

MARPLE NEWTOWN SCHOOL DISTRICT

**FINANCIAL STATEMENTS
AND SINGLE AUDIT**

For the Year Ended June 30, 2010

MARPLE NEWTOWN SCHOOL DISTRICT

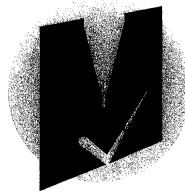
TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)	3
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements	
<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
Notes to the Basic Financial Statements	22
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Funding Progress for the Postemployment Benefits Plan	39
Budgetary Comparison Schedule	40
Notes to Required Supplementary Information	41
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal and State Awards	42
Notes to Schedule of Expenditures of Federal and State Awards	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
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	46
Schedule of Findings and Questioned Costs	48



MAJOR & MASTRO, LLC
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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, 2010, 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, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2010, 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 required 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 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. Such information 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.

October 18, 2010

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, 2010

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, 2010. **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 \$17,646.
- As of the close of the current fiscal year, the Marple Newtown School District governmental funds reported combined ending fund balances of \$56,922, a decrease of \$15,159 in comparison with the prior year. This decrease was the result of the ongoing capital improvements at the High School.
- At the end of the current fiscal year, fund balance for the general fund was \$7,449 or 12.7 percent of the total general fund expenditures. Of this amount, \$54 was reserved in fiscal 2010 for special education legal judgments against the school district, 1,000 is reserved for an unspent state grant, \$250 is designated for subsequent year's expenditures, and \$1,000 is designated for capital projects. The unreserved undesignated general fund balance is \$5,145 or 7.9 percent of 2010-2011 budgeted general fund expenditures.
- Marple Newtown School District's total debt decreased by \$7,790 during the current fiscal year as a result of a bond refunding 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*.

MARPLE NEWTOWN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Thus, revenues and expenses are reported in this statement for some items that will only result 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.

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, capital projects fund and capital reserve fund, 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 *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.

MARPLE NEWTOWN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

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 \$17,646.

On a government-wide basis, net assets increased \$1,606 from last fiscal year due to excess revenues over expenses of \$1,603 and \$3 for prior years adjustments (see note 15).

Marple Newtown School District's Net Assets 2010

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

	Governmental Activities		Business-type Activities		Totals	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Current & other assets	\$ 68,159	\$ 78,812	\$ 85	\$ 74	\$ 68,244	\$ 78,886
Capital assets	63,248	49,697	40	59	63,288	49,756
Total assets	<u>\$ 131,407</u>	<u>\$ 128,509</u>	<u>\$ 125</u>	<u>\$ 133</u>	<u>\$ 131,532</u>	<u>\$ 128,642</u>
Long-term liabilities						
outstanding	\$ 100,894	\$ 103,378	\$	\$	\$ 100,894	\$ 103,378
Other liabilities	12,789	9,082	203	139	12,992	9,221
Total liabilities	<u>\$ 113,683</u>	<u>\$ 112,460</u>	<u>\$ 203</u>	<u>\$ 139</u>	<u>\$ 113,886</u>	<u>\$ 112,599</u>
Net Assets:						
Invested in capital assets, net of related debt	\$ 10,680	\$ 11,650	\$ 40	\$ 59	\$ 10,720	\$ 11,709
Restricted	1,077	1,512			1,077	1,512
Unrestricted	5,967	2,887	(118)	(65)	5,849	2,822
Total net assets	<u>\$ 17,724</u>	<u>\$ 16,049</u>	<u>\$ (78)</u>	<u>\$ (6)</u>	<u>\$ 17,646</u>	<u>\$ 16,043</u>

The restricted net assets is comprised of \$77 representing the amount restricted in the Capital Projects and Capital Reserve Funds for future capital needs, and \$1,000 representing an unspent state grant.

Governmental activities. Governmental activities increased Marple Newtown School District net assets by \$1,675 for the current year.

MARPLE NEWTOWN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Business type activity. The business-type activity resulted in a loss to net assets of \$72 due to additional investments in capital assets and rising labor and food costs.

Marple Newtown School District Changes in Net Assets – 2010

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

	Governmental Activities		Business-type Activities		Totals	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,140	\$ 1,066	\$ 894	\$ 927	\$ 2,034	\$ 1,993
Operating Grants	7,068	6,604	241	194	7,309	6,798
Capital Grants	1,392	389			1,392	389
General Revenues:						
Taxes	50,298	47,688			50,298	47,688
Grants, not restricted to specific programs	2,456	2,409			2,456	2,409
Investment Income	719	517	1	1	720	518
Total Revenues	<u>63,073</u>	<u>58,673</u>	<u>1,136</u>	<u>1,122</u>	<u>64,209</u>	<u>59,795</u>
Expenses:						
Depreciation	1,312	1,252			1,312	1,252
Instruction	33,471	33,683			33,471	33,683
Instructional Student Support	6,227	5,836			6,227	5,836
Administration & Financial Support Services	4,840	5,024			4,840	5,024
Operation and Maintenance of Plant Services	5,340	5,543			5,340	5,543
Pupil Transportation	4,278	4,282			4,278	4,282
Student Activities	886	988			886	988
Community Services	43	40			43	40
Interest on long-term debt	5,001	2,367			5,001	2,367
Food Service			1,208	1,187	1,208	1,187
Total Expenses	<u>61,398</u>	<u>59,015</u>	<u>1,208</u>	<u>1,187</u>	<u>62,606</u>	<u>60,202</u>
Change in Net Assets	1,675	(342)	(72)	(65)	1,603	(407)
Beginning Net Assets	16,049	16,388	(6)	59	16,043	16,447
Prior period adjustment		3			0	3
Ending Net Assets	<u>\$ 17,724</u>	<u>\$ 16,049</u>	<u>\$ (78)</u>	<u>\$ (6)</u>	<u>\$ 17,646</u>	<u>\$ 16,043</u>

- Based on an actual versus actual comparison, tax revenue increased \$2,668 over 2009. This increase was the result of an increase in the real estate tax rate, assessment growth, and an improvement in the delinquent and transfer taxes over the prior fiscal year.

