

In the opinion of Bond Counsel, under existing statutes, regulations and judicial decisions, interest on the Bonds is excluded from gross income for purposes of federal income taxation and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. This opinion of Bond Counsel is subject to continuing compliance by the School District with its covenants in the Resolution and other documents to comply with requirements of the Internal Revenue Code of 1986, as amended, and applicable regulations thereunder.

Bond Counsel is also of the opinion that under the laws of the Commonwealth of Pennsylvania as presently enacted and construed, the Bonds are exempt from personal property taxes in the Commonwealth of Pennsylvania and the interest on the Bonds is exempt from the Commonwealth of Pennsylvania Personal Income Tax and the Commonwealth of Pennsylvania Corporate Net Income Tax.

For further information concerning federal and state tax matters relating to the Bonds, see "Tax Exemption and Other Tax Matters" herein.

\$9,370,000

North Penn School District

Montgomery and Bucks Counties, Pennsylvania

General Obligation Bonds, Series of 2019

Dated: March 6, 2019

Interest Due: March 1 and September 1

Principal Due: March 1, (as shown on inside front cover)

First Interest Payment: September 1, 2019

The General Obligation Bonds, Series of 2019 (the "Bonds") in the aggregate principal amount of \$9,370,000 will be issued in registered form in denominations of \$5,000 or any integral multiple thereof. The Bonds will be registered in the name of Cede & Co., as the registered owner and nominee of The Depository Trust Company ("DTC"), New York, New York. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or any integral multiple thereof only under the book-entry only system maintained by DTC through its brokers and dealers who are, or act through, DTC Participants. The purchasers of the Bonds will not receive physical delivery of the Bonds. For so long as any purchaser is the beneficial owner of a Bond, that purchaser must maintain an account with a broker or a dealer who is, or acts through, a DTC Participant to receive payment of principal of and interest on the Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein. If, under the circumstances described herein, Bonds are ever issued in certificated form, the Bonds will be subject to registration of transfer, exchange and payment as described herein.

The Bonds are general obligations of the North Penn School District, Montgomery and Bucks Counties, Pennsylvania (the "School District"), payable from its tax and other general revenues. The School District has covenanted in a Resolution adopted by the Board of the School District on October 18, 2018 (the "Resolution") that authorized the Bonds, that it will budget in each year, and will appropriate from its general revenues in each such year, the amount of the debt service due on the Bonds for such year and will duly and punctually pay or cause to be paid from the sinking fund established under the Resolution or any other of its legally available revenues or funds the principal of every Bond and the interest thereon on the dates, at the place and in the manner stated in the Bonds, and for such budgeting, appropriation and payment the School District has irrevocably pledged its full faith, credit and taxing power, which taxing power includes the power to levy ad valorem taxes on all taxable real property within the School District, to the extent permitted by law. (See "Security" and "Taxing Powers of the School District" *infra*).

Interest on each of the Bonds is payable initially on September 1, 2019, and thereafter semiannually on March 1 and September 1 of each year until the maturity date of such Bond or, if such Bond is subject to redemption prior to maturity, until the date fixed for redemption thereof, if payment of the redemption price has been duly made or provided for. The School District has appointed Manufacturers and Traders Trust Company (the "Paying Agent"), acting as paying agent, registrar and sinking fund depository for the Bonds. So long as Cede & Co., as nominee for DTC, is the registered owner of the Bonds, payments of the principal of, redemption premium, if any, and interest on the Bonds, when due for payment, will be made directly to DTC by the Paying Agent, and DTC will in turn remit such payments to DTC Participants for subsequent disbursement to the Beneficial Owners of the Bonds. If the use of the Book-Entry Only System for the Bonds is ever discontinued, the principal of and redemption premium, if any, on each of the Bonds will be payable, when due, upon surrender of such Bond to the Paying Agent at its designated corporate trust office in Harrisburg, Pennsylvania (or any successor paying agent at its designated office(s)) and interest on such Bond will be payable by check and mailed to the person(s) in whose name(s) such Bond is registered as of the Record Date with respect to the particular interest payment date (see "THE BONDS" herein).

The Bonds are subject to redemption prior to maturity.

Proceeds of the Bonds will be used to: (1) finance and/or reimburse the School District for certain capital projects of the School District including, without limitation, the acquisition, design, construction, furnishing and equipping of additions, alterations and renovations to Knapp Elementary School and other improvements to the School District's existing school buildings and related facilities; and (2) to finance the costs of issuing the Bonds.

The Bonds are authorized investments for fiduciaries in the Commonwealth of Pennsylvania pursuant to the Pennsylvania Probate, Estate and Fiduciaries Code, Act of June 30, 1972, No. 164, P.L. 508, as amended and supplemented.

MATURITIES, AMOUNTS, RATES AND YIELDS

As Shown on Inside Front Cover

The Bonds are offered when, as and if issued, subject to withdrawal or modification of the offer without notice, and subject to the approving legal opinion of Kegel Keln Almy & Lord LLP, Bond Counsel, of Lancaster, Pennsylvania, to be furnished upon delivery of the Bonds. Certain other legal matters will be passed upon for the School District by Kyle Somers, Esquire, of Sweet, Stevens, Katz & Williams, LLP, New Britain, Pennsylvania, School District Solicitor. PFM Financial Advisors LLC, Harrisburg, Pennsylvania, will act as Financial Advisor to the School District in connection with the issuance of the Bonds. It is expected that the Bonds will be available for delivery at DTC or its agent, on or about March 6, 2019.

PNC CAPITAL MARKETS LLC

\$9,370,000
North Penn School District
Montgomery and Bucks Counties, Pennsylvania
General Obligation Bonds, Series of 2019

Dated: March 6, 2019

Principal Due: March 1,
(as shown below)

Interest Due: March 1 and September 1

First Interest Payment: September 1, 2019

BOND MATURITY SCHEDULE FOR:

Maturity Date (March 1) Year	Principal Amounts	Interest Rates	Initial Offering Yields	CUSIP Numbers⁽¹⁾
2020	\$180,000	5.000%	1.720%	661517WD0
2022**	10,000	5.000	1.860	661517WF5
2027**	25,000	4.000	2.140*	661517WL2
2028	1,160,000	4.000	2.230*	661517WM0
2029	1,205,000	4.000	2.330*	661517WN8
2030	1,255,000	4.000	2.480*	661517WP3
2031	1,305,000	4.000	2.590*	661517WQ1
2032	1,355,000	4.000	2.650*	661517WR9
2033	1,410,000	4.000	2.720*	661517WS7
2034	1,465,000	4.000	2.780*	661517WT5

⁽¹⁾The above CUSIP (Committee on Uniform Securities Identification Procedures) numbers have been assigned by an organization not affiliated with the School District or the Underwriters, and such parties are not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such issue or the use of secondary market financial products. Neither the School District nor the Underwriters have agreed to, and there is no duty or obligation to, update this Official Statement to reflect any change or correction in the CUSIP numbers set forth above.

*Yield to Optional Redemption Date of March 1, 2024.

**Term Bonds.

NORTH PENN SCHOOL DISTRICT
Montgomery and Bucks Counties, Pennsylvania

BOARD OF SCHOOL DIRECTORS

Martina Stoll	President
Christian D. Fusco	Vice-President
Edward Diasio	Member
Elisha K. Gee	Member
Jonathan M. Kassa	Member
Timothy MacBain	Member
Jenna A. Ott	Member
Theresa W. Prykowski	Member
Juliane Ramic	Member

SUPERINTENDENT
CURTIS R. DIETRICH, Ed.D.

CHIEF FINANCIAL OFFICER
STEVE SKROCKI

SCHOOL DISTRICT SOLICITOR
KYLE SOMERS, ESQUIRE
SWEET, STEVENS, KATZ & WILLIAMS, LLP
New Britain, Pennsylvania

BOND COUNSEL
KEGEL KELIN ALMY & LORD LLP
Lancaster, Pennsylvania

FINANCIAL ADVISOR
PFM FINANCIAL ADVISORS LLC
Harrisburg, Pennsylvania

UNDERWRITER
PNC CAPITAL MARKETS LLC
Philadelphia, Pennsylvania

PAYING AGENT
MANUFACTURERS AND TRADERS TRUST COMPANY
Harrisburg, Pennsylvania

SCHOOL DISTRICT ADDRESS
401 East Hancock Street
Lansdale, Pennsylvania 19446-3960

No dealer, broker, salesman or other person has been authorized by the School District to give information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. The information set forth herein has been obtained from the School District and from other sources which are believed to be reliable but the School District does not guarantee the accuracy or completeness of information from sources other than the School District. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in any of the information set forth herein since the date hereof.

