

NORTH PENN SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2010

INTRODUCTORY SECTION

TABLE OF CONTENTS

	<u>Page No.</u>
INTRODUCTORY SECTION	
Table of Contents	1
FINANCIAL SECTION	
Independent Auditors' Report	4
Management's Discussion and Analysis (Unaudited).....	6
Basic Financial Statements	
<i>Government-Wide Financial Statements</i>	
Statement of Net Assets	23
Statement of Activities	24
<i>Fund Financial Statements</i>	
<i>Governmental Funds</i>	
Balance Sheet	25
Reconciliation of Total Governmental Funds Balances to Net Assets of Governmental Activities	26
Statement of Revenues, Expenditures and Changes in Fund Balances.....	27
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	28

TABLE OF CONTENTS

	<u>Page No.</u>
<i>Proprietary Funds</i>	
Statement of Net Assets	30
Statement of Revenues, Expenses and Changes in Net Assets	31
Statement of Cash Flows	32
<i>Fiduciary Funds</i>	
Statement of Fiduciary Net Assets	34
Statement of Changes in Fiduciary Net Assets	35
Notes to the Basic Financial Statements	36
Required Supplementary Information	
Budgetary Comparison Schedule	58
Notes to the Budgetary Comparison Schedule	59
Postemployment Benefits Other Than Pension Funding Progress	61
SUPPLEMENTARY INFORMATION SECTION	
<i>Other Governmental Funds</i>	
Combining Balance Sheet	62
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficit)	63

TABLE OF CONTENTS

	<u>Page No.</u>
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 <i>GOVERNMENT AUDITING STANDARDS</i>	64
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	66
ADDITIONAL INFORMATION - MAJOR FEDERAL AWARD PROGRAMS AUDIT	
Schedule of Expenditures of Federal and State Awards	68
Notes to the Schedule of Expenditures of Federal and State Awards	71
Schedule of Findings and Questioned Costs	72

FINANCIAL SECTION



MAILLIE, FALCONIERO & COMPANY, LLP

Certified Public Accountants and Business Counselors

www.maillie.com

PO Box 680
Oaks, PA 19456-0680
610-935-1420
Fax: 610-935-1632

PO Box 3068
West Chester, PA 19381-3068
610-696-4353
Fax: 610-430-8811

347 North Pottstown Pike, Suite 1
Exton, PA 19341-2280
610-363-2838
Fax: 610-363-1573

Independent Auditors' Report

To the Board of Directors
North Penn School District
Lansdale, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the North Penn School District as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the North Penn School District's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 North Penn School District as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2010, on our consideration of the North Penn School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

To the Board of Directors
North Penn School District
Lansdale, Pennsylvania

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 22, budgetary comparison information on pages 58 through 60 and postemployment benefits other than pension funding progress on page 61 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.

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

Mailli Falconiero + Company, LLP

Oaks, Pennsylvania
December 22, 2010

NORTH PENN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

June 30, 2010

This section of the North Penn School District's annual financial report presents its discussion and analysis of the School District's financial performance during the fiscal year ending June 30, 2010. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

DISTRICT HIGHLIGHTS

North Penn School District consists of 18 schools (including an alternative education school), a transportation center, a support services center and an administration building. The District has 12,700 students from more than 10,000 families in eight different municipalities. We educate students from more than 66 countries speaking over 70 different languages. The District employs approximately 2,060 staff members, 225 coaches and 280 advisors.

The North Penn School District, its staff and its students had many reasons to celebrate during the 2009-2010 school year due to the various awards, honors and achievements that were received. Some successes included rising student achievement results, the District's first-ever all-staff professional development day and nationally recognized student and staff groups.

North Penn School District student achievements abounded during the 2009-2010 school year. One student group, the Penn Dale Middle School Odyssey of the Mind team, took first place in its problem and division category at the Odyssey of the Mind World Finals Competition. More than 800 teams competed world-wide with just 19 teams receiving first place.

North Penn High School students performed exceptionally well in special areas last year. Nine finalists and 25 commended high school students were recognized in the 2009-2010 National Merit Scholarship Competition (NMSC). NPHS student Ryan O'Reilly was selected to attend the Air Force Junior Reserve Officer Training Corps (AFJROTC) Aerospace and Technology Honors Camp, competing among the top 1 percent of 1,100 AFJROTC cadets worldwide. Another high school student, Jason Mineweaser, placed first in senior engineering in the Montgomery County Research Competition. The National Council of the Teachers of English acknowledged high school student Brian Kim as a writing contest winner. The high school's newspaper, *The Knight Crier*, received a Gold Medal from the Columbia Scholastic Press Association (CSPA) and a silver medal from the Pennsylvania School Press Association (PSPA).

In high school sports, North Penn was proud to report that four students were selected for the Boys and Girls All-American Water Polo teams and two students were named to the United States Lacrosse All-American team. The Girls' Lacrosse team was the Suburban One League champion for the fourth consecutive year, and NPHS student Melanie Dickens took first place at the Suburban One League Girls' Golf Championship. In addition, high school student Brad Miles was named Gatorade Pennsylvania Boys Cross Country Runner of the Year.

NORTH PENN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

June 30, 2010

Once again, North Penn's music programs were selected to perform at prestigious concerts, festivals and events. The Bridle Path/Montgomery Elementary Select String Ensemble and its director, Ralph Jackson, performed at the renowned New York International Music Festival at Carnegie Hall. This was the only elementary ensemble invited to participate among high school and college-aged groups. A panel of judges awarded the Bridle Path and Montgomery students the highest prize of a Gold Medal for their performance. The following number of North Penn High School students were selected for 2010 Pennsylvania Music Educators Association (PMEA) events:

- Ten students for District Orchestra, six students for Regional Orchestra and two students for All-State Orchestra
- 19 students for District Band, nine students for Regional Band and four students for All-State Band
- Seven students for District Chorus, three students for Regional Chorus and two students for All-State Chorus

Overall, students' scores on the Pennsylvania System of School Assessment (PSSA) once again increased over the previous year's results, demonstrating the outstanding job of staff and administration throughout the District. Math results increased for the eighth straight year while reading results increased for seven out of eight years. Since 2001-2002, the District's overall percentage of proficient students in math increased from 66 percent to 90 percent. In reading, the number increased from 73 percent to 85 percent. In writing, the number increased from 86 percent (in 2005-2006 when the test was first administered) to 89 percent proficient. And, in science, the number increased from 70 percent (in 2007-2008 when it was first administered) to 76 percent.

Impressive highlights include:

- All No Child Left Behind (NCLB) subgroups (special education, English as a Second Language (ESL), economically disadvantaged, African American, Asian, White, etc.) are closing the achievement gap through increased proficiency.
- At the elementary level, more than 90 percent of students are proficient or advanced in math and science.
- Special education students increased their percent proficient or advanced by 10 percentage points over the past three years.
- North Penn High School's percent proficient or advanced exceeds 80 percent proficient in math and 90 percent in writing.
- Pennbrook Middle School and Gwynedd Square and Nash elementary schools are all above 90 percent proficient or advanced in reading.
- Pennbrook and Pennfield middle schools and Bridle Path, Gwyn Nor, Gwynedd Square, Hatfield, Inglewood, Nash, North Wales and Walton Farm elementary schools are all above 90 percent in math.

NORTH PENN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

June 30, 2010

NPSD continued to focus on improving Advanced Placement (AP) course participation. AP courses are college-level courses that are often the most advanced courses taught at the high school. Currently, 21 AP courses and corresponding exams are offered. The total number of students participating in AP courses increased from 166 in 1998-1999 to close to 600 in 2009-2010. In 1998-1999, 284 tests were taken; in 2009-2010, North Penn students took 1,126 exams, with 80 percent of those students scoring a 3+ or higher.

To address the District's strategic plan subgoal of significantly reducing, with the goal of eliminating, the differences in achievement between student subgroups and the overall student population, a Closing The Achievement Gap (CTG) Steering Committee was formed. Accomplishments of this committee during the 2009-2010 school year include:

- Middle and high school students participating in the Delaware Valley Student Achievement Consortium Leadership Conferences
- Developed reports on current academic levels and trends
- Established a District-wide Family Cultural Advisory Council with representation from all cultural groups to partner with the District in efforts to close the gap and engage all families
- Developed a District-wide tracking system to monitor intervention program success
- Worked toward increasing proportion of minority students enrolling in higher level classes, including the elimination of lowest academic level classes
- Provided additional support needed for students to succeed in higher level classes

The North Penn School District was included in the Promising Partnership Practices 2009 book, an annual collection of activities from members of the National Network Partnership of Schools (NNPS) out of Johns Hopkins University. The NPSD Family Cultural Advisory Council was recognized in the District Leadership section of the book, while the District's efforts to close the achievement gap in standardized test scores were featured as one of the best practices.

In an effort to better prepare pre-school-aged children to be kindergarten ready, NPSD initiated an outreach effort to local child care facilities and early education organizations. The District partnered with the Office of Child Development and Early Learning (OCDEL) through the Montgomery County Child Care Consortium and produced DVDs that will be distributed to families with children getting ready for kindergarten. In addition, NPSD coordinated an "Educators Night Out" that provided an overview of the District's kindergarten and first grade curriculum and support services, which more than 100 representatives from early education providers attended. The District held a Family and Community Engagement (FACE) Time workshop on the topic of "Getting Ready for Kindergarten" for both early childhood educators and parents. On-site informational sessions for families about how to support their child's transition into the District were also held at local day care providers.

NORTH PENN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

June 30, 2010.

The North Penn School District increased its overall energy efficiency. Once again, the District's ENERGY STAR Portfolio improved, and two additional schools received individual ENERGY STAR awards, bringing the total number of NPSD buildings receiving this honor to four. The United States Environmental Protection Agency's Office of Radiation and Indoor Air recognized the District as a 2009 Indoor Air Quality Tools for Schools (IAQ TFS) Excellence award winner, which recognizes North Penn's efforts and designates the District as a national role model for all schools.

The District continued the implementation of the Olweus Bullying Prevention Program in its schools that began in 2008. Since that time, Bridle Path and Knapp elementary schools and Penndale and Pennfield middle schools received training in this internationally recognized program for stopping incidents of bullying and making schools safer. Since implementation, student surveys show that more students feel comfortable reporting incidents of bullying, more staff members are getting involved to help kids who feel bullied and more interventions are in place to prevent occurrences.

The North Penn School re-invigorated its efforts to keep its community informed and aware of District news, issues and concerns. Initial steps were taken in the area of social networking as the District signed on to Twitter. The District tweeted more than 100 messages to more than 600 followers. The North Penn community also flocked to www.npenn.org, with more than 2.2 million visits from over 740,000 unique visitors from 140 countries since January 1, 2010.

The District coordinated face-to-face meetings so that community members could have a chance to speak with the superintendent about their hopes and concerns in various locations and times across the North Penn area.

The NPSD Office of School and Community Engagement were recognized by national and state organizations for its communication efforts. The Pennsylvania School Public Relations Association (PENSPRA) awarded NPSD an Award of Excellence for both its annual report and a video produced by North Penn television. The National School Public Relations Association (NSPRA) honored the District with a Golden Achievement Award in Recognition of Exemplary Public Relations for the NPSD Educational Foundation's 20th Anniversary silent auction and gala event. NPSD publications were also acknowledged by the Pennsylvania School Board Association. The District's activities calendar and the NPSD Educational Foundation annual report both received an Award of Excellence. North Penn Television also received a National Student Television Award from the National Academy of Television Arts and Sciences Mid-Atlantic Chapter for a segment from the weekly morning show at North Penn High School.

Other highlights of the District include:

- Four H1N1 vaccination clinics that were held for NPSD families. Approximately 5,500 vaccines in total were administered.
- NPSD opened its Family Welcome Center in the Office of School & Community Engagement. Funded by the NPSD Educational Foundation, the center includes laptops with various software programs for parents and children and a lending library of more than 150 parenting and educational books on various topics such as bullying, cultural understanding and learning.