MARPLE NEWTOWN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

- 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, we expect level or possibly lower interest earnings in 2010-2011.

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, *unreserved 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 \$56,922, a decrease of \$15,159 in comparison with the prior year. This balance consists of \$77 remaining in the capital reserve fund, \$49,396 in the capital projects fund, and general fund balance of \$54 reserved for special education legal judgments, 1,000 reserved for an unspent state grant, \$250 designated for subsequent year's expenditures, and \$1,000 designated for capital projects. The unreserved undesignated general fund balance is \$5,145 or 8.7 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, unreserved fund balance of the general fund was \$5,145 or 7.9% of 2010-2011 budgeted expenditures and the total fund balance is \$7,449. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 8.7% of total general fund expenditures, while total general fund balance represents 12.7% 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, 2010 were \$62,497.
- The general fund revenue budget compared to actual revenue is over budget by \$1,889 primarily due to a one-time state grant, and in growth in the tax base:
 - **State Grant** – The School District was fortunate enough to receive a \$1,000 school demonstration grant from the Pennsylvania Department of Education for the reconstruction and renovation for the district's administration building. This is a onetime grant.

MARPLE NEWTOWN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

- **Taxes** – The district benefited from an increase in the assessed value of real property due to recent development and an improvement in the collection rate, improved transfer and delinquent taxes. This resulted in actual revenues exceeding budget estimated by \$880.
- This year's expenditure variance is expected to be approximately \$1,697 under budget which represents 2.79% of the final adjusted budget. The major expenditure variances are in the following areas:
 - Salaries and Benefits – Salaries were slightly under budget by \$108 and benefits were under budget by \$638 due to better than expected premiums and positive savings from retirements in the previous fiscal year.
 - Maintenance and Transportation – Due to falling energy costs and major renovations at the district's largest facility, these cost centers achieve positive variance in spending of approximately \$472.
 - The remainder of our contingency fund left a positive variance of \$181

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, 2010 amount to \$63,288 (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 – 2010 (net of accumulated depreciation)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 143	\$ 143	\$	\$	\$ 143	\$ 143
Site Improvements	454	498			454	498
Construction in Progress	17,073	3,668			17,073	3,668
Building & Bldg. Improvements	43,765	43,678			43,765	43,678
Machinery & Equipment	1,813	1,710	40	59	1,853	1,769
Total	<u>\$ 63,248</u>	<u>\$ 49,697</u>	<u>\$ 40</u>	<u>\$ 59</u>	<u>\$ 63,288</u>	<u>\$ 49,756</u>

MARPLE NEWTOWN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Long Term Debt. At the end of the current fiscal year, the Marple Newtown School District had total bonded debt outstanding of \$101,965. Of this amount, \$101,965 comprises debt backed by the full faith and credit of the government and is insured by Bond insurance.

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
General Obligation Bonds	\$ 101,965	\$ 104,755	\$	\$	\$ 101,965	\$ 104,755
Total	<u>\$ 101,965</u>	<u>\$ 104,755</u>	<u>\$</u>	<u>\$</u>	<u>\$ 101,965</u>	<u>\$ 104,755</u>

Marple Newtown School District's debt decreased by \$2,790 during the 2009-2010 fiscal year as a result of a bond refunding during the year for capital projects.

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 \$134,475 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 9.4 percent, which is an increase from a rate of 8.8 percent a year ago. This is comparable to the state's average unemployment rate of 8.9 percent and the national average of 9.6 percent. (BLS 2010)
- 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 1.0 percent compared to a national index of 1.0 percent for the same August 2010 time period. This is indicative of the current economic climate the entire country.

During the current fiscal year, unreserved fund balance in the general fund was \$3,638. Marple Newtown School District has appropriated \$250 of fund balance for the 2010-2011.

MARPLE NEWTOWN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Legislative changes.

There have not been any new significant changes in legislation, but it is important to keep in mind the changes and challenges presented by Act 1 as detailed below:

On June 27, 2006, the governor of Pennsylvania signed Pa Act 1. This legislation changes 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 2010-2011 budget year is 2.9%. 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 declined to 1.4% for the 2011-2012 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, 2010

