses. We determined that the amount of interest earned was not required to be returned.

Recommendation: We recommended that procedures should be established to ensure that the School District monitor interest earnings on excess cash and return any required amounts promptly.

Current Status: The School District monitored the cash on hand as Reconciliation of Cash on Hand Quarterly Reports were completed. The amount of interest earned on excess cash did not exceed \$100 during the year ended June 30, 2009, and was therefore not required to be returned to the Federal agency.



*Richard D. Nilsen, Ed. D.*  
Superintendent of Schools

*Randall A. Grove*  
Assistant Superintendent

*Gwen M. Boltz*  
Business Manager

### CORRECTIVE ACTION PLAN

December 9, 2009

Eastern Lebanon County School District respectfully submits the following corrective action plan for the year ended June 30, 2009.

Oversight Agency for Audit: U.S. Department of Education

Name and address of independent public accounting firm: Trout, Ebersole & Groff, LLP, 1705 Oregon Pike, Lancaster, Pennsylvania 17601-4200.

Audit period: July 1, 2008 through June 30, 2009.

The findings from the Schedule of Findings and Questioned Costs for the year ended June 30, 2009 are discussed below. The findings are numbered consistently with the numbers assigned in the schedule:

#### Findings – Financial Statements Audit

#2009-1: Statement of Condition: Preparation of Financial Statements – The School District has designated an employee responsible to oversee Trout, Ebersole & Groff, LLP's preparation of the financial statements. The School District has assumed responsibility for evaluating the adequacy and results of the financial statements and accepted responsibility for them. However, the School District's staff does not possess the expertise to prepare the financial statements and the notes to the financial statements for the Eastern Lebanon County School District in conformity with generally accepted accounting principles.

Response by School District: Several years ago when GASB 34 was introduced and additional financial statements were required, larger districts added accountants or CPAs to their staff while smaller districts with fewer resources contracted with their auditing firm to do the statements.

While district staff has a general knowledge of the GASB 34 statements it is not in depth enough to prepare the statements. Any mistake made on statements prepared by the district would have to be considered a material weakness in the audit. Additionally, the time required to prepare the statements is a major concern and would in all likelihood require hiring additional staff. Financial constraints make that option unlikely.

#2009-2: Capital Projects Fund Accounts Payable – A significant audit adjustment was made to record additional accounts payable in the capital projects fund for services performed and retainage on construction contracts.

Recommendation: The School District should review these transactions and adjustment in order to gain a greater understanding of how they are required to be recorded so that future similar transactions can be recorded in accordance with generally accepted accounting principles.

Action taken by School District: This was human error. Staff is aware payments for services rendered prior to June 30 and paid after June 30 must be included as accounts payable. In the future, staff will book retainage, if any, when closing the records.



Gwen M. Boltz  
Business Manager