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OFFICIAL STATEMENT

\$9,370,000

North Penn School District
Montgomery and Bucks Counties, Pennsylvania
General Obligation Bonds, Series of 2019

INTRODUCTION

This Official Statement, including the cover page and inside cover page hereof and Appendices hereto, is furnished by North Penn School District, Montgomery and Bucks Counties, Pennsylvania (the "School District"), in connection with the offering of \$9,370,000 aggregate principal amount of General Obligation Bonds, Series of 2019 (the "Bonds"). The Bonds are being issued pursuant to a Resolution of the Board of School Directors of the School District adopted on January 17, 2019 (the "Resolution"), and pursuant to the Local Government Unit Debt Act of the Commonwealth of Pennsylvania (the "Commonwealth"), 53 Pa. Cons. Stat. §8001 *et seq.*, as amended (the "Debt Act"). Manufacturers and Traders Trust Company, Harrisburg, Pennsylvania, will act as paying agent, sinking fund depository and bond registrar for the Bonds (in each capacity referred to as "Paying Agent").

PURPOSE OF THE ISSUE

Proceeds of the Bonds will be used to: (1) finance and/or reimburse the School District for certain capital projects of the School District including, without limitation, the acquisition, design, construction, furnishing and equipping of additions, alterations and renovations to Knapp Elementary School and other improvements to the School District's existing school buildings and related facilities; and (2) to finance the costs of issuing the Bonds.

Sources and Uses of Bond Proceeds

The following is a summary of the sources and uses of the proceeds of the Bonds:

	TOTAL
<u>Source of Funds</u>	
Proceeds	\$9,370,000.00
Net Original Issue Premium	625,094.60
Total Source of Funds	<u>\$9,995,094.60</u>
<u>Use of Funds</u>	
Construction Fund Deposit	\$9,860,232.10
Costs of Issuance ⁽¹⁾	134,862.50
Total Use of Funds	<u>\$9,995,094.60</u>

⁽¹⁾Includes legal, financial advisor, printing, rating, underwriter's discount, CUSIP, paying agent, and miscellaneous costs.

THE BONDS

Description

The Bonds will be issued in fully registered form in denominations of \$5,000 and integral multiples thereof, will be in the aggregate principal amount of \$9,370,000, will be dated as of the date of delivery, and will bear interest at the rates and mature in the amounts and on the dates set forth on the inside cover of this Official Statement. Interest on the Bonds will be payable initially on September 1, 2019, and thereafter, semiannually on March 1 and September 1 of each year until the maturity date of such Bond or, if such Bond is subject to redemption prior to maturity, until the date fixed for redemption thereof, if payment of the redemption price has been duly made or provided for.

When issued, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York. Purchasers of the Bonds (the "Beneficial Owners") will not receive any physical delivery of bond certificates, and beneficial ownership of the Bonds will be evidenced only by book entries. See "BOOK – ENTRY ONLY SYSTEM" herein.

Payment of Principal and Interest

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, payments of principal of, redemption premium, if any, and interest on the Bonds, when due, are to be made to DTC and all such payments shall be valid and effective to satisfy fully and to discharge the obligations of the School District with respect to, and to the extent of, principal, redemption premium, if any, and interest so paid.

If the use of the Book-Entry Only System for the Bonds is discontinued for any reason, bond certificates will be issued to the Beneficial Owners of the Bonds and payment of principal, redemption premium, if any, and interest on the Bonds shall be made as described in the following paragraphs:

The principal of the Bonds, when due upon maturity or upon any earlier redemption, will be paid to the registered owners of the Bonds, or registered assigns, upon surrender of the Bonds to the Paying Agent, acting as paying agent, registrar and sinking fund depository for the Bonds, at its designated corporate trust office in Harrisburg, Pennsylvania or to any successor paying agent at its designated office(s)).

Interest on the Bonds will be payable to the registered owner of a Bond from the interest payment date next preceding the date of registration and authentication of the Bond, unless: (a) such Bond is registered and authenticated as of an interest payment date, in which event such Bond shall bear interest from said interest payment date, or (b) such Bond is registered and authenticated after a Record Date (hereinafter defined) and before the next succeeding interest payment date, in which event such Bond shall bear interest from such interest payment date, or (c) such Bond is registered and authenticated on or prior to the Record Date preceding September 1, 2019, in which event such Bond shall bear interest from the date of delivery, or (d) as shown by the records of the Paying Agent, interest on such Bond shall be in default, in which event such Bond shall bear interest from the date to which interest was last paid on such Bond. Interest on each Bond will be payable by check drawn on the Paying Agent, which shall be mailed to the registered owner whose name and address shall appear, at the close of business on the fifteenth (15th) day (whether or not a Business Day) immediately preceding each interest payment date (the "Record Date"), on the registration books maintained by the Paying Agent, irrespective of any transfer or exchange of the Bond subsequent to such Record Date and prior to such interest payment date, unless the School District shall be in default in payment of interest due on such interest payment date. In the event of any such default, such defaulted interest shall be payable to the person in whose name the Bond is registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed by the Paying Agent to the registered owners of such Bonds not less than ten (10) days preceding such special record date to the registered owners of such Bonds as of the close of business on the fifth business day preceding the date of mailings.

If the date for payment of the principal of or interest on any Bonds shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the municipality where the principal office of the Paying Agent is located are authorized or required by law or executive order to close, then the date for payment of such principal or interest shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized or required to close (a "Business Day"), and payment on such subsequent Business Day shall have the same force and effect as if made on the nominal date established for such payment.

Transfer, Exchange and Registration of Bonds

Subject to the provisions described below under "Book-Entry Only System," Bonds are transferable or exchangeable by the registered owners thereof upon surrender of Bonds to the Paying Agent, accompanied by a written instrument or instruments in form, with instructions, and with guaranty of signature satisfactory to the Paying Agent, duly executed by the registered owner of such Bond or his attorney-in-fact or legal representative. The Paying Agent shall enter any transfer of ownership of Bonds in the registration books and shall authenticate and deliver at the earliest practicable time in the name of the transferee or transferees a new fully registered bond or bonds of authorized denominations of the same series, maturity and interest rate for the aggregate principal amount which the registered owner is entitled to receive. The School District and the Paying Agent may deem and treat the registered owner of any Bond as the absolute owner thereof (whether or not a Bond shall be overdue) for the purpose of receiving payment of or on account of principal and interest and for all other purposes, and the School District and the Paying Agent shall not be affected by any notice to the contrary.

State Enforcement of Debt Service Payments

Section 633 of the Pennsylvania Public School Code of 1949, as amended by Act 150 of 1975, and as further amended and supplemented (the "Public School Code"), presently provides that in all cases where the board of school directors of any school district fails to pay or to provide for the payment of any indebtedness on the date of maturity or date of mandatory redemption or on any sinking fund deposit date, or any interest due on such indebtedness on any interest payment date or on any sinking fund deposit date, in accordance with the schedule under which the bonds were issued, the Pennsylvania Department of Education ("PDE") shall notify such board of school directors of its obligation and shall withhold out of any Commonwealth appropriation due such school district an amount equal to the sum of the principal amount maturing or subject to mandatory redemption and interest owing by such school district, or sinking fund deposit due by such school district, and shall pay over the amount so withheld to the bank or other person acting as sinking fund depository for such bond issue. These withholding provisions are not part of any contract with the holders of the Bonds, and may be amended or repealed by future legislation.

Any payments made by PDE pursuant to Section 633 of the Public School Code are subject to annual appropriation by the General Assembly and are not a general obligation of the Commonwealth. In the event such annual appropriations are delayed due to a budget impasse or otherwise, state funds may not be available to PDE to make timely payments. In addition, the effectiveness of Section 633 of the Public School Code may be limited by the application of other withholding provisions contained in the Public School Code, such as provisions for withholding and paying over of appropriations for payment of unpaid teachers' salaries, or by statutory interpretation or policies of PDE. Enforcement also may be limited by bankruptcy, insolvency, or other laws or equitable principles affecting the enforcement of creditors' rights. Accordingly, there can be no assurances that any payments pursuant to Section 633 of the Public School Code will be made by the date on which such payments are due to the Bondholders.

