

NORTH PENN SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2009

INTRODUCTORY SECTION

TABLE OF CONTENTS

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

TABLE OF CONTENTS

	<u>Page No.</u>
<i>Proprietary Funds</i>	
Statement of Net Assets.....	30
Statement of Revenues, Expenses and Changes in Net Assets.....	31
Statement of Cash Flows	32
<i>Fiduciary Funds</i>	
Statement of Fiduciary Net Assets	34
Statement of Changes in Fiduciary Net Assets	35
Notes to the Basic Financial Statements	36
Required Supplementary Information	
Budgetary Comparison Schedule	64
Notes to the Budgetary Comparison Schedule	65
Postemployment Benefits Other Than Pension Funding Progress	67
SUPPLEMENTARY INFORMATION SECTION	
<i>Other Governmental Funds</i>	
Combining Balance Sheet.....	68
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficit).....	69

TABLE OF CONTENTS

	<u>Page No.</u>
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	70
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	72
ADDITIONAL INFORMATION - MAJOR FEDERAL AWARD PROGRAMS AUDIT	
Schedule of Expenditures of Federal and State Awards	74
Notes to the Schedule of Expenditures of Federal and State Awards	76
Schedule of Findings and Questioned Costs	77

FINANCIAL SECTION



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Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the North Penn School District, Lansdale, Pennsylvania, as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the North Penn School District, Lansdale, Pennsylvania's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the North Penn School District, Lansdale, Pennsylvania, as of June 30, 2009, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2009, on our consideration of the North Penn School District, Lansdale, Pennsylvania'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 6 through 22, budgetary comparison information on pages 64 through 66 and postemployment benefits other than pension funding progress on page 67 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Maillo Falcone + Company, LLP

Oaks, Pennsylvania
December 9, 2009

NORTH PENN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

June 30, 2009

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, 2009. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

DISTRICT HIGHLIGHTS

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

The North Penn School District, its staff and its students had many reasons to celebrate during the 2008-2009 school year due to various awards, honors and achievements that were accomplished.

The North Penn School District was honored by the NAMM Foundation as one of the best communities for music education. The NAMM Foundation acknowledges schools and districts across the nation for their commitment and support of music education in schools. NPSD music program highlights include the North Penn Marching Knights achieving recognition as the United States Scholastic Bands Association Group 5 Northern State Champion, was twice selected by the United States Marine Corps for the prestigious Esprit de Corps Award and won the United States Scholastic Band Association Group 5 Anniversary Competition. The Bridle Path/Montgomery Elementary String Select Ensemble was the only elementary group selected to perform at the 62nd Annual Midwest Clinic in December 2008.

The North Penn School District athletic department celebrated an incredible year during its fall, winter and spring sports seasons.

- The NPHS Boys' Cross Country team won its second consecutive PIAA Championship, repeated its District One Championship and ended the season as Suburban One League Continental Conference champions.
- NPHS student placed first in the one meter springboard event at the Junior East Diving Championships in Knoxville, Tennessee.
- The NPHS Cheerleading team won the Suburban One Championship, took the District One Title and placed first at the Cheerleading State Champion Competition. The team was also recognized as Grand Champions at the National Cheerleading Championship.

NORTH PENN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

June 30, 2009

- The Northbridge Boys' Basketball team captured the championship game in the Alternative School Basketball Championship game.
- The NPHS Boys' Baseball team won the Pennsylvania State Championship game.

The year also consisted of an extraordinary amount of academic, artistic, athletic, community service, musical and theatrical awards, including 14 NPHS National Merit finalists and 28 commended students, an elementary school student who qualified for the state level of the National Geographic Bee and a NPHS student who was recognized as a distinguished finalist of the Prudential Spirit of Community Award, a nationwide program honoring young people for outstanding acts of volunteerism. In addition, the NPHS Technology Student Association team won the National Championship in the Architectural Model competition at the National Conference in Orlando, Florida.

The North Penn School District has made great strides in cutting energy costs and promoting resource conservation. Two elementary schools, Bridle Path and Gwynedd Square, received Energy Star Awards from the U.S. Government for their improvement and stewardship in the area of energy savings. Efforts through the District included switching to energy saving light bulbs, closing buildings when not in use and recycling.

The School Nutrition Services Program spent the 2008-2009 school year listening to their customers--NPSD students and families. Menu committees at each school were implemented or re-energized to provide ideas and guidance to District administration in terms of menu selection, customer service, pride and quality. The program provided 1,174,699 lunches and 190,904 breakfasts last year, as well as catered for many of the District's meetings and gatherings. Due to its success of student participation, the School Nutrition Services Department was able to maintain lunch and breakfast prices from previous years.

Though test scores alone are not the sole measurement of student success, NPSD's performance on the Pennsylvania System of School Assessment (PSSA) continues to rank among the best in the state. These results demonstrate how committed the District is to student achievement. In the 2008-2009 school year, NPSD continued its upward trend for overall achievement results, with PSSA scores reaching record levels for math, reading and science.

Math results have increased for the seventh straight year, while reading results have increased in six out of seven years. In the area of Special Education in particular, there have been multi-year positive trends for both math and reading. At the elementary level, NPSD students now exceed the 90% proficient threshold in math and science. The sixth grade class from Gwynedd Square Elementary School received 100% proficiency in the subject of math. North Wales Elementary School was the first school to achieve 100% proficiency in a subject (science).

NORTH PENN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

June 30, 2009

The District is committed to continuous improvement and to utilizing new and innovative strategies to help students perform even better in the future. Efforts that were made to ensure students are receiving a 21st Century education during the 2008-2009 school year include:

- Continued efforts to condense levels in the middle schools. By eliminating the 4.0 level courses, students were moved into higher level courses where they succeeded.
- Focused on offering additional Advanced Placement (AP) courses. NPHS now offers 21 AP courses covering all eligible subject areas. Close to 500 students enrolled in AP courses last year, with nearly 300 students taking the corresponding AP exam for college credit. Altogether, 952 exams were completed, with 88% of the exams taken receiving scores which were considered for advanced credit.
- Continued to ensure that teaching strategies are consistent throughout the District, as monitored through approximately 12,000 "data walks," or visits by administrators that were made to District classrooms to assess instruction. NPSD is proud to announce that 100% of staff met professional portfolio requirements.
- Recognized NPSD as a Champion for Early Childhood Education for its pre-school outreach efforts by the Montgomery County Child Care Consortium.
- Due to the diversity of the District and the 71 languages spoken, NPSD has been working diligently to ensure all staff members possess the understanding and apply the essential elements of cultural competency. The District's Partners in Equity (PIE) committee continued to meet and work on its goals in the areas of communication, hiring, training and curriculum.
- Successfully piloted the Olweus Bullying Prevention Program in Knapp and Bridle Path Elementary Schools and Penndale Middle School to reduce bullying behavior and provide a safe environment for student learning.
- Hired a Safe School Coordinator to develop District-wide safety programs and emergency drills and to act as the liaison with the local police departments. Achievement with this new position included the installation of buzzer systems at all elementary schools and Raptor systems at all secondary schools, where visitors must scan their driver's license to search for any criminal records.
- NPSD educators received 92,000 hours of training on topics such as technology, effective instruction, instructional strategies and more. Plans for future training opportunities for educational support staff were also created.

NORTH PENN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

June 30, 2009

Currently, there are over 2,000 employees in the North Penn School District, making it one of the largest organizations in the North Penn community. This number includes both part-time and full-time personnel and is comprised of approximately 1,000 teachers, 1,000 educational support staff and 60 administrators. The number of coaches District-wide is 225 and the approximate number of advisors for various clubs and organizations District-wide is 280.

North Penn has close to 6,400 computers in its schools and buildings. In addition, 43 SMART boards were installed during the 2008-2009 school year, for a total of 120 SMART boards throughout the District. Since 2005, 50 LCD projectors were installed each year, and will continue to be installed each year, until all schools have 100% LCD projectors. Currently, 100% of the projectors at NPHS, Northbridge, A.M. Kulp, North Wales and York schools are LCD.

North Penn High School now has more than 60 CFF-equipped classrooms. The *Classrooms for the Future* (CFF) initiative has transformed the way high school teachers teach and how students learn by equipping English, math, science and social studies classrooms with enhanced technology, internet connected laptop computers for teachers and every student and other state-of-the art resources.

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

- **By 2014, North Penn School District students will achieve at their highest level.**
 - ✓ All NPSD students will perform at the proficient or advanced level on the PSSA or on an equivalent measure in reading, writing, mathematics and science.
 - ✓ The percentage of students scoring "Advanced" on the PSSA will be 50% for writing, 70% for reading, 80% for mathematics and 50% for science.
 - ✓ All students in all subgroups will perform at the Proficient or Advanced level as measured by the PSSA.

- **By 2014, North Penn will provide a safe, healthy and orderly learning environment to ensure the success of our students.**
 - ✓ Anti bullying practices will be in place.
 - ✓ Environment performance will improve.
 - ✓ Buildings will provide a physically safe learning environment.
 - ✓ Discipline practices will be consistently applied across the District.
 - ✓ Cultural competency will be understood.
 - ✓ Cafeteria food will be varied, healthy and good quality as measured by students.

NORTH PENN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

June 30, 2009

- **By 2014, North Penn must be committed to continuous improvement, institute practices that maximize resources and focus on its goals and outcomes through the use of data.**
 - ✓ Operational departments will create goals to improve overall efficiency.
 - ✓ Effective internal communications will be provided to all stakeholders.
 - ✓ The budget process will streamline processes and procedures.

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

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

FINANCIAL HIGHLIGHTS

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

For the General Fund, actual revenues were \$377,000 below the original budget revenues. Revenues were lower than anticipated primarily due to lower interest earnings and real estate transfer taxes. Actual expenditures totaled \$188.4 million and included expenditures for additional grants received subsequent to budget preparation. Actual expenditures were \$1,967,000 lower than originally budgeted. Actual revenues exceeded actual expenditures by \$262,000.

