

# Financial Audit FY Ending 6-30-14

# **EAST STROUDSBURG AREA SCHOOL DISTRICT**

## **ANNUAL FINANCIAL REPORT**

***Year Ended June 30, 2014***



Expertise Beyond The Numbers

***Certified Public Accountants and Business Consultants***

## **INTRODUCTORY SECTION**

**EAST STROUDSBURG AREA SCHOOL DISTRICT**  
**TABLE OF CONTENTS**  
**YEAR ENDED JUNE 30, 2014**

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	<b>Page</b>
<b>Introductory Section</b>	
Table of Contents	1
<b>Financial Section</b>	
Independent Auditors' Report	3
Management's Discussion and Analysis (Unaudited)	6
Basic Financial Statements	
<b><i>Government-Wide Financial Statements</i></b>	
Statement of Net Position	13
Statement of Activities	14
<b><i>Fund Financial Statements</i></b>	
<b><i>Governmental Funds</i></b>	
Balance Sheet	15
Reconciliation of Total Governmental Funds Balances to Net Position of Governmental Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balances	17
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	18
<b><i>Proprietary Fund</i></b>	
Statement of Net Position	19
Statement of Revenues, Expenses and Changes in Fund Net Position	20
Statement of Cash Flows	21

**EAST STROUDSBURG AREA SCHOOL DISTRICT**  
**TABLE OF CONTENTS**  
**YEAR ENDED JUNE 30, 2014**

---

	<b>Page</b>
<i>Fiduciary Funds</i>	
Statement of Fiduciary Net Position	22
Statement of Changes in Fiduciary Net Position	23
<b><i>Notes to the Basic Financial Statements</i></b>	<b>24</b>
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule, General Fund	50
Note to the Budgetary Comparison Schedule	51
Postemployment Benefits Other Than Pension Funding Progress	52
<b>Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards</b>	<b>53</b>
<b>Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With OMB Circular A-133</b>	<b>55</b>
<b>Supplementary Information - Major Federal Award Programs Audit</b>	
Schedule of Expenditures of Federal Awards	57
Notes to the Schedule of Expenditures of Federal Awards	59
Schedule of Findings and Questioned Costs	60
Summary Schedule of Prior Audit Findings	62

## **FINANCIAL SECTION**

## ***Independent Auditors' Report***

To the Board of School Directors  
East Stroudsburg Area School District  
East Stroudsburg, Pennsylvania

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the East Stroudsburg Area School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the East Stroudsburg Area School District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

To the Board of School Directors  
East Stroudsburg Area School District  
East Stroudsburg, Pennsylvania

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the East Stroudsburg Area School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note N to the financial statements, the June 30, 2013 financial statements have been restated to record transactions in accordance with generally accepted accounting principles. Our opinion is not modified with respect to this matter.

As discussed in Note O to the financial statements, for the year ended June 30, 2014, the East Stroudsburg Area School District adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 12, budgetary comparison information on pages 50 and 51 and postemployment benefits other than pension funding progress on page 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



To the Board of School Directors  
East Stroudsburg Area School District  
East Stroudsburg, Pennsylvania

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the East Stroudsburg Area School District's basic financial statements. The schedule of expenditures of federal and certain state awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal and certain state awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and certain state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2014, on our consideration of the East Stroudsburg Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the East Stroudsburg Area School District's internal control over financial reporting and compliance.

*Maillie LLP*

Oaks, Pennsylvania  
December 12, 2014

**EAST STROUDSBURG AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2014**

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The discussion and analysis of East Stroudsburg Area School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the School District's financial performance as a whole, readers should review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

**USING THIS GENERALLY ACCEPTED ACCOUNTING PRINCIPLES REPORT (GAAP)**

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

The statement of net position and statement of activities provide information about the activities of the whole 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 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 East Stroudsburg Area School District, the General Fund is by far the most significant fund.

**FINANCIAL HIGHLIGHTS**

Key government-wide financial highlights for 2014 are as follows:

- In total, net position decreased from \$127,649,536 in 2013 to \$67,800,234 in 2014.
- General revenues accounted for \$107,221,325 in revenue or 71% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$42,895,155 or 29% of total revenues of \$150,116,480.
- Total assets and deferred outflows of resources of governmental activities were \$307,390,096, of which \$72,347,250 represents unrestricted cash and investments. Governmental capital assets, net of accumulated depreciation were \$201,594,845.
- The School District had \$139,640,925 in expenses; only \$42,895,155 of these expenses were offset by program specific charges for services, grants, or contributions. General revenues (primarily member district allocation derived from their property taxes) of \$107,221,325 were adequate to provide for these programs.
- Expenses, after program revenue was \$96,411,451 which increased from \$90,640,006 in 2013.
- Federal and state subsidies this year were \$39,065,556, which increased from \$38,123,838 in 2013.
- Considerable construction and debt financing activities were experienced in 2013 and 2014 with the continuing renovation projects.

# **EAST STROUDSBURG AREA SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

### **YEAR ENDED JUNE 30, 2014**

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#### **OUR SCHOOLS**

The District operates: six elementary schools that house students from kindergarten to fifth grade, two intermediate schools with sixth to eighth grades and two high schools with ninth through twelfth grades.

- |                                       |                                      |
|---------------------------------------|--------------------------------------|
| • Bushkill Elementary School          | • East Stroudsburg Elementary School |
| • Resica Elementary School            | • J.T. Lambert Intermediate School   |
| • Middle Smithfield Elementary School | • Lehman Intermediate School         |
| • Smithfield Elementary School        | • East Stroudsburg High School South |
| • J. M. Hill Elementary School        | • East Stroudsburg High School North |

#### **REPORTING THE SCHOOL DISTRICT AS A WHOLE**

**Statement of Net Position and the Statement of Activities** - While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question.....**"How did we do financially during the year?"** The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. The basis of accounting takes into account all of the current year's revenue and expenses regardless of when cash is received or paid. These two statements report the School District's net position and changes in net position. This change in net position 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 cause of this change may be the result of many factors, some financial, and some not. Nonfinancial factors include the School District's property tax base, current property tax laws in Pennsylvania restricting revenue growth, facility condition, required educational programs and other factors. In the Statement of Net Position and the Statement of Activities, the School District reports governmental activities. Governmental activities are the activities where most of the School District programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The School District's business-like activity is the Food Service Fund.

#### **REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS**

**Fund Financial Statements** - The Governmental Funds statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental Funds information helps you determine whether there are more or fewer 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 Position and the Statement of Activities) and Governmental Funds is reconciled in the financial statements. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these funds financial statements focus on the School District's most significant 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 the 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 following page lists the School District's Governmental Funds.

**EAST STROUDSBURG AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2014**

- **General Fund (Major Fund)** The General Fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is expended for transferred according to the general laws of the Commonwealth.
- **Capital Projects Fund (Major Fund)** The Capital Projects Fund accounts are to be used for the acquisition, construction, or improvement of capital facilities.
- **Special Revenue Fund (Major Fund)** The Special Revenue Fund accounts for specific revenue sources, which are legally restricted to expenditures for specific purposes. Prior to the implementation of GASB #54, the District accounted for the student athletics program in this fund.

**THE SCHOOL DISTRICT AS A WHOLE**

Recall that the Statement of Net Position provides the perspective of the School District as a whole.

**Condensed Statements of Net Position**  
**June 30, 2014 and 2013**

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
<b>ASSETS</b>						
Current assets	\$ 104,191,202	\$ 100,111,835	\$ 1,157,801	\$ 1,436,547	\$ 105,349,003	\$ 101,548,182
Capital and other assets	203,198,894	204,844,289	167,013	51,149	203,365,907	204,895,438
<b>TOTAL ASSETS</b>	<b>307,390,096</b>	<b>304,955,924</b>	<b>1,324,814</b>	<b>1,487,696</b>	<b>308,714,910</b>	<b>306,443,620</b>
<b>LIABILITIES</b>						
Long-term liabilities	208,483,570	218,302,433	383,370	298,525	208,866,940	218,598,958
Other liabilities	31,945,519	30,760,440	102,217	17,835	32,047,736	30,778,275
<b>TOTAL LIABILITIES</b>	<b>240,429,089</b>	<b>249,062,873</b>	<b>485,587</b>	<b>314,360</b>	<b>240,914,676</b>	<b>249,377,233</b>
<b>NET POSITION</b>						
Net investment in capital assets, restated (2013)	(951,359)	(3,751,580)	167,013	51,149	(784,346)	(3,700,431)
Restricted	40,994,163	37,832,387	-	-	40,994,163	37,832,387
Unrestricted, restated (2013)	26,918,203	21,812,244	672,214	1,122,187	27,590,417	22,934,431
<b>TOTAL NET POSITION</b>	<b>\$ 66,961,007</b>	<b>\$ 55,893,051</b>	<b>\$ 839,227</b>	<b>\$ 1,173,336</b>	<b>\$ 67,800,234</b>	<b>\$ 57,066,387</b>

Unrestricted net position, the part of net position that can be used to finance day-to-day activities without constraints established by grants or legal requirements, increased by \$4,655,986.

**EAST STROUDSBURG AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2014**

**Condensed Statement of Activities**  
**June 30, 2014 and 2013**

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
<b>REVENUES</b>						
Charges for services	\$ 830,741	\$ 4,061,869	\$ 1,363,171	\$ 1,412,660	\$ 2,193,912	\$ 5,464,529
Operating grants and contributions	36,389,751	35,634,914	2,675,805	2,468,924	39,065,556	38,123,838
Capital grants and contributions	1,635,687	-	-	-	1,635,687	-
Property taxes and other taxes levied for general purposes	103,111,151	104,012,961	-	-	103,111,151	104,012,961
Taxes levied for specific purposes	3,442,125	3,982,308	-	-	3,442,125	3,982,308
Investment earnings	85,135	109,298	210	928	85,345	110,224
Other	582,704	-	-	-	582,704	-
<b>TOTAL REVENUES</b>	<b>146,077,294</b>	<b>147,791,350</b>	<b>4,039,186</b>	<b>3,902,510</b>	<b>150,116,480</b>	<b>151,693,860</b>
<b>EXPENSES</b>						
Instruction	76,186,003	73,897,286	-	-	76,186,003	73,897,286
Support services	23,739,605	25,823,080	-	-	23,739,605	25,823,080
Facilities acquisition, construction and improvement services	142,447	-	-	-	142,447	-
Operation of non-instructional services	16,539,226	20,730,356	-	-	16,539,226	20,730,356
Debt service	8,756,534	9,720,607	-	-	8,756,534	9,720,607
Unallocated depreciation	9,903,815	-	-	-	9,903,815	-
Food service	-	-	4,373,295	4,057,064	4,373,295	4,057,064
<b>TOTAL EXPENSES</b>	<b>135,287,630</b>	<b>130,171,309</b>	<b>4,373,295</b>	<b>4,057,064</b>	<b>139,640,925</b>	<b>134,228,373</b>
<b>CHANGE IN NET POSITION</b>	<b>10,809,664</b>	<b>17,620,041</b>	<b>(334,109)</b>	<b>(154,554)</b>	<b>10,475,555</b>	<b>17,465,487</b>
<b>NET POSITION AT BEGINNING OF YEAR, restated</b>	<b>58,151,343</b>	<b>108,856,159</b>	<b>1,173,336</b>	<b>1,327,890</b>	<b>57,324,679</b>	<b>110,184,049</b>
Restatement	-	(70,324,857)	-	-	-	(70,324,857)
<b>NET POSITION AT END OF YEAR</b>	<b>\$ 68,961,007</b>	<b>\$ 58,151,343</b>	<b>\$ 839,227</b>	<b>\$ 1,173,336</b>	<b>\$ 67,800,234</b>	<b>\$ 57,324,679</b>

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services.

**Net Cost of Services**

	2014	2013	2012	2011	2010
<b>GOVERNMENTAL ACTIVITIES</b>					
Instruction	\$ (41,847,480)	\$ (41,617,735)	\$ (44,229,363)	\$ (39,120,654)	\$ (39,871,393)
Support services	(23,555,101)	(20,936,285)	(23,418,831)	(26,268,508)	(21,560,972)
Facilities acquisition, construction and improvement services	(100,544)	-	-	-	-
Operation of non-instructional services	(13,883,664)	(10,224,259)	(9,782,724)	(7,772,834)	(7,386,803)
Debt service	(7,120,847)	(9,720,607)	(6,982,428)	(9,213,490)	(8,968,908)
Unallocated depreciation	(9,903,815)	(7,985,640)	(6,045,602)	(4,815,065)	(5,068,256)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>(96,411,451)</b>	<b>(90,484,526)</b>	<b>(90,458,948)</b>	<b>(87,190,571)</b>	<b>(82,856,332)</b>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Food service	(334,319)	(155,480)	191,107	314,028	261,790
<b>TOTAL DISTRICT NET COST</b>	<b>\$ (96,745,770)</b>	<b>\$ (90,640,006)</b>	<b>\$ (90,267,841)</b>	<b>\$ (86,876,543)</b>	<b>\$ (82,594,542)</b>

**EAST STROUDSBURG AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2014**

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***Defining the Classification of Expenditure***

- Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil.
- Support expenses include activities that facilitate and enhance student instruction.
- Facilities acquisition, construction and improvement expenses include the purchase of land and buildings as well as construction, renovation, and improvements to property and facilities.
- Operation of non-instructional expenses include activities concerned with providing non-instructional services to students, staff, and the community.
- Debt service expenses include interest on long-term debt and fiscal charges involve the transactions associated with the payment of interest and other related charges to debt of the school district.
- Food service expenses involve the preparing, delivering, and servicing of lunches and other meals.

**GENERAL FUND BUDGET HIGHLIGHTS**

The School District's budget is prepared according to the 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.

**REAL ESTATE TAXES**

The dependence upon real estate tax revenue is apparent. For all activities, general revenue support is 71%. The community, as a whole, is the primary support for the East Stroudsburg Area School District.

Property taxes are levied on July 1, on the assessed value listed, as of that date, for all taxable real property located in the District. Assessed values are established by the County Board of Assessments. All taxable real property was assessed at \$639,742,690. The tax rate for the year was \$128.94 mills per \$1,000 of assessed valuation for Pike County and \$180.81 mills per \$1,000 of assessed valuation for Monroe County.

The schedule for real estate taxes levied for each fiscal year is as follows:

August 1.....	Levy Date
August 1 - September 30 .....	2% Discount Period
October 1 - November 30 .....	Face Payment Period
December 1 - December 31 .....	10% Penalty Period
January 1 .....	Lien Date

**EAST STROUDSBURG AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2014**

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**THE SCHOOL DISTRICT'S FUNDS**

These funds are accounted for using the modified accrual basis of accounting. All Governmental Funds had total operating revenues of \$144,203,759 increased from \$144,178,298 and operating expenditures of \$146,187,817 increased from \$136,766,522. Other financing sources and uses were \$4,555,830 and the net change in fund balance for the year was an increase of \$2,571,772 where last year there was an increase of \$9,907,995.

**CAPITAL ASSETS**

At the end of the fiscal year, the school district had the following invested in land, construction in progress, buildings and building improvements, furniture and equipment.

	2014			2013
	Governmental Activities	Business-Type Activities	Totals	Totals (Restated)
Land	\$ 5,198,539	\$ -	\$ 5,198,539	\$ 5,198,539
Construction in progress	244,844	-	244,844	1,749,022
Site improvements	11,055,767	-	11,055,767	11,055,767
Buildings and building improvements	244,620,526	-	244,620,526	239,112,174
Furniture and equipment	28,003,963	444,005	28,447,968	28,112,783
Accumulated depreciation	(87,528,794)	(276,992)	(87,805,786)	(80,125,704)
	<u>\$ 201,594,845</u>	<u>\$ 167,013</u>	<u>\$ 201,761,858</u>	<u>\$ 205,102,581</u>

The School District reviewed prior year financial statements and reconciled them to the District's capital asset inventory requiring a restatement of the capital asset valuations for prior years. See Note N to the financial statements.

***Depreciation of the Years Capital Asset Activity***

- Overall capital assets decreased by \$3,133,580. This is due to a restatement of prior reported amounts (See Note N to the financial statements) that was offset by construction of the school projects as well as additions to the school bus fleet.
- Depreciation for the year was \$9,916,274.

**RESERVED FUND BALANCES**

Fund balances have been classified in accordance with GASB #54, unassigned fund balance represents funds available for appropriation of \$11,061,950 in total for 2014.

**EAST STROUDSBURG AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2014**

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**CURRENT FINANCIAL ISSUES AND CONCERNS**

The East Stroudsburg Area School District, like all school districts in Pennsylvania, has faced reductions in state funding that has limited revenues and increases in the employer contribution rates for the Public School Employee's Retirement System (PSERS) that have driven up expenditures. A substantial portion of the East Stroudsburg Area School District is in Monroe County. Recent economic conditions and the lack of a county reassessment of properties in recent years has led to a significant increase in real estate appeals and a lower tax base. The East Stroudsburg Area School District has been able to establish significant fund balance reserves to offset these economic factors in the short term. The District's strong fund balance has also enabled them to undertake significant capital improvements without issuing new debt and avoiding an additional tax burden on the District's taxpayers.

Recognizing the East Stroudsburg Area School District's on-going success in maintaining a strong financial base in the midst of difficult economic conditions, both Standard and Poor's and Moody's raised the district's credit rating. Standard and Poor's raised their rating to AA- and Moody's raised their rating to Aa3.

In conclusion, East Stroudsburg Area School District has committed itself to continuing and improving its educational program, while making sure that it is being fiscally responsible. The district will continually monitor and assess its programs, operations, and finances to ensure that it is providing the educational services the community desires within the ability of the community to provide the necessary resources.

**CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, 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 receives. If you have any questions about this report or need additional financial information, contact Mr. Jeffrey Bader, PRSBA - Business Manager, East Stroudsburg Area School District, 50 Vine Street, East Stroudsburg, Pennsylvania, 18301.





