

**MARPLE NEWTOWN SCHOOL DISTRICT**

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**FINANCIAL STATEMENTS  
AND SINGLE AUDIT**

For the Year Ended June 30, 2011

# MARPLE NEWTOWN SCHOOL DISTRICT

## TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)	3
BASIC FINANCIAL STATEMENTS	
<b>Government-Wide Financial Statements</b>	
Statement of Net Assets	11
Statement of Activities	12
<b>Fund Financial Statements</b>	
<i>Governmental Funds</i>	
Balance Sheet	13
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	14
Statement of Revenues, Expenditures, and Changes in Fund Balances	15
Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	16
<i>Proprietary Funds</i>	
Statement of Net Assets	17
Statement of Revenues, Expenses and Changes in Net Assets	18
Statement of Cash Flows	19

# MARPLE NEWTOWN SCHOOL DISTRICT

## TABLE OF CONTENTS, continued

	<u>Page</u>
<i>Fiduciary Funds</i>	
Statement of Fiduciary Net Assets	20
Statement of Changes in Fiduciary Net Assets	21
<b>Notes to the Basic Financial Statements</b>	22
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Funding Progress for the Postemployment Benefits Plan	39
Budgetary Comparison Schedule	40
Notes to Required Supplementary Information	41
<b>SUPPLEMENTARY INFORMATION</b>	
Schedule of Expenditures of Federal Awards and Certain State Grants	42
Notes to Schedule of Expenditures of Federal Awards and Certain State Grants	43
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	44
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	46
Schedule of Findings and Questioned Costs	48



INDEPENDENT AUDITOR'S REPORT

To the Board of School Directors  
MARPLE NEWTOWN SCHOOL DISTRICT  
Newtown Square, 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 MARPLE NEWTOWN SCHOOL DISTRICT, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of MARPLE NEWTOWN SCHOOL DISTRICT's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 MARPLE NEWTOWN SCHOOL DISTRICT as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2011, on our consideration of MARPLE NEWTOWN SCHOOL DISTRICT's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress and budgetary comparison information on pages 3 through 10 and pages 39 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

November 15, 2011

MAJOR & MASTRO, LLC  
*Certified Public Accountants*

A handwritten signature in black ink that reads "Major & Mastro LLC". The signature is written in a cursive, stylized font.

# MARPLE NEWTOWN SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

FOR THE YEAR ENDED JUNE 30, 2011

### INTRODUCTION

As management of the Marple Newtown School District, we offer readers of the Marple Newtown School District's financial statements this narrative overview and analysis of the financial activities of Marple Newtown School District for the fiscal year ended June 30, 2011. **All amounts, unless otherwise indicated, are expressed in thousands of dollars.**

### FINANCIAL HIGHLIGHTS

- The assets of the Marple Newtown School District exceeded its liabilities at the close of the most recent fiscal year by \$20,913.
- As of the close of the current fiscal year, the Marple Newtown School District governmental funds reported combined ending fund balances of \$34,738, a decrease of \$22,184 in comparison with the prior year. This decrease was the result of the ongoing capital improvements at the High School and the District Administration Building.
- At the end of the current fiscal year, fund balance for the general fund was \$6,978 or 11.0 percent of the total general fund expenditures. Of this amount, \$189 is non-spendable for prepaid items, \$1,600 is committed for capital projects. The unassigned general fund balance is \$5,188 or 7.7 percent of 2011-2012 budgeted general fund expenditures.
- Marple Newtown School District's total debt decreased by \$2,795 during the current fiscal year due to normal debt payments during the year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Marple Newtown School District's basic financial statements. The accompanying financial statements have been prepared in accordance with GASB Statement Number 34 and present both government-wide and fund level financial statements using both the accrual and modified accrual basis of accounting respectively.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Marple Newtown School District's finances, in a manner similar to a private-sector business.

The *statement of net assets* measures and reports all of Marple Newtown School District's assets and liabilities, with the difference between the two reported as *net assets*. Capital assets should be depreciated over their estimated useful lives. Net assets should be displayed in three components; invested in capital assets, net of related debt, and restricted and unrestricted net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Marple Newtown School District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result



# MARPLE NEWTOWN SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the Marple Newtown School District that are principally supported by school taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (*business-type activities*). The governmental activities of the Marple Newtown School District include the general, capital projects, and capital reserve funds. The business-type activities of the Marple Newtown School District include the Food Service Fund. The government-wide financial statements for Marple Newtown School District include both governmental activities plus business-type activities.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Marple Newtown School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Marple Newtown School District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

The District has adopted Governmental Accounting Standard Board (GASB) Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as part of its fiscal year 2010-11 reporting. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

**Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Marple Newtown School District maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and two capital projects funds, all of which are considered to be major funds.

Marple Newtown School District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

**Proprietary funds.** The Marple Newtown School District maintains one type of proprietary fund, an enterprise fund. *Enterprise funds* are used to report the same functions presented as

# MARPLE NEWTOWN SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

*business-type activities* in the government-wide financial statements. Marple Newtown School District uses enterprise funds to account for its Food Service Fund. Proprietary funds provide the same type of information as the government-wide financial statements only in more detail.

**Fiduciary Funds.** Fiduciary Funds are used to account for resources held for the benefit of parties outside of the school district. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support Marple Newtown School District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Marple Newtown School District, assets exceeded its liabilities at the close of the most recent fiscal year by \$20,913.

On a government-wide basis, net assets increased \$3,267 from last fiscal year due to excess revenues over expenses of \$3,270 and -\$3 for prior years adjustments (see note 13).

### Marple Newtown School District's Net Assets 2011

The following table reflects the current and prior year's information.

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Current & other assets	\$ 42,462	\$ 68,159	\$ 143	\$ 85	\$ 42,605	\$ 68,244
Capital assets	85,385	63,248	30	40	85,415	63,288
Total assets	<u>\$ 127,847</u>	<u>\$ 131,407</u>	<u>\$ 173</u>	<u>\$ 125</u>	<u>\$ 128,020</u>	<u>\$ 131,532</u>
Long-term liabilities						
outstanding	\$ 97,567	\$ 100,894	\$	\$	\$ 97,567	\$ 100,894
Other liabilities	9,497	12,792	43	203	9,540	12,995
Total liabilities	<u>\$ 107,064</u>	<u>\$ 113,686</u>	<u>\$ 43</u>	<u>\$ 203</u>	<u>\$ 107,107</u>	<u>\$ 113,889</u>
Net Assets:						
Invested in capital assets,						
net of related debt	\$ 10,241	\$ 10,680	\$ 30	\$ 40	\$ 10,271	\$ 10,720
Restricted	3,734	1,077			3,734	1,077
Unrestricted	6,808	5,964	100	(118)	6,908	5,846
Total net assets	<u>\$ 20,783</u>	<u>\$ 17,721</u>	<u>\$ 130</u>	<u>\$ (78)</u>	<u>\$ 20,913</u>	<u>\$ 17,643</u>

The restricted net assets are comprised of \$3,734 representing the amount restricted in the Capital Projects Funds for future capital needs.



# MARPLE NEWTOWN SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

**Governmental activities.** Governmental activities increased Marple Newtown School District net assets by \$3,062 for the current year.

**Business type activity.** The business-type activity increased net assets by \$208 for the current year due to a transfer from the general fund.

### Marple Newtown School District Changes in Net Assets – 2011

The following table reflects the revenues and expenses for the current and prior year.