NORTH PENN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

June 30, 2009

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

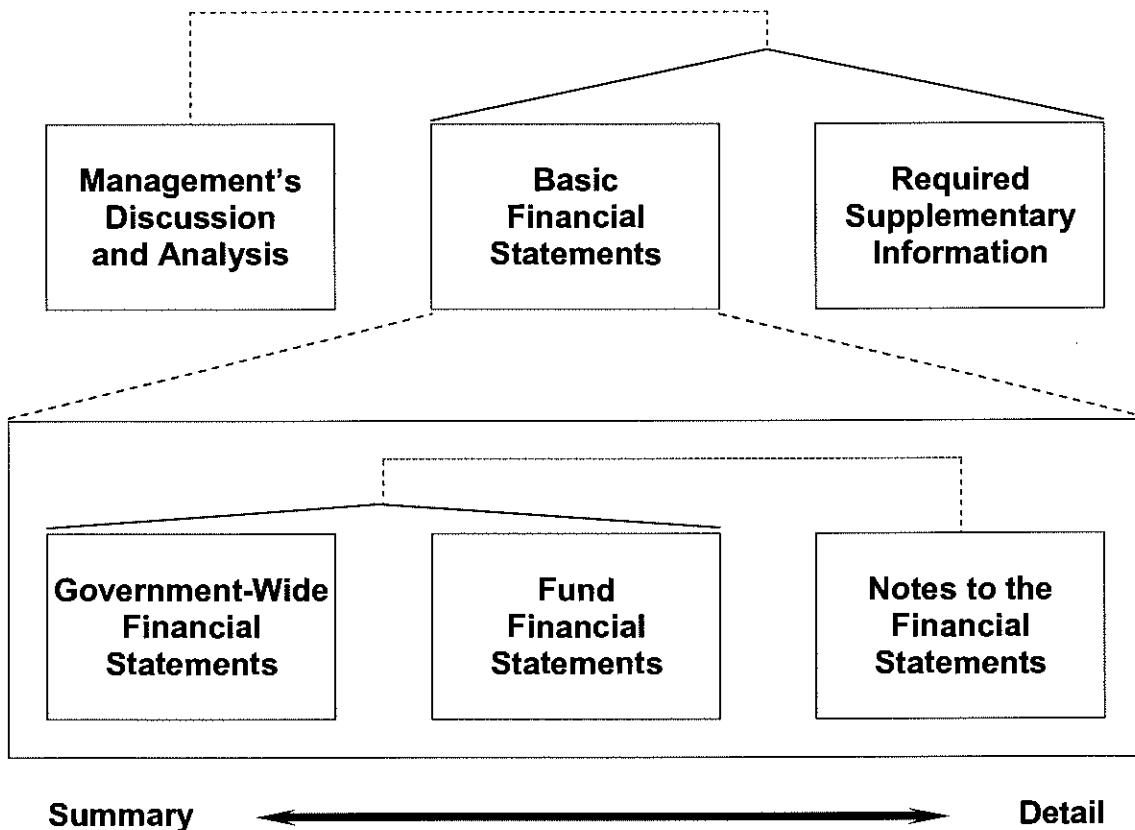
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

June 30, 2009

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.

Figure A-1

Organization of the North Penn School District Annual Financial Report



NORTH PENN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

June 30, 2009

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

Figure A-2

Major Features of the Government-Wide and Fund Financial Statements

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

NORTH PENN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

June 30, 2009

Government-Wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

NORTH PENN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

June 30, 2009

The District has three kinds of funds:

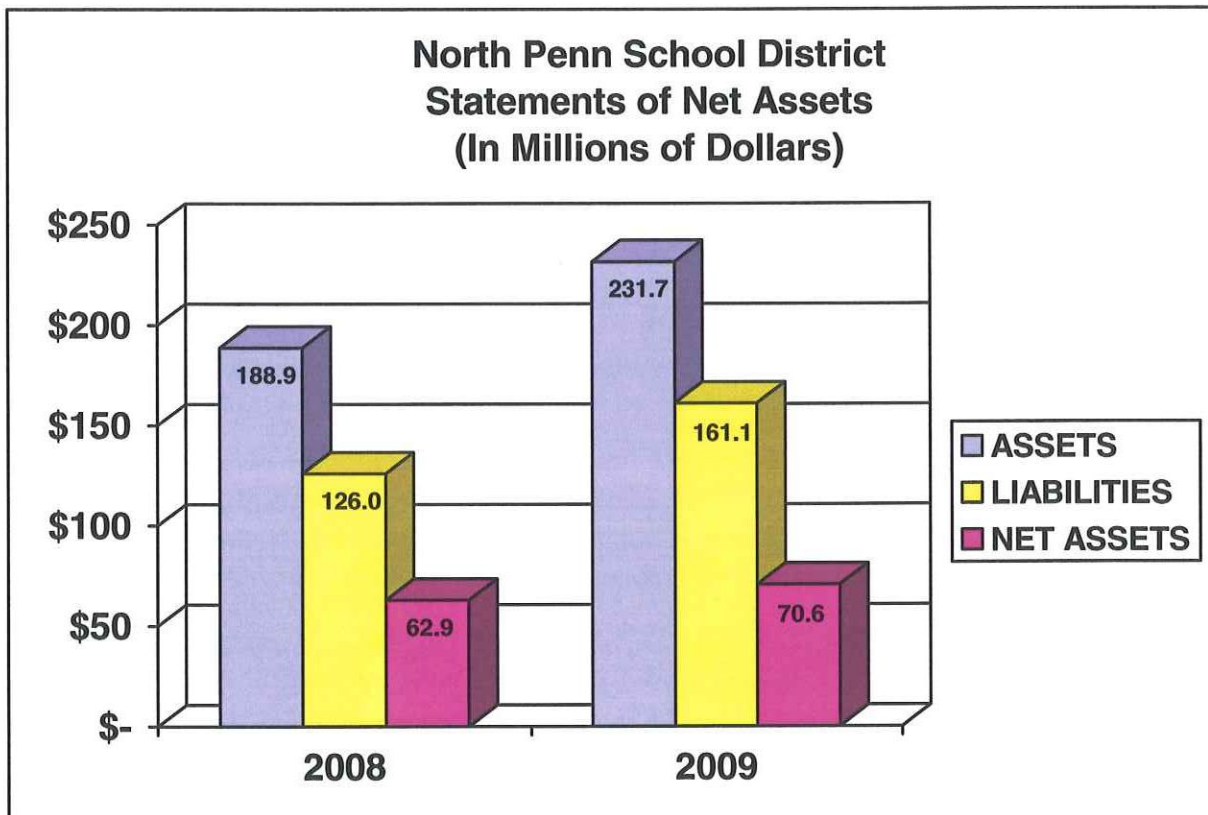
- **Governmental Funds:** Most of the District's basic services are included in Governmental Funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently,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

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

- Net assets and total assets of the School District's governmental activities increased by \$7.5 million and \$42.5 million, respectively, due to renovations and the pay down of debt. Net assets of the business-type activities increased by \$.3 million (Figure A-3).
- Program specific revenues in the form of charges for services and grants and contributions accounted for \$30.9 million or 16% of total revenues. General revenues accounted for \$166.6 million or 84% (Figure A-4).
- Governmental and business-type activities expenses totaled \$189.7 million, of which \$115.5 million was spent on instructional services, \$60 million was spent on support services, \$2.5 million was spent on non-instructional programs, \$4.2 million was used for interest payments and \$7.5 million was spent on business-type activities.

NORTH PENN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
June 30, 2009

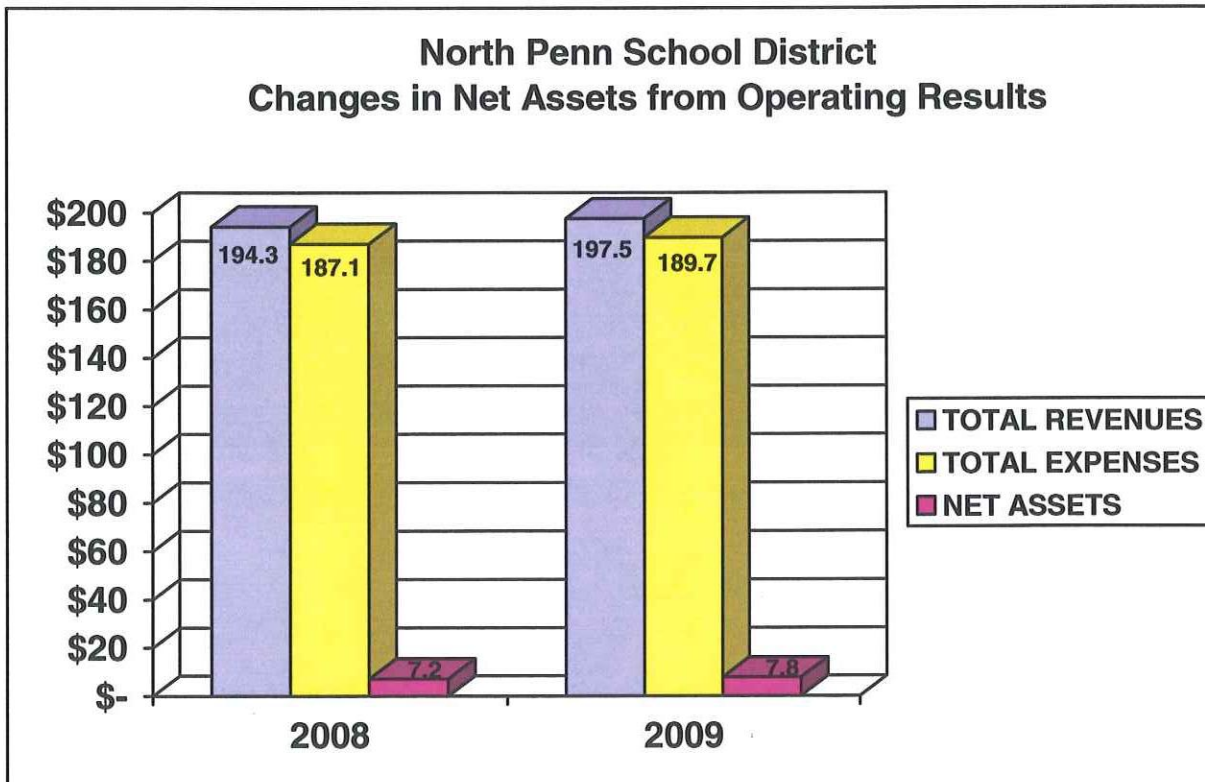
- The North Penn Educational Support Personnel Association (NPESPA) has a five-year agreement in place through June 30, 2013.
- The North Penn Education Association (NPEA), an affiliation of the Pennsylvania State Education Teachers Association, represents the professional staff of the District. The five-year collective bargaining agreement expires on August 31, 2009.
- The District administrators have a three-year agreement with the Board of School Directors that expires June 30, 2011.