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 32,945,588	\$ 57,962	\$ 33,003,550
Investments	30,659,736		30,659,736
Taxes receivable, net	1,326,076		1,326,076
Due from other governments	467,906	11,465	479,371
Other receivables, net	1,563,813		1,563,813
Prepaid items		3,350	3,350
Inventories		12,288	12,288
Total Current Assets	<u>66,963,119</u>	<u>85,065</u>	<u>67,048,184</u>
Noncurrent assets:			
Capital assets:			
Land	142,627		142,627
Construction in progress	17,072,612		17,072,612
Site improvements	3,427,185		3,427,185
Buildings and building improvements	63,499,383		63,499,383
Property and equipment	4,999,986	570,177	5,570,163
Accumulated depreciation	(25,893,636)	(529,882)	(26,423,518)
Other assets	<u>1,195,947</u>		<u>1,195,947</u>
Total Noncurrent Assets	<u>64,444,104</u>	<u>40,295</u>	<u>64,484,399</u>
TOTAL ASSETS	<u><u>\$ 131,407,223</u></u>	<u><u>\$ 125,360</u></u>	<u><u>\$ 131,532,583</u></u>
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 6,573,974	\$ 13,903	\$ 6,587,877
Lease obligations	81,292		81,292
Accrued salaries and benefits	2,652,405		2,652,405
Payroll liabilities	886		886
Accrued interest	680,480		680,480
Deferred revenue	820	6,417	7,237
Internal balances	(182,800)	182,800	-
Portion due or payable within one year			
Bonds payable	2,795,000		2,795,000
Judgment payable	54,000		54,000
Accumulated compensated absences	133,522		133,522
Total Current Liabilities	<u>12,789,579</u>	<u>203,120</u>	<u>12,992,699</u>
Long-term Liabilities:			
Portion due or payable after one year			
Bonds payable	99,837,363		99,837,363
Accumulated compensated absences	820,209		820,209
Other post-employment benefits	236,075		236,075
Total Long-term Liabilities	<u>100,893,647</u>		<u>100,893,647</u>
TOTAL LIABILITIES	<u>113,683,226</u>	<u>203,120</u>	<u>113,886,346</u>
NET ASSETS			
Invested in capital assets, net of related debt	10,679,733	40,295	10,720,028
Restricted for			
Capital projects	76,712		76,712
State grant	1,000,000		1,000,000
Unrestricted	<u>5,967,552</u>	<u>(118,055)</u>	<u>5,849,497</u>
TOTAL NET ASSETS	<u>17,723,997</u>	<u>(77,760)</u>	<u>17,646,237</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 131,407,223</u></u>	<u><u>\$ 125,360</u></u>	<u><u>\$ 131,532,583</u></u>

See accompanying notes to the basic financial statements

MARPLE NEWTOWN SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2010

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	\$ 33,471,437	\$ 16,156	\$ 2,819,056	\$	\$ (30,636,225)	\$	\$ (30,636,225)
Instructional Student Support	6,226,933	852,466	2,193,794		(3,180,673)		(3,180,673)
Administrative Support Services	4,839,625		440,692		(4,398,933)		(4,398,933)
Operation and Maintenance of Plant Services	5,339,798	180,499	153,563	1,391,894	(3,613,842)		(3,613,842)
Pupil Transportation	4,278,407		1,423,844		(2,854,563)		(2,854,563)
Student Activities	885,545	91,255	36,725		(757,565)		(757,565)
Community Services	43,177				(43,177)		(43,177)
Interest on long-term debt	5,000,724				(5,000,724)		(5,000,724)
Unallocated depreciation *	1,312,147				(1,312,147)		(1,312,147)
TOTAL GOVERNMENTAL ACTIVITIES	61,397,793	1,140,376	7,067,674	1,391,894	(51,797,849)		(51,797,849)
BUSINESS-TYPE ACTIVITIES							
Food service	1,207,713	894,412	240,743			(72,558)	(72,558)
	<u>\$ 62,605,506</u>	<u>\$ 2,034,788</u>	<u>\$ 7,308,417</u>	<u>\$ 1,391,894</u>			(51,870,407)
GENERAL REVENUES							
Property taxes, levied for general purposes					49,145,308		49,145,308
Public utility taxes					64,727		64,727
Transfer taxes					1,087,355		1,087,355
Grants and entitlements not restricted to specific programs					2,456,255		2,456,255
Investment earnings					719,087	500	719,587
TOTAL GENERAL REVENUES					53,472,732	500	53,473,232
CHANGE IN NET ASSETS					1,674,883	(72,058)	1,602,825
NET ASSETS AT BEGINNING OF YEAR							
As Previously Reported					16,046,239	(5,702)	16,040,537
Adjustment (See Note 15)					2,875		2,875
BALANCE AT BEGINNING OF YEAR, AS RESTATED					16,049,114	(5,702)	16,043,412
NET ASSETS AT END OF YEAR					\$ 17,723,997	\$ (77,760)	\$ 17,646,237

* - 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, 2010

	General Fund	Capital Projects Fund	Capital Reserve Fund	Totals
ASSETS				
Cash and cash equivalents	\$ 9,812,851	\$ 23,056,025	\$ 76,712	\$ 32,945,588
Investments	53,934	30,605,802		30,659,736
Taxes receivable, net	1,351,983			1,351,983
Due from other governments	467,906			467,906
Interfund receivable	182,800			182,800
Other receivables	694,522	869,291		1,563,813
TOTAL ASSETS	<u>\$ 12,563,996</u>	<u>\$ 54,531,118</u>	<u>\$ 76,712</u>	<u>\$ 67,171,826</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 1,439,434	5,134,540		\$ 6,573,974
Accrued salaries and benefits	2,652,405			2,652,405
Payroll liabilities	886			886
Deferred revenue	1,022,545			1,022,545
TOTAL LIABILITIES	<u>5,115,270</u>	<u>5,134,540</u>	<u>-</u>	<u>10,249,810</u>
FUND BALANCES				
Reserved for:				
Settlements	54,000			54,000
State grant	1,000,000			1,000,000
Designated for:				
Subsequent year's expenditures	250,000			250,000
Capital projects	1,000,000			1,000,000
Unreserved, reported in:				
Capital Projects Fund		49,396,578		49,396,578
Capital Reserve Fund			76,712	76,712
General Fund	5,144,726			5,144,726
TOTAL FUND BALANCES	<u>7,448,726</u>	<u>49,396,578</u>	<u>76,712</u>	<u>56,922,016</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 12,563,996</u>	<u>\$ 54,531,118</u>	<u>\$ 76,712</u>	<u>\$ 67,171,826</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, 2010