	Governmental Activities		Business-type Activities		Totals	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$ 1,082	\$ 1,140	\$ 839	\$ 894	\$ 1,921	\$ 2,034
Operating Grants	8,413	7,068	250	241	8,663	7,309
Capital Grants	379	1,392			379	1,392
General Revenues:						
Taxes	53,735	50,298			53,735	50,298
Grants, not restricted to specific programs	2,054	2,456			2,054	2,456
Investment Income	192	719	0	1	192	720
Transfers	(215)		215		0	0
Total Revenues	<u>65,640</u>	<u>63,073</u>	<u>1,304</u>	<u>1,136</u>	<u>66,944</u>	<u>64,209</u>
<b>Expenses:</b>						
Depreciation	1,404	1,312			1,404	1,312
Instruction	34,784	33,471			34,784	33,471
Instructional Student Support	5,957	6,227			5,957	6,227
Administration & Financial Support Services	4,971	4,840			4,971	4,840
Operation and Maintenance of Plant Services	5,403	5,340			5,403	5,340
Pupil Transportation	4,418	4,278			4,418	4,278
Student Activities	974	886			974	886
Community Services	46	43			46	43
Interest on long-term debt	4,621	5,001			4,621	5,001
Food Service			1,096	1,208	1,096	1,208
Total Expenses	<u>62,578</u>	<u>61,398</u>	<u>1,096</u>	<u>1,208</u>	<u>63,674</u>	<u>62,606</u>
Change in Net Assets	3,062	1,675	208	(72)	3,270	1,603
Beginning Net Assets	17,721	16,049	(78)	(6)	17,643	16,043
Prior period adjustment		(3)			0	(3)
Ending Net Assets	<u>\$ 20,783</u>	<u>\$ 17,721</u>	<u>\$ 130</u>	<u>\$ (78)</u>	<u>\$ 20,913</u>	<u>\$ 17,643</u>

## MARPLE NEWTOWN SCHOOL DISTRICT

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

- Based on an actual versus actual comparison, tax revenue increased \$3,473 over 2010. This increase was the result of an increase in the real estate tax rate, assessment growth, and an improvement in the delinquent taxes over the prior fiscal year. The increase in the rate of taxation was necessary to balance the 2010-2011 budget. The major cost driver of which was the additional debt service needed for the 2009 Bond issue for major district renovations.
- Investment income decreased from the previous fiscal year due to falling interest rates for qualified district investments. With all of the continued uncertainty in the financial markets and recent comments from the Fed, we expect level or possibly lower interest earnings in 2011-2012.

#### Financial Analysis of the Governmental Funds

As noted earlier, the Marple Newtown School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the Marple Newtown School District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Marple Newtown School District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Marple Newtown School District's governmental funds reported combined ending fund balance of \$34,738, a decrease of \$22,184 in comparison with the prior year. This balance consists of \$27,760 remaining in the capital projects funds, and in the general fund \$189 nonspendable for prepaid items, \$1,600 committed for capital projects. The unassigned general fund balance is \$5,188 or 8.2 percent of general fund expenditures

The general fund is the chief operating fund of Marple Newtown School District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$5,188 or 7.7% of 2011-2012 budgeted expenditures and the total fund balance is \$6,978. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 8.2% of total general fund expenditures, while total general fund balance represents 11.0% of that same amount.

**Proprietary funds.** Marple Newtown School District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

#### General Fund Budgetary Highlights and significant changes

- The District's general fund revenues for the fiscal year ended June 30, 2011 were \$65,682.
- The general fund revenue budget compared to actual revenue is over budget by \$849 primarily due to insurance proceeds and better than expected revenues from delinquent tax receipts.

# MARPLE NEWTOWN SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

- This year's expenditure variance is expected to be approximately \$1,069 over budget which represents 1.65% of the final adjusted budget. This variance is mainly attributable to a \$2,000 transfer to the school district's capital project fund. This year-end transfer was from excess fund balance committed in the prior year for capital improvements and is not a line item appropriation in the budget.

### Capital Asset and Debt Administration

**Capital assets.** Marple Newtown School District's investment in capital assets for its governmental and business type activities as of June 30, 2011 amount to \$85,415 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, site improvements, buildings and building improvements, and property and equipment.

Major capital asset events during the current fiscal year include the following:

- Building and site improvements at the High School and several other buildings.

### Marple Newtown School District's Capital Assets – 2011 (net of accumulated depreciation)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 143	\$ 143	\$	\$	\$ 143	\$ 143
Site Improvements	405	454			405	454
Construction in Progress	38,301	17,073			38,301	17,073
Building & Bldg. Improvements	44,381	43,765			44,381	43,765
Machinery & Equipment	2,155	1,813	30	40	2,185	1,853
Total	<u>\$ 85,385</u>	<u>\$ 63,248</u>	<u>\$ 30</u>	<u>\$ 40</u>	<u>\$ 85,415</u>	<u>\$ 63,288</u>

**Long Term Debt.** At the end of the current fiscal year, the Marple Newtown School District had total bonded debt outstanding of \$99,170. Of this amount, \$99,170 comprises debt backed by the full faith and credit of the government and is insured by Bond insurance.

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
General Obligation Bonds	\$ 99,170	\$ 101,965	\$	\$	\$ 99,170	\$ 101,965
Total	<u>\$ 99,170</u>	<u>\$ 101,965</u>	<u>\$</u>	<u>\$</u>	<u>\$ 99,170</u>	<u>\$ 101,965</u>

## **MARPLE NEWTOWN SCHOOL DISTRICT**

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

Marple Newtown School District's debt decreased by \$2,795 during the 2010-2011 fiscal year as a result of normal debt payments.

Marple Newtown School District has recently received a new AA/Stable rating with an unenhanced "AA (Spur) Stable" rating from Standard and Poor's for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 225% of a 3-year average of revenues. The current debt limitation for Marple Newtown School District is \$139,962 which is well in excess of Marple Newtown School District's outstanding general obligation debt.

#### **Economic Factors and Next Year's Budgets and Rates**

- The most current unemployment rate for the Philadelphia Metro Area, which the Marple Newtown School District is located, is currently 10.7 percent, which is an increase from a rate of 9.4 percent a year ago. This is higher than to the state's average unemployment rate of 8.3 percent and slightly higher than the national average of 9.1 percent. (BLS 2011). It is important to point out that although the district is within the Philadelphia Metro Area, the unemployment rate for Delaware County, in which the district lies, is only 8.3% comparable to the lower statewide average. (BLS 2011 <http://www.bls.gov/ro3/urphl.htm>)
- Inflationary trends in the region are now equal to the national indices. The most current CPI-U index for the Philadelphia Area, which the Marple Newtown School District is located, is 3.4 percent compared to a national index of 3.8 percent for the same August 2011 time period. This is an increase of 2.4% over from August 2010.

During the current fiscal year, unassigned fund balance in the general fund was \$5,188.

#### **Legislative changes.**

On June 30, 2011, the governor of Pennsylvania signed a new law and budget that continues to restrict Pennsylvania school districts from raising revenue it needs to fund operations. In addition, the state has reduced its funding for education by approximately 900 million dollars, more than half coming directly from the K12 system.

These reductions had a more profound effect on poorer school districts in the state. Fortunately the effect on the Marple Newtown School District was not as severe. The district is classified as a wealthier school district that receives approximately 3.6% of its revenue from the state's basic education subsidy.

Act 1 of 2006, as detailed below, was changed with the passage of the new law and has removed all but three of the original 10 exceptions school district could apply to increase taxes over the Act 1 index. In addition to eliminating exceptions, the law put more limits on the special education and retirement exceptions which will erode the value of these exceptions over time.

## **MARPLE NEWTOWN SCHOOL DISTRICT**

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

**Act 1 of 2006.** This legislation changed how school districts in Pennsylvania plan, prepare, and approve their budgets and corresponding tax increases. Participation in this law is mandatory.

This law is referred to as the Taxpayer Relief Act that intends to utilize gaming revenue and a local tax shift to an earned income or personal income tax to fund the plan. The law also provides that all school districts must allow an option to taxpayers to pay their real estate taxes in installments beginning with the 2007-2008 fiscal year (PSBA, 2006). This change could have a negative impact on the districts cash flow depending on the number of taxpayers that opt to take advantage of this change. Review of surrounding districts has shown that 2-5% of homestead taxpayers utilize this option. To date, this has not presented any significant challenges to the district's cash flow.

The most significant requirement under Act 1 is the limitation on school real estate tax increases. The School District will have to seek approval from the voters if it intends to increase taxes over a set inflationary index provided by the Pennsylvania Department of Education. The index for 2011-2012 budget year is 1.4%. Any tax increase that is proposed that exceeds this index must either meet several exceptions provided for in the Act or be approved by the voters. The school district applied for and received exception to increase taxes above this limit for the 2010-2011 fiscal year. These exceptions were predominantly granted for grandfathered debt and increased pension obligations. This index has since increased to 1.7% for the 2012-2013 budget cycle.

#### **Requests for Information**

This financial report is designed to provide a general overview of the Marple Newtown School District's finances for all those with an interest in the district's finances. Questions concerning any of the information should be addressed to the Marple Newtown School District, Business Office, Suite 204, 38 Media Line Road, Newtown Square, PA 19073.