NORTH PENN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
June 30, 2009

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

	Governmental Activities		Business-Type Activities		Total District		Total Percentage Change 2008-2009
	2008	2009	2008	2009	2008	2009	
Current and other assets	\$ 45.2	\$ 73.4	\$ 0.6	\$ 0.9	\$ 45.8	\$ 74.3	
Capital assets, net	143.0	157.3	0.1	0.1	143.1	157.4	
TOTAL ASSETS	188.2	230.7	0.7	1.0	188.9	231.7	22.7%
Current and other liabilities	27.4	71.3	0.4	0.4	27.8	71.7	
Long-term liabilities	98.2	89.4	-	-	98.2	89.4	
TOTAL LIABILITIES	125.6	160.7	0.4	0.4	126.0	161.1	27.9%
Invested in capital assets, net of related debt	53.3	40.7	0.1	0.1	53.4	40.8	
Restricted	7.0	25.2	-	-	7.0	25.2	
Unrestricted	2.3	4.1	0.2	0.5	2.5	4.6	
TOTAL NET ASSETS	\$ 62.6	\$ 70.0	\$ 0.3	\$ 0.6	\$ 62.9	\$ 70.6	12.2%



NORTH PENN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
June 30, 2009

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

	Governmental Activities		Business-Type Activities		Total District		Total Percentage Change 2008-2009
	2008	2009	2008	2009	2008	2009	
REVENUES							
Program revenues	\$ 24.3	\$ 23.1	\$ 7.7	\$ 7.8	\$ 32.0	\$ 30.9	
General revenues	162.3	166.6	-	-	162.3	166.6	
TOTAL REVENUES	186.6	189.7	7.7	7.8	194.3	197.5	1.6%
EXPENSES	179.8	182.2	7.3	7.5	187.1	189.7	1.4%
CHANGE IN NET ASSETS BEFORE TRANSFERS	6.8	7.5	0.4	0.3	7.2	7.8	
TRANSFERS	(0.3)	-	0.3	-	-	-	
CHANGE IN NET ASSETS	\$ 6.5	\$ 7.5	\$ 0.7	\$ 0.3	\$ 7.2	\$ 7.8	8.3%

Governmental Activities

Governmental activities consist of the General Fund, bond funds and the Debt Service Fund. Total governmental assets increased by \$42.5 million and total liabilities increased by \$35.1 million due to capital project expenditures and capital project payments due. The District's General Fund Balance increased by approximately \$1.3 million.

The District depends heavily on local taxes to fund the District's programs. For 2008-2009, local sources comprised 80.8% of total revenue, of which current real estate taxes were \$131.6 million, delinquent real estate taxes were \$2.2 million, transfer taxes were \$2.2 million and earned income taxes were \$13.0 million. Other revenue comes from state subsidies (16.9%) and federal grants and other sources (2.3%).

NORTH PENN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

June 30, 2009

Business-Type Activities

Business-type activities include the School Nutrition Services Program, the Extended School Care Program and the Community Education Program. Each Enterprise Fund is operated separately. These programs had operating revenues of \$7.8 million and expenses of approximately \$7.5 million, resulting in a profit for the year. The programs are designed to operate at or near break-even so that the cost for the services offered will benefit the District residents. Extended School Care rates prices have been increased for next year to compensate for rising costs. Business-type activities received no support from tax revenues.

The School Nutrition Services Program provided 1,174,699 lunches and 190,904 breakfasts last year, as well as catering for the District's meetings and gatherings. The Department has been working to comply with the federally mandated Wellness Program by providing more nutritious choices and cutting back on non-nutritious snacks. The School Nutrition Services Program receives both federal and state subsidies for lunch and breakfast programs. It also receives some government commodities on a routine basis. The majority of revenue comes from sales to students and other users of its services.

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

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

General Fund Budgetary Highlights

The economic environment is mixed over the past year. Investment earnings decreased over \$1.1 million, while earned income taxes remained flat and real estate transfer taxes were 32% below budget. State revenues exceeded the original budget by \$560,000 due to additional grants. On the expenditure side, actual expenditures for the year were less than budgeted expenditures with no one category contributing a material amount to the total.

NORTH PENN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

June 30, 2009

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

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

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

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

The District maintains more than 6,400 computers for students and staff. Technology equipment is replaced when the functionality requires it, not based on a set time period. The District maintains approximately 145 buses and 15 vans that transport the District's students over 1.9 million miles per year. The District replaces a portion of its bus fleet each year.

Regular improvements to the buildings of the District are ongoing. Renovations at the Support Services Center have been completed, as are those at York Avenue Elementary School. The High School renovations are continuing. A. M. Kulp Elementary School renovations are progressing well and will be completed in the fall. North Wales Elementary School renovations began this summer.

Figure A-5

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

	Governmental Activities		Business-Type Activities		Total District		Total Percentage Change 2008-2009
	2008	2009	2008	2009	2008	2009	
Land and site improvements	\$ 8.1	\$ 8.1	\$ -	\$ -	\$ 8.1	\$ 8.1	
Construction in progress	9.0	13.1	-	-	9.0	13.1	
Buildings	118.0	126.9	-	-	118.0	126.9	
Furniture and equipment	7.9	9.2	0.1	-	8.0	9.2	
	<u>\$ 143.0</u>	<u>\$ 157.3</u>	<u>\$ 0.1</u>	<u>\$ -</u>	<u>\$ 143.1</u>	<u>\$ 157.3</u>	9.9%

NORTH PENN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

June 30, 2009

Debt

Long-term debt decreased by \$8.8 million. The short-term debt increase includes \$21,110,000 of currently refinanced debt (Note I). The District continues to pay down outstanding debt (Figure A-6).

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

Figure A-6

Outstanding Long-Term Debt (In Millions of Dollars)

	2008	2009	Total Percentage Change <u>2008-2009</u>
LONG-TERM DEBT			
General obligation bonds and notes	\$ 89.6	\$ 80.9	
Other general obligation debt	8.6	8.5	
TOTAL LONG-TERM DEBT	<u>98.2</u>	<u>89.4</u>	
SHORT-TERM DEBT			
General obligation bonds and notes	9.1	51.7*	
Other general obligation debt	2.7	2.6	
TOTAL SHORT-TERM DEBT	<u>11.8</u>	<u>54.3</u>	
TOTAL	<u>\$ 110.0</u>	<u>\$ 143.7*</u>	30.6%*

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

NORTH PENN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

June 30, 2009

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Act 1 of 2006 was signed into law June 29, 2006, effective for the school year beginning July 1, 2007. This legislation may restrict the School District's ability to increase property taxes without voter approval of the District's budget if the budget exceeds an annual inflation index determined by the Commonwealth.
- The requirements of the No Child Left Behind (NCLB) Act exceed the federal funding available to pay for it. As a result, NCLB is and will be increasingly funded by local revenue.
- The contract with the NPEA expires in August 2009, and no new contract is in place.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

NORTH PENN SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2009

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
ASSETS			
Cash and cash equivalents	\$ 42,798,315	\$ 489,677	\$ 43,287,992
Restricted cash (Note I)	21,613,792	-	21,613,792
Investments	2,533,942	235,465	2,769,407
Taxes receivable	2,840,450	-	2,840,450
Internal balances	(17,062)	17,062	-
Due from other governments	1,671,463	68,616	1,740,079
Other receivables	960,090	15,555	975,645
Inventories	273,398	141,563	414,961
Prepaid expenses	-	1,915	1,915
Deferred charges, net of accumulated amortization	741,465	-	741,465
Capital assets, net of accumulated depreciation			
Land	8,008,049	-	8,008,049
Site improvements	131,958	-	131,958
Buildings and building improvements	126,884,887	-	126,884,887
Furniture and equipment	9,179,145	49,466	9,228,611
Construction in progress	13,132,013	-	13,132,013
TOTAL ASSETS	\$ 230,751,905	\$ 1,019,319	\$ 231,771,224

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable	\$ 6,512,068	\$ 222,206	\$ 6,734,274
Accrued salaries and benefits	9,315,268	40,821	9,356,089
Accrued interest	1,013,968	-	1,013,968
Deferred revenue	65,156	182,667	247,823
Long-term liabilities			
Portion due or payable within one year			
Bonds and notes payable	51,746,000	-	51,746,000
Lease-purchase obligations	2,094,535	-	2,094,535
Compensated absences	511,712	-	511,712
Portion due or payable after one year			
Bonds and notes payable	80,868,565	-	80,868,565
Lease-purchase obligations	1,796,541	-	1,796,541
Compensated absences	4,647,830	-	4,647,830
Net OPEB obligation	2,101,848	-	2,101,848
TOTAL LIABILITIES	160,673,491	445,694	161,119,185
NET ASSETS			
Invested in capital assets, net of related debt	40,755,368	49,466	40,804,834
Restricted for			
Debt service	2,534,409	-	2,534,409
Other projects	22,641,989	-	22,641,989
Unrestricted	4,146,648	524,159	4,670,807
TOTAL NET ASSETS	70,078,414	573,625	70,652,039
TOTAL LIABILITIES AND NET ASSETS	\$ 230,751,905	\$ 1,019,319	\$ 231,771,224

See accompanying notes to the basic financial statements.