TOTAL GOVERNMENTAL FUND BALANCES	\$ 56,922,016
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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.	63,248,157
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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.	995,818
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Bond issuance costs are recorded as expenditures in the Governmental Funds. The Statement of Net Assets includes these amounts as other assets.	1,195,947
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Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Judgment payable	(54,000)
Accrued interest	(680,480)
Bonds and notes payable, net of premiums and discounts and deferred amounts	(102,632,362)
Capital lease obligations	(81,292)
Other post-employment benefits	(236,075)
Accumulated compensated absences	(953,732)

NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ 17,723,997
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MARPLE NEWTOWN SCHOOL DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2010

	General Fund	Capital Projects Fund	Capital Reserve Fund	Totals
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Local sources	\$ 50,481,855	\$ 544,795	\$ 1,566	\$ 51,028,216
State sources	10,021,083			10,021,083
Federal sources	1,994,439			1,994,439
TOTAL REVENUES	<u>62,497,377</u>	<u>544,795</u>	<u>1,566</u>	<u>63,043,738</u>
Other Financing Sources:				
Proceeds from bond refunding		8,880,000		8,880,000
Bond Premium		127,735		127,735
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>9,007,735</u>	<u>-</u>	<u>9,007,735</u>
TOTAL REVENUE AND OTHER FINANCING SOURCES	<u>62,497,377</u>	<u>9,552,530</u>	<u>1,566</u>	<u>72,051,473</u>
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Instruction	33,391,820			33,391,820
Support services	20,140,706	217,319		20,358,025
Operation of non-instructional services	918,224			918,224
Capital outlay	189,971	13,775,303	1,436,500	15,401,774
Debt service				
Interest	1,430,159	3,911,855		5,342,014
Principal	2,740,428	60,000		2,800,428
TOTAL EXPENDITURES	<u>58,811,308</u>	<u>17,964,477</u>	<u>1,436,500</u>	<u>78,212,285</u>
Other Financing Uses:				
Refund of prior year	98,227			98,227
Payments to refund bonds - principal		8,900,000		8,900,000
TOTAL OTHER FINANCING USES	<u>98,227</u>	<u>8,900,000</u>	<u>-</u>	<u>8,998,227</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>58,909,535</u>	<u>26,864,477</u>	<u>1,436,500</u>	<u>87,210,512</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>3,587,842</u>	<u>(17,311,947)</u>	<u>(1,434,934)</u>	<u>(15,159,039)</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>3,860,884</u>	<u>66,708,525</u>	<u>1,511,646</u>	<u>72,081,055</u>
FUND BALANCE AT END OF YEAR	<u>\$ 7,448,726</u>	<u>\$ 49,396,578</u>	<u>\$ 76,712</u>	<u>\$ 56,922,016</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, 2010

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$ (15,159,039)**

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	15,401,774
Depreciation expense	(1,850,332)

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in Governmental Funds.	127,164
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Loans payable are not reported in the Governmental Funds, but increase long-term liabilities in the statement of net assets.	59,166
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Proceeds of long-term debt are recorded as an other financing source for governmental but the proceeds increase long-term liabilities in the Statement of Net Assets	(8,880,000)
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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.	11,670,000
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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.	30,428
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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.	(285,353)
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Compensated absences do not require the use of current financial resources, therefore, are not reported as expenditures in Governmental Funds.	(112,348)
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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.	(93,368)
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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.	168,590
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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.	598,201
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 1,674,883**

See accompanying notes to the basic financial statements

MARPLE NEWTOWN SCHOOL DISTRICT

STATEMENT OF NET ASSETS PROPRIETARY FUND

JUNE 30, 2010

	Enterprise Fund
	Food
	Service Fund
ASSETS	
CURRENT ASSETS	
Cash	\$ 57,962
Due from other governments	11,465
Prepaid items	3,350
Inventories	12,288
TOTAL CURRENT ASSETS	85,065
PROPERTY AND EQUIPMENT	570,177
Accumulated depreciation	(529,882)
PROPERTY AND EQUIPMENT, Net	40,295
TOTAL ASSETS	\$ 125,360
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 13,903
Interfund payable	182,800
Deferred revenue	6,417
TOTAL CURRENT LIABILITIES	203,120
NET ASSETS (DEFICIT)	
Invested in capital assets, net of related debt	40,295
Unrestricted	(118,055)
TOTAL NET ASSETS (DEFICIT)	(77,760)
TOTAL LIABILITIES AND NET ASSETS	\$ 125,360

