

**NORTH PENN SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
*Year Ended June 30, 2015*



*Certified Public Accountants and Business Consultants*

# **INTRODUCTORY SECTION**

# NORTH PENN SCHOOL DISTRICT

## TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2015

---

	<b>Page</b>
<b>Introductory Section</b>	
Table of Contents	1
<b>Financial Section</b>	
Independent Auditors' Report	3
Management's Discussion and Analysis (Unaudited)	6
Basic Financial Statements	
<b><i>Government-Wide Financial Statements</i></b>	
Statement of Net Position	16
Statement of Activities	17
<b><i>Fund Financial Statements</i></b>	
<i>Governmental Funds</i>	
Balance Sheet	18
Reconciliation of Total Governmental Funds Balances to Net Position of Governmental Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balances	20
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	21
<i>Proprietary Funds</i>	
Statement of Net Position	22
Statement of Revenues, Expenses and Changes in Net Position	23
Statement of Cash Flows	24

# NORTH PENN SCHOOL DISTRICT

## TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2015

---

	<b>Page</b>
<i>Fiduciary Funds</i>	
Statement of Fiduciary Net Position	26
Statement of Changes in Fiduciary Net Position	27
<b><i>Notes to the Basic Financial Statements</i></b>	<b>28</b>
Required Supplementary Information	
Budgetary Comparison Schedule	56
Notes to the Budgetary Comparison Schedule	57
Schedule of the School District's Proportionate Share of the Net Pension Liability	59
Schedule of the School District's Contributions	60
Postemployment Benefits Other Than Pension Funding Progress	61
<b>Supplementary Information Section</b>	
<i>Other Governmental Funds</i>	
Combining Balance Sheet	62
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	63
<b>Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i></b>	<b>64</b>
<b>Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With OMB Circular A-133</b>	<b>66</b>
<b>Supplementary Information - Major Federal Award Programs Audit</b>	
Schedule of Expenditures of Federal and Certain State Awards	68
Notes to the Schedule of Expenditures of Federal and Certain State Awards	70
Schedule of Findings and Questioned Costs	71

## **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, 2015, 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.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the North Penn School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

As discussed in Note T to the financial statements, for the year ended June 30, 2015, the North Penn School District adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 15, budgetary comparison information on pages 56 through 58, schedule of the school district's proportionate share of the net pension liability on page 59, schedule of school district contributions on page 60, and postemployment benefits other than pension funding progress on page 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *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.

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

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 November 30, 2015, 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.

*Maillie LLP*

Oaks, Pennsylvania  
November 30, 2015



**NORTH PENN SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2015

---

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, 2015.

**FINANCIAL HIGHLIGHTS**

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

For the General Fund, actual revenues were \$2.5 million above the original budget revenues. The strong revenues are a reflection of an improving economy and conservative budgeting. Actual expenditures totaled \$228.0 million and included expenditures for additional grants received subsequent to budget preparation. Actual expenditures exceeded actual revenues by \$1,429,643.

**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.

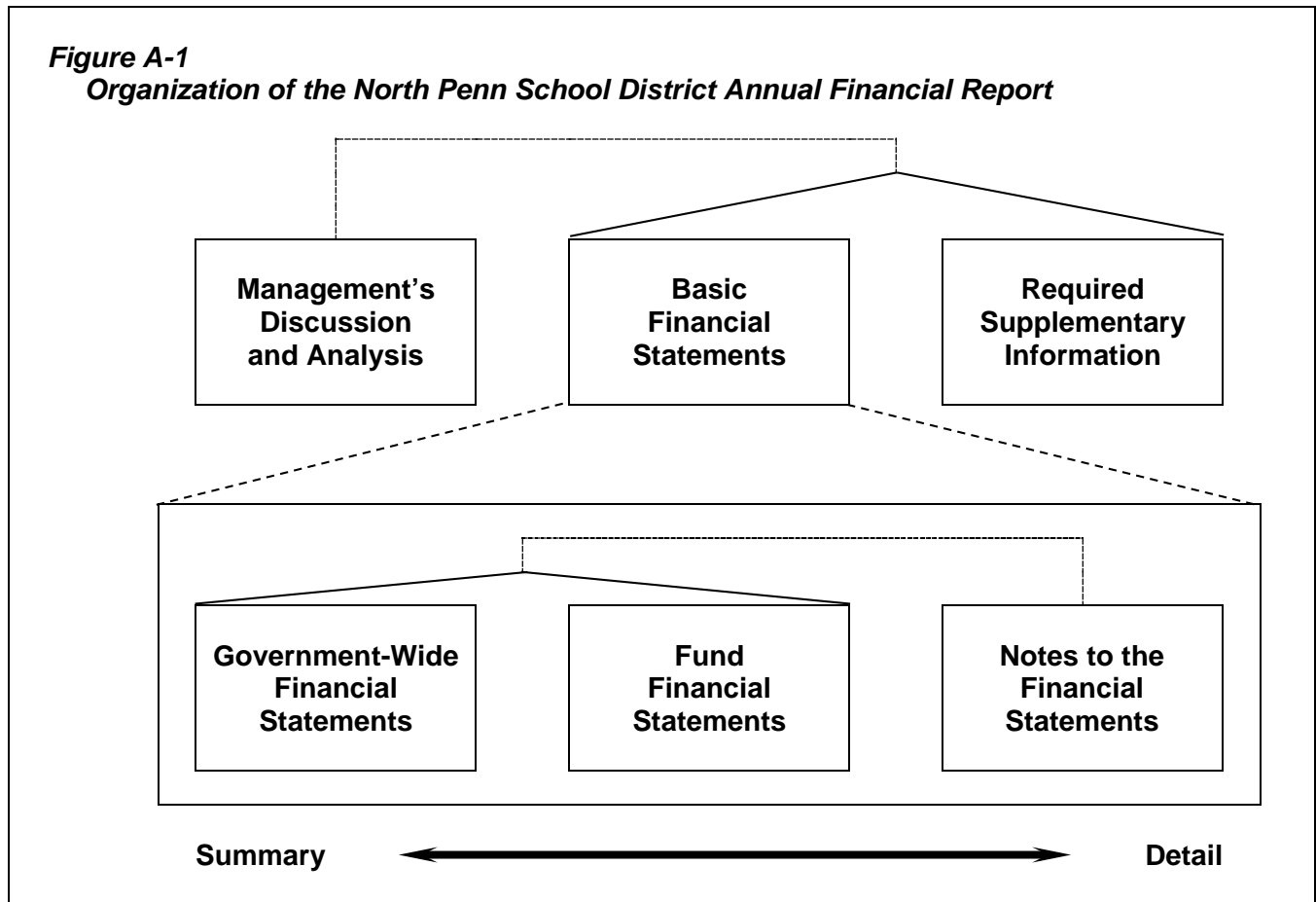
This annual report consists of three parts: management's discussion and analysis (this section), basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- 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, 2015**

---

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, 2015**

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</b>				
<b>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 assets</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 assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</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, 2015

---

**Government-Wide Statements**

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

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

- Over time, increases or decreases in the District's net position are an indication 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 and federal subsidies and grants 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.

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.

# NORTH PENN SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED JUNE 30, 2015

---

- **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 the District cannot use these assets to finance its operations.

### FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

- Total assets increased by \$22 million of the School District's governmental activities, mainly due to building renovations (construction in progress) resulting from a new bond issue. Net assets of the governmental activities decreased by \$323.7 million as a result of net pension liability of \$343.8 million as per GASB Statement No. 68. Net assets of the business-type activities decreased by \$8.9 million as a result of net pension liability of \$9.7 million as per GASB Statement No. 68 (Figure A-3).
- Program specific revenues in the form of charges for services and grants and contributions accounted for \$41.3 million or 18% of total revenues. General revenues accounted for \$192.3 million or 82% (Figure A-4).
- Governmental expenses totaled \$239.3 million of which \$141.7 million was spent on instructional services, \$63.4 million was spent on support services, \$2.9 million was spent on non-instructional services, \$14.0 million was spent for debt service payments and \$17.4 million was spent on facilities acquisition, construction, and improvement services.
- The North Penn Education Association (NPEA), an affiliation of the Pennsylvania State Education Teachers Association, represents the professional staff of the District. The District and NPEA have a two-year agreement that expires June 30, 2016.
- The North Penn Educational Support Personnel Association (NPESPA), an affiliation of the Pennsylvania State Education Teachers Association, represents part of the support staff of the District. The District and NPESPA have a three-year agreement that expires June 30, 2017.
- The District administrators have a three-year agreement with the Board of School Directors that expires June 30, 2016.