## **GOVERNMENT-WIDE STATEMENTS**

**EAST STROUDSBURG AREA SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 28,981,252	\$ 734,479	\$ 29,715,731
Investments	43,365,998	-	43,365,998
Taxes receivable, net	16,218,419	-	16,218,419
Internal balances	(106,129)	106,129	-
Due from other governments	2,769,039	172,127	2,941,166
Other receivables	319,925	-	319,925
Inventories	-	145,066	145,066
Insurance reserve provision	10,624,438	-	10,624,438
Prepaid expenses	2,018,260	-	2,018,260
Capital assets			
Land	5,198,539	-	5,198,539
Construction in progress	244,844	-	244,844
Site improvements	11,055,767	-	11,055,767
Building and building improvements	244,620,526	-	244,620,526
Furniture and equipment	28,003,963	444,005	28,447,968
Accumulated depreciation	(87,528,794)	(276,992)	(87,805,786)
<b>TOTAL ASSETS</b>	<b>305,786,047</b>	<b>1,324,814</b>	<b>307,110,861</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred amount on refunding	1,604,049	-	1,604,049
<b>LIABILITIES</b>			
Accounts payable	1,629,550	102,217	1,731,767
Accrued interest on long-term debt	2,841,438	-	2,841,438
Accrued salaries and benefits	16,931,442	-	16,931,442
Other current liabilities	174,264	-	174,264
Unearned revenue	53,601	-	53,601
Long-term liabilities			
Portion due or payable within one year			
Bonds payable	7,315,104	-	7,315,104
Notes payable	1,387,074	-	1,387,074
Authority lease obligations	217,087	-	217,087
Capital leases	1,395,959	-	1,395,959
Portion due or payable after one year			
Bonds payable	106,186,949	-	106,186,949
Notes payable	86,323,465	-	86,323,465
Authority lease obligations	405,467	-	405,467
Capital leases	1,541,702	-	1,541,702
Compensated absences	4,971,594	195,832	5,167,426
Net OPEB obligation	9,054,393	187,538	9,241,931
<b>TOTAL LIABILITIES</b>	<b>240,429,089</b>	<b>485,587</b>	<b>240,914,676</b>
<b>NET POSITION</b>			
Net investment in capital assets	(951,359)	167,013	(784,346)
Restricted for			
Capital projects	16,191,762	-	16,191,762
Commitments	24,545,532	-	24,545,532
Special activities	256,869	-	256,869
Unrestricted	26,918,203	672,214	27,590,417
<b>TOTAL NET POSITION</b>	<b>\$ 66,961,007</b>	<b>\$ 839,227</b>	<b>\$ 67,800,234</b>

*See accompanying notes to the basic financial statements.*

**EAST STROUDSBURG AREA SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2014**

14-

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
GOVERNMENTAL ACTIVITIES							
Instruction							
Regular programs	\$ 50,416,210	\$ 630,438	\$ 28,116,978	\$ -	\$ (21,668,794)	\$ -	\$ (21,668,794)
Special programs	20,825,207	-	4,738,454	-	(16,086,753)	-	(16,086,753)
Vocational programs	2,645,045	-	-	-	(2,645,045)	-	(2,645,045)
Other instructional programs	2,299,541	-	852,653	-	(1,446,888)	-	(1,446,888)
Support services							
Pupil personnel services	4,081,943	-	-	-	(4,081,943)	-	(4,081,943)
Instructional staff services	2,780,906	-	26,386	-	(2,754,520)	-	(2,754,520)
Administrative services	5,416,209	-	-	-	(5,416,209)	-	(5,416,209)
Pupil health services	1,813,251	-	158,118	-	(1,655,133)	-	(1,655,133)
Business services	1,062,666	-	-	-	(1,062,666)	-	(1,062,666)
Operation and maintenance of plant services	8,584,630	-	-	-	(8,584,630)	-	(8,584,630)
Facilities acquisition, construction and improvement services	142,447	41,903	-	-	(100,544)	-	(100,544)
Operation of non-instructional services							
Student transportation services	8,784,148	-	2,410,273	-	(6,373,875)	-	(6,373,875)
Central and other support services	5,252,715	-	-	-	(5,252,715)	-	(5,252,715)
Student activities and athletics	2,366,408	158,400	86,889	-	(2,121,119)	-	(2,121,119)
Community services	135,955	-	-	-	(135,955)	-	(135,955)
Interest on long-term debt	8,756,534	-	-	1,635,687	(7,120,847)	-	(7,120,847)
Unallocated depreciation	9,903,815	-	-	-	(9,903,815)	-	(9,903,815)
TOTAL GOVERNMENTAL ACTIVITIES	135,267,630	830,741	36,389,751	1,635,687	(96,411,451)	-	(96,411,451)
BUSINESS-TYPE ACTIVITIES							
Food service	4,373,295	1,363,171	2,675,805	-	-	(334,319)	(334,319)
TOTAL SCHOOL DISTRICT ACTIVITIES	\$ 139,640,925	\$ 2,193,912	\$ 39,065,556	\$ 1,635,687	(96,411,451)	(334,319)	(96,745,770)
GENERAL REVENUES							
Taxes							
Property taxes, levied for general purposes, net					103,111,151	-	103,111,151
Earned income					3,313,713	-	3,313,713
Public utility taxes					128,412	-	128,412
Investment earnings					85,135	210	85,345
Gain on sale of capital assets					412,980	-	412,980
Miscellaneous Income					169,724	-	169,724
TOTAL GENERAL REVENUES					107,221,115	210	107,221,325
CHANGE IN NET POSITION					10,809,664	(334,109)	10,475,555
NET POSITION AT BEGINNING OF YEAR, restated					56,151,343	1,173,336	57,324,679
NET POSITION AT END OF YEAR					\$ 66,961,007	\$ 839,227	\$ 67,800,234

See accompanying notes to the basic financial statements.

## **GOVERNMENTAL FUNDS STATEMENTS**

**EAST STROUDSBURG AREA SCHOOL DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2014**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 15,945,490	\$ 12,837,547	\$ 198,215	\$ 28,981,252
Investments	43,328,212	-	37,786	43,365,998
Taxes receivable, net	16,972,404	-	-	16,972,404
Due from other funds	85	3,384,212	595	3,384,892
Due from other governments	2,769,039	-	-	2,769,039
Other receivables	319,925	-	-	319,925
Prepaid expenditures	2,018,260	-	-	2,018,260
<b>TOTAL ASSETS</b>	<b>\$ 81,353,415</b>	<b>\$ 16,221,759</b>	<b>\$ 236,596</b>	<b>\$ 97,811,770</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 1,599,003	\$ 29,997	\$ 550	\$ 1,629,550
Due to other funds	3,490,936	-	85	3,491,021
Accrued salaries and benefits	16,931,442	-	-	16,931,442
Other current liabilities	173,248	-	1,016	174,264
<b>TOTAL LIABILITIES</b>	<b>22,194,629</b>	<b>29,997</b>	<b>1,651</b>	<b>22,226,277</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue, property taxes	13,003,920	-	-	13,003,920
<b>FUND BALANCES</b>				
Nonspendable, prepaid expenditures	2,018,260	-	-	2,018,260
Committed	-	-	-	-
Future retirement benefits	18,545,532	-	-	18,545,532
Future healthcare costs	6,000,000	-	-	6,000,000
Assigned	-	16,191,762	-	16,191,762
Capital projects	-	-	-	-
Student athletics	21,924	-	234,945	256,869
Future budget expenditures	8,488,285	-	-	8,488,285
Reserve for encumbrances	18,915	-	-	18,915
Unassigned	11,061,950	-	-	11,061,950
<b>TOTAL FUND BALANCES</b>	<b>46,154,866</b>	<b>16,191,762</b>	<b>234,945</b>	<b>62,581,573</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 81,353,415</b>	<b>\$ 16,221,759</b>	<b>\$ 236,596</b>	<b>\$ 97,811,770</b>

*See accompanying notes to the basic financial statements.*

**EAST STROUDSBURG AREA SCHOOL DISTRICT**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES**  
**TO NET POSITION OF GOVERNMENTAL ACTIVITIES**  
**JUNE 30, 2014**

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 62,581,573
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	5,198,539
Construction in progress	244,844
Site improvements	11,055,767
Building and building improvements	244,620,526
Furniture and equipment	28,003,963
Accumulated depreciation	(87,528,794)
Deferred amount on refunding	1,604,049
	203,198,894

Provision for insurance reserve recorded as an expenditure in the Governmental Funds and a prepaid expense in the statement of net position.

10,624,438

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

12,196,334

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	(113,502,053)
Accrued interest	(2,841,438)
Notes payable	(87,710,539)
Authority lease obligations	(622,554)
Capital leases	(2,937,661)
Compensated absences	(4,971,594)
Other postemployment benefits	(9,054,393)
	(221,640,232)

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 66,961,007

*See accompanying notes to the basic financial statements.*

**EAST STROUDSBURG AREA SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2014**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Local sources	\$ 106,656,606	\$ 1,046	\$ 183,813	\$ 106,841,465
State sources	34,165,046	-	-	34,165,046
Federal sources	3,197,248	-	-	3,197,248
<b>TOTAL REVENUES</b>	<u>144,018,900</u>	<u>1,046</u>	<u>183,813</u>	<u>144,203,759</u>
<b>EXPENDITURES</b>				
Regular programs	51,815,457	-	-	51,815,457
Special programs	20,831,691	-	-	20,831,691
Vocational programs	2,651,035	-	-	2,651,035
Other instructional programs	2,299,541	-	-	2,299,541
Pupil personnel services	4,081,943	-	-	4,081,943
Instructional staff services	2,780,906	-	-	2,780,906
Administrative services	5,419,304	-	-	5,419,304
Pupil health services	1,813,251	-	-	1,813,251
Business services	1,062,666	-	-	1,062,666
Operation and maintenance of plant	12,348,680	6,589	-	12,355,269
Facilities acquisition, construction and improvement services	-	1,071,805	-	1,071,805
Student transportation services	12,634,461	-	-	12,634,461
Central and other support services	5,039,282	-	-	5,039,282
Student activities and athletics	2,193,925	-	188,047	2,381,972
Community services	135,955	-	-	135,955
Refund of prior year revenues	594,497	-	-	594,497
Debt service	19,130,021	-	-	19,130,021
Bond issuance costs	88,761	-	-	88,761
<b>TOTAL EXPENDITURES</b>	<u>144,921,376</u>	<u>1,078,394</u>	<u>188,047</u>	<u>146,187,817</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<u>(902,476)</u>	<u>(1,077,348)</u>	<u>(4,234)</u>	<u>(1,984,058)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	2,426,541	-	-	2,426,541
Proceeds from capital leases	2,040,528	-	-	2,040,528
Proceeds from issuance of refunding bonds	7,900,000	-	-	7,900,000
Payment to refunded bond escrow agent	(7,789,777)	-	-	(7,789,777)
Payment to sinking fund	(21,462)	-	-	(21,462)
Operating transfers in	-	15,085,341	-	15,085,341
Operating transfers out	(15,085,341)	-	-	(15,085,341)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(10,529,511)</u>	<u>15,085,341</u>	<u>-</u>	<u>4,555,830</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(11,431,987)</u>	<u>14,007,993</u>	<u>(4,234)</u>	<u>2,571,772</u>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>57,586,853</u>	<u>2,183,769</u>	<u>239,179</u>	<u>60,009,801</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 46,154,866</u>	<u>\$ 16,191,762</u>	<u>\$ 234,945</u>	<u>\$ 62,581,573</u>

*See accompanying notes to the basic financial statements.*

**EAST STROUDSBURG AREA SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2014**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS

\$ 2,571,772

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 and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation in the current period.

Capital outlays  
 Depreciation

7,912,938  
(9,903,815)  
(1,990,877)

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

1,460,555

In the statement of activities, certain operating expenses--compensated absences (vacation and sick leave)--and other postemployment benefits are measured by the amounts earned during the year. In the Governmental Funds, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).

(2,074,619)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in Governmental Funds:

Accrued interest  
 Insurance provision

137,623  
3,432,236  
3,569,859

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to Governmental Funds, while the repayment of the principal of long-term debt consumes the current financial resources of Governmental Funds. Neither transaction, however, has any effect on net position. Also, Governmental Funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Repayment of bond principal  
 Issuance of general obligation bond  
 Amortization of bond discounts, premiums and refunding loss  
 Repayment on note principal  
 Repayment of authority lease obligations  
 Repayment of capital lease obligations  
 Issuance of capital lease obligations

12,820,104  
(7,900,000)  
 942,645  
 1,481,392  
 209,644  
 1,759,717  
(2,040,528)  
7,272,974

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 10,809,664

*See accompanying notes to the basic financial statements.*



## **PROPRIETARY FUND STATEMENTS**

**EAST STROUDSBURG AREA SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**JUNE 30, 2014**

	<u>Enterprise Fund Food Service Fund</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 734,479
Due from other funds	215,000
Due from other governments	172,127
Inventories	<u>145,066</u>
<b>TOTAL CURRENT ASSETS</b>	<b>1,266,672</b>
<b>CAPITAL ASSETS, net</b>	<u>167,013</u>
<b>TOTAL ASSETS</b>	<b><u>1,433,685</u></b>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Due to other funds	108,871
Accounts payable	102,217
Compensated absences	195,832
Other postemployment benefits	<u>187,538</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b><u>594,458</u></b>
<b>NET POSITION</b>	
Net investment in capital assets	167,013
Unrestricted	<u>672,214</u>
<b>TOTAL NET POSITION</b>	<b>\$ <u>839,227</u></b>

*See accompanying notes to the basic financial statements.*

**EAST STROUDSBURG AREA SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUND**  
**YEAR ENDED JUNE 30, 2014**

	<u>Enterprise Fund Food Service Fund</u>
<b>OPERATING REVENUES</b>	
Food service revenue	\$ <u>1,363,171</u>
<b>OPERATING EXPENSES</b>	
Personnel	2,547,033
Operating	1,763,892
Purchased services	49,911
Depreciation	12,459
<b>TOTAL OPERATING EXPENSES</b>	<u><b>4,373,295</b></u>
<b>OPERATING LOSS</b>	<u><b>(3,010,124)</b></u>
<b>NONOPERATING REVENUES</b>	
Earnings on investments	210
State sources	309,288
Federal sources	2,366,517
<b>TOTAL NONOPERATING REVENUES</b>	<u><b>2,676,015</b></u>
<b>CHANGE IN NET POSITION</b>	<u><b>(334,109)</b></u>
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u><b>1,173,336</b></u>
<b>NET POSITION AT END OF YEAR</b>	<u><u><b>\$ 839,227</b></u></u>

*See accompanying notes to the basic financial statements.*

**EAST STROUDSBURG AREA SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**YEAR ENDED JUNE 30, 2014**

	Enterprise Fund Food Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from users	\$ 1,363,171
Cash payments to employees for services	(2,547,033)
Cash payments to suppliers for goods and services	(1,179,439)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>(2,363,301)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State sources	309,288
Federal sources	2,071,029
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>2,380,317</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of capital assets	<u>(128,323)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest received	<u>210</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(111,097)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>845,576</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>\$ 734,479</u></u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating loss	\$ (3,010,124)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	12,459
Donated foods	233,964
(Increase) decrease in	
Due from other funds	271,477
Inventories	(42,304)
Increase in	
Accounts payable	84,382
Employee benefits payable	86,845
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u><u>\$ (2,363,301)</u></u>
<b>SUPPLEMENTAL DISCLOSURES</b>	
Noncash activities	
Donated foods	\$ 233,964

*See accompanying notes to the basic financial statements.*

## **FIDUCIARY FUNDS STATEMENTS**

**EAST STROUDSBURG AREA SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2014**

	Private Purpose Trust Funds		Agency Funds		Total
	Expendable	Non -	Student	Concessions	Fiduciary
	Scholarships	Expendable	Activities		Funds
		Scholarships			
<b>ASSETS</b>					
Cash and cash equivalents	\$ 47,992	\$ 19,510	\$ 89,257	\$ 1,491	\$ 158,250
Investments	56,126	34,559	-	-	90,685
<b>TOTAL ASSETS</b>	<u>104,118</u>	<u>54,069</u>	<u>89,257</u>	<u>1,491</u>	<u>248,935</u>
<b>LIABILITIES</b>					
Accounts payable	-	-	-	1,491	1,491
Due to student groups	-	-	89,257	-	89,257
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>89,257</u>	<u>1,491</u>	<u>90,748</u>
<b>NET POSITION</b>					
Held in trust for benefits and other purposes	\$ <u>104,118</u>	\$ <u>54,069</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>158,187</u>

*See accompanying notes to the basic financial statements.*

**EAST STROUDSBURG AREA SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**YEAR ENDED JUNE 30, 2014**

	Private Purpose Trust Funds	
	<u>Expendable Scholarships</u>	<u>Non- Expendable Scholarships</u>
ADDITIONS		
Gifts and contributions	\$ 7,750	\$ 50
Investment income	<u>264</u>	<u>335</u>
TOTAL ADDITIONS	8,014	385
DEDUCTIONS		
Scholarships awarded and fees paid	<u>16,200</u>	<u>1,289</u>
CHANGE IN NET POSITION	(8,186)	(904)
NET POSITION AT BEGINNING OF YEAR	<u>112,304</u>	<u>54,973</u>
NET POSITION AT END OF YEAR	<u>\$ 104,118</u>	<u>\$ 54,069</u>

*See accompanying notes to the basic financial statements.*

**EAST STROUDSBURG AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**School District**

East Stroudsburg Area School District operates six elementary schools, two intermediate schools and two high schools in Monroe and Pike Counties, Pennsylvania. The School District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provision of the School Laws of Pennsylvania. East Stroudsburg Area School District is a unit established, organized and empowered by the Commonwealth of Pennsylvania for the express purpose of carrying out, on the local level, the Commonwealth's obligation to public education, as established by the constitution of the Commonwealth and by the School Law Code of the same (Article II; Act 150, July 8, 1968). As specified under the School Law Code of the Commonwealth of Pennsylvania, this and all other school districts of the state "shall be and hereby are vested as, bodies corporate, with all necessary powers to carry out the provisions of this act" (Article II, Section 211).

**Board of School Directors**

The public school system of the Commonwealth shall be administered by a board of school directors, to be elected or appointed, as hereinafter provided. At each election of school directors, each qualified voter shall be entitled to cast one vote for each school director to be elected. The School District is governed by a board of nine School Directors who are residents of the School District and who are elected every two years, on a staggered basis, for a four-year term. The Board of School Directors has the power and duty to establish, equip, furnish and maintain a sufficient number of elementary, secondary and other schools necessary to educate every person, residing in such district, between the ages of six and 21 years, who may attend. In order to establish, enlarge, equip, furnish, operate and maintain any schools herein provided, or to pay any school's indebtedness which the School District is required to pay, or to pay any indebtedness that may at any time hereafter be created by the School District, the Board of School Directors is vested with all the necessary authority and power annually to levy and collect the necessary taxes required and granted by the legislature, in addition to the annual state appropriation, and is vested with all necessary power and authority to comply with and carry out any or all of the provisions of the Public School Code of 1949.



**EAST STROUDSBURG AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Administration**

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

The District's Business Manager, recommended by the Superintendent and appointed by the Board of School Directors, shall supervise and coordinate all business aspects of the School District. In this capacity, the Business Manager shall be responsible to ensure that all work accomplished by him or by persons under his supervision, is in the best interests of the School District. The Business Manager is directly responsible to the Superintendent.

**Reporting Entity**

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

**Joint Ventures**

**Monroe Career & Technical Institute (MCTI)** is a separate entity. It was organized by the four public school districts in Monroe County to provide services in the county. Each of the public school districts appoints three members to serve on the joint operating committee, and each has an ongoing financial responsibility to fund MCTI.

**Colonial Intermediate Unit #20 (CIU)** is a separate legal entity. It was organized by the constituent school districts in Monroe, Pike and Northampton Counties to provide special education services to the school districts. Each member school district appoints one member to serve on the Board of Directors of the CIU. The School District contracts with the CIU to provide special education services for District students.

**EAST STROUDSBURG AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Presentation and Accounting**

**Government-Wide Financial Statements** - The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for 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 and the accrual basis of accounting. This is the same approach used in the preparation of the Proprietary Fund financial statements but differs from the manner in which Governmental Funds financial statements are prepared. Governmental Funds financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for Governmental Funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function or program of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

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

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

**EAST STROUDSBURG AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

Trust Funds are reported using the economic resources measurement focus.

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

**Fund Accounting**

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

**Governmental Funds**

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

**EAST STROUDSBURG AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**Special Revenue Fund** - The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The School District's *Activity Fund* is accounted for in this fund type.

***Proprietary Fund***

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

***Fiduciary Funds***

**Private-Purpose Trust Funds** - Private-Purpose Trust Funds account for the receipts and disbursements of monies contributed to the School District for scholarships and memorials.

**Agency Funds** - The Agency Funds account for the receipts and disbursements of monies from student activity organizations. These organizations exist at the explicit approval, subject to revocation, of the School District governing body. This accounting reflects the School District agency relationship with the student activity organizations. Accordingly, receipts and disbursements of the Agency Funds are not included in the revenues and expenditures of the School District. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**Cash and Cash Equivalents**

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

**Investments**

Investments are valued at fair value.

**EAST STROUDSBURG AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Short-Term Interfund Receivables/Payables**

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

**Inventories**

Inventory of purchased food and paper supplies within the Proprietary Fund is carried at cost using the first-in, first-out method of accounting and is subsequently charged to expense when consumed. Inventory of donated foods is valued at fair market value as established by the U.S. Department of Agriculture.

**Prepaid Expenses**

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

**Capital Assets**

Capital assets, which include property, plant, equipment and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The School District defines a capital asset as an asset with an initial, individual cost equal to or greater than \$1,500 or purchased with debt proceeds and must also have an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

	<u>Years</u>
Buildings and building improvements	15-50
Furniture, fixtures, equipment and vehicles	5-15

**Provision for Insurance Reserve**

The School District participates in an insurance pool for employee health. The advance payments held in reserve representing future expenses have been recorded in the accompanying statement of net position as a prepaid expense (asset).