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, 2010

	<u>Enterprise Fund</u> <u>Food</u> <u>Service Fund</u>
OPERATING REVENUES	<u>\$ 894,412</u>
OPERATING EXPENSES	
Payroll	628,694
Supplies	529,474
Purchased services	593
Other operating expenses	30,207
Depreciation	<u>18,745</u>
TOTAL OPERATING EXPENSES	<u>1,207,713</u>
OPERATING LOSS	<u>(313,301)</u>
NONOPERATING REVENUES	
Earnings on investments	500
State sources	52,129
Federal sources	<u>188,614</u>
TOTAL NONOPERATING REVENUES	<u>241,243</u>
CHANGE IN NET ASSETS	(72,058)
NET ASSETS AT BEGINNING OF YEAR	<u>(5,702)</u>
NET ASSETS (DEFICIT) AT END OF YEAR	<u><u>\$ (77,760)</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, 2010

	Enterprise Fund Food Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 894,412
Payments to suppliers	(561,329)
Payments to employees	<u>(628,694)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(295,611)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer to other funds	67,372
State sources	51,883
Federal sources	<u>183,857</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>303,112</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on investments	<u>500</u>
NET INCREASE IN CASH	8,001
CASH AT BEGINNING OF YEAR	<u>49,961</u>
CASH AT END OF YEAR	<u><u>\$ 57,962</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (313,301)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	18,745
(Increase) decrease in assets:	
Inventory	4,192
Prepaid expenses	(3,350)
Increase (decrease) in liabilities:	
Accounts payable	<u>(1,897)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (295,611)</u></u>
Schedule of noncash noncapital financing activities	
Donated commodities received	41,718
Donated commodities used	43,273

See accompanying notes to the basic financial statements

MARPLE NEWTOWN SCHOOL DISTRICT

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS**

JUNE 30, 2010

	<u>Scholarship Trust Fund</u>	<u>Agency Fund</u>
ASSETS		
Cash and cash equivalents	<u>\$ 215,196</u>	<u>\$ 82,795</u>
TOTAL ASSETS	<u><u>\$ 215,196</u></u>	<u><u>\$ 82,795</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$	\$ 50
Due to student organizations	<u></u>	<u>82,745</u>
TOTAL LIABILITIES	<u>-</u>	<u>82,795</u>
NET ASSETS		
Reserved for scholarships	<u>215,196</u>	<u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 215,196</u></u>	<u><u>\$ 82,795</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, 2010

	<u>Scholarship Trust Fund</u>
ADDITIONS	
Local contributions	\$ 12,251
Interest earnings	<u>731</u>
TOTAL ADDITIONS	<u>12,982</u>
DEDUCTIONS	
Fees paid and scholarships awarded	<u>31,839</u>
TOTAL DEDUCTIONS	<u>31,839</u>
CHANGE IN NET ASSETS	(18,857)
NET ASSETS AT BEGINNING OF YEAR	<u>234,053</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 215,196</u></u>

See accompanying notes to the basic financial statements

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2010

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

Special Revenue Fund

Capital Reserve Fund – The Capital Reserve Fund is used to account for proceeds of specific revenue sources that are legally restricted to expenditures for future capital projects.

Capital Projects Fund

Capital Projects Fund – 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.

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, 2010. 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 Reserve Fund.

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.

Fund Balance Reserves

In the fund financial statements the School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. Fund balance reserves have been established for special education settlements of \$54,000 and a restricted grant of \$1,000,000.

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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.

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, 2010, \$9,944,129 of the District's bank balance of \$10,444,487 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, 2010, the District had the following investments:

<u>Investment</u>	<u>Fair Value</u>
PA Local Government Investment Trust	<u>\$ 53,707,313</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.

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

2. CASH AND EQUIVALENTS, continued

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, 2010, the District's investments were rated as:

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

3. SCHOOL TAXES

The tax on real estate, as levied by the School Board, was 15.1327 mills (\$15.1327 per \$1,000 of assessed valuation) for fiscal 2010. 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, 2009 levy was assessed at \$3,254,721,852. 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 \$25,908 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, 2010:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 182,800	\$
Proprietary Fund, Food Service Fund		182,800
	<u>\$ 182,800</u>	<u>\$ 182,800</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.

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

5. CAPITAL ASSETS

Capital Asset Activity for the year ended June 30, 2010, was as follows:

Governmental Activities:

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
Capital assets not being depreciated				
Land	\$ 142,627	\$	\$	\$ 142,627
Construction in progress	3,667,528	13,781,664	376,580	17,072,612
Total Capital assets not being depreciated	<u>3,810,155</u>	<u>13,781,664</u>	<u>376,580</u>	<u>17,215,239</u>
Capital assets being depreciated				
Site improvements	3,403,454	23,731		3,427,185
Buildings and improvements	62,179,156	1,320,227		63,499,383
Machinery and equipment	4,347,253	652,733		4,999,986
Total capital assets being depreciated at historical cost	<u>69,929,863</u>	<u>1,996,691</u>	<u>-</u>	<u>71,926,554</u>
Less accumulated depreciation for				
Site improvements	(2,904,654)	(68,307)		(2,972,961)
Buildings and improvements	(18,501,281)	(1,233,007)		(19,734,288)
Machinery & Equipment	(2,637,368)	(549,019)		(3,186,387)
Total accumulated depreciation	<u>(24,043,303)</u>	<u>(1,850,333)</u>	<u>-</u>	<u>(25,893,636)</u>
Total capital assets being depreciated, net	<u>45,886,560</u>	<u>146,358</u>	<u>-</u>	<u>46,032,918</u>
Governmental Activities capital assets, net	<u>\$ 49,696,715</u>	<u>\$ 13,928,022</u>	<u>\$ 376,580</u>	<u>\$ 63,248,157</u>