NORTH PENN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

June 30, 2010

- The Verizon Foundation gave the NPSD Educational Foundation a \$10,000 grant that benefited NPSD staff members with technology-based equipment and skill training for an innovative literacy program entitled Digital storytelling.
- The NPSD Educational Foundation funded 53 grants for 67 innovative educators in the District for a total of \$35,043.

North Penn School District continued its ten-year facilities modernization plan by continuing renovations at A. M. Kulp and North Wales Elementary Schools. A. M. Kulp Elementary School received a 27,488 square foot addition which now houses a new library, gymnasium, cafeteria and kitchen as well as art and music rooms, lavatories and a boiler room. All existing classrooms were rebuilt or renovated and all mechanical, lighting, electrical, plumbing and life safety systems were replaced. The building is now fully handicapped accessible. Kulp held a special re-dedication ceremony and ribbon cutting event in May to celebrate the completion of this project. North Wales Elementary School also received the first phase of major renovations during the 2009-2010 school year. These include renovations to the library and two classroom wings, as well as the three modular classrooms. Internal HVAC systems and new lighting were also installed and all classrooms received a cosmetic upgrade. All mechanical, lighting, electrical, plumbing and life safety systems were replaced during this time.

Staff members were able to participate in multiple professional development opportunities. During the 2009-2010 school year, educators participated in more than 86,100 hours of training on topics ranging from website development to Effective Instruction to Everyday Math. More than 800 different courses were offered to them throughout the year on in-service days and after hours. Support staff members also received two full days of professional development during in-service days in November and March. Topics included Communicating with Diverse Families, Microsoft Office 2007 and Dealing with Difficult Students. It was the first time in NPSD history that two days were set aside to further develop support staff.

A study of the District's retention rate for teachers showed an improved rate from 92 percent in the 2004-2005 school year to 98.5 percent in the 2008-2009 school year, showcasing North Penn is the place to be. Therefore, it's no wonder that the NPSD Human Resources Department was so busy. More than 136 employees were hired to fill vacant positions, and more than 1,000 interviews out of more than 3,000 applicants were held.

The following staff members were recognized for their contributions and successes during the 2009-2010 school year:

- NPSD teachers Barbara Burns-Lacey and Diane Wakefield achieved the prestigious honor of National Board Certification, the highest certification in the teaching profession.
- High school science teacher Brian Faikish was recognized as Pennsylvania State Boys' Water Polo Coach of the Year.
- High school English teacher Ellen McKee was selected as a recipient of the 2010 "Voices of Inspiration" Award of Teaching Excellence sponsored by Freedom Credit Union and the Montgomery County Intermediate Unit.

NORTH PENN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

June 30, 2010

- High school health and physical education teacher Ginny Ward received the Phil Maguire Outstanding Professional Award from the Southeastern Local Association of Pennsylvania State Association of Health, Physical Education, Recreation and Dance (PSAHPERD).
- Penndale Middle School history and political science teacher Robert Righter received the 6th Annual Edwin G. Holl Historic Achievement Award sponsored by the Lansdale Historical Society.
- High school cheerleading coach Cookie Jamison was named as an Outstanding Person in the Cheerleading Industry and recognized as the Top High School Coach from the Spirit Industry Trade Association (SITA).
- High school football coach Dick Beck was named as the Head Football coach of the Big 33 All-Star game.

The mission of the North Penn School District is to ensure the success of our District and clients in achieving optimal student growth through the collaborative initiation, design and delivery of exemplary services. Even before the federal initiative proposed by the Bush administration concerning the No Child Left Behind Act, the District had begun to formulate a strategic plan and has adopted District goals as follow:

- **By 2014, North Penn School District students will achieve at their highest level.**
 - ✓ All NPSD students will perform at the proficient or advanced level on the PSSA or on an equivalent measure in reading, writing, mathematics and science.
 - ✓ The percentage of students scoring "Advanced" on the PSSA will be 50% for writing, 70% for reading, 80% for mathematics and 50% for science.
 - ✓ All students in all subgroups will perform at the Proficient or Advanced level as measured by the PSSA.
- **By 2014, North Penn will provide a safe, healthy and orderly learning environment to ensure the success of our students.**
 - ✓ Anti bullying practices will be in place.
 - ✓ Environment performance will improve.
 - ✓ Buildings will provide a physically safe learning environment.
 - ✓ Discipline practices will be consistently applied across the District.
 - ✓ Cultural competency will be understood.
 - ✓ Cafeteria food will be varied, healthy and good quality as measured by students.
- **By 2014, North Penn must be committed to continuous improvement, institute practices that maximize resources and focus on its goals and outcomes through the use of data.**
 - ✓ Operational departments will create goals to improve overall efficiency.
 - ✓ Effective internal communications will be provided to all stakeholders.
 - ✓ The budget process will streamline processes and procedures.

NORTH PENN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

June 30, 2010

- **By 2014, North Penn will carefully select and develop employees to flourish and contribute to the mission, vision and values of the organization.**
 - ✓ Professional development
 - ✓ Employ a diverse workforce
 - ✓ Recruiting and hiring the most qualified people

The District's commitment to providing an excellent education for each student can be seen in the quality of programs and opportunities the District maintains and supports.

FINANCIAL HIGHLIGHTS

The School District's budget is prepared according to Pennsylvania law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The School District uses site-based budgeting and the budgeting system is designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, actual revenues were \$1.8 million above the original budget revenues. Stimulus funds from the Federal Government provided additional funds. Actual expenditures totaled \$189 million and included expenditures for additional grants received subsequent to budget preparation.

OVERVIEW OF THE FINANCIAL STATEMENTS

The accompanying financial statements have been prepared in accordance with GASB Statement No. 34 and present both government-wide and fund level financial statements using both the accrual and modified accrual basis of accounting, respectively.

This annual report consists of three parts: management's discussion and analysis (this section), basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.
 - ✓ Governmental Funds statements tell how basic services, such as regular and special education, were financed in the short term, as well as what remains for future spending.
 - ✓ Proprietary Funds statements offer short- and long-term financial information about the activities the District operates like businesses, such as School Nutrition Services.

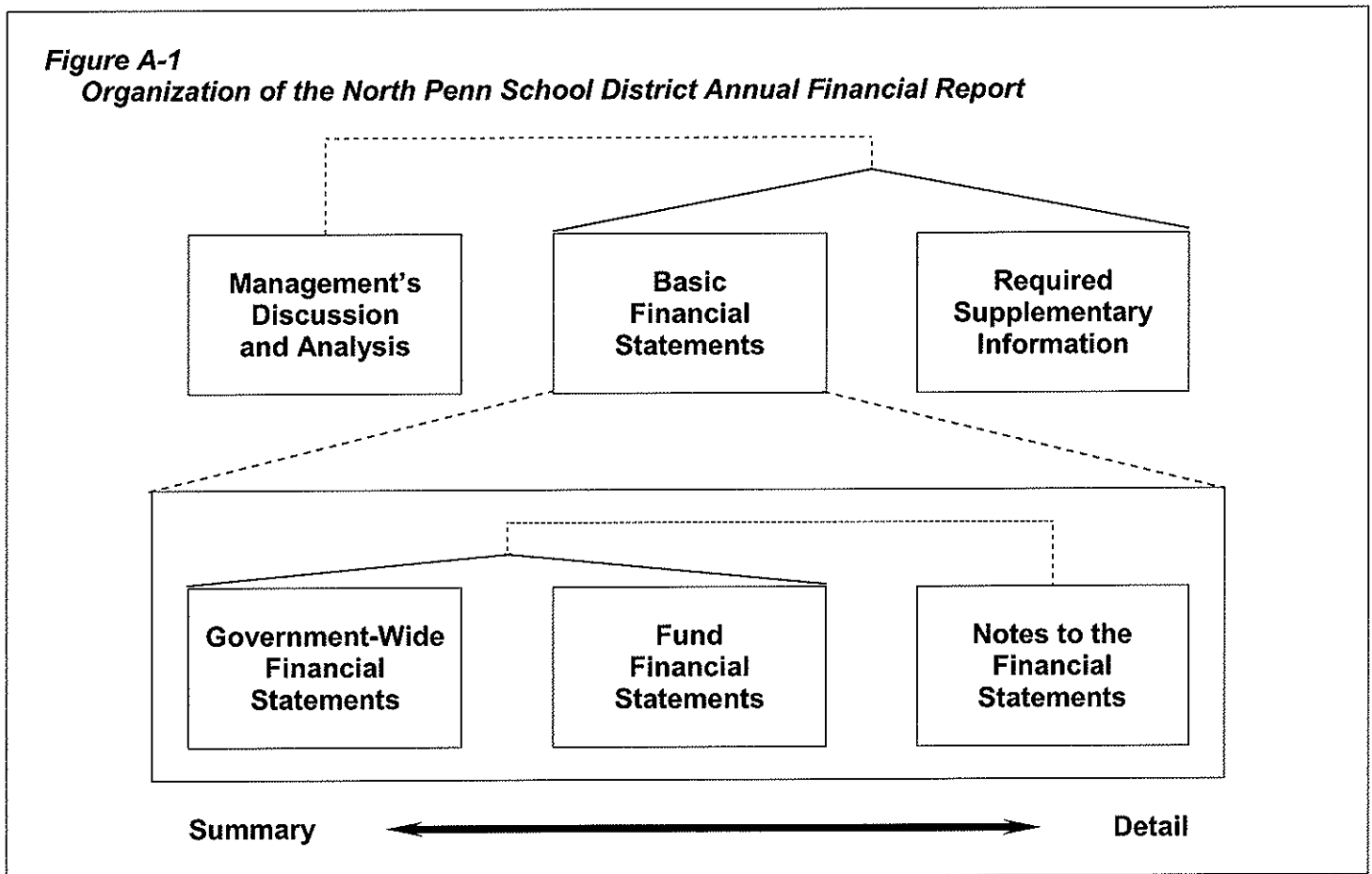
NORTH PENN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

June 30, 2010

- ✓ Fiduciary Funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.



NORTH PENN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
June 30, 2010

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School District (except Fiduciary Funds)	The activities of the School District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the School District operates similar to private businesses: school nutrition services and community education	Instances in which the School District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

NORTH PENN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

June 30, 2010

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, one needs to consider additional nonfinancial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, the District's activities are divided into two categories:

- **Governmental Activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.
- **Business-Type Activities:** The District's community education, extended child care and school nutrition service programs are included here. The District charges fees to cover the costs of the services provided.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds, not on the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues.