But see "**Pennsylvania Budget Adoption**".

Pennsylvania Budget Adoption

Over the past several years the Commonwealth of Pennsylvania has, from time to time, started its fiscal year without a fully adopted state budget. In the state's 2015-16 fiscal year, a final budget was not enacted until 270 days following the beginning of the fiscal year on March 27, 2016 when the Governor failed to sign or veto the state budget that was adopted by the General Assembly on March 17, 2016.

For the 2016-17 fiscal year, the state budget became law, known as Act 16A of 2016, on July 12, 2016 when the Governor failed to sign or veto the state budget that was adopted by the General Assembly on July 1, 2016. On July 13, 2016, the General Assembly adopted and Governor signed into law additional tax and revenue package, known as Act 85 of 2016, which was needed to balance the 2016-17 state budget.

For the 2017-18 fiscal year, the state budget became law, known as Act 1A of 2017, on July 11, 2017 when the Governor failed to sign or veto the state budget that was adopted by the General Assembly on June 30, 2017. Act 1A of 2017 did not have any accompanying legislation regarding the potential revenue that would be needed to fund the balance of the 2017-18 Budget at the time of its enactment. On October 25, 2017, the General Assembly adopted House Bill 542 which contained the necessary revenue to fund the balance of the previously adopted Act 1A of 2017. On October 30, 2017 the Governor approved and signed House Bill 542 and it became known as Act 43 of 2017. The budget for the 2018-19 fiscal year was adopted on a timely basis.

During a state budget impasse, school districts in Pennsylvania cannot be certain when state subsidies and revenues owed them from the Commonwealth will become available. This includes many of the major state subsidies, and overall revenues, that a Pennsylvania school district receives including basic education funding, special education funding, PlanCon reimbursements, and certain block grants, among many others. **Future budget impasses may affect the timeliness or amount of payments by the Commonwealth under the withholding provisions of Section 633 of the Public School Code, however recent legislation included in Act 85 of 2016 has attempted to address the timeliness of the withholding provisions of Section 633 of the Public School Code during any future budget impasses. See "Act 85 of 2016" hereinafter.**

Act 85 of 2016

On July 13, 2016, the Governor of the Commonwealth signed into law Act No. 85 of 2016, (P.L. 664, No. 85) ("Act 85 of 2016"), an amendment to the Act of April 9, 1929 (P.L. 343, No. 176), known as the Fiscal Code ("Fiscal Code"). Act 85 of 2016 adds to the Fiscal Code Article XV1-E.4, entitled "School District Intercepts for the Payment of Debt Service During Budget Impasse", which provides for intercept of subsidy payments by Pennsylvania Department of Education ("PDE") from a school district subject to an intercept statute or an intercept agreement in the event of a Commonwealth budget impasse in any fiscal year.

Act 85 of 2016 includes in the definition of "intercept statutes" Sections 633 of the Public School Code. The School District's general obligation bonds, including the Bonds, are subject to Section 633 of the Public School Code.

Act 85 of 2016 provides that the amounts as may be necessary for PDE to comply with the provisions of the applicable intercept statute or intercept agreement "shall be appropriated" to PDE from the General Fund of the Commonwealth after PDE submits justification to the majority and minority chairs of the appropriations committees of the Pennsylvania Senate and House of Representatives allowing ten (10) calendar days for their review and comment, if, in any fiscal year:

(1) annual appropriations for payment of Commonwealth money to school districts have not been enacted by July 1 and continue not to be enacted when a payment is due;

(2) the conditions under which PDE is required to comply with an intercept statute or intercept agreement have occurred, thereby requiring PDE to withhold payments which would otherwise be due to school districts; and

(3) the Secretary of PDE, in consultation with the Secretary of the Budget, determines that there are no payments or allocations due to be paid to the applicable school districts from which PDE may withhold money as required by the applicable intercept statute or intercept agreement.

The necessary amounts shall be appropriated on the expiration of the tenth (10th) day following submission of the justification described above to the majority and minority chairs of the appropriations committees, who may comment on the justification but cannot prevent the effectiveness of the appropriation.

The total of all intercept payments under Article XV11-E.4 for a school district may not exceed 50% of the total nonfederal general fund subsidy payments made to that school district in the prior fiscal year.

Act 85 of 2016 requires that each school district subject to an intercept statute or intercept agreement must deliver to PDE, in such format as PDE may direct, a copy of the final Official Statement for the relevant bonds or notes or the loan documents relating to the obligations, within thirty (30) days of receipt of the proceeds of the obligations. The School District intends on submitting this information to PDE within the prescribed timeframe following the issuance of the Bonds. Act 85 of 2016 provides that any obligation for which PDE does not receive the required documents shall not be subject to the applicable intercept statute or intercept agreement.

The provisions of Act 85 of 2016 are not part of any contract with the holders of the Bonds and may be amended or repealed by future legislation.

Security

The Bonds will be general obligations of the School District, payable from its tax and other general revenues. The School District has, subject to statutory restrictions and limitations, covenanted that it will provide in its budget for each year, and will appropriate from its general revenues in each such year, the amount of the debt service on the Bonds for such year, and will duly and punctually pay or cause to be paid from its Sinking Fund, as hereinafter defined, or any other of its revenues or funds, the principal of each of the Bonds and the interest thereon at the dates and place and in the manner stated on the Bonds, and for such budgeting, appropriation and payment the School District, subject to statutory restrictions and limitations, irrevocably has pledged its full faith, credit and available taxing power. (See "The Taxpayer Relief Act" herein). The Debt Act presently provides for enforcement of debt service payments as hereinafter described (see "DEFAULTS AND REMEDIES" herein), and the Public School Code presently provides for the withholding and application of subsidies in the event of failure to pay debt service (see "State Enforcement of Debt Service Payments" herein).

Sinking Fund

A sinking fund for the payment of debt service on the Bonds, designated "Sinking Fund, General Obligation Bonds, Series of 2019" (the "Sinking Fund"), has been created under the Resolution and is maintained by the Paying Agent, as sinking fund depository. The School District shall deposit in the Sinking Fund a sufficient sum not later than the date when interest and/or principal is to become due on the Bonds so that on each payment date the Sinking Fund will contain an amount which, together with any other funds available therein, is sufficient to pay, in full, interest and/or principal then due on the Bonds.

The Sinking Fund shall be held by the Paying Agent, as sinking fund depository, and invested by the Paying Agent in such securities or shall be deposited in such funds or accounts as are authorized by the Act, upon direction of the School District. Such deposits and securities shall be in the name of the School District, but subject to withdrawal or collection only by the Paying Agent, as sinking fund depository, and such deposits and securities, together with the interest thereon, shall be a part of the Sinking Fund.

The Paying Agent, as sinking fund depository, is authorized without further order from the School District to pay from the Sinking Fund the principal of and interest on the Bonds, as and when due and payable.

BOOK-ENTRY ONLY SYSTEM

The information in this section has been obtained from materials provided by DTC for such purpose. The School District (herein referred to as the "Issuer") and the Underwriter do not guaranty the accuracy or completeness of such information, and such information is not to be construed as a representation of the School District or the Underwriter.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each series of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The Ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

NEITHER THE SCHOOL DISTRICT NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT, INDIRECT PARTICIPANT OR BENEFICIAL OWNER OR ANY OTHER PERSON WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (4) THE DELIVERY TO ANY BENEFICIAL OWNER BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO BONDHOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

The Issuer and the Paying Agent cannot give any assurances that DTC or the Participants will distribute payments of the principal or redemption price of and interest on the Bonds paid to DTC or its nominee, as the registered owner of the Bonds, or any redemption or other notices, to the Beneficial Owners or that they will do so on a timely basis, or that DTC will serve and act in the manner described in this Official Statement.

REDEMPTION OF BONDS

Mandatory Redemption

The Bonds stated to mature on March 1, 2022 and March 1, 2027 are subject to redemption prior to maturity as required by the Resolution, in the amounts and on March 1 of the years shown below, from moneys in the Mandatory Sinking Fund created pursuant to the Resolution, upon payment of the principal amount thereof together with interest accrued to the date fixed for redemption.