Business-type Activities:

Capital assets being depreciated				
Machinery and equipment	\$ 570,177	\$	\$	\$ 570,177
Less accumulated depreciation	<u>(511,136)</u>	<u>(18,746)</u>	<u>-</u>	<u>(529,882)</u>
Business-type activities capital assets, net	<u>\$ 59,041</u>	<u>\$ (18,746)</u>	<u>\$ -</u>	<u>\$ 40,295</u>

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

Instruction	\$ 202,954
Instructional Student Support	132,931
Administrative Support Services	127,548
Pupil Transportation	6,471
Operation and Maintenance of Plant Services	55,004
Student Activities	13,278
Total Depreciation charged as direct expense	<u>538,186</u>
Unallocated depreciation	1,312,147
Total Governmental Activities depreciation expense	<u>\$ 1,850,333</u>

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, 2010:

Type	Principal Outstanding July 1, 2009	Additions	Repayments	Principal Outstanding June 30, 2010	Due within One Year
General Obligation Bond - 2003	\$ 3,805,000	\$	\$ 3,805,000	\$ -	\$ -
General Obligation Bond - 2003A	6,860,000		6,860,000	-	-
General Obligation Bond - 2006	24,620,000		945,000	23,675,000	980,000
General Obligation Bond - 2009	69,470,000		60,000	69,410,000	215,000
General Obligation Bond - 2010		8,880,000		8,880,000	1,600,000
	104,755,000	8,880,000	11,670,000	101,965,000	2,795,000
Net Discount/Premium	(823,188)	(127,735)	1,266	(952,189)	
Deferred amount on refunding	350,438		65,612	284,826	
	105,227,750	9,007,735	11,603,122	102,632,363	2,795,000
Compensated Absences	841,384	112,347		953,731	133,522
Other Post-employment Benefits	142,707	93,368		236,075	-
Total	<u>\$ 106,211,841</u>	<u>\$ 9,213,450</u>	<u>\$ 11,603,122</u>	<u>\$ 103,822,169</u>	<u>\$ 2,928,522</u>

Bonds and Notes payable at June 30, 2010 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.	\$ 23,675,000
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.	69,410,000
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.	<u>8,880,000</u>
	<u>\$ 101,965,000</u>

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 \$22,570,000 at June 30, 2010.

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

Year Ended June 30,	Principal	Interest	Total
2011	\$ 2,795,000	\$ 4,624,317	\$ 7,419,317
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
2016-2020	21,955,000	18,482,850	40,437,850
2021-2025	27,205,000	12,883,246	40,088,246
2026-2030	34,195,000	5,805,488	40,000,488
2031	2,355,000	117,750	2,472,750
	<u>\$ 101,965,000</u>	<u>\$ 59,439,366</u>	<u>\$ 161,404,366</u>

Interest expense for the year ended June 30, 2010 was \$5,303,308.

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

7. SHORT-TERM LIABILITIES

The District issued a \$5,415,000 tax revenue anticipation note (TRAN), with an interest rate of 2.25% to assist in the cash flow needs of the District while it awaits the revenue from its taxpayers. The following schedule shows the changes in short-term debt:

Type	Beginning Balance	Additions	Repayments	Ending Balance
TRAN	\$ -	\$ 5,415,000	\$ 5,415,000	\$ -

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

8. 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.

Lease rental commitments stated at amounts equivalent to the outstanding bonds of the authority at June 30, 2010 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 2009 – 2010 Allocation Factor Assigned to the District –5.21% Included in Intersystem Payments)	<u>2013</u>	<u>\$ 81,292</u>

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

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

9. PENSION PLAN, continued

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

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 returned to public school service or 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, 2010, the rate of employer's contribution was 4.78 percent of covered payroll. The 4.78 percent rate is composed of a pension contribution rate of 4.00 percent for pension benefits and .78 percent for healthcare insurance premium assistance.

The District's contributions to PSERS for the fiscal year ending June 30, 2010, 2009, and 2008, were \$1,528,213, \$1,512,129, and \$2,163,291, respectively, equal to the required contributions for each year.

10. 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 are being implemented prospectively, with the actuarially accrued liability for benefits of \$2,790,623 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

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

10. POST-EMPLOYMENT HEALTHCARE BENEFITS, continued

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.

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 2009-10 fiscal year, 47 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 \$302,176 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, 2010 was as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, 7/1/2009	\$ 397,883	64%	\$ 142,707
Year ending 6/30/2010	395,544	76%	236,075

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)	\$ 216,805
Interest on Normal Cost	9,757
Amortization of Unfunded Actuarial Accrued Liability	171,321
Annual Required Contribution (ARC)	397,883
Interest on net OPEB Obligation	6,422
Adjustment to Annual Required Contribution	(8,761)
Annual OPEB Cost (expense)	395,544
Contributions toward the OPEB Cost	(302,176)
Increase in Net OPEB Obligation	93,368
Net OPEB Obligation, Beginning of Year	142,707
Net OPEB Obligation, End of Year	\$ 236,075

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

10. POST-EMPLOYMENT HEALTHCARE BENEFITS, continued

Funded Status and Funding Progress: As of June 30, 2009, the date of the latest actuarial valuation, the actuarial accrued liability for benefits was \$2,790,623, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$2,790,623. The covered payroll (annual payroll of active participating employees) was \$28,340,136, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 9.8 percent.

