

**NORTH PENN SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
*Year Ended June 30, 2013*



*Certified Public Accountants and Business Consultants*

## **INTRODUCTORY SECTION**

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## **FINANCIAL SECTION**

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

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

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the North Penn School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the North Penn School District's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the North Penn School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

***Emphasis of Matter***

As discussed in Note T to the financial statements, for the year ended June 30, 2013, the North Penn School District adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13, budgetary comparison information on pages 49 through 51 and postemployment benefits other than pension funding progress on page 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

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

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

**OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2014, 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* in considering the North Penn School District's internal control over financial reporting and compliance.



Oaks, Pennsylvania  
January 31, 2014

**NORTH PENN SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
*Year Ended June 30, 2013*

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, 2013.

**FINANCIAL HIGHLIGHTS**

The 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 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 \$2.3 million above the final budget revenues. Actual expenditures totaled \$200 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.

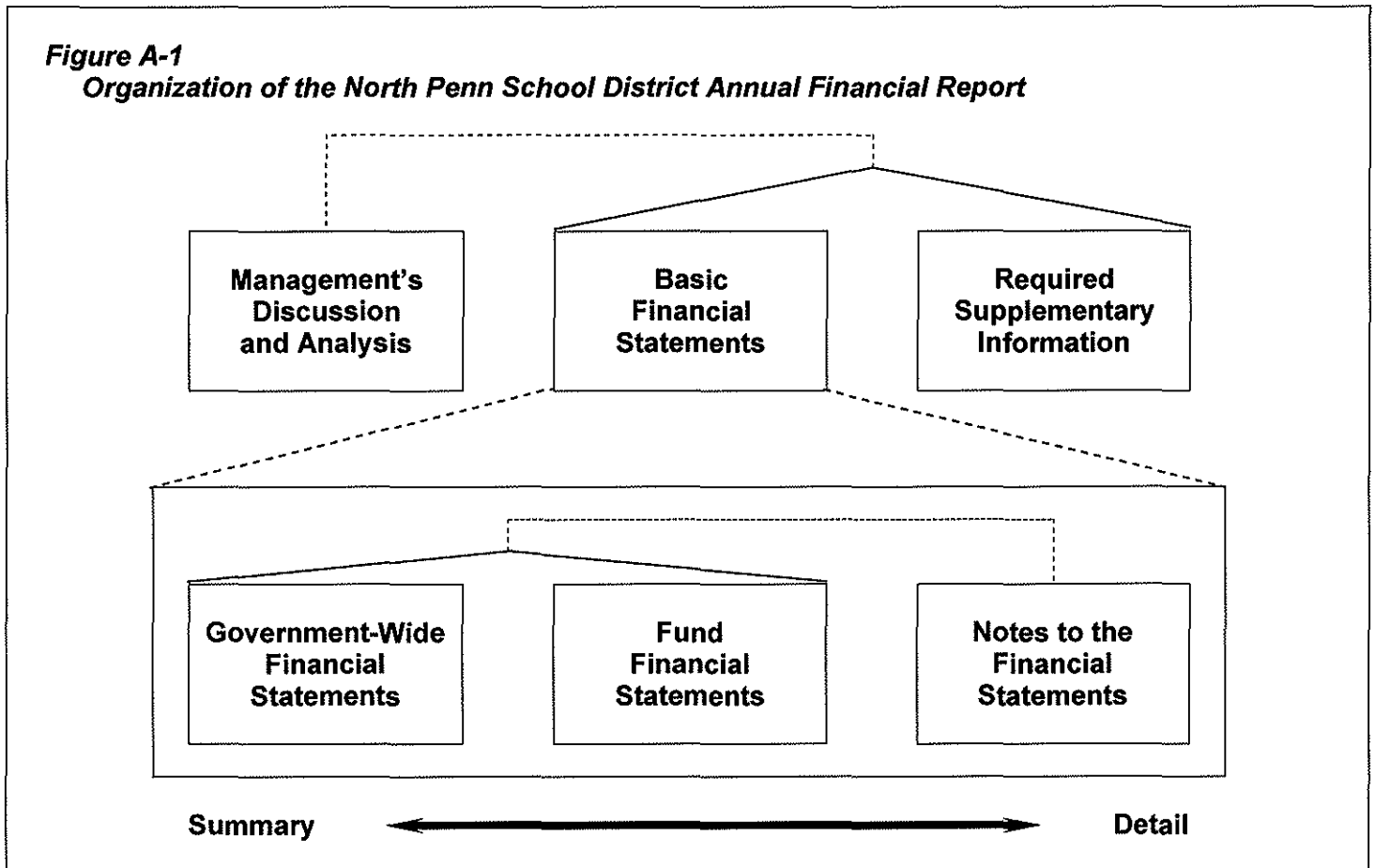
This annual report consists of three parts: management's discussion and analysis (this section), basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- 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.
  - ✓ 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.



**NORTH PENN SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
*Year Ended June 30, 2013*

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)**  
*Year Ended June 30, 2013*

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.

<b>Figure A-2 Major Features of the Government-Wide and Fund Financial Statements</b>				
	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"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
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)**  
*Year Ended June 30, 2013*

**Government-Wide Statements**

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

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

- Over time, increases or decreases in the District's net position 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)  
Year Ended June 30, 2013

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 position increased by \$10.8 million and total assets increased by \$11 million of the School District's governmental activities, due to renovations and a new bond issue. Net position of the business-type activities decreased by \$300 thousand (Figure A-3).
- Program specific revenues in the form of charges for services and grants and contributions accounted for \$34.8 million or 16% of total revenues. General revenues accounted for \$179.5 million or 84% (Figure A-4).
- Governmental expenditures totaled \$212.5 million of which \$127.6 million was spent on instructional services, \$56.1 million was spent on support services, \$2.4 million was spent on non-instructional programs, \$10.1 million was used for debt principal payments, \$3.6 million was used for bond interest payments and \$12.6 million was spent on facilities acquisition.
- The North Penn Educational Support Personnel Association (NPESPA) has extended the five-year agreement through June 30, 2014.
- 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, 2014.

**NORTH PENN SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
*Year Ended June 30, 2013*

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

	Governmental Activities		Business-Type Activities		Total District		Total Percentage Change 2012-2013
	2012	2013	2012	2013	2012	2013	
Current and other assets	\$ 67.3	\$ 74.6	\$ 0.9	\$ 0.7	\$ 68.2	\$ 75.3	
Capital assets, net	168.7	172.8	0.2	0.1	168.9	172.9	
<b>TOTAL ASSETS</b>	<b>236.0</b>	<b>247.4</b>	<b>1.1</b>	<b>0.8</b>	<b>237.1</b>	<b>248.2</b>	<b>4.7%</b>
Deferred outflows of resources	1.2	1.2	-	-	1.2	1.2	0.0%
Current and other liabilities	35.9	36.9	0.4	0.4	36.3	37.3	
Long-term liabilities	102.7	102.3	-	-	102.7	102.3	
<b>TOTAL LIABILITIES</b>	<b>138.6</b>	<b>139.2</b>	<b>0.4</b>	<b>0.4</b>	<b>139.0</b>	<b>139.6</b>	<b>0.4%</b>
Net investment in capital assets	71.8	74.1	0.1	0.1	71.9	74.2	
Unrestricted	26.8	35.3	0.6	0.3	27.4	35.6	
<b>TOTAL NET POSITION</b>	<b>\$ 98.6</b>	<b>\$ 109.4</b>	<b>\$ 0.7</b>	<b>\$ 0.4</b>	<b>\$ 99.3</b>	<b>\$ 109.8</b>	<b>10.6%</b>

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

	Governmental Activities		Business-Type Activities		Total District		Total Percentage Change 2012-2013
	2012	2013	2012	2013	2012	2013	
<b>REVENUES</b>							
Program revenues	\$ 25.5	\$ 27.6	\$ 7.4	\$ 7.2	\$ 32.9	\$ 34.8	
General revenues	175.0	179.5	-	-	175.0	179.5	
<b>TOTAL REVENUES</b>	<b>200.5</b>	<b>207.1</b>	<b>7.4</b>	<b>7.2</b>	<b>207.9</b>	<b>214.3</b>	<b>3.1%</b>
<b>EXPENSES</b>	<b>186.4</b>	<b>196.3</b>	<b>7.4</b>	<b>7.5</b>	<b>193.8</b>	<b>203.8</b>	<b>5.2%</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ 14.1</b>	<b>\$ 10.8</b>	<b>\$ -</b>	<b>\$ (0.3)</b>	<b>\$ 14.1</b>	<b>\$ 10.5</b>	<b>-25.5%</b>

**Governmental Activities**

Governmental activities consist of the General Fund, Capital Project Funds and the Debt Service Fund. Total governmental activities assets increased by \$11.4 million and total liabilities increased \$0.6 million. The District's total net position increased by approximately \$10.5 million.