NORTH PENN SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
GOVERNMENTAL ACTIVITIES							
Instruction							
Regular programs	\$ 80,171,180	\$ -	\$ 4,671,915	\$ -	\$ (75,499,265)	\$ -	\$ (75,499,265)
Special programs	30,525,645	-	1,337,426	-	(29,188,219)	-	(29,188,219)
Vocational education	3,192,979	-	-	-	(3,192,979)	-	(3,192,979)
Other instructional programs	1,627,839	47,628	10,462,266	-	8,882,055	-	8,882,055
Higher education programs	12,034	-	-	-	(12,034)	-	(12,034)
Support services							
Pupil personnel services	6,443,190	-	992,022	-	(5,451,168)	-	(5,451,168)
Instructional staff services	4,098,831	-	178,468	-	(3,920,363)	-	(3,920,363)
Administration services	11,492,977	-	439,210	-	(11,053,767)	-	(11,053,767)
Pupil health services	2,258,469	-	419,248	-	(1,839,221)	-	(1,839,221)
Business services	2,741,242	-	56,237	-	(2,685,005)	-	(2,685,005)
Operation and maintenance of plant services	16,618,311	-	416,533	-	(16,201,778)	-	(16,201,778)
Student transportation services	14,188,175	-	3,285,499	-	(10,902,676)	-	(10,902,676)
Central services	1,543,459	-	72,546	-	(1,470,913)	-	(1,470,913)
Other services	576,116	-	-	-	(576,116)	-	(576,116)
Operation of non-instructional services							
Student activities	2,424,440	70,354	124,181	-	(2,229,905)	-	(2,229,905)
Community services	56,198	-	7	-	(56,191)	-	(56,191)
Interest on long-term debt	4,236,719	-	-	518,942	(3,717,777)	-	(3,717,777)
TOTAL GOVERNMENTAL ACTIVITIES	182,207,804	117,982	22,455,558	518,942	(159,115,322)	-	(159,115,322)
BUSINESS-TYPE ACTIVITIES							
School nutrition services	5,026,604	3,897,566	1,343,150	-	-	214,112	214,112
Extended care	2,120,058	2,163,612	2,836	-	-	46,390	46,390
Community education	339,134	375,797	-	-	-	36,663	36,663
TOTAL BUSINESS-TYPE ACTIVITIES	7,485,796	6,436,975	1,345,986	-	-	297,165	297,165
TOTAL SCHOOL DISTRICT ACTIVITIES	\$ 189,693,600	\$ 6,554,957	\$ 23,801,544	\$ 518,942	(159,115,322)	297,165	(158,818,157)
GENERAL REVENUES							
Taxes							
Property taxes, levied for general purposes					137,418,052	-	137,418,052
Public utility taxes					191,006	-	191,006
Earned income taxes					12,987,026	-	12,987,026
Grants and contributions not restricted to specific programs					13,348,954	-	13,348,954
Investment earnings					2,172,742	17,842	2,190,584
Receipts from member districts					164,809	-	164,809
Gain (loss) on sale of capital assets					21,310	(492)	20,818
Miscellaneous					260,759	-	260,759
TOTAL GENERAL REVENUES					166,564,658	17,350	166,582,008
CHANGE IN NET ASSETS					7,449,336	314,515	7,763,851
NET ASSETS AT BEGINNING OF YEAR					62,629,078	259,110	62,888,188
NET ASSETS AT END OF YEAR					\$ 70,078,414	\$ 573,625	\$ 70,652,039

See accompanying notes to the basic financial statements.

NORTH PENN SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2009

	<u>General Fund</u>	<u>2008 Bond Fund</u>	<u>Capital Reserve Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 24,380,865	\$ 16,531,315	\$ 1,048,798	\$ 837,337	\$ 42,798,315
Restricted cash (Note I)	-	-	21,613,792	-	21,613,792
Investments	402	-	-	2,500,000	2,500,402
Taxes receivable	2,840,450	-	-	-	2,840,450
Due from other funds	-	-	10,415	850,000	860,415
Due from other governments	1,671,463	-	-	-	1,671,463
Other receivables	960,090	-	-	-	960,090
Inventories	273,398	-	-	-	273,398
TOTAL ASSETS	\$ 30,126,668	\$ 16,531,315	\$ 22,673,005	\$ 4,187,337	\$ 73,518,325
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 5,027,803	\$ 1,429,988	\$ 36,816	\$ 17,461	\$ 6,512,068
Due to other funds	17,062	10,415	-	850,000	877,477
Deferred revenue	2,366,564	-	-	-	2,366,564
Accrued salaries and benefits	9,315,268	-	-	-	9,315,268
TOTAL LIABILITIES	16,726,697	1,440,403	36,816	867,461	19,071,377
FUND BALANCES					
Reserved for					
Debt Service Fund	-	-	-	2,534,409	2,534,409
Capital Project Funds	-	15,090,912	-	942,969	16,033,881
Special Revenue Funds	-	-	22,636,189	5,800	22,641,989
Unreserved					
Designated	2,173,236	-	-	-	2,173,236
Undesignated	11,226,735	-	-	(163,302)	11,063,433
TOTAL FUND BALANCES	13,399,971	15,090,912	22,636,189	3,319,876	54,446,948
TOTAL LIABILITIES AND FUND BALANCES	\$ 30,126,668	\$ 16,531,315	\$ 22,673,005	\$ 4,187,337	\$ 73,518,325

See accompanying notes to the basic financial statements.

NORTH PENN SCHOOL DISTRICT

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

June 30, 2009

TOTAL GOVERNMENTAL FUNDS BALANCES \$ 54,446,948

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

Land	8,008,049
Site improvements	131,958
Buildings and building improvements	126,884,887
Furniture and equipment	9,179,145
Construction in progress	13,132,013

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

Deferred charges	1,039,461
Accumulated amortization	(297,996)

Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in the fund financial statements but are reported in the governmental activities on the statement of net assets.

33,540

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

Accrued interest	(1,013,968)
Bonds and notes payable	(132,614,565)
Lease-purchase obligations	(3,891,076)
Compensated absences	(5,159,542)
Net OPEB obligation	(2,101,848)

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

2,301,408

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 70,078,414

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, 2009

	<u>General Fund</u>	<u>2008 Bond Fund</u>	<u>Capital Reserve Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Local sources	\$ 152,391,704	\$ 295,556	\$ 169,957	\$ 395,939	\$ 153,253,156
State sources	31,937,088	-	-	-	31,937,088
Federal sources	4,325,168	-	-	-	4,325,168
TOTAL REVENUES	<u>188,653,960</u>	<u>295,556</u>	<u>169,957</u>	<u>395,939</u>	<u>189,515,412</u>
EXPENDITURES					
Instruction	113,975,677	-	-	-	113,975,677
Support services	58,315,463	-	-	-	58,315,463
Operation of non-instructional services	2,344,556	-	-	112,135	2,456,691
Facilities acquisition, construction and improvement services	442,852	5,544,250	3,207,175	8,382,950	17,577,227
Debt service	13,313,831	151,214	503,509	-	13,968,554
TOTAL EXPENDITURES	<u>188,392,379</u>	<u>5,695,464</u>	<u>3,710,684</u>	<u>8,495,085</u>	<u>206,293,612</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>261,581</u>	<u>(5,399,908)</u>	<u>(3,540,727)</u>	<u>(8,099,146)</u>	<u>(16,778,200)</u>
OTHER FINANCING SOURCES (USES)					
Bond issue proceeds	-	19,820,000	-	-	19,820,000
Proceeds from refunding bonds	-	-	49,910,000	-	49,910,000
Proceeds from bond swap agreement	403,727	-	-	-	403,727
Payment to refunded bond escrow agent	-	-	(29,333,689)	-	(29,333,689)
Bond premium	-	670,820	1,629,995	-	2,300,815
Proceeds from sale of capital assets	21,310	-	-	-	21,310
Transfers in	625,000	-	-	-	625,000
Transfers out	-	-	-	(625,000)	(625,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,050,037</u>	<u>20,490,820</u>	<u>22,206,306</u>	<u>(625,000)</u>	<u>43,122,163</u>
NET CHANGE IN FUND BALANCES	1,311,618	15,090,912	18,665,579	(8,724,146)	26,343,963
FUND BALANCES AT BEGINNING OF YEAR	<u>12,088,353</u>	<u>-</u>	<u>3,970,610</u>	<u>12,044,022</u>	<u>28,102,985</u>
FUND BALANCES AT END OF YEAR	<u>\$ 13,399,971</u>	<u>\$ 15,090,912</u>	<u>\$ 22,636,189</u>	<u>\$ 3,319,876</u>	<u>\$ 54,446,948</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, 2009

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS FORWARD

\$ 26,343,963

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 exceed depreciation in the current period.

10,948,441

Deferred charges are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the term lives of debt instruments as amortization expense. This is the amount by which capital outlays (\$647,807) exceed amortization (\$198,394) in the current period.

449,413

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

152,491

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

(32,073)

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

(72,158,479)

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

38,305,000

SUBTOTAL ADJUSTMENTS FORWARD

\$ (22,335,207)

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, 2009*

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS FORWARDED	\$ 26,343,963
SUBTOTAL ADJUSTMENTS FORWARDED	(22,335,207)
 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	35,048
 Repayment of capital lease principal is an expenditure in Governmental Funds, but the repayment reduces long-term liabilities in the statement of net assets.	
	2,866,955
 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).	
	1,491,004
 The net change in the liability for the net OPEB obligation is reported in the government-wide statements but not in the Governmental Funds statements.	
	<u>(952,427)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 7,449,336</u>

See accompanying notes to the basic financial statements.

NORTH PENN SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2009

	Enterprise Funds			
	School Nutrition Services Fund	Extended Care Fund	Community Education Fund	Total Proprietary Funds
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 106,572	\$ 217,235	\$ 165,870	\$ 489,677
Investments	235,465	-	-	235,465
Due from other funds	85	15,892	1,085	17,062
Due from other governments	68,616	-	-	68,616
Other receivables	9,720	5,835	-	15,555
Inventories	141,563	-	-	141,563
Prepaid expenses	-	1,915	-	1,915
	<u>562,021</u>	<u>240,877</u>	<u>166,955</u>	<u>969,853</u>
TOTAL CURRENT ASSETS				
CAPITAL ASSETS				
Furniture and equipment	1,380,577	-	-	1,380,577
Accumulated depreciation	(1,331,111)	-	-	(1,331,111)
TOTAL CAPITAL ASSETS	<u>49,466</u>	<u>-</u>	<u>-</u>	<u>49,466</u>
TOTAL ASSETS	<u>\$ 611,487</u>	<u>\$ 240,877</u>	<u>\$ 166,955</u>	<u>\$ 1,019,319</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	\$ 91,453	\$ 114,539	\$ 16,214	\$ 222,206
Accrued salaries and benefits	12,425	28,282	114	40,821
Deferred revenue	100,110	-	82,557	182,667
	<u>203,988</u>	<u>142,821</u>	<u>98,885</u>	<u>445,694</u>
TOTAL CURRENT LIABILITIES				
NET ASSETS				
Invested in capital assets, net of related debt	49,466	-	-	49,466
Unrestricted	358,033	98,056	68,070	524,159
TOTAL NET ASSETS	<u>407,499</u>	<u>98,056</u>	<u>68,070</u>	<u>573,625</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 611,487</u>	<u>\$ 240,877</u>	<u>\$ 166,955</u>	<u>\$ 1,019,319</u>

See accompanying notes to the basic financial statements.