Bonds stated to mature March 1, 2024:

<u>Year</u>	<u>Amount</u>
2021	\$5,000
2022	5,000*

*Final Maturity

Bonds stated to mature March 1, 2027:

<u>Year</u>	<u>Amount</u>
2023	\$5,000
2024	5,000
2025	5,000
2026	5,000
2027	5,000*

*Final Maturity

In lieu of such mandatory redemption, the Paying Agent, on behalf of the School District, may purchase from money in the Sinking Fund, at a price not to exceed the principal amount plus accrued interest, or the School District may tender to the Paying Agent, all or part of the Bonds subject to being drawn for redemption in any such year.

Optional Redemption

The Bonds maturing on or after March 1, 2027, are subject to redemption prior to maturity, at the option of the School District, as a whole, or from time to time, in part (and if in part, in such order of maturity or portion of a maturity as selected by the School District and within a maturity by lot), at any time on and after March 1, 2024, in either case upon payment of a redemption price of 100% of the principal amount of such Bonds to be redeemed, together with accrued interest to the redemption date.

If the redemption date for any Bonds is not a Business Day then the date for payment of the principal, premium, if any, and interest upon such redemption shall be the next succeeding day which is a Business Day and payment on such date shall have the same force and effect as if made on the nominal date of redemption.

Notice of Redemption

Notice of any redemption shall be given by mailing a copy of the redemption notice by first class United States mail, postage prepaid, or by another method of giving notice which is acceptable to the Paying Agent and customarily used by fiduciaries for similar notices at the time

such notice is given, not less than thirty (30) days nor more than sixty (60) days prior to the date fixed for redemption, addressed to each of the registered owners of Bonds to be redeemed, in whole or in part, at the addresses shown on the registration books; provided, however, that failure to give such notice by mailing, or any defect therein or in the mailing thereof, shall not affect the validity of any proceeding for redemption of other Bonds called for redemption as to which proper notice has been given.

On the date designated for redemption, notice having been provided as aforesaid, and money for payment of the principal and accrued interest being held by the Paying Agent, interest on the Bonds or portions thereof so called for redemption shall cease to accrue and such Bonds or portions thereof shall cease to be entitled to any benefit or security under the Resolution, and registered owners of such Bonds or portions thereof so called for redemption shall have no rights with respect to such Bonds, except to receive payment of the principal of and accrued interest on such Bonds to the date fixed for redemption.

If at the time of the mailing of any notice of optional redemption the School District shall not have deposited with the Paying Agent moneys sufficient to redeem all the Bonds called for redemption, such notice shall state that it is conditional, that is, subject to the deposit or transfer of the redemption moneys with the Paying Agent not later than the opening of business on the redemption date, and that such notice shall be of no effect unless such moneys are so deposited.

Manner of Redemption

If a Bond is of a denomination larger than \$5,000, a portion of such Bond may be redeemed. For the purposes of redemption, a Bond shall be treated as representing that number of Bonds which is obtained by dividing the principal amount thereof by \$5,000, each \$5,000 portion of such Bond being subject to redemption. In the case of partial redemption of a Bond, payment of the redemption price shall be made only upon surrender of such Bond in exchange for Bonds of authorized denominations in aggregate principal amount equal to the unredeemed portion of the principal amount thereof.

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THE SCHOOL DISTRICT

Introduction

The School District is located in the north-central section of Montgomery County, Pennsylvania, and a small portion of the southern central Bucks County, Pennsylvania and is comprised of the municipal subdivisions of the Boroughs of Hatfield, Lansdale and North Wales and the Townships of Hatfield, Montgomery, Towamencin and Upper Gwynedd, all located in Montgomery County and a small portion of the Townships of Hilltown and New Britain located in adjacent Bucks County, Pennsylvania.

Administration

The School District is governed by a nine member Board of School Directors (the “School Board”), elected for four-year terms. The superintendent is the chief administrative officer of the School District, with overall responsibility for all aspects of operations, including education and finance. The chief financial officer is responsible for budget and financial operations. Both of these officials are selected by the School Board.

School Facilities

The School District presently owns thirteen elementary schools, three middle schools, one high school, an alternative education school, a Support Services Center and the Educational Service Center, all as described in the following table. Students in grades 10-12 also attend the North Montco Technical Career Center.

**TABLE 1
NORTH PENN SCHOOL DISTRICT
SCHOOL FACILITIES**

Building	Original Construction Date	Addition/ Renovation Date	Grades	Rated Pupil Capacity*	2018-19 Enrollment
<i>Elementary:</i>					
Bridle Path.....	1994	---	K-6	889	525
Gwyn-Nor.....	1966	2004	K-6	920	569
Gwynedd Square	1991	---	K-6	980	568
Hatfield.....	1970	2015	K-6	920	492
Inglewood.....	1963	1972/2013	K-6	732	526
Knapp	1955	1999	K-6	665	573
Kulp.....	1957	1963/2009	K-6	1,020	515
Montgomery	1965	1990/2017	K-6	1,098	647
Nash.....	1976	1997	K-6	584	386
North Wales.....	1927	1974/2010	K-6	629	414
Oak Park.....	1959	2002	K-6	856	484
Walton Farm	1994	---	K-6	889	574
York Avenue	1927	2008	K-6	570	251
<i>Secondary:</i>					
Pennbrook Middle	1959	2006	7-9	1,264	883
Penndale Middle.....	1931	1997	7-9	1,749	1,308
Pennfield Middle	1964	2007	7-9	1,362	858
North Penn High.....	1971	1999	10-12	3,782	3,058
Northbridge Alternate School....	1989	2008	7-12		61
Education Service Center	1963	1990	N/A		
Support Service Center.....	1982	2008	N/A		

*In accordance with PDE/Plancon methodology (does not include modular's and special education classrooms).

Source: School District officials.

Enrollment Trends

The following table presents recent trends in school enrollment and projections of enrollment for the next 5 years, as prepared by School District officials.

**TABLE 2
NORTH PENN SCHOOL DISTRICT
ENROLLMENT TRENDS**

Actual Enrollments				Projected Enrollments			
<u>School Year</u>	<u>K-6</u>	<u>7-12</u>	<u>Total</u>	<u>School Year</u>	<u>K-6</u>	<u>7-12</u>	<u>Total</u>
2014-15	6,653	6,104	12,757	2019-20	6,604	6,101	12,705
2015-16	6,756	5,997	12,753	2020-21	6,552	6,130	12,682
2016-17	6,802	6,041	12,843	2021-22	6,488	6,265	12,753
2017-18	6,592	6,046	12,638	2022-23	6,509	6,309	12,818
2018-19	6,524	6,168	12,692	2023-24	6,546	6,244	12,790

Source: Actual provided by School District sources and 2019-20 – 2023-24 projected, based off of Montgomery County Planning Commission Enrollment Study, June 2017.

SCHOOL DISTRICT FINANCES

Introduction

The School District budgets and expends funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by the superintendent and business administrator and submitted to the School Board for approval prior to the beginning of the fiscal year on July 1.

Financial Reporting

The financial statements of the School District are prepared in accordance with accounting principles generally accepted in the United States of America. The School District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The government-wide and proprietary fund financial statements apply Financial Accounting Standards Board pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The government wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). The School District's financial statements are audited annually by an independent certified public accountant, as required by Commonwealth law.

Budgeting Process in School Districts under the Taxpayer Relief Act

In General. School districts budget and expend funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by school district administrative officials on a uniform form furnished by such Department and submitted to the board of school directors for approval prior to the beginning of the fiscal year on July 1.

Procedures for Adoption of the Annual Budget. Under the Taxpayer Relief Act, all school districts of the first class A, second class, third class and fourth class (except as described below) must adopt a preliminary budget proposal (which must include estimated revenues and expenditures and proposed tax rates) no later than 90 days prior to the date of the election immediately preceding the fiscal year. The preliminary budget proposal must be printed and made available for public inspection at least 20 days prior to its adoption; the board of school directors may hold a public hearing on the budget; and the board must give at least 10 days' public notice of its intent to adopt the final budget.

If the adopted preliminary budget includes an increase in the rate of any tax levy, the preliminary budget must be submitted to the Pennsylvania Department of Education (PDE) no later than 85 days prior to the date of the election immediately preceding the fiscal year. PDE is to compare the proposed percentage increase in the rate of any tax with the school district's Index (see "Act 1 of 2006 ("The Taxpayer Relief Act")" herein) and within 10 days, but not later than 75 days prior to the upcoming election, inform the school district whether the proposed percentage increase is less than or equal to the Index. If PDE determines that a proposed tax increase will exceed the Index, the school district must reduce the proposed tax increase, seek voter approval for the tax increase at the upcoming election, or seek approval to utilize one of the referendum exceptions authorized under the Taxpayer Relief Act.