NORTH PENN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

June 30, 2010

The District has three kinds of funds:

- **Governmental Funds:** Most of the District's basic services are included in Governmental Funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the Governmental Funds statements provide a detailed short-term view that help one determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the long-term focus of the District-wide statements, additional information accompanying the Governmental Funds statements explains the relationship (or differences) between them.
- **Proprietary Funds:** Services for which the District charges a fee are generally reported in Proprietary Funds. Proprietary Funds are reported in the same way as the District-wide statements. The District's Enterprise Funds (one type of Proprietary Fund) report its business-type activities, providing more detail and additional information such as cash flows.
- **Fiduciary Funds:** The District is the trustee, or fiduciary, for assets that belong to others, such as the Scholarship Fund and the Student Activities Funds. The District is responsible for ensuring the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

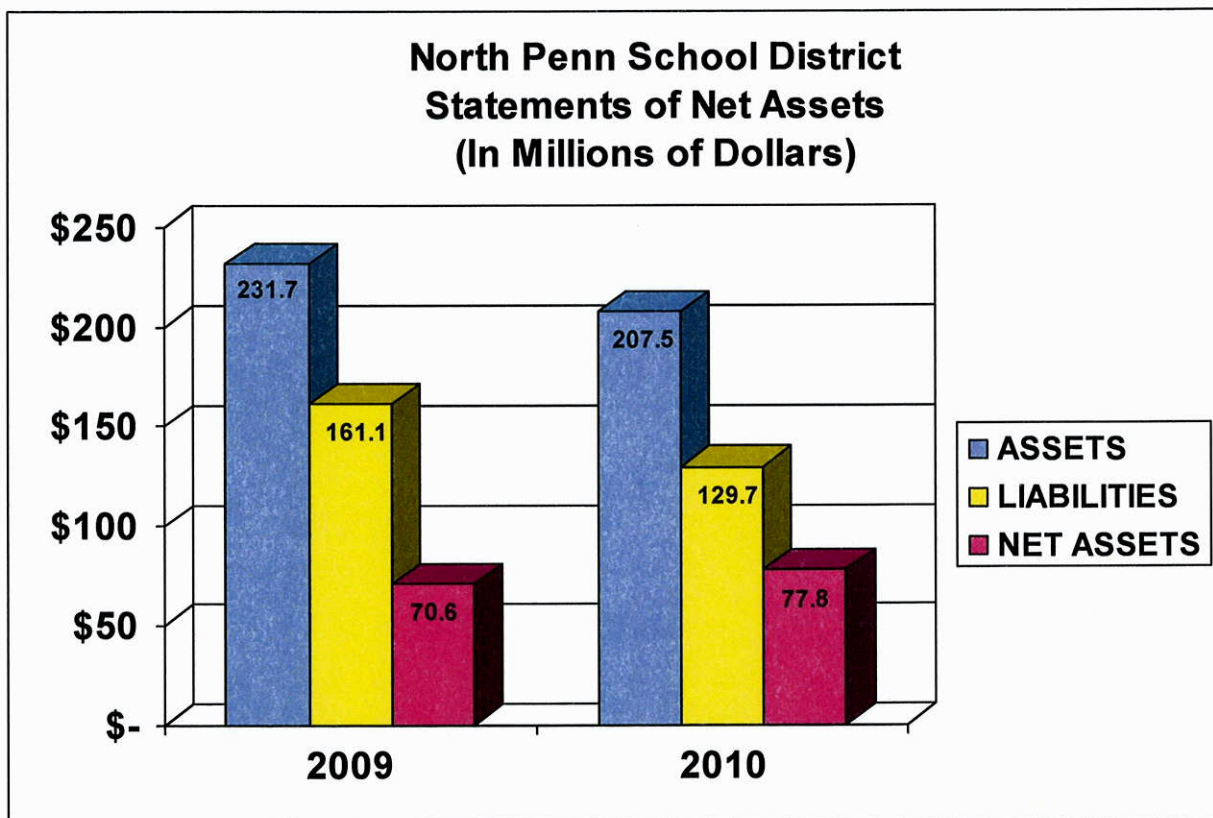
- Net assets increased by \$7.2 million and total assets decreased by \$24.2 million of the School District's governmental activities, due to renovations and the pay down of debt. Net assets of the business-type activities increased by \$200 thousand (Figure A-3).
- Program specific revenues in the form of charges for services and grants and contributions accounted for \$31.8 million or 16% of total revenues. General revenues accounted for \$170.2 million or 84% (Figure A-4).
- Governmental and business-type activities expenses totaled \$194.8 million of which \$119.7 million was spent on instructional services, \$62.2 million was spent on support services, \$2.4 million was spent on non-instructional programs, \$3.2 million was used for interest payments and \$7.3 million was spent on business-type activities.

NORTH PENN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

June 30, 2010

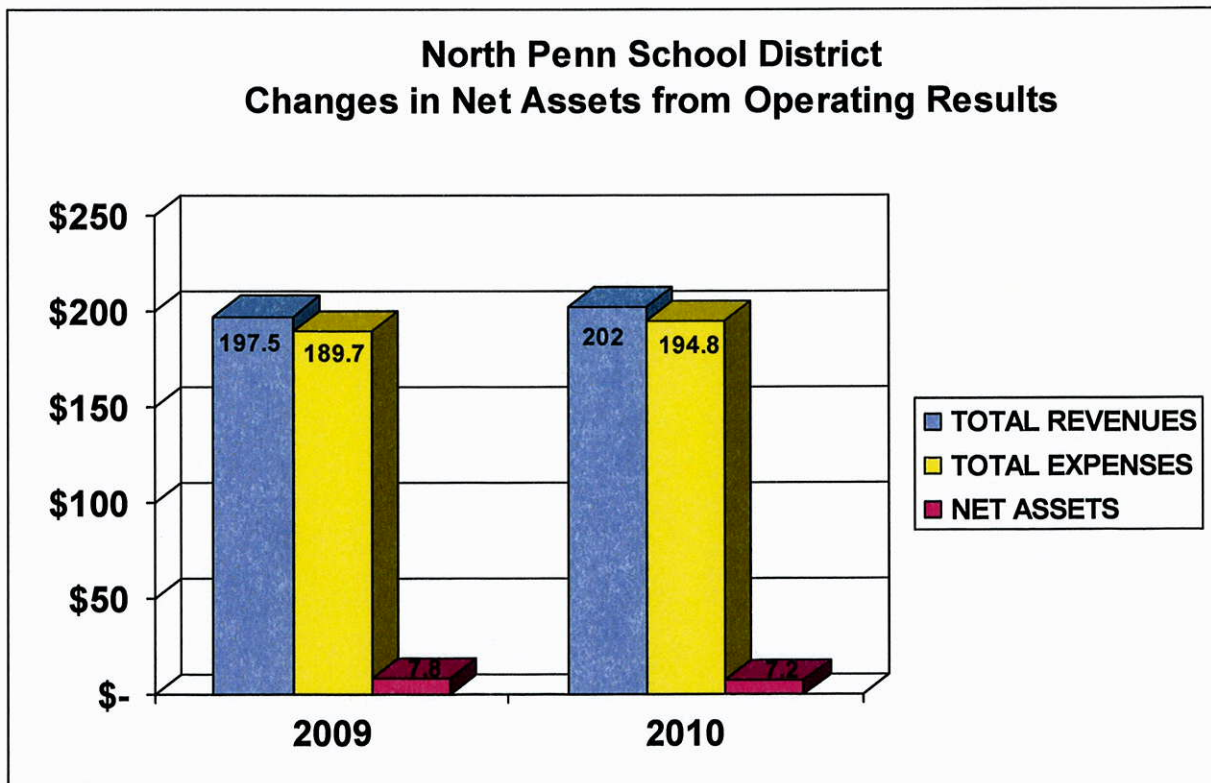
- The North Penn Educational Support Personnel Association (NPESPA) has a five-year agreement in place through June 30, 2013.
- The North Penn Education Association (NPEA), an affiliation of the Pennsylvania State Education Teachers Association, represents the professional staff of the District. The five-year collective bargaining agreement expires August 31, 2014.
- The District administrators have a three-year agreement with the Board of School Directors that expires June 30, 2011.



NORTH PENN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
June 30, 2010

Figure A-3
Condensed Statements of Net Assets (In Millions of Dollars)

	Governmental Activities		Business-Type Activities		Total District		Total Percentage Change 2009-2010
	2009	2010	2009	2010	2009	2010	
Current and other assets	\$ 73.4	\$ 41.5	\$ 0.9	\$ 1.3	\$ 74.3	\$ 42.8	
Capital assets, net	157.3	164.6	0.1	0.1	157.4	164.7	
TOTAL ASSETS	230.7	206.1	1.0	1.4	231.7	207.5	-10.4%
Current and other liabilities	71.3	29.4	0.4	0.6	71.7	30.0	
Long-term liabilities	89.4	99.7	-	-	89.4	99.7	
TOTAL LIABILITIES	160.7	129.1	0.4	0.6	161.1	129.7	-19.5%
Invested in capital assets, net of related debt	40.7	64.1	0.1	0.1	40.8	64.2	
Restricted	25.2	2.0	-	-	25.2	2.0	
Unrestricted	4.1	10.9	0.5	0.7	4.6	11.6	
TOTAL NET ASSETS	\$ 70.0	\$ 77.0	\$ 0.6	\$ 0.8	\$ 70.6	\$ 77.8	10.2%



NORTH PENN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
June 30, 2010

Figure A-4
Changes in Net Assets from Operating Results (In Millions of Dollars)

	Governmental Activities		Business-Type Activities		Total District		Total Percentage Change 2009-2010
	2009	2010	2009	2010	2009	2010	
REVENUES							
Program revenues	\$ 23.1	\$ 24.2	\$ 7.8	\$ 7.6	\$ 30.9	\$ 31.8	
General revenues	166.6	170.2	-	-	166.6	170.2	
TOTAL REVENUES	189.7	194.4	7.8	7.6	197.5	202.0	2.3%
EXPENSES	182.2	187.5	7.5	7.3	189.7	194.8	2.7%
CHANGE IN NET ASSETS	\$ 7.5	\$ 6.9	\$ 0.3	\$ 0.3	\$ 7.8	\$ 7.2	-7.7%

Governmental Activities

Governmental activities consist of the General Fund, bond funds and the Debt Service Fund. Total governmental assets decreased by \$24.6 million and total liabilities decreased by \$31.6 million due to capital project expenditures and capital project refinancing. The District's General Fund Balance increased by approximately \$5.8 million.

The District depends heavily on local taxes to fund the District's programs. For 2009-2010, local sources comprised 81.1% of total revenue, of which current real estate taxes were \$138.3 million, delinquent real estate taxes were \$2.7 million, transfer taxes were \$1.9 million and earned income taxes were \$12.8 million. Other revenue comes from state subsidies (15.9%) and federal grants and other sources (3%).

Business-Type Activities

Business-type activities include the School Nutrition Services Program, the Extended School Care Program and the Community Education Program. Each Enterprise Fund is operated separately. These programs had operating revenues of \$7.6 million and expenses of approximately \$7.3 million, resulting in a profit for the year. The programs are designed to operate at or near break-even so that the cost for the services offered will benefit the District residents. Extended School Care rates prices have been increased for next year to compensate for rising costs. Business-type activities received no support from tax revenues.

The School Nutrition Services Program provided 1,148,479 lunches and 182,624 breakfasts last year, as well as catering for the District's meetings and gatherings. The Department has been working to comply with the federally mandated Wellness Program by providing more nutritious choices and cutting back on non-nutritious snacks. The School Nutrition Services Program receives both federal and state subsidies for lunch and breakfast programs. It also receives some government commodities on a routine basis. The majority of revenue comes from sales to students and other users of its services.

NORTH PENN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

June 30, 2010

The Extended School Care Program provides before and after school care and summer camps for the resident children of the District. Revenues are generated by those utilizing the services.

The Community Education Program provides trips, tours and classes for the residents of the North Penn area. Evening classes are held at several of the District's schools. These programs cater to the improvement of the quality of life for the residents of the North Penn area.

General Fund Budgetary Highlights

The economic environment is mixed over the past year. Investment earnings decreased \$1.1 million, while both earned income taxes and real estate transfer taxes decreased. Delinquent tax collections increased. Real estate collections remained strong, but interim real estate taxes were below budget. On the expenditure side, actual expenditures for the year were less than budgeted expenditures, notably Instructional Services were \$5.4 million below budget and Support Services were \$2.5 million below the budgeted amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

For the North Penn School District, capital assets include land, buildings, furniture and equipment, vehicles and other items that meet the following criteria:

- a. The individual asset must have a useful life greater than one year.
- b. The individual asset cost is equal to or greater than \$5,000 or was purchased with debt proceeds.

The District maintains fixed asset records for the above capital assets as well as for any item costing over \$1,000 with a life extending at least one year. Each department or school is responsible for the protection of these assets. Each year the Business Office performs an inventory of all the assets at each facility and reconciles the inventory with the records generated by the purchase of the assets.