**NORTH PENN SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2015**

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

	Governmental Activities		Business-Type Activities		Total District		Total Percentage Change 2014-2015
	2014	2015	2014	2015	2014	2015	
Current and other assets	\$ 79.2	\$ 90.9	\$ 1.0	\$ 1.4	\$ 80.2	\$ 92.3	
Capital assets, net	169.5	179.8	0.1	0.2	169.6	180.0	
<b>TOTAL ASSETS</b>	<b>248.7</b>	<b>270.7</b>	<b>1.1</b>	<b>1.6</b>	<b>249.8</b>	<b>272.3</b>	<b>9.0%</b>
Deferred outflows of resources	1.1	35.7	-	1.0	1.1	36.7	3236.4%
Current and other liabilities	41.5	44.3	0.5	0.5	42.0	44.8	
Long-term liabilities	91.8	444.7	-	9.7	91.8	454.4	
<b>TOTAL LIABILITIES</b>	<b>133.3</b>	<b>489.0</b>	<b>0.5</b>	<b>10.2</b>	<b>133.8</b>	<b>499.2</b>	<b>273.1%</b>
Deferred inflows of resources	-	24.6	-	0.7	-	25.3	100.0%
Net investment in capital assets	77.9	82.3	0.1	0.2	78.0	82.5	
Unrestricted	38.6	(289.5)	0.5	(8.5)	39.1	(298.0)	
<b>TOTAL NET POSITION</b>	<b>\$ 116.5</b>	<b>\$ (207.2)</b>	<b>\$ 0.6</b>	<b>\$ (8.3)</b>	<b>\$ 117.1</b>	<b>\$ (215.5)</b>	<b>-284.0%</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 2014-2015
	2014	2015	2014	2015	2014	2015	
<b>REVENUES</b>							
Program revenues	\$ 31.3	\$ 33.3	\$ 7.6	\$ 8.0	\$ 38.9	\$ 41.3	
General revenues	187.2	192.3	-	-	187.2	192.3	
<b>TOTAL REVENUES</b>	<b>218.5</b>	<b>225.6</b>	<b>7.6</b>	<b>8.0</b>	<b>226.1</b>	<b>233.6</b>	<b>3.3%</b>
<b>EXPENSES</b>	<b>211.4</b>	<b>225.4</b>	<b>7.4</b>	<b>7.8</b>	<b>218.8</b>	<b>233.2</b>	<b>6.6%</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ 7.1</b>	<b>\$ 0.2</b>	<b>\$ 0.2</b>	<b>\$ 0.2</b>	<b>\$ 7.3</b>	<b>\$ 0.4</b>	<b>-94.5%</b>

**NORTH PENN SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2015

---

**Governmental Activities**

Governmental activities consist of the General Fund, Bond Funds and the Debt Service Fund. Total governmental assets increased by \$22 million and total liabilities increased by \$355.7 million due to the net pension liability of \$343.8 million. The District's Total Net Assets decreased by approximately \$323.7 million.

The District depends heavily on local taxes to fund the District's programs. For 2014-2015, local sources comprised 80.5% of total revenue, of which current real estate taxes were \$155.6 million, delinquent real estate taxes were \$3.0 million, transfer taxes were \$2.6 million and earned income taxes were \$16.4 million. Other revenue comes from state subsidies (18.1%) and federal grants and other sources (1.4%).

**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 \$8.0 million and expenses of approximately \$7.8 million, resulting in a \$213 thousand increase in net position 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 continued to stabilize and improve over the past year. Real estate tax collections remained strong, as did interim real estate taxes and earned income tax. In fact, earned income tax collections exceeded budget by over \$1.1 million. Interest income exceeded budget by \$10,500 despite low interest rates as a result of proactive investments. On the expenditure side, actual expenditures for the year were less than budgeted expenditures.

**NORTH PENN SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2015**

---

**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.

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 approximately 3,000 non-public students each year.

Regular improvements to the buildings of the District are ongoing. Hatfield Elementary School renovations were nearly finished as of June 30, 2015. Planning has commenced for Montgomery Elementary School renovations with an anticipated construction start date of May, 2016.

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

	Governmental Activities		Business-Type Activities		Total District		Total Percentage Change
	2014	2015	2014	2015	2014	2015	2014-2015
Land and site improvements	\$ 8.1	\$ 8.6	\$ -	\$ -	\$ 8.1	\$ 8.6	
Construction in progress	16.2	32.0	-	-	16.2	32.0	
Buildings	138.4	135.2	-	-	138.4	135.2	
Furniture and equipment	6.8	3.9	0.1	0.2	6.9	4.1	
	<u>\$ 169.5</u>	<u>\$ 179.7</u>	<u>\$ 0.1</u>	<u>\$ 0.2</u>	<u>\$ 169.6</u>	<u>\$ 179.9</u>	6.1%



**NORTH PENN SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED JUNE 30, 2015**

---

**Long-Term Obligations**

Long-term obligations increased by \$363 million, primarily due to the net pension liability being recorded for the first time as per GASB Statement No. 68. The short-term debt increased by \$400 thousand due to the schedule of bond, note and lease obligations (Note I). The District continues to pay down outstanding debt (Figure A-6).

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

	<u>2014</u>	<u>2015</u>	<u>Total Percentage Change 2014-2015</u>
LONG-TERM OBLIGATIONS			
General obligation bonds and notes	\$ 83.3	\$ 91.9	
Other general obligations	<u>8.5</u>	<u>362.6</u>	
TOTAL LONG-TERM OBLIGATIONS	<u>91.8</u>	<u>454.5</u>	
SHORT-TERM OBLIGATIONS			
General obligation bonds and notes	10.1	10.5	
Other general obligations	<u>0.8</u>	<u>0.8</u>	
TOTAL SHORT-TERM OBLIGATIONS	<u>10.9</u>	<u>11.3</u>	
 TOTAL	 <u>\$ 102.7</u>	 <u>\$ 465.8</u>	 -353.6%

**FACTORS BEARING ON THE DISTRICT'S FUTURE**

As the preceding information shows, the School District maintains a healthy investment in fixed assets to support and provide comprehensive educational services, considers future implications of current and ongoing financial obligations and prudently manages its financial assets. Academic performance is supported by regionally competitive per pupil spending. Balanced payment schedules on existing debt obligations should mean steady tax implications in the future.

Financial challenges face many school districts in the state of Pennsylvania and North Penn School District is not alone in this regard. With the passage of Act 1 of 2006, school districts are faced with a cap on the money that can be funded from a property tax increase. The cap is an inflationary index annually calculated by the Pennsylvania Department of Education (PDE). Act 1 does provide for some exceptions that permit districts to increase property taxes in excess of the cap. Exceptions are approved by the PDE. Limited tax relief arrived starting in the 2008-2009 fiscal year as the state distributed a portion of gambling revenue to offset real estate tax increases. The School District was fortunate to receive \$4,886,160 in the 2014-2015 fiscal year that offset property taxes for those property owners who qualified for the homestead exemption.

The 2014-2015 school year was another strong year financially for the North Penn School District. The District was able to make a \$2,258,391 transfer to the Capital Reserve Fund to support capital projects. Finally, the unassigned fund balance grew from \$17,755,761 to \$19,237,296. Total fund balances amounted to a fiscally healthy \$36,636,675.

**NORTH PENN SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2015

---

North Penn School District faces the common problem of escalating costs for employee benefits, particularly the medical benefit cost and the retirement expense of the PSERS system. The Affordable Healthcare Act may increase medical benefit costs as a result of the "Cadillac" tax. Each of these costs is established by outside influences and is not, in large part, a discretionary cost that can be controlled by the District.

North Penn School District has committed itself to educational and financial excellence. The District's system of budgeting and internal controls is well regarded and consistently followed. Continued diligence in all financial matters will be a key component of continued successful financial performance well into the future.

**CONTACTING THE SCHOOL DISTRICT FINANCIAL MANAGEMENT**

The financial report is designed to provide the citizens, taxpayers, parents, students, investors and creditors with a general overview of the School District's finances and to show the District's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Steve Skrocki, Director of Business Administration, North Penn School District, 401 East Hancock Street, Lansdale, PA 19446, 215-853-1010, skrocksb@npenn.org or visit the School District's website at [www.npenn.org](http://www.npenn.org).