The District depends heavily on local taxes to fund the District's programs. For 2012-2013, local sources comprised 80.6% of total revenue, of which real estate taxes were \$144.3 million, delinquent real estate taxes were \$3.95 million, transfer taxes were \$2.0 million and earned income taxes were \$14.5 million. Other revenue comes from state subsidies (16.8%) and federal grants and other sources (2.6%).

**NORTH PENN SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
*Year Ended June 30, 2013*

**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 and non-operating revenues of \$7.24 million and expenses of approximately \$7.52 million, resulting in a small loss 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. Business-type activities received no support from tax revenues.

The School Nutrition Services Program provides school lunches and operates a breakfast program 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.

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. Delinquent tax collection decreased slightly and real estate transfer taxes increased \$1.0 million, while earned income taxes increased \$1.6 million. Real estate collections remained strong, as did interim real estate taxes. Interest income was 30% under budget due to poor interest rates. On the expenditure side, actual expenditures for the year were less than budgeted expenditures.

**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.

**NORTH PENN SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
*Year Ended June 30, 2013*

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 2 million miles per year. The District also transports 2,995 non-public students each year.

Regular improvements to the buildings of the District are ongoing. Renovations at General Nash Elementary School have been completed. Inglewood Elementary School renovations began in June.

**Figure A-5**  
**Capital Assets (Net of Depreciation, In Millions of Dollars)**

	Governmental Activities		Business-Type Activities		Total District		Total Percentage Change 2012-2013
	2012	2013	2012	2013	2012	2013	
Land and site improvements	\$ 8.1	\$ 8.1	\$ -	\$ -	\$ 8.1	\$ 8.1	
Construction in progress	1.8	13.3	-	-	1.8	13.3	
Buildings	150.8	144.8	-	-	150.8	144.8	
Furniture and equipment	8.0	6.6	0.2	0.1	8.2	6.7	
	<u>\$ 168.7</u>	<u>\$ 172.8</u>	<u>\$ 0.2</u>	<u>\$ 0.1</u>	<u>\$ 168.9</u>	<u>\$ 172.9</u>	2.4%

**Debt**

Long-term debt decreased by \$0.4 million, primarily due to principal payments on all bond issues and the issuance of General Obligation Bond, Series 2013. 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 \$767,829.

**Figure A-6**  
**Outstanding Long-Term Debt (In Millions of Dollars)**

	2012	2013	Total Percentage Change 2012-2013
LONG-TERM DEBT			
General obligation bonds and notes	\$ 94.6	\$ 94.1	
Other general obligation debt	8.1	8.2	
TOTAL LONG-TERM DEBT	<u>102.7</u>	<u>102.3</u>	
SHORT-TERM DEBT			
General obligation bonds and notes	9.3	9.7	
Other general obligation debt	2.0	1.3	
TOTAL SHORT-TERM DEBT	<u>11.3</u>	<u>11.0</u>	
TOTAL	<u>\$ 114.0</u>	<u>\$ 113.3</u>	0.6%

**NORTH PENN SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
*Year Ended June 30, 2013*

**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.
- PSERS (the pension plan) continues to have large increases in the employer contribution.
- The Affordable Healthcare Act will increase medical costs related to the "Cadillac" tax.

**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 POSITION

June 30, 2013

	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Cash and cash equivalents	\$ 65,146,873	\$ 858,175	\$ 66,005,048
Investments	3,274	1,103	4,377
Taxes receivable	3,081,517	-	3,081,517
Internal balances	390,117	(390,117)	-
Due from other governments	3,765,423	118,558	3,883,981
Other receivables	237,242	18,658	255,900
Inventories	192,286	104,946	297,232
Prepaid expenses	1,745,168	910	1,746,078
Capital assets, net of accumulated depreciation			
Land	8,006,732	-	8,006,732
Site improvements	83,187	-	83,187
Buildings and building improvements	144,829,849	-	144,829,849
Furniture and equipment	6,564,808	99,758	6,664,566
Construction in progress	13,328,821	-	13,328,821
<b>TOTAL ASSETS</b>	<u>247,375,297</u>	<u>811,991</u>	<u>248,187,288</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding, net of accumulated amortization	<u>1,167,734</u>	<u>-</u>	<u>1,167,734</u>
<b>LIABILITIES</b>			
Accounts payable	8,240,693	73,780	8,314,473
Accrued salaries and benefits	16,326,629	51,466	16,378,095
Accrued interest	1,322,393	-	1,322,393
Unearned revenue	92,519	327,838	420,357
Long-term liabilities			
Portion due or payable within one year			
Bonds and note payable	9,680,000	-	9,680,000
Lease-purchase obligations	999,033	-	999,033
Compensated absences	267,227	-	267,227
Portion due or payable after one year			
Bonds and note payable	94,144,811	-	94,144,811
Lease-purchase obligations	365,481	-	365,481
Compensated absences	3,583,829	-	3,583,829
Net OPEB obligation	4,162,888	-	4,162,888
<b>TOTAL LIABILITIES</b>	<u>139,185,503</u>	<u>453,084</u>	<u>139,638,587</u>
<b>NET POSITION</b>			
Net investment in capital assets	74,054,239	99,758	74,153,997
Unrestricted	<u>35,303,289</u>	<u>259,149</u>	<u>35,562,438</u>
<b>TOTAL NET POSITION</b>	<u>\$ 109,357,528</u>	<u>\$ 358,907</u>	<u>\$ 109,716,435</u>

See accompanying notes to the basic financial statements.

# NORTH PENN SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>GOVERNMENTAL ACTIVITIES</b>				
Instruction				
Regular programs	\$ 90,720,638	\$ -	\$ 5,998,420	\$ -
Special programs	35,227,534	-	2,121,515	-
Vocational education	3,741,216	-	-	-
Other instructional programs	1,482,611	59,172	11,878,737	-
Nonpublic school programs	9,067	-	1,020	-
Support services				
Pupil personnel services	7,129,430	-	917,844	-
Instructional staff services	4,737,745	-	279,282	-
Administration services	11,349,766	-	645,871	-
Pupil health services	2,519,999	-	452,458	-
Business services	2,357,984	-	96,920	-
Operation and maintenance of plant services	14,480,523	-	599,116	-
Student transportation services	14,425,015	-	3,292,201	-
Central services	1,922,550	-	85,392	-
Other services	199,373	-	-	-
Operation of non-instructional services				
Student activities	2,363,968	297,040	130,384	-
Community services	78,362	-	299	-
Interest on long-term debt	3,520,295	-	-	736,321
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>196,266,076</b>	<b>356,212</b>	<b>26,499,459</b>	<b>736,321</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
School nutrition services	5,100,159	2,945,616	1,920,876	-
Extended care	1,984,391	1,895,699	-	-
Community education	434,300	476,420	-	-
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>7,518,850</b>	<b>5,317,735</b>	<b>1,920,876</b>	<b>-</b>
<b>TOTAL SCHOOL DISTRICT ACTIVITIES</b>	<b>\$ 203,784,926</b>	<b>\$ 5,673,947</b>	<b>\$ 28,420,335</b>	<b>\$ 736,321</b>

### GENERAL REVENUES

#### Taxes

- Property taxes, levied for general purposes
- Public utility taxes
- Earned income taxes
- Grants and contributions not restricted to specific programs
- Investment earnings
- Receipts from member districts
- Gain on sale of capital assets
- Miscellaneous