The District maintains more than 6,400 computers for students and staff. Technology equipment is replaced when the functionality requires it, not based on a set time period. The District maintains approximately 145 buses and 18 vans that transport the District's students over 1.9 million miles per year. The District replaces a portion of its bus fleet each year.

Regular improvements to the buildings of the District are ongoing. Renovations at A. M. Kulp Elementary School have been completed. The High School renovations are continuing. North Wales Elementary School renovations are progressing well and will be completed in the fall. General Nash Elementary School renovations began this summer.

NORTH PENN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

June 30, 2010

Figure A-5

Capital Assets (Net of Depreciation, In Millions of Dollars)

	Governmental Activities		Business-Type Activities		Total District		Total Percentage Change 2009-2010
	2009	2010	2009	2010	2009	2010	
	Land and site improvements	\$ 8.1	\$ 8.1	\$ -	\$ -	\$ 8.1	
Construction in progress	13.1	8.8	-	-	13.1	8.8	
Buildings	126.9	139.4	-	-	126.9	139.4	
Furniture and equipment	9.2	8.2	0.1	0.1	9.3	8.3	
	<u>\$ 157.3</u>	<u>\$ 164.5</u>	<u>\$ 0.1</u>	<u>\$ 0.1</u>	<u>\$ 157.4</u>	<u>\$ 164.6</u>	4.6%

Debt

Long-term debt increased by \$10.3 million. The short-term debt decreased by \$43.2 due to a refinanced note, previously listed as short term (Note I). The District continues to pay down outstanding debt (Figure A-6).

The overall decrease in other general obligation debt is a result of the District's practice of leasing computers, buses and maintenance vehicles. The liability for new capital leases, which includes technology and vehicle leases, decreased by \$450,000.

Figure A-6

Outstanding Long-Term Debt (In Millions of Dollars)

	2009	2010	Total Percentage Change 2009-2010
LONG-TERM DEBT			
General obligation bonds and notes	\$ 80.9	\$ 91.7	
Other general obligation debt	8.5	8.0	
TOTAL LONG-TERM DEBT	<u>89.4</u>	<u>99.7</u>	
SHORT-TERM DEBT			
General obligation bonds and notes	51.7*	9.0	
Other general obligation debt	2.6	2.1	
TOTAL SHORT-TERM DEBT	<u>54.3</u>	<u>11.1</u>	
TOTAL	<u>\$ 143.7*</u>	<u>\$ 110.8</u>	-23.2%

*Includes Series of 2009, which will be used to refinance Series of 1999 in the amount of \$22,000,000. This net effect is a 12% change.

NORTH PENN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

June 30, 2010

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial health in the future:

- Act 1 of 2006 was signed into law June 29, 2006, effective for the school year beginning July 1, 2007. This legislation may restrict the School District's ability to increase property taxes without voter approval of the District's budget if the budget exceeds an annual inflation index determined by the Commonwealth.
- The requirements of the No Child Left Behind (NCLB) Act exceed the federal funding available to pay for it. As a result, NCLB is and will be increasingly funded by local revenue.
- Deregulation of utilities will affect the costs paid going forward.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

NORTH PENN SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2010

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 30,381,849	\$ 765,623	\$ 31,147,472
Investments	1,943,314	323,695	2,267,009
Taxes receivable	3,181,746	-	3,181,746
Internal balances	20,321	(20,321)	-
Due from other governments	2,423,565	134,523	2,558,088
Other receivables	441,724	24,118	465,842
Inventories	180,102	146,569	326,671
Prepaid expenses	2,283,774	1,131	2,284,905
Deferred charges, net of accumulated amortization	659,209	-	659,209
Capital assets, net of accumulated depreciation			
Land	8,006,732	-	8,006,732
Site improvements	119,268	-	119,268
Buildings and building improvements	139,433,690	-	139,433,690
Furniture and equipment	8,191,412	52,373	8,243,785
Construction in progress	8,826,947	-	8,826,947
TOTAL ASSETS	\$ 206,093,653	\$ 1,427,711	\$ 207,521,364

	Governmental Activities	Business-Type Activities	Totals
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable	\$ 5,498,682	\$ 205,219	\$ 5,703,901
Accrued salaries and benefits	10,936,976	118,188	11,055,164
Accrued interest	1,214,486	-	1,214,486
Deferred revenue	763,904	311,074	1,074,978
Long-term liabilities			
Portion due or payable within one year			
Bonds and notes payable	8,956,000	-	8,956,000
Lease-purchase obligations	1,729,540	-	1,729,540
Compensated absences	321,791	-	321,791
Portion due or payable after one year			
Bonds and notes payable	91,653,937	-	91,653,937
Lease-purchase obligations	1,097,336	-	1,097,336
Compensated absences	4,280,925	-	4,280,925
Net OPEB obligation	2,644,699	-	2,644,699
TOTAL LIABILITIES	129,098,276	634,481	129,732,757
NET ASSETS			
Invested in capital assets, net of related debt	64,148,458	52,373	64,200,831
Restricted for			
Debt service	1,979,628	-	1,979,628
Other projects	37,613	-	37,613
Unrestricted	10,829,678	740,857	11,570,535
TOTAL NET ASSETS	76,995,377	793,230	77,788,607
TOTAL LIABILITIES AND NET ASSETS	\$ 206,093,653	\$ 1,427,711	\$ 207,521,364

See accompanying notes to the basic financial statements.

NORTH PENN SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
GOVERNMENTAL ACTIVITIES							
Instruction							
Regular programs	\$ 83,532,274	\$ -	\$ 4,445,882	\$ -	\$ (79,086,392)	\$ -	\$ (79,086,392)
Special programs	31,317,065	-	1,485,866	-	(29,831,199)	-	(29,831,199)
Vocational education	3,400,612	-	-	-	(3,400,612)	-	(3,400,612)
Other instructional programs	1,426,190	56,108	11,731,262	-	10,361,180	-	10,361,180
Higher education programs	9,402	-	-	-	(9,402)	-	(9,402)
Support services							
Pupil personnel services	7,217,652	-	1,049,234	-	(6,168,418)	-	(6,168,418)
Instructional staff services	4,128,438	-	183,652	-	(3,944,786)	-	(3,944,786)
Administration services	12,548,190	-	458,927	-	(12,089,263)	-	(12,089,263)
Pupil health services	2,218,723	-	383,671	-	(1,835,052)	-	(1,835,052)
Business services	3,041,590	-	62,311	-	(2,979,279)	-	(2,979,279)
Operation and maintenance of plant services	16,266,654	-	411,872	-	(15,854,782)	-	(15,854,782)
Student transportation services	14,630,127	-	3,393,428	-	(11,236,699)	-	(11,236,699)
Central services	1,543,584	-	71,564	-	(1,472,020)	-	(1,472,020)
Other services	584,405	-	-	-	(584,405)	-	(584,405)
Operation of non-instructional services							
Student activities	2,320,418	75,688	123,555	-	(2,121,175)	-	(2,121,175)
Community services	66,217	-	48	-	(66,169)	-	(66,169)
Interest on long-term debt	3,235,470	-	-	237,646	(2,997,824)	-	(2,997,824)
TOTAL GOVERNMENTAL ACTIVITIES	187,487,011	131,796	23,801,272	237,646	(163,316,297)	-	(163,316,297)
BUSINESS-TYPE ACTIVITIES							
School nutrition services	4,916,428	3,560,866	1,487,075	-	-	131,513	131,513
Extended care	2,077,219	2,133,608	4,253	-	-	60,642	60,642
Community education	348,903	369,181	-	-	-	20,278	20,278
TOTAL BUSINESS-TYPE ACTIVITIES	7,342,550	6,063,655	1,491,328	-	-	212,433	212,433
TOTAL SCHOOL DISTRICT ACTIVITIES	\$ 194,829,561	\$ 6,195,451	\$ 25,292,600	\$ 237,646	(163,316,297)	212,433	(163,103,864)
GENERAL REVENUES							
Taxes							
Property taxes, levied for general purposes					143,876,485	-	143,876,485
Public utility taxes					209,998	-	209,998
Earned income taxes					12,788,785	-	12,788,785
Grants and contributions not restricted to specific programs					12,465,887	-	12,465,887
Investment earnings					775,523	7,350	782,873
Loss on sale of capital assets					(112,280)	(178)	(112,458)
Miscellaneous					228,862	-	228,862
TOTAL GENERAL REVENUES					170,233,260	7,172	170,240,432
CHANGE IN NET ASSETS					6,916,963	219,605	7,136,568
NET ASSETS AT BEGINNING OF YEAR					70,078,414	573,625	70,652,039
NET ASSETS AT END OF YEAR					\$ 76,995,377	\$ 793,230	\$ 77,788,607

See accompanying notes to the basic financial statements.

NORTH PENN SCHOOL DISTRICT

BALANCE SHEET GOVERNMENTAL FUNDS

June 30, 2010

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 29,618,695	\$ 763,154	\$ 30,381,849
Investments	314	1,943,000	1,943,314
Taxes receivable	3,181,746	-	3,181,746
Due from other funds	21,584	23,165	44,749
Due from other governments	2,423,565	-	2,423,565
Other receivables	441,714	10	441,724
Inventories	180,102	-	180,102
Prepaid items	<u>2,283,774</u>	<u>-</u>	<u>2,283,774</u>
TOTAL ASSETS	<u>\$ 38,151,494</u>	<u>\$ 2,729,329</u>	<u>\$ 40,880,823</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 4,717,969	\$ 780,713	\$ 5,498,682
Due to other funds	14,013	10,415	24,428
Deferred revenue	3,296,501	-	3,296,501
Accrued salaries and benefits	<u>10,936,976</u>	<u>-</u>	<u>10,936,976</u>
TOTAL LIABILITIES	<u>18,965,459</u>	<u>791,128</u>	<u>19,756,587</u>
FUND BALANCES			
Reserved for			
Debt Service Fund	-	1,979,628	1,979,628
Capital Project Funds	-	180,346	180,346
Special Revenue Funds	-	37,613	37,613
Unreserved			
Designated	4,873,236	-	4,873,236
Undesignated	<u>14,312,799</u>	<u>(259,386)</u>	<u>14,053,413</u>
TOTAL FUND BALANCES	<u>19,186,035</u>	<u>1,938,201</u>	<u>21,124,236</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 38,151,494</u>	<u>\$ 2,729,329</u>	<u>\$ 40,880,823</u>

See accompanying notes to the basic financial statements.

NORTH PENN SCHOOL DISTRICT

RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

June 30, 2010

TOTAL GOVERNMENTAL FUNDS BALANCES \$ 21,124,236

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

Land	8,006,732
Site improvements	119,268
Buildings and building improvements	139,433,690
Furniture and equipment	8,191,412
Construction in progress	8,826,947

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

Deferred charges	1,009,398
Accumulated amortization	(350,189)

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Accrued interest	(1,214,486)
Bonds and notes payable	(100,609,937)
Lease-purchase obligations	(2,826,876)
Compensated absences	(4,602,716)
Net OPEB obligation	(2,644,699)

Some of the School District's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.

2,532,597

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 76,995,377

See accompanying notes to the basic financial statements.