**NORTH PENN SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Cash and cash equivalents	\$ 19,186,143	\$ 1,357,502	\$ 20,543,645
Restricted cash	5,003,741	-	5,003,741
Investments	53,965,323	218,269	54,183,592
Taxes receivable	2,653,494	-	2,653,494
Internal balances	369,457	(369,457)	-
Due from other governments	6,261,758	95,906	6,357,664
Other receivables	806,313	21,804	828,117
Inventories	287,993	108,392	396,385
Prepaid expenses	2,424,527	1,819	2,426,346
Capital assets, net of accumulated depreciation			
Land	8,431,732	-	8,431,732
Site improvements	177,441	-	177,441
Buildings and building improvements	135,221,453	-	135,221,453
Furniture and equipment	3,863,818	159,363	4,023,181
Construction in progress	32,022,826	-	32,022,826
<b>TOTAL ASSETS</b>	<b>270,676,019</b>	<b>1,593,598</b>	<b>272,269,617</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding, net of accumulated amortization	964,566	-	964,566
Deferred outflows of resources, pension activity	34,745,000	979,000	35,724,000
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>35,709,566</b>	<b>979,000</b>	<b>36,688,566</b>
<b>LIABILITIES</b>			
Accounts payable	8,236,490	133,068	8,369,558
Accrued salaries and benefits	23,391,014	33,932	23,424,946
Accrued interest	1,261,819	-	1,261,819
Due to agency funds	-	11,479	11,479
Unearned revenue	71,671	345,810	417,481
Long-term liabilities			
Portion due or payable within one year			
Bonds and note payable	10,480,000	-	10,480,000
Lease-purchase obligations	445,775	-	445,775
Compensated absences	205,103	-	205,103
Portion due or payable after one year			
Bonds and note payable	91,909,986	-	91,909,986
Lease-purchase obligations	559,385	-	559,385
Compensated absences	3,672,095	-	3,672,095
Net pension liability	343,811,000	9,686,001	353,497,001
Net OPEB obligation	4,995,235	-	4,995,235
<b>TOTAL LIABILITIES</b>	<b>489,039,573</b>	<b>10,210,290</b>	<b>499,249,863</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources, pension activity	24,579,000	691,999	25,270,999
<b>NET POSITION</b>			
Net investment in capital assets	82,290,431	159,363	82,449,794
Unrestricted	(289,523,419)	(8,489,054)	(298,012,473)
<b>TOTAL NET POSITION</b>	<b>\$ (207,232,988)</b>	<b>\$ (8,329,691)</b>	<b>\$ (215,562,679)</b>

*See accompanying notes to the basic financial statements.*

# NORTH PENN SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>GOVERNMENTAL ACTIVITIES</b>				
Instruction				
Regular programs	\$ 102,939,275	\$ -	\$ 9,174,869	\$ -
Special programs	41,483,245	-	2,995,286	-
Vocational education	3,494,085	-	-	-
Other instructional programs	560,843	59,205	11,957,240	-
Pre-kindergarten	2,300	-	-	-
Support services				
Pupil personnel services	9,067,430	-	1,408,331	-
Instructional staff services	6,262,323	-	458,731	-
Administration services	13,801,242	-	1,022,705	-
Pupil health services	2,960,492	-	534,346	-
Business services	2,957,587	-	150,357	-
Operation and maintenance of plant services	16,785,625	-	923,261	-
Student transportation services	15,442,659	-	3,386,328	-
Central services	2,211,167	-	155,107	-
Other services	366,030	-	-	-
Operation of non-instructional services				
Student activities	2,983,190	287,571	209,250	-
Community services	90,990	-	244	-
Facilities acquisition, construction and improvement				
	688,075	-	-	-
Interest on long-term debt				
	3,311,897	-	-	565,823
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>				
	<u>225,408,455</u>	<u>346,776</u>	<u>32,376,055</u>	<u>565,823</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
School nutrition services	5,140,746	2,851,329	2,405,090	-
Extended care	2,132,158	2,213,320	2,963	-
Community education	538,157	541,132	-	-
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>				
	<u>7,811,061</u>	<u>5,605,781</u>	<u>2,408,053</u>	<u>-</u>
<b>TOTAL SCHOOL DISTRICT ACTIVITIES</b>				
	<u>\$ 233,219,516</u>	<u>\$ 5,952,557</u>	<u>\$ 34,784,108</u>	<u>\$ 565,823</u>

### 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

#### TRANSFERS

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
\$ (93,764,406)	\$ -	\$ (93,764,406)
(38,487,959)	-	(38,487,959)
(3,494,085)	-	(3,494,085)
11,455,602	-	11,455,602
(2,300)	-	(2,300)
(7,659,099)	-	(7,659,099)
(5,803,592)	-	(5,803,592)
(12,778,537)	-	(12,778,537)
(2,426,146)	-	(2,426,146)
(2,807,230)	-	(2,807,230)
(15,862,364)	-	(15,862,364)
(12,056,331)	-	(12,056,331)
(2,056,060)	-	(2,056,060)
(366,030)	-	(366,030)
(2,486,369)	-	(2,486,369)
(90,746)	-	(90,746)
(688,075)	-	(688,075)
(2,746,074)	-	(2,746,074)
<u>(192,119,801)</u>	<u>-</u>	<u>(192,119,801)</u>
-	115,673	115,673
-	84,125	84,125
-	2,975	2,975
<u>-</u>	<u>202,773</u>	<u>202,773</u>
<u>(192,119,801)</u>	<u>202,773</u>	<u>(191,917,028)</u>
161,240,507	-	161,240,507
212,371	-	212,371
16,440,290	-	16,440,290
13,828,047	-	13,828,047
251,965	2,887	254,852
162,694	-	162,694
33,600	2,013	35,613
169,640	5,376	175,016
(31,443)	-	(31,443)
<u>192,307,671</u>	<u>10,276</u>	<u>192,317,947</u>
187,870	213,049	400,919
<u>(207,420,858)</u>	<u>(8,542,740)</u>	<u>(215,963,598)</u>
<u>\$ (207,232,988)</u>	<u>\$ (8,329,691)</u>	<u>\$ (215,562,679)</u>

**NORTH PENN SCHOOL DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2015**

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 11,284,583	\$ 1,347,999	\$ 451,326	\$ 13,083,908
Restricted cash	-	5,003,741	-	5,003,741
Investments	48,306,317	-	5,659,006	53,965,323
Taxes receivable	2,653,494	-	-	2,653,494
Due from other funds	393,882	2,258,391	-	2,652,273
Due from other governments	6,261,758	-	-	6,261,758
Other receivables	300,589	-	-	300,589
Inventories	287,993	-	-	287,993
Prepaid items	5,199	-	-	5,199
<b>TOTAL ASSETS</b>	<u>\$ 69,493,815</u>	<u>\$ 8,610,131</u>	<u>\$ 6,110,332</u>	<u>\$ 84,214,278</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 7,043,832	\$ 326,967	\$ 801,495	\$ 8,172,294
Due to other funds	2,282,770	-	-	2,282,770
Unearned revenue	71,671	-	-	71,671
Accrued salaries and benefits	21,105,122	-	-	21,105,122
<b>TOTAL LIABILITIES</b>	<u>30,503,395</u>	<u>326,967</u>	<u>801,495</u>	<u>31,631,857</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue, property taxes	2,353,745	-	-	2,353,745
<b>FUND BALANCES</b>				
Nonspendable for				
Inventory	287,993	-	-	287,993
Prepaid items	5,199	-	-	5,199
Restricted for capital projects	-	-	5,308,837	5,308,837
Committed to				
Capital projects	-	8,283,164	-	8,283,164
Future retirement rate increase	14,406,187	-	-	14,406,187
Assigned to				
Self-funded insurance	2,700,000	-	-	2,700,000
Unassigned	19,237,296	-	-	19,237,296
<b>TOTAL FUND BALANCES</b>	<u>36,636,675</u>	<u>8,283,164</u>	<u>5,308,837</u>	<u>50,228,676</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 69,493,815</u>	<u>\$ 8,610,131</u>	<u>\$ 6,110,332</u>	<u>\$ 84,214,278</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, 2015**

---

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 50,228,676
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. These assets consist of:</p>	
Land	8,431,732
Site improvements	177,441
Buildings and building improvements	135,221,453
Furniture and equipment	3,863,818
Construction in progress	32,022,826
<p>Deferred charges used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:</p>	
Deferred charges	1,422,175
Accumulated amortization	(457,609)
<p>Deferred inflows and outflows of resources related to pension activities are not financial resources and therefore, not reported in the governmental funds</p>	
	10,166,000
<p>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.</p>	
	6,677,153
<p>Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:</p>	
Accrued interest	(1,261,819)
Bonds and notes payable	(102,389,986)
Lease-purchase obligations	(1,005,160)
Compensated absences	(3,877,198)
Net pension liability	(343,811,000)
Net OPEB obligation	(4,995,235)
<p>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.</p>	
	<u>2,353,745</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (207,232,988)</u>