NORTH PENN SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2009

	Enterprise Funds			
	School Nutrition Services Fund	Extended Care Fund	Community Education Fund	Total Proprietary Funds
OPERATING REVENUES				
Charges for services	\$ 3,897,566	\$ 2,163,612	\$ 375,797	\$ 6,436,975
OPERATING EXPENSES				
Salaries	1,527,142	1,372,736	85,367	2,985,245
Employee benefits	821,500	561,929	18,036	1,401,465
Purchased professional and technical service	38,627	755	179,279	218,661
Purchased property service	53,908	-	-	53,908
Other purchased service	6,344	13,620	27,324	47,288
Supplies	2,561,137	167,285	28,820	2,757,242
Depreciation	16,558	-	-	16,558
Other operating expenses	1,388	3,733	308	5,429
TOTAL OPERATING EXPENSES	<u>5,026,604</u>	<u>2,120,058</u>	<u>339,134</u>	<u>7,485,796</u>
OPERATING INCOME (LOSS)	<u>(1,129,038)</u>	<u>43,554</u>	<u>36,663</u>	<u>(1,048,821)</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income	7,918	7,231	2,693	17,842
Loss on sale of assets	(492)	-	-	(492)
State sources	185,260	2,836	-	188,096
Federal sources	1,157,890	-	-	1,157,890
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>1,350,576</u>	<u>10,067</u>	<u>2,693</u>	<u>1,363,336</u>
CHANGE IN NET ASSETS	221,538	53,621	39,356	314,515
NET ASSETS AT BEGINNING OF YEAR	<u>185,961</u>	<u>44,435</u>	<u>28,714</u>	<u>259,110</u>
NET ASSETS AT END OF YEAR	<u>\$ 407,499</u>	<u>\$ 98,056</u>	<u>\$ 68,070</u>	<u>\$ 573,625</u>

See accompanying notes to the basic financial statements.

NORTH PENN SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2009

	Enterprise Funds			Total Proprietary Funds
	School Nutrition Services Fund	Extended Care Fund	Community Education Fund	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 3,898,260	\$ 2,161,966	\$ 379,595	\$ 6,439,821
Payments to employees	(2,283,295)	(1,877,758)	(65,882)	(4,226,935)
Payments to suppliers	(2,925,789)	(167,958)	(253,003)	(3,346,750)
Payments to other governments	(57,109)	(51,201)	(51,201)	(159,511)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(1,367,933)</u>	<u>65,049</u>	<u>9,509</u>	<u>(1,293,375)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Federal sources	1,372,609	-	-	1,372,609
State sources	182,261	2,836	-	185,097
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>1,554,870</u>	<u>2,836</u>	<u>-</u>	<u>1,557,706</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition, construction and improvements of capital assets	(3,035)	-	-	(3,035)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(154,023)	-	-	(154,023)
Earnings on investments	7,918	7,231	2,693	17,842
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(146,105)</u>	<u>7,231</u>	<u>2,693</u>	<u>(136,181)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	37,797	75,116	12,202	125,115
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>68,775</u>	<u>142,119</u>	<u>153,668</u>	<u>364,562</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 106,572</u>	<u>\$ 217,235</u>	<u>\$ 165,870</u>	<u>\$ 489,677</u>

NORTH PENN SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year Ended June 30, 2009

	Enterprise Funds			Total Proprietary Funds
	School Nutrition Services Fund	Extended Care Fund	Community Education Fund	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (1,129,038)	\$ 43,554	\$ 36,663	\$ (1,048,821)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	16,558	-	-	16,558
(Increase) decrease in				
Due from other funds	(93,355)	2,200	(10,442)	(101,597)
Other receivables	687	(1,646)	3,010	2,051
Inventories	13,991	-	-	13,991
Prepaid expenses	11,397	(1,220)	-	10,177
Increase (decrease) in				
Accounts payable	(196,418)	16,455	(6,830)	(186,793)
Accrued salaries and benefits	8,238	5,706	(13,680)	264
Deferred revenue	7	-	788	795
	<u>7</u>	<u>-</u>	<u>788</u>	<u>795</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (1,367,933)</u>	<u>\$ 65,049</u>	<u>\$ 9,509</u>	<u>\$ (1,293,375)</u>
SUPPLEMENTAL DISCLOSURES				
Noncash noncapital financing activities				
Donated commodities	\$ 231,186	\$ -	\$ -	\$ 231,186

See accompanying notes to the basic financial statements.

NORTH PENN SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2009

	<u>Scholarship Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 92,155	\$ 671,181
Investments	104,242	-
Accounts receivable	<u>-</u>	<u>10,100</u>
TOTAL ASSETS	196,397	<u><u>\$ 681,281</u></u>
LIABILITIES		
Accounts payable	<u>83,080</u>	<u><u>\$ 681,281</u></u>
NET ASSETS		
Held in trust for benefits and other purposes	<u><u>\$ 113,317</u></u>	

See accompanying notes to the basic financial statements.

NORTH PENN SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year Ended June 30, 2009

	<u>Scholarship Trust Funds</u>
ADDITIONS	
Contributions	\$ 1,230
Investment earnings	<u>7,722</u>
TOTAL ADDITIONS	8,952
DEDUCTIONS	
Scholarships awarded and fees paid	<u>8,515</u>
CHANGE IN NET ASSETS	437
NET ASSETS AT BEGINNING OF YEAR	<u>112,880</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 113,317</u></u>

See accompanying notes to the basic financial statements.

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the North Penn School District (the "School District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its Proprietary Funds provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

Reporting Entity

The accompanying basic financial statements comply with the provisions of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, in that the financial statements include all organizations, activities and functions for which the School District is financially accountable. Financial accountability is defined as the appointment of a voting majority of a component unit's board and either (1) the School District's ability to impose its will over a component unit or (2) the possibility that the component unit will provide a financial benefit or impose a financial burden on the School District. This report presents the activities of the North Penn School District. Based upon the application of these criteria, the School District is not a component unit of another reporting entity. Currently, the School District does not have any potential component units that should be included in the School District's reporting entity.

Basis of Presentation and Accounting

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

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

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.

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.

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

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

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

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.

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

Fund Accounting

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

Governmental Funds

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

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

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

Capital Project Funds - Capital Project Funds are used to account for financial resources to be used for the acquisition and construction of capital equipment and improvements in accordance with the applicable general obligation bond agreements.

Proprietary Funds

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

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

Fiduciary Funds

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Cash and Cash Equivalents

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

Investments

Investments are valued at fair value.

Short-Term Interfund Receivables/Payables

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

Inventories and Prepaid Items

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

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

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

Capital Assets

Capital assets, which include property, plant, equipment and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The School District defines a capital asset as an asset with an initial, individual cost equal to or greater than \$5,000 or purchased with debt proceeds and must also have an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

	<u>Years</u>
Site improvements	15-20
Buildings and building improvements	10-45
Furniture and equipment	5-20

Deferred Revenue

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

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

Long-Term Obligations

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

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

Compensated Absences

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

Fund Equity

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

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Use of Estimates

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

NOTE B **CASH AND INVESTMENTS**

Cash

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of June 30, 2009, \$68,687,769 of the School District's bank balance of \$68,946,785 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's trust department not in the School District's name	\$ <u>68,687,769</u>
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Interest Rate Risk - The School District's investment policy limits investment maturities in accordance with the Commonwealth of Pennsylvania School Code as a means of managing its exposure to fair value losses arising from increasing interest rates.

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

Investments

As of June 30, 2009, 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	\$ 333,871	\$ 333,871
Mutual funds	9,242	9,242
Certificates of deposit	<u>2,628,540</u>	<u>2,628,540</u>
	2,971,653	\$ <u>2,971,653</u>
Less outstanding checks	<u>(98,004)</u>	
	<u>\$ 2,873,649</u>	

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

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

The School District's investment policy does not further limit its investment choices. As of June 30, 2009, the School District's investment in the state investment pool was rated AAAM by Standard & Poor's.

Concentration of Credit Risk - More than 5% of the School District's investments are invested in certificates of deposit with Harleysville National Bank. They represent 92% of the School District's total investments as of June 30, 2009.

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

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, 2009, consisted of taxes, other revenue and intergovernmental grants and entitlements. The real estate taxes receivable account represents real estate transfer taxes and prior year uncollected tax levies. All receivables are considered fully collectible due to the ability to lien property for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds.

A summary of receivables by fund is as follows:

	<u>General Fund</u>	<u>School Nutrition Services Fund</u>	<u>Extended Care Fund</u>	<u>Agency Funds</u>
Real estate taxes	\$ 2,690,674	\$ -	\$ -	\$ -
Earned income taxes	149,776	-	-	-
Federal subsidies	408,353	57,824	-	-
State subsidies	1,263,110	10,792	-	-
Other revenue	<u>960,090</u>	<u>9,720</u>	<u>5,835</u>	<u>10,100</u>
	<u>\$ 5,472,003</u>	<u>\$ 78,336</u>	<u>\$ 5,835</u>	<u>\$ 10,100</u>

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE E INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2009, is as follows:

Due to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other Governmental Funds	Other Governmental Funds	\$ 850,000
Capital Reserve Fund	2008 Bond Fund	10,415
School Nutrition Services Fund	General Fund	85
Extended Care Fund	General Fund	15,892
Community Education Fund	General Fund	<u>1,085</u>
		<u>\$ 877,477</u>

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

Interfund Transfers

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

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

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE F CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	<u>Balance June 30, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2009</u>
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 8,008,049	\$ -	\$ -	\$ 8,008,049
Construction in progress	8,981,861	16,307,053	(12,156,901)	13,132,013
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>16,989,910</u>	<u>16,307,053</u>	<u>(12,156,901)</u>	<u>21,140,062</u>
Capital assets being depreciated				
Site improvements	238,726	-	-	238,726
Buildings and building improvements	172,446,454	12,630,172	-	185,076,626
Furniture and equipment	25,405,523	3,761,523	(623,001)	28,544,045
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>198,090,703</u>	<u>16,391,695</u>	<u>(623,001)</u>	<u>213,859,397</u>
Accumulated depreciation				
Site improvements	(94,190)	(12,578)	-	(106,768)
Buildings and building improvements	(54,451,825)	(3,739,914)	-	(58,191,739)
Furniture and equipment	(17,461,986)	(2,525,915)	623,001	(19,364,900)
TOTAL ACCUMULATED DEPRECIATION	<u>(72,008,001)</u>	<u>(6,278,407)</u>	<u>623,001</u>	<u>(77,663,407)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>126,082,702</u>	<u>10,113,288</u>	<u>-</u>	<u>136,195,990</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	<u>143,072,612</u>	<u>26,420,341</u>	<u>(12,156,901)</u>	<u>157,336,052</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Furniture and equipment	1,525,942	3,035	(148,400)	1,380,577
Accumulated depreciation	(1,462,462)	(16,558)	147,909	(1,331,111)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	<u>63,480</u>	<u>(13,523)</u>	<u>(491)</u>	<u>49,466</u>
CAPITAL ASSETS, net	<u>\$ 143,136,092</u>	<u>\$ 26,406,818</u>	<u>\$ (12,157,392)</u>	<u>\$ 157,385,518</u>