NORTH PENN SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2010

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Local sources	\$ 157,350,303	\$ 476,072	\$ 157,826,375
State sources	30,723,438	-	30,723,438
Federal sources	<u>5,768,792</u>	<u>-</u>	<u>5,768,792</u>
TOTAL REVENUES	<u>193,842,533</u>	<u>476,072</u>	<u>194,318,605</u>
EXPENDITURES			
Instruction	114,098,036	-	114,098,036
Support services	58,844,885	-	58,844,885
Operation of non-instructional services	2,225,398	113,580	2,338,978
Facilities acquisition, construction and improvement services	294,618	17,232,476	17,527,094
Debt service	<u>13,514,215</u>	<u>185,688</u>	<u>13,699,903</u>
TOTAL EXPENDITURES	<u>188,977,152</u>	<u>17,531,744</u>	<u>206,508,896</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>4,865,381</u>	<u>(17,055,672)</u>	<u>(12,190,291)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from refunding bonds	-	20,620,000	20,620,000
Proceeds from bond swap agreement	170,683	-	170,683
Payment to refunded bond escrow agent	-	(21,613,792)	(21,613,792)
Debt service principal	-	(22,000,000)	(22,000,000)
Bond premium	-	1,565,688	1,565,688
Proceeds from sale of capital assets	125,000	-	125,000
Transfers in	625,000	1,352,915	1,977,915
Transfers out	<u>-</u>	<u>(1,977,915)</u>	<u>(1,977,915)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>920,683</u>	<u>(22,053,104)</u>	<u>(21,132,421)</u>
NET CHANGE IN FUND BALANCES	5,786,064	(39,108,776)	(33,322,712)
FUND BALANCES AT BEGINNING OF YEAR	<u>13,399,971</u>	<u>41,046,977</u>	<u>54,446,948</u>
FUND BALANCES AT END OF YEAR	<u>\$ 19,186,035</u>	<u>\$ 1,938,201</u>	<u>\$ 21,124,236</u>

See accompanying notes to the basic financial statements.

NORTH PENN 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, 2010

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS FORWARD

\$ (33,322,712)

Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$17,166,292) exceed depreciation (\$11,137,015) in the current period.

6,029,277

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to decrease net assets.

(237,280)

Deferred charges are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the term lives of debt instruments as amortization expense. This is the amount by which amortization (\$267,944) exceeds capital outlays (\$185,688) in the current period.

(82,256)

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 this year.

231,189

Governmental Funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned.

(33,540)

Proceeds of long-term debt (including capital leases) provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the statement of net assets. Also, Governmental Funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This is the net effect of these differences in the treatment of long-term debt and related items.

(19,741,372)

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

51,746,000

SUBTOTAL ADJUSTMENTS FORWARD

\$ 37,912,018

NORTH PENN 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, 2010

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS FORWARDED	\$ (33,322,712)
SUBTOTAL ADJUSTMENTS FORWARDED	37,912,018
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in Governmental Funds.	
Accrued interest not reflected in Governmental Funds	(200,518)
Repayment of capital lease principal is an expenditure in Governmental Funds, but the repayment reduces long-term liabilities in the statement of net assets.	2,514,200
In the statement of activities, certain operating expenses--compensated absences (vacations and sick leave) and special termination benefits (early retirement)--are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	556,826
The net change in the liability for the net OPEB obligation is reported in the government-wide statements but not in the Governmental Funds statements.	<u>(542,851)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u><u>6,916,963</u></u>

See accompanying notes to the basic financial statements.

NORTH PENN SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2010

	Enterprise Funds			Total Proprietary Funds
	School Nutrition Services Fund	Extended Care Fund	Community Education Fund	
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 245,431	\$ 337,831	\$ 182,361	\$ 765,623
Investments	323,695	-	-	323,695
Due from other funds	-	1,141	122	1,263
Due from other governments	134,523	-	-	134,523
Other receivables	17,285	6,833	-	24,118
Inventories	146,569	-	-	146,569
Prepaid expenses	-	1,131	-	1,131
TOTAL CURRENT ASSETS	<u>867,503</u>	<u>346,936</u>	<u>182,483</u>	<u>1,396,922</u>
CAPITAL ASSETS				
Furniture and equipment	1,320,915	-	-	1,320,915
Accumulated depreciation	(1,268,542)	-	-	(1,268,542)
TOTAL CAPITAL ASSETS	<u>52,373</u>	<u>-</u>	<u>-</u>	<u>52,373</u>
TOTAL ASSETS	<u>\$ 919,876</u>	<u>\$ 346,936</u>	<u>\$ 182,483</u>	<u>\$ 1,449,295</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Due to other funds	\$ 21,584	\$ -	\$ -	\$ 21,584
Accounts payable	190,187	13,445	1,587	205,219
Accrued salaries and benefits	52,418	64,615	1,155	118,188
Deferred revenue	114,046	106,863	90,165	311,074
TOTAL CURRENT LIABILITIES	<u>378,235</u>	<u>184,923</u>	<u>92,907</u>	<u>656,065</u>
NET ASSETS				
Invested in capital assets, net of related debt	52,373	-	-	52,373
Unrestricted	489,268	162,013	89,576	740,857
TOTAL NET ASSETS	<u>541,641</u>	<u>162,013</u>	<u>89,576</u>	<u>793,230</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 919,876</u>	<u>\$ 346,936</u>	<u>\$ 182,483</u>	<u>\$ 1,449,295</u>

See accompanying notes to the basic financial statements.

NORTH PENN SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2010

	Enterprise Funds			
	School Nutrition Services Fund	Extended Care Fund	Community Education Fund	Total Proprietary Funds
OPERATING REVENUES				
Charges for services	\$ 3,560,866	\$ 2,133,608	\$ 369,181	\$ 6,063,655
OPERATING EXPENSES				
Salaries	1,487,836	1,297,842	103,428	2,889,106
Employee benefits	826,853	613,748	21,863	1,462,464
Purchased professional and technical service	41,556	1,143	178,189	220,888
Purchased property service	57,919	-	-	57,919
Other purchased service	7,689	14,335	26,195	48,219
Supplies	2,483,822	149,211	19,228	2,652,261
Depreciation	9,753	-	-	9,753
Other operating expenses	1,000	940	-	1,940
TOTAL OPERATING EXPENSES	<u>4,916,428</u>	<u>2,077,219</u>	<u>348,903</u>	<u>7,342,550</u>
OPERATING INCOME (LOSS)	<u>(1,355,562)</u>	<u>56,389</u>	<u>20,278</u>	<u>(1,278,895)</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income	2,807	3,315	1,228	7,350
Loss on sale of assets	(178)	-	-	(178)
State sources	180,192	4,253	-	184,445
Federal sources	1,306,883	-	-	1,306,883
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>1,489,704</u>	<u>7,568</u>	<u>1,228</u>	<u>1,498,500</u>
CHANGE IN NET ASSETS	134,142	63,957	21,506	219,605
NET ASSETS AT BEGINNING OF YEAR	<u>407,499</u>	<u>98,056</u>	<u>68,070</u>	<u>573,625</u>
NET ASSETS AT END OF YEAR	<u>\$ 541,641</u>	<u>\$ 162,013</u>	<u>\$ 89,576</u>	<u>\$ 793,230</u>

See accompanying notes to the basic financial statements.

NORTH PENN SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year Ended June 30, 2010

	Enterprise Funds			Total Proprietary Funds
	School Nutrition Services Fund	Extended Care Fund	Community Education Fund	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 3,567,237	\$ 2,127,917	\$ 376,789	\$ 6,071,943
Payments to employees	(2,218,224)	(1,825,672)	(74,665)	(4,118,561)
Payments to suppliers	(2,268,067)	(139,632)	(237,276)	(2,644,975)
Payments to other governments	(56,472)	(49,585)	(49,585)	(155,642)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(975,526)</u>	<u>113,028</u>	<u>15,263</u>	<u>(847,235)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Federal sources	1,039,725	-	-	1,039,725
State sources	172,921	4,253	-	177,174
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>1,212,646</u>	<u>4,253</u>	<u>-</u>	<u>1,216,899</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition, construction and improvements of capital assets	(12,838)	-	-	(12,838)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(88,230)	-	-	(88,230)
Earnings on investments	2,807	3,315	1,228	7,350
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(85,423)</u>	<u>3,315</u>	<u>1,228</u>	<u>(80,880)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	138,859	120,596	16,491	275,946
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>106,572</u>	<u>217,235</u>	<u>165,870</u>	<u>489,677</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 245,431</u>	<u>\$ 337,831</u>	<u>\$ 182,361</u>	<u>\$ 765,623</u>

NORTH PENN SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year Ended June 30, 2010

	Enterprise Funds			Total Proprietary Funds
	School Nutrition Services Fund	Extended Care Fund	Community Education Fund	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (1,355,562)	\$ 56,389	\$ 20,278	\$ (1,278,895)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	9,753	-	-	9,753
Donated foods	208,522	-	-	208,522
(Increase) decrease in				
Due from other funds	-	14,751	963	15,714
Other receivables	(7,565)	(998)	-	(8,563)
Inventories	(5,006)	-	-	(5,006)
Prepaid expenses	-	784	-	784
Increase (decrease) in				
Due to other funds	21,669	-	-	21,669
Accounts payable	98,734	10,462	(14,627)	94,569
Accrued salaries and benefits	39,993	36,333	1,041	77,367
Deferred revenue	13,936	(4,693)	7,608	16,851
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (975,526)	\$ 113,028	\$ 15,263	\$ (847,235)
SUPPLEMENTAL DISCLOSURES				
Noncash noncapital financing activities				
Donated foods	\$ 208,522	\$ -	\$ -	\$ 208,522

See accompanying notes to the basic financial statements.

NORTH PENN SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2010

	<u>Scholarship Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 193,138	\$ 595,580
Investments	10,105	-
Accounts receivable	<u>-</u>	<u>10,599</u>
TOTAL ASSETS	203,243	<u>\$ 606,179</u>
LIABILITIES		
Accounts payable	<u>83,080</u>	<u>\$ 606,179</u>
NET ASSETS		
Held in trust for benefits and other purposes	<u>\$ 120,163</u>	

See accompanying notes to the basic financial statements.

NORTH PENN SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year Ended June 30, 2010

	<u>Scholarship Trust Funds</u>
ADDITIONS	
Contributions	\$ 1,700
Investment earnings	<u>14,155</u>
TOTAL ADDITIONS	15,855
DEDUCTIONS	
Scholarships awarded and fees paid	<u>9,010</u>
CHANGE IN NET ASSETS	6,845
NET ASSETS AT BEGINNING OF YEAR	<u>113,318</u>
NET ASSETS AT END OF YEAR	<u>\$ 120,163</u>

See accompanying notes to the basic financial statements.

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the North Penn 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 School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its Proprietary Funds provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

Reporting Entity

The accompanying basic financial statements comply with the provisions of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, 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. This report presents the activities of the North Penn School District. Based upon the application of these criteria, the School District is not a component unit of another reporting entity. Currently, the School District does not have any potential component units that should be included in the School District's reporting entity.

Basis of Presentation and Accounting

Government-Wide Financial Statements - The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the Proprietary Funds 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.

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

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

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

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

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

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

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

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

Trust Funds are reported using the economic resources measurement focus.

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

Fund Accounting

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

Governmental Funds

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

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

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs.

Capital Project Funds - Capital Project Funds are 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.

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

Proprietary Funds

Enterprise Funds - The Enterprise Funds (School Nutrition Services Fund, Extended Care Fund and Community Education Fund) are 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 are appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Funds

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals. 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.

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 assets, except for amounts due between governmental and business-type activities, which, when present, are shown as internal balances.

Inventories and Prepaid Items

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

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

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

Capital Assets

Capital assets, which include property, plant, equipment and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The School District defines a capital asset as an asset with an initial, individual cost equal to or greater than \$5,000 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>
Site improvements	15-20
Buildings and building improvements	10-45
Furniture and equipment	5-20

Deferred Revenue

Deferred revenue arises when assets are recognized before the revenue recognition criteria have been satisfied. Such is the case in the General Fund, where deferred revenue has been established to offset real estate tax receivables. Deferred revenue also arises when resources are received by the School District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when revenue recognition criteria are met or when the School District has a legal claim to the resources, the liability for deferred revenue is removed from the Governmental Funds balance sheet and revenue is recognized.

Long-Term Obligations

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

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

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

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

Fund Equity

In the fund financial statements, Governmental Funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist 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 assets are 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.