*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, 2015**

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Local sources	\$ 181,532,292	\$ 5,995	\$ 8,311	\$ 181,546,598
State sources	40,848,095	-	-	40,848,095
Federal sources	3,192,351	-	-	3,192,351
<b>TOTAL REVENUES</b>	<u>225,572,738</u>	<u>5,995</u>	<u>8,311</u>	<u>225,587,044</u>
<b>EXPENDITURES</b>				
Instruction	141,718,105	-	-	141,718,105
Support services	63,069,144	248,477	113,455	63,431,076
Operation of non-instructional services	2,854,087	-	-	2,854,087
Facilities acquisition, construction and improvement services	1,157,325	1,193,272	15,004,429	17,355,026
Debt service	13,882,026	-	95,510	13,977,536
<b>TOTAL EXPENDITURES</b>	<u>222,680,687</u>	<u>1,441,749</u>	<u>15,213,394</u>	<u>239,335,830</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>2,892,051</u>	<u>(1,435,754)</u>	<u>(15,205,083)</u>	<u>(13,748,786)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond issue proceeds	-	-	19,945,000	19,945,000
Proceeds from capital lease	934,540	-	-	934,540
Bond discount	-	-	(31,645)	(31,645)
Bond premium	-	-	-	-
Proceeds from sale of capital assets	33,600	-	-	33,600
Transfers in	-	2,258,391	-	2,258,391
Transfers out	(5,289,834)	-	-	(5,289,834)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(4,321,694)</u>	<u>2,258,391</u>	<u>19,913,355</u>	<u>17,850,052</u>
<b>NET CHANGE IN FUND BALANCES</b>	(1,429,643)	822,637	4,708,272	4,101,266
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>38,066,318</u>	<u>7,460,527</u>	<u>600,565</u>	<u>46,127,410</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 36,636,675</u>	<u>\$ 8,283,164</u>	<u>\$ 5,308,837</u>	<u>\$ 50,228,676</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, 2015**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 4,101,266
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 (\$19,227,989) exceeded depreciation (\$9,010,614) in the current period.	10,217,375
Deferred charges are reported in Governmental Funds as expenditures and premiums are reported as revenues. 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.	740,733
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 increased by this amount this year.	4,974
Borrowing of long-term debt is a revenue in the Governmental Funds but increases long-term liabilities in the statement of net assets. This is the amount of capital leases entered into during the year.	(934,540)
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.	(19,976,645)
Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position.	10,050,000
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	(61,804)
Repayment of capital lease principal is an expenditure in Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position.	815,716
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).	(64,605)
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.	(9,724,000)
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.	(387,568)
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.	5,406,968
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>187,870</u>

*See accompanying notes to the basic financial statements.*

**NORTH PENN SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2015**

	Business-Type Activities				Governmental Activities
	Enterprise Funds				
	School Nutrition Services Fund	Extended Care Fund	Community Education Fund	Total Enterprise Funds	
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ 466,377	\$ 539,054	\$ 352,071	\$ 1,357,502	\$ 6,102,235
Investments	218,269	-	-	218,269	-
Due from other funds	15,435	-	-	15,435	-
Due from other governments	95,906	-	-	95,906	-
Other receivables	5,969	12,790	3,045	21,804	505,724
Inventories	108,392	-	-	108,392	-
Prepaid expenses	-	1,819	-	1,819	2,419,328
<b>TOTAL CURRENT ASSETS</b>	<b>910,348</b>	<b>553,663</b>	<b>355,116</b>	<b>1,819,127</b>	<b>9,027,287</b>
<b>CAPITAL ASSETS</b>					
Furniture and equipment	1,401,763	-	26,793	1,428,556	-
Accumulated depreciation	(1,268,301)	-	(892)	(1,269,193)	-
<b>TOTAL CAPITAL ASSETS</b>	<b>133,462</b>	<b>-</b>	<b>25,901</b>	<b>159,363</b>	<b>-</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred outflows of resources, pension activity	525,230	378,737	75,033	979,000	-
<b>LIABILITIES AND NET POSITION</b>					
<b>CURRENT LIABILITIES</b>					
Due to other funds	227,149	142,119	27,103	396,371	46
Accounts payable	120,765	501	11,802	133,068	64,196
Accrued salaries and benefits	5,809	23,522	4,601	33,932	2,285,892
Unearned revenue	128,857	130,595	86,358	345,810	-
Long-term liabilities					
Net pension liability	5,196,504	3,747,139	742,358	9,686,001	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>5,679,084</b>	<b>4,043,876</b>	<b>872,222</b>	<b>10,595,182</b>	<b>2,350,134</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows of resources, pension activity	371,255	267,708	53,036	691,999	-
<b>NET POSITION</b>					
Net investment in capital assets	133,462	-	25,901	159,363	-
Unrestricted	(4,614,761)	(3,379,184)	(495,109)	(8,489,054)	6,677,153
<b>TOTAL NET POSITION</b>	<b>\$ (4,481,299)</b>	<b>\$ (3,379,184)</b>	<b>\$ (469,208)</b>	<b>\$ (8,329,691)</b>	<b>\$ 6,677,153</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, 2015**

	Business-Type Activities				Governmental Activities
	Enterprise Funds				
	School Nutrition Services Fund	Extended Care Fund	Community Education Fund	Total Enterprise Funds	
OPERATING REVENUES					
Charges for services	\$ 2,851,329	\$ 2,213,320	\$ 541,132	\$ 5,605,781	\$ -
Premiums transferred from General Fund	-	-	-	-	31,334,894
Other	3,152	2,224	-	5,376	-
<b>TOTAL OPERATING REVENUES</b>	<b>2,854,481</b>	<b>2,215,544</b>	<b>541,132</b>	<b>5,611,157</b>	<b>31,334,894</b>
OPERATING EXPENSES					
Salaries	1,753,747	1,251,769	251,858	3,257,374	-
Employee benefits	1,099,142	720,270	95,067	1,914,479	28,930,076
Purchased professional and technical service	8,162	2,951	91,331	102,444	-
Purchased property service	18,107	-	5,228	23,335	-
Other purchased service	5,046	14,724	41,570	61,340	-
Supplies	2,235,368	138,554	36,815	2,410,737	-
Depreciation	18,725	-	892	19,617	-
Other operating expenses	2,449	3,890	15,396	21,735	-
<b>TOTAL OPERATING EXPENSES</b>	<b>5,140,746</b>	<b>2,132,158</b>	<b>538,157</b>	<b>7,811,061</b>	<b>28,930,076</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(2,286,265)</b>	<b>83,386</b>	<b>2,975</b>	<b>(2,199,904)</b>	<b>2,404,818</b>
NONOPERATING REVENUES					
Investment income	1,080	1,130	677	2,887	2,150
Gain on sale of assets	2,013	-	-	2,013	-
State sources	178,708	2,963	-	181,671	-
Federal sources	2,226,382	-	-	2,226,382	-
<b>TOTAL NONOPERATING REVENUES</b>	<b>2,408,183</b>	<b>4,093</b>	<b>677</b>	<b>2,412,953</b>	<b>2,150</b>
<b>INCOME BEFORE TRANSFERS</b>	<b>121,918</b>	<b>87,479</b>	<b>3,652</b>	<b>213,049</b>	<b>2,406,968</b>
TRANSFERS IN	-	-	-	-	3,000,000
<b>CHANGE IN NET POSITION</b>	<b>121,918</b>	<b>87,479</b>	<b>3,652</b>	<b>213,049</b>	<b>5,406,968</b>
NET POSITION AT BEGINNING OF YEAR, restated	(4,603,217)	(3,466,663)	(472,860)	(8,542,740)	1,270,185
<b>NET POSITION AT END OF YEAR</b>	<b>\$ (4,481,299)</b>	<b>\$ (3,379,184)</b>	<b>\$ (469,208)</b>	<b>\$ (8,329,691)</b>	<b>\$ 6,677,153</b>

See accompanying notes to the basic financial statements.