**EAST STROUDSBURG AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Long-Term Obligations**

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

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

**Compensated Absences**

The School District's policies regarding vacation, personal and sick time permit employees to accumulate earned but unused time. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. A liability for these amounts is reported in the Governmental Funds only if they have matured, for example, as a result of employee resignations or retirements.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District's deferred outflows on the statement of net position consist of deferred charges on debt refundings, net of accumulated amortization. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition prices. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

**EAST STROUDSBURG AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Net Position**

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

**Use of Estimates**

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

**Fund Balance and GASB Statement No. 54**

The School District previously implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the School District's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- ***Nonspendable*** - Amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints. Fund balance types of this category are prepaid expenses.
- ***Restricted*** - Amounts that can be spent only for specific purposes stipulated by external resource providers or through enabling legislation.
- ***Committed*** - Amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority (the Board of Directors) and do not lapse at year-end. To be reported as committed, amounts cannot be used for any other purpose unless the School District takes the same highest level action to remove or change the constraint.
- ***Assigned*** - Amounts the School District intends to use for a specific purpose. Intent can be expressed by the Board of Directors or by an official or body to which the Board of Directors delegates the authority. The School District has delegated such authority to the Business Manager.
- ***Unassigned*** - Amounts not contained in other classifications. Unassigned amounts are technically available for any purpose.

**EAST STROUDSBURG AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Board of School Directors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. Assigned fund balance is intended to be used by the government for specific purposes but does not meet the criteria to be classified as restricted or committed. The details of the fund balances are included in the Governmental Funds balance sheet (page 15). Restricted funds are used first as appropriate, followed by committed resources and then assigned resources, to the extent that expenditure authority has been budgeted by the Board of School Directors. The School District does reserve the right to first reduce unassigned fund balance to defer the use of these other classified funds. In the event that unassigned fund balance becomes zero, then assigned and committed fund balances are used in that order.

**NOTE B - CASH AND INVESTMENTS**

**Cash**

***Custodial Credit Risk*** - Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of June 30, 2014, the School District's bank balance of \$32,519,897 was exposed to custodial credit risk as follows:

FDIC insured	\$ 250,312
Uninsured and collateral held by pledging bank's trust department not in the School District's name	10,719,620
Uninsured	<u>21,549,965</u>
	<u>\$ 32,519,897</u>

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

**Investments**

As of June 30, 2014, the School District had the following investments and maturities:

Investment Type	Fair Value	Maturities	
		Less Than 1 Year	1 to 5 Years
State investment pools	\$ 43,328,212	\$ 32,293,372	\$ 11,034,840
Certificates of deposit	<u>128,471</u>	<u>-</u>	<u>128,471</u>
	<u>\$ 43,456,683</u>	<u>\$ 32,293,372</u>	<u>\$ 11,163,311</u>



**EAST STROUDSBURG AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**NOTE B - CASH AND INVESTMENTS (Continued)**

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

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

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

Although not registered with the Securities and Exchange Commission and not subject to formal regulatory oversight, the state investment pool is subject to an independent annual audit. The fair value in the external investment pool is equivalent to the value of the pool shares.

**Concentration of Credit Risk** - As of June 30, 2014, the District's investments in certificates of deposits did not exceed 5% of the School District's total investments.

**NOTE C - TAXES - REAL ESTATE AND OTHER**

The School Board is authorized by state law to levy property taxes for School District operations, capital improvements and debt service. Property taxes are based on assessed values of all taxable property within the School District. Taxable real property was assessed at \$639,742,690, combined for Monroe County \$440,904,470 and Pike County for \$198,838,220. The tax rate for the year was \$128.94 mills per \$1,000 of assessed valuation for Pike County and \$180.81 mills per \$1,000 of assessed valuation for Monroe County.

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

Discount period.....	August 1 to September 30 - 2% of gross levy
Face period.....	October 1 to November 30
Penalty period.....	December 1 to January 1 - 10% of gross levy
Lien date.....	January 1

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

**EAST STROUDSBURG AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**NOTE D - RECEIVABLES**

Receivables at June 30, 2014, consisted of taxes, other revenue and intergovernmental grants and entitlements. The real estate taxes receivable account represents real estate transfer taxes and prior year uncollected tax levies. All receivables are considered fully collectible due to the ability to lien property for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds.

A summary of receivables by fund is as follows:

	<u>General Fund</u>	<u>Food Service Fund</u>
Real estate taxes	\$ 16,854,086	\$ -
Earned income taxes	18,542	-
Local service taxes	1,559	-
Transfer taxes	98,217	-
Federal subsidies	1,684,744	143,894
State subsidies	1,081,022	28,233
Other governments	3,273	-
Other revenue	319,925	-
	<u>\$ 20,061,368</u>	<u>\$ 172,127</u>

**NOTE E - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances as of June 30, 2014, is as follows:

**Due to/from Other Funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue Fund	\$ 85
Special Revenue Fund	General Fund	595
Food Service Fund	General Fund	215,000
Capital Projects Fund	General Fund	3,275,341
Capital Projects Fund	Food Service Fund	108,871
		<u>\$ 3,599,892</u>

The amounts between the Food Service Fund and the General Fund are interfund borrowings to pay for operations. The amounts between the Food Service Fund and the Capital Projects Fund are for renovations to facilities or purchases of equipment. The amounts between the General Fund and Special Revenue Fund are for fees and other expenses for student athletics.

**EAST STROUDSBURG AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE E - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)**

**Interfund Transfers**

The School District typically transfers funds from the General Fund to the Capital Projects Fund to pay for improvements and capital acquisitions.

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Capital Projects Fund	General Fund	\$ <u>15,085,341</u>

**NOTE F - CAPITAL ASSETS**

Capital assets balances and activity for the year ending June 30, 2014, are as follows:

	<u>Beginning Balance, Restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 5,198,539	\$ -	\$ -	\$ 5,198,539
Construction in progress	<u>1,749,022</u>	<u>244,844</u>	<u>(1,749,022)</u>	<u>244,844</u>
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>6,947,561</u>	<u>244,844</u>	<u>(1,749,022)</u>	<u>5,443,383</u>
Capital assets being depreciated				
Site improvements	11,055,767	-	-	11,055,767
Building and building improvements	239,112,174	5,508,352	-	244,620,526
Furniture and equipment	<u>28,112,783</u>	<u>4,405,466</u>	<u>(4,514,286)</u>	<u>28,003,963</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>278,280,724</u>	<u>9,913,818</u>	<u>(4,514,286)</u>	<u>283,680,256</u>
Accumulated depreciation				
Site improvements	(6,651,769)	(512,479)	-	(7,164,248)
Building and building improvements	(58,101,809)	(6,130,201)	-	(64,232,010)
Furniture and equipment	<u>(15,372,126)</u>	<u>(4,013,751)</u>	<u>2,057,576</u>	<u>(17,328,301)</u>
TOTAL ACCUMULATED DEPRECIATION	<u>(80,125,704)</u>	<u>(10,656,431)</u>	<u>2,057,576</u>	<u>(88,724,559)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>198,155,020</u>	<u>(742,613)</u>	<u>(2,456,710)</u>	<u>194,955,697</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	<u>205,102,581</u>	<u>(497,769)</u>	<u>(4,205,732)</u>	<u>200,399,080</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets being depreciated				
Machinery and equipment	315,682	128,323	-	444,005
Accumulated depreciation	<u>(264,533)</u>	<u>(12,459)</u>	-	<u>(276,992)</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	<u>51,149</u>	<u>115,864</u>	-	<u>167,013</u>
CAPITAL ASSETS, net	\$ <u>205,153,730</u>	\$ <u>(381,905)</u>	\$ <u>(4,205,732)</u>	\$ <u>200,566,093</u>

**EAST STROUDSBURG AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**NOTE G - LONG-TERM DEBT**

Descriptions of debt outstanding as of June 30, 2014, are as follows:

**General Obligation Notes - Series 1998**

The School District incurred general obligation notes for \$10,000,000 on January 2, 1998. Proceeds of the notes were used for general construction costs and to pay the costs of issuing the notes. The notes mature from June 1, 1998 to June 1, 2018. Interest rates are variable based on market rates.

**General Obligation Notes - Series 1999**

The School District incurred general obligation notes for \$7,000,000 on April 14, 1999. Proceeds of the notes were used for general construction costs and to pay the costs of issuing the notes. The notes mature from December 1, 2000 to December 1, 2019. Interest rates are variable based on market rates.

**General Obligation Notes - Series 2004A**

The School District issued \$8,700,000 General Obligation Notes, Series A of 2004, on November 1, 2004. Proceeds of the notes will be used: (1) to refund a portion of the School District's outstanding General Obligation Bonds, Series A of 1998; General Obligation Bonds, Series AA of 1998; General Obligation Bonds, Series of 2000; General Obligation Bonds, Series of 2001; General Obligation Bonds, Series A of 2001; General Obligation Bonds, Series of 2000; and General Obligation Bonds, Series A of 2002; and (2) to pay the costs of issuing the notes. The notes mature from November 15, 2005 to November 15, 2018. Interest rates vary from 2.00% to 4.00%.

**Note Payable 2006 Issue - Colonial Academy**

The School District incurred \$735,080, which is a portion of the debt issued to finance the Colonial Academy. The School District's obligations mature from June 30, 2006 to June 30, 2030. Interest is payable at 7.71%.

**General Obligation Bonds - Series 2007A**

The School District issued \$37,500,000 General Obligation Bonds, Series A of 2007, on November 1, 2007. Proceeds of the bonds were used to provide additional funds for designing, acquiring, constructing, equipping and furnishing additions, alterations and renovations to the High School South and other capital improvements to facilities owned and operated by the School District, to capitalize a portion of the interest on the bonds and to pay the costs of issuing the bonds. The bonds mature from September 1, 2009 to September 1, 2027. Interest rate is 7.75%.

**EAST STROUDSBURG AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**NOTE G - LONG-TERM DEBT (Continued)**

**General Obligation Notes - Series 2007**

The School District issued \$81,130,000 General Obligation Notes, Series of 2007, on August 15, 2007. Proceeds of the notes will be used: (1) to currently refund the School District's outstanding General Obligation Bonds, Series A of 1998, outstanding in the aggregate principal amount of \$20,810,000; (2) to advance refund the School District's outstanding General Obligation Bonds, Series of 2003A, outstanding in the aggregate principal amount of \$9,990,000; (3) to currently refund a portion of the School District's outstanding General Obligation Bonds, Series of 2003, outstanding in the aggregate principal amount of \$9,745,000; (4) to advance refund a portion of the School District's outstanding General Obligation Bonds, Series of 2004, outstanding in the aggregate principal amount of \$9,990,000; (5) to advance refund the School District's outstanding General Obligation Bonds, Series of 2007, outstanding in the aggregate principal amount of \$39,000,000; and (6) to pay the costs of issuing the notes. The notes mature from September 1, 2007 to September 1, 2039. Interest rates vary from 3.70% to 5.00%.

**General Obligation Bonds - Series 2008**

The School District issued \$32,320,000 General Obligation Bonds, Series of 2008, on April 15, 2009. Proceeds of the bonds were used to provide additional funds for designing, acquiring, constructing, equipping and furnishing additions, alterations and renovations to the Middle Smithfield Elementary School, to provide for the acquisition of real estate, and other capital improvements to facilities owned and operated by the School District, to capitalize a portion of the interest on the bonds and to pay the costs of issuing the bonds. The bonds mature from September 1, 2010 to September 1, 2029. Interest rates vary from 4.00% to 5.00%.

**General Obligation Notes - Series 2009 and General Obligation Bonds - Series 2009**

The School District issued \$12,075,000 General Obligation Notes, Series of 2009, and General Obligation Bonds, Series of 2009, on July 9, 2009. Proceeds of the notes, in the aggregate principal amount of \$8,415,000, will be used: (1) to currently refund a portion of the School District's outstanding General Obligation Bonds, Series of 2005, (2) to currently refund a portion of the School District's outstanding General Obligation Bonds, Series A of 2005, (3) to currently refund a portion of the School District's outstanding General Obligation Bonds, Series of 2006, (4) to advance refund a portion of the School District's outstanding General Obligation Bonds, Series A of 2007, and (5) to pay related costs and expenses, including the costs of issuing the notes. Proceeds of the bonds, in the amount of \$3,660,000 will be used: (1) to currently refund a portion of the School District's outstanding General Obligation Notes, Series of 2007, and (2) to pay related costs and expenses, including the costs of issuing the bonds. The notes mature from May 15, 2023 to May 15, 2030. The bonds mature from May 15, 2011 to May 15, 2023. Interest rates vary from 3.50% to 4.75%.

**EAST STROUDSBURG AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**NOTE G - LONG-TERM DEBT (Continued)**

**General Obligation Bonds - Series 2009A**

The School District issued \$15,015,000 General Obligation Bonds, Series A of 2009, on October 26, 2009. Proceeds of the bonds will be used: (1) to currently refund the School District's outstanding General Obligation Bonds, Series AA of 2001, (2) to currently refund the School District's outstanding General Obligation Bonds, Series of 2003, (3) to currently refund the School District's outstanding General Obligation Bonds, Series of 2004, and (4) to pay related costs and expenses, including the costs of issuing the 2009A bonds. The bonds mature from August 1, 2010 to August 1, 2021. Interest rate is 3.00%.

**General Obligation Bonds - Series 2010**

The School District issued \$11,345,000 General Obligation Bonds, Series of 2010, on April 19, 2010. Proceeds of the bonds will be used: (1) to currently refund the School District's outstanding General Obligation Bonds, Series A of 2002, (2) to currently refund the School District's outstanding General Obligation Bonds, Series of 2005, and (3) to pay related costs and expenses, including the costs of issuing the 2010 bonds. The bonds mature from December 1, 2010 to December 1, 2013. Interest rates vary from 3.20% to 3.60%.

**General Obligation Bonds 2010A Issue - Qualified School Construction Bond**

The School District issued \$1,220,000 General Obligation Bonds, Series A of 2010, on October 6, 2010. Proceeds of the bond issue will be used to provide funds for the J.T. Lambert roof replacement. The bonds mature on September 1, 2027. Interest rate is 5.00%.

**General Obligation Bonds - Series 2010A**

The School District issued \$9,685,000 General Obligation Bonds, Series A of 2010, on August 23, 2010. Proceeds of this bond issue will be used to currently refund the School District's outstanding General Obligation Bonds, Series A of 2005, and to pay related costs and expenses, including the costs of issuing the bonds. The bonds mature from November 5, 2010 to November 15, 2019. Interest rate is 2.36%.

**General Obligation Bonds - Series 2011**

The School District issued \$6,860,000 General Obligation Bonds, Series of 2011, on June 20, 2011. Proceeds of this bond issue will be used to currently refund the School District's outstanding General Obligation Bonds, Series of 2006, and to pay related costs and expenses, including the costs of issuing the 2011 bonds. The bonds mature from May 15, 2012 to November 15, 2019. Interest rate is 3.01%.

**EAST STROUDSBURG AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**NOTE G - LONG-TERM DEBT (Continued)**

**General Obligation Bonds - Series 2011A**

The School District issued \$2,500,000 General Obligation Bonds, Series A of 2011, on June 20, 2011. Proceeds of this bond issue will be used to provide funds for energy improvements and upgrades to Resica Elementary School and other miscellaneous capital expenditures of the School District and to pay the related costs and expenses, including the costs of issuing the 2011A bonds. The bonds mature from May 15, 2012 to November 15, 2031. Interest rate is 3.01%.

**Qualified Zone Academy Bonds, Series 2011**

The School District issued \$525,000 Qualified Zone Academy Bonds, Series 2011, on September 20, 2010. Proceeds of this bond issue will be used to provide funds to upgrade technology, electrical system, fire system, surveillance system, sounds system and a backup generator as capital expenditures of the School District at JM Hill Elementary School and to pay related costs and expenses, including the costs of issuing the 2011 bonds. The bonds mature September 1, 2029. Interest rate is 8%.

**General Obligation Bonds - Series of 2012**

The School District issued \$7,495,000 General Obligation Bonds, Series 2012, on January 3, 2012. Proceeds of this bond issue will be used to provide funds to currently refund General Obligation Bonds, Series 2004A and to pay related costs and expenses, including the costs of issuing the 2012 bonds. The bonds mature in 2019 at various interest rates of the refunded bonds.

**General Obligation Bonds - Series A of 2012**

The School District issued \$2,500,000 General Obligation Bonds, Series A of 2012, on January 3, 2012. Proceeds of this bond issue will be used to provide funds for capital expenditures of the School District at JM Hill Elementary School and to pay related costs and expenses, including the costs of issuing the 2012 Series A bonds. The bonds mature in 2032 at varying interest rates.

**General Obligation Bonds - Series of 2013**

On December 19, 2013, the School District issued \$7,900,000 General Obligation Bonds, Series of 2013. Proceeds of this bond issue will be used to partially refund the School District's outstanding General Obligation Bonds, Series A of 2007, and to pay the costs in connection with the issuance of the bonds. The bonds bear an interest rate of 3.11% over the life of the bonds and will fully mature in September 2027. The refunding resulted in an economic gain of \$1,277,640.

**EAST STROUDSBURG AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE G - LONG-TERM DEBT (Continued)**

Annual debt service requirements to maturity for long-term debt are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2015	\$ 8,702,178	\$ 8,809,918	\$ 17,512,096
2016	8,898,089	8,523,023	17,421,112
2017	9,374,227	8,244,174	17,618,401
2018	9,905,365	7,966,274	17,871,639
2019	10,227,264	7,640,698	17,867,962
2020 to 2024	58,100,724	30,623,985	88,724,709
2025 to 2029	73,772,576	15,341,695	89,114,271
2030 to 2034	17,139,908	517,365	17,657,273
2035 to 2039	25,000	4,113	29,113
2040	5,000	118	5,118
	<u>\$ 196,150,331</u>	<u>\$ 87,671,363</u>	<u>\$ 283,821,694</u>

**Authority Lease**

The School District is named as a lessee, along with the Monroe Career & Technical Institute and the three other member school districts, of the Monroe Career & Technical Institute in a lease agreement with the Monroe County Area Vocational-Technical School Authority. The original liability of \$2,261,218 was computed by using the estimated sharing fraction against the outstanding principal on the Guaranteed School Revenue Bonds, Series of 1996 and Series of 2001, issued by the Authority. The sharing fraction fluctuates annually and is computed on a two-factor formula based on the school district's pro rata share of the market value of real estate and the average daily membership of the student body. The school districts are billed annually.

Annual payment requirements to maturity for the lease agreement are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2015	\$ 217,087	\$ 18,261	\$ 235,348
2016	223,290	11,515	234,805
2017	182,177	4,013	186,190
	<u>\$ 622,554</u>	<u>\$ 33,789</u>	<u>\$ 656,343</u>



**EAST STROUDSBURG AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**NOTE G - LONG-TERM DEBT (Continued)**

**Capital Leases**

The School District from time to time enters into capital lease arrangements with its vendors to finance equipment purchases through the vendor. Currently, the School District holds several computer purchase leases from Apple, HP and Cisco. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

Computer equipment	\$ 7,282,505
Accumulated depreciation	<u>(3,534,411)</u>
	<u>\$ 3,748,094</u>

The computer equipment acquired under capital leases is included in furniture and equipment in Note F.

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2014, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 1,470,633
2016	1,063,508
2017	528,595
Amount representing interest	<u>(125,075)</u>
 PRESENT VALUE OF MINIMUM LEASE PAYMENTS	 <u>\$ 2,937,661</u>

**Defeased Debt**

The School District has advance-refunded various bond issues by creating separate irrevocable trust funds containing U.S. Government securities or securities collateralized by U.S. Government securities. The securities and earnings thereon are considered sufficient to fully service the bonds until they are called or mature. For financial reporting purposes, the bonds are considered defeased and the liability for those bonds has been removed from the accounts of the School District. As of June 30, 2014, the School District has defeased debt outstanding of \$38,070,000.