With respect to the utilization of any of the Taxpayer Relief Act referendum exceptions for which PDE approval is required (see “Act 1 of 2006 (“The Taxpayer Relief Act”)” herein), the school district must publish notice of its intent to seek PDE approval not less than one week before submitting its request for approval to PDE and, if PDE determines to schedule a public hearing on the request, a notice of the date, time and place of such hearing. PDE is required by the Taxpayer Relief Act to rule on the school district’s request and inform the school district of its decision no later than 55 days prior to the upcoming election so that, if PDE denies the school district’s request, the school district may submit a referendum question to the local election officials at least 50 days before the upcoming election, if it so chooses.

To use any of the referendum exceptions for which court approval is required under the Taxpayer Relief Act, the school district must petition the court of common pleas no later than 75 days prior to the upcoming election, after giving one week’s public notice of the intent to file such petition. The court may schedule a hearing on the petition, and the school district must prove by clear and convincing evidence that it qualifies for the exception sought. The Taxpayer Relief Act requires that the court rule on the petition and inform the school district of its decision no later than 55 days prior to the upcoming election. Such Act provides that the court in approving the petition shall determine the dollar amount for which the exception is granted, the tax rate increase required to fund the exception and the appropriate duration of the tax increase. If the court denies the school district’s petition, such Act permits the school district to submit a referendum question to the local election officials at least 50 days before the upcoming election, if it so chooses.

If a school district seeks voter approval to increase taxes at a rate higher than the applicable Index, whether or not it first seeks approval to utilize one of the referendum exceptions available under the Taxpayer Relief Act, and the referendum question is not approved by a majority of the voters voting on the question, the board of school directors may not approve an increase in the tax rate greater than the applicable Index.

Simplified Procedures in Certain Cases. The above budgetary procedures will not apply to a school district if the board of school directors adopts a resolution no later than 110 days prior to the election immediately preceding the upcoming fiscal year declaring that it will not increase any tax at a rate that exceeds the Index and that a tax increase at or below the rate of the Index will be sufficient to balance its budget. In that case, the Taxpayer Relief Act requires only that the proposed annual budget be prepared at least 30 days, and made available for public inspection at least 20 days, prior to its adoption, and that at least ten (10) days’ public notice be given of the board’s intent to adopt the annual budget. No referendum exceptions are available to a school district adopting such a resolution.

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Summary and Discussion of Financial Results

The School District staff prepares annual fund balance analyses for discussion and approval by the Board. The Board's objective is to provide sufficient funds to pay current expenditures and to maintain a fund balance that will provide financial stability.

A summary of general fund balance sheet and changes in fund balances is presented in Tables 3 and 4. Table 5 shows revenues and expenditures for the past five years and the 2018-19 Budget, as adopted June 21, 2018.

TABLE 3
NORTH PENN SCHOOL DISTRICT
SUMMARY OF COMPARATIVE GENERAL FUND BALANCE SHEET
(Years ending June 30)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
ASSETS					
Cash and Cash Equivalents	\$60,316,792	\$11,284,583	\$14,103,321	\$13,342,537	\$49,794,377
Investments	1,478	48,306,318	45,593,044	48,284,287	14,007,678
Accounts Receivable	2,780,572	2,653,494	2,653,114	2,222,198	1,936,567
Due to other funds	396,353	393,882	435,618	464,242	504,235
State Revenue Receivable	4,385,636	5,197,801	6,962,591	8,395,981	8,701,888
Federal Revenue Receivable	871,507	1,063,956	949,352	1,397,103	1,288,731
Prepaid Expenses	0	5,199	21,799	0	471,302
Other Receivables	271,419	300,589	805,885	403,413	740,663
Other Current Assets	204,370	287,993	274,479	567,199	212,556
TOTAL ASSETS	<u>\$69,228,127</u>	<u>\$69,493,815</u>	<u>\$71,799,203</u>	<u>\$75,076,960</u>	<u>\$77,657,997</u>
LIABILITIES					
Due to Other Funds	\$4,000,000	\$7,491,547	\$7,549,401	\$7,213,069	\$3,703,255
Accounts Payable	6,214,206	7,043,832	6,581,775	5,227,746	4,399,992
Accrued Salaries & Benefits	5,676,466	829,669	656,043	876,582	7,153,584
Payroll Deductions and Withholdings	12,665,211	15,066,676	17,967,433	18,801,743	19,850,129
Deferred Revenues	2,605,926	2,425,415	2,307,684	1,940,342	231,457
TOTAL LIABILITIES	<u>\$31,161,809</u>	<u>\$32,857,139</u>	<u>\$35,062,336</u>	<u>\$34,059,482</u>	<u>\$35,338,417</u>
Deferred Inflows of Resources	\$0	\$0	\$0	\$0	\$1,401,767
FUND EQUITIES					
Nonspendable Fund Balance	\$204,370	\$293,192	\$296,278	\$567,199	\$683,858
Committed Fund Balance	14,406,187	14,406,187	14,406,187	16,906,187	16,806,523
Assigned Fund Balance	5,700,000	2,700,000	2,700,000	2,700,000	2,700,000
Unassigned Fund Balance	17,755,761	19,237,297	19,334,402	20,844,092	20,727,432
TOTAL FUND EQUITY	<u>\$38,066,318</u>	<u>\$36,636,676</u>	<u>\$36,736,867</u>	<u>\$41,017,478</u>	<u>\$40,917,813</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITIES	<u>\$69,228,127</u>	<u>\$69,493,815</u>	<u>\$71,799,203</u>	<u>\$75,076,960</u>	<u>\$77,657,997</u>

Source: School District Annual Financial Reports.

TABLE 4
NORTH PENN SCHOOL DISTRICT GENERAL FUND
SUMMARY OF CHANGES IN FUND BALANCE*

	Actual					Budget
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019⁽¹⁾</u>
Beginning Fund Balance	\$33,948,918	\$38,066,318	\$36,636,676	\$36,736,867	\$41,017,479	\$40,917,813
Excess of Revenues over						
(under) Expenditures	4,117,405	(1,429,642)	100,191	4,280,612	(99,664)	(2,744,813)
Chg. Inv/RS equity Trans/Prior Year Adj.	<u>(5)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Ending Fund Balance	<u>\$38,066,318</u>	<u>\$36,636,676</u>	<u>\$36,736,867</u>	<u>\$41,017,479</u>	<u>\$40,917,813</u>	<u>\$38,173,000</u>

*Totals may not add due to rounding.

⁽¹⁾Budget, as adopted June 21, 2018.

Source: School District Annual Financial Reports and Budget.

General Fund Revenue and Expenditures

The School District received \$252,302,222 in revenue in 2017-18 and has budgeted revenue of \$257,503,013 in 2018-19. Local sources contributed a decreasing share of total revenue in the past five years, from 80.9 percent in 2013-14 to 78.8 percent in 2017-18. Revenue from Commonwealth sources contributed an increasing share of total revenue from 17.8 percent to 20.0 percent over this period. Federal and other revenue decreased slightly as a share of total revenue from 1.3 percent to 1.2 percent during the period.