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, 2008, used the entry age normal actuarial cost method to estimate both the unfunded liability as of June 30, 2010 and to estimate the District's 2009-10 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 8.5% initially for the 2008-09 fiscal year, reduced by .5% per year to an ultimate rate of 5% in 2015. 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, 2010 is 28 years.

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

11. TERMINATION BENEFITS

On March 23, 2010, the Board approved a one-time retirement incentive program for members of the Marple Newtown School District Administrative Compensation Plan. The plan is in effect for the 2009-2010 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 \$125,000.

12. SELF INSURANCE

The School District self-insures worker's compensation through the Pennsylvania Insurance Consortium for Schools. The Pennsylvania Insurance Consortium for Schools is an association consisting of school districts, intermediate units, and vocational-technical schools of the Commonwealth of Pennsylvania. The School District obtained a self-insurance exemption from the Commonwealth of Pennsylvania, Department of Labor and Industry, Bureau of Workers' Compensation, which allows the School District to self-insure workers' compensation.

Each year the School District is required to deposit funds into the central fund. The School District is then billed monthly for actual claims for the current year paid during the previous month up to the level of retention. After the level of retention is reached, claim payments are made from the central fund. At the end of each fiscal year, reserves are established or adjusted on all outstanding claims. Funds in the central fund at the end of the fiscal year are not refunded.

13. 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.

14. COMMITMENTS

The District entered into a tentative agreement to settle a special education lawsuit in the amount of \$398,332 during June 30, 2008, payable over three years. The balance outstanding at June 30, 2010 is \$54,000. This amount is not reflected as a governmental fund liability since it does not meet the current financial resources measurement focus. The District has reserved \$54,000 of general fund balance for this commitment. This commitment is reflected as a liability on the government-wide statement of net assets.

The District has various commitments under long-term construction contracts totaling approximately \$37,566,471 as of June 30, 2010.

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

15. 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	\$16,046,239
Increase due to change in authority lease obligation	<u>2,875</u>
Net assets, beginning of year, as restated	<u><u>\$16,049,114</u></u>

16. 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, 2010

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)
1/1/2008	\$ 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, 2010

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Revenues:				
Local sources	\$ 49,554,102	\$ 49,608,444	\$ 50,481,855	\$ 873,411
State sources	9,303,898	9,303,898	10,021,083	717,185
Federal sources	1,657,000	1,695,732	1,994,439	298,707
TOTAL REVENUES	60,515,000	60,608,074	62,497,377	1,889,303
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Instruction				
Regular programs	23,129,138	23,357,204	22,676,497	680,707
Special programs	10,503,262	10,416,583	10,437,343	(20,760)
Vocational programs	311,000	311,000	267,235	43,765
Other instructional programs	63,013	63,013	46,555	16,458
Total Instruction	34,006,413	34,147,800	33,427,630	720,170
Support Services				
Pupil personnel services	2,304,577	2,330,065	2,305,413	24,652
Instructional staff services	2,865,708	3,015,495	2,843,325	172,170
Administration services	3,010,707	3,040,613	2,939,655	100,958
Pupil health	972,710	1,003,515	975,287	28,228
Business services	680,524	676,933	641,344	35,589
Operation and maintenance of plant services	5,600,884	5,706,335	5,320,527	385,808
Student transportation	4,427,468	4,431,252	4,216,135	215,117
Central services	850,808	869,273	857,551	11,722
Other support services	68,000	68,000	195,630	(127,630)
Total Support Services	20,781,386	21,141,481	20,294,867	846,614
Operation of Non-instructional Services				
Student activities	903,779	907,277	875,046	32,231
Community services	40,854	47,742	43,177	4,565
Total Operation of Non-instructional Services	944,633	955,019	918,223	36,796
Other Financing Uses				
Debt service	4,182,568	4,182,568	4,170,588	11,980
Refund of prior year	-	-	98,227	(98,227)
Budgetary reserve	600,000	181,206		181,206
Total Other Financing Uses	4,782,568	4,363,774	4,268,815	94,959
TOTAL EXPENDITURES AND OTHER FINANCING USES	60,515,000	60,608,074	58,909,535	1,698,539
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-	-	3,587,842	3,587,842
FUND BALANCE AT BEGINNING OF YEAR	3,860,884	3,860,884	3,860,884	-
FUND BALANCE AT END OF YEAR	\$ 3,860,884	\$ 3,860,884	\$ 7,448,726	\$ 3,587,842

MARPLE NEWTOWN SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2010

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.

A budget is not required to be adopted for the special revenue fund.