**EAST STROUDSBURG AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE H - CHANGES IN LONG-TERM LIABILITIES**

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

	Balance July 1, 2013	Additions/ Refundings	Reductions/ Maturities	Balance June 30, 2014	Amount Due Within One Year
<b>GENERAL OBLIGATION NOTES</b>					
Series of 1998	\$ 3,595,000	\$ -	\$ (645,000)	\$ 2,950,000	\$ 680,000
Series of 1999	2,725,000	-	(410,000)	2,315,000	430,000
Series A of 2004	550,000	-	(230,000)	320,000	250,000
Series of 2006	541,931	-	(21,392)	520,539	22,074
Series of 2007	73,365,000	-	(175,000)	73,190,000	5,000
Series of 2009	8,415,000	-	-	8,415,000	-
TOTAL GENERAL OBLIGATION NOTES	89,191,931	-	(1,481,392)	87,710,539	1,387,074
<b>GENERAL OBLIGATION BONDS</b>					
Series A of 2007	30,800,000	-	(7,620,000)	23,180,000	1,550,000
Series of 2008	32,305,000	-	(5,000)	32,300,000	5,000
Series of 2009	3,405,000	-	(140,000)	3,265,000	175,000
Series A of 2009	14,190,000	-	(695,000)	13,495,000	895,000
Series of 2010	4,690,000	-	(2,530,000)	2,160,000	2,160,000
Series of 2010 QSCB	1,139,063	-	(75,937)	1,063,126	75,937
Series A of 2010	8,180,000	-	(850,000)	7,330,000	1,305,000
Series of 2011	5,860,000	-	(670,000)	5,190,000	680,000
Series A of 2011	2,400,000	-	(100,000)	2,300,000	105,000
Series D of 2011 QZAB	495,833	-	(29,167)	466,666	29,167
Series of 2012	7,490,000	-	(5,000)	7,485,000	5,000
Series A of 2012	2,405,000	-	(100,000)	2,305,000	100,000
Series of 2013	-	7,900,000	-	7,900,000	230,000
TOTAL GENERAL OBLIGATION BONDS	113,359,896	7,900,000	(12,820,104)	108,439,792	7,315,104
Deferred amounts					
Issuance discount	(315)	-	258	(57)	-
Issuance premium	5,918,031	-	(855,713)	5,062,318	-
TOTAL DEFERRED AMOUNTS	5,917,716	-	(855,455)	5,062,261	-
TOTAL GENERAL OBLIGATION BONDS, net	119,277,612	7,900,000	(13,675,559)	113,502,053	7,315,104
VO-TECH AUTHORITY LEASE	832,198	-	(209,644)	622,554	217,087
CAPITAL LEASES, restated	2,656,850	2,040,528	(1,759,717)	2,937,661	1,395,959
COMPENSATED ABSENCES, restated	4,712,325	455,101	-	5,167,426	-
OTHER POSTEMPLOYMENT BENEFITS	7,535,568	-	1,706,363	9,241,931	-
	\$ 221,549,634	\$ 8,355,101	\$ (13,660,232)	\$ 216,244,503	\$ 8,919,265

**EAST STROUDSBURG AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**NOTE I - DEFERRED INFLOW OF RESOURCES AND UNAVAILABLE AND UNEARNED REVENUE**

**General Fund**

Unavailable revenues represent primarily delinquent taxes not collected within 60 days subsequent to the School District's year-end. It is expected that these receivables will be collected and included in revenues of future fiscal years. In the Governmental Funds financial statements, these receivables are reported as unearned revenue.

At June 30, 2014, deferred inflow of resources consisted of delinquent taxes receivable of \$13,003,920.

**NOTE J - PENSION PLAN**

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

**Plan Description**

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

**Type of Plan:** Governmental cost-sharing multiple-employer 401(a) defined benefit plan.

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

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

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

**Funding Policy**

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

**EAST STROUDSBURG AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**NOTE J - PENSION PLAN (Continued)**

***Contribution Rates***

**Member Contributions**

- Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.
- Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.
- Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.
- Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and the Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

**Employer Contributions:** Contributions required of employers are based upon an actuarial valuation. For the fiscal year ended June 30, 2014, the rate of employer's contribution was 16.93% of covered payroll. The 16.93% rate is composed of a pension contribution rate of 16.00% for pension benefits and .93% for healthcare insurance premium assistance.

The School District's contribution to PSERS for the year ended June 30, 2014, was \$12,530,118. The School District's required contributions were \$17,044,627 for the same period, leaving a balance due to PSERS at June 30, 2014, of \$4,514,509.

**EAST STROUDSBURG AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**NOTE K - OTHER POSTEMPLOYMENT BENEFITS**

**Plan Description**

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

**Annual OPEB Cost and Net OPEB Obligation**

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

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

Normal cost	\$ 1,421,054
Amortization of unfunded actuarial accrued liability	1,229,945
ANNUAL REQUIRED CONTRIBUTION (ARC)	2,650,999
Interest on net OPEB obligation	339,101
Adjustment to ARC	(462,620)
ANNUAL OPEB EXPENSE	2,527,480
Net OPEB contributions during the year	(821,116)
INCREASE IN NET OPEB OBLIGATION	1,706,364
Net OPEB obligation at beginning of year	7,535,567
NET OPEB OBLIGATION AT END OF YEAR	\$ 9,241,931

<u>Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012	\$ 1,978,662	36.2%	\$ 5,713,932
2013	2,557,339	28.8%	7,535,567
2014	2,527,480	32.5%	9,241,931

**EAST STROUDSBURG AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**NOTE K - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**Funded Status and Funding Progress**

As of July 1, 2012, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$20,034,463 and the actuarial value of assets was \$0. The covered payroll (annual payroll of active employees covered by the plan) was \$54,941,894, and the ratio of the UAAL to the covered payroll was 36.46%.

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

**Methods and Assumptions**

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

In the July 1, 2012 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 7.5% initially, reduced by increments of 0.5% per year to 5.5% in 2016. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2014, was 29 years.

**EAST STROUDSBURG AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**NOTE L - CONTINGENCIES AND COMMITMENTS**

**Grant Programs**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. 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.

**Construction Projects**

The School District has various construction projects ongoing at June 30, 2014. Outstanding commitments on these projects are approximately \$5,000,000 and completion is expected during fiscal year 2015.

**NOTE M - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs. There were no significant reductions in insurance coverages in the 2013-2014 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The School District is a member of the Employee Benefit Trust of Eastern Pennsylvania (the "Trust") which provides hospitalization, medical, dental and prescription drug benefits to School District employees. The Trust manages a schedule of benefits as determined by its respective members, ensures the Trust is adequately funded, reviews claims and administration and obtains excess catastrophic insurance.

The Trust has appointed NCAS Pennsylvania to provide administrative services. NCAS Pennsylvania is a Pennsylvania corporation with insurance and consulting expertise in administration of health and welfare plans. The Trust has entered into an agreement with the Pennsylvania Trust to provide stop loss insurance beginning at \$130,000 for members of the Trust, thus maintaining the financial security of the Trust.

The latest financial statements of the Trust are available at the School District's business office for the year ended June 30, 2014.

**EAST STROUDSBURG AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**NOTE N - PRIOR PERIOD ADJUSTMENT**

During 2014, management of the School District performed a detailed analysis of all of the government-wide balance sheet accounts. As a result of this analysis, the June 30, 2013 statement of financial position has been restated as follows:

	<u>Originally</u>	<u>Adjustment</u>	<u>Restated</u>
Land	\$ 7,341,683	\$ (2,143,144)	\$ 5,198,539
Construction in process	-	1,749,022	1,749,022
Site improvements	-	11,055,767	11,055,767
Building and improvements	311,791,278	(72,679,104)	239,112,174
Machinery and equipment	34,627,154	(6,514,371)	28,112,783
Accumulated depreciation	(89,102,043)	8,976,339	(80,125,704)
Accrued interest on long-term debt	-	(2,979,061)	(2,979,061)
Capital leases	(2,431,794)	(225,056)	(2,656,850)
Compensated absences	(142,371)	(4,427,583)	(4,569,954)
Bond premiums/discounts	(4,241,592)	(1,676,124)	(5,917,716)
Deferred bond issuance costs	1,461,542	(1,461,542)	-
Total net position	(126,476,200)	70,324,857	(56,151,343)

**NOTE O - CHANGE IN ACCOUNTING PRINCIPLE**

For the year ended June 30, 2014, the School District adopted Government Accounting Standards Board ("GASB") Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which state that debt issuance costs should be recognized as an outflow of resources in the period incurred rather than recognized over the life of the debt incurred. Therefore, the School District is treating debt issuance costs of \$1,461,542 previously incurred and being amortized over the life of the related debt as having been recognized in the period incurred. The School District has adjusted net position as of July 1, 2013, by \$1,461,542 for the debt issuance costs, which is included as an adjustment in Note N.



**EAST STROUDSBURG AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**NOTE P - SUBSEQUENT EVENTS**

On September 3, 2014, the School District issued \$16,350,000 of General Obligation Bonds, Series of 2014. The proceeds from these bonds were used to currently refund the School District's existing General Obligation Notes, Series A of 2004, General Obligation Bonds, Series of 2009, and General Obligation Bonds, Series A of 2009.

On September 17, 2014, the School District issued \$8,720,000 of General Obligation Bonds, Series A of 2014. The proceeds from these bonds were used to currently refund the School District's existing General Obligation Notes, Series of 2009.

On October 16, 2014, the School District issued \$7,640,000 of General Obligation Bonds, Series AA of 2014. The proceeds from these bonds were used to advance refund the School District's existing General Obligation Bonds, Series A of 2007.

The School District is not aware of any additional events or transactions that occurred subsequent to the financial statement date but prior to December 12, 2014 that would require recognition or disclosure in its financial statements.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**EAST STROUDSBURG AREA SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual	Variance With
	Original	Final	(GAAP Basis)	Final Budget Positive (Negative)
<b>REVENUES</b>				
Local sources	\$ 103,012,375	\$ 103,012,375	\$ 106,656,606	\$ 3,644,231
State sources	35,250,695	35,250,695	34,165,046	(1,085,649)
Federal sources	2,480,989	2,480,989	3,197,248	716,259
<b>TOTAL REVENUES</b>	<b>140,744,059</b>	<b>140,744,059</b>	<b>144,018,900</b>	<b>3,274,841</b>
<b>EXPENDITURES</b>				
Regular programs	52,720,705	52,475,410	51,815,457	659,953
Special programs	22,021,648	21,747,311	20,831,691	915,620
Vocational programs	2,722,556	2,654,556	2,651,035	3,521
Other instructional programs	3,007,406	2,474,646	2,299,541	175,105
Pupil personnel services	3,766,162	4,152,304	4,081,943	70,361
Instructional staff services	2,848,527	2,878,151	2,780,906	97,245
Administrative services	5,722,387	5,681,504	5,419,304	262,200
Pupil health services	1,795,157	1,825,332	1,813,251	12,081
Business services	1,190,902	1,148,784	1,062,666	86,118
Operation and maintenance of plant	12,704,619	12,695,616	12,348,680	346,936
Student transportation services	11,747,911	12,867,984	12,634,461	233,523
Central and other support services	5,176,197	5,100,540	5,039,282	61,258
Student activities and athletics	2,180,128	2,281,344	2,193,925	87,419
Community services	124,909	164,809	135,955	28,854
Refund of prior year revenues	317,500	317,500	594,497	(276,997)
Debt service	19,551,922	19,440,350	19,130,021	310,329
Bond issuance costs	-	-	88,761	(88,761)
<b>TOTAL EXPENDITURES</b>	<b>147,598,636</b>	<b>147,906,141</b>	<b>144,921,376</b>	<b>2,984,765</b>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<b>(6,854,577)</b>	<b>(7,162,082)</b>	<b>(902,476)</b>	<b>6,259,606</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	-	-	2,426,541	2,426,541
Proceeds from capital leases	2,157,973	2,157,973	2,040,528	(117,445)
Proceeds from issuance of refunding bonds	-	-	7,900,000	7,900,000
Payment to refunded bond escrow agent	-	-	(7,789,777)	(7,789,777)
Payment to sinking fund	-	-	(21,462)	(21,462)
Transfer out	-	(41,495)	(15,085,341)	(15,043,846)
Budgetary reserve	(350,000)	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,807,973</b>	<b>2,116,478</b>	<b>(10,529,511)</b>	<b>(12,645,989)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(5,046,604)</b>	<b>(5,045,604)</b>	<b>(11,431,987)</b>	<b>(6,386,383)</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<b>57,586,853</b>	<b>57,586,853</b>	<b>57,586,853</b>	<b>-</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 52,540,249</b>	<b>\$ 52,541,249</b>	<b>\$ 46,154,866</b>	<b>\$ (6,386,383)</b>

*See accompanying note to the budgetary comparison schedule.*

**EAST STROUDSBURG AREA SCHOOL DISTRICT**  
**NOTE TO THE BUDGETARY COMPARISON SCHEDULE**  
**YEAR ENDED JUNE 30, 2014**

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**NOTE A - BUDGETARY INFORMATION**

An operating budget is adopted prior to the beginning of each year for the General Fund on a basis consistent with generally accepted accounting principles. The General Fund is the only fund for which a budget is legally required.

The Pennsylvania School Code dictates specific procedures relative to adoption of the School District's budget and reporting of its financial statements, specifically:

- The School District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.
- The School District is required to publish notice by advertisement, at least once in two newspapers of general circulation in the municipality in which it is located and within 15 days of final action, that the proposed budget has been prepared and is available for public inspection at the administrative office of the School District.
- Notice that public hearings will be held on the proposed operating budget must be included in the advertisement; such hearings are required to be scheduled at least ten days prior to when final action on adoption is taken by the Board.

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

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the Pennsylvania Department of Education's 2028 Report when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all 2013-2014 budget transfers.

**EAST STROUDSBURG AREA SCHOOL DISTRICT**  
**POSTEMPLOYMENT BENEFITS OTHER THAN**  
**PENSION FUNDING PROGRESS**  
**YEAR ENDED JUNE 30, 2014**

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**SCHEDULE OF FUNDING PROGRESS**

Valuation Date July 1,	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability (AAL)	(c) Unfunded AAL (UAAL) (b)-(a)	(d) Funded Ratio (a)/(b)	(e) Covered Payroll	(f) UAAL as a Percentage of Covered Payroll (c)/(e)
2008	\$ -	\$ 13,761,249	\$ 13,764,249	0%	\$ 56,596,961	24.32%
2010	-	14,676,869	14,676,869	0%	54,169,712	27.09%
2012	-	20,034,463	20,034,463	0%	54,941,894	36.46%

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

To the Board of School Directors  
East Stroudsburg Area School District  
East Stroudsburg, Pennsylvania

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of East Stroudsburg Area School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the East Stroudsburg Area School District's basic financial statements, and have issued our report thereon dated December 12, 2014.

***Internal Control Over Financial Reporting***

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2014-001 to be a material weakness.

To the Board of School Directors  
East Stroudsburg Area School District  
East Stroudsburg, Pennsylvania

### ***Compliance and Other Matters***

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

### ***East Stroudsburg Area School District Response to Finding***

East Stroudsburg Area School District's response to the finding identified in our audit is described in the Corrective Action Plan. East Stroudsburg Area School District's response was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

### ***Purpose of this Report***

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

*Maillie LLP*

Oaks, Pennsylvania  
December 12, 2014

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

To the Board of School Directors  
East Stroudsburg Area School District  
East Stroudsburg, Pennsylvania

***Report on Compliance for Each Major Federal Program***

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

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

***Opinion on Each Major Federal Program***

In our opinion, the East Stroudsburg Area School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.



To the Board of School Directors  
East Stroudsburg Area School District  
East Stroudsburg, Pennsylvania

### ***Report on Internal Control Over Compliance***

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

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

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

### ***Purpose of this Report***

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

*Maillie LLP*

Oaks, Pennsylvania  
December 12, 2014

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

**EAST STROUDSBURG AREA SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2014**

<u>Federal Grantor/ Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Grantor's Number</u>	<u>Grant Period Beginning/ Ending Dates</u>	<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2013</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2014</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>									
Impact Aid	84.041	N/A	July 1, 2013 to June 30, 2014	\$ 507,333	\$ 507,333	\$ -	\$ 507,333	\$ 507,333	\$ -
<b>Passed through the Pennsylvania Department of Education</b>									
Title I	84.010	013-130129	July 1, 2012 to September 30, 2013	1,478,808	485,916	164,562	321,354	321,354	-
Title I	84.010	013-140129	July 1, 2013 to September 30, 2014	1,310,850	702,986	-	1,082,272	1,082,272	379,286
Title I, Program Improvement Set Aside 12-13	84.010	042-120129	July 1, 2012 to September 30, 2013	48,436	2,691	2,691	-	-	-
Title I, Program Improvement Set Aside 13-14	84.010	042-130129	July 1, 2013 to September 30, 2014	100,806	79,205	-	100,806	100,806	21,601
Title II, Improving Teacher Quality 12-13	84.367	020-130129	July 1, 2012 to September 30, 2013	213,957	56,800	13,796	43,004	43,004	-
Title II, Improving Teacher Quality 13-14	84.367	020-140129	July 1, 2013 to September 30, 2014	197,742	131,899	-	173,948	173,948	42,049
Title III, Language Instruction 12-13	84.365	010-130129	July 1, 2012 to September 30, 2013	28,788	9,596	9,596	-	-	-
Title III, Language Instruction 13-14	84.365	010-140129	July 1, 2013 to September 30, 2014	29,140	23,312	-	26,386	26,386	3,074
Keystone to Opportunity	84.371	143-120129	October 1, 2012 to September 30, 2013	280,761	31,196	(15,866)	47,062	47,062	-
Keystone to Opportunity	84.371	143-130129	October 1, 2013 to September 30, 2014	241,848	241,848	-	189,944	189,944	(51,904)
Public Welfare Access	93.778	N/A	July 1, 2012 to September 30, 2013	55,583	26,983	26,983	-	-	-
Public Welfare Access	93.778	N/A	July 1, 2013 to September 30, 2014	148,643	107,184	-	148,643	148,643	41,459
<b>SUBTOTAL FORWARD</b>					<b>\$ 2,406,949</b>	<b>\$ 201,762</b>	<b>\$ 2,640,752</b>	<b>\$ 2,640,752</b>	<b>\$ 435,565</b>

**EAST STROUDSBURG AREA SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2014**

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Pass- Through Grantor's Number	Grant Period Beginning/ Ending Dates	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue at July 1, 2013	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue at June 30, 2014
<b>U.S. DEPARTMENT OF EDUCATION</b>									
<b>SUBTOTAL FORWARDED</b>					\$ 2,406,949	\$ 201,762	\$ 2,640,752	\$ 2,640,752	\$ 435,565
<b>Passed through the Colonial Intermediate Unit</b>									
Special Education - Grants to the States (I.D.E.A.)	84.027	N/A	July 1, 2012 to June 30, 2013	\$ 1,270,952	37,057	37,057	-	-	-
Special Education - Grants to the States (I.D.E.A.)	84.027	N/A	July 1, 2013 to June 30, 2014	1,129,159	438,498	-	1,129,159	1,129,159	690,661
Special Education - Grants to the States (I.D.E.A.)	84.027	N/A	July 1, 2013 to June 30, 2014	6,000	-	-	6,000	6,000	6,000
Special Education - Grants to the States (I.D.E.A.)	84.027	N/A	July 1, 2013 to June 30, 2014	5,795	5,795	-	5,795	5,795	-
School Based Behavioral Health	84.027	N/A	July 1, 2012 to June 30, 2013	14,000	14,000	14,000	-	-	-
School Based Behavioral Health	84.027	N/A	July 1, 2013 to June 30, 2014	1,176	-	-	1,176	1,176	1,176
Race to the Top	84.413A	N/A	July 1, 2012 to June 30, 2013	63,934	13,959	13,959	32,434	32,434	32,434
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>					<u>2,916,258</u>	<u>266,778</u>	<u>3,815,316</u>	<u>3,815,316</u>	<u>1,165,836</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>									
<b>Passed through the Pennsylvania Department of Education</b>									
National School Breakfast Program 13-14	10.553	365-367	July 1, 2013 to June 30, 2014	N/A	446,700	17,605	463,130	463,130	34,035
National School Lunch Program 13-14	10.555	362	July 1, 2013 to June 30, 2014	N/A	1,635,067	75,001	1,669,423	1,669,423	109,357
U.S.D.A. Donated Commodities	10.555	N/A	July 1, 2013 to June 30, 2014	N/A	267,000	(52,693)	233,964	233,964	(85,729)
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>					<u>2,348,767</u>	<u>39,913</u>	<u>2,366,517</u>	<u>2,366,517</u>	<u>57,663</u>
<b>TOTAL FEDERAL AWARDS</b>					<u>\$ 5,265,025</u>	<u>\$ 306,691</u>	<u>\$ 6,181,833</u>	<u>\$ 6,181,833</u>	<u>\$ 1,223,499</u>

See accompanying notes to the schedule of expenditures of federal awards.