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TABLE 5
NORTH PENN SCHOOL DISTRICT
SUMMARY OF SCHOOL DISTRICT GENERAL FUND
REVENUES AND EXPENDITURES*
(For years ending June 30)

REVENUE	Actual					Budget
	2014	2015	2016	2017	2018	2019⁽¹⁾
Local Sources						
Real Estate Taxes (Current)	\$149,432,913	\$154,512,805	\$159,841,015	\$169,002,193	\$169,642,687	\$174,336,414
Interim Real Estate Taxes	2,400,972	1,112,696	693,962	882,235	624,327	900,000
Public Utility Tax	203,424	212,371	201,448	199,925	187,784	180,000
Payments in Lieu of Current Taxes	210	210	210	210	349	350
Total Act 511 Taxes	18,217,858	19,078,318	19,424,137	19,624,457	20,502,708	20,000,000
Delinquent Taxes	3,290,588	2,971,795	2,586,366	1,954,993	2,126,302	2,000,000
Earnings on Investments	177,082	235,509	385,008	610,613	1,634,250	1,900,000
Other Rev. from Intermediary Sources	310,906	287,572	227,702	227,686	287,851	292,000
Fed. IDEA Pass Through Revenue	2,275,550	2,377,069	2,330,020	2,368,454	2,344,497	2,335,590
Contributions and Donations from Private Sources	0	0	5,600	0	0	0
Rentals	105,480	94,519	82,564	98,062	102,278	100,000
Tuition	70,442	59,205	78,108	45,732	68,864	214,725
Receipts from Other LEAS in PA - Education	109,303	162,694	422,885	237,135	378,086	0
All Other Services Provided Other Govts and LEAs	15,640	0	84	0	0	0
Energy Incentives & Rebates	0	0	19,474	22,307	16,791	0
Refunds of Prior Years' Expenditures	2,052	5,293	83,142	303,566	562,731	314,381
All Other Local Revenues Not Specified	393,548	375,176	293,847	85,907	421,672	0
Total Local Revenue	\$177,005,966	\$181,485,231	\$186,675,571	\$195,663,475	\$198,901,176	\$202,573,460
State Sources						
Instructional Subsidy	\$8,949,801	\$8,941,887	\$9,369,587	\$9,923,410	\$10,220,015	\$10,534,285
Charter Schools	0	0				
Tuition Orphans & Children placed in Private Homes	419,183	298,928	195,401	309,246	289,622	300,000
Special Education	6,448,961	6,476,273	6,545,567	6,661,681	6,658,780	6,720,784
Transportation	3,035,973	2,622,388	2,805,029	2,232,210	2,265,815	2,245,000
Rentals and Sinking Fund Reimbursements	1,571,981	565,823	430,509	2,036,266	915,701	702,286
Health Services	270,124	308,079	276,461	294,231	287,887	285,000
State Property Tax Reduction Allocation	4,481,606	4,886,160	4,949,846	5,079,806	5,175,590	5,223,148
PA Accountability Grant	229,898	227,564	0	0	0	0
Additional grants not listed elsewhere	0	227,565	0	0	0	0
Ready to Learn Block Grant	0	0	577,539	577,539	577,539	577,539
Project 720/High School Reform	0	0	0	0	0	0
Revenue for Social Security	4,122,777	4,153,156	4,136,124	4,560,880	4,379,727	4,752,536
Revenue for Retirement	9,388,791	12,125,272	15,293,035	18,062,854	19,606,492	20,942,614
All Other State Revenue Not Specified	0	15,000	0	40	0	0
Total State Sources	\$38,919,095	\$40,848,095	\$44,579,099	\$49,738,162	\$50,377,168	\$52,283,192
Federal Sources						
Total Federal Sources	\$2,754,915	\$3,192,351	\$3,346,380	\$3,920,949	\$2,865,163	\$2,586,361
Other Sources						
Total Other Sources	\$141,834	\$80,662	\$280,558	\$19,883,155	\$158,715	\$60,000
TOTAL REVENUE	\$218,821,810	\$225,606,339	\$234,881,608	\$269,205,741	\$252,302,222	\$257,503,013
EXPENDITURES						
Instruction	\$132,659,879	\$141,430,502	\$151,495,272	\$159,000,183	\$159,812,633	\$166,040,596
Pupil Personnel	7,802,674	8,212,938	8,468,495	8,913,831	9,235,068	9,967,367
Instructional Staff	5,795,256	6,308,668	5,967,334	6,887,407	6,825,054	7,782,946
Administration	12,229,949	12,371,091	11,974,567	13,206,656	12,855,357	12,832,875
Pupil Health	2,605,078	2,689,383	2,801,386	3,050,407	3,246,993	3,333,337
Business	2,428,303	2,759,699	2,415,334	2,651,485	2,527,278	3,611,760
Operation and Maintenance	14,798,138	15,163,339	15,385,400	15,872,288	16,247,109	16,704,142
Student Transportation	13,594,987	13,534,457	13,789,590	13,333,039	13,349,761	13,815,806
Central	1,538,212	1,664,536	2,597,355	2,969,579	3,103,692	4,261,282
Other Support	362,801	366,030	370,033	379,341	346,107	319,622
Operation of Noninstructional Services	2,599,346	2,854,087	2,931,066	3,084,383	3,011,663	3,353,630
Fac. Acq., Const. & Improv.Svcs.	478,478	222,785	7,407	0	18,995	50,000
Debt Service	13,669,311	14,168,633	14,292,927	33,632,752	18,077,299	16,674,463
Fund Transfers ⁽²⁾	4,000,000	5,289,834	2,000,000	1,700,000	3,687,284	0
Refund of Prior Year Receipts	141,993	0	0	0	0	0
Budgetary Reserve/Special Extraordinary Items	0	0	285,251	243,777	57,596	1,500,000
TOTAL EXPENDITURES	\$214,704,405	\$227,035,981	\$234,781,418	\$264,925,129	\$252,401,886	\$260,247,826
REVENUES UNDER (OVER) EXPENDITURES	\$4,117,405	(\$1,429,642)	\$100,190	\$4,280,612	(\$99,664)	(\$2,744,813)

*Totals may not add due to rounding.

⁽¹⁾Budget, as adopted June 21, 2018.

⁽²⁾Represents fund transfers from the General Fund to the Capital Reserve Fund.

Source: School District Annual Financial Reports and Budget.

TAXING POWERS OF THE SCHOOL DISTRICT

In General

Subject to certain limitations imposed by the Taxpayer Relief Act, Act No. 1 of the Special Session of 2006, as amended (see “The Taxpayer Relief Act (Act 1)” herein), the School District is empowered by the School Code and other statutes to levy the following taxes:

1. A basic annual tax on all real property taxable for school purposes, not to exceed 25 mills on each dollar of assessed valuation, to be used for general school purposes.
2. An unlimited ad valorem tax on the property taxable for school purposes to provide funds:
 - a. for minimum salaries and increments of the teaching and supervisory staff;
 - b. to pay rentals due any municipality authority or non-profit corporation or due the State Public School Building Authority;
 - c. to pay interest and principal on any indebtedness incurred pursuant to the Local Government Unit Debt Act, or any prior or subsequent act governing the incurrence of indebtedness of the school district; and
 - d. to pay for the amortization of a bond or note issue which provided a school building prior to the first Monday of July, 1959.
3. An annual per capita tax on each resident or inhabitant over 18 years of age of not more than \$5.00.
4. Additional taxes subject to division with other political subdivisions authorized to levy similar taxes on the same person, subject, business, transaction or privilege, under Act No. 511, enacted December 31, 1965, as amended (“The Local Tax Enabling Act”). These taxes, which may include, among others, an additional per capita tax, a wage and other earned income tax, a real estate transfer tax, a gross receipts tax, a local services tax and an occupation tax, shall not exceed, in the aggregate, an amount equal to the product of the market valuation of real estate in the School District (as certified by the State Tax Equalization Board of the Commonwealth – “STEB”) multiplied by twelve mills. All local taxing authorities are required by the Local Tax Enabling Act to exempt disabled veterans and members of the armed forces reserve who are called to active duty at any time during the tax year from any local services tax and to exempt from any local services tax levied at a rate in excess of \$10 those persons whose total income and net profits from all sources within the political subdivision is less than \$12,000 for the tax year. The Local Tax Enabling Act also authorizes, but does not require, taxing authorities to exempt from per capita, occupation, and earned income taxes and any local services tax levied at a rate of \$10 or less per year, any person whose total income from all sources is less than \$12,000 per year.

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The Taxpayer Relief Act (Act 1)

Under Pennsylvania Act No. 1 of the Special Session of 2006, as amended by Act 25 of 2011 (“The Taxpayer Tax Relief Act” or “Act 1”), a school district may not, in fiscal year 2007-2008 or in any subsequent fiscal year, levy any tax for the support of the public schools which was not levied in the 2006-2007 fiscal year, raise the rate of any earned income and net profits tax if already imposed under the authority of the Local Tax Enabling Act (Act 511), or increase the rate of any tax for school purposes by more than the Index (defined below), unless in each case either (a) such increase is approved by the voters in the school district at a public referendum or (b) one of the exceptions summarized below is applicable and the use of such exception is approved by the Pennsylvania Department of Education (PDE):

1. to pay interest and principal on indebtedness incurred (i) prior to September 4, 2004, in the case of a school district which had elected to become subject to the provisions of the prior Homeowner Tax Relief Act, Act 72 of 2004, or (ii) prior to June 27, 2006, in the case of a school district which had not elected to become subject to Act 72 of 2004; to pay interest and principal on any indebtedness approved by the voters at referendum (electoral debt); and to pay interest and principal on debt refunding or refinancing debt for which one of the above exceptions is permitted, as long as the refunding or refinancing incurs no additional debt other than for costs and expenses related to the refunding or refinancing and the funding of appropriate debt service reserves;
2. to pay costs incurred in providing special education programs and services to students with disabilities, under specified circumstances; and
3. to make payments into the State Public School Employees’ Retirement System when the increase in the estimated payments between the current year and the upcoming year is greater than the Index, as determined by PDE in accordance with the provisions of Act 1.