**NORTH PENN SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2015**

	Business-Type Activities				Governmental
	Enterprise Funds				Activities
	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	\$ 2,879,872	\$ 2,214,237	\$ 539,042	\$ 5,633,151	\$ -
Premiums transferred from General Fund	-	-	-	-	31,334,894
Payments to employees	(2,662,011)	(1,823,709)	(319,987)	(4,805,707)	-
Payments to suppliers	(1,992,590)	(154,129)	(183,599)	(2,330,318)	(29,153,331)
Payments to other governments	(63,315)	(45,570)	(3,442)	(112,327)	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>(1,838,044)</u>	<u>190,829</u>	<u>32,014</u>	<u>(1,615,201)</u>	<u>2,181,563</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Facility acquisition, construction and improvements	(52,653)	-	(26,793)	(79,446)	-
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Federal sources	1,978,270	-	-	1,978,270	-
State sources	181,214	2,963	-	184,177	-
Other sources	-	-	-	-	3,000,000
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>2,159,484</u>	<u>2,963</u>	<u>-</u>	<u>2,162,447</u>	<u>3,000,000</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of investments	(217,907)	-	-	(217,907)	-
Earnings on investments	1,080	1,130	677	2,887	2,150
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>(216,827)</u>	<u>1,130</u>	<u>677</u>	<u>(215,020)</u>	<u>2,150</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	51,960	194,922	5,898	252,780	5,183,713
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>414,417</u>	<u>344,132</u>	<u>346,173</u>	<u>1,104,722</u>	<u>918,522</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 466,377</u>	<u>\$ 539,054</u>	<u>\$ 352,071</u>	<u>\$ 1,357,502</u>	<u>\$ 6,102,235</u>

**NORTH PENN SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2015**

	Business-Type Activities				Governmental
	Enterprise Funds				Activities
	School Nutrition Services Fund	Extended Care Fund	Community Education Fund	Total Enterprise Funds	Internal Service Fund Self-Insurance Fund
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	\$ (2,286,265)	\$ 83,386	\$ 2,975	\$ (2,199,904)	\$ 2,404,818
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	18,725	-	892	19,617	-
Donated foods	269,088	-	-	269,088	-
Pension expense	147,000	106,000	21,000	274,000	-
(Increase) decrease in					
Due from other funds	(15,435)	-	-	(15,435)	-
Other receivables	16,697	(7,830)	906	9,773	(341,807)
Inventories	9,489	-	-	9,489	-
Prepaid expenses	-	(637)	-	(637)	2,154,289
Other assets	-	-	-	-	-
Increase (decrease) in					
Due to other funds	(9,152)	6,125	3,091	64	-
Accounts payable	22,552	502	3,650	26,704	(53,851)
Accrued salaries and benefits	(19,437)	(3,240)	2,496	(20,181)	(1,981,886)
Unearned revenue	8,694	6,523	(2,996)	12,221	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ (1,838,044)</b>	<b>\$ 190,829</b>	<b>\$ 32,014</b>	<b>\$ (1,615,201)</b>	<b>\$ 2,181,563</b>
SUPPLEMENTAL DISCLOSURES					
Noncash activities					
Donated foods	\$ 269,088	\$ -	\$ -	\$ 269,088	\$ -

See accompanying notes to the basic financial statements.

**NORTH PENN SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2015**

	<u>Scholarship Trust Funds</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 227,580	\$ 397,200
Investments	282,221	-
Accounts receivable	-	1,000
Due from others	-	<u>11,679</u>
TOTAL ASSETS	509,801	<u>\$ 409,879</u>
<b>LIABILITIES</b>		
Accounts payable	84,080	\$ 409,679
Due to others	-	<u>200</u>
TOTAL LIABILITIES	<u>84,080</u>	<u>\$ 409,879</u>
<b>NET POSITION</b>		
Held in trust for benefits and other purposes	<u>\$ 425,721</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, 2015

---

	<u>Scholarship Trust Funds</u>
ADDITIONS	
Contributions	\$ 283,282
Investment earnings	<u>11,503</u>
TOTAL ADDITIONS	294,785
DEDUCTIONS	
Scholarships awarded and fees paid	<u>5,447</u>
CHANGE IN NET POSITION	289,338
NET POSITION AT BEGINNING OF YEAR	<u>136,383</u>
NET POSITION AT END OF YEAR	<u>\$ 425,721</u>

*See accompanying notes to the basic financial statements.*

**NORTH PENN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

---

**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, 2015**

---

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

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

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

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

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

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

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, 2015**

---

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

Proprietary Funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with 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.

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

***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.

**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.

**NORTH PENN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

---

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

**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.

**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.

**NORTH PENN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

---

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

**Long-Term Obligations**

In the government-wide financial statements and Proprietary Fund Types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, 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.

**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.

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

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has only two items that qualify for reporting in this category. They are the deferred charge on refunding reported in the government-wide statement of net position and the deferred outflow related to pension activity, reported in the government-wide statement of net position and the proprietary fund statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition prices. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflow related to pension activity is the result of changes in the School District's proportionate share of the total plan from year to year, the difference between actual employer contributions and the School District's proportionate share of total contributions, and actual contributions subsequent to the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has two items that qualify for reporting in this category. The first item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. The second item, deferred inflows related to pension activity, are reported in the government-wide statement of net position and the proprietary fund statement of net position. The deferred inflow related to pension activity is the result of differences between projected and actual investment earnings. 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.

**NORTH PENN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

---

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

**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. Additional amounts have been committed for future capital projects.
- ***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.
- ***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 18). 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.

**NORTH PENN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

---

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

**Use of Estimates**

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

**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. Of the bank balance, \$732,665 was covered by federal depository insurance. As of June 30, 2015, \$21,958,285 of the School District's bank balance of \$22,690,950 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>21,958,285</u>
---	----------------------

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

**Investments**

As of June 30, 2015, 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	\$ 24,183,455	\$ 24,183,455
Mutual funds	5,003,741	5,003,741
Certificates of deposit	<u>30,000,137</u>	<u>30,000,137</u>
	<u>\$ 59,187,333</u>	<u>\$ 59,187,333</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.



**NORTH PENN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

---

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

The School District's investment policy does not further limit its investment choices. As of June 30, 2015, 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.

**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, 2015, 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.

**NORTH PENN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

---

**NOTE D - RECEIVABLES (Continued)**

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	\$ 2,625,482	\$ -	\$ -	\$ -
Earned income taxes	28,012	-	-	-
Federal subsidies	1,063,956	88,880	-	-
State subsidies	5,197,802	7,026	-	-
Other revenue	<u>300,589</u>	<u>5,969</u>	<u>12,790</u>	<u>3,045</u>
	<u>\$ 9,215,841</u>	<u>\$ 101,875</u>	<u>\$ 12,790</u>	<u>\$ 3,045</u>

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

The composition of interfund balances as of June 30, 2015, 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	\$ 227,055
General Fund	Community Education Fund	24,463
General Fund	Extended Care Fund	142,119
General Fund	Self-Insurance Fund	46
Other Governmental Funds	General Fund	2,258,146
School Nutrition Services Fund	General Fund	<u>15,435</u>
		<u>2,667,264</u>
Agency Funds	General Fund	8,701
Agency Funds	School Nutrition Services Fund	138
Agency Funds	Community Education Fund	<u>2,640</u>
		<u>11,479</u>
		<u>\$ 2,678,743</u>

**NORTH PENN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

---

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

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>
Capital Reserve Fund	General Fund	\$ 2,258,391
Self-Insurance Fund	General Fund	3,000,000
Agency Funds	General Fund	<u>31,443</u>
		<u>\$ 5,289,834</u>

The Board approved a transfer from the General Fund to the Capital Reserve Fund. In addition, the School District made a transfer from the General Fund to the Self-Insurance Fund to fund insurance premiums.