**MARPLE NEWTOWN SCHOOL DISTRICT**

**STATEMENT OF NET ASSETS**

JUNE 30, 2011

	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 25,631,617	\$ 89,449	\$ 25,721,066
Investments	12,038,215		12,038,215
Taxes receivable, net	1,333,215		1,333,215
Due from other governments	765,986	12,116	778,102
Other receivables, net	1,373,373	20,529	1,393,902
Prepaid items	189,473		189,473
Inventories		21,151	21,151
Total Current Assets	<u>41,331,879</u>	<u>143,245</u>	<u>41,475,124</u>
Noncurrent assets:			
Capital assets:			
Land	142,627		142,627
Construction in progress	38,301,220		38,301,220
Site improvements	3,427,185		3,427,185
Buildings and building improvements	65,458,492		65,458,492
Property and equipment	5,973,925	570,177	6,544,102
Accumulated depreciation	(27,918,816)	(540,295)	(28,459,111)
Other assets	1,130,630		1,130,630
Total Noncurrent Assets	<u>86,515,263</u>	<u>29,882</u>	<u>86,545,145</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 127,847,142</u></u>	<u><u>\$ 173,127</u></u>	<u><u>\$ 128,020,269</u></u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	\$ 2,787,647	\$ 21,818	\$ 2,809,465
Lease obligations	57,537		57,537
Accrued salaries and benefits	2,714,710		2,714,710
Payroll liabilities	10		10
Accrued interest	649,238		649,238
Deferred revenue	11,988	13,303	25,291
Internal balances	(7,700)	7,700	-
Portion due or payable within one year			
Bonds payable	3,175,000		3,175,000
Accumulated compensated absences	109,410		109,410
Total Current Liabilities	<u>9,497,840</u>	<u>42,821</u>	<u>9,540,661</u>
Long-term Liabilities:			
Portion due or payable after one year			
Bonds payable	96,625,085		96,625,085
Accumulated compensated absences	672,093		672,093
Other post-employment benefits	269,757		269,757
Total Long-term Liabilities	<u>97,566,935</u>		<u>97,566,935</u>
<b>TOTAL LIABILITIES</b>	<u>107,064,775</u>	<u>42,821</u>	<u>107,107,596</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	10,240,575	29,882	10,270,457
Restricted for			
Capital projects	3,734,179		3,734,179
Unrestricted	<u>6,807,613</u>	<u>100,424</u>	<u>6,908,037</u>
<b>TOTAL NET ASSETS</b>	<u>20,782,367</u>	<u>130,306</u>	<u>20,912,673</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 127,847,142</u></u>	<u><u>\$ 173,127</u></u>	<u><u>\$ 128,020,269</u></u>

See accompanying notes to the basic financial statements

**MARPLE NEWTOWN SCHOOL DISTRICT**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues 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	\$ 34,784,917	\$ 12,873	\$ 2,895,306	\$	\$ (31,876,738)	\$	\$ (31,876,738)
Instructional Student Support	5,957,228	781,696	2,582,844		(2,592,688)		(2,592,688)
Administrative Support Services	4,971,167		1,204,859		(3,766,308)		(3,766,308)
Operation and Maintenance of Plant Services	5,402,825	173,689	154,359	379,472	(4,695,305)		(4,695,305)
Pupil Transportation	4,417,494		1,535,209		(2,882,285)		(2,882,285)
Student Activities	974,497	113,992	40,390		(820,115)		(820,115)
Community Services	45,873				(45,873)		(45,873)
Interest on long-term debt	4,621,113				(4,621,113)		(4,621,113)
Unallocated depreciation *	1,403,808				(1,403,808)		(1,403,808)
TOTAL GOVERNMENTAL ACTIVITIES	62,578,922	1,082,250	8,412,967	379,472	(52,704,233)		(52,704,233)
BUSINESS-TYPE ACTIVITIES							
Food service	1,096,745	839,137	250,384			(7,224)	(7,224)
	<u>\$ 63,675,667</u>	<u>\$ 1,921,387</u>	<u>\$ 8,663,351</u>	<u>\$ 379,472</u>			(52,711,457)
GENERAL REVENUES							
Property taxes, levied for general purposes					52,964,093		52,964,093
Public utility taxes					66,269		66,269
Transfer taxes					703,886		703,886
Grants and entitlements not restricted to specific programs					2,054,151		2,054,151
Investment earnings					191,931	290	192,221
Transfers					(215,000)	215,000	-
TOTAL GENERAL REVENUES					55,765,330	215,290	55,980,620
CHANGE IN NET ASSETS					3,061,097	208,066	3,269,163
NET ASSETS AT BEGINNING OF YEAR							
As Previously Reported					17,723,997	(77,760)	17,646,237
Adjustment (See Note 13)					(2,727)		(2,727)
BALANCE AT BEGINNING OF YEAR, AS RESTATED					17,721,270	(77,760)	17,643,510
NET ASSETS AT END OF YEAR							
					\$ 20,782,367	\$ 130,306	\$ 20,912,673

\* - This amount excludes the depreciation that is included in the direct expenses of the various programs.

\* - This amount excludes the depreciation that is included in the direct expenses of the various programs.

See accompanying notes to the basic financial statements



**MARPLE NEWTOWN SCHOOL DISTRICT**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

JUNE 30, 2011

	General Fund	Capital Projects Fund I	Capital Projects Fund II	Totals
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,187,726	\$ 19,698,679	\$ 1,745,212	\$ 25,631,617
Investments	7,048,754	4,989,461		12,038,215
Taxes receivable, net	1,361,540			1,361,540
Due from other governments	765,986			765,986
Interfund receivable	10,332	1,690,610		1,700,942
Prepaid items	189,473			189,473
Other receivables	503,977	869,396		1,373,373
<b>TOTAL ASSETS</b>	<u>\$ 14,067,788</u>	<u>\$ 27,248,146</u>	<u>\$ 1,745,212</u>	<u>\$ 43,061,146</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 1,557,042	1,230,605		\$ 2,787,647
Accrued salaries and benefits	2,714,710			2,714,710
Payroll liabilities	10			10
Interfund payable	1,690,610	2,632		1,693,242
Deferred revenue	1,127,470			1,127,470
<b>TOTAL LIABILITIES</b>	<u>7,089,842</u>	<u>1,233,237</u>	<u>-</u>	<u>8,323,079</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Prepaid items	189,473			189,473
Committed:				
Capital projects	1,600,000			1,600,000
Assigned:				
Capital Projects		26,014,909	1,745,212	27,760,121
Unassigned	5,188,473			5,188,473
<b>TOTAL FUND BALANCES</b>	<u>6,977,946</u>	<u>26,014,909</u>	<u>1,745,212</u>	<u>34,738,067</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 14,067,788</u>	<u>\$ 27,248,146</u>	<u>\$ 1,745,212</u>	<u>\$ 43,061,146</u>

See accompanying notes to the basic financial statements

# MARPLE NEWTOWN SCHOOL DISTRICT

## RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

JUNE 30, 2011

TOTAL GOVERNMENTAL FUND BALANCES	\$ 34,738,067
Amounts reported for governmental activities on the statement of net assets are different because of the following:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	85,384,633
Some of the 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.	1,087,157
Bond issuance costs are recorded as expenditures in the Governmental Funds. The statement of net assets includes these amounts as other assets.	1,130,630
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	(649,238)
Bonds and notes payable, net of premiums and discounts and deferred amounts	(99,800,085)
Capital lease obligations	(57,537)
Other post-employment benefits	(269,757)
Accumulated compensated absences	(781,503)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 20,782,367</u>