Any revenue derived from an increase in the rate of any tax allowed under the exception numbered 1 above may not exceed the anticipated dollar amount of the expenditure, and any revenue derived from an increase in the rate of any tax allowed pursuant to any other exception enumerated above may not exceed the rate increase required, as determined by PDE. If a school district’s petition or request to increase taxes by more than the Index pursuant to one or more of the allowable exceptions is not approved, the school district may submit the proposed tax increase to a referendum.

The Index (to be determined and reported by PDE by September of each year for application to the following fiscal year) is the average of the percentage increase in the statewide average weekly wage, as determined by the State Department of Labor and Industry for the preceding calendar year, and the employment cost index for elementary and secondary schools, as reported by the federal Bureau of Labor Statistics for the preceding 12-month period beginning July 1 and ending June 30. If and when a school district has a Market Value/Income Aid Ratio greater than 0.40 for the prior school year, however, the Index is adjusted upward by multiplying the unadjusted Index by the sum of 0.75 and such Aid Ratio.

In accordance with Act 1, the School District put a referendum question on the ballot at the May, 15, 2007, primary election seeking voter approval to levy (or increase the rate of) an earned income and net profits tax (“EIT”) or a personal income tax (“PIT”) and use the proceeds to reduce local real estate taxes by a homestead and farmstead exclusion. The referendum was **NOT** approved by the voters.

A board of school directors may submit, but is not required to submit, a referendum question to the voters at the municipal election in 2009 or any later year seeking approval to levy or increase the rate of an EIT or a PIT for the purpose of funding homestead and farmstead exclusions, but the proposed rate of the EIT or PIT shall not exceed the rate that is required to provide the maximum homestead and farmstead exclusions allowable under law.

The Bonds are Not Eligible for Act 1 Exception

The Bonds were not authorized before the June 27, 2006, the effective date of Act 1. Therefore, the Bonds do not qualify for the exception to the referendum requirement for debt incurred prior to the effective date of Act 1 (or its predecessor statute Act 72). The School District must include the increased debt service due on the Bonds within each applicable Fiscal Year Index.

Act 24 of 2001

Act 24 of 2001 of the Commonwealth of Pennsylvania, which became law on June 22, 2001, authorizes a board of school directors to schedule a public hearing and conduct a ballot referendum on replacing the school district’s occupation tax with an increase in the local earned income tax. Currently, school districts in Pennsylvania share a 1.0% (each receives 0.5%) tax on the annual amount of residents’ wages and other earned income (which excludes unearned or investment income), with the resident municipality. Under the new law, this tax could be increased by the percentage necessary to generate revenue equal to what was collected during the preceding year on the occupation tax. The occupation tax is a flat amount for all employed individuals, or assessed by various trade, occupation and professional titles, regardless of income. The restructured tax is designed to be revenue neutral to the school district. The School District has no current plans to implement Act 24.

Act 48 of 2003

Pennsylvania Act No. 2003-48 (enacted December 23, 2003) prohibits a school district from increasing real property taxes for the school year 2005-2006 or any subsequent school year, unless the school district has adopted a budget for such school year that includes an estimated ending unreserved undesignated fund balance which is not more than a specified percentage of the total budgeted expenditures, as set forth below:

Total Budgeted Expenditures	Estimated Ending Unreserved Undesignated Fund Balance as a Percentage of Total Budgeted Expenditures
Less than or equal to \$11,999,999	12.0%
Between \$12,000,000 and \$12,999,999	11.5%
Between \$13,000,000 and \$13,999,999	11.0%
Between \$14,000,000 and \$14,999,999	10.5%
Between \$15,000,000 and \$15,999,999	10.0%
Between \$16,000,000 and \$16,999,999	9.5%
Between \$17,000,000 and \$17,999,999	9.0%
Between \$18,000,000 and \$18,999,999	8.5%
Greater than or equal to \$19,000,000	8.0%

“Estimated ending unreserved fund balance” is defined in Act 2003-48 as that portion of the fund balance which is appropriable for expenditure or not legally or otherwise segregated for a specific or tentative future use, projected for the close of the school year for which a school district’s budget was adopted and held in the general fund accounts of the school district.

Tax Levy Trends

Table 6 shows the recent trend of tax rates levied by the School District. Table 7 shows the comparative trend of real property tax rates for the School District, Montgomery and Bucks Counties and the municipalities within the School District.

**TABLE 6
NORTH PENN SCHOOL DISTRICT TAX RATES**

Year	Montgomery County Real Estate (mills)	Bucks County Real Estate (mills)	Wage Income (%)⁽¹⁾	Real Estate Transfer (%)⁽¹⁾
2014-15	23.1819	125.3784	1.00	1.00
2015-16	23.6223	130.0471	1.00	1.00
2016-17	24.1890	133.1668	1.00	1.00
2017-18	24.6704	135.8167	1.00	1.00
2018-19	25.5090	140.9906	1.00	1.00

⁽¹⁾Subject to sharing with the municipalities.

Source: School District Financial Reports.

**TABLE 7
NORTH PENN SCHOOL DISTRICT COMPARATIVE REAL PROPERTY TAX RATES
(Mills on Assessed Value)**

<u>School District:</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>
<i>Montgomery County</i>	23.1819	23.6223	24.1890	24.6704	25.5090
<i>Bucks County</i>	125.3784	130.0471	133.1668	135.8167	140.9906
<u>Municipalities within or a portion within the School District:</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Hatfield Borough.....	1.3500	1.7000	2.000	2.0000	2.0000
Hatfield Township.....	5.2200	5.2200	5.2200	5.2200	5.2200
Lansdale Borough.....	4.5000	4.5000	4.5000	5.5000	5.5000
Montgomery Township.....	1.4900	1.4900	1.4900	1.4900	1.4900
North Wales Borough.....	3.0560	4.0010	5.0010	5.0010	5.0010
Towamencin Township.....	3.8080	3.8080	3.8080	3.8080	3.8080
Upper Gwynedd Township.....	2.0120	2.0120	2.0410	2.0410	2.0410
Hilltown Township ⁽¹⁾	8.7500	8.7500	8.7500	8.7500	8.7500
New Britain Township ⁽¹⁾	12.0625	12.0625	12.0625	12.0625	12.0625
<u>County:</u>					
Montgomery County	3.1520	3.4590	3.4590	3.4590	3.4590
Bucks County	23.2000	23.2000	23.2000	24.4500	24.4500

⁽¹⁾ A portion lies in Bucks County.

Source: Local Government website.

Real Property Tax

The real property tax (excluding delinquent collections) produced an estimated \$168,850,966 in 2017-18, approximately 66.9% of overall revenue. The tax is levied on July 1 of each year. Taxpayers who remit within 60 days receive a 2% discount, and those who remit subsequent to 120 days after July 1 are assessed a 10% penalty.

The following table summarizes recent trends of assessed and market valuations of real property and real property tax collection data. The last countywide re-assessment in Bucks County was in 1972. Effective in 2005, the County changed the assessed to market value ratio from 25% to 100%. The last County-wide reassessment in Montgomery County was in 1998.