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

Depreciation expense was charged to governmental functions as follows:

INSTRUCTION	
Regular programs	\$ 3,234,564
Special programs	451,028
Other instructional programs	116,950
SUPPORT SERVICES	
Pupil personnel services	122,102
Instructional staff services	95,387
Administration services	257,623
Pupil health services	30,252
Business services	29,967
Operation and maintenance of plant services	544,459
Student transportation services	1,148,227
Central and other services	217,543
OPERATION OF NON-INSTRUCTIONAL SERVICES	
Student activities	<u>30,305</u>
	<u>\$ 6,278,407</u>

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

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	\$ 2,322,710
Buses	1,568,167
	<u>3,890,877</u>
Accumulated depreciation	<u>(1,918,981)</u>
	<u>\$ 1,971,896</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2009, were as follows:

<u>Year Ending June 30,</u>	
2010	\$ 2,219,710
2011	1,398,708
2012	327,560
2013	146,539
	<u>4,092,517</u>
Amount representing interest	<u>(201,441)</u>
	<u>\$ 3,891,076</u>
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	<u>\$ 3,891,076</u>

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE H LONG-TERM DEBT

General Obligation Bonds and Notes

The School District issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. At June 30, 2009, the outstanding balance of general obligation bonds and notes issued was \$128,629,000. During the year, General Obligation Bonds, Series A of 2009, totaling \$20,520,000 were issued to refund the School District's General Obligation Note, Series of 2006, and the related issue costs. The new issue will reduce debt service payments for the School District by \$253,197 with an economic gain of \$162,327.

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 51,746,000	\$ 3,397,940
2011	8,951,000	3,027,461
2012	9,019,000	2,727,711
2013	8,333,000	2,433,591
2014	8,375,000	2,099,530
2015 to 2019	38,500,000	5,072,240
2020	<u>3,705,000</u>	<u>159,315</u>
	<u>\$ 128,629,000</u>	<u>\$ 18,917,788</u>

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE I CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2009, was as follows:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
GENERAL OBLIGATION BONDS AND NOTES							
Bonds							
Series of 1997	3.75 to 5.35%	9/1/2008	\$ 40,000	\$ -	\$ (40,000)	\$ -	\$ -
Series of 1998	3.70 to 4.80%	3/1/2010	2,040,000	-	(1,155,000)	885,000	885,000
Series of 1999	3.75 to 5.00%	9/1/2016	25,865,000	-	(4,755,000)	21,110,000	21,110,000
Series of 2001	2.35 to 5.00%	4/15/2011	2,745,000	-	(1,010,000)	1,735,000	1,060,000
Series of 2003	1.25 to 4.50%	9/1/2011	6,290,000	-	(2,020,000)	4,270,000	2,095,000
Series A of 2003	1.70 to 4.30%	3/1/2020	23,700,000	-	(100,000)	23,600,000	100,000
Series of 2008	3.50 to 4.25%	3/1/2018	-	19,820,000	-	19,820,000	5,000
Series of 2009	3.00 to 5.00%	9/1/2016	-	20,520,000	-	20,520,000	3,490,000
Series A of 2009	2.00%	3/1/2012	-	7,390,000	-	7,390,000	1,000,000
Notes							
Series of 2003	3.38%	6/1/2020	21,925,000	-	(21,925,000)	-	-
Series of 2006	3.95%	3/1/2012	7,299,000	-	(7,299,000)	-	-
Series of 2007	3.74%	3/1/2014	7,300,000	-	(1,000)	7,299,000	1,000
Series of 2009	1.75%	4/15/2010	-	22,000,000	-	22,000,000	22,000,000
			<u>97,204,000</u>	<u>69,730,000</u>	<u>(38,305,000)</u>	<u>128,629,000</u>	<u>51,746,000</u>
Deferred amounts							
Issuance discount			(304,190)	-	27,654	(276,536)	-
Issuance premium			126,750	2,300,815	(109,331)	2,318,234	-
Swap			1,734,526	403,727	(194,386)	1,943,867	-
TOTAL GENERAL OBLIGATION BONDS AND NOTES			98,761,086	72,434,542	(38,581,063)	132,614,565	51,746,000
CAPITAL LEASES			3,443,032	3,314,999	(2,866,955)	3,891,076	2,094,535
COMPENSATED ABSENCES			6,650,546	35,408	(1,526,412)	5,159,542	511,712
NET OPEB OBLIGATION			1,149,421	1,807,155	(854,728)	2,101,848	-
TOTAL LONG-TERM LIABILITIES			\$ <u>110,004,085</u>	\$ <u>77,592,104</u>	\$ <u>(43,829,158)</u>	\$ <u>143,767,031</u>	\$ <u>54,352,247</u>

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

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

In June 2009, the School District authorized the issuance of General Obligation Bonds, Series of 2009, for the purpose of providing funds to currently refund the General Obligation Bonds, Series of 1999, and to pay the costs of issuing and insuring the bonds. The new issue will reduce debt service payments for the School District by \$773,535 with an economic gain of \$565,029. The General Obligation Bonds, Series of 1999, were subject to optional redemption in whole at any time on and after September 1, 2009, based upon the Bond Resolution. The School District elected to exercise its option under the Prior Bonds Resolution to redeem in whole. Payment prior to September 1, 2009, would prevent the refunding of the prior bonds to qualify as a current refunding pursuant to the Code and the Treasury regulations thereunder in effect. The School District held the funds from the General Obligation Bonds, Series of 2009, in a sinking fund account (restricted cash) at the end of June 30, 2009, until payment could be made to the bond escrow agent. In September 2009, the General Obligation Bonds, Series of 1999, were paid in full.

In May 2009, the School District authorized the issuance of General Obligation Note, Series of 2009, for the purpose of providing funds to currently refund the General Obligation Note, Series of 2003, and to pay the costs of issuing and insuring the note. The new issue will result in an economic gain of \$712,702. As part of the refinancing, the General Obligation Note, Series of 2009, is intended to be repaid in April 2010 with the issuance of General Obligation Bonds, Series of 2010, for \$28,125,000.

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, 2009, the School District has defeased debt outstanding of \$375,000.

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE K **INTEREST RATE SWAP**

Objective

In accordance with the requirements under Act 23 amending the Local Government Unit Debt Act, the School District entered into an Interest Rate Management Plan. The plan shall cover all Qualified Interest Rate Management Agreements including, but not limited to, interest rate swaps, caps, floors, swaptions and similar derivative instruments.

2005 Interest Rate Swap

On June 17, 2005, in connection with the issuance of the General Obligation Note, Series of 2003, the School District entered into an interest rate swap transaction (the "2005 Swap") with a bank. The 2005 Swap was executed under authorization of Act 2003-23, which updated the Pennsylvania Local Government Debt Act to permit local government units in Pennsylvania to enter into interest rate management agreements.

Terms - The effective date of the 2005 Swap was July 1, 2005. The executed transaction is a 15-year amortizing floating-to-fixed interest rate swap. In connection with this agreement, the School District paid swap advisory fees and special counsel fees of \$88,325.

Credit Risk - As of June 30, 2009, the School District was not exposed to credit risk because the 2005 Swap had a negative fair value. However, should interest rates change and the fair value of the 2005 Swap become positive, the School District would be exposed to credit risk in the amount of the derivative's fair value. The 2005 Swap counterparty was rated A2 by Moody's, A+ by Fitch and A by Standard & Poor's.

Basis Risk - The School District's variable rate note interest payments are equivalent to the amounts received under its 2005 Swap agreement. However, the interest rate on its note payable shall not exceed 5% per year. If a change occurs that results in the variable rate received exceeding the maximum variable rate on the note payable of 5%, there may be a cost savings.

Termination Risk - The School District or the counterparty may terminate the 2005 Swap if the other party fails to perform under the terms of the agreement. If, at the time of termination, the 2005 Swap has a negative fair value, the School District would be liable to the counterparty for a payment equal to the Swap's fair value.

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

The 2005 Swap's notional amount is \$22,000,000. Beginning in 2005, the notional value of the 2005 Swap and the associated debt declined. Under the 2005 Swap agreement, the School District pays the counterparty a fixed rate of 3.384% and receives a variable rate computed at 67% of the three-month LIBOR plus .20%.

The maturity date of the 2005 Swap is June 1, 2020.

Fair Value - As of June 30, 2009, the 2005 Swap had a negative fair value of \$1,220,318. An interest rate swap is a financial instrument whose economic value will change over time. The economic value may be positive or negative, depending on interest rate movements after the initial trade date. The 2005 Swap's fair value was estimated by comparing the fixed rate set at the inception of the transaction and the "swap replacement rate," which represents the market rate for an offsetting interest rate swap with the same notional amount and final maturity date. The market value was then determined by calculating the present value interest differential between the contractual swap and the replacement swap.

2006 Interest Rate Swap

On May 16, 2006, in connection with the issuance of the General Obligation Note, Series of 2003, the School District entered into an interest rate swap transaction (the "2006 Swap") with a bank. The 2006 Swap was executed under authorization of Act 2003-23, which updated the Pennsylvania Local Government Debt Act to permit local government units in Pennsylvania to enter into interest rate management agreements. The 2006 Swap changed the fixed three-month LIBOR on the 2005 Swap to a five-year LIBOR.

Terms - The effective date of the 2006 Swap was July 1, 2006. The executed transaction is a 15-year amortizing floating-to-fixed interest rate swap. In connection with this agreement, the School District paid swap advisory fees and special counsel fees of \$63,825.

Credit Risk - As of June 30, 2009, the School District was exposed to credit risk because the 2006 Swap had a positive fair value. The 2006 Swap counterparty was rated A+ by Moody's, AA-1 by Fitch and Aa1 by Standard & Poor's.