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE B CASH AND INVESTMENTS

Cash

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of June 30, 2010, \$39,226,833 of the School District's bank balance of \$39,933,486 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's trust department not in the School District's name	<u>\$ 39,226,833</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, 2010, the School District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities Less Than One Year</u>
State investment pools	\$ 406,400	\$ 406,400
Mutual funds	10,105	10,105
Certificates of deposit	<u>1,943,000</u>	<u>1,943,000</u>
	2,359,505	\$ <u>2,359,505</u>
Less outstanding checks	<u>(82,391)</u>	
	<u>\$ 2,277,114</u>	

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

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, 2010, the School District's investment in the state investment pool 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 - More than 5% of the School District's investments are invested in certificates of deposit with First Niagara Bank. They represent 85% of the School District's total investments as of June 30, 2010.

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. In addition, the School District levies a .5% earned income tax. Property taxes are based on assessed valuations of real property within the School District.

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

Discount period.....July 1 to August 31 - 2% of gross levy
Face period..... September 1 to October 31
Penalty period.....October 31 to collection - 10% of gross levy
Lien date..... January 15

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

NORTH PENN SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 June 30, 2010

NOTE D RECEIVABLES

Receivables at June 30, 2010, 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>Other Governmental Funds</u>	<u>School Nutrition Services Fund</u>	<u>Extended Care Fund</u>	<u>Agency Funds</u>
Real estate taxes	\$ 3,105,819	\$ -	\$ -	\$ -	\$ -
Earned income taxes	75,927	-	-	-	-
Federal subsidies	1,050,369	-	116,460	-	-
State subsidies	1,373,196	-	18,063	-	-
Other revenue	<u>441,714</u>	<u>10</u>	<u>17,285</u>	<u>6,833</u>	<u>10,599</u>
	<u>\$ 6,047,025</u>	<u>\$ 10</u>	<u>\$ 151,808</u>	<u>\$ 6,833</u>	<u>\$ 10,599</u>

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE E INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2010, is as follows:

Due to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	School Nutrition Services Fund	\$ 21,584
Other Governmental Funds	General Fund	12,750
Other Governmental Funds	Other Governmental Funds	10,415
Extended Care Fund	General Fund	1,141
Community Education Fund	General Fund	<u>122</u>
		<u>\$ 46,012</u>

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." The amounts between the Other Governmental Funds, the Capital Reserve Fund and the 2008 Bond Fund are interfund borrowings to pay for renovations to facilities or purchase equipment. The amounts between the General Fund, School Nutrition Services Fund, Extended Care Fund and Community Education Fund are for payroll.

Interfund Transfers

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 625,000
Other Governmental Funds	Other Governmental Funds	<u>1,352,915</u>
		<u>\$ 1,977,915</u>

The School District typically transfers funds from the Debt Service Fund to the General Fund to pay for principal and interest due on outstanding bonds and notes payable.

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE F CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance June 30, 2009	Additions/ Reclasses	Deletions/ Reclasses	Balance June 30, 2010
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 8,008,049	\$ -	\$ (1,317)	\$ 8,006,732
Construction in progress	13,132,013	15,321,113	(19,626,179)	8,826,947
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>21,140,062</u>	<u>15,321,113</u>	<u>(19,627,496)</u>	<u>16,833,679</u>
Capital assets being depreciated				
Site improvements	238,726	-	-	238,726
Buildings and building improvements	185,076,626	21,084,791	(443,395)	205,718,022
Furniture and equipment	28,544,045	1,976,815	(589,225)	29,931,635
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>213,859,397</u>	<u>23,061,606</u>	<u>(1,032,620)</u>	<u>235,888,383</u>
Accumulated depreciation				
Site improvements	(106,768)	(12,690)	-	(119,458)
Buildings and building improvements	(58,191,739)	(8,246,882)	154,289	(66,284,332)
Furniture and equipment	(19,364,900)	(2,877,443)	502,120	(21,740,223)
TOTAL ACCUMULATED DEPRECIATION	<u>(77,663,407)</u>	<u>(11,137,015)</u>	<u>656,409</u>	<u>(88,144,013)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>136,195,990</u>	<u>11,924,591</u>	<u>(376,211)</u>	<u>147,744,370</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	<u>157,336,052</u>	<u>27,245,704</u>	<u>(20,003,707)</u>	<u>164,578,049</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Furniture and equipment	1,380,577	12,838	(72,500)	1,320,915
Accumulated depreciation	(1,331,111)	(9,753)	72,322	(1,268,542)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	<u>49,466</u>	<u>3,085</u>	<u>(178)</u>	<u>52,373</u>
CAPITAL ASSETS, net	<u>\$ 157,385,518</u>	<u>\$ 27,248,789</u>	<u>\$ (20,003,885)</u>	<u>\$ 164,630,422</u>

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

Depreciation expense was charged to governmental functions as follows:

INSTRUCTION		
Regular programs	\$	6,777,607
Special programs		228,928
Other instructional programs		116,455
SUPPORT SERVICES		
Pupil personnel services		223,336
Instructional staff services		408,944
Administration services		498,442
Pupil health services		55,207
Business services		116,651
Operation and maintenance of plant services		862,768
Student transportation services		1,668,209
Central and other services		132,649
OPERATION OF NON-INSTRUCTIONAL SERVICES		
Student activities		<u>47,819</u>
	\$	<u><u>11,137,015</u></u>

NOTE G LEASES

Capital Leases

The School District has entered into lease agreements as lessee for financing the acquisition of computers and buses. 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	\$	5,256,151
Buses		<u>3,344,973</u>
		8,601,124
Accumulated depreciation		<u>(4,489,377)</u>
	\$	<u><u>4,111,747</u></u>

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2010, were as follows:

<u>Year Ending June 30,</u>	
2011	\$ 1,818,174
2012	747,026
2013	273,952
2014	<u>127,413</u>
	2,966,565
Amount representing interest	<u>(139,689)</u>
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	\$ <u><u>2,826,876</u></u>

NOTE H LONG-TERM DEBT

General Obligation Bonds and Notes

The School District issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. At June 30, 2010, the outstanding balance of general obligation bonds and notes issued was \$97,503,000.

Annual debt service requirements to maturity for general obligation bonds and notes are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 8,956,000	\$ 3,796,186
2012	9,024,000	3,600,611
2013	9,313,000	3,306,391
2014	9,665,000	2,952,730
2015	10,045,000	2,576,122
2016 to 2020	<u>50,500,000</u>	<u>6,187,783</u>
	\$ <u><u>97,503,000</u></u>	\$ <u><u>22,419,823</u></u>

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE I CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2010, was as follows:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
GENERAL OBLIGATION BONDS AND NOTES							
Bonds							
Series of 1998	3.70% to 4.80%	03/01/10	\$ 885,000	\$ -	\$ (885,000)	\$ -	\$ -
Series of 1999	3.75% to 5.00%	09/01/16	21,110,000	-	(21,110,000)	-	-
Series of 2001	2.35% to 5.00%	04/15/11	1,735,000	-	(1,060,000)	675,000	675,000
Series of 2003	1.25% to 4.50%	09/01/11	4,270,000	-	(2,095,000)	2,175,000	2,175,000
Series A of 2003	1.70% to 4.30%	03/01/20	23,600,000	-	(100,000)	23,500,000	100,000
Series of 2008	3.50% to 4.25%	03/01/18	19,820,000	-	(5,000)	19,815,000	5,000
Series of 2009	3.00% to 5.00%	09/01/16	20,520,000	-	(3,490,000)	17,030,000	1,830,000
Series A of 2009	2.00%	03/01/12	7,390,000	-	(1,000,000)	6,390,000	4,165,000
Series of 2010	2.00% to 5.00%	03/01/20	-	20,620,000	-	20,620,000	5,000
Notes							
Series of 2007	3.74%	03/01/14	7,299,000	-	(1,000)	7,298,000	1,000
Series of 2009	1.75%	04/15/10	22,000,000	-	(22,000,000)	-	-
			<u>128,629,000</u>	<u>20,620,000</u>	<u>(51,746,000)</u>	<u>97,503,000</u>	<u>8,956,000</u>
Deferred amounts							
Issuance discount			(276,536)	-	27,654	(248,882)	-
Issuance premium			2,318,234	1,565,688	(528,103)	3,355,819	-
Swap			1,943,867	-	(1,943,867)	-	-
TOTAL GENERAL OBLIGATION BONDS AND NOTES			<u>132,614,565</u>	<u>22,185,688</u>	<u>(54,190,316)</u>	<u>100,609,937</u>	<u>8,956,000</u>
CAPITAL LEASES			3,891,076	1,450,000	(2,514,200)	2,826,876	1,729,540
COMPENSATED ABSENCES			5,159,542	33,337	(590,163)	4,602,716	321,791
NET OPEB OBLIGATION			<u>2,101,848</u>	<u>1,257,585</u>	<u>(714,734)</u>	<u>2,644,699</u>	<u>-</u>
TOTAL LONG-TERM LIABILITIES			<u>\$ 143,767,031</u>	<u>\$ 24,926,610</u>	<u>\$ (58,009,413)</u>	<u>\$ 110,684,228</u>	<u>\$ 11,007,331</u>

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

The General Fund has been used to liquidate other long-term liabilities in prior years.

In June 2009, the School District authorized the issuance of General Obligation Bonds, Series of 2009, for the purpose of providing funds to currently refund the General Obligation Bonds, Series of 1999, and to pay the costs of issuing and insuring the bonds. The new issue will reduce debt service payments for the School District by \$773,535 with an economic gain of \$565,029. The General Obligation Bonds, Series of 1999, were subject to optional redemption in whole at any time on and after September 1, 2009, based upon the Bond Resolution. The School District elected to exercise its option under the Prior Bonds Resolution to redeem in whole. Payment prior to September 1, 2009, would prevent the refunding of the prior bonds to qualify as a current refunding pursuant to the Code and the Treasury regulations thereunder in effect. The School District held the funds from the General Obligation Bonds, Series of 2009, in a sinking fund account until September 2009, when the General Obligation Bonds, Series of 1999, was paid in full.

In May 2009, the School District authorized the issuance of General Obligation Note, Series of 2009, for the purpose of providing funds to currently refund the General Obligation Note, Series of 2003, and to pay the costs of issuing and insuring the note. The new issue would result in an economic gain of \$712,702. As part of the refinancing, the General Obligation Note, Series of 2009, was intended to be repaid in April 2010 with the issuance of General Obligation Bonds, Series of 2010. In July 2010, the School District authorized the issuance of General Obligation Bonds, Series of 2010, in the amount of \$20,620,000.

NOTE J DEFERRED REVENUE

General Fund

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

At June 30, 2010, deferred revenue consisted of delinquent taxes receivable of \$2,532,597.

Also included in deferred revenue is \$763,904 representing funds received to be used for future expenditures.

School Nutrition Services Fund

Deferred revenue of \$114,046 in the School Nutrition Services Fund represents the carryover of student deposits.

Extended Care Fund

Deferred revenue of \$106,863 represents deposits received for 2010-2011 school year programs.

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

Community Education Fund

Deferred revenue of \$90,165 represents deposits received for 2010-2011 school year programs.

NOTE K PENSIONS

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

Plan Description

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

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

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

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

Annual Financial Report: The System issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Diane J. Wert, Office of Financial Management, Public School Employees' Retirement System, PO Box 125, Harrisburg, PA 17108-0125. This publication is also available on the PSERS website at www.psers.state.pa.us/publications/cafr/index.htm.

Funding Policy

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

Contribution Rates

Member Contributions

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

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

- Members who returned to public school with service or 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, 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.

Employer Contributions: Contributions required of employers are based upon an actuarial valuation. For the fiscal year ended June 30, 2010, the rate of employer's contribution was 4.78% of covered payroll. The 4.78% rate is composed of a pension contribution rate of 4.00% for pension benefits and .78% for healthcare insurance premium assistance.