#### TOTAL GENERAL REVENUES

#### CHANGE IN NET POSITION

NET POSITION AT BEGINNING OF YEAR, restated

NET POSITION AT END OF YEAR

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Totals
\$ (84,722,218)	\$ -	\$ (84,722,218)
(33,106,019)	-	(33,106,019)
(3,741,216)	-	(3,741,216)
10,455,298	-	10,455,298
(8,047)	-	(8,047)
(6,211,586)	-	(6,211,586)
(4,458,463)	-	(4,458,463)
(10,703,895)	-	(10,703,895)
(2,067,541)	-	(2,067,541)
(2,261,064)	-	(2,261,064)
(13,881,407)	-	(13,881,407)
(11,132,814)	-	(11,132,814)
(1,837,158)	-	(1,837,158)
(199,373)	-	(199,373)
(1,936,544)	-	(1,936,544)
(78,063)	-	(78,063)
(2,783,974)	-	(2,783,974)
<u>(168,674,084)</u>	<u>-</u>	<u>(168,674,084)</u>
-	(233,667)	(233,667)
-	(88,692)	(88,692)
-	42,120	42,120
-	<u>(280,239)</u>	<u>(280,239)</u>
<u>(168,674,084)</u>	<u>(280,239)</u>	<u>(168,954,323)</u>
150,904,995	-	150,904,995
219,282	-	219,282
14,489,809	-	14,489,809
13,445,195	-	13,445,195
216,619	1,945	218,564
158,497	-	158,497
2,388	-	2,388
76,465	-	76,465
<u>179,513,250</u>	<u>1,945</u>	<u>179,515,195</u>
10,839,166	(278,294)	10,560,872
<u>98,518,362</u>	<u>637,201</u>	<u>99,155,563</u>
<u>\$ 109,357,528</u>	<u>\$ 358,907</u>	<u>\$ 109,716,435</u>

# NORTH PENN SCHOOL DISTRICT

## BALANCE SHEET

### GOVERNMENTAL FUNDS

June 30, 2013

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 57,217,651	\$ 6,801,988	\$ 64,019,639
Investments	3,274	-	3,274
Taxes receivable	3,081,517	-	3,081,517
Due from other funds	390,117	2,800,000	3,190,117
Due from other governments	3,765,423	-	3,765,423
Other receivables	237,242	-	237,242
Inventories	192,286	-	192,286
	<u>                    </u>	<u>                    </u>	<u>                    </u>
TOTAL ASSETS	\$ <u>64,887,510</u>	\$ <u>9,601,988</u>	\$ <u>74,489,498</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 7,639,174	\$ 601,519	\$ 8,240,693
Due to other funds	5,301,350	-	5,301,350
Unearned revenue	92,519	-	92,519
Accrued salaries and benefits	15,214,473	-	15,214,473
Current portion of compensated absences	167,139	-	167,139
	<u>                    </u>	<u>                    </u>	<u>                    </u>
TOTAL LIABILITIES	28,414,655	601,519	29,016,174
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue, property taxes	2,523,941	-	2,523,941
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>FUND BALANCES</b>			
Nonspendable, inventory	192,286	-	192,286
Restricted for capital projects	-	3,897,919	3,897,919
Committed to			
Capital projects	-	4,978,317	4,978,317
Future retirement rate increase	13,406,187	-	13,406,187
Assigned to			
Self-funded insurance	2,700,000	-	2,700,000
Debt service	-	124,233	124,233
Unassigned	17,650,441	-	17,650,441
	<u>                    </u>	<u>                    </u>	<u>                    </u>
TOTAL FUND BALANCES	33,948,914	9,000,469	42,949,383
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
	\$ <u>64,887,510</u>	\$ <u>9,601,988</u>	\$ <u>74,489,498</u>

See accompanying notes to the basic financial statements.

**NORTH PENN SCHOOL DISTRICT**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES**  
**TO NET POSITION OF GOVERNMENTAL ACTIVITIES**

*June 30, 2013*

TOTAL GOVERNMENTAL FUNDS BALANCES \$ 42,949,383

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	83,187
Buildings and building improvements	144,829,849
Furniture and equipment	6,564,808
Construction in progress	13,328,821

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

Deferred charges	1,422,175
Accumulated amortization	(254,441)

The assets and liabilities of certain Internal Service Funds are not included in the fund financial statements but are included in the governmental activities on the statement of net position.

4,261,596

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	(1,322,393)
Bonds and notes payable	(103,824,811)
Lease-purchase obligations	(1,364,514)
Compensated absences	(3,683,917)
Net OPEB obligation	(4,162,888)

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.

2,523,941

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 109,357,528

*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, 2013*

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Local sources	\$ 167,239,138	\$ 3,314	\$ 167,242,452
State sources	34,871,087	-	34,871,087
Federal sources	<u>5,415,159</u>	<u>-</u>	<u>5,415,159</u>
<b>TOTAL REVENUES</b>	<u>207,525,384</u>	<u>3,314</u>	<u>207,528,698</u>
<b>EXPENDITURES</b>			
Instruction	127,619,123	-	127,619,123
Support services	56,122,169	72,294	56,194,463
Operation of non-instructional services	2,430,693	-	2,430,693
Facilities acquisition, construction and improvement services	365,410	12,217,544	12,582,954
Debt service	<u>13,514,413</u>	<u>149,250</u>	<u>13,663,663</u>
<b>TOTAL EXPENDITURES</b>	<u>200,051,808</u>	<u>12,439,088</u>	<u>212,490,896</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>7,473,576</u>	<u>(12,435,774)</u>	<u>(4,962,198)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Bond issue proceeds	-	9,950,000	9,950,000
Bond premium	-	48,999	48,999
Proceeds from sale of capital assets	2,388	-	2,388
Transfers in	625,000	2,800,000	3,425,000
Transfers out	<u>(2,800,000)</u>	<u>(625,000)</u>	<u>(3,425,000)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(2,172,612)</u>	<u>12,173,999</u>	<u>10,001,387</u>
<b>NET CHANGE IN FUND BALANCES</b>	5,300,964	(261,775)	5,039,189
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>28,647,950</u>	<u>9,262,244</u>	<u>37,910,194</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 33,948,914</u>	<u>\$ 9,000,469</u>	<u>\$ 42,949,383</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, 2013*

**NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS FORWARD**

**\$ 5,039,189**

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 (\$12,359,386) exceeded depreciation (\$9,398,424) in the current period.

2,960,962

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 of amortization in the current period.

(102,066)

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. Unavailable tax revenues decreased by this amount this year.

(427,970)

Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the statement of net position. 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.

(9,164,746)

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

9,318,000

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

93,181

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

1,941,380

**SUBTOTAL ADJUSTMENTS FORWARD**

**\$ 4,618,741**

**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, 2013*

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS FORWARDED	\$ 5,039,189
 SUBTOTAL ADJUSTMENTS FORWARDED	 4,618,741
 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).	          387,296
 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.	          (442,276)
 Internal Service Funds are used by management to charge the costs of certain activities, such as health insurance, to individual funds. The net revenue (expense) of certain Internal Service Funds is reported with governmental activities.	          <u>1,236,216</u>
 CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	          <u>\$ 10,839,166</u>