Basis Risk - The School District's variable rate note interest payments are equivalent to the amounts received under its 2006 Swap agreement. However, the interest rate on its note payable shall not exceed 5% per year. If a change occurs that results in the variable rate received exceeding the maximum variable rate on the note payable of 5%, there may be a cost savings.

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

Termination Risk - The School District or the counterparty may terminate the 2006 Swap if the other party fails to perform under the terms of the agreement. If, at the time of termination, the 2006 Swap has a negative fair value, the School District would be liable to the counterparty for a payment equal to the 2006 Swap's fair value.

The 2006 Swap's notional amount is \$21,975,000. Under the 2006 Swap agreement, the School District pays the counterparty a fixed rate of 3.384% and receives a variable rate computed at 65.543% of the five-year LIBOR.

The maturity date of the 2006 Swap is June 1, 2020.

Fair Value - As of June 30, 2009, the 2006 Swap had a positive fair value of \$691,900. An interest rate swap is a financial instrument whose economic value will change over time. The economic value may be positive or negative, depending on interest rate movements after the initial trade date. The 2006 Swap's fair value was estimated by comparing the fixed rate set at the inception of the transaction and the "swap replacement rate," which represents the market rate for an offsetting interest rate swap with the same notional amount and final maturity date. The market value was then determined by calculating the present value interest differential between the contractual swap and the replacement swap.

2009 Interest Rate Swap

On March 19, 2009, in connection with the issuance of the General Obligation Note, Series of 2003, the School District entered into an interest rate swap transaction (the "2009 Swap") with a bank. The 2009 Swap was executed under authorization of Act 2003-23, which updated the Pennsylvania Local Government Debt Act to permit local government units in Pennsylvania to enter into interest rate management agreements. The 2009 Swap exchanged 91% of the three-month LIBOR to 100% of the SIFMA Municipal Swap Index.

Terms - The effective date of the 2009 Swap was April 1, 2009. The executed transaction is a basis swap. In connection with this agreement, the School District paid swap advisory fees and special counsel fees of \$42,000.

Credit Risk - As of June 30, 2009, the School District was exposed to credit risk because the 2009 Swap had a positive fair value. The 2009 Swap counterparty was rated A1 by Moody's, A+ by Fitch and A+ by Standard & Poor's.

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

Basis Risk - The School District's variable rate note interest payments are equivalent to the amounts received under its 2006 Swap agreement. However, the interest rate on its note payable shall not exceed 25% per year. If a change occurs that results in the variable rate received exceeding the maximum variable rate on the note payable of 5%, there may be a cost savings.

Termination Risk - The School District or the counterparty may terminate the 2009 Swap if the other party fails to perform under the terms of the agreement. If, at the time of termination, the 2009 Swap has a negative fair value, the School District would be liable to the counterparty for a payment equal to the 2009 Swap's fair value.

The 2009 Swap's notional amount is \$21,925,000.

The maturity date of the 2009 Swap is June 1, 2020.

Fair Value - As of June 30, 2009, the 2009 Swap had a positive fair value of \$522,065. An interest rate swap is a financial instrument whose economic value will change over time. The economic value may be positive or negative, depending on interest rate movements after the initial trade date. The 2009 Swap's fair value was estimated by comparing the fixed rate set at the inception of the transaction and the "swap replacement rate," which represents the market rate for an offsetting interest rate swap with the same notional amount and final maturity date. The market value was then determined by calculating the present value interest differential between the contractual swap and the replacement swap.

NOTE L DEFERRED REVENUE

General Fund

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

At June 30, 2009, deferred revenue consisted of delinquent taxes receivable of \$2,301,408.

Also included in deferred revenue is \$65,156 representing funds received to be used for future expenditures.

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

School Nutrition Services Fund

Deferred revenue of \$100,110 in the School Nutrition Services Fund represents the carryover of student deposits.

Community Education Fund

Deferred revenue of \$82,557 represents deposits received for 2009-2010 school year programs.

NOTE M PENSIONS

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

Plan Description

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

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

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

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

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

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

Funding Policy

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

Contribution Rates

Member Contributions

- Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.
- Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.
- Members who joined the System after June 30, 2001, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Employer Contributions: Contributions required of employers are based upon an actuarial valuation. For the fiscal year ended June 30, 2009, the rate of employer's contribution was 4.76% of covered payroll. The 4.76% rate is composed of a pension contribution rate of 4.00% for pension benefits and .76% for healthcare insurance premium assistance.

The School District's contribution to PSERS for the years ended June 30, 2009, 2008 and 2007, was \$5,027,579, \$7,036,856 and \$6,059,781, respectively, equal to the required contribution for each year.

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE N 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 \$1,138,527 at June 30, 2009, is recorded in compensated absences on the statement of net assets.

The School District pays various per diem rates to retirees for unused sick time. Compensation payable in future years, which was \$2,520,559 at June 30, 2009, is recorded in compensated absences on the statement of net assets.

In addition, included in this balance is \$1,500,456 of future payments related to obligations under the School District's Early Retirement Incentive Plan.

NOTE O POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

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

Funding Policy

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

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

Annual OPEB Cost and Net OPEB Obligation

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

Normal cost	\$ 726,519
Amortization of unfunded actuarial accrued liability	<u>1,128,630</u>
ANNUAL REQUIRED CONTRIBUTION (ARC)	1,855,149
Interest on net OPEB obligation	57,471
Adjustment to ARC	<u>(105,465)</u>
ANNUAL OPEB EXPENSE	1,807,155
Net OPEB contributions during the year	<u>(854,728)</u>
CHANGE IN NET OPEB OBLIGATION	952,427
 NET OPEB OBLIGATION AT BEGINNING OF YEAR	 <u>1,149,421</u>
 NET OPEB OBLIGATION AT END OF YEAR	 <u>\$ 2,101,848</u>

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

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

2007 was the year of implementation of GASB Statement No. 45. The School District has elected to implement GASB Statement No. 45 prospectively. Therefore, only one prior year is available for comparative data. In future years, three-year trend information will be presented.

Funded Status and Funding Progress

According to the actuarial report dated July 1, 2006, the actuarial accrued liability for benefits was \$18,217,305, and the actuarial value of assets was \$0 as of June 30, 2009, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$87,626,911, and the ratio of the UAAL to the covered payroll was 20.8%.

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 67, 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.

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

In the July 1, 2006 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 5.0% 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 9.0% initially, reduced by decrements of 1.0% to an ultimate rate of 5.0% after eight years. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009, was 29 years.

NOTE P COMMITMENTS AND CONTINGENCIES

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

The School District has various commitments under long-term construction contracts of approximately \$19,094,000 as of June 30, 2009.

NOTE Q 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 R FUND BALANCE DESIGNATIONS

Management has designated \$2,173,236 of the June 30, 2009 General Fund balance for future retirement costs.

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE S RESTRICTED NET ASSETS

At year-end, the School District has \$2,534,409 restricted in governmental activities for retirement of long-term debt and \$22,641,989 for other purposes.

NOTE T DEFICIT FUND BALANCE

The 2006 Note Fund had a fund deficit of \$(163,302) as of June 30, 2009. This will be covered by transfers from the General Fund.

REQUIRED SUPPLEMENTARY INFORMATION

NORTH PENN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 153,573,242	\$ 153,601,389	\$ 152,391,704	\$ (1,209,685)
State sources	31,377,426	31,681,178	31,937,088	255,910
Federal sources	4,080,572	4,941,493	4,325,168	(616,325)
TOTAL REVENUES	189,031,240	190,224,060	188,653,960	(1,570,100)
EXPENDITURES				
Instruction	114,967,974	117,051,792	113,975,677	3,076,115
Support services	59,117,456	59,670,694	58,315,463	1,355,231
Operation of non-instructional services	2,604,930	2,600,040	2,344,556	255,484
Facilities acquisition, construction and improvement services	353,990	403,990	442,852	(38,862)
Debt service	13,314,782	13,314,782	13,313,831	951
TOTAL EXPENDITURES	190,359,132	193,041,298	188,392,379	4,648,919
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,327,892)	(2,817,238)	261,581	3,078,819
OTHER FINANCING SOURCES (USES)				
Proceeds from bond swap agreement	-	-	403,727	403,727
Proceeds from sale of capital assets	-	-	21,310	21,310
Transfers in	625,000	625,000	625,000	-
Budgetary reserve	(6,000,000)	(4,510,654)	-	4,510,654
TOTAL OTHER FINANCING SOURCES (USES)	(5,375,000)	(3,885,654)	1,050,037	4,935,691
NET CHANGE IN FUND BALANCE	(6,702,892)	(6,702,892)	1,311,618	8,014,510
FUND BALANCE AT BEGINNING OF YEAR	12,088,353	12,088,353	12,088,353	-
FUND BALANCE AT END OF YEAR	\$ 5,385,461	\$ 5,385,461	\$ 13,399,971	\$ 8,014,510

See accompanying notes to the budgetary comparison schedule.

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2009

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, 2009

NOTE B EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2009, expenditures exceeded appropriations in the following General Fund function level (the legal level of budgetary control):

Facilities acquisition, construction and improvement services	\$ <u>38,862</u>
--	------------------

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

NORTH PENN SCHOOL DISTRICT**POSTEMPLOYMENT BENEFITS OTHER THAN PENSION FUNDING PROGRESS***Year Ended June 30, 2009***SCHEDULE OF FUNDING PROGRESS**

<u>Valuation Date</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Entry Age Actuarial Accrued Liability (AAL)</u>	<u>(c) Unfunded AAL (UAAL) (b) - (a)</u>	<u>(d) Funded Ratio (a)/(b)</u>	<u>(e) Covered Payroll</u>	<u>(f) UAAL as a % of Covered Payroll (c)/(e)</u>
7/1/2006	\$ <u>-</u>	\$ <u>18,217,305</u>	\$ <u>18,217,305</u>	<u>0%</u>	\$ <u>87,626,911</u>	<u>20.8%</u>

SUPPLEMENTARY INFORMATION SECTION

NORTH PENN SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS
 June 30, 2009