**MARPLE NEWTOWN SCHOOL DISTRICT**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES  
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	Capital Projects Fund I	Capital Projects Fund II	Totals
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Local sources	\$ 54,574,567	\$ 80,620	\$ 858	\$ 54,656,045
State sources	8,981,801			8,981,801
Federal sources	2,125,835			2,125,835
TOTAL REVENUES	<u>65,682,203</u>	<u>80,620</u>	<u>858</u>	<u>65,763,681</u>
Other Financing Sources:				
Transfers in			2,000,000	2,000,000
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>2,000,000</u>	<u>2,000,000</u>
TOTAL REVENUE AND OTHER FINANCING SOURCES	<u>65,682,203</u>	<u>80,620</u>	<u>2,000,858</u>	<u>67,763,681</u>
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Instruction	34,615,807			34,615,807
Support services	20,502,481			20,502,481
Operation of non-instructional services	1,006,888			1,006,888
Capital outlay	367,009	23,462,289	332,358	24,161,656
Debt service				
Interest	4,624,316			4,624,316
Principal	2,821,482			2,821,482
TOTAL EXPENDITURES	<u>63,937,983</u>	<u>23,462,289</u>	<u>332,358</u>	<u>87,732,630</u>
Other Financing Uses:				
Transfers out	2,215,000			2,215,000
TOTAL OTHER FINANCING USES	<u>2,215,000</u>	<u>-</u>	<u>-</u>	<u>2,215,000</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>66,152,983</u>	<u>23,462,289</u>	<u>332,358</u>	<u>89,947,630</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(470,780)	(23,381,669)	1,668,500	(22,183,949)
FUND BALANCE AT BEGINNING OF YEAR	<u>7,448,726</u>	<u>49,396,578</u>	<u>76,712</u>	<u>56,922,016</u>
FUND BALANCE AT END OF YEAR	<u>\$ 6,977,946</u>	<u>\$ 26,014,909</u>	<u>\$ 1,745,212</u>	<u>\$ 34,738,067</u>

See accompanying notes to the basic financial statements

**MARPLE NEWTOWN SCHOOL DISTRICT**

**RECONCILIATION OF GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2011**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (22,183,949)

Capital outlays are reported in Governmental Funds as expenditures.

However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense and capital outlays:

Capital outlay	24,161,656
Depreciation expense	(2,025,180)

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in Governmental Funds.	91,338
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Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net assets.	2,795,000
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Capital lease payments are an expenditure in the Governmental Funds, but the payment reduces long-term liabilities in the statement of net assets.	26,482
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Bond discounts, premiums and issuance costs are amortized over the lives of the bonds in the Statement of Activities, but are recorded as expenditures and other financing uses in the Governmental Funds.	(28,038)
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Compensated absences do not require the use of current financial resources, therefore, are not reported as expenditures in Governmental Funds.	172,228
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Other Post-employment benefits do not require the use of current financial resources, therefore, are not reported as expenditures in Governmental Funds.	(33,682)
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Judgement payable does not require the use of current financial resources, therefore, is not reported as an expenditure in Governmental Funds.	54,000
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Interest is reported as an expenditure when due in the Governmental Funds, but is accrued on outstanding debt in the statement of activities.	<u>31,242</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 3,061,097</u></u>
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# MARPLE NEWTOWN SCHOOL DISTRICT

## STATEMENT OF NET ASSETS PROPRIETARY FUND

JUNE 30, 2011

	Enterprise Fund
	Food
	Service Fund
	<hr/>
ASSETS	
CURRENT ASSETS	
Cash	\$ 89,449
Due from other governments	12,116
Other receivables	20,529
Interfund receivable	2,632
Inventories	21,151
	<hr/>
TOTAL CURRENT ASSETS	145,877
	<hr/>
PROPERTY AND EQUIPMENT	570,177
Accumulated depreciation	(540,295)
	<hr/>
PROPERTY AND EQUIPMENT, Net	29,882
	<hr/>
TOTAL ASSETS	\$ 175,759
	<hr/> <hr/>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 21,818
Interfund payable	10,332
Deferred revenue	13,303
	<hr/>
TOTAL CURRENT LIABILITIES	45,453
	<hr/>
NET ASSETS	
Invested in capital assets, net of related debt	29,882
Unrestricted	100,424
	<hr/>
TOTAL NET ASSETS	130,306
	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 175,759
	<hr/> <hr/>

See accompanying notes to the basic financial statements

**MARPLE NEWTOWN SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND**

**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Enterprise Fund</u> <u>Food</u> <u>Service Fund</u>
OPERATING REVENUES	<u>\$ 839,137</u>
OPERATING EXPENSES	
Payroll	602,853
Supplies	468,902
Purchased services	1,687
Other operating expenses	12,890
Depreciation	<u>10,413</u>
TOTAL OPERATING EXPENSES	<u>1,096,745</u>
OPERATING LOSS	<u>(257,608)</u>
NONOPERATING REVENUES	
Earnings on investments	290
State sources	50,194
Federal sources	<u>200,190</u>
TOTAL NONOPERATING REVENUES	<u>250,674</u>
CHANGE IN NET ASSETS, before transfers	(6,934)
Transfers in	<u>215,000</u>
CHANGE IN NET ASSETS	208,066
NET ASSETS (DEFICIT) AT BEGINNING OF YEAR	<u>(77,760)</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 130,306</u></u>

See accompanying notes to the basic financial statements

**MARPLE NEWTOWN SCHOOL DISTRICT**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUND**

FOR THE YEAR ENDED JUNE 30, 2011

	Enterprise Fund Food Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 818,608
Payments to suppliers	(481,076)
Payments to employees	(602,853)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>(265,321)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Net transfer from other funds	39,900
State sources	50,420
Federal sources	<u>206,198</u>
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>296,518</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Earnings on investments	<u>290</u>
<b>NET INCREASE IN CASH</b>	31,487
<b>CASH AT BEGINNING OF YEAR</b>	<u>57,962</u>
<b>CASH AT END OF YEAR</b>	<u><u>\$ 89,449</u></u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating loss	\$ (257,608)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	10,413
(Increase) decrease in assets:	
Receivables	(20,529)
Inventory	(8,863)
Prepaid expenses	3,350
Increase (decrease) in liabilities:	
Accounts payable	<u>7,916</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u><u>\$ (265,321)</u></u>
<b>Schedule of noncash noncapital financing activities</b>	
Donated commodities received	36,520
Donated commodities used	29,634

See accompanying notes to the basic financial statements



**MARPLE NEWTOWN SCHOOL DISTRICT**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS**

JUNE 30, 2011

	<u>Scholarship Trust Fund</u>	<u>Agency Fund</u>
ASSETS		
Cash and cash equivalents	<u>\$        202,312</u>	<u>\$        67,064</u>
TOTAL ASSETS	<u><u>\$        202,312</u></u>	<u><u>\$        67,064</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Due to student organizations	<u>\$                    </u>	<u>\$        67,064</u>
TOTAL LIABILITIES	<u>                    -</u>	<u>        67,064</u>
NET ASSETS		
Reserved for scholarships	<u>        202,312</u>	<u>                    </u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$        202,312</u></u>	<u><u>\$        67,064</u></u>

See accompanying notes to the basic financial statements

**MARPLE NEWTOWN SCHOOL DISTRICT**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND**

**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Scholarship Trust Fund</u>
ADDITIONS	
Local contributions	\$ 23,037
Interest earnings	497
TOTAL ADDITIONS	<u>23,534</u>
DEDUCTIONS	
Fees paid and scholarships awarded	<u>36,418</u>
TOTAL DEDUCTIONS	<u>36,418</u>
CHANGE IN NET ASSETS	(12,884)
NET ASSETS AT BEGINNING OF YEAR	<u>215,196</u>
NET ASSETS AT END OF YEAR	<u>\$ 202,312</u>

See accompanying notes to the basic financial statements

**MARPLE NEWTOWN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

JUNE 30, 2011

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of MARPLE NEWTOWN SCHOOL DISTRICT (the District) are prepared in accordance with the accounting system and procedures prescribed for school districts by the Commonwealth of Pennsylvania, Department of Education, which conforms to generally accepted accounting principles as applicable to governmental units.

Financial Reporting Entity

In evaluating the District as a reporting entity, management has addressed all potential component units for which the District may or may not be financially accountable, and, as such, be includable within the District's financial statements. In accordance with Statement of Governmental Accounting Standards Board (GASB) No. 14, the District is financially accountable if it appoints a voting majority of the organization's governing board (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burden on the District. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on this criteria, there have been no component units defined within our 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 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 District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the Proprietary Fund financial statements but differs from the manner in which Governmental Funds financial statements are prepared. Governmental Funds financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for Governmental Funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**MARPLE NEWTOWN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Basis of Presentation and Accounting, continued

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the 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 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 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 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. Marple Newtown School District does not have any nonmajor funds. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Government 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 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.

**MARPLE NEWTOWN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Basis of Presentation and Accounting, continued

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 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 government's proprietary fund are charges to customers for sales and services. Operating expenses for proprietary funds include the 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.

Fiduciary Funds are reported using the economic resources measurement focus.

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

Fund Accounting

The accounts of the District are organized on the basis of funds, each of which constitutes a separate accounting entity. The operations of each fund are accounted for within a separate set of self-balancing accounts. The various funds of the district are grouped into the categories governmental, proprietary, and fiduciary.