TABLE 8
NORTH PENN SCHOOL DISTRICT
REAL PROPERTY ASSESSMENT DATA

Year	Market Value	Assessed Value	Ratio
2013-14	\$10,304,900,860	\$6,962,927,810	67.57%
2014-15	10,632,936,140	7,087,746,685	66.66%
2015-16	10,741,777,580	7,156,550,753	66.62%
2016-17	11,132,745,052	7,191,781,523	64.60%
2017-18	11,131,459,036	7,188,318,902	64.58%

Source: PA State Tax Equalization Board (STEB)

TABLE 9
NORTH PENN SCHOOL DISTRICT
REAL PROPERTY ASSESSMENT DATA BY MUNICIPALITY

	2016 Market Value	2016 Assessed Value	2017 Market Value	2017 Assessed Value
<i>School District</i>	\$11,132,745,052	\$7,191,781,523	\$11,131,459,036	\$7,188,318,902
Hatfield Borough	190,641,446	134,886,120	192,799,561	136,192,390
Hatfield Township	1,731,036,041	1,143,364,920	1,741,650,250	1,149,951,280
Lansdale Borough	6,936,395	744,910	7,001,790	744,910
Montgomery Township	1,114,359,249	773,289,423	1,114,943,560	773,355,428
North Wales Borough	3,733,203,604	2,201,704,284	3,745,023,938	2,208,907,184
Towamencin Township	12,326,557	1,516,400	12,426,000	1,524,900
Upper Gwynedd Township	249,891,106	154,552,390	249,998,083	154,893,640
Hilltown Township ⁽¹⁾	1,665,587,802	1,081,536,996	1,667,795,915	1,081,599,520
New Britain Township ⁽¹⁾	2,428,762,852	1,700,186,080	2,399,819,939	1,681,149,650
Bucks County	69,330,207,358	8,133,496,920	69,834,322,639	8,184,587,270
Montgomery County	92,344,154,170	59,568,925,176	93,009,569,909	59,955,885,334

⁽¹⁾A portion lies in Bucks County

Source: PA State Tax Equalization Board (STEB)

TABLE 10
NORTH PENN SCHOOL DISTRICT
ASSESSMENT BY LAND USE

	2013	2014	2015	2016	2017
Residential	\$4,599,256,250	\$4,634,782,120	\$4,660,986,250	\$4,693,353,200	\$4,719,260,240
Lots	14,514,860	14,704,150	14,992,000	15,071,420	14,862,810
Trailers	48,298,521	47,807,576	46,775,706	46,282,376	46,196,110
Industrial	467,103,353	473,005,413	473,823,713	468,161,723	465,535,978
Commercial	1,823,595,066	1,907,096,266	1,949,272,264	1,959,396,434	1,933,080,844
Agriculture	9,130,400	8,546,280	9,079,480	9,101,690	8,968,240
Land/Mineral	946,100	1,804,880	1,621,340	414,680	414,680
Totals	\$6,962,844,550	\$7,087,746,685	\$7,156,550,753	\$7,191,781,523	\$7,188,318,902

Source: PA State Tax Equalization Board (STEB)

TABLE 11
NORTH PENN SCHOOL DISTRICT
REAL PROPERTY TAX COLLECTION DATA

School Year	County	Assessed Valuation	Mills	Gross Adjusted Levy	Current Collections Amount	Current Year Collections As a Percent	Total Collections Amount⁽¹⁾	Total Collections As a Percent
2013-14	Montgomery Bucks		22.7049 122.7997					
	Total	\$6,988,901,640		\$154,427,653	\$149,432,913	96.77%	\$152,723,501	98.90%
2014-15	Montgomery Bucks		23.1819 125.3784					
	Total	\$7,105,903,677		\$160,075,061	\$154,512,805	96.53%	\$157,484,600	98.38%
2015-16	Montgomery Bucks		23.6223 130.0471					
	Total	\$7,172,800,570		\$164,732,999	\$159,841,015	97.03%	\$162,427,381	98.60%
2016-17	Montgomery Bucks		24.1890 133.1668					
	Total	\$7,195,870,873		\$169,227,716	\$165,073,752	97.55%	\$167,028,745	98.70%
2017-18	Montgomery Bucks		24.6704 135.8167					
	Total	\$7,216,480,082		\$173,106,105	\$168,850,966	97.54%	\$170,977,268	98.77%

⁽¹⁾Includes delinquent real estate collection.
Source: School District Financial Reports.

The ten largest real property taxpayers, together with their assessed values are shown on Table 12 which follows. The aggregate assessed value of these ten taxpayers totals approximately 12.0 percent of total assessed value.

TABLE 12
NORTH PENN SCHOOL DISTRICT
TEN LARGEST REAL PROPERTY TAXPAYERS

Owner	2018-19 Assessed Value
Merck & Company	\$514,670,910
Montgomeryville Associates*	90,971,026
Nappen & Associates	40,303,400
KIR Montgomery 049 LLC	35,960,000
SPUS7 Station Square LLC	35,504,000
Brittany Pointe Estates (ACTS, Inc.)	31,770,560
Hatfield Village Associates	31,472,000
KBF Associates**	28,810,070
110 Avenel Blvd LP	28,213,000
Towamencin Apt Joint Venture	26,381,000
Total	\$864,055,966

*Taxpayer assessment appeal pending.

**District initiated assessment appeal pending.

Note 1: Multiple assessment appeals are pending in the Court of Common Pleas of Montgomery County. While not required under the law, the School District has historically reserved 25% of the tax at issue on an annual basis in each of these taxpayer appeals regardless of whether they are paid under protest. This practice is designed to avoid unfunded liability exposure when these appeals are either resolved by stipulation or disposed of by the court. The School District has also instituted its own tax assessment appeals initiative since 2009. To date, the School District has successfully negotiated several settlement agreements with several property owners which have produced an increased level of tax revenue.

Note 2: Since fiscal year 2013-2014, the School District reduced the 25% tax reserve to 20% for certain taxpayer appeals not paid under protest on the basis that a full 25% tax reserve was not necessary given the nature of the appeal.

Other Taxes

Under Act 511, the School District collected an estimated \$20,502,707 in other taxes in 2017-18. Among the taxes authorized by Act 511, the Real Estate Transfer Tax and Wage and Income Tax, are levied by the School District. The Act 511 limit, equal to 12 mills on the market value of real property, was \$133,577,508.

Wage and Income Tax. The School District levies a tax of 1.0 percent on earned income of residents (of which 50% is subject to sharing with the municipality that levies the same tax). In 2017-18 the collected portion of this tax yielded an estimated \$16,752,716 or 6.6 percent of total revenue.

Real Estate Transfer. The School District levies a tax of 1.0 percent (of which 50% is subject to sharing with the municipality that levies the same tax) of the value of real estate transfers. In 2017-18 the collected portion of this tax yielded an estimated \$3,749,991 or 1.5 percent of total revenue.

COMMONWEALTH AID TO SCHOOL DISTRICTS

Pennsylvania school districts receive financial assistance from the Commonwealth in a number of forms, all subject to statutory provisions and annual appropriation by the Pennsylvania General Assembly.

The second largest subsidy, basic instructional subsidy, is allocated to all school districts based on factors such as: (1) the per pupil market value of assessable real property in the school district; (2) the per pupil earned income in the school district; (3) the school district's tax effort, as compared with the tax effort of other school districts in the Commonwealth; and (4) student count. School districts also receive subsidies for special education, pupil transportation, health service, retirement and debt service.

Current Lack of State Appropriations for Debt Service Subsidies

Commonwealth law presently provides that the School District will receive, subject to state legislative appropriation, reimbursement from the Commonwealth for a portion of debt service paid on the Bonds following final approval by the Pennsylvania Department of Education ("PDE"). Commonwealth reimbursement is calculated based on the "Reimbursable Percentage" assigned to the Bonds by the DOE and the School District's permanent Capital Account Reimbursement Fraction ("CARF") (16.44%) or the wealth based Market Value Aid Ratio ("MVAR") currently (13.26%), whichever is higher. The Reimbursable Percentage is determined through a process known as the "Planning and Construction Workbook" or "PlanCon".

Based on the current PlanCon program, School District officials have estimated that the Reimbursable Percentage of the Bonds will be 0.00% (there has been no determination by the PDE). The School District's CARF (which is higher than the MVAR) is 16.44%. The product of these two factors is 0.00%, which is the estimated percentage of debt service which may be reimbursed by the Commonwealth, subject to annual appropriation. In future years, this percentage may change as the School District's MVAR changes, or as a result of future legislation regarding changes to, or even elimination of, the PlanCon program.

In May of 2016, the Commonwealth enacted appropriation legislation known as Act 25 ("Act 25"), which contains authorization for the Commonwealth Finance Authority ("CFA") to issue up to \$2.5 billion of debt to fund PlanCon reimbursements to school districts. Act 25 also instituted a moratorium on new projects entering the PlanCon process while an advisory