	Special Revenue Fund	Capital Project Funds			Debt Service Fund	Total Other Governmental Funds
	Athletic Fund	2004 Bond Fund	2006 Note Fund	2007 Note Fund		
ASSETS						
Cash and cash equivalents	\$ 8,211	\$ 108,019	\$ 686,698	\$ -	\$ 34,409	\$ 837,337
Investments	-	-	-	-	2,500,000	2,500,000
Due from other funds	-	850,000	-	-	-	850,000
TOTAL ASSETS	\$ 8,211	\$ 958,019	\$ 686,698	\$ -	\$ 2,534,409	\$ 4,187,337
LIABILITIES AND FUND BALANCES (DEFICIT)						
LIABILITIES						
Accounts payable	\$ 2,411	\$ 15,050	\$ -	\$ -	\$ -	\$ 17,461
Due to other funds	-	-	850,000	-	-	850,000
TOTAL LIABILITIES	2,411	15,050	850,000	-	-	867,461
FUND BALANCES (DEFICIT)						
Reserved for						
Debt Service Fund	-	-	-	-	2,534,409	2,534,409
Capital Project Funds	-	942,969	-	-	-	942,969
Special Revenue Funds	5,800	-	-	-	-	5,800
Unreserved						
Undesignated	-	-	(163,302)	-	-	(163,302)
TOTAL FUND BALANCES (DEFICIT)	5,800	942,969	(163,302)	-	2,534,409	3,319,876
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	\$ 8,211	\$ 958,019	\$ 686,698	\$ -	\$ 2,534,409	\$ 4,187,337

NORTH PENN SCHOOL DISTRICT

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

OTHER GOVERNMENTAL FUNDS

Year Ended June 30, 2009

	Special Revenue Fund	Capital Project Funds			Debt Service Fund	Total Other Governmental Funds
	Athletic Fund	2004 Bond Fund	2006 Note Fund	2007 Note Fund		
REVENUES						
Local sources	\$ 116,882	\$ 30,680	\$ 13,849	\$ 95,272	\$ 139,256	\$ 395,939
EXPENDITURES						
Operation of non-instructional services	112,135	-	-	-	-	112,135
Facilities acquisition, construction and improvement services	-	402,095	1,298,022	6,682,833	-	8,382,950
TOTAL EXPENDITURES	<u>112,135</u>	<u>402,095</u>	<u>1,298,022</u>	<u>6,682,833</u>	<u>-</u>	<u>8,495,085</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	4,747	(371,415)	(1,284,173)	(6,587,561)	139,256	(8,099,146)
OTHER FINANCING USES						
Transfers out	-	-	-	-	(625,000)	(625,000)
NET CHANGE IN FUND BALANCES	4,747	(371,415)	(1,284,173)	(6,587,561)	(485,744)	(8,724,146)
FUND BALANCES AT BEGINNING OF YEAR	<u>1,053</u>	<u>1,314,384</u>	<u>1,120,871</u>	<u>6,587,561</u>	<u>3,020,153</u>	<u>12,044,022</u>
FUND BALANCES (DEFICIT) AT END OF YEAR	<u>\$ 5,800</u>	<u>\$ 942,969</u>	<u>\$ (163,302)</u>	<u>\$ -</u>	<u>\$ 2,534,409</u>	<u>\$ 3,319,876</u>



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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the North Penn School District, Lansdale, Pennsylvania, as of and for the year ended June 30, 2009, which collectively comprise the North Penn School District, Lansdale, Pennsylvania's basic financial statements and have issued our report thereon dated December 9, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the North Penn School District, Lansdale, Pennsylvania's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the North Penn School District, Lansdale, Pennsylvania's financial statements that is more than inconsequential will not be prevented or detected by the North Penn School District, Lansdale, Pennsylvania's internal control.

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

Maillo Feliciano + Company, LLP

Oaks, Pennsylvania
December 9, 2009



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Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

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

COMPLIANCE

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

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

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

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

INTERNAL CONTROL OVER COMPLIANCE

The management of the North Penn School District, Lansdale, Pennsylvania, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the North Penn School District, Lansdale, Pennsylvania's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the North Penn School District, Lansdale, Pennsylvania's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

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

Maillo Feliciano + Company, LLP

Oaks, Pennsylvania
December 9, 2009

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

NORTH PENN SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2009

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/ Ending Dates</u>	<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2008</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2009</u>
U.S. DEPARTMENT OF EDUCATION										
Passed through the Pennsylvania Department of Education										
Title I Improving Basic Programs	I	84.010	13-090289	July 1, 2008 to September 30, 2009	\$ 614,989	\$ 520,739	\$ -	\$ 491,698	\$ 491,698	\$ (29,041)
Title I Improving Basic Programs	I	84.010	13-080289	July 1, 2007 to September 30, 2008	694,033	49,563	(64,984)	107,209	107,209	(7,338)
Title I Improving Basic Programs	I	84.010	13-070289	July 1, 2006 to September 30, 2007	625,724	-	(3,843)	3,843	3,843	-
Academic Achievement Award	I	84.010	77-090289	January 1, 2009 to September 30, 2010	6,000	2,769	-	3,761	3,761	992
Academic Achievement Award	I	84.010	77-070289	September 6, 2006 to September 30, 2008	14,532	6,707	1,452	5,255	5,255	-
Title II Improving Teacher Quality	I	84.367	20-090289	July 1, 2008 to September 30, 2009	379,787	262,929	-	266,143	266,143	3,214
Title II Improving Teacher Quality	I	84.367	20-080289	July 1, 2007 to September 30, 2008	379,000	81,214	19,496	84,384	84,384	22,666
Title II Improving Teacher Quality	I	84.367	20-070289	July 1, 2006 to September 30, 2007	374,779	-	(6,788)	6,788	6,788	-
Title III Language Inst LEP/Immigrant Students	I	84.365*	10-090289	July 1, 2008 to June 30, 2009	164,963	151,216	-	124,140	124,140	(27,076)
Title III Language Inst LEP/Immigrant Students	I	84.365*	10-080289	July 1, 2007 to June 30, 2008	93,371	43,094	38,268	4,826	4,826	-
Title V Innovative Education	I	84.298	11-080289	July 1, 2007 to September 30, 2008	13,606	7,775	(2,168)	9,031	9,031	(912)
Drug-Free Schools Formula	I	84.186	100-090289	July 1, 2008 to September 30, 2009	27,880	7,966	-	27,880	27,880	19,914
Dual Enrollment Program	S	N/A	090-090289	July 1, 2008 to September 30, 2009	12,034	12,034	-	12,034	12,034	-
High School Reform Initiative	S	N/A	084-090289	July 1, 2008 to September 30, 2009	50,000	20,833	-	50,000	50,000	29,167
High School Reform Initiative	S	N/A	084-080289	July 1, 2007 to September 30, 2008	N/A	8,333	-	8,333	8,333	-
Classrooms for the Future	S	N/A	393-090156	July 1, 2008 to September 30, 2009	N/A	<u>170,279</u>	<u>-</u>	<u>170,279</u>	<u>170,279</u>	<u>-</u>
SUBTOTAL FORWARD						<u>\$ 1,345,451</u>	<u>\$ (18,567)</u>	<u>\$ 1,375,604</u>	<u>\$ 1,375,604</u>	<u>\$ 11,586</u>

NORTH PENN SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2009

Federal Grantor/Pass-Through Grantor/Program Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Dates	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue at July 1, 2008	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue at June 30, 2009
U.S. DEPARTMENT OF EDUCATION										
SUBTOTAL FORWARDED						\$ 1,345,451	\$ (18,567)	\$ 1,375,604	\$ 1,375,604	\$ 11,586
Passed through the Montgomery County Intermediate Unit										
IDEA	I	84.027*	N/A	July 1, 2008 to June 30, 2009	\$ 2,431,879	2,189,479	-	2,431,879	2,431,879	242,400
IDEA	I	84.027*	N/A	July 1, 2007 to June 30, 2008	2,256,620	828,994	828,994	-	-	-
TOTAL U.S. DEPARTMENT OF EDUCATION						4,363,924	810,427	3,807,483	3,807,483	253,986
U.S. DEPARTMENT OF HEALTH AND HUMAN RESOURCES										
Passed through the Pennsylvania Department of Public Welfare										
Medical Assistance Reimbursement	I	93.778	N/A	July 1, 2008 to June 30, 2009	8,307	8,307	-	8,307	8,307	-
U.S. DEPARTMENT OF AGRICULTURE										
Passed through the Pennsylvania Department of Education										
Child Nutrition Cluster										
National School Lunch Program	I	10.555	N/A	July 1, 2008 to June 30, 2009	N/A	795,748	35,173	809,635	809,635	49,060
	S	N/A	N/A	July 1, 2008 to June 30, 2009	N/A	151,600	6,667	154,228	154,228	9,295
National School Breakfast Program	I	10.553	N/A	July 1, 2008 to June 30, 2009	N/A	114,489	6,184	117,069	117,069	8,764
	S	N/A	N/A	July 1, 2008 to June 30, 2009	N/A	20,219	1,126	20,590	20,590	1,497
Value of U.S.D.A. donated commodities	I	10.550	N/A	July 1, 2008 to June 30, 2009		221,000 (A)	(97,666) (B)	231,186 (C)	231,186 (C)	(87,480) (D)
TOTAL U.S. DEPARTMENT OF AGRICULTURE						1,303,056	(48,516)	1,332,708	1,332,708	(18,864)
TOTAL FEDERAL AND STATE AWARDS						\$ 5,675,287	\$ 761,911	\$ 5,148,498	\$ 5,148,498	\$ 235,122
Footnotes:		Source Codes:		Test of 50% Rule:		Selected for Testing:				
(A) Total amount of commodities received from Department of Agriculture.		D = Direct funding		Total expenditures per above		\$ 5,148,498	IDEA		\$ 2,431,879	
(B) Beginning inventory at July 1, 2008.		I = Indirect funding		Less state share of Dual Enrollment Program		12,034	Title III Language Inst LEP/ Immigrant Students		128,966	
(C) Total amount of commodities used.		S = State share		Less state share of High School Reform Initiative		58,333				
(D) Ending inventory at June 30, 2009.		* = Major program		Less state share of Classrooms for the Future		170,279				
				Less state share of National School Lunch Program and Breakfast Program		174,818			\$ 2,560,845	
				TOTAL FEDERAL EXPENDITURES		\$ 4,733,034			\$ 2,560,845	= 54.11%
									\$ 4,733,034	

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

NORTH PENN SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AND STATE AWARDS
Year Ended June 30, 2009

NOTE A BASIS OF ACCOUNTING

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

NOTE B FEDERAL EXPENDITURES

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

NORTH PENN SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2009

A. SUMMARY OF AUDITORS' RESULTS

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

<u>Program</u>	<u>CFDA</u>
IDEA	84.027
Title III Language Inst LEP/Immigrant Students	84.365

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

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None.

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

None.