**NORTH PENN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE F - CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

	Balance June 30, 2014	Additions/ Reclasses	Deletions/ Reclasses	Balance June 30, 2015
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 8,006,732	\$ 425,000	\$ -	\$ 8,431,732
Construction in progress	16,222,376	16,689,320	(888,870)	32,022,826
<b>TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED</b>	<b>24,229,108</b>	<b>17,114,320</b>	<b>(888,870)</b>	<b>40,454,558</b>
Capital assets being depreciated				
Site improvements	238,726	118,308	-	357,034
Buildings and building improvements	230,234,365	1,168,058	-	231,402,423
Furniture and equipment	27,710,645	1,716,173	(653,056)	28,773,762
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED</b>	<b>258,183,736</b>	<b>3,002,539</b>	<b>(653,056)</b>	<b>260,533,219</b>
Accumulated depreciation				
Site improvements	(167,566)	(12,027)	-	(179,593)
Buildings and building improvements	(91,846,485)	(4,334,485)	-	(96,180,970)
Furniture and equipment	(20,898,898)	(4,664,102)	653,056	(24,909,944)
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<b>(112,912,949)</b>	<b>(9,010,614)</b>	<b>653,056</b>	<b>(121,270,507)</b>
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED, net</b>	<b>145,270,787</b>	<b>(6,008,075)</b>	<b>-</b>	<b>139,262,712</b>
<b>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net</b>	<b>169,499,895</b>	<b>11,106,245</b>	<b>(888,870)</b>	<b>179,717,270</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets being depreciated				
Furniture and equipment	1,360,297	81,459	(13,200)	1,428,556
Accumulated depreciation	(1,262,776)	(19,617)	13,200	(1,269,193)
<b>BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net</b>	<b>97,521</b>	<b>61,842</b>	<b>-</b>	<b>159,363</b>
<b>CAPITAL ASSETS, net</b>	<b>\$ 169,597,416</b>	<b>\$ 11,168,087</b>	<b>\$ (888,870)</b>	<b>\$ 179,876,633</b>

**NORTH PENN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

---

**NOTE F - CAPITAL ASSETS (Continued)**

Depreciation expense was charged to governmental functions as follows:

<b>INSTRUCTION</b>	
Regular programs	\$ 4,478,483
Special programs	823,291
Other instructional programs	317,133
<b>SUPPORT SERVICES</b>	
Pupil personnel services	107,854
Instructional staff services	55,562
Administration services	359,132
Pupil health services	53,405
Business services	81,215
Operation and maintenance of plant services	840,893
Student transportation services	1,463,959
Central and other services	398,323
<b>OPERATION OF NON-INSTRUCTIONAL SERVICES</b>	
Student activities	<u>31,364</u>
	<u>\$ 9,010,614</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	\$ 2,762,125
Buses	<u>1,977,027</u>
	4,739,152
Accumulated depreciation	<u>(2,917,858)</u>
	<u>\$ 1,821,294</u>

**NORTH PENN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

---

**NOTE G - LEASES (Continued)**

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2015, were as follows:

<u>Year Ending June 30,</u>		
2016	\$	455,183
2017		191,039
2018		191,039
2019		191,039
		<u>1,028,300</u>
Amount representing interest		<u>(23,140)</u>
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	\$	<u><u>1,005,160</u></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, 2015, the outstanding balance of general obligation bonds and note issued was \$98,405,000.

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>
2016	\$ 10,480,000	\$ 3,719,849
2017	11,000,000	3,199,614
2018	11,535,000	2,770,189
2019	12,135,000	2,337,034
2020	12,475,000	1,765,992
2020 to 2025	<u>40,780,000</u>	<u>2,792,569</u>
	<u>\$ 98,405,000</u>	<u>\$ 16,585,247</u>

**NORTH PENN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

---

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

Long-term liability activity for the year ended June 30, 2015, 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
Series of 2014	2.00%-4.00%	3/1/2024
Series of 2015	1.50%-4.00%	3/1/2025
Deferred amounts		
Issuance premiums/discounts		
<b>TOTAL GENERAL OBLIGATION BONDS AND NOTE</b>		
CAPITAL LEASES		
COMPENSATED ABSENCES		
NET OPEB OBLIGATION		
NET PENSION LIABILITY		
<b>TOTAL LONG-TERM LIABILITIES</b>		

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, 2015, the School District has defeased debt outstanding of \$15,840,000.

<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
\$ 65,000	\$ -	\$ (65,000)	\$ -	\$ -
17,160,000	-	(4,140,000)	13,020,000	4,285,000
6,930,000	-	(2,195,000)	4,735,000	2,310,000
18,340,000	-	(1,325,000)	17,015,000	1,375,000
18,155,000	-	(2,315,000)	15,840,000	2,485,000
17,915,000	-	(5,000)	17,910,000	5,000
9,945,000	-	(5,000)	9,940,000	5,000
-	9,995,000	-	9,995,000	10,000
-	9,950,000	-	9,950,000	5,000
<u>88,510,000</u>	<u>19,945,000</u>	<u>(10,050,000)</u>	<u>98,405,000</u>	<u>10,480,000</u>
<u>4,795,658</u>	<u>31,645</u>	<u>(842,317)</u>	<u>3,984,986</u>	<u>-</u>
93,305,658	19,976,645	(10,892,317)	102,389,986	10,480,000
886,336	934,540	(815,716)	1,005,160	445,775
3,812,593	142,836	(78,231)	3,877,198	205,103
4,607,667	925,664	(538,096)	4,995,235	-
<u>351,070,000</u>	<u>33,778,000</u>	<u>(31,351,000)</u>	<u>353,497,000</u>	<u>-</u>
<u>\$ 453,682,254</u>	<u>\$ 55,757,685</u>	<u>\$ (43,675,360)</u>	<u>\$ 465,764,579</u>	<u>\$ 11,130,878</u>



**NORTH PENN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

---

**NOTE K - UNEARNED REVENUE**

**General Fund**

Program grants received prior to the incurrence of qualifying expenditures are recorded as deferred revenue. At June 30, 2015, unearned revenue consisted of \$71,671, which represents funds received to be used for future expenditures.

**School Nutrition Services Fund**

Unearned revenue of \$128,857 in the School Nutrition Services Fund represents the carryover of student deposits.

**Extended Care Fund**

Unearned revenue of \$130,595 represents deposits received for 2015-2016 school year programs.

**Community Education Fund**

Unearned revenue of \$86,358 represents deposits received for 2015-2016 school year programs.

**NOTE L - PENSIONS**

**Summary of Significant Accounting Policies**

**Pensions** - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**General Information About the Pension Plan**

**Plan Description** - PSERS is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at [www.psers.state.pa.us](http://www.psers.state.pa.us).

**NORTH PENN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

---

**NOTE L - PENSIONS (Continued)**

**Benefits Provided** - PSERS provides retirement, disability and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum three years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending on membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (ten years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

**NORTH PENN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

---

**NOTE L - PENSIONS (Continued)**

***Contributions***

**Members 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 services 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 Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and the Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

**Employer Contributions**

The School District's contractually required contribution rate for the fiscal year ended June 30, 2015, was 20.50% of covered payroll, actuarially determined as an amount that, when combined with employee contributions is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the plan from the School District were \$23,825,000 for the year ended June 30, 2015.

**NORTH PENN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

---

**NOTE L - PENSIONS (Continued)**

**Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2015, the School District reported a liability of \$353,497,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2013 to June 30, 2014. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2014, the School District's proportion was 0.8931%, which was an increase of 0.0355% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the School District recognized pension expense of \$33,823,000. At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<b>Governmental Activities:</b>		
Net difference between projected and actual investment earnings	\$ -	\$ 24,579,000
Changes in proportions	11,390,000	-
Difference between employer contributions and proportionate share of total contributions	183,000	-
Contributions subsequent to the measurement date	<u>23,172,000</u>	<u>-</u>
	<u>\$ 34,745,000</u>	<u>\$ 24,579,000</u>
<b>Business-Type Activities:</b>		
Net difference between projected and actual investment earnings	\$ -	\$ 692,000
Changes in proportions	321,000	-
Difference between employer contributions and proportionate share of total contributions	5,000	-
Contributions subsequent to the measurement date	<u>653,000</u>	<u>-</u>
	<u>\$ 979,000</u>	<u>\$ 692,000</u>

**NORTH PENN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

---

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

\$23,825,000 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the new pension liability in the year ended June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending  
June 30,

**Governmental Activities:**

2016	\$ (3,356,000)
2017	(3,356,000)
2018	(3,356,000)
2019	(3,356,000)
2020	<u>419,000</u>
	<u>\$ (13,005,000)</u>

**Business-Type Activities:**

2016	\$ (95,000)
2017	(95,000)
2018	(95,000)
2019	(95,000)
2020	<u>13,000</u>
	<u>\$ (367,000)</u>

**Actuarial Assumptions** - The total pension liability as of June 30, 2014, was determined by rolling forward the System's total pension liability as of the June 30, 2013 actuarial valuation to June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

- **Actuarial Cost Method** - Entry Age Normal - level % of pay
- **Investment Return** - 7.5%, includes inflation at 3.00%
- **Salary Increases** - Effective average of 5.50%, which reflects an allowance for inflation of 3.00, real wage growth of 1% and merit or seniority increases of 1.50%
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Table (male and female) with age set back three years for both males and females. For disabled annuitants, the RP-2000 Combined Disabled Tables (male and female) with age set back seven years for males and three years for females.

**NORTH PENN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

---

**NOTE L - PENSIONS (Continued)**

The actuarial assumptions used in the June 30, 2013 valuation were based on the experience study that was performed for the five-year period ending June 30, 2010. The recommended assumption changes based on this experience study were adopted by the Board at its March 11, 2011 Board meeting and were effective beginning with the June 30, 2011 actuarial valuation.