*See accompanying notes to the basic financial statements.*



**NORTH PENN SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
*June 30, 2013*

	Business-Type Activities			Governmental Activities	
	Enterprise Funds				
	School Nutrition Services Fund	Extended Care Fund	Community Education Fund	Total Enterprise Funds	Internal Service Fund Self-Insurance Fund
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ 200,822	\$ 374,088	\$ 283,265	\$ 858,175	\$ 1,127,234
Investments	1,103	-	-	1,103	-
Due from other funds	-	-	-	-	2,501,350
Due from other governments	118,558	-	-	118,558	-
Other receivables	11,551	5,385	1,722	18,658	-
Inventories	104,946	-	-	104,946	-
Prepaid expenses	-	910	-	910	1,745,168
<b>TOTAL CURRENT ASSETS</b>	<b>436,980</b>	<b>380,383</b>	<b>284,987</b>	<b>1,102,350</b>	<b>5,373,752</b>
<b>CAPITAL ASSETS</b>					
Furniture and equipment	1,372,937	-	-	1,372,937	-
Accumulated depreciation	(1,273,179)	-	-	(1,273,179)	-
<b>TOTAL CAPITAL ASSETS</b>	<b>99,758</b>	<b>-</b>	<b>-</b>	<b>99,758</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>\$ 536,738</b>	<b>\$ 380,383</b>	<b>\$ 284,987</b>	<b>\$ 1,202,108</b>	<b>\$ 5,373,752</b>
<b>LIABILITIES AND NET POSITION</b>					
<b>CURRENT LIABILITIES</b>					
Due to other funds	\$ 239,752	\$ 130,486	\$ 19,879	\$ 390,117	\$ -
Accounts payable	71,557	1,716	507	73,780	-
Accrued salaries and benefits	19,242	29,458	2,766	51,466	1,112,156
Unearned revenue	111,786	114,810	101,242	327,838	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>442,337</b>	<b>276,470</b>	<b>124,394</b>	<b>843,201</b>	<b>1,112,156</b>
<b>NET POSITION</b>					
Net investment in capital assets	99,758	-	-	99,758	-
Unrestricted	(5,357)	103,913	160,593	259,149	4,261,596
<b>TOTAL NET POSITION</b>	<b>94,401</b>	<b>103,913</b>	<b>160,593</b>	<b>358,907</b>	<b>4,261,596</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 536,738</b>	<b>\$ 380,383</b>	<b>\$ 284,987</b>	<b>\$ 1,202,108</b>	<b>\$ 5,373,752</b>

See accompanying notes to the basic financial statements.

**NORTH PENN SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
*Year Ended June 30, 2013*

	Business-Type Activities				Governmental Activities
	Enterprise Funds				
	School Nutrition Services Fund	Extended Care Fund	Community Education Fund	Total Enterprise Funds	
<b>OPERATING REVENUES</b>					
Charges for services	\$ 2,945,616	\$ 1,895,699	\$ 476,420	\$ 5,317,735	\$ -
Premiums transferred from General Fund	-	-	-	-	27,133,510
<b>TOTAL OPERATING REVENUES</b>	<u>2,945,616</u>	<u>1,895,699</u>	<u>476,420</u>	<u>5,317,735</u>	<u>27,133,510</u>
<b>OPERATING EXPENSES</b>					
Salaries	1,874,992	1,240,507	199,188	3,314,687	-
Employee benefits	981,106	594,228	46,874	1,622,208	25,899,420
Purchased professional and technical service	13,091	5,191	125,381	143,663	-
Purchased property service	23,448	-	1,225	24,673	-
Other purchased service	5,732	15,439	28,798	49,969	-
Supplies	2,184,132	129,026	20,319	2,333,477	-
Depreciation	16,379	-	-	16,379	-
Other operating expenses	1,279	-	12,515	13,794	-
<b>TOTAL OPERATING EXPENSES</b>	<u>5,100,159</u>	<u>1,984,391</u>	<u>434,300</u>	<u>7,518,850</u>	<u>25,899,420</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(2,154,543)</u>	<u>(88,692)</u>	<u>42,120</u>	<u>(2,201,115)</u>	<u>1,234,090</u>
<b>NONOPERATING REVENUES</b>					
Investment income	758	831	356	1,945	2,126
State sources	144,287	-	-	144,287	-
Federal sources	1,776,589	-	-	1,776,589	-
<b>TOTAL NONOPERATING REVENUES</b>	<u>1,921,634</u>	<u>831</u>	<u>356</u>	<u>1,922,821</u>	<u>2,126</u>
<b>CHANGE IN NET POSITION</b>	<u>(232,909)</u>	<u>(87,861)</u>	<u>42,476</u>	<u>(278,294)</u>	<u>1,236,216</u>
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u>327,310</u>	<u>191,774</u>	<u>118,117</u>	<u>637,201</u>	<u>3,025,380</u>
<b>NET POSITION AT END OF YEAR</b>	<u>\$ 94,401</u>	<u>\$ 103,913</u>	<u>\$ 160,593</u>	<u>\$ 358,907</u>	<u>\$ 4,261,596</u>

See accompanying notes to the basic financial statements.

**NORTH PENN SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
*Year Ended June 30, 2013*

	Business-Type Activities			Governmental Activities	
	Enterprise Funds				
	School Nutrition Services Fund	Extended Care Fund	Community Education Fund	Total Enterprise Funds	Internal Service Fund Self-Insurance Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers	\$ 2,941,652	\$ 1,919,773	\$ 529,724	\$ 5,391,149	\$ -
Premiums transferred from General Fund	-	-	-	-	27,133,510
Payments to employees	(2,767,690)	(1,781,810)	(258,517)	(4,808,017)	-
Payments to suppliers	(1,765,797)	(14,093)	(187,326)	(1,967,216)	(26,008,402)
Payments to other governments	(69,573)	(46,175)	(6,842)	(122,590)	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>(1,661,408)</u>	<u>77,695</u>	<u>77,039</u>	<u>(1,506,674)</u>	<u>1,125,108</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Facility acquisition, construction and improvements	(32,683)	-	-	(32,683)	-
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Federal sources	1,490,491	-	-	1,490,491	-
State sources	141,763	-	-	141,763	-
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>1,632,254</u>	<u>-</u>	<u>-</u>	<u>1,632,254</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds from sale of investments	202,544	-	-	202,544	-
Earnings on investments	758	831	356	1,945	2,126
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>203,302</u>	<u>831</u>	<u>356</u>	<u>204,489</u>	<u>2,126</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	141,465	78,526	77,395	297,386	1,127,234
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>					
	<u>59,357</u>	<u>295,562</u>	<u>205,870</u>	<u>560,789</u>	<u>-</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 200,822</u>	<u>\$ 374,088</u>	<u>\$ 283,265</u>	<u>\$ 858,175</u>	<u>\$ 1,127,234</u>

# NORTH PENN SCHOOL DISTRICT

## STATEMENT OF CASH FLOWS

### PROPRIETARY FUNDS

Year Ended June 30, 2013

	Business-Type Activities				Governmental
	Enterprise Funds				Activities
	School Nutrition Services Fund	Extended Care Fund	Community Education Fund	Total Enterprise Funds	Internal Self- Insurance Fund
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ (2,154,543)	\$ (88,692)	\$ 42,120	\$ (2,201,115)	\$ 1,234,090
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	16,379	-	-	16,379	-
Donated foods	231,618	-	-	231,618	-
(Increase) decrease in					
Due from other funds	-	-	-	-	524,030
Other receivables	(5,648)	1,424	8,155	3,931	-
Inventories	(20,061)	-	-	(20,061)	-
Prepaid expenses	750	2,431	-	3,181	-
Other assets	-	-	-	-	(1,745,168)
Increase (decrease) in					
Due to other funds	220,799	135,884	19,708	376,391	-
Accounts payable	28,779	(2,752)	(18,796)	7,231	-
Accrued salaries and benefits	18,835	6,750	(19,297)	6,288	1,112,156
Unearned revenue	1,684	22,650	45,149	69,483	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ (1,661,408)</u>	<u>\$ 77,695</u>	<u>\$ 77,039</u>	<u>\$ (1,506,674)</u>	<u>\$ 1,125,108</u>
<b>SUPPLEMENTAL DISCLOSURES</b>					
Noncash activities					
Donated foods	\$ 231,618	\$ -	\$ -	\$ 231,618	\$ -

See accompanying notes to the basic financial statements.

**NORTH PENN SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**

*June 30, 2013*

	<u>Scholarship Trust Funds</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 204,677	\$ 362,572
Investments	12,906	-
Due from others	-	<u>7,921</u>
	<u>217,583</u>	<u>370,493</u>
TOTAL ASSETS	217,583	\$ <u>370,493</u>
<b>LIABILITIES</b>		
Accounts payable	<u>83,080</u>	\$ <u>370,493</u>
<b>NET POSITION</b>		
Held in trust for benefits and other purposes	<u>\$ 134,503</u>	

*See accompanying notes to the basic financial statements.*

**NORTH PENN SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
*Year Ended June 30, 2013*

	<u>Scholarship Trust Funds</u>
ADDITIONS	
Contributions	\$ 780
Investment earnings	<u>9,019</u>
TOTAL ADDITIONS	9,799
DEDUCTIONS	
Scholarships awarded and fees paid	<u>5,011</u>
CHANGE IN NET POSITION	4,788
NET POSITION AT BEGINNING OF YEAR	<u>129,715</u>
NET POSITION AT END OF YEAR	<u>\$ 134,503</u>

*See accompanying notes to the basic financial statements.*

**NORTH PENN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*June 30, 2013*

**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 more significant of the School District's accounting policies are described below.