Governmental Fund Types

Governmental Funds are those through which most governmental functions of the District are financed. The acquisition, use, and balances of the District's expendable financial resources and the related liabilities are accounted for through governmental funds types:

**General Fund**

The General Fund is for the general operations of the District and all financial transactions not required to be accounted for in another fund.

**MARPLE NEWTOWN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Governmental Fund Types, continued

**Capital Projects Funds**

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

*Capital Projects Fund II* – The Capital Projects fund is used to account for financial resources to be used for the acquisition or construction of capital facilities and other capital assets.

Proprietary Fund Type

**Enterprise (Food Service) Fund**

The Enterprise Fund accounts for the District's Food Service operations, which is maintained to account for operations that are financed and operated in a manner similar to a private business enterprise. The fund accounts for all revenues, food purchases, costs, and expenses for the food service program on the accrual method of accounting. This method recognizes expenses when incurred and revenues when earned. All proprietary activities are accounted for using GASB pronouncements as well as FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB.

Fiduciary Fund Types

**Trust Fund**

The Trust Fund accounts for assets held by the District in a trustee capacity or as an agent for individuals and private organizations.

**Agency Fund**

Agency Funds are used to account for assets held by the School District as an agent for other funds and student clubs and other activities. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of the results of operations. The School District's Agency Fund consists of the Student Activities Fund.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

**MARPLE NEWTOWN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Cash and Cash Equivalents

For the purposes of reporting cash flows for proprietary fund financial statements, cash and cash equivalents include cash on hand, amounts due from banks and highly-liquid investments with original maturities of less than 90 days.

Investments

Investments are stated at cost, which approximates fair value, the amount at which a financial instrument could be exchanged in a current transaction between parties, other than in a forced or liquidation sale. This method of valuation is in compliance with GASB Statement #31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools.

Intergovernmental Receivables/Payables

During the course of operations, numerous transactions occur between governmental units for payment of services and subsidy payments. These receivables and payables are classified as intergovernmental receivables and payables on the balance sheet.

Inventories

Food service inventory is presented at the lower of cost or market. Cost is determined on a first in first out basis and is expensed when used.

Capital Assets

Capital assets, which includes land, site improvements, buildings, building improvements, property and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available.

Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

The District defines capital assets as assets with an initial, individual cost equal to or greater than \$2,500 and an estimated useful life in excess of one year. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

	<u>Years</u>
Site improvements	10-20
Buildings and building improvements	25-50
Furniture and equipment	5-20

Compensated Absences

The School District's policies regarding sick and vacation time permit employees to accumulate earned but unused sick and vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends.



**MARPLE NEWTOWN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Deferred Revenues

General Fund deferred revenues represent primarily delinquent taxes not collected within 60 days subsequent to the District's year-end. It is expected that these receivables will be collected and included in revenues of future fiscal years. On governmental fund financial statements, these receivables are reported as deferred revenue. Food Service Fund deferred revenues represent food received in its food service operations that is on hand at June 30, 2011. Such revenues will be recognized when the food commodities are used.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities columns of the 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 issue 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 and payment of principal and interest reported as expenditures. 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 expenditures.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration and project control in the General and Capital Projects Funds.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction or improvement of those assets. Net 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 and regulations of other governments.

Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables/Payables". Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net assets.

**MARPLE NEWTOWN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Fund Balance

The District implemented GASB Statement No. 54 for the year ending June 30, 2011. GASB Statement No. 54 establishes standards for fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Additionally, the definitions of the general fund, special revenue fund type, debt service fund type and permanent fund type are clarified by the provisions in this Statement. Interpretations of certain items within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types have also been modified for clarity and consistency.

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

*Restricted fund balance.* This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed fund balance.* These amounts can only be used for specific purposes pursuant to constraints imposed by formal action (board motion) of the school board – the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the school board removes the specified use by taking the same type of action imposing the commitment.

*Assigned fund balance.* This classification reflects amounts constrained by the school’s “intent” to be used for specific purposes, but are neither restricted nor committed. The business manager has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

*Unassigned fund balance.* This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

*Use of fund balance.* The restricted fund balance shall be reduced to the extent that the underlying reason for the restriction has been eliminated. Then committed, assigned and unassigned in that order as needed. If the board has approved a plan for periodic use of committed fund balance, the balance will not be reduced by more than the amount designated in the plan.

**MARPLE NEWTOWN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**2. CASH AND INVESTMENTS**

Cash

Under Act No. 72 enacted by the General Assembly of the Commonwealth of Pennsylvania, the funds deposited with the depository are permitted to be secured on a pooled basis with all other public funds which the banking institution has on deposit in excess of the Federal Depository Insurance limit. These may be bonds of the United States, any State of the United States, or bonds of any political subdivision of Pennsylvania, or the general state authority or other authorities created by the General Assembly of the Commonwealth of Pennsylvania or insured by the Federal Deposit Insurance Corporation.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's investment policy states that all funds invested shall be insured or secured by approved assets pledged as collateral and the financial institutions will be monitored for credit worthiness. As of June 30, 2011, \$7,756,686 of the District's bank balance of \$8,007,044 was exposed to custodial credit risk because it was uninsured and the collateral held by the depository's agent was not in the District's name.

Investments

Under Section 440.1 of the Public School Act of 1949 as amended, the District is permitted to invest funds consistent with sound business practices in the following types of investments:

Obligations of (a) 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, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (c) 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.

As of June 30, 2011, the District had the following investments:

<u>Investment</u>	<u>Fair Value</u>
PA Local Government Investment Trust	<u>\$ 31,736,894</u>

*Custodial Credit Risk – Investments.* Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The District has no investments subject to custodial credit risk.

*Credit Risk.* The District has no investment policy that would limit its investment choices to certain credit ratings, however, the primary objective of the policy is ensuring safety through the mitigation of credit risk. As of June 30, 2011, the District's investments were rated as:

<u>Investment</u>	<u>Standard &amp; Poor's</u>
PA Local Government Investment Trust	AAAm

**MARPLE NEWTOWN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**3. SCHOOL TAXES**

The tax on real estate, as levied by the School Board, was 16.3222 mills (\$16.3222 per \$1,000 of assessed valuation) for fiscal 2011. Assessed valuation of property is established by the Board of Assessments, and the elected or appointed tax collectors are responsible for collection. Real property in the district for the July 1, 2010 levy was assessed at \$3,254,531,829. The schedule for real estate taxes levied for each fiscal year is as follows:

July 1	Levy date
July 1 – August 31	2% discount period
September 1 – October 31	Face value period
November 1 – December 31	10% penalty period
January 1	Lien date

For government-wide financial statements, the school district, in accordance with GAAP, recognized the delinquent and unpaid taxes receivable reduced by an allowance for uncollectible taxes in the amount of \$28,325 as determined by the administration. A portion of the net amount estimated to be collectible, which was measurable and available within 60 days, was recognized as revenue and the balance deferred in the fund financial statements.

**4. INTERFUND RECEIVABLES AND PAYABLES**

The following is a summary of interfund activity for the year ending June 30, 2011:

	Interfund Receivables	Interfund Payables
General Fund	\$ 10,332	\$ 1,690,610
Capital Projects Fund I	1,690,610	2,632
Proprietary Fund, Food Service Fund	2,632	10,332
	<u>\$ 1,703,574</u>	<u>\$ 1,703,574</u>

These balances resulted from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

	Transfers to Other funds	Transfers from Other funds
General Fund	\$ 2,215,000	\$
Capital Projects Fund II		2,000,000
Proprietary Fund, Food Service Fund		215,000
	<u>\$ 2,215,000</u>	<u>\$ 2,215,000</u>

Transfers are used to 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, 2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**MARPLE NEWTOWN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**5. CAPITAL ASSETS**

Capital Asset Activity for the year ended June 30, 2011, was as follows:

Governmental Activities:

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Capital assets not being depreciated				
Land	\$ 142,627	\$	\$	\$ 142,627
Construction in progress	17,072,612	22,762,159	1,533,551	38,301,220
Total Capital assets not being depreciated	3,810,155	22,762,159	1,533,551	38,443,847
Capital assets being depreciated				
Site improvements	3,427,185			3,427,185
Buildings and improvements	63,499,383	1,959,109		65,458,492
Machinery and equipment	4,999,986	973,939		5,973,925
Total capital assets being depreciated at historical cost	69,929,863	2,933,048	-	74,859,602
Less accumulated depreciation for				
Site improvements	(2,972,961)	(49,691)		(3,022,652)
Buildings and improvements	(19,734,288)	(1,343,447)		(21,077,735)
Machinery & Equipment	(3,186,387)	(632,042)		(3,818,429)
Total accumulated depreciation	(24,043,303)	(2,025,180)	-	(27,918,816)
Total capital assets being depreciated, net	45,886,560	907,868	-	46,940,786
Governmental Activities capital assets, net	\$ 49,696,715	\$ 23,670,027	\$ 1,533,551	\$ 85,384,633

Business-type Activities:

Capital assets being depreciated				
Machinery and equipment	\$ 570,177	\$	\$	\$ 570,177
Less accumulated depreciation	(529,882)	(10,413)		(540,295)
Business-type activities capital assets, net	\$ 59,041	\$ (10,413)	\$ -	\$ 29,882

Depreciation expense for Governmental Activities was charged as direct expense to programs of the primary government as follows:

Instruction	\$ 186,905
Instructional Student Support	117,100
Administrative Support Services	186,853
Pupil Transportation	10,797
Operation and Maintenance of Plant Services	106,837
Student Activities	12,880
Total Depreciation charged as direct expense	621,372
Unallocated depreciation	1,403,808
Total Governmental Activities depreciation expense	\$ 2,025,180

**MARPLE NEWTOWN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**6. LONG-TERM LIABILITIES**

The following is a summary of governmental long-term liability activity of the district for the year ending June 30, 2011:

Type	Principal Outstanding July 1, 2010	Additions	Repayments	Principal Outstanding June 30, 2011	Due within One Year
General Obligation Bond - 2006	\$ 23,675,000	\$	\$ 980,000	\$ 22,695,000	\$ 1,020,000
General Obligation Bond - 2009	69,410,000		215,000	69,195,000	245,000
General Obligation Bond - 2010	8,880,000		1,600,000	7,280,000	1,910,000
	101,965,000	-	2,795,000	99,170,000	3,175,000
Net Discount/Premium	(952,189)		(54,369)	(897,820)	
Deferred amount on refunding	284,826		17,091	267,735	
	102,632,363	-	2,832,278	99,800,085	3,175,000
Compensated Absences	953,731		172,228	781,503	109,410
Other Post-employment Benefits	236,075	430,304	396,622	269,757	-
Total	<u>\$ 103,822,169</u>	<u>\$ 430,304</u>	<u>\$ 3,401,128</u>	<u>\$ 100,851,345</u>	<u>\$ 3,284,410</u>

Bonds and Notes payable at June 30, 2011 consisted of:

General Obligation Bond Series 2006. Original principal amount of \$25,490,000, maturing March 1, 2027, bearing interest from 3.50% to 5.00%. Interest is paid semi-annually on March 1 and September 1. \$ 22,695,000

General Obligation Bond Series 2009. Original principal amount of \$69,470,000, maturing June 1, 2031, bearing interest from 1.60% to 5.00%. Interest is paid semi-annually on June 1 and December 1. 69,195,000

General Obligation Bond Series 2010. Original principal amount of \$8,880,000, maturing April 1, 2020, bearing interest from 2.00% to 3.75%. Interest is paid semi-annually on April 1 and October 1. 7,280,000

\$ 99,170,000

**MARPLE NEWTOWN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

6. LONG-TERM LIABILITIES, continued

Defeasance of Debt

The District defeased certain general obligation bonds by placing the proceeds of the new bonds in irrevocable escrow accounts with a trust agent to provide for all future debt service payments on the defeased bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. The balance of defeased debt is \$21,670,000 at June 30, 2011.

Principal and interest payments for the succeeding fiscal years are as follows:

Year Ended June 30,	Principal	Interest	Total
2012	\$ 3,175,000	\$ 4,545,038	\$ 7,720,038
2013	3,300,000	4,440,688	7,740,688
2014	3,420,000	4,333,363	7,753,363
2015	3,565,000	4,206,626	7,771,626
2016	4,030,000	4,062,299	8,092,299
2017-2021	22,890,000	17,494,159	40,384,159
2022-2026	28,455,000	11,588,496	40,043,496
2027-2031	30,335,000	4,144,380	34,479,380
	<u>\$ 99,170,000</u>	<u>\$ 54,815,049</u>	<u>\$ 153,985,049</u>

Interest expense for the year ended June 30, 2011 was \$4,624,316.

The general fund has been used to liquidate long term liabilities.

7. AUTHORITY RENTAL

The School District has entered into a long-term lease agreement with a municipal authority for use of school facilities constructed by the authority. The facilities are maintained and operated by the School District under long-term leases which expire in 2013 unless the authority bond issues are earlier retired and the lease payments thereby cancelled. Complete Financial Statements for the Delaware County Vocational Technical School Authority can be obtained from the Delaware County Vocational Technical School.



**MARPLE NEWTOWN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

7. AUTHORITY RENTAL, continued

Lease rental commitments stated at amounts equivalent to the outstanding bonds of the authority at June 30, 2011 were:

<u>Lessor School Activity</u>	<u>Final Lease Year</u>	<u>Lease Commitments (Authority Bonds Outstanding)</u>
County Operated Schools:		
Delaware County Vocational - Technical School (Based on 2010 – 2011 Allocation Factor Assigned to the District –5.45% Included in Intersystem Payments)	<u>2013</u>	<u>\$ 57,537</u>

8. PENSION PLAN

Public School Employees' Retirement System Plan

Substantially, all full-time and part-time employees of the District participate in the Pennsylvania Public School Employees' Retirement System (the System), a governmental cost-sharing, multiple-employer defined benefit plan.

The System provides retirement, disability, legislatively mandated ad hoc cost-of-living adjustments and healthcare insurance premium assistance to qualifying annuitants. The Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended) assigns the authority to establish and amend benefit provisions to the PSERS Board of Trustees.

The System issues a *Comprehensive Annual Financial Report* (CAFR) that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Diane J. Wert, Office of Financial Management, Public School Employees' Retirement system, PO Box 125, Harrisburg, PA 17108-0125. The CAFR is also available on the Publications page of the PSERS website.

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

**MARPLE NEWTOWN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

8. PENSION PLAN, continued

**Member Contributions** – Active members who joined the system prior to July 22, 1983, contribute a 5.25 percent (Membership Class T-C) or at 6.50 percent (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 percent (Membership Class T-C) or at 7.50 percent (Membership Class T-D) of the member's qualifying compensation. Members who joined the System after June 30, 2001 contribute at 7.50 percent (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 Contribution** - Contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 30, 2011, the rate of employer's contribution was 5.64 percent of covered payroll. The 5.64 percent rate is composed of a pension contribution rate of 5.00 percent for pension benefits and .64 percent for healthcare insurance premium assistance.

The District's contributions to PSERS for the fiscal year ending June 30, 2011, 2010, and 2009, were \$1,861,503, \$1,528,213, and \$1,512,129, respectively, equal to the required contributions for each year.

9. POST-EMPLOYMENT HEALTHCARE BENEFITS

In the fiscal year ending June 30, 2009, the District implemented Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, for postemployment health care benefits provided by the District. The requirements of this Statement were implemented prospectively, with the actuarially accrued liability for benefits at June 30, 2009, date of transition amortized over 30 years. Accordingly, for financial reporting purposes, no liability is reported for the postemployment health care benefits liability at the date of transition.

**Plan Description:** Pursuant to the provisions of Act 110/43, teachers and non-professional union employees who retire from the District and eligible dependents, may continue to participate in the district's group health plan until the retired employee reaches Medicare age. Employees are eligible with 30 years of PSERS service or upon superannuation retirement. Administrators and non-professional non-union employees who have attained age 57 with 5 consecutive years of service are eligible until the retired employee reaches Medicare age, for: Medical and prescription coverage at the same copay as active employees at the time of retirement; and paying 100% of the premium for vision and dental benefits. The district subsidizes the premium rates paid by retirees by allowing them to participate in the plan at blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The plan is a single-employer defined benefit plan. Separate financial statements are not issued for the plan.