The School District's contribution to PSERS for the years ended June 30, 2010, 2009 and 2008, was \$5,025,659, \$5,027,579 and \$7,036,856, respectively, equal to the required contribution for each year.

NOTE L COMPENSATED ABSENCES AND EARLY RETIREMENT INCENTIVE PLAN

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

The liability to current employees is estimated and will change since unused vacation will be paid at the rate of pay in effect at the time of separation. These accumulated leaves are recorded as an expenditure in the period taken or as an accrued expenditure in the fiscal year of separation. Termination compensation payable in future years, which was \$1,171,864 at June 30, 2010, is recorded in compensated absences on the statement of net assets.

The School District pays various per diem rates to retirees for unused sick time. Compensation payable in future years, which was \$2,466,382 at June 30, 2010, is recorded in compensated absences on the statement of net assets.

In addition, included in this balance is \$964,470 of future payments related to obligations under the School District's Early Retirement Incentive Plan.

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE M POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

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

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

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

Normal cost	\$ 732,709
Amortization of unfunded actuarial accrued liability	559,329
ANNUAL REQUIRED CONTRIBUTION (ARC)	<u>1,292,038</u>
Interest on net OPEB obligation	94,583
Adjustment to ARC	<u>(129,036)</u>
ANNUAL OPEB EXPENSE	1,257,585
Net OPEB contributions during the year	<u>(714,734)</u>
INCREASE IN NET OPEB OBLIGATION	542,851
Net OPEB obligation at beginning of year	<u>2,101,848</u>
NET OPEB OBLIGATION AT END OF YEAR	<u><u>\$ 2,644,699</u></u>

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

<u>Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2007	\$ 1,855,149	38.0%	\$ 1,149,421
2008	1,807,155	47.3%	2,101,848
2009	1,257,585	56.8%	2,644,699

Funded Status and Funding Progress

According to the actuarial report dated July 1, 2009, the actuarial accrued liability for benefits was \$9,110,857, and the actuarial value of assets was \$0 as of June 30, 2010, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$100,074,244, and the ratio of the UAAL to the covered payroll was 9.10%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information on page 61, 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, 2009 actuarial valuation, the entry age normal 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 8.0% initially, reduced by decrements of .5% to an ultimate rate of 5.5% after five years. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2010, was 28 years.

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE N COMMITMENTS AND CONTINGENCIES

There are a number of tax assessment appeals in the Court of Common Pleas of Montgomery County from the decisions of the Board of Assessment Appeals. Legal counsel for the School District cannot give an opinion on the outcome of these appeals nor can they reasonably estimate the financial impact.

The School District has various commitments under long-term construction contracts of approximately \$12,473,000 as of June 30, 2010.

NOTE O RISK MANAGEMENT

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

NOTE P FUND BALANCE DESIGNATIONS

Management has designated \$4,873,236 of the June 30, 2010 General Fund balance for future retirement costs.

NOTE Q RESTRICTED NET ASSETS

At year-end, the School District has \$1,979,628 restricted in governmental activities for retirement of long-term debt and \$37,613 for other purposes.

NOTE R DEFICIT FUND BALANCE

The 2008 Bond Fund had a fund deficit of \$(259,386) as of June 30, 2010. This will be covered by transfers from the General Fund.

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 5 JOINT VENTURE

The School District is a participating member of the North Montco Technical Career Center (the "Center"). The Center is run by a joint committee consisting of members from each participating district. No participating district appoints a majority of the joint committee. The board of directors of each participating district must approve the Center's annual operating budget. Each participating district pays a pro rata share of the Center's operating costs based on the number of students attending the Center from each district. The School District's share of the Center's operating costs for 2009-2010 was \$3,400,612.

On dissolution of the Center, the net assets of the Center will be shared on a pro rata basis of each participating district's current market value of taxable real property as certified by the Pennsylvania State Tax Equalization Board. However, the School District does not have an equity interest in the Center, as defined by GASB Statement No. 14, except a residual interest in net assets upon dissolution that should not be reflected on the basic financial statements. Complete financial statements for the Center can be obtained from the Center's administrative office.

In June 2010, the District entered into a long-term sublease agreement with the Center through May 2031 for a portion of the debt service payments on the Center's School Lease Revenue Bonds, Series of 2010. Sublease payments begin in November 2010.

Future minimum sublease payments are as follows:

Year Ending June 30,	
2011	\$ -
2012	159,045
2013	161,350
2014	168,265
2015	170,570
2016 to 2020	947,355
2021 to 2025	1,120,230
2026 to 2030	1,364,560
2031	<u>306,565</u>
	<u>\$ 4,397,940</u>

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE T SUBSEQUENT EVENT

In December 2010, the School District refunded General Obligation Bonds, Series A of 2003, with a principal outstanding balance of \$23,500,000, by issuing General Obligation Bonds, Series A of 2010, in the amount of \$20,070,000. Due to the lower interest rates on financing the remaining principal, the School District will have a savings in the amount to \$1,067,067. Interest rates range from .5% to 4.000%, and the bonds mature March 1, 2020.

REQUIRED SUPPLEMENTARY INFORMATION

NORTH PENN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 156,038,546	\$ 156,066,190	\$ 157,350,303	\$ 1,284,113
State sources	31,920,548	31,895,408	30,723,438	(1,171,970)
Federal sources	4,066,468	4,891,274	5,768,792	877,518
TOTAL REVENUES	<u>192,025,562</u>	<u>192,852,872</u>	<u>193,842,533</u>	<u>989,661</u>
EXPENDITURES				
Instruction	117,800,329	119,526,031	114,098,036	5,427,995
Support services	61,344,221	61,380,540	58,844,885	2,535,655
Operation of non-instructional services	2,460,487	2,457,100	2,225,398	231,702
Facilities acquisition, construction and improvement services	310,050	310,050	294,618	15,432
Debt service	13,192,680	13,192,680	13,514,215	(321,535)
TOTAL EXPENDITURES	<u>195,107,767</u>	<u>196,866,401</u>	<u>188,977,152</u>	<u>7,889,249</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(3,082,205)</u>	<u>(4,013,529)</u>	<u>4,865,381</u>	<u>8,878,910</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from bond swap agreement	-	-	170,683	170,683
Proceeds from sale of capital assets	-	-	125,000	125,000
Transfers in	625,000	625,000	625,000	-
Budgetary reserve	(6,000,000)	(5,068,676)	-	5,068,676
TOTAL OTHER FINANCING SOURCES (USES)	<u>(5,375,000)</u>	<u>(4,443,676)</u>	<u>920,683</u>	<u>5,364,359</u>
NET CHANGE IN FUND BALANCE	<u>(8,457,205)</u>	<u>(8,457,205)</u>	<u>5,786,064</u>	<u>14,243,269</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>13,399,971</u>	<u>13,399,971</u>	<u>13,399,971</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 4,942,766</u>	<u>\$ 4,942,766</u>	<u>\$ 19,186,035</u>	<u>\$ 14,243,269</u>

See accompanying notes to the budgetary comparison schedule.

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2010

NOTE A BUDGETARY INFORMATION

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

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

1. In January, the School District must make the Act 1 preliminary budget available for public inspection 20 days prior to the School Board vote.
2. The School Board of Directors must approve the Act 1 preliminary budget 90 days prior to the Pennsylvania primary election.
3. The operating budget includes proposed expenditures and the means of financing them for the fiscal year commencing the following July 1.
4. Public hearings are conducted at the School District offices to obtain taxpayer comments.
5. Prior to July 1, the budget is legally enacted through passage of an ordinance.
6. The Business Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the School Board.
7. Formal budgetary integration is employed as a management control device during the year for the General Fund. Formal budgetary integration is not employed for the Special Revenue Funds. Formal budgetary integration is also not employed for the Debt Service Fund because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
8. Budgeted amounts are as originally adopted or as amended by the School Board.

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

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2010

NOTE B EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2010, expenditures exceeded appropriations in the following General Fund function level (the legal level of budgetary control):

Debt service	\$ <u>321,535</u>
--------------	-------------------

These excess expenditures were funded by reimbursable revenue and available fund balance in the General Fund.

NORTH PENN SCHOOL DISTRICT
POSTEMPLOYMENT BENEFITS OTHER THAN
PENSION FUNDING PROGRESS
Year Ended June 30, 2010

SCHEDULE OF FUNDING PROGRESS

<u>Valuation Date</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Entry Age Actuarial Accrued Liability (AAL)</u>	<u>(c) Unfunded AAL (UAAL) (b)-(a)</u>	<u>(d) Funded Ratio (a)/(b)</u>	<u>(e) Covered Payroll</u>	<u>(f) UAAL as a Percentage of Covered Payroll (c)/(e)</u>
07/01/06	\$ -	\$ 18,217,305	\$ 18,217,305	0%	\$ 87,626,911	20.8%
07/01/09	-	9,110,857	9,110,857	0%	100,074,244	9.1%

SUPPLEMENTARY INFORMATION SECTION

NORTH PENN SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS
June 30, 2010

	Special Revenue Funds		Capital Project Funds			Debt Service Fund	Total Other Governmental Funds
	Athletic Fund	Capital Reserve Fund	2004 Bond Fund	2006 Note Fund	2008 Bond Fund		
ASSETS							
Cash and cash equivalents	\$ 15,101	\$ 13	\$ -	\$ 180,346	\$ 531,066	\$ 36,628	\$ 763,154
Investments	-	-	-	-	-	1,943,000	1,943,000
Due from other funds	-	23,165	-	-	-	-	23,165
Other receivables	-	-	-	-	10	-	10
TOTAL ASSETS	\$ 15,101	\$ 23,178	\$ -	\$ 180,346	\$ 531,076	\$ 1,979,628	\$ 2,729,329
LIABILITIES AND FUND BALANCES (DEFICIT)							
LIABILITIES							
Accounts payable	\$ 666	\$ -	\$ -	\$ -	\$ 780,047	\$ -	\$ 780,713
Due to other funds	-	-	-	-	10,415	-	10,415
TOTAL LIABILITIES	666	-	-	-	790,462	-	791,128
FUND BALANCES (DEFICIT)							
Reserved for							
Debt Service Fund	-	-	-	-	-	1,979,628	1,979,628
Capital Project Funds	-	-	-	180,346	-	-	180,346
Special Revenue Funds	14,435	23,178	-	-	-	-	37,613
Unreserved							
Undesignated	-	-	-	-	(259,386)	-	(259,386)
TOTAL FUND BALANCES (DEFICIT)	14,435	23,178	-	180,346	(259,386)	1,979,628	1,938,201
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	\$ 15,101	\$ 23,178	\$ -	\$ 180,346	\$ 531,076	\$ 1,979,628	\$ 2,729,329

NORTH PENN SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICIT)