**EAST STROUDSBURG AREA SCHOOL DISTRICT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES**  
**OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2014**

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**NOTE A - ORGANIZATION AND SCOPE**

The federal programs as listed in the schedule of expenditures of federal awards are accounted for by the School District in the General Fund for U.S. Department of Education and in the Food Service Fund for U.S. Department of Agriculture programs.

**NOTE B - BASIS OF ACCOUNTING**

The School District uses the modified accrual method of recording transactions. Revenues are recorded when measurable and available. Expenditures are recorded when incurred.

**NOTE C - DONATED FOOD**

Donated food has been valued according to market value estimates provided by the U.S.D.A.

**EAST STROUDSBURG AREA SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2014**

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**A. SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditors' report issued: **Unmodified**

Internal control over financial reporting:

Material weakness(es) identified: **Yes**

Significant deficiencies identified that are not considered to be material weaknesses: **No**

Noncompliance material to the financial statements noted: **No**

**Federal Awards**

Type of auditors' report issued on compliance for major programs: **Unmodified**

Internal control over major programs:

Material weakness(es) identified: **No**

Significant deficiencies identified that are not considered to be material weaknesses: **No**

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of the Circular: **No**

Identification of major programs:

<u>Program</u>	<u>CFDA</u>
Child Nutrition Cluster	10.553/10.555
IDEA	84.027

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as a low-risk auditee: **No**

**EAST STROUDSBURG AREA SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2014**

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**B. FINDINGS - FINANCIAL STATEMENTS AUDIT**

**2014-001 - Financial Reporting**

**Criteria:** Controls must be in place to ensure accurate financial reporting by the School District.

**Condition:** During our audit, we noted the following:

- The balances of capital assets and related accumulated depreciation as reported in the prior year financial statements did not agree to the supporting documentation maintained by the School District.
- The balances of assets under capital lease and the related liability as reported in the prior year financial statements did not agree to the supporting documentation maintained by the School District.
- The balance of accrued interest on long-term debt as reported in the prior year financial statements did not agree to the supporting documentation maintained by the School District.
- The balance of compensated absences as reported in the prior year financial statements did not agree to the supporting documentation maintained by the School District.
- The balances of unamortized bond premiums and discounts as reported in the prior year financial statements did not agree to the supporting documentation maintained by the School District.

**Cause:** The School District does not have appropriate controls in place to ensure accurate financial reporting on a government-wide basis.

**Effect:** The prior year financial statements, as reported, were materially misstated on a government-wide basis, which required a restatement of these amounts.

**Recommendation:** We recommend the School District develop policies and procedures under which those accounts that are presented on a government-wide only basis are reviewed and approved by management prior to issuance of the financial statements.

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

None.

**EAST STROUDSBURG AREA SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**YEAR ENDED JUNE 30, 2014**

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None.



# Request for Additional Audit fee



Maillie LLP | PO Box 680, Oaks, PA 19456-0680  
610.935.1420 | Fax: 610.935.1632 | [www.maillie.com](http://www.maillie.com)

December 30, 2014

Mr. Jeffrey S. Bader  
Business Manager  
East Stroudsburg Area School District  
50 Vine Street  
East Stroudsburg, PA 18301-2150

Dear Jeff:

As a follow up to our meeting, we incurred significant charges in order to resolve the issues with the opening government-wide balance sheet. We are requesting \$5,000 in additional billings for this work which was beyond the standard audit for fiscal year 2013-2014.

Please let me know if you have any questions on this matter.

Sincerely,

MAILLIE LLP

Edward J. Furman

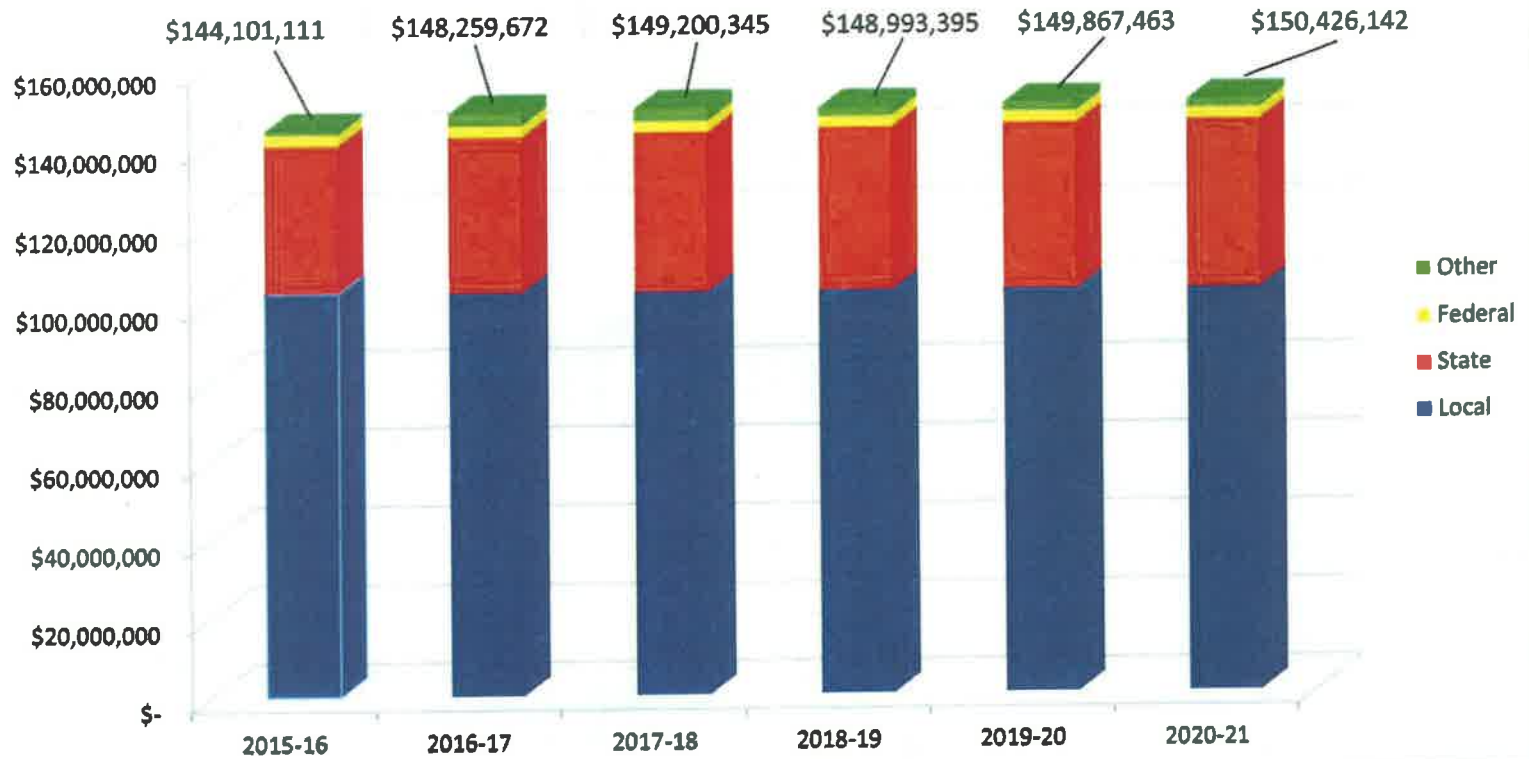
ejf:rmf

Partners

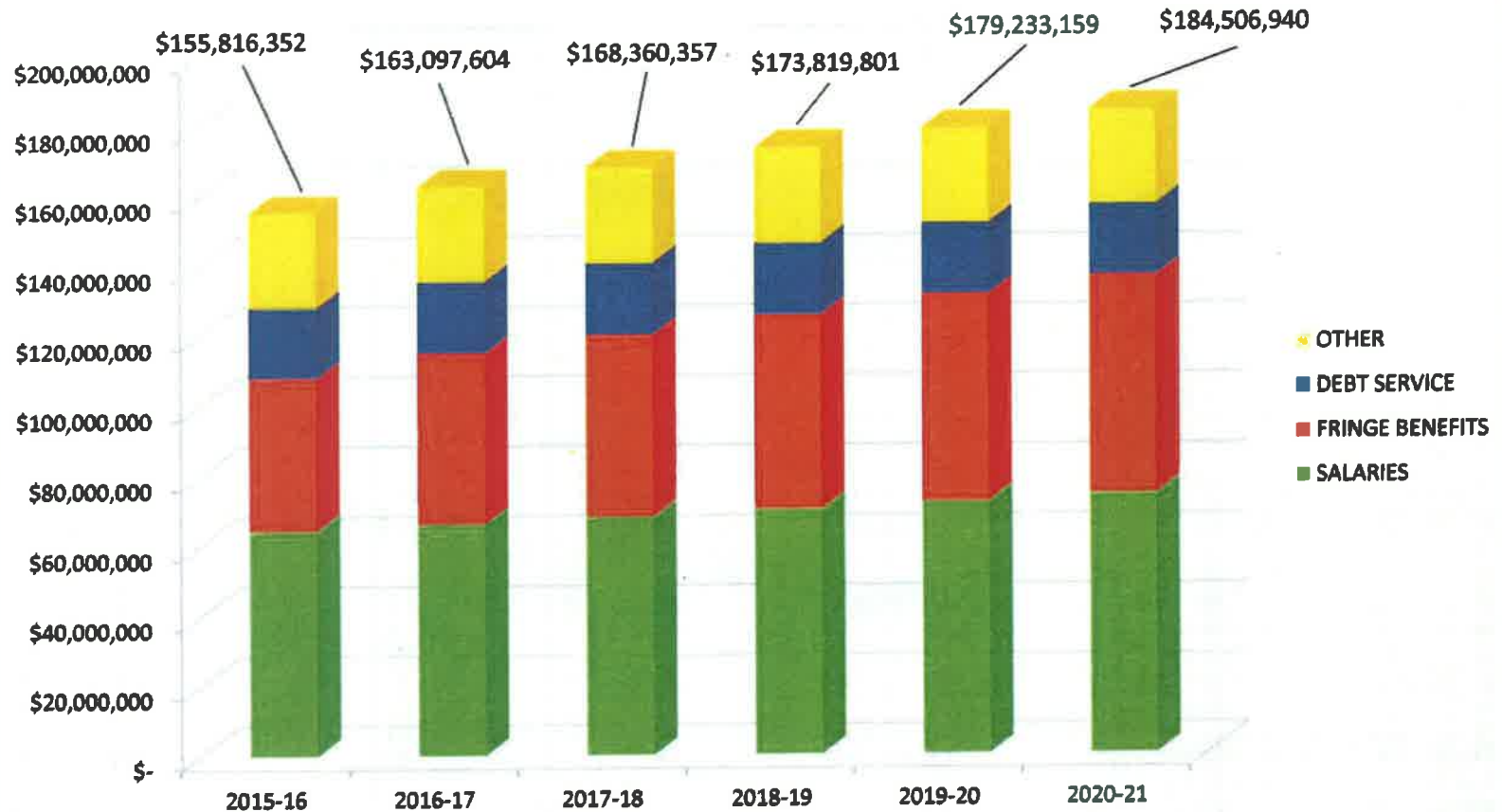
Robert L. Caruso  
James M. Powers  
Glenn B. Bachman  
D. Scott Detar  
Edward J. Furman  
Robert L. Boland  
Donald J. Pierce  
Richard A. Flanagan IV  
Craig S. Springer  
Robert C. Hershey, Jr.  
Gregory J. Shank  
Laurie E. Harvey  
William Breslawski, Jr.

## 5 YR Budget Projection

## 5 YEAR REVENUE PROJECTIONS



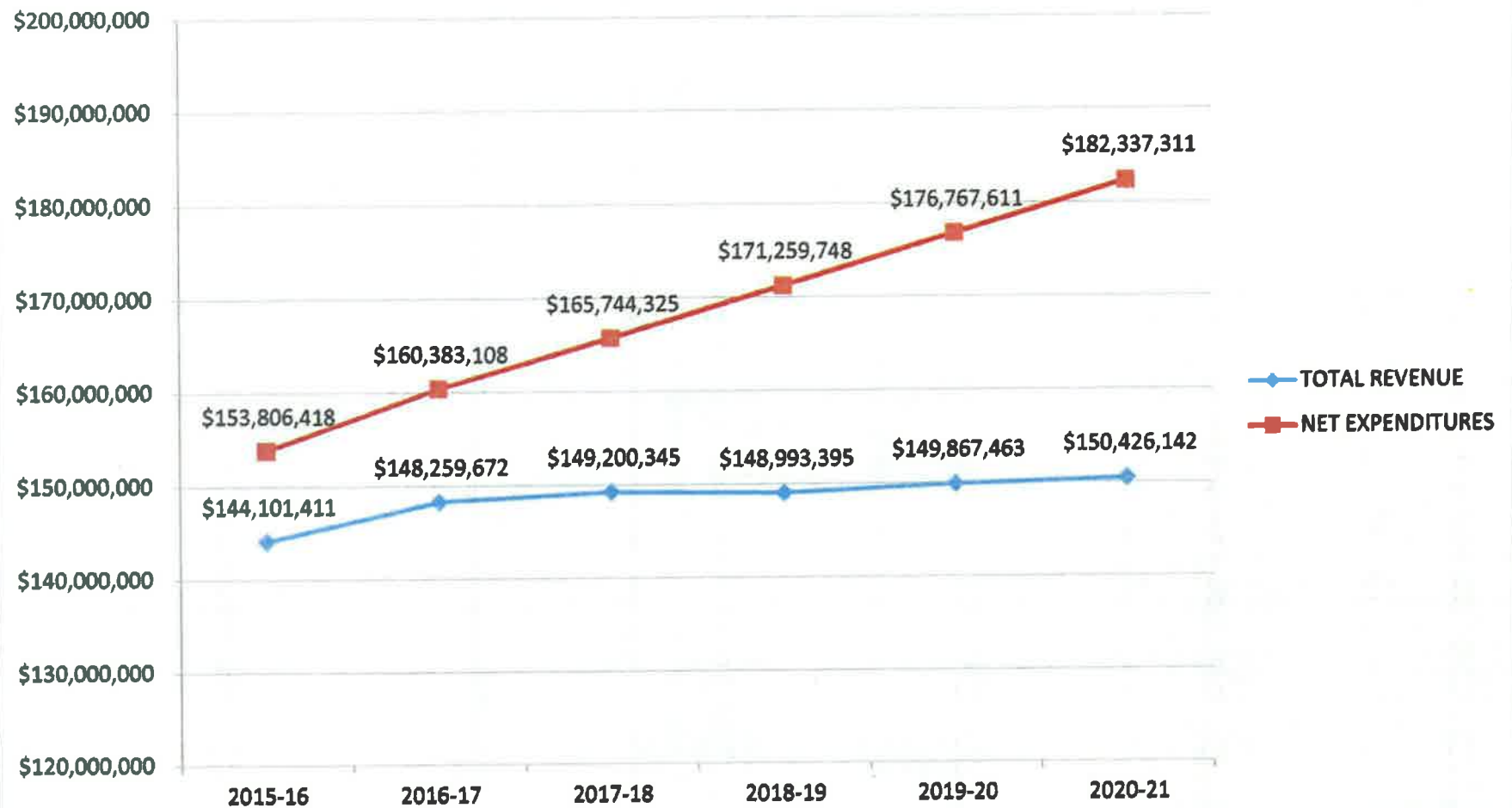
## 5 YEAR EXPENDITURE PROJECTIONS



## 5 YEAR PROJECTIONS REVENUE VS EXPENDITURES



## 5 YEAR PROJECTIONS REVENUE VS NET EXPENDITURES



# Appointment of Deputy Tax Collector for Porter Township



## APPOINTMENT OF A DEPUTY TAX COLLECTOR

Tax Collector should obtain signatures from the taxing district and return completed form to your Surety Company (keep a copy for your records.) Surety should acknowledge the appointment by signing and returning the signed document to the Tax Collector.

I, JOHN HOERER, Tax Collector for PORTER TOWNSHIP  
\_\_\_\_\_, County of PIKE do hereby  
appoint as Deputy Tax Collector: ROSEANNE E. VAN WYK  
Name of appointee (printed/typed)  
136 VAN WYK ROAD, BUSHKILL PA PA  
Address  
[Signature] 12/18/14  
Signature Date

This is an appointment of a Deputy Tax Collector to collect and settle taxes during any Incapacitation of the Tax Collector (as defined in Local Tax Collection Law, Section 22 (B) [72 P.S. § 5511.22]).

Approved by:

Signature:

Title:

Date:

Municipality of

Phone:

Signature:

Title:

Date:

County of

Phone:

Signature:

Title:

Date:

School District

Phone:

Surety Company

Travelers

Date:

Signature:

Title:

Phone: 717-565-3104

Address: 470 Friendship Road, Suite 140, Harrisburg, PA 17111

Naming a Deputy Tax Collector does not relieve the bonded Tax Collector of Liability. Local Tax Collection Law makes the Tax Collector responsible for all taxes collected and received by any Deputies appointed. (Local Tax Collection Law, Section 22 [72 P.S. § 5511.22]).

The signing of this appointment does not alter the terms or conditions of the Indemnity Agreement signed by the Tax Collector in favor of the Surety Company, or any Indemnification available at law.

In the event of Incapacitation, the Taxing Entity must notify the Surety Company as soon as practicable in the event the Deputy is called to act.

# **IU Joint Purchasing Board Fuel Bid 2015-16**

IU FUEL BID AWARD 2015-16.XLX

12/11/2014

ESASD BID TALLEY 2015-16 IU JOINT PURCHASING BID

PRODUCT	2014-15		2015-16	
	VENDOR	BID	VENDOR	BID
#2 Fuel Oil Tank Transport, Firm	Talley Petroleum, Grantville, PA	\$ 3.0115	Talley Petroleum, Grantville, PA	\$ 2.2207
#2 Fuel Oil Consumer Tank, Fluctuating	PAPCO, Ashton, PA	OPIS + \$0.2120	PAPCO, Ashton, PA	\$ 2.4957
Bio- Diesel 5%	PAPCO, Ashton, PA	\$ 3.0770	PAPCO, Ashton, PA	\$ 2.2661
Add-on for Winter additive	PAPCO, Ashton, PA	\$ 0.0495	PAPCO, Ashton, PA	\$ 0.0495
Add-on for Kerosene additive	PAPCO, Ashton, PA	\$ 0.3300	PAPCO, Ashton, PA	\$ 0.5500
Off-road Diesel Consumer Tank, Fluctuating	PAPCO, Ashton, PA	OPIS + \$0.9996	PAPCO, Ashton, PA	OPIS + \$0.9802

# Berkheimer Proposal for Act 80 Verification Report



December 11, 2014

RE: Act 80 Comparison Services

Good Afternoon,

Berkheimer OneSource is pleased to submit our proposal for the comparison and processing of Act 80 records, as per your request.