**MARPLE NEWTOWN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

9. POST-EMPLOYMENT HEALTHCARE BENEFITS, continued

**Funding Policy:** The District has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation. For the 2010-11 fiscal year, 8 retirees and eligible dependents received postemployment health care benefits. Retiree contributions are based on weighted averages for the medical premiums, increasing at the same rate as the health care cost trend rate. The District's pay-as-you-go cost, including implicit rate subsidy of \$396,622 has been applied toward the annual OPEB cost.

**Annual OPEB Cost and Net OPEB Obligation:** The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2011 was as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, 7/1/2010	\$ 395,544	76%	\$ 236,075
Year ending 6/30/2011	430,304	92%	269,757

The following table shows the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Description	
Normal cost (service cost for one year)	\$ 224,247
Interest on Normal Cost	10,091
Amortization of Unfunded Actuarial Accrued Liability	199,836
Annual Required Contribution (ARC)	434,174
Interest on net OPEB Obligation	10,623
Adjustment to Annual Required Contribution	(14,493)
Annual OPEB Cost (expense)	430,304
Contributions toward the OPEB Cost	(396,622)
Increase in Net OPEB Obligation	33,682
Net OPEB Obligation, Beginning of Year	236,075
Net OPEB Obligation, End of Year	\$ 269,757

**Funded Status and Funding Progress:** As of June 30, 2011, the date of the latest actuarial valuation, the actuarial accrued liability for benefits was \$3,255,110, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$3,255,110. The covered payroll (annual payroll of active participating employees) was \$27,209,045, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 11.96 percent.

**MARPLE NEWTOWN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

9. POST-EMPLOYMENT HEALTHCARE BENEFITS, continued

***Actuarial Methods and Assumptions:*** Actuarial valuations of an ongoing plan involve 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 and termination, mortality, and the healthcare cost trends. 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. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial 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.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The District's initial OPEB actuarial valuation as of January 1, 2010, used the entry age normal actuarial cost method to estimate both the unfunded liability as of June 30, 2011 and to estimate the District's 2010-11 fiscal year annual required contribution. This method was selected because it produced the best estimate of the OPEB liability and annual cost. Because the OPEB liability is currently unfunded, the actuarial assumptions include a 4.5 percent rate of return on invested assets. The actuarial assumptions include a payroll growth of a 3% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 3% to .25%. The actuarial assumptions also include an annual health care cost trend rate of 7.5% initially for the 2010-1 fiscal year, reduced by .5% per year to an ultimate rate of 5.5% in 2014. The unfunded actuarial liability is being amortized as a level dollar of projected payroll growth on an open basis over 30 years. The remaining amortization period at June 30, 2011 is 27 years.

10. TERMINATION BENEFITS

On January 25, 2011, the Board approved a one-time retirement incentive program for members of the Marple Newtown Education Association (MNEA). The plan is in effect for the 2010-2011 school year only. Provided that all eligibility requirements have been met, the eligible employees will receive one retirement incentive payment. The liability and expenditure for these benefits has been recognized in the amount of \$160,000.

**MARPLE NEWTOWN SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**11. CONTINGENCIES**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

**12. COMMITMENTS**

The District has various commitments under long-term construction contracts totaling approximately \$65,362,919 as of June 30, 2011.

**13. CHANGES IN BEGINNING NET ASSETS**

The following discloses the restatement fund balance/net assets as of the beginning of the year:

Government Wide Net Assets:

Net assets, beginning of year, as previously stated	\$17,723,997
Decrease due to change in authority lease obligation	<u>(2,727)</u>
Net assets, beginning of year, as restated	<u>\$17,721,270</u>

**14. SCHOOL BUS BUY-BACK PROGRAM**

The School District contracts with a supplier to provide school buses for a two year period. The fleet of buses are bought from the supplier at a predetermined price in August of each year. The buses are used during the school year and are sold back to the supplier at a predetermined price at the end of the school year. The net cost per bus is established for each two year period. The total cost was approximately \$847,440.

REQUIRED

SUPPLEMENTARY INFORMATION

**MARPLE NEWTOWN SCHOOL DISTRICT**

**SCHEDULE OF FUNDING PROGRESS FOR THE  
POSTEMPLOYMENT BENEFITS PLAN**

JUNE 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
1/1/2010	\$ 0	\$ 3,255,110	\$ 3,255,110	0%	\$ 27,209,045	11.96%
1/1/2008	\$ 0	\$ 2,790,623	\$ 2,790,623	0%	\$ 28,340,136	9.85%

**MARPLE NEWTOWN SCHOOL DISTRICT**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
<b>REVENUES</b>				
Revenues:				
Local sources	\$ 53,423,222	\$ 53,456,681	\$ 54,574,567	\$ 1,117,886
State sources	10,018,778	10,018,778	8,981,801	(1,036,977)
Federal sources	1,358,000	1,358,000	2,125,835	767,835
<b>TOTAL REVENUES</b>	<b>64,800,000</b>	<b>64,833,459</b>	<b>65,682,203</b>	<b>848,744</b>
<b>EXPENDITURES AND OTHER FINANCING USES</b>				
Expenditures:				
Instruction				
Regular programs	23,976,041	22,503,334	21,745,422	757,912
Special programs	11,065,702	12,710,949	12,540,234	170,715
Vocational programs	297,000	297,000	285,442	11,558
Other instructional programs	65,649	67,304	55,931	11,373
Total Instruction	35,404,392	35,578,587	34,627,029	951,558
Support Services				
Pupil personnel services	2,439,573	2,459,621	2,228,867	230,754
Instructional staff services	2,978,256	2,998,761	2,710,391	288,370
Administration services	3,161,391	3,186,991	2,898,019	288,972
Pupil health	1,186,684	1,169,658	971,715	197,943
Business services	709,374	709,374	676,655	32,719
Operation and maintenance of plant services	5,805,969	6,108,609	5,680,960	427,649
Student transportation	4,631,337	4,675,693	4,352,015	323,678
Central services	1,048,940	1,048,940	966,596	82,344
Other support services	71,000	366,446	373,050	(6,604)
Total Support Services	22,032,524	22,724,093	20,858,268	1,865,825
Operation of Non-instructional Services				
Student activities	976,730	979,727	961,015	18,712
Community services	43,854	43,928	45,873	(1,945)
Total Operation of Non-instructional Services	1,020,584	1,023,655	1,006,888	16,767
Other Financing Uses				
Debt service	5,992,500	5,757,304	7,445,798	(1,688,494)
Transfers out	-	-	2,215,000	(2,215,000)
Budgetary reserve	600,000	-	-	-
Total Other Financing Uses	6,592,500	5,757,304	9,660,798	(3,903,494)
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<b>65,050,000</b>	<b>65,083,639</b>	<b>66,152,983</b>	<b>(1,069,344)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>(250,000)</b>	<b>(250,180)</b>	<b>(470,780)</b>	<b>(220,600)</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<b>7,448,726</b>	<b>7,448,726</b>	<b>7,448,726</b>	<b>-</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 7,198,726</b>	<b>\$ 7,198,546</b>	<b>\$ 6,977,946</b>	<b>\$ (220,600)</b>



## **MARPLE NEWTOWN SCHOOL DISTRICT**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**JUNE 30, 2011**

#### **Budgetary Data**

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

- a. Prior to May 31, the School District Board submits a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the General Fund.
- b. Public hearings are conducted at the Marple Newtown School District building to obtain taxpayer comments.
- c. Prior to June 30, the budget is legally enacted through passage of an ordinance.
- d. Legal budgetary control is maintained by the District Board at the departmental level. Transfers between departments, whether between funds or within a fund, or revisions that alter the total revenues and expenditures of any fund must be approved by the School District Board as provided by school code.
- e. Budgetary data are included in the District's management information system and are employed as a management control device during the year.
- f. A budget for the General Fund is adopted substantially on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