OTHER GOVERNMENTAL FUNDS

Year Ended June 30, 2010

	Special Revenue Funds		Capital Project Funds			Debt Service Fund	Total Other Governmental Funds
	Athletic Fund	Capital Reserve Fund	2004 Bond Fund	2006 Note Fund	2008 Bond Fund		
REVENUES							
Local sources	\$ 122,215	\$ 205,782	\$ 154	\$ 3,972	\$ 73,730	\$ 70,219	\$ 476,072
EXPENDITURES							
Operation of non-instructional services	113,580	-	-	-	-	-	113,580
Facilities acquisition, construction and improvement services	-	1,656,651	144,388	110,324	15,321,113	-	17,232,476
Debt service	-	185,688	-	-	-	-	185,688
TOTAL EXPENDITURES	<u>113,580</u>	<u>1,842,339</u>	<u>144,388</u>	<u>110,324</u>	<u>15,321,113</u>	<u>-</u>	<u>17,531,744</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>8,635</u>	<u>(1,636,557)</u>	<u>(144,234)</u>	<u>(106,352)</u>	<u>(15,247,383)</u>	<u>70,219</u>	<u>(17,055,672)</u>
OTHER FINANCING SOURCES (USES)							
Proceeds from refunding bonds	-	20,620,000	-	-	-	-	20,620,000
Payment to refunded bond escrow agent	-	(21,613,792)	-	-	-	-	(21,613,792)
Debt service principal	-	(22,000,000)	-	-	-	-	(22,000,000)
Bond premium	-	1,565,688	-	-	-	-	1,565,688
Transfers in	-	451,650	51,265	850,000	-	-	1,352,915
Transfers out	-	-	(850,000)	(400,000)	(102,915)	(625,000)	(1,977,915)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(20,976,454)</u>	<u>(798,735)</u>	<u>450,000</u>	<u>(102,915)</u>	<u>(625,000)</u>	<u>(22,053,104)</u>
NET CHANGE IN FUND BALANCES	8,635	(22,613,011)	(942,969)	343,648	(15,350,298)	(554,781)	(39,108,776)
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR	<u>5,800</u>	<u>22,636,189</u>	<u>942,969</u>	<u>(163,302)</u>	<u>15,090,912</u>	<u>2,534,409</u>	<u>41,046,977</u>
FUND BALANCES (DEFICIT) AT END OF YEAR	<u>\$ 14,435</u>	<u>\$ 23,178</u>	<u>\$ -</u>	<u>\$ 180,346</u>	<u>\$ (259,386)</u>	<u>\$ 1,979,628</u>	<u>\$ 1,938,201</u>



MAILLIE, FALCONIERO & COMPANY, LLP

Certified Public Accountants and Business Counselors

www.maillie.com

PO Box 680
Oaks, PA 19456-0680
610-935-1420
Fax: 610-935-1632

PO Box 3068
West Chester, PA 19381-3068
610-696-4353
Fax: 610-430-8811

347 North Pottstown Pike, Suite 1
Exton, PA 19341-2280
610-363-2838
Fax: 610-363-1573

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 Directors
North Penn School District
Lansdale, Pennsylvania

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the North Penn School District as of and for the year ended June 30, 2010, which collectively comprise the North Penn School District's basic financial statements and have issued our report thereon dated December 22, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the North Penn School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the North Penn School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the North Penn School District's internal control over financial reporting.

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 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.

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

To the Board of Directors
North Penn School District
Lansdale, Pennsylvania

COMPLIANCE AND OTHER MATTERS

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

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

Mailler Falcone & Company, LLP

Oaks, Pennsylvania
December 22, 2010



MAILLIE, FALCONIERO & COMPANY, LLP

Certified Public Accountants and Business Counselors

www.maillie.com

PO Box 680
Oaks, PA 19456-0680
610-935-1420
Fax: 610-935-1632

PO Box 3068
West Chester, PA 19381-3068
610-696-4353
Fax: 610-430-8811

347 North Pottstown Pike, Suite 1
Exton, PA 19341-2280
610-363-2838
Fax: 610-363-1573

Independent Auditors' Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

To the Board of Directors
North Penn School District
Lansdale, Pennsylvania

COMPLIANCE

We have audited the North Penn School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the North Penn School District's major federal programs for the year ended June 30, 2010. North Penn School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the North Penn School District's management. Our responsibility is to express an opinion on the North Penn School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the North Penn School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the North Penn School District's compliance with those requirements.

In our opinion, the North Penn School District complied, in all material respects, with the 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, 2010.

To the Board of Directors
North Penn School District
Lansdale, Pennsylvania

INTERNAL CONTROL OVER COMPLIANCE

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

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

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Mailli Falcone & Company, LLP

Oaks, Pennsylvania
December 22, 2010

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

NORTH PENN SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2010

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2009</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2010</u>
U.S. DEPARTMENT OF EDUCATION										
Passed through the Pennsylvania Department of Education										
Title I Improving Basic Programs	I	84.010	13-090289	July 1, 2008 to September 30, 2009	\$ 614,989	\$ 94,250	\$ (29,041)	\$ 118,295	\$ 118,295	\$ (4,996)
Title I Improving Basic Programs	I	84.010	13-080289	July 1, 2007 to September 30, 2008	694,033	-	(7,338)	7,338	7,338	-
Title I Improving Basic Programs	I	84.010	13-100289	July 1, 2009 to September 30, 2010	600,037	372,426	-	424,995	424,995	52,569
Academic Achievement Award	I	84.010	77-090289	January 1, 2009 to September 30, 2010	6,000	3,231	992	2,239	2,239	-
Academic Achievement Award	I	84.010	77-100289	September 17, 2008 to September 30, 2010	10,800	2,492	-	7,329	7,329	4,837
Title II Improving Teacher Quality	I	84.367	20-090289	July 1, 2008 to September 30, 2009	379,787	102,250	3,214	83,264	83,264	(15,772)
Title II Improving Teacher Quality	I	84.367	20-080289	July 1, 2007 to September 30, 2008	379,000	54,143	22,666	31,477	31,477	-
Title II Improving Teacher Quality	I	84.367	20-100289	July 1, 2009 to September 30, 2010	378,594	116,490	-	108,363	108,363	(8,127)
Title III Language Inst LEP/Immigrant Students	I	84.365	10-090289	July 1, 2008 to June 30, 2009	164,963	13,747	(27,076)	33,182	33,182	(7,641)
Title III Language Inst LEP/Immigrant Students	I	84.365	10-100289	July 1, 2009 to June 30, 2010	107,908	35,969	-	43,899	43,899	7,930
ARRA - Fiscal Stabilization - Basic Ed	I	84.394*	126-100289	July 1, 2009 to June 30, 2010	1,053,989	614,827	-	1,053,989	1,053,989	439,162
Title V Innovative Education	I	84.298	11-080289	July 1, 2007 to September 30, 2008	13,606	-	(912)	912	912	-
Drug-Free Schools Formula	I	84.186	100-090289	July 1, 2008 to September 30, 2009	27,880	19,914	19,914	-	-	-
Drug-Free Schools Formula	I	84.186	100-100289	July 1, 2009 to September 30, 2010	26,658	26,658	-	26,658	26,658	-
SUBTOTAL FORWARD						\$ 1,456,397	\$ (17,581)	\$ 1,941,940	\$ 1,941,940	\$ 467,962

NORTH PENN SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2010

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2009</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2010</u>
U.S. DEPARTMENT OF EDUCATION										
Passed through the Pennsylvania Department of Education										
SUBTOTAL FORWARDED						\$ 1,456,397	\$ (17,581)	\$ 1,941,940	\$ 1,941,940	\$ 467,962
Dual Enrollment Program	S	N/A	090-100289	July 1, 2009 to September 30, 2010	\$ 9,402	2,600	-	9,402	9,402	6,802
High School Reform Initiative	S	N/A	084-090289	July 1, 2008 to September 30, 2009	50,000	29,167	29,167	-	-	-
High School Reform Initiative	S	N/A	084-100289	July 1, 2009 to September 30, 2010	17,250	7,187	-	17,250	17,250	10,063
Passed through the Montgomery County Intermediate Unit										
IDEA	I	84.027*	N/A	July 1, 2009 to June 30, 2010	2,464,295	1,935,289	-	2,464,295	2,464,295	529,006
ARRA - IDEA	I	84.391*	N/A	July 1, 2009 to June 30, 2010	N/A	1,291,139	-	563,739	563,739	(727,400)
IDEA	I	84.027*	N/A	July 1, 2008 to June 30, 2009	2,431,879	<u>242,400</u>	<u>242,400</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL FORWARD						<u>4,964,179</u>	<u>253,986</u>	<u>4,996,626</u>	<u>4,996,626</u>	<u>286,433</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN RESOURCES										
Passed through the Pennsylvania Department of Public Welfare										
Medical Assistance Reimbursement	I	93.778	N/A	July 1, 2009 to June 30, 2010	9,000	<u>9,000</u>	<u>-</u>	<u>9,000</u>	<u>9,000</u>	<u>-</u>
TOTAL FORWARD						<u>9,000</u>	<u>-</u>	<u>9,000</u>	<u>9,000</u>	<u>-</u>
U.S. DEPARTMENT OF AGRICULTURE										
Passed through the Pennsylvania Department of Education										
National School Lunch Program	I	10.555	N/A	July 1, 2009 to June 30, 2010	N/A	910,535	49,060	961,193	961,193	99,718
National School Lunch Program	S	N/A	N/A	July 1, 2009 to June 30, 2010	N/A	153,450	9,295	159,914	159,914	15,759
National School Breakfast Program	I	10.553	N/A	July 1, 2009 to June 30, 2010	N/A	129,189	8,764	137,168	137,168	16,743
National School Breakfast Program	S	N/A	N/A	July 1, 2009 to June 30, 2010	N/A	<u>19,471</u>	<u>1,497</u>	<u>20,278</u>	<u>20,278</u>	<u>2,304</u>
SUBTOTAL FORWARD						<u>\$ 1,212,645</u>	<u>\$ 68,616</u>	<u>\$ 1,278,553</u>	<u>\$ 1,278,553</u>	<u>\$ 134,524</u>

NORTH PENN SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2010

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2009</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2010</u>
U.S. DEPARTMENT OF EDUCATION										
Passed through the Pennsylvania Department of Education						\$ 4,964,179	\$ 253,986	\$ 4,996,626	\$ 4,996,626	\$ 286,433
TOTAL FORWARDED										
U.S. DEPARTMENT OF HEALTH AND HUMAN RESOURCES										
Passed through the Pennsylvania Department of Public Welfare						9,000	-	9,000	9,000	-
TOTAL FORWARDED										
U.S. DEPARTMENT OF AGRICULTURE										
SUBTOTAL FORWARDED						1,212,645	68,616	1,278,553	1,278,553	134,524
Passed through the Pennsylvania Department of Agriculture						170,934 (A)	(87,480) (B)	208,522 (C)	208,522 (C)	(49,892) (D)
Value of U.S.D.A. donated foods										
TOTAL U.S. DEPARTMENT OF AGRICULTURE						1,383,579	(18,864)	1,487,075	1,487,075	84,632
TOTAL FEDERAL AND STATE AWARDS						\$ 6,356,758	\$ 235,122	\$ 6,492,701	\$ 6,492,701	\$ 371,065

Footnotes:

- (A) Total amount of foods received from Department of Agriculture.
- (B) Beginning inventory at July 1, 2009.
- (C) Total amount of foods used.
- (D) Ending inventory at June 30, 2010.

Source Codes:

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

Test of 50% Rule:

Total expenditures per above
Less state share of Dual Enrollment Program
Less state share of High School Reform Initiative
Less state share of National School Lunch Program and Breakfast Program

Selected for Testing:

IDEA (Includes ARRA Funding)
ARRA - State Fiscal Stabilization Fund

\$ 6,492,701	\$ 3,028,034
9,402	
17,250	1,053,989
180,192	\$ 4,082,023
	\$ 4,082,023
\$ 6,285,857	\$ 6,285,857 = 64.94%

See accompanying notes to the schedule of federal and state awards.

NORTH PENN SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AND STATE AWARDS
Year Ended June 30, 2010

NOTE A BASIS OF ACCOUNTING

All expenditures included in the schedule of expenditures of federal and state awards are presented on the basis that expenditures are reported to the respective federal and state grantor agencies. Accordingly, certain expenditures are recorded when paid and certain other expenditures are recorded when the federal obligation is determined.

NOTE B FEDERAL EXPENDITURES

The schedule of expenditures of federal and state awards reflects federal expenditures for all individual grants, which were active during the fiscal year.

NORTH PENN SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010

A. SUMMARY OF AUDITORS' RESULTS

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

Program	CFDA
Special Education Cluster (IDEA)	
Special Education - Grants to States (IDEA, Part B)	84.027
ARRA - Special Education - Grants to States (IDEA, Part B)	84.391
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Education Stabilization Fund	84.394

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

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None.

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

None.