Our experienced staff of professionals in conjunction with our state-of-the-art facilities and equipment will enable us to exceed your expectations. I would like to thank you for the opportunity to be of service. Our team believes that your organization can benefit from our experience and technology. We are looking forward to working with you.

Please review the enclosed proposal and feel free to contact me with any questions. If there are any other areas in which we may be of assistance, please don't hesitate to contact me. I would be happy to discuss with you further how Berkheimer OneSource can help meet your needs.

Sincerely,

A handwritten signature in black ink that reads "Cathryn E. DeLong". The signature is written in a cursive style.

Cathryn DeLong  
Client Service Representative  
(610) 954-9575, ext. 2068  
[cdeLong@BerkOne.com](mailto:cdeLong@BerkOne.com)



Proposal for:

**Act 80 Comparison Services**



### **Act 80 Comparison**

As we all know, the Act 80 review process can be quite time-consuming. Berkheimer has simplified this process *to the best of our ability* by automating the identification of the Act 80 records that do not belong in your school district.

There is a \$745.00 fee for the basic service that includes two (2) printed copies and one (1) CD or flash drive containing a flat file of the records generated by the comparison process.

For an additional fee, you may also request additional printed or CD/flash drive copies of the reports or a complete set of mailing labels of school districts.

Here's how it works:

### **Stage 1 – Receipt of Data**

Act 80 files may be submitted to Berkheimer via email or by mailing the Act 80 CD. If you choose to email the file, please send the .txt file that is labeled with your school code. We will also need to know the total number of records in the file, which can be found in the "Welcome" file contained on the CD. You may email the file to: [cdelong@BerkOne.com](mailto:cdelong@BerkOne.com)

If you choose to mail the CD, we will return the CD along with your reports.

### **Stage 2 – Initial Comparison**

Our program begins with a comparison of your School District's Act 80 records against our current Earned Income Tax file. Records are also compared to a database containing Pennsylvania addresses and corresponding taxing jurisdictions. If we are able to identify a taxing jurisdiction for a record and the taxing jurisdiction is in another school district, we will output the record to a separate report for the identified school district. All records identified as being located within your School District will also be output to a separate report.



**PLEASE NOTE:**

If, during the comparison process, we are unable to accurately determine a taxpayer's resident taxing jurisdiction, we will output these records to a report labeled "Unknown". Any addresses that are out of state or contain only a Post Office box address will be identified as "Unknown". These records will require manual review by your office.

**Stage 3 – Report / File Generation**

We will generate two printed copies of each report for the various school districts identified during the Act 80 process, as well as two printed copies of the "Unknown" report. We will also create one CD or flash drive containing a flat file of all records processed. This flat file can be imported into any application such as Microsoft Excel, for your review.





<p style="text-align: center;"><b>Pricing for:</b></p> <p style="text-align: center;"><b>Act 80 Comparison Services</b></p>
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SERVICE	UNIT COST
<b>Act 80 Comparison:</b> <b>Basic service including two (2) printed copies and one (1) CD or flash drive containing flat file of records processed</b>	<b>\$745.00</b>
<b>Duplicate copy of CD or flash drive</b>	<b>\$50.00 per CD/drive</b>
<b>Duplicate copy of School District reports</b>	<b>\$100.00 per complete set</b>
<b>Complete set of mailing labels for School Districts</b>	<b>\$100.00 per set</b>
<b>Shipping</b>	<b>Exact cost of shipping</b>

*This quote reflects current understanding of requirements for this assignment. Additional suggestions or changes to this assignment may or may not require a change in pricing as currently quoted.*

JTL HVAC/Lighting – Wind Gap  
Electric Pay App #2 - \$20,700.00

JTL HVAC/Lighting – Wind Gap  
Electric Pay App #3 - \$35,730.00

JTL HVAC/Lighting – Myco  
Mechanical Pay App #6 - \$11,367.00

JTL HVAC/Lighting – Myco  
Mechanical Pay App #7 –  
\$380,943.90

# APPLICATION AND CERTIFICATION FOR PAYMENT

AIA DOCUMENT G702

PAGE ONE OF 3 PAGES

TO OWNER East Stroudsburg Area School Dist  
50 Vine Street  
East Stroudsburg, PA 18301

PROJECT: HVAC Renovations &  
Lighting Upgrades at  
ESSD J.T. Lambert Intermediate School

APPLICATION NO 2

PERIOD TO: 11/30/14

Distribution to:

<input type="checkbox"/>	OWNER
<input type="checkbox"/>	ARCHITECT
<input type="checkbox"/>	CONTRACTOR
<input type="checkbox"/>	
<input type="checkbox"/>	

FROM CONTRACTOR:

Wind Gap Electric, Inc.  
125 West Seventh Street  
Wind Gap, PA 18091

VIA ARCHITECT:

Strunk-Albert Engineering  
804 Seven Bridge Road  
East Stroudsburg, PA 18301

PROJECT NOS: (JTL) 18613

CONTRACT FOR: Electrical Construction

CONTRACT DATE:

## CONTRACTOR'S APPLICATION FOR PAYMENT

Application is made for payment, as shown below, in connection with the Contract.  
Continuation Sheet, AIA Document G703, is attached.

1. ORIGINAL CONTRACT SUM	\$ 1,000,000.00
2. Net change by Change Orders	\$ 0.00
3. CONTRACT SUM TO DATE (Line 1 + 2)	\$ 1,000,000.00
4. TOTAL COMPLETED & STORED TO DATE (Column G on G703)	\$ 63,400.00
5. RETAINAGE:	
a. 10 % of Completed Work (Column D + E on G703)	\$ 6,340.00
b. % of Stored Material (Column F on G703)	\$
Total Retainage (Lines 5a + 5b or Total in Column I of G703)	\$ 6,340.00
6. TOTAL EARNED LESS RETAINAGE (Line 4 Less Line 5 Total)	\$ 57,060.00
7. LESS PREVIOUS CERTIFICATES FOR PAYMENT (Line 6 from prior Certificate)	\$ 36,360.00
8. CURRENT PAYMENT DUE	\$ 20,700.00
9. BALANCE TO FINISH, INCLUDING RETAINAGE (Line 3 less Line 6)	\$ 942,940.00

CHANGE ORDER SUMMARY	ADDITIONS	DEDUCTIONS
Total changes approved in previous months by Owner		
Total approved this Month		
TOTALS	\$0.00	\$0.00
NET CHANGES by Change Order	\$0.00	

The undersigned Contractor certifies that to the best of the Contractor's knowledge, information and belief the Work covered by this Application for Payment has been completed in accordance with the Contract Documents, that all amounts have been paid by the Contractor for Work for which previous Certificates for Payment were issued and payments received from the Owner, and that current payment shown herein is now due.

CONTRACTOR: Wind Gap Electric, Inc.

By: [Signature] Date: December 5, 2014

State of: Pennsylvania County of: Northampton  
Subscribed and sworn to before me this 5th day of December 2014  
Notary Public: Phyllis Hill  
My Commission expires: [Signature]

COMMONWEALTH OF PENNSYLVANIA  
Phyllis Hill, Notary Public  
Wind Gap, Northampton County  
My Commission Expires Dec. 13, 2014

## ARCHITECT'S CERTIFICATE FOR PAYMENT

In accordance with the Contract Documents, based on on-site observations and the data comprising the application, the Architect certifies to the Owner that to the best of the Architect's knowledge, information and belief the Work has progressed as indicated, the quality of the Work is in accordance with the Contract Documents, and the Contractor is entitled to payment of the AMOUNT CERTIFIED.

AMOUNT CERTIFIED ..... \$ 20,700.00

(Attach explanation if amount certified differs from the amount applied. Initial all figures on this Application and on the Continuation Sheet that are changed to conform with the amount certified.)  
ARCHITECT: Strunk-Albert Engineering

By: [Signature] Date: 12/08/14

This Certificate is not negotiable. The AMOUNT CERTIFIED is payable only to the Contractor named herein. Issuance, payment and acceptance of payment are without prejudice to any rights of the Owner or Contractor under this Contract.

# CONTINUATION SHEET

AIA DOCUMENT G703

PAGE 2 OF 3 PAGES

AIA Document G702, APPLICATION AND CERTIFICATION FOR PAYMENT, containing  
Contractor's signed certification is attached.

In tabulations below, amounts are stated to the nearest dollar.

Use Column I on Contracts where variable retainage for line items may apply.

APPLICATION NO: 2  
APPLICATION DATE: 12/5/14  
PERIOD TO: 11/30/14  
ARCHITECT'S PROJECT NO: JTL) 18613

A ITEM NO.	B DESCRIPTION OF WORK	C SCHEDULED VALUE	D WORK COMPLETED		F MATERIALS PRESENTLY STORED (NOT IN D OR E)	G		H BALANCE TO FINISH (C - G)	I RETAINAGE (IF VARIABLE RATE)
			FROM PREVIOUS APPLICATION (D + E)	THIS PERIOD		TOTAL COMPLETED AND STORED TO DATE (D+E+F)	% (G ÷ C)		
1	Bond & Insurance	\$23,000.00	23,000.00	0.00		23,000.00	100.00%		
2	Supervision	\$25,000.00	1,000.00	1,000.00		2,000.00	8.00%	23,000.00	
3	Mobilization	\$12,000.00	3,000.00	3,000.00		6,000.00	50.00%	6,000.00	
4	Demolition	\$88,000.00	2,000.00	2,000.00		4,000.00	4.55%	84,000.00	
5	Lamp Recycling	\$10,000.00		0.00				10,000.00	
6	Conduit (Distribution) - M - L	\$10,400.00		1,000.00		1,000.00	9.62%	9,400.00	
		\$11,300.00		1,000.00		1,000.00	8.85%	10,300.00	
7	Conduit (Branch) - M - L	\$19,000.00		2,000.00		2,000.00	10.53%	17,000.00	
		\$31,000.00		3,000.00		3,000.00	9.68%	28,000.00	
8	Wire (Distribution) - M - L	\$10,000.00		0.00				10,000.00	
		\$6,000.00		0.00				6,000.00	
9	Wire (Branch) - M - L	\$19,000.00		2,000.00		2,000.00	10.53%	17,000.00	
		\$67,000.00		3,000.00		3,000.00	4.48%	64,000.00	
10	Panelboards/Xfmr./Disc. Sw. - M - L	\$26,000.00	10,400.00	2,000.00		12,400.00	47.69%	13,600.00	
		\$36,000.00	1,000.00	3,000.00		4,000.00	11.11%	32,000.00	

Users may obtain validation of this document by requesting of the license a completed AIA Document D401 - Certification of Document's Authenticity

# CONTINUATION SHEET

ALA DOCUMENT G703

PAGE 3 OF 3 PAGES

AIA Document G702, APPLICATION AND CERTIFICATION FOR PAYMENT, containing Contractor's signed certification is attached.

In tabulations below, amounts are stated to the nearest dollar.

Use Column I on Contracts where variable retainage for line items may apply.

APPLICATION NO: 2  
APPLICATION DATE: 12/5/14  
PERIOD TO: 11/30/14  
ARCHITECT'S PROJECT NO: JTL 18613

A ITEM NO.	B DESCRIPTION OF WORK	C SCHEDULED VALUE	D WORK COMPLETED		F MATERIALS PRESENTLY STORED (NOT IN D OR E)	G		H BALANCE TO FINISH (C - G)	I RETAINAGE (IF VARIABLE RATE)
			FROM PREVIOUS APPLICATION (D + E)	THIS PERIOD		TOTAL COMPLETED AND STORED TO DATE (D+E+F)	% (G + C)		
11	Lighting Fixtures - M	\$350,000.00		0.00				350,000.00	
	- L	\$150,000.00		0.00				150,000.00	
12	Switches, Receptacles & Plates - M	\$4,000.00		0.00				4,000.00	
	- L	\$26,000.00		0.00				26,000.00	
13	Lighting Controls - M	\$27,000.00		0.00				27,000.00	
	- L	\$42,000.00		0.00				42,000.00	
14	Data - M	\$400.00		0.00				400.00	
	- L	\$600.00		0.00				600.00	
15	Fire Alarm System - M	\$4,400.00		0.00				4,400.00	
	- L	\$400.00		0.00				400.00	
16	Final Inspections & Commissioning	\$500.00		0.00				500.00	
17	Punch List Items	\$500.00		0.00				500.00	
18	Close-Out Documents	\$500.00		0.00				500.00	
		\$1,000,000.00	\$40,400.00	\$23,000.00		\$63,400.00	6.34%	\$936,600.00	

Users may obtain validation of this document by requesting of the license a completed AIA Document D401 - Certification of Document's Authenticity

TO OWNER East Stroudsburg Area School Dist  
50 Vine Street  
East Stroudsburg, PA 18301

PROJECT: HVAC Renovations &  
Lighting Upgrades at  
ESSD J.T. Lambert Intermediate School

APPLICATION NO 3  
PERIOD TO: 12/31/14

Distribution to:  
☐ OWNER  
☐ ARCHITECT  
☐ CONTRACTOR

## FROM CONTRACTOR:

Wind Gap Electric, Inc.  
125 West Seventh Street  
Wind Gap, PA 18091

## VIA ARCHITECT:

Strunk-Albert Engineering  
804 Seven Bridge Road  
East Stroudsburg, PA 18301

PROJECT NOS: (JTL) 18613

CONTRACT FOR: Electrical Construction

CONTRACT DATE:

## CONTRACTOR'S APPLICATION FOR PAYMENT

Application is made for payment, as shown below, in connection with the Contract.  
Continuation Sheet, AIA Document G703, is attached.

1. ORIGINAL CONTRACT SUM	\$ 1,000,000.00
2. Net change by Change Orders	\$ 0.00
3. CONTRACT SUM TO DATE (Line 1 + 2)	\$ 1,000,000.00
4. TOTAL COMPLETED & STORED TO DATE (Column G on G703)	\$ 103,100.00
5. RETAINAGE:	
a. 10 % of Completed Work (Column D + E on G703)	\$ 10,310.00
b. % of Stored Material (Column F on G703)	\$
Total Retainage (Lines 5a + 5b or Total in Column I of G703)	\$ 10,310.00
6. TOTAL EARNED LESS RETAINAGE (Line 4 Less Line 5 Total)	\$ 92,790.00
7. LESS PREVIOUS CERTIFICATES FOR PAYMENT (Line 6 from prior Certificate)	\$ 57,060.00
8. CURRENT PAYMENT DUE	\$ 35,730.00
9. BALANCE TO FINISH, INCLUDING RETAINAGE (Line 3 less Line 6)	\$ 907,210.00

CHANGE ORDER SUMMARY	ADDITIONS	DEDUCTIONS
Total changes approved in previous months by Owner		
Total approved this Month		
TOTALS	\$0.00	\$0.00
NET CHANGES by Change Order	\$0.00	

The undersigned Contractor certifies that to the best of the Contractor's knowledge, information and belief the Work covered by this Application for Payment has been completed in accordance with the Contract Documents, that all amounts have been paid by the Contractor for Work for which previous Certificates for Payment were issued and payments received from the Owner, and that current payment shown herein is now due.

CONTRACTOR: Wind Gap Electric, Inc.

By: [Signature] Date: December 24, 2014  
State of: Pennsylvania County of: Northampton  
Subscribed and sworn to before me this 24th day of December 2014  
Notary Public: Phyllis Hill  
My Commission expires: [Signature]  
COMMONWEALTH OF PENNSYLVANIA  
NOTARIAL SEAL  
Phyllis Hill, Notary Public  
Wind Gap Boro, Northampton County  
My Commission Expires Dec. 13, 2018

## ARCHITECT'S CERTIFICATE FOR PAYMENT

In accordance with the Contract Documents, based on on-site observations and the data comprising the application, the Architect certifies to the Owner that to the best of the Architect's knowledge, information and belief the Work has progressed as indicated, the quality of the Work is in accordance with the Contract Documents, and the Contractor is entitled to payment of the AMOUNT CERTIFIED.

AMOUNT CERTIFIED ..... \$ 35,730.00

(Attach explanation if amount certified differs from the amount applied. Initial all figures on this Application and on the Continuation Sheet that are changed to conform with the amount certified.)

ARCHITECT: Strunk-Albert Engineering

By: [Signature] Date: 01/02/15

This Certificate is not negotiable. The AMOUNT CERTIFIED is payable only to the Contractor named herein. Issuance, payment and acceptance of payment are without prejudice to any rights of the Owner or Contractor under this Contract.



# CONTINUATION SHEET

AIA DOCUMENT G703

PAGE 2 OF 3 PAGES

AIA Document G702, APPLICATION AND CERTIFICATION FOR PAYMENT, containing Contractor's signed certification is attached.

APPLICATION NO: 3

APPLICATION DATE: 12/24/14

In tabulations below, amounts are stated to the nearest dollar.

PERIOD TO: 12/31/14

Use Column I on Contracts where variable retainage for line items may apply.

ARCHITECT'S PROJECT NO: JTL) 18613

ITEM NO.	DESCRIPTION OF WORK	SCHEDULED VALUE	WORK COMPLETED		MATERIALS PRESENTLY STORED (NOT IN D OR E)	G		BALANCE TO FINISH (C - G)	RETAINAGE (IF VARIABLE RATE)
			FROM PREVIOUS APPLICATION (D + E)	THIS PERIOD		TOTAL COMPLETED AND STORED TO DATE (D+E+F)	% (G + C)		
1	Bond & Insurance	\$23,000.00	23,000.00	0.00		23,000.00	100.00%		
2	Supervision	\$25,000.00	2,000.00	2,000.00		4,000.00	16.00%	21,000.00	
3	Mobilization	\$12,000.00	6,000.00	2,000.00		8,000.00	66.67%	4,000.00	
4	Demolition	\$88,000.00	4,000.00	3,000.00		7,000.00	7.95%	81,000.00	
5	Lamp Recycling	\$10,000.00		0.00				10,000.00	
6	Conduit (Distribution) - M - L	\$10,400.00	1,000.00	3,400.00		4,400.00	42.31%	6,000.00	
		\$11,300.00	1,000.00	4,300.00		5,300.00	46.90%	6,000.00	
7	Conduit (Branch) - M - L	\$19,000.00	2,000.00	3,000.00		5,000.00	26.32%	14,000.00	
		\$31,000.00	3,000.00	5,000.00		8,000.00	25.81%	23,000.00	
8	Wire (Distribution) - M - L	\$10,000.00		0.00				10,000.00	
		\$6,000.00		0.00				6,000.00	
9	Wire (Branch) - M - L	\$19,000.00	2,000.00	2,000.00		4,000.00	21.05%	15,000.00	
		\$67,000.00	3,000.00	4,000.00		7,000.00	10.45%	60,000.00	
10	Panelboards/Xfmr./Disc. Sw. - M - L	\$26,000.00	12,400.00	5,000.00		17,400.00	66.92%	8,600.00	
		\$36,000.00	4,000.00	6,000.00		10,000.00	27.78%	26,000.00	

Users may obtain validation of this document by requesting of the license a completed AIA Document D401 - Certification of Document's Authenticity

# CONTINUATION SHEET

AIA DOCUMENT G703

PAGE 3 OF 3 PAGES

AIA Document G702, APPLICATION AND CERTIFICATION FOR PAYMENT, containing Contractor's signed certification is attached.

In tabulations below, amounts are stated to the nearest dollar.

Use Column I on Contracts where variable retainage for line items may apply.