## SUPPLEMENTARY INFORMATION

**MARPLE NEWTOWN SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

<u>FEDERAL GRANTOR/PASS THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantor's Number</u>	<u>Grant Period</u>	<u>Program or Award Amount</u>	<u>Accrued or (Deferred) at July 1, 2010</u>	<u>Total Received For the Year</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) at June 30, 2011</u>	<u>Revenue Recognized</u>
<b>U.S. DEPT. OF EDUCATION</b>									
Passed Through the PA Dept. of Education									
Title I - Low Income	84.010	013-10-0239B	7/1/09 - 9/30/10	\$ 397,361	\$ 42,719	\$ 52,737	\$ 10,018	\$	\$ 10,018
Title I - Low Income	84.010	013-10-0239	7/1/10 - 9/30/11	337,764		292,728	327,394	34,666	327,394
Title I - Academic Achievement	84.010	077-10-0239B	7/1/09 - 9/30/10	7,200	2,930	5,760	2,830		2,830
ARRA - Title I	84.389	127-10-0239B	7/1/09 - 9/30/11	223,227	8,991	131,070	122,079		122,079
Title II	84.367	020-10-0239B	7/1/09 - 9/30/10	135,450	(820)	27,090	27,910		27,910
Title II	84.367	020-11-0239	7/1/10 - 9/30/11	132,179		123,428	121,007	(2,421)	121,007
Title III	84.365	010-10-0239	7/1/09 - 9/30/10	20,248	6,789	13,017	6,228		6,228
Title III	84.365	010-11-0239	7/1/10 - 9/30/11	25,922		13,825	19,454	5,629	19,454
ARRA - State Fiscal Stabilization Fund	84.394	126-10-0239	7/1/09 - 6/30/10	291,167	48,528	48,528	-		-
ARRA - State Fiscal Stabilization Fund	84.394	126-11-0239	7/1/10 - 6/30/11	284,121		284,121	284,121		284,121
ARRA - Education Jobs Fund	84.410	S410A100039	8/10/10 - 9/30/11	168,337		168,337	168,337		168,337
Passed Through the Delaware County Intermediate Unit #25									
IDEA	84.027		7/1/10 - 6/30/11	579,650		579,650	579,650		579,650
ARRA - IDEA	84.391		7/1/09 - 6/30/11	738,586		214,055	393,077	179,022	393,077
<b>TOTAL U.S. DEPT. OF EDUCATION</b>				<b>3,341,212</b>	<b>109,137</b>	<b>1,954,346</b>	<b>2,062,105</b>	<b>216,896</b>	<b>2,062,105</b>
<b>U.S. DEPT. OF HOMELAND SECURITY</b>									
Passed Through the PA Emergency Management Agency									
Disaster Grants - Public Assistance	97.036	1898DRPA045U3E3K		16,076	16,076	16,076	-		-
<b>TOTAL U.S. DEPT. OF HOMELAND SECURITY</b>				<b>16,076</b>	<b>16,076</b>	<b>16,076</b>			
<i>CHILD NUTRITION CLUSTER</i>									
<b>U.S. DEPT. OF AGRICULTURE</b>									
Passed Through the PA Dept. of Education									
National School Lunch Program	10.555		7/1/09 - 6/30/10	N/A	9,923	9,923			
National School Lunch Program	10.555		7/1/10 - 6/30/11	N/A		159,756	170,556	10,800	170,556
Forestry Research	10.652		7/1/09 - 6/30/10	11,000	7,202	7,202	-		-
Passed Through the PA Dept. of Agriculture									
Value of USDA Commodities	10.555		7/1/10 - 6/30/11	36,520	(6,417)	36,520	29,634	(13,303)	29,634
<b>TOTAL U.S DEPT. OF AGRICULTURE</b>				<b>47,520</b>	<b>10,708</b>	<b>213,401</b>	<b>200,190</b>	<b>(2,503)</b>	<b>200,190</b>
<b>TOTAL FEDERAL AWARDS</b>				<b>3,404,808</b>	<b>135,921</b>	<b>2,183,823</b>	<b>2,262,295</b>	<b>214,393</b>	<b>2,262,295</b>
<u>STATE GRANTOR/PROGRAM TITLE</u>									
National School Lunch Program	N/A		7/1/09 - 6/30/10	N/A	1,542	1,542			
National School Lunch Program	N/A		7/1/10 - 6/30/11	N/A		19,220	20,535	1,315	20,535
<b>TOTAL STATE GRANTS</b>					<b>1,542</b>	<b>20,762</b>	<b>20,535</b>	<b>1,315</b>	<b>20,535</b>
<b>TOTAL FEDERAL AND STATE AWARDS</b>				<b>\$ 3,404,808</b>	<b>\$ 137,463</b>	<b>\$ 2,204,585</b>	<b>\$ 2,282,830</b>	<b>\$ 215,708</b>	<b>\$ 2,282,830</b>

## **MARPLE NEWTOWN SCHOOL DISTRICT**

### **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS**

**FOR THE YEAR ENDED JUNE 30, 2011**

**1. GENERAL**

The accompanying Schedule of Expenditures of Federal and State Awards presents the activity of all federal awards programs of MARPLE NEWTOWN SCHOOL DISTRICT. Federal Awards passed through other government agencies is included on the schedule.

**2. BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal and State Awards is presented using the accrual basis of accounting as described in the notes to the financial statements.

**3. NON-MONETARY ASSISTANCE**

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2011, the organization had food commodities totaling \$13,303 in inventory.



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT  
AUDITING STANDARDS*

To the Board of School Directors  
MARPLE NEWTOWN SCHOOL DISTRICT  
Newtown Square, 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 MARPLE NEWTOWN SCHOOL DISTRICT as of and for the year ended June 30, 2011, which collectively comprise MARPLE NEWTOWN SCHOOL DISTRICT's basic financial statements and have issued our report thereon dated November 15, 2011. 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 MARPLE NEWTOWN SCHOOL DISTRICT's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MARPLE NEWTOWN SCHOOL DISTRICT's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the MARPLE NEWTOWN SCHOOL DISTRICT's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or

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

#### Compliance and Other Matters

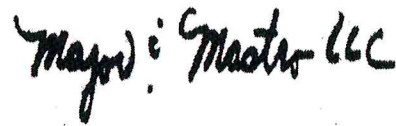
As part of obtaining reasonable assurance about whether MARPLE NEWTOWN SCHOOL DISTRICT's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct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

We noted certain other matters that we reported to management of MARPLE NEWTOWN SCHOOL DISTRICT in a separate letter dated November 15, 2011.

This report is intended solely for the information and use of management, the Board of School Directors, others within the entity, the U.S. Department of Education, 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.

November 15, 2011

MAJOR & MASTRO, LLC  
*Certified Public Accountants*

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of School Directors  
MARPLE NEWTOWN SCHOOL DISTRICT  
Newtown Square, Pennsylvania

Compliance

We have audited MARPLE NEWTOWN SCHOOL DISTRICT's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of MARPLE NEWTOWN SCHOOL DISTRICT's major federal programs for the year ended June 30, 2011. MARPLE NEWTOWN SCHOOL DISTRICT's major federal programs are identified in the summary of auditor's 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 MARPLE NEWTOWN SCHOOL DISTRICT's management. Our responsibility is to express an opinion on MARPLE NEWTOWN SCHOOL DISTRICT's compliance based on our audit.

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

In our opinion, MARPLE NEWTOWN SCHOOL DISTRICT complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

#### Internal Control Over Compliance

Management of MARPLE NEWTOWN SCHOOL DISTRICT is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered MARPLE NEWTOWN SCHOOL DISTRICT's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of MARPLE NEWTOWN SCHOOL DISTRICT's internal control over compliance.

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

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

This report is intended solely for the information and use of management, the Board of School Directors, others within the entity, the U.S. Department of Education, 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.

November 15, 2011

MAJOR & MASTRO, LLC  
Certified Public Accountants

A handwritten signature in black ink that reads "Major & Mastro LLC". The signature is stylized and cursive.



**MARPLE NEWTOWN SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of MARPLE NEWTOWN SCHOOL DISTRICT.
2. No significant deficiencies relating to the audit of the financial statements are reported in the 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 MARPLE NEWTOWN SCHOOL DISTRICT were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs is reported in the Independent Auditor's Report on Compliance with Requirements that could have a Direct and Material Effect on each Major Program and on Internal Control over Compliance in Accordance with OMB CircularA-133..
5. The Independent Auditor's Report on Compliance with Requirements that could have a Direct and Material Effect on each Major Program and on Internal Control over Compliance in Accordance with OMB CircularA-133 expresses an unqualified opinion on all major federal programs.
6. No audit findings were disclosed relating to major programs that are required to be reported under section 510(a) of OMB Circular A-133.
7. The programs tested as major programs include:

Title I Cluster	
Title I – Low Income	84.010
ARRA – Title I	84.389
IDEA Cluster	
IDEA	84.027
ARRA – IDEA	84.391

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

**MARPLE NEWTOWN SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued**  
**FOR THE YEAR ENDED JUNE 30, 2011**

9. MARPLE NEWTOWN 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