SUPPLEMENTARY INFORMATION

MARPLE NEWTOWN SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

<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, 2009</u>	<u>Total Received For the Year</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) at June 30, 2010</u>	<u>Revenue Recognized</u>
U.S. DEPT. OF EDUCATION									
Passed Through the PA Dept. of Education									
Title I - Low Income	84.010	013-090239	7/1/08 - 9/30/09	\$ 344,967	\$ 9,611	\$ 44,503	\$ 34,892	\$	\$ 34,892
Title I - Low Income	84.010	013-10-0239B	7/1/09 - 9/30/10	397,361		344,625	387,344	42,719	387,344
Title I - Low Income - Mini Grants	84.010		7/1/08 - 9/30/09	1,000	386	400	14		14
Title I - Low Income - Mini Grants	84.010	077-090239	7/1/08 - 9/30/09	8,000	4,416	4,800	384		384
Title I - Academic Achievement	84.010	077-10-0239B	7/1/09 - 9/30/10	7,200		1,440	4,370	2,930	4,370
ARRA - Title I	84.389	127-10-0239B	7/1/09 - 9/30/10	223,227		92,157	101,148	8,991	101,148
Drug Free Schools	84.186	100-10-0239	9/21/09 - 9/30/10	7,400		7,400	7,400		7,400
Title II	84.367	020-090239	7/1/08 - 9/30/09	132,713	(2,585)	26,543	29,128		29,128
Title II	84.367	020-10-0239B	7/1/09 - 9/30/10	135,450		108,360	107,540	(820)	107,540
Title III	84.365	010-090239	7/1/08 - 9/30/09	25,437	9,665	11,740	2,075		2,075
Title III	84.365	010-10-0239	7/1/09 - 9/30/10	20,248		7,231	14,020	6,789	14,020
ARRA - State Fiscal Stabilization Fund	84.394	126-10-0239	7/1/09 - 6/30/10	291,167		242,639	291,167	48,528	291,167
Passed Through the Allegheny County Intermediate Unit #2 Inclusive Mini Grant	84.027		11/25/08 - 6/30/09	10,000	7,085	7,085	-		-
Passed Through the Delaware County Intermediate Unit #25									
IDEA	84.027		7/1/08 - 9/30/09	544,725	158,855	158,855	-		-
IDEA	84.027		7/1/09 - 9/30/10	569,753		569,753	569,753		569,753
ARRA - IDEA	84.391		7/1/09 - 6/30/11	735,586		345,509	345,509		345,509
TOTAL U.S. DEPT. OF EDUCATION				<u>3,454,234</u>	<u>187,433</u>	<u>1,973,040</u>	<u>1,894,744</u>	<u>109,137</u>	<u>1,894,744</u>
U.S. DEPT. OF HOMELAND SECURITY									
Passed Through the PA Emergency Management Agency									
Disaster Grants - Public Assistance	97.036	1898DRPA045U3E3K		16,076			16,076	16,076	16,076
TOTAL U.S. DEPT. OF HOMELAND SECURITY				<u>16,076</u>			<u>16,076</u>	<u>16,076</u>	<u>16,076</u>
<i>CHILD NUTRITION CLUSTER</i>									
U.S. DEPT. OF AGRICULTURE									
Passed Through the PA Dept. of Education									
National School Lunch Program	10.555		7/1/08 - 6/30/09	N/A	6,720	6,720			
National School Lunch Program	10.555		7/1/09 - 6/30/10	N/A		135,419	145,342	9,923	145,342
Forestry Research	10.652		7/1/08 - 6/30/09	11,000	5,126	5,426	300		300
Forestry Research	10.652		7/1/09 - 6/30/10	11,000		3,456	10,658	7,202	10,658
Passed Through the PA Dept. of Agriculture									
Value of USDA Commodities	10.555		7/1/09 - 6/30/10	41,718	(7,972)	41,718	43,273	(6,417)	43,273
TOTAL U.S. DEPT. OF AGRICULTURE				<u>63,718</u>	<u>3,874</u>	<u>192,739</u>	<u>199,573</u>	<u>10,708</u>	<u>199,573</u>
TOTAL FEDERAL AWARDS				<u>3,534,028</u>	<u>191,307</u>	<u>2,165,779</u>	<u>2,110,393</u>	<u>135,921</u>	<u>2,110,393</u>
STATE GRANTOR/PROGRAM TITLE									
National School Lunch Program	N/A		7/1/08 - 6/30/09	N/A	1,296	1,296			
National School Lunch Program	N/A		7/1/09 - 6/30/10	N/A		21,174	22,716	1,542	22,716
TOTAL STATE AWARDS					<u>1,296</u>	<u>22,470</u>	<u>22,716</u>	<u>1,542</u>	<u>22,716</u>
TOTAL FEDERAL AND STATE AWARDS				<u>\$ 3,534,028</u>	<u>\$ 192,603</u>	<u>\$ 2,188,249</u>	<u>\$ 2,133,109</u>	<u>\$ 137,463</u>	<u>\$ 2,133,109</u>

MARPLE NEWTOWN SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED JUNE 30, 2010

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, 2010, the organization had food commodities totaling \$6,417 in inventory.



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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 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, 2010, which collectively comprise MARPLE NEWTOWN SCHOOL DISTRICT's basic financial statements and have issued our report thereon dated October 18, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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*.

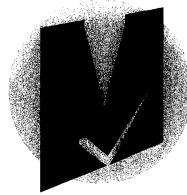
We noted certain other matters that we reported to management of MARPLE NEWTOWN SCHOOL DISTRICT in a separate letter dated October 18, 2010.

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.

October 18, 2010

MAJOR & MASTRO, LLC
Certified Public Accountants

Major & Mastro LLC



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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of 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, 2010. 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, 2010.

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 in order to determine our 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.

October 18, 2010

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
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

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 Independent Auditor's report.
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 and Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
5. The Independent Auditor's Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133 for MARPLE NEWTOWN SCHOOL DISTRICT expresses an unqualified opinion.
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.
9. MARPLE NEWTOWN SCHOOL DISTRICT did qualify as a low-risk auditee.

MARPLE NEWTOWN SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued

FOR THE YEAR ENDED JUNE 30, 2010

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None

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

None