APPLICATION NO: 3

APPLICATION DATE: 12/24/14

PERIOD TO: 12/31/14

ARCHITECT'S PROJECT NO: JTL) 18613

A ITEM NO.	B DESCRIPTION OF WORK	C SCHEDULED VALUE	D WORK COMPLETED		F MATERIALS PRESENTLY STORED (NOT IN D OR E)	G		H BALANCE TO FINISH (C - G)	I RETAINAGE (IF VARIABLE RATE)
			FROM PREVIOUS APPLICATION (D + E)	THIS PERIOD		TOTAL COMPLETED AND STORED TO DATE (D+E+F)	% (G + C)		
11	Lighting Fixtures - M	\$350,000.00		0.00				350,000.00	
	- L	\$150,000.00		0.00				150,000.00	
12	Switches, Receptacles & Plates - M	\$4,000.00		0.00				4,000.00	
	- L	\$26,000.00		0.00				26,000.00	
13	Lighting Controls - M	\$27,000.00		0.00				27,000.00	
	- L	\$42,000.00		0.00				42,000.00	
14	Data - M	\$400.00		0.00				400.00	
	- L	\$600.00		0.00				600.00	
15	Fire Alarm System - M	\$4,400.00		0.00				4,400.00	
	- L	\$400.00		0.00				400.00	
16	Final Inspections & Commissioning	\$500.00		0.00				500.00	
17	Punch List Items	\$500.00		0.00				500.00	
18	Close-Out Documents	\$500.00		0.00				500.00	
		\$1,000,000.00	\$63,400.00	\$39,700.00		\$103,100.00	10.31%	\$896,900.00	

Users may obtain validation of this document by requesting of the license a completed AIA Document D401 - Certification of Document's Authenticity



# APPLICATION AND CERTIFICATE FOR PAYMENT

To Owner: East Stroudsburg School District  
50 Vine Street

Project: 14165- JT Lambert Intermediate School

Application No.: 6

Distribution to:  
☐ Owner  
☐ Architect  
☐ Contractor  
☐  
☐

East Stroudsburg, PA 18301

Period To: 11/30/2014

From Contractor: Myco Mechanical, Inc.  
1 N Washington Street  
Telford, PA 18969

Via Architect: Strunk-Albert Engineering  
RD 5 Box 5198 Seven Bridges Rd  
East Stroudsburg PA 18301

Project Nos:

Contract For:

Contract Date: 5/30/2014

## CONTRACTOR'S APPLICATION FOR PAYMENT

Application is made for payment, as shown below, in connection with the Contract.  
Continuation Sheet is attached.

1. Original Contract Sum .....	\$3,338,500.00
2. Net Change By Change Order .....	\$10,859.78
3. Contract Sum To Date .....	\$3,349,359.78
4. Total Completed and Stored To Date .....	\$1,537,205.85
5. Retainage:	
a. 10.00% of Completed Work .....	\$153,720.59
b. 0.00% of Stored Material .....	\$0.00
Total Retainage .....	\$153,720.59
6. Total Earned Less Retainage .....	\$1,383,485.26
7. Less Previous Certificates For Payments .....	\$1,372,118.26
8. Current Payment Due .....	\$11,367.00
9. Balance To Finish, Plus Retainage .....	\$1,965,874.52

CHANGE ORDER SUMMARY	Additions	Deductions
Total changes approved in previous months by Owner	\$10,859.78	\$0.00
Total Approved this Month	\$0.00	\$0.00
TOTALS	\$10,859.78	\$0.00
Net Changes By Change Order	\$10,859.78	

The undersigned Contractor certifies that to the best of the Contractor's knowledge, information, and belief, the work covered by this Application for Payment has been completed in accordance with the Contract Documents. That all amounts have been paid by the Contractor for Work for which previous Certificates for Payment were issued and payments received from the Owner, and that current payment shown herein is now due.

CONTRACTOR: Myco Mechanical, Inc.

By: Brian Myers, President

Date: 12/10/2014

State of: Pennsylvania  
Subscribed and sworn to before me this  
Notary Public: Meaghan Ellis  
My Commission expires:

County of: Bucks  
day of: December

June 11, 2018

## ARCHITECT'S CERTIFICATE FOR PAYMENT

In accordance with the Contract Documents, based on on-site observations and the data comprising the above application, the Architect certifies to the Owner that to the best of the Architect's knowledge, information, and belief, the Work has progressed as indicated, the quality of the Work is in accordance with the Contract Documents, and the Contractor is entitled to payment of the AMOUNT CERTIFIED.

AMOUNT CERTIFIED \$ 11,367.00

(Attach explanation if amount certified differs from the amount applied. Initial all figures on this Application and on the Continuation Sheet that are changed to conform with the amount certified.)

ARCHITECT:

By: John E. Strunk

Date: 12/15/14

This Certificate is not negotiable. The AMOUNT CERTIFIED is payable only to the Contractor named herein. Issuance, payment, and acceptance of payment are without prejudice to any rights of the Owner or Contractor under this Contract.

COMMONWEALTH OF PENNSYLVANIA  
NOTARIAL SEAL  
MEAGHAN E. ELLIS  
Notary Public  
TELFORD BORO, BUCKS COUNTY  
My Commission Expires Jun 11, 2018

# CONTINUATION SHEET

Page 2 of 5

Application and Certification for Payment, containing

Contractor's signed certification is attached.

In tabulations below, amounts are stated to the nearest dollar.

Use Column I on Contracts where variable retainage for line items may apply.

Application No. : 6

Application Date : 11/30/14

To: 11/30/14

Architect's Project No.:

Invoice # : 14165 #6

Contract : 14165- JT Lambert Intermediate School

A Item No.	B Description of Work	C Scheduled Value	D Work Completed		F Materials Presently Stored  (Not in D or E)	G Total Completed and Stored To Date  (D+E+F)	H % (G / C)	I Balance To Finish (C-G)	Retainage
			From Previous Application (D+E)	This Period In Place					
1	Bond	75,000.00	75,000.00	0.00	0.00	75,000.00	100.00%	0.00	7,500.00
2	Permits	20,000.00	20,000.00	0.00	0.00	20,000.00	100.00%	0.00	2,000.00
3	Mobilization	20,000.00	20,000.00	0.00	0.00	20,000.00	100.00%	0.00	2,000.00
4	Submittals	20,000.00	20,000.00	0.00	0.00	20,000.00	100.00%	0.00	2,000.00
5	Allowance	77,630.00	0.00	0.00	0.00	0.00	0.00%	77,630.00	0.00
6	Pre-Construction Planning	20,000.00	10,000.00	1,000.00	0.00	11,000.00	55.00%	9,000.00	1,100.00
7	Demo	0.00	0.00	0.00	0.00	0.00	0.00%	0.00	0.00
8	Phase 1	15,000.00	15,000.00	0.00	0.00	15,000.00	100.00%	0.00	1,500.00
9	Phase 2A	4,000.00	0.00	0.00	0.00	0.00	0.00%	4,000.00	0.00
10	Phase 2B	4,000.00	0.00	0.00	0.00	0.00	0.00%	4,000.00	0.00
11	Phase 2C	4,000.00	0.00	0.00	0.00	0.00	0.00%	4,000.00	0.00
12	Phase 2D	4,000.00	4,000.00	0.00	0.00	4,000.00	100.00%	0.00	400.00
13	Phase 2E	4,000.00	0.00	1,320.00	0.00	1,320.00	33.00%	2,680.00	132.00
14	Phase 3	10,000.00	0.00	0.00	0.00	0.00	0.00%	10,000.00	0.00
15	POD Alt M-4	5,000.00	0.00	0.00	0.00	0.00	0.00%	5,000.00	0.00
16	HVAC Pipe	0.00	0.00	0.00	0.00	0.00	0.00%	0.00	0.00
17	Hanger Material - P-1	25,000.00	25,000.00	0.00	0.00	25,000.00	100.00%	0.00	2,500.00
18	Hanger Labor - P-1	25,000.00	22,500.00	0.00	0.00	22,500.00	90.00%	2,500.00	2,250.00
19	Pipe Material - P-1	150,000.00	150,000.00	0.00	0.00	150,000.00	100.00%	0.00	15,000.00
20	Pipe Labor - P-1	120,000.00	90,000.00	0.00	0.00	90,000.00	75.00%	30,000.00	9,000.00
21	Hanger Material - P-2A	8,000.00	8,000.00	0.00	0.00	8,000.00	100.00%	0.00	800.00
22	Hanger Labor - P-2A	8,000.00	1,600.00	0.00	0.00	1,600.00	20.00%	6,400.00	160.00
23	Pipe Material - P-2A	50,000.00	50,000.00	0.00	0.00	50,000.00	100.00%	0.00	5,000.00
24	Pipe Labor - P-2A	35,000.00	7,000.00	0.00	0.00	7,000.00	20.00%	28,000.00	700.00
25	UG CHW Material	20,000.00	20,000.00	0.00	0.00	20,000.00	100.00%	0.00	2,000.00
26	UG CHW Labor	10,000.00	0.00	0.00	0.00	0.00	0.00%	10,000.00	0.00
27	Hanger Material - P-2B	3,000.00	3,000.00	0.00	0.00	3,000.00	100.00%	0.00	300.00
28	Hanger Labor - P-2B	3,000.00	0.00	0.00	0.00	0.00	0.00%	3,000.00	0.00
29	Pipe Material - P-2B	15,000.00	15,000.00	0.00	0.00	15,000.00	100.00%	0.00	1,500.00
30	Pipe Labor - P-2B	10,000.00	0.00	0.00	0.00	0.00	0.00%	10,000.00	0.00
31	Hanger Material - P-2C	3,000.00	3,000.00	0.00	0.00	3,000.00	100.00%	0.00	300.00
32	Hanger Labor - P-2C	3,000.00	0.00	0.00	0.00	0.00	0.00%	3,000.00	0.00

# CONTINUATION SHEET

Page 3 of 5

Application and Certification for Payment, containing

Contractor's signed certification is attached.

In tabulations below, amounts are stated to the nearest dollar.

Use Column I on Contracts where variable retainage for line items may apply.

Application No. : 6

Application Date : 11/30/14

To: 11/30/14

Architect's Project No.:

Invoice # : 14165 #6

Contract : 14165- JT Lambert Intermediate School

A Item No.	B Description of Work	C Scheduled Value	D Work Completed		F Materials Presently Stored  (Not In D or E)	G Total Completed and Stored To Date (D+E+F)	H % (G / C)	I Balance To Finish (C-G)	Retainage
			From Previous Application (D+E)	This Period In Place					
33	Pipe Material - P-2C	13,000.00	13,000.00	0.00	0.00	13,000.00	100.00%	0.00	1,300.00
34	Pipe Labor - P-2C	10,000.00	0.00	0.00	0.00	0.00	0.00%	10,000.00	0.00
35	Hanger Material - P-2D	7,000.00	7,000.00	0.00	0.00	7,000.00	100.00%	0.00	700.00
36	Hanger Labor - P-2D	7,000.00	4,900.00	0.00	0.00	4,900.00	70.00%	2,100.00	490.00
37	Pipe Material - P-2D	35,000.00	35,000.00	0.00	0.00	35,000.00	100.00%	0.00	3,500.00
38	Pipe Labor - P-2D	28,000.00	19,600.00	0.00	0.00	19,600.00	70.00%	8,400.00	1,960.00
39	Hanger Material - P-2E	5,000.00	5,000.00	0.00	0.00	5,000.00	100.00%	0.00	500.00
40	Hanger Labor - P-2E	5,000.00	0.00	1,650.00	0.00	1,650.00	33.00%	3,350.00	165.00
41	Pipe Material - P-2E	23,000.00	23,000.00	0.00	0.00	23,000.00	100.00%	0.00	2,300.00
42	Pipe Labor - P-2E	18,000.00	0.00	5,940.00	0.00	5,940.00	33.00%	12,060.00	594.00
43	Hanger Material - P-3	9,000.00	9,000.00	0.00	0.00	9,000.00	100.00%	0.00	900.00
44	Hanger Labor - P-3	9,000.00	0.00	0.00	0.00	0.00	0.00%	9,000.00	0.00
45	Pipe Material - P-3	55,000.00	55,000.00	0.00	0.00	55,000.00	100.00%	0.00	5,500.00
46	Pipe Labor - P-3	40,000.00	0.00	0.00	0.00	0.00	0.00%	40,000.00	0.00
47	HVAC Equipment	0.00	0.00	0.00	0.00	0.00	0.00%	0.00	0.00
48	Chiller	150,000.00	0.00	0.00	0.00	0.00	0.00%	150,000.00	0.00
49	Install Labor	5,000.00	0.00	0.00	0.00	0.00	0.00%	5,000.00	0.00
50	Ice Storage	100,000.00	0.00	0.00	0.00	0.00	0.00%	100,000.00	0.00
51	Install Labor	5,000.00	0.00	0.00	0.00	0.00	0.00%	5,000.00	0.00
52	AHU's	60,000.00	0.00	0.00	0.00	0.00	0.00%	60,000.00	0.00
53	Install Labor	5,000.00	0.00	0.00	0.00	0.00	0.00%	5,000.00	0.00
54	Existing AHU Refurbish	25,000.00	25,000.00	0.00	0.00	25,000.00	100.00%	0.00	2,500.00
55	Install Labor	2,000.00	0.00	0.00	0.00	0.00	0.00%	2,000.00	0.00
56	UV's	390,000.00	390,000.00	0.00	0.00	390,000.00	100.00%	0.00	39,000.00
57	Install Labor	25,000.00	5,000.00	0.00	0.00	5,000.00	20.00%	20,000.00	500.00
58	UV Shelving	10,000.00	10,000.00	0.00	0.00	10,000.00	100.00%	0.00	1,000.00
59	Install Labor	5,000.00	100.00	0.00	0.00	100.00	2.00%	4,900.00	10.00
60	VAV's	30,000.00	30,000.00	0.00	0.00	30,000.00	100.00%	0.00	3,000.00
61	Install Labor	5,000.00	500.00	500.00	0.00	1,000.00	20.00%	4,000.00	100.00
62	Hot Water Coils - 8	15,000.00	0.00	0.00	0.00	0.00	0.00%	15,000.00	0.00
63	Install Labor	2,000.00	0.00	0.00	0.00	0.00	0.00%	2,000.00	0.00
64	Terminal Equipment	40,000.00	0.00	0.00	0.00	0.00	0.00%	40,000.00	0.00

# CONTINUATION SHEET

Page 4 of 5

Application and Certification for Payment, containing  
Contractor's signed certification is attached.

In tabulations below, amounts are stated to the nearest dollar.

Use Column I on Contracts where variable retainage for line items may apply.

Application No. : 6

Application Date : 11/30/14

To: 11/30/14

Architect's Project No.:

Invoice # : 14165 #6

Contract : 14165- JT Lambert Intermediate School

A Item No.	B Description of Work	C Scheduled Value	D Work Completed		F Materials Presently Stored  (Not in D or E)	G Total Completed and Stored To Date (D+E+F)	H % (G / C)	I Balance To Finish (C-G)	J Retainage
			From Previous Application (D+E)	This Period In Place					
65	Install Labor	5,000.00	0.00	0.00	0.00	0.00	0.00%	5,000.00	0.00
66	Packaged HVAC Units - 2	90,000.00	0.00	0.00	0.00	0.00	0.00%	90,000.00	0.00
67	Install Labor	4,000.00	0.00	0.00	0.00	0.00	0.00%	4,000.00	0.00
68	EF's - 1	2,000.00	0.00	0.00	0.00	0.00	0.00%	2,000.00	0.00
69	Install Labor	1,000.00	0.00	0.00	0.00	0.00	0.00%	1,000.00	0.00
70	RF's - 2	4,000.00	0.00	0.00	0.00	0.00	0.00%	4,000.00	0.00
71	Install Labor	2,000.00	0.00	0.00	0.00	0.00	0.00%	2,000.00	0.00
72	Boiler Room Equipment	0.00	0.00	0.00	0.00	0.00	0.00%	0.00	0.00
73	Pumps & VFD's - 4	30,000.00	30,000.00	0.00	0.00	30,000.00	100.00%	0.00	3,000.00
74	Expansion Tanks/Air Separators	10,000.00	10,000.00	0.00	0.00	10,000.00	100.00%	0.00	1,000.00
75	Glycol Feeders - 2	5,000.00	5,000.00	0.00	0.00	5,000.00	100.00%	0.00	500.00
76	Install Labor	5,000.00	1,000.00	1,500.00	0.00	2,500.00	50.00%	2,500.00	250.00
77	Glycol	7,000.00	0.00	0.00	0.00	0.00	0.00%	7,000.00	0.00
78	Glycol Install Labor	2,000.00	0.00	0.00	0.00	0.00	0.00%	2,000.00	0.00
79	Sheetmetal	0.00	0.00	0.00	0.00	0.00	0.00%	0.00	0.00
80	Duct Material - Base Bid	15,000.00	450.00	450.00	0.00	900.00	6.00%	14,100.00	90.00
81	Labor - Base Bid	9,000.00	270.00	270.00	0.00	540.00	6.00%	8,460.00	54.00
82	Duct Material - POD	8,000.00	0.00	0.00	0.00	0.00	0.00%	8,000.00	0.00
83	Labor - POD	5,000.00	0.00	0.00	0.00	0.00	0.00%	5,000.00	0.00
84	GRD's	870.00	0.00	0.00	0.00	0.00	0.00%	870.00	0.00
85	GRD Labor	1,000.00	0.00	0.00	0.00	0.00	0.00%	1,000.00	0.00
86	Tank Removal	34,000.00	34,000.00	0.00	0.00	34,000.00	100.00%	0.00	3,400.00
87	Roofing	4,000.00	0.00	0.00	0.00	0.00	0.00%	4,000.00	0.00
88	Concrete	55,000.00	11,000.00	0.00	0.00	11,000.00	20.00%	44,000.00	1,100.00
89	Excavation/Asphalt Patching	55,000.00	0.00	0.00	0.00	0.00	0.00%	55,000.00	0.00
90	Fencing	29,000.00	0.00	0.00	0.00	0.00	0.00%	29,000.00	0.00
91	GC - Bulkhead Work	6,000.00	1,200.00	0.00	0.00	1,200.00	20.00%	4,800.00	120.00
92	Chemical Treatment	5,000.00	0.00	0.00	0.00	0.00	0.00%	5,000.00	0.00
93	ATC	0.00	0.00	0.00	0.00	0.00	0.00%	0.00	0.00
94	Engineering/Shop Drawings	49,850.00	39,880.00	0.00	0.00	39,880.00	80.00%	9,970.00	3,988.00
95	Valves & Dampers	229,250.00	91,700.00	0.00	0.00	91,700.00	40.00%	137,550.00	9,170.00
96	BAS Material	51,800.00	10,360.00	0.00	0.00	10,360.00	20.00%	41,440.00	1,036.00

# CONTINUATION SHEET

Page 5 of 5

Application and Certification for Payment, containing  
Contractor's signed certification is attached.  
In tabulations below, amounts are stated to the nearest dollar.  
Use Column I on Contracts where variable retainage for line items may apply.

Application No. : 6  
Application Date : 11/30/14  
To: 11/30/14  
Architect's Project No.:

Invoice #: 14165 #6

Contract : 14165- JT Lambert Intermediate School

A Item No.	B Description of Work	C Scheduled Value	D Work Completed		F Materials Presently Stored  (Not In D or E)	G Total Completed and Stored To Date (D+E+F)	H % (G / C)	I Balance To Finish (C-G)	Retainage
			From Previous Application (D+E)	This Period In Place					
97	Project Management	47,300.00	4,730.00	0.00	0.00	4,730.00	10.00%	42,570.00	473.00
98	Install	451,690.00	45,169.00	0.00	0.00	45,169.00	10.00%	406,521.00	4,516.90
99	Programming	30,300.00	3,030.00	0.00	0.00	3,030.00	10.00%	27,270.00	303.00
100	Commissioning	29,850.00	2,985.00	0.00	0.00	2,985.00	10.00%	26,865.00	298.50
101	Training	9,960.00	0.00	0.00	0.00	0.00	0.00%	9,960.00	0.00
114	Insulation	100,000.00	35,000.00	0.00	0.00	35,000.00	35.00%	65,000.00	3,500.00
115	Phase 4	0.00	0.00	0.00	0.00	0.00	0.00%	0.00	0.00
116	Balancing	26,000.00	0.00	0.00	0.00	0.00	0.00%	26,000.00	0.00
117	Punchlist	5,000.00	0.00	0.00	0.00	0.00	0.00%	5,000.00	0.00
118	Closeout Docs	2,000.00	0.00	0.00	0.00	0.00	0.00%	2,000.00	0.00
119	Training	3,000.00	0.00	0.00	0.00	0.00	0.00%	3,000.00	0.00
120	CO-1 New Pump pipe packages	10,859.78	7,601.85	0.00	0.00	7,601.85	70.00%	3,257.93	760.19
Grand Totals		3,349,359.78	1,524,575.85	12,630.00	0.00	1,537,205.85	45.90%	1,812,153.93	153,720.59

# APPLICATION AND CERTIFICATE FOR PAYMENT

To Owner: East Stroudsburg School District  
50 Vine Street  
East Stroudsburg, PA 18301

Project: 14165- JT Lambert Intermediate School

Application No.: 7

Distribution to:  
☐ Owner  
☐ Architect  
☐ Contractor

Period To: 12/31/2014

From Contractor: Myco Mechanical, Inc.  
1 N Washington Street  
Telford, PA 18969

Via Architect: Strunk-Albert Engineering  
RD 5 Box 5198 Seven Bridges Rd  
East Stroudsburg PA 18301

Project Nos:

Contract For:

Contract Date: 5/30/2014

## CONTRACTOR'S APPLICATION FOR PAYMENT

Application is made for payment, as shown below, in connection with the Contract. Continuation Sheet is attached.