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public markets global equity	19%	5.0%
Private markets (equity)	21%	6.5%
Private real estate	13%	4.7%
Global fixed income	8%	2.0%
U.S. long treasuries	3%	1.4%
TIPS	12%	1.2%
High yield bonds	6%	1.7%
Cash	3%	0.9%
Absolute return	10%	4.8%
Risk parity	5%	3.9%
MLPs/Infrastructure	3%	5.3%
Commodities	6%	3.3%
Financing (LIBOR)	(9%)	1.1%
	<u>100%</u>	

**NORTH PENN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

---

**NOTE L - PENSIONS (Continued)**

**Discount Rate** - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following presents the net pension liability, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
School District's proportionate share of the net pension liability	\$ <u>440,937,000</u>	\$ <u>353,497,000</u>	\$ <u>278,845,000</u>

**Pension Plan Fiduciary Net Position** - Detailed information about PSERS's fiduciary net position is available in the PSERS Comprehensive Annual Financial Report which can be found on the System's website at [www.psers.state.pa.us](http://www.psers.state.pa.us).

**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 \$1,407,129 at June 30, 2015, 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 \$2,465,882 at June 30, 2015, is recorded in compensated absences on the statement of net position.

In addition, included in this balance is \$4,187 of future payments related to obligations under the School District's Early Retirement Incentive Plan.

**NORTH PENN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

---

**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.

**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	\$ 533,221
Amortization of unfunded actuarial accrued liability	<u>467,970</u>
ANNUAL REQUIRED CONTRIBUTION (ARC)	1,001,191
Interest on net OPEB obligation	207,345
Adjustment to ARC	<u>(282,872)</u>
ANNUAL OPEB EXPENSE	925,664
Net OPEB contributions during the year	<u>(538,096)</u>
INCREASE IN NET OPEB OBLIGATION	387,568
Net OPEB obligation at beginning of year	<u>4,607,667</u>
 NET OPEB OBLIGATION AT END OF YEAR	 <u>\$ 4,995,235</u>



**NORTH PENN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

---

**NOTE N - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)**

<u>Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2013	1,003,108	55.9%	4,162,888
2014	932,955	52.3%	4,607,667
2015	925,664	58.1%	4,995,235

**Funded Status and Funding Progress**

According to the actuarial report dated July 1, 2013, the actuarial accrued liability for benefits was \$7,622,722 and the actuarial value of assets was \$0 as of June 30, 2015, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$121,946,089, and the ratio of the UAAL to the covered payroll was 6.25%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information on page 61, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Methods and Assumptions**

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

In the July 1, 2013 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 7.0% initially, reduced by decrements of .5% to an ultimate rate of 5.5% in 2016. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2015, was 29 years.

**NORTH PENN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

---

**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.

**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 2014-2015 was \$3,494,085.

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.

**NORTH PENN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

---

**NOTE Q - JOINT VENTURE (Continued)**

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>	
2016	\$ 177,485
2017	184,400
2018	189,010
2019	195,925
2020	200,535
2021-2025	1,120,230
2026-2030	1,364,560
2031	<u>306,565</u>
	<u>\$ 3,738,710</u>

**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 was \$108,392 in donated foods in the Proprietary Fund's inventory balance at June 30, 2015.

**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 \$2,419,328. 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.

**NORTH PENN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

---

**NOTE T - PRIOR PERIOD ADJUSTMENT**

The School District implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27, effective July 1, 2014.

The objective of GASB Statement No. 68 is to improve accounting and financial reporting by state and local governments for pension plans. GASB Statement No. 68 states that local governments have to record their share of the Public School Employees' Retirement System (PSERS) unfunded liability.

For the government-wide governmental activities, the School District has treated their proportionate share of beginning of year net pension liability of \$341,476,376 and beginning of year deferred outflows of resources of \$17,555,376 as having been recognized in the period incurred. The School District has adjusted beginning net position for the governmental activities from \$116,500,142 to (\$207,420,858).

For the proprietary fund food service fund and the government-wide business-type activities, the School District has treated their proportionate share of beginning of year net pension liability of \$9,593,624 and beginning of year deferred outflows of resources of \$468,624 as having been recognized in the period incurred. The School District has adjusted beginning net position for the proprietary funds and for the business-type activities as follows:

	<u>Originally Reported</u>	<u>Adjustment</u>	<u>Restated</u>
Food Service Fund	\$ 292,312	\$ (4,895,529)	\$ (4,603,217)
Extended Care Fund	\$ 63,446	\$ (3,530,109)	\$ (3,466,663)
Community Education Fund	\$ 226,502	\$ (699,362)	\$ (472,860)
Business-Type Activities	\$ 582,260	\$ (9,125,000)	\$ (8,542,740)

## **REQUIRED SUPPLEMENTARY INFORMATION**

**NORTH PENN SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local sources	\$ 176,145,807	\$ 176,145,807	\$ 181,532,292	\$ 5,386,485
State sources	41,446,400	41,446,400	40,848,095	(598,305)
Federal sources	5,485,717	5,485,717	3,192,351	(2,293,366)
<b>TOTAL REVENUES</b>	<b>223,077,924</b>	<b>223,077,924</b>	<b>225,572,738</b>	<b>2,494,814</b>
<b>EXPENDITURES</b>				
Instruction	144,069,681	142,913,649	141,718,105	1,195,544
Support services	65,072,742	65,931,311	63,069,144	2,862,167
Operation of non-instructional services	2,545,058	2,572,103	2,854,087	(281,984)
Facilities acquisition, construction and improvement services	213,500	213,500	1,157,325	(943,825)
Debt service	13,965,000	13,965,000	13,882,026	82,974
Refund of prior year revenues	20,000	20,000	-	20,000
<b>TOTAL EXPENDITURES</b>	<b>225,885,981</b>	<b>225,615,563</b>	<b>222,680,687</b>	<b>2,934,876</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(2,808,057)</b>	<b>(2,537,639)</b>	<b>2,892,051</b>	<b>5,429,690</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from capital lease	-	-	934,540	934,540
Proceeds from sale of capital assets	-	-	33,600	33,600
Transfers out	-	(31,443)	(5,289,834)	(5,258,391)
Budgetary reserve	(1,150,000)	(2,527,573)	-	2,527,573
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,150,000)</b>	<b>(2,559,016)</b>	<b>(4,321,694)</b>	<b>(1,762,678)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(3,958,057)</b>	<b>(5,096,655)</b>	<b>(1,429,643)</b>	<b>3,667,012</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<b>38,066,318</b>	<b>38,066,318</b>	<b>38,066,318</b>	<b>-</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 34,108,261</b>	<b>\$ 32,969,663</b>	<b>\$ 36,636,675</b>	<b>\$ 3,667,012</b>

See accompanying notes to the budgetary comparison schedule.

**NORTH PENN SCHOOL DISTRICT**  
**NOTES TO THE BUDGETARY COMPARISON SCHEDULE**  
**YEAR ENDED JUNE 30, 2015**

---

**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, 2015

---

**NOTE B - EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended June 30, 2015, expenditures exceeded appropriations in the following General Fund department levels (the legal level of budgetary control):

Operation of non-instructional services	\$ <u>281,984</u>
Facilities acquisition, construction and improvement services	\$ <u>9,285</u>

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



**NORTH PENN SCHOOL DISTRICT**  
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
YEAR ENDED JUNE 30, 2015

---

School District's proportion of the net pension liability (asset)	<u>0.8931%</u>
School District's proportionate share of the net pension liability (asset)	\$ <u>353,497,000</u>
School District's covered-employee payroll	\$ <u>113,971,850</u>
School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	<u>310.16%</u>
The plan's fiduciary net position as a percentage of the total pension liability	<u>57.24%</u>

**NORTH PENN SCHOOL DISTRICT**  
SCHEDULE OF THE SCHOOL DISTRICT'S CONTRIBUTIONS  
YEAR ENDED JUNE 30, 2015

---

Contractually required contribution	\$ 23,825,000
Contributions in relation to the contractually required contribution	<u>23,825,000</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$ <u><u>-</u></u>
School District's covered-employee payroll	\$ <u><u>115,435,679</u></u>
Contributions as a percentage of covered-employee payroll	<u><u>20.64%</u></u>

**NORTH PENN SCHOOL DISTRICT**  
**POSTEMPLOYMENT BENEFITS OTHER THAN**  
**PENSION FUNDING PROGRESS**  
**YEAR ENDED JUNE 30, 2015**