**Reporting Entity**

The accompanying basic financial statements comply with the provisions of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, in that the financial statements include all organizations, activities and functions for which the School District is financially accountable. Financial accountability is defined as the appointment of a voting majority of a component unit's board and either (1) the School District's ability to impose its will over a component unit or (2) the possibility that the component unit will provide a financial benefit or impose a financial burden on the School District. In addition, component units can be organizations for which the nature and significance of their relationship with the School District are such that exclusion would cause the School District's financial statements to be misleading. This report presents the activities of the 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 position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the Proprietary 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, 2013*

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 position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.



**NORTH PENN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*June 30, 2013*

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.

**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. The School District's Capital Reserve Fund is accounted for in this fund type.

***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.

**NORTH PENN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*June 30, 2013*

**Internal Service Fund** - The Internal Service Fund is used to account for the financing of goods or services provided by an activity to other departments, funds, or component units of the School District on a cost-reimbursement basis. Because the principal users of the internal services are the School District's governmental activities, the financial statements of the Internal Service Fund are consolidated into the governmental activities column when presented in the government-wide financial statements.

*Self-Insurance Fund* - The Self-Insurance Fund is used to account for all financial transactions related to the administration of the School District's self-insured health plans.

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

***Inventories and Prepaid Items***

Inventory of food and milk in the 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, 2013*

**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

**Unearned Revenue**

Unearned revenue arises when assets are recognized before the revenue recognition criteria have been satisfied. Such is the case 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 unearned 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 position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized during the period in which they were incurred.

In the fund financial statements, Governmental Funds recognize bond premiums and discounts 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.

**NORTH PENN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*June 30, 2013*

**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 Funds 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 Position**

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

**Deferred Outflows/Inflows of Resources**

For the year ended June 30, 2013, the School District adopted new accounting guidance, implementing GASB Statement No. 63, *Financial Reporting of Deferred Outflows or Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District's deferred outflows on the statement on net position consist of deferred charges on debt refundings, net of accumulated amortization.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

**NORTH PENN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*June 30, 2013*

The School District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the Governmental Funds balance sheet. The Governmental Funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**Net Position Flow Assumption**

Sometimes the School District will fund outlays for a particular purpose for both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and Proprietary Fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**Fund Balance**

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

- ***Nonspendable*** - Amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints. Fund balance types of this category are inventories and prepaid expenditures.
- ***Restricted*** - Amounts that can be spent only for specific purposes stipulated by external resource providers or through enabling legislation. Fund balance types in this category include amounts for capital projects.
- ***Committed*** - Amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and do not lapse at year-end. Fund balance of this type is for the retirement rate increase. Since the School District is required to contribute to the retirement plan, the retirement rate increase has been set up by the Board of School Directors to provide for any fluctuations to the rate increases.
- ***Assigned*** - Amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the School District Manager and/or School District Finance Director. Fund balance of this type includes amounts for debt service along with funds to be set aside for self-insurance funding.

**NORTH PENN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*June 30, 2013*

- **Unassigned** - Amounts not contained in other classifications. Unassigned amounts are technically available for any purpose. It is the policy of the School District to follow state requirements that unassigned fund balance will not exceed 8% of the subsequent year operating budget in the unassigned category.

The Board of School Directors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. Assigned fund balance is intended to be used by the government for specific purposes but does not meet the criteria to be classified as restricted or committed. The details of the fund balances are included in the Governmental Funds balance sheet (page 16). Restricted funds are used first as appropriate, followed by committed resources and then assigned resources, to the extent that expenditure authority has been budgeted by the Board of School Directors. The School District does reserve the right to first reduce unassigned fund balance to defer the use of these other classified funds. In the event that unassigned fund balance becomes zero, then assigned and committed fund balances are used in that order.

**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.

**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. Of the bank balance, \$750,000 was covered by federal depository insurance. As of June 30, 2013, \$68,673,941 of the School District's bank balance of \$69,423,941 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>68,673,941</u>
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**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.

**NORTH PENN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*June 30, 2013*

**Investments**

As of June 30, 2013, 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	\$ 151,426	\$ 151,426
Mutual funds	<u>12,906</u>	<u>12,906</u>
	164,332	\$ <u>164,332</u>
Less outstanding checks	<u>(147,049)</u>	
	<u>\$ 17,283</u>	

**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, 2013, 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** - The School District does not have an investment in any one issue that is in excess of 5% of the School District's total investments.

**NORTH PENN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*June 30, 2013*

**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.

**NOTE D RECEIVABLES**

Receivables at June 30, 2013, 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>School Nutrition Services Fund</u>	<u>Extended Care Fund</u>	<u>Community Education Fund</u>
Real estate taxes	\$ 2,808,292	\$ -	\$ -	\$ -
Earned income taxes	273,225	-	-	-
Federal subsidies	792,832	109,009	-	-
State subsidies	2,972,591	9,549	-	-
Intergovernmental	-	-	-	-
Other revenue	<u>237,242</u>	<u>11,551</u>	<u>5,385</u>	<u>1,722</u>
	<u>\$ 7,084,182</u>	<u>\$ 130,109</u>	<u>\$ 5,385</u>	<u>\$ 1,722</u>



**NORTH PENN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*June 30, 2013*

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

The composition of interfund balances as of June 30, 2013, 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	\$ 239,752
General Fund	Community Education Fund	19,879
General Fund	Extended Care Fund	130,486
Other Governmental Funds	General Fund	2,800,000
Self-Insurance Fund	General Fund	<u>2,501,350</u>
		<u>\$ 5,691,467</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 General Fund, School Nutrition Services Fund, Extended Care Fund and Community Education Fund are for payroll. The amounts between the General Fund and Other Governmental Funds are for future capital projects. The amounts between the General Fund and the Self-Insurance Fund are for insurance premiums.

**Interfund Transfers**

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 625,000
Other Governmental Funds	General Fund	<u>2,800,000</u>
		<u>\$ 3,425,000</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. The Board also approved a transfer from the General Fund to the Capital Reserve Fund.

**NORTH PENN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*June 30, 2013*

**NOTE F CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

	<u>Balance June 30, 2012</u>	<u>Additions/ Reclasses</u>	<u>Deletions/ Reclasses</u>	<u>Balance June 30, 2013</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 8,006,732	\$ -	\$ -	\$ 8,006,732
Construction in progress	1,838,706	12,203,072	(712,957)	13,328,821
<b>TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED</b>	<u>9,845,438</u>	<u>12,203,072</u>	<u>(712,957)</u>	<u>21,335,553</u>
Capital assets being depreciated				
Site improvements	238,726	-	-	238,726
Buildings and building improvements	228,939,007	889,158	-	229,828,165
Furniture and equipment	26,354,519	1,153,664	(261,395)	27,246,788
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED</b>	<u>255,532,252</u>	<u>2,042,822</u>	<u>(261,395)</u>	<u>257,313,679</u>
Accumulated depreciation				
Site improvements	(143,512)	(12,027)	-	(155,539)
Buildings and building improvements	(78,191,235)	(6,807,081)	-	(84,998,316)
Furniture and equipment	(18,364,059)	(2,579,316)	261,395	(20,681,980)
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<u>(96,698,806)</u>	<u>(9,398,424)</u>	<u>261,395</u>	<u>(105,835,835)</u>
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED, net</b>	<u>158,833,446</u>	<u>(7,355,602)</u>	<u>-</u>	<u>151,477,844</u>
<b>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net</b>	<u>168,678,884</u>	<u>4,847,470</u>	<u>(712,957)</u>	<u>172,813,397</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets being depreciated				
Furniture and equipment	1,340,254	32,683	-	1,372,937
Accumulated depreciation	(1,256,800)	(16,379)	-	(1,273,179)
<b>BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net</b>	<u>83,454</u>	<u>16,304</u>	<u>-</u>	<u>99,758</u>
<b>CAPITAL ASSETS, net</b>	<u>\$ 168,762,338</u>	<u>\$ 4,863,774</u>	<u>\$ (712,957)</u>	<u>\$ 172,913,155</u>