1. Original Contract Sum .....	\$3,338,500.00
2. Net Change By Change Order .....	\$10,859.78
3. Contract Sum To Date .....	\$3,349,359.78
4. Total Completed and Stored To Date .....	\$1,857,293.85
5. Retainage:	
a. 5.00% of Completed Work	\$92,864.69
b. 0.00% of Stored Material	\$0.00
Total Retainage .....	\$92,864.69
6. Total Earned Less Retainage .....	\$1,784,429.16
7. Less Previous Certificates For Payments .....	\$1,383,485.26
8. Current Payment Due .....	\$380,943.90
9. Balance To Finish, Plus Retainage .....	\$1,584,930.62

CHANGE ORDER SUMMARY	Additions	Deductions
Total changes approved in previous months by Owner	\$10,859.78	\$0.00
Total Approved this Month	\$0.00	\$0.00
<b>TOTALS</b>	<b>\$10,859.78</b>	<b>\$0.00</b>
Net Changes By Change Order	\$10,859.78	

The undersigned Contractor certifies that to the best of the Contractor's knowledge, information, and belief, the work covered by this Application for Payment has been completed in accordance with the Contract Documents. That all amounts have been paid by the Contractor for Work for which previous Certificates for Payment were issued and payments received from the Owner, and that current payment shown herein is now due.

CONTRACTOR: Myco Mechanical, Inc.

By: Brian Myers, President Date: 12-24-2014

State of: Pennsylvania County of: Bucks  
Subscribed and sworn to before me this 24 day of December  
Notary Public: Meaghan E. Ellis  
My Commission expires: June 11, 2018

COMMONWEALTH OF PENNSYLVANIA  
NOTARIAL SEAL  
MEAGHAN E. ELLIS  
Notary Public  
TELFORD BORO, BUCKS COUNTY  
My Commission Expires Jun 11 2018

## ARCHITECT'S CERTIFICATE FOR PAYMENT

In accordance with the Contract Documents, based on on-site observations and the data comprising the above application, the Architect certifies to the Owner that to the best of the Architect's knowledge, information, and belief, the Work has progressed as indicated, the quality of the Work is in accordance with the Contract Documents, and the Contractor is entitled to payment of the AMOUNT CERTIFIED.

AMOUNT CERTIFIED \$380,943.90

(Attach explanation if amount certified differs from the amount applied. Initial all figures on this Application and on the Continuation Sheet that are changed to conform with the amount certified.)

ARCHITECT:

By: John E. Thomas Date: 12/29/14

This Certificate is not negotiable. The AMOUNT CERTIFIED is payable only to the Contractor named herein. Issuance, payment, and acceptance of payment are without prejudice to any rights of the Owner or Contractor under this Contract.

# CONTINUATION SHEET

Page 2 of 5

Application and Certification for Payment, containing

Contractor's signed certification is attached.

In tabulations below, amounts are stated to the nearest dollar.

Use Column I on Contracts where variable retainage for line items may apply.

Application No. : 7

Application Date : 12/31/14

To: 12/31/14

Architect's Project No.:

Invoice # : 14166 #7

Contract : 14166- JT Lambert Intermediate School

A Item No.	B Description of Work	C Scheduled Value	D Work Completed		F Materials Presently Stored  (Not in D or E)	G Total Completed and Stored To Date  (D+E+F)	H % (G / C)	I Balance To Finish (C-G)	J Retainage
			From Previous Application (D+E)	This Period In Place					
1	Bond	75,000.00	75,000.00	0.00	0.00	75,000.00	100.00%	0.00	3,750.00
2	Permits	20,000.00	20,000.00	0.00	0.00	20,000.00	100.00%	0.00	1,000.00
3	Mobilization	20,000.00	20,000.00	0.00	0.00	20,000.00	100.00%	0.00	1,000.00
4	Submittals	20,000.00	20,000.00	0.00	0.00	20,000.00	100.00%	0.00	1,000.00
5	Allowance	77,630.00	0.00	0.00	0.00	0.00	0.00%	77,630.00	0.00
6	Pre-Construction Planning	20,000.00	11,000.00	1,000.00	0.00	12,000.00	60.00%	8,000.00	600.00
7	Demo	0.00	0.00	0.00	0.00	0.00	0.00%	0.00	0.00
8	Phase 1	15,000.00	15,000.00	0.00	0.00	15,000.00	100.00%	0.00	750.00
9	Phase 2A	4,000.00	0.00	0.00	0.00	0.00	0.00%	4,000.00	0.00
10	Phase 2B	4,000.00	0.00	0.00	0.00	0.00	0.00%	4,000.00	0.00
11	Phase 2C	4,000.00	0.00	4,000.00	0.00	4,000.00	100.00%	0.00	200.00
12	Phase 2D	4,000.00	4,000.00	0.00	0.00	4,000.00	100.00%	0.00	200.00
13	Phase 2E	4,000.00	1,320.00	0.00	0.00	1,320.00	33.00%	2,680.00	66.00
14	Phase 3	10,000.00	0.00	1,000.00	0.00	1,000.00	10.00%	9,000.00	50.00
15	POD Alt M-4	5,000.00	0.00	0.00	0.00	0.00	0.00%	5,000.00	0.00
16	HVAC Pipe	0.00	0.00	0.00	0.00	0.00	0.00%	0.00	0.00
17	Hanger Material - P-1	25,000.00	25,000.00	0.00	0.00	25,000.00	100.00%	0.00	1,250.00
18	Hanger Labor - P-1	25,000.00	22,500.00	0.00	0.00	22,500.00	90.00%	2,500.00	1,125.00
19	Pipe Material - P-1	150,000.00	150,000.00	0.00	0.00	150,000.00	100.00%	0.00	7,500.00
20	Pipe Labor - P-1	120,000.00	90,000.00	2,400.00	0.00	92,400.00	77.00%	27,600.00	4,820.00
21	Hanger Material - P-2A	8,000.00	8,000.00	0.00	0.00	8,000.00	100.00%	0.00	400.00
22	Hanger Labor - P-2A	8,000.00	1,800.00	0.00	0.00	1,800.00	20.00%	6,400.00	80.00
23	Pipe Material - P-2A	50,000.00	50,000.00	0.00	0.00	50,000.00	100.00%	0.00	2,500.00
24	Pipe Labor - P-2A	35,000.00	7,000.00	0.00	0.00	7,000.00	20.00%	28,000.00	350.00
25	UG CHW Material	20,000.00	20,000.00	0.00	0.00	20,000.00	100.00%	0.00	1,000.00
26	UG CHW Labor	10,000.00	0.00	0.00	0.00	0.00	0.00%	10,000.00	0.00
27	Hanger Material - P-2B	3,000.00	3,000.00	0.00	0.00	3,000.00	100.00%	0.00	150.00
28	Hanger Labor - P-2B	3,000.00	0.00	0.00	0.00	0.00	0.00%	3,000.00	0.00
29	Pipe Material - P-2B	15,000.00	15,000.00	0.00	0.00	15,000.00	100.00%	0.00	750.00
30	Pipe Labor - P-2B	10,000.00	0.00	0.00	0.00	0.00	0.00%	10,000.00	0.00
31	Hanger Material - P-2C	3,000.00	3,000.00	0.00	0.00	3,000.00	100.00%	0.00	150.00
32	Hanger Labor - P-2C	3,000.00	0.00	3,000.00	0.00	3,000.00	100.00%	0.00	150.00



# CONTINUATION SHEET

Page 3 of 5

Application and Certification for Payment, containing

Contractor's signed certification is attached.

In tabulations below, amounts are stated to the nearest dollar.

Use Column I on Contracts where variable retainage for line items may apply.

Application No. : 7

Application Date : 12/31/14

To: 12/31/14

Architect's Project No.:

Invoice #: 14165 #7

Contract : 14165- JT Lambert Intermediate School

A Item No.	B Description of Work	C Scheduled Value	D Work Completed		F Materials Presently Stored  (Not in D or E)	G Total Completed and Stored To Date (D+E+F)	H % (G / C)	I Balance To Finish (C-G)	J Retainage
			From Previous Application (D+E)	This Period In Place					
33	Pipe Material - P-2C	13,000.00	13,000.00	0.00	0.00	13,000.00	100.00%	0.00	650.00
34	Pipe Labor - P-2C	10,000.00	0.00	10,000.00	0.00	10,000.00	100.00%	0.00	500.00
35	Hanger Material - P-2D	7,000.00	7,000.00	0.00	0.00	7,000.00	100.00%	0.00	350.00
36	Hanger Labor - P-2D	7,000.00	4,900.00	2,100.00	0.00	7,000.00	100.00%	0.00	350.00
37	Pipe Material - P-2D	35,000.00	35,000.00	0.00	0.00	35,000.00	100.00%	0.00	1,750.00
38	Pipe Labor - P-2D	28,000.00	19,600.00	8,400.00	0.00	28,000.00	100.00%	0.00	1,400.00
39	Hanger Material - P-2E	5,000.00	5,000.00	0.00	0.00	5,000.00	100.00%	0.00	250.00
40	Hanger Labor - P-2E	5,000.00	1,650.00	0.00	0.00	1,650.00	33.00%	3,350.00	82.50
41	Pipe Material - P-2E	23,000.00	23,000.00	0.00	0.00	23,000.00	100.00%	0.00	1,150.00
42	Pipe Labor - P-2E	18,000.00	5,940.00	0.00	0.00	5,940.00	33.00%	12,060.00	297.00
43	Hanger Material - P-3	9,000.00	9,000.00	0.00	0.00	9,000.00	100.00%	0.00	450.00
44	Hanger Labor - P-3	9,000.00	0.00	900.00	0.00	900.00	10.00%	8,100.00	45.00
45	Pipe Material - P-3	55,000.00	55,000.00	0.00	0.00	55,000.00	100.00%	0.00	2,750.00
46	Pipe Labor - P-3	40,000.00	0.00	4,000.00	0.00	4,000.00	10.00%	36,000.00	200.00
47	HVAC Equipment	0.00	0.00	0.00	0.00	0.00	0.00%	0.00	0.00
48	Chiller	150,000.00	0.00	0.00	0.00	0.00	0.00%	150,000.00	0.00
49	Install Labor	5,000.00	0.00	0.00	0.00	0.00	0.00%	5,000.00	0.00
50	Ice Storage	100,000.00	0.00	0.00	0.00	0.00	0.00%	100,000.00	0.00
51	Install Labor	5,000.00	0.00	0.00	0.00	0.00	0.00%	5,000.00	0.00
52	AHU's	60,000.00	0.00	0.00	0.00	0.00	0.00%	60,000.00	0.00
53	Install Labor	5,000.00	0.00	0.00	0.00	0.00	0.00%	5,000.00	0.00
54	Existing AHU Refurbish	25,000.00	25,000.00	0.00	0.00	25,000.00	100.00%	0.00	1,250.00
55	Install Labor	2,000.00	0.00	0.00	0.00	0.00	0.00%	2,000.00	0.00
56	UV's	390,000.00	390,000.00	0.00	0.00	390,000.00	100.00%	0.00	19,500.00
57	Install Labor	25,000.00	5,000.00	2,500.00	0.00	7,500.00	30.00%	17,500.00	375.00
58	UV Shelving	10,000.00	10,000.00	0.00	0.00	10,000.00	100.00%	0.00	500.00
59	Install Labor	5,000.00	100.00	900.00	0.00	1,000.00	20.00%	4,000.00	50.00
60	VAV's	30,000.00	30,000.00	0.00	0.00	30,000.00	100.00%	0.00	1,500.00
61	Install Labor	5,000.00	1,000.00	0.00	0.00	1,000.00	20.00%	4,000.00	50.00
62	Hot Water Coils - 8	15,000.00	0.00	0.00	0.00	0.00	0.00%	15,000.00	0.00
63	Install Labor	2,000.00	0.00	0.00	0.00	0.00	0.00%	2,000.00	0.00
64	Terminal Equipment	40,000.00	0.00	0.00	0.00	0.00	0.00%	40,000.00	0.00



# CONTINUATION SHEET

Page 4 of 5

Application and Certification for Payment, containing

Contractor's signed certification is attached.

In tabulations below, amounts are stated to the nearest dollar.

Use Column I on Contracts where variable retainage for line items may apply.

Application No. : 7

Application Date : 12/31/14

To: 12/31/14

Architect's Project No.:

Invoice #: 14165 #7

Contract : 14165- JT Lambert Intermediate School

A	B	C	D		E	F	G	H	I
Item No.	Description of Work	Scheduled Value	Work Completed		Materials Presently Stored  (Not in D or E)	Total Completed and Stored To Date  (D+E+F)	% (G / C)	Balance To Finish (C-G)	Retainage
			From Previous Application (D+E)	This Period In Place					
65	Install Labor	5,000.00	0.00	0.00	0.00	0.00	0.00%	5,000.00	0.00
66	Packaged HVAC Units - 2	90,000.00	0.00	0.00	0.00	0.00	0.00%	90,000.00	0.00
67	Install Labor	4,000.00	0.00	0.00	0.00	0.00	0.00%	4,000.00	0.00
68	EF's - 1	2,000.00	0.00	0.00	0.00	0.00	0.00%	2,000.00	0.00
69	Install Labor	1,000.00	0.00	0.00	0.00	0.00	0.00%	1,000.00	0.00
70	RF's - 2	4,000.00	0.00	0.00	0.00	0.00	0.00%	4,000.00	0.00
71	Install Labor	2,000.00	0.00	0.00	0.00	0.00	0.00%	2,000.00	0.00
72	Boiler Room Equipment	0.00	0.00	0.00	0.00	0.00	0.00%	0.00	0.00
73	Pumps & VFD's - 4	30,000.00	30,000.00	0.00	0.00	30,000.00	100.00%	0.00	1,500.00
74	Expansion Tanks/Air Separators	10,000.00	10,000.00	0.00	0.00	10,000.00	100.00%	0.00	500.00
75	Glycol Feeders - 2	5,000.00	5,000.00	0.00	0.00	5,000.00	100.00%	0.00	250.00
76	Install Labor	5,000.00	2,500.00	0.00	0.00	2,500.00	50.00%	2,500.00	125.00
77	Glycol	7,000.00	0.00	0.00	0.00	0.00	0.00%	7,000.00	0.00
78	Glycol Install Labor	2,000.00	0.00	0.00	0.00	0.00	0.00%	2,000.00	0.00
79	Sheetmetal	0.00	0.00	0.00	0.00	0.00	0.00%	0.00	0.00
80	Duct Material - Base Bid	15,000.00	900.00	0.00	0.00	900.00	6.00%	14,100.00	45.00
81	Labor - Base Bid	9,000.00	540.00	0.00	0.00	540.00	6.00%	8,460.00	27.00
82	Duct Material - POD	8,000.00	0.00	0.00	0.00	0.00	0.00%	8,000.00	0.00
83	Labor - POD	5,000.00	0.00	0.00	0.00	0.00	0.00%	5,000.00	0.00
84	GRD's	870.00	0.00	0.00	0.00	0.00	0.00%	870.00	0.00
85	GRD Labor	1,000.00	0.00	0.00	0.00	0.00	0.00%	1,000.00	0.00
86	Tank Removal	34,000.00	34,000.00	0.00	0.00	34,000.00	100.00%	0.00	1,700.00
87	Roofing	4,000.00	0.00	0.00	0.00	0.00	0.00%	4,000.00	0.00
88	Concrete	55,000.00	11,000.00	0.00	0.00	11,000.00	20.00%	44,000.00	550.00
89	Excavation/Asphalt Patching	55,000.00	0.00	0.00	0.00	0.00	0.00%	55,000.00	0.00
90	Fencing	29,000.00	0.00	0.00	0.00	0.00	0.00%	29,000.00	0.00
91	GC - Bulkhead Work	6,000.00	1,200.00	0.00	0.00	1,200.00	20.00%	4,800.00	60.00
92	Chemical Treatment	5,000.00	0.00	0.00	0.00	0.00	0.00%	5,000.00	0.00
93	ATC	0.00	0.00	0.00	0.00	0.00	0.00%	0.00	0.00
94	Engineering/Shop Drawings	49,850.00	39,880.00	9,970.00	0.00	49,850.00	100.00%	0.00	2,492.50
95	Valves & Dampers	229,250.00	91,700.00	137,550.00	0.00	229,250.00	100.00%	0.00	11,482.50
96	BAS Material	51,800.00	10,360.00	15,540.00	0.00	25,900.00	50.00%	25,900.00	1,295.00

# CONTINUATION SHEET

Page 5 of 5

Application and Certification for Payment, containing Contractor's signed certification is attached.

In tabulations below, amounts are stated to the nearest dollar.

Use Column I on Contracts where variable retainage for line items may apply.

Application No. : 7

Application Date : 12/31/14

To: 12/31/14

Architect's Project No.:

Invoice # : 14165 #7

Contract : 14165- JT Lambert Intermediate School

A Item No.	B Description of Work	C Scheduled Value	D Work Completed		F Materials Presently Stored  (Not in D or E)	G Total Completed and Stored To Date  (D+E+F)	H % (G / C)	I Balance To Finish (C-G)	J Retainage
			From Previous Application (D+E)	This Period In Place					
97	Project Management	47,300.00	4,730.00	9,460.00	0.00	14,190.00	30.00%	33,110.00	709.50
98	Install	451,690.00	45,169.00	90,338.00	0.00	135,507.00	30.00%	316,183.00	8,775.35
99	Programming	30,300.00	3,030.00	6,060.00	0.00	9,090.00	30.00%	21,210.00	454.50
100	Commissioning	29,850.00	2,985.00	5,970.00	0.00	8,955.00	30.00%	20,895.00	447.75
101	Training	9,960.00	0.00	0.00	0.00	0.00	0.00%	9,960.00	0.00
114	Insulation	100,000.00	35,000.00	5,000.00	0.00	40,000.00	40.00%	60,000.00	2,000.00
115	Phase 4	0.00	0.00	0.00	0.00	0.00	0.00%	0.00	0.00
116	Balancing	26,000.00	0.00	0.00	0.00	0.00	0.00%	26,000.00	0.00
117	Punchlist	5,000.00	0.00	0.00	0.00	0.00	0.00%	5,000.00	0.00
118	Closeout Docs	2,000.00	0.00	0.00	0.00	0.00	0.00%	2,000.00	0.00
119	Training	3,000.00	0.00	0.00	0.00	0.00	0.00%	3,000.00	0.00
120	CO-1 New Pump pipe packages	10,859.78	7,601.85	0.00	0.00	7,601.85	70.00%	3,257.93	380.09
Grand Totals		3,349,359.78	1,837,205.85	320,088.00	0.00	1,857,293.85	55.48%	1,492,065.93	92,864.69