---

**SCHEDULE OF FUNDING PROGRESS**

Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability (AAL)	(c) Unfunded AAL (UAAL) (b)-(a)	(d) Funded Ratio (a)/(b)	(e) Covered Payroll	(f) UAAL as a Percentage of Covered Payroll (c)/(e)
July 1,						
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%
2013	-	7,622,722	7,622,722	0%	121,946,089	6.25%

## **SUPPLEMENTARY INFORMATION SECTION**

**NORTH PENN SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**OTHER GOVERNMENTAL FUNDS**  
**JUNE 30, 2015**

	<u>Capital Project Funds</u>		<u>Total Other Governmental Funds</u>
	<u>2014/2015 Bond Fund</u>	<u>2013 Bond Fund</u>	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 30,368	\$ 420,958	\$ 451,326
Investments	<u>5,659,006</u>	<u>-</u>	<u>5,659,006</u>
TOTAL ASSETS	<u>\$ 5,689,374</u>	<u>\$ 420,958</u>	<u>\$ 6,110,332</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	<u>\$ 795,102</u>	<u>\$ 6,393</u>	<u>\$ 801,495</u>
<b>FUND BALANCES</b>			
Restricted for capital projects	4,894,272	414,565	5,308,837
Committed to capital projects	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL FUND BALANCES	<u>4,894,272</u>	<u>414,565</u>	<u>5,308,837</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,689,374</u>	<u>\$ 420,958</u>	<u>\$ 6,110,332</u>

**NORTH PENN SCHOOL DISTRICT**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**OTHER GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2015**

	Capital Project Funds		Total Other Governmental Funds
	2014/2015 Bond Fund	2013 Bond Fund	
REVENUES			
Local sources	\$ 8,192	\$ 119	\$ 8,311
EXPENDITURES			
Support services	113,455	-	113,455
Facilities acquisition, construction and improvement services	14,818,310	186,119	15,004,429
Debt service	95,510	-	95,510
TOTAL EXPENDITURES	<u>15,027,275</u>	<u>186,119</u>	<u>15,213,394</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(15,019,083)</u>	<u>(186,000)</u>	<u>(15,205,083)</u>
OTHER FINANCING SOURCES (USES)			
Bond issue proceeds	19,945,000	-	19,945,000
Bond discount	<u>(31,645)</u>	<u>-</u>	<u>(31,645)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>19,913,355</u>	<u>-</u>	<u>19,913,355</u>
NET CHANGE IN FUND BALANCES	4,894,272	(186,000)	4,708,272
FUND BALANCES AT BEGINNING OF YEAR	<u>-</u>	<u>600,565</u>	<u>600,565</u>
FUND BALANCES AT END OF YEAR	<u>\$ 4,894,272</u>	<u>\$ 414,565</u>	<u>\$ 5,308,837</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, 2015, 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 November 30, 2015.

***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.

*Maillie LLP*

Oaks, Pennsylvania  
November 30, 2015



***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, 2015. 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, 2015.

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.



Oaks, Pennsylvania  
November 30, 2015

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

**NORTH PENN SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND CERTAIN STATE AWARDS**  
**YEAR ENDED JUNE 30, 2015**

<u>Federal Grantor/ Pass-Through Grantor/Program Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/ Ending Dates</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<b>Passed through the Pennsylvania Department of Education</b>				
Title I Improving Basic Programs	I	84.010	13-140289	July 1, 2013 to September 30, 2014
Title I Improving Basic Programs	I	84.010	13-150289	July 1, 2014 to September 30, 2015
Academic Achievement Award	I	84.010	077-150289	March 2, 2015 to September 30, 2015
Keystone to Opportunity	I	84.371	143-130289	May 1, 2013 to June 30, 2014
Keystone to Opportunity	I	84.371	143-140289	May 1, 2014 to June 30, 2015
Title II Improving Teacher Quality	I	84.367	20-140289	July 1, 2013 to September 30, 2014
Title II Improving Teacher Quality	I	84.367	20-150289	July 1, 2014 to September 30, 2015
Title III Language Inst LEP/Immigrant Students	I	84.365	10-140289	July 1, 2013 to June 30, 2014
Title III Language Inst LEP/Immigrant Students	I	84.365	10-150289	July 1, 2014 to June 30, 2015
<b>Passed through the Montgomery County Intermediate Unit</b>				
IDEA - Part B	I	84.027*	N/A	July 1, 2013 to June 30, 2014
IDEA - Part B	I	84.027*	N/A	July 1, 2014 to June 30, 2015
IDEA - Section 619	I	84.391	N/A	July 1, 2013 to June 30, 2014
IDEA - Section 619	I	84.391	N/A	July 1, 2014 to June 30, 2015
TOTAL FORWARD				

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2014</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2015</u>
\$ 807,948	\$ 218,217	\$ (50,142)	\$ 268,359	\$ 268,359	\$ -
981,939	523,701	-	841,920	841,920	318,219
50,000	21,429	-	33,251	33,251	11,822
1,011,632	168,605	(168,760)	337,365	337,365	-
956,155	557,757	-	619,973	619,973	62,216
304,518	40,390	33,870	6,520	6,520	-
305,053	183,227	-	238,282	238,282	55,055
117,087	-	(34,448)	106,710	106,710	72,262
158,725	42,327	-	-	-	(42,327)
2,264,945	502,929	502,929	-	-	-
2,364,660	1,847,829	-	2,364,660	2,364,660	516,831
10,605	10,605	10,605	-	-	-
12,409	<u>-</u>	<u>-</u>	<u>12,409</u>	<u>12,409</u>	<u>12,409</u>
	<u>\$ 4,117,016</u>	<u>\$ 294,054</u>	<u>\$ 4,829,449</u>	<u>\$ 4,829,449</u>	<u>\$ 1,006,487</u>

**NORTH PENN SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND CERTAIN STATE AWARDS**  
**YEAR ENDED JUNE 30, 2015**

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>				
<b>Passed through the Pennsylvania Department of Public Welfare</b>				
Medical Assistance Reimbursement	I	93.778	N/A	July 1, 2014 to June 30, 2015
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<b>Passed through the Pennsylvania Department of Education</b>				
<b>Child Nutrition Cluster</b>				
National School Lunch Program	I	10.555	N/A	July 1, 2014 to June 30, 2015
National School Lunch Program	S	N/A	N/A	July 1, 2014 to June 30, 2015
National School Breakfast Program	I	10.553	N/A	July 1, 2014 to June 30, 2015
National School Breakfast Program	S	N/A	N/A	July 1, 2014 to June 30, 2015
Summer Food Program	I	10.559	N/A	July 1, 2014 to June 30, 2015
FNS Equipment Grant	I	10.579	N/A	July 1, 2014 to June 30, 2015
<b>Passed through the Pennsylvania Department of Agriculture</b>				
National School Lunch Program	I	10.555	N/A	July 1, 2014 to June 30, 2015
Summer Food Program	I	10.559	N/A	July 1, 2014 to June 30, 2015
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, 2014.
- (C) Total amount of commodities used.
- (D) Ending inventory at June 30, 2015.

**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, 2014</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2015</u>
	\$ <u>4,117,016</u>	\$ <u>294,054</u>	\$ <u>4,829,449</u>	\$ <u>4,829,449</u>	\$ <u>1,006,487</u>
\$ 51,961	<u>60,940</u>	<u>17,807</u>	<u>51,961</u>	<u>51,961</u>	<u>8,828</u>
N/A	1,560,630	90,144	1,543,556	1,543,556	73,070
N/A	127,189	7,825	125,128	125,128	5,764
N/A	300,055	19,711	296,155	296,155	15,811
N/A	24,826	1,707	24,382	24,382	1,263
N/A	117,585	-	117,585	117,585	-
N/A	29,200	-	29,200	29,200	-
	265,779 (A)	- (B)	265,779 (C)	265,779 (C)	- (D)
	<u>3,309 (A)</u>	<u>- (B)</u>	<u>3,309 (C)</u>	<u>3,309 (C)</u>	<u>- (D)</u>
	<u>2,428,573</u>	<u>119,387</u>	<u>2,405,094</u>	<u>2,405,094</u>	<u>95,908</u>
	\$ <u><u>6,606,529</u></u>	\$ <u><u>431,248</u></u>	\$ <u><u>7,286,504</u></u>	\$ <u><u>7,286,504</u></u>	\$ <u><u>1,111,223</u></u>

**NORTH PENN SCHOOL DISTRICT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF**  
**FEDERAL AND CERTAIN STATE AWARDS**  
**YEAR ENDED JUNE 30, 2015**

---

**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, 2015**

---

**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
IDEA	84.027

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.