**NORTH PENN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*June 30, 2013*

Depreciation expense was charged to governmental functions as follows:

<b>INSTRUCTION</b>	
Regular programs	\$ 4,936,377
Special programs	777,810
Other instructional programs	147,091
<b>SUPPORT SERVICES</b>	
Pupil personnel services	207,796
Instructional staff services	105,095
Administration services	347,073
Pupil health services	51,350
Business services	83,033
Operation and maintenance of plant services	800,106
Student transportation services	1,423,042
Central and other services	491,766
<b>OPERATION OF NON-INSTRUCTIONAL SERVICES</b>	
Student activities	<u>27,885</u>
	 <u>\$ 9,398,424</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	\$ 4,806,162
Buses	<u>1,733,176</u>
	6,539,338
Accumulated depreciation	<u>(3,539,786)</u>
	 <u>\$ 2,999,552</u>

**NORTH PENN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*June 30, 2013*

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013, were as follows:

<u>Year Ending June 30,</u>		
2014	\$	1,021,025
2015		<u>371,112</u>
		1,392,137
Amount representing interest		<u>(27,623)</u>
	PRESENT VALUE OF MINIMUM LEASE PAYMENTS	\$ <u>1,364,514</u>

**NOTE H LONG-TERM DEBT**

**General Obligation Bonds and Note**

The School District issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. At June 30, 2013, the outstanding balance of general obligation bonds and note issued was \$98,190,000.

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 9,680,000	\$ 3,990,600
2015	10,050,000	3,689,458
2016	10,465,000	3,273,345
2017	10,975,000	2,761,270
2018	11,405,000	2,332,495
2019 to 2023	<u>45,615,000</u>	<u>4,347,419</u>
	\$ <u>98,190,000</u>	\$ <u>20,394,587</u>

**NORTH PENN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*June 30, 2013*

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

Long-term liability activity for the year ended June 30, 2013, was as follows:

	<u>Interest Rate</u>	<u>Maturity Date</u>
<b>GENERAL OBLIGATION BONDS AND NOTE</b>		
Bonds		
Series A of 2003	1.70% to 4.30%	3/1/2015
Series of 2008	3.50% to 4.25%	3/1/2018
Series of 2009	3.00% to 5.00%	9/1/2016
Series of 2010	2.00% to 5.00%	3/1/2020
Series A of 2010	.50% to 5.00%	3/1/2020
Series of 2011	3.00% to 5.00%	3/1/2021
Series of 2013	1.00% to 2.25%	3/1/2023
Note		
Series of 2007	3.74%	3/1/2014
Deferred amounts		
Issuance premium		
<b>TOTAL GENERAL OBLIGATION BONDS AND NOTE</b>		

CAPITAL LEASES

COMPENSATED ABSENCES

NET OPEB OBLIGATION

**TOTAL LONG-TERM LIABILITIES**

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

**NOTE J DEFEASED DEBT**

In prior years, certain bonds were defeased in substance by placing an amount in irrevocable trusts to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and the liability for the in-substance defeased bonds are not included in the School District's financial statements.

As of June 30, 2013, the School District has defeased debt outstanding of \$20,400,000.

<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
\$ 2,650,000	\$ -	\$ (2,195,000)	\$ 455,000	\$ 390,000
19,805,000	-	(5,000)	19,800,000	2,640,000
11,015,000	-	(1,990,000)	9,025,000	2,095,000
20,610,000	-	(980,000)	19,630,000	1,290,000
20,060,000	-	(5,000)	20,055,000	1,900,000
17,925,000	-	(5,000)	17,920,000	5,000
-	9,950,000	-	9,950,000	5,000
<u>5,493,000</u>	<u>-</u>	<u>(4,138,000)</u>	<u>1,355,000</u>	<u>1,355,000</u>
97,558,000	9,950,000	(9,318,000)	98,190,000	9,680,000
<u>6,420,065</u>	<u>48,999</u>	<u>(834,253)</u>	<u>5,634,811</u>	<u>-</u>
103,978,065	9,998,999	(10,152,253)	103,824,811	9,680,000
2,132,343	1,173,551	(1,941,380)	1,364,514	999,033
4,233,722	11,094	(393,760)	3,851,056	267,227
<u>3,720,612</u>	<u>1,003,108</u>	<u>(560,832)</u>	<u>4,162,888</u>	<u>-</u>
<u>\$ 114,064,742</u>	<u>\$ 12,186,752</u>	<u>\$ (13,048,225)</u>	<u>\$ 113,203,269</u>	<u>\$ 10,946,260</u>

**NORTH PENN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*June 30, 2013*

**NOTE K      UNEARNED REVENUE**

**General Fund**

Program grants received prior to the incurrence of qualifying expenditures are recorded as deferred revenue. At June 30, 2013, unearned revenue consisted of \$92,519, which represents funds received to be used for future expenditures.

**School Nutrition Services Fund**

Unearned revenue of \$111,786 in the School Nutrition Services Fund represents the carryover of student deposits.

**Extended Care Fund**

Unearned revenue of \$114,810 represents deposits received for 2013-2014 school year programs.

**Community Education Fund**

Unearned revenue of \$101,242 represents deposits received for 2013-2014 school year programs.

**NOTE L      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 401(a) defined benefit plan.

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

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

**NORTH PENN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*June 30, 2013*

**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 Beth Girman, Office of Financial Management, Public School Employees' Retirement System, 5 North 5th Street Harrisburg, PA 17101-1905 or by emailing Beth at [bgirman@pa.gov](mailto:bgirman@pa.gov). This publication is also available on the PSERS website at [www.psers.state.pa.us](http://www.psers.state.pa.us).

**Funding Policy**

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

**Contribution Rates**

**Member Contributions**

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

**Employer Contributions:** Contributions required of employers are based upon an actuarial valuation. For the fiscal year ended June 30, 2013, the rate of employer's contribution was 12.36% of covered payroll. The 12.36% rate is composed of a pension contribution rate of 11.50% for pension benefits and .86% for healthcare insurance premium assistance.

The School District's contribution to PSERS for the years ended June 30, 2013, 2012 and 2011, was \$13,419,144, \$9,281,049 and \$6,199,218, respectively, equal to the required contribution for each year.



**NORTH PENN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*June 30, 2013*

**NOTE M 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 \$1,269,629 at June 30, 2013, is recorded in compensated absences on the statement of net position.

The School District pays various per diem rates to retirees for unused sick time. Compensation payable in future years, which was \$2,414,370 at June 30, 2013, is recorded in compensated absences on the statement of net position.

In addition, included in this balance is \$167,057 of future payments related to obligations under the School District's Early Retirement Incentive Plan.

**NOTE N 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.

**NORTH PENN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*June 30, 2013*

**Annual OPEB Cost and Net OPEB Obligation**

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

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

Normal cost	\$ 583,659
Amortization of unfunded actuarial accrued liability	480,435
ANNUAL REQUIRED CONTRIBUTION (ARC)	1,064,094
Interest on net OPEB obligation	167,428
Adjustment to ARC	(228,414)
ANNUAL OPEB EXPENSE	1,003,108
Net OPEB contributions during the year	(560,832)
INCREASE IN NET OPEB OBLIGATION	442,276
Net OPEB obligation at beginning of year	3,720,612
NET OPEB OBLIGATION AT END OF YEAR	\$ 4,162,888

<u>Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2010	\$ 1,248,687	50.2%	\$ 3,266,715
2011	1,010,547	55.1%	3,720,612
2012	1,003,108	55.9%	4,162,888

**Funded Status and Funding Progress**

According to the actuarial report dated July 1, 2011, the actuarial accrued liability for benefits was \$7,825,755 and the actuarial value of assets was \$0 as of June 30, 2013, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$100,531,783, and the ratio of the UAAL to the covered payroll was 7.78%.

**NORTH PENN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*June 30, 2013*

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 52, 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, 2011 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, 2013, was 25 years.

**NOTE O 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 \$2,831,575 as of June 30, 2013.

Subsequent to the year ending June 30, 2013, the School District entered into a three-year capital lease agreement bearing an interest rate of 0.95% for a total of \$785,000.

**NORTH PENN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*June 30, 2013*

**NOTE P 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 Q 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 School 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 2012-2013 was \$3,741,216.

On dissolution of the Center, the net position 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.

Future minimum sublease payments are as follows:

<u>Year Ending June 30,</u>	
2014	\$ 168,265
2015	170,570
2016	177,485
2017	184,400
2018	189,010
2019 to 2023	1,041,860
2024 to 2028	1,260,835
2029 to 2031	<u>885,120</u>
	<u>\$ 4,077,545</u>

**NORTH PENN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*June 30, 2013*

**NOTE R DONATED FOODS**

The School Nutrition Services Fund generally contains inventories which consist of both food commodities donated by the federal government and other food and supply inventories. Donated food inventory is valued at last unit cost in accordance with the recommendations of the Food Nutrition Service of the Department of Agriculture and are expensed as used. There were no donated foods in the Proprietary Fund's inventory balance at June 30, 2013.

**NOTE S SELF-INSURANCE**

In July 2011, the School District elected to sponsor a self-insured employee welfare benefit plan for health care coverage. An administrative services agreement was signed with a third-party insurance company (claims administrator) to administer the costs and claims associated with the plan. The agreement required the School District to establish a deposit with the administrator. These funds are reported as prepaid expenses on the statement of net position in the amount of \$1,745,168. The deposit will be used to pay claims, retention charges and broker commissions incurred prior to but paid after the date of determination. The deposit is intended to secure only the School District's obligations to the claims administrator and has no effect, application, or operation regarding the School District's direct obligation to the benefit program. The claims administrator may, in its discretion, require a greater or lesser deposit amount from the School District to secure the School District's obligations under the agreement. If the claims administrator requires a lesser amount, the School District will receive a refund or credit.

**NOTE T CHANGE IN ACCOUNTING PRINCIPLE**

For the year ended June 30, 2013, the School District has adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (Note A), and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (Note A), which state that debt issuance costs should be recognized as an outflow of resources in the period incurred rather than recognized over the life of the debt incurred. Therefore, the School District is treating debt issuance costs of \$804,678 (net of accumulated amortization) previously incurred and being amortized over the life of the related debt as having been recognized in the period incurred. The School District has adjusted beginning net position for governmental activities by \$804,678 for the debt issuance costs. The effect on the year-ended June 30, 2012 change in net position results in an increase in governmental activities net position by \$144,054.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**NORTH PENN SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
*Year Ended June 30, 2013*

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local sources	\$ 164,902,244	\$ 163,900,104	\$ 167,239,138	\$ 3,339,034
State sources	34,677,163	34,922,937	34,871,087	(51,850)
Federal sources	6,054,420	6,432,116	5,415,159	(1,016,957)
<b>TOTAL REVENUES</b>	<u>205,633,827</u>	<u>205,255,157</u>	<u>207,525,384</u>	<u>2,270,227</u>
<b>EXPENDITURES</b>				
Instruction	125,199,001	129,799,501	127,619,123	2,180,378
Support services	61,402,901	60,850,721	56,122,169	4,728,552
Operation of non-instructional services	2,406,069	2,516,373	2,430,693	85,680
Facilities acquisition, construction and improvement services	167,300	167,300	365,410	(198,110)
Debt service	15,962,669	13,514,976	13,514,413	563
<b>TOTAL EXPENDITURES</b>	<u>205,137,940</u>	<u>206,848,871</u>	<u>200,051,808</u>	<u>6,797,063</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>495,887</u>	<u>(1,593,714)</u>	<u>7,473,576</u>	<u>9,067,290</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	-	-	2,388	2,388
Transfers in	625,000	625,000	625,000	-
Transfers out	-	-	(2,800,000)	(2,800,000)
Budgetary reserve	(2,500,000)	(410,399)	-	410,399
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(1,875,000)</u>	<u>214,601</u>	<u>(2,172,612)</u>	<u>(2,387,213)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(1,379,113)</u>	<u>(1,379,113)</u>	<u>5,300,964</u>	<u>6,680,077</u>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<u>28,647,950</u>	<u>28,647,950</u>	<u>28,647,950</u>	<u>-</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ 27,268,837</u>	<u>\$ 27,268,837</u>	<u>\$ 33,948,914</u>	<u>\$ 6,680,077</u>

See accompanying notes to the budgetary comparison schedule.

**NORTH PENN SCHOOL DISTRICT**  
**NOTES TO THE BUDGETARY COMPARISON SCHEDULE**  
*Year Ended June 30, 2013*

**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, 2013*

**NOTE B      EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended June 30, 2013, expenditures exceeded appropriations in the following General Fund department levels (the legal level of budgetary control):

Facilities acquisition, construction and improvement services	\$ <u>198,110</u>
--	-------------------

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

**NORTH PENN SCHOOL DISTRICT**  
**POSTEMPLOYMENT BENEFITS OTHER THAN**  
**PENSION FUNDING PROGRESS**  
*Year Ended June 30, 2013*

**SCHEDULE OF FUNDING PROGRESS**

<u>Valuation Date</u> July 1,	<u>(a)</u> Actuarial Value of Assets	<u>(b)</u> Entry Age Actuarial Accrued Liability (AAL)	<u>(c)</u> Unfunded AAL (UAAL) (b)-(a)	<u>(d)</u> Funded Ratio (a)/(b)	<u>(e)</u> Covered Payroll	<u>(f)</u> UAAL as a Percentage of Covered Payroll (c)/(e)
2006	\$ -	\$ 18,217,305	\$ 18,217,305	0%	\$ 87,626,911	20.79%
2009	-	9,110,857	9,110,857	0%	100,074,244	9.10%
2011	-	7,825,755	7,825,755	0%	100,531,783	7.78%

## **SUPPLEMENTARY INFORMATION SECTION**

**NORTH PENN SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**OTHER GOVERNMENTAL FUNDS**  
*June 30, 2013*

Capital Project Funds

	Capital Reserve Fund	2006 Note Fund	2011 Bond Fund	2013 Bond Fund	Debt Service Fund	Total Other Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 2,265,389	\$ -	\$ -	\$ 4,412,366	\$ 124,233	\$ 6,801,988
Due from other funds	<u>2,800,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,800,000</u>
<b>TOTAL ASSETS</b>	<u>\$ 5,065,389</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,412,366</u>	<u>\$ 124,233</u>	<u>\$ 9,601,988</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ <u>87,072</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>514,447</u>	\$ <u>-</u>	\$ <u>601,519</u>
<b>FUND BALANCES</b>						
Restricted for capital projects	-	-	-	3,897,919	-	3,897,919
Committed to capital projects	4,978,317	-	-	-	-	4,978,317
Assigned to debt service	-	-	-	-	124,233	124,233
<b>TOTAL FUND BALANCES</b>	<u>4,978,317</u>	<u>-</u>	<u>-</u>	<u>3,897,919</u>	<u>124,233</u>	<u>9,000,469</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 5,065,389</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,412,366</u>	<u>\$ 124,233</u>	<u>\$ 9,601,988</u>

**NORTH PENN SCHOOL DISTRICT**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
OTHER GOVERNMENTAL FUNDS**

*Year Ended June 30, 2013*

	Capital Project Funds				Debt Service Fund	Total Other Governmental Funds
	Capital Reserve Fund	2006 Note Fund	2011 Bond Fund	2013 Bond Fund		
<b>REVENUES</b>						
Local sources	\$ 549	\$ 23	\$ 2,353	\$ 60	\$ 329	\$ 3,314
<b>EXPENDITURES</b>						
Support services	-	-	241	72,053	-	72,294
Facilities acquisition, construction and improvement services	624,987	180,640	5,532,080	5,879,837	-	12,217,544
Debt service	-	-	-	149,250	-	149,250
<b>TOTAL EXPENDITURES</b>	<u>624,987</u>	<u>180,640</u>	<u>5,532,321</u>	<u>6,101,140</u>	<u>-</u>	<u>12,439,088</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(624,438)</u>	<u>(180,617)</u>	<u>(5,529,968)</u>	<u>(6,101,080)</u>	<u>329</u>	<u>(12,435,774)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Bond issue proceeds	-	-	-	9,950,000	-	9,950,000
Bond premium	-	-	-	48,999	-	48,999
Transfers in	2,800,000	-	-	-	-	2,800,000
Transfers out	-	-	-	-	(625,000)	(625,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>2,800,000</u>	<u>-</u>	<u>-</u>	<u>9,998,999</u>	<u>(625,000)</u>	<u>12,173,999</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>2,175,562</u>	<u>(180,617)</u>	<u>(5,529,968)</u>	<u>3,897,919</u>	<u>(624,671)</u>	<u>(261,775)</u>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>2,802,755</u>	<u>180,617</u>	<u>5,529,968</u>	<u>-</u>	<u>748,904</u>	<u>9,262,244</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 4,978,317</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,897,919</u>	<u>\$ 124,233</u>	<u>\$ 9,000,469</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 Government Auditing Standards***

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the North Penn School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the North Penn School District's basic financial statements, and have issued our report thereon dated January 31, 2014.

***Internal Control Over Financial Reporting***

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

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

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

To the Board of School Directors  
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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of this Report***

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

*Maullie LLP*

Oaks, Pennsylvania  
January 31, 2014



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

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

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM**

We have audited the North Penn School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the North Penn School District's major federal programs for the year ended June 30, 2013. 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.

***Management's Responsibility***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the North Penn School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the North Penn School District's compliance.

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

In our opinion, the North Penn School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.



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

## REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the North Penn School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the North Penn School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

*Maullio LLP*

Oaks, Pennsylvania  
January 31, 2014

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

**NORTH PENN SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND CERTAIN STATE AWARDS**  
*Year Ended June 30, 2013*

Federal Grantor/ Pass-Through Grantor/Program Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Dates
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<b>Passed through the Pennsylvania Department of Education</b>				
Title I Improving Basic Programs	I	84.010	13-130289	July 1, 2012 to September 30, 2013
Title I Improving Basic Programs	I	84.010	13-120289	July 1, 2011 to September 30, 2012
Title I Improving Basic Programs	I	84.010	13-110289	July 1, 2010 to September 30, 2011
Keystone to Opportunity	I	84.371*	143-120289	May 1, 2012 to June 30, 2013
Title II Improving Teacher Quality	I	84.367	20-130289	July 1, 2012 to September 30, 2013
Title II Improving Teacher Quality	I	84.367	20-120289	July 1, 2011 to September 30, 2012
Title III Language Inst LEP/Immigrant Students	I	84.365	10-130289	July 1, 2012 to June 30, 2013
Title III Language Inst LEP/Immigrant Students	I	84.365	10-120289	July 1, 2011 to June 30, 2012
Title III Language Inst LEP/Immigrant Students	I	84.365	10-100289	July 1, 2010 to June 30, 2011
ARRA - Education Jobs Fund	I	84.410	140-129456	July 1, 2011 to September 30, 2012
<b>Passed through the Montgomery County Intermediate Unit</b>				
IDEA - Part B	I	84.027*	N/A	July 1, 2012 to June 30, 2013
IDEA - Section 619	I	84.391*	N/A	July 1, 2012 to June 30, 2013
IDEA - Section 619	I	84.391*	N/A	July 1, 2011 to June 30, 2012
IDEA - Part B	I	84.027*	N/A	July 1, 2011 to June 30, 2012
TOTAL FORWARD				

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2012</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2013</u>
\$ 916,421	\$ 667,826	\$ -	\$ 830,562	\$ 830,562	\$ 162,736
967,896	276,686	193,829	82,857	82,857	-
1,153,135	-	(54,175)	54,175	54,175	-
1,174,404	848,181	650	1,092,004	1,092,004	244,473
319,114	183,029	-	211,671	211,671	28,642
321,048	90,825	43,080	47,745	47,745	-
139,231	49,725	-	13,600	13,600	(36,125)
154,264	95,119	(36,216)	91,945	91,945	(39,390)
119,953	-	(6,748)	6,748	6,748	-
9,492	9,492	9,492	-	-	-
2,457,466	2,119,344	-	2,457,466	2,457,466	338,122
12,728	7,316	-	12,728	12,728	5,412
24,332	24,332	24,332	-	-	-
2,433,565	<u>734,090</u>	<u>734,090</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 5,105,965</u>	<u>\$ 908,334</u>	<u>\$ 4,901,501</u>	<u>\$ 4,901,501</u>	<u>\$ 703,870</u>

**NORTH PENN SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND CERTAIN STATE AWARDS**  
*Year Ended June 30, 2013*

Federal Grantor/ Pass-Through Grantor/Program Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Dates
<b>U.S. DEPARTMENT OF EDUCATION</b>				
TOTAL FORWARDED				
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN RESOURCES</b>				
Passed through the Pennsylvania Department of Public Welfare				
Medical Assistance Reimbursement	I	93.778	N/A	July 1, 2012 to June 30, 2013
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
Passed through the Pennsylvania Department of Education				
Child Nutrition Cluster				
National School Lunch Program	I	10.555	N/A	July 1, 2012 to June 30, 2013
National School Lunch Program	S	N/A	N/A	July 1, 2012 to June 30, 2013
National School Breakfast Program	I	10.553	N/A	July 1, 2012 to June 30, 2013
National School Breakfast Program	S	N/A	N/A	July 1, 2012 to June 30, 2013
Passed through the Pennsylvania Department of Agriculture				
National School Lunch Program	I	10.555	N/A	July 1, 2012 to June 30, 2013
TOTAL U.S. DEPARTMENT OF AGRICULTURE				
TOTAL FEDERAL AND CERTAIN STATE AWARDS				

**Footnotes:**

- (A) Total amount of commodities received from Department of Agriculture.
- (B) Beginning inventory at July 1, 2012.
- (C) Total amount of commodities used.
- (D) Ending inventory at June 30, 2013.

**Source Codes:**

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

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

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2012</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2013</u>
	\$ <u>5,105,965</u>	\$ <u>908,334</u>	\$ <u>4,901,501</u>	\$ <u>4,901,501</u>	\$ <u>703,870</u>
\$ 11,341	<u>5,111</u>	<u>-</u>	<u>11,341</u>	<u>11,341</u>	<u>6,230</u>
N/A	1,280,085	44,772	1,326,716	1,326,716	91,403
N/A	120,492	5,868	122,502	122,502	7,878
N/A	210,405	9,757	218,253	218,253	17,605
N/A	21,272	1,157	21,786	21,786	1,671
	<u>231,618</u> (A)	<u>-</u> (B)	<u>231,618</u> (C)	<u>231,618</u> (C)	<u>-</u> (D)
	<u>1,863,872</u>	<u>61,554</u>	<u>1,920,875</u>	<u>1,920,875</u>	<u>118,557</u>
	\$ <u><u>6,974,948</u></u>	\$ <u><u>969,888</u></u>	\$ <u><u>6,833,717</u></u>	\$ <u><u>6,833,717</u></u>	\$ <u><u>828,657</u></u>

**NORTH PENN SCHOOL DISTRICT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF**  
**FEDERAL AND CERTAIN STATE AWARDS**  
*Year Ended June 30, 2013*

**NOTE A BASIS OF ACCOUNTING**

All expenditures included in the schedule of expenditures of federal and certain 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 certain 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, 2013*

**A. SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unmodified 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 award programs are reported in the Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With OMB Circular A-133.
5. The auditors' report on compliance for the major award programs for the North Penn School District expresses an unmodified 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
(IDEA, Section 619)	84.391
Keystone on SEFA to Opportunity	84.371

8. The threshold used for distinguishing Types A and B programs was \$300,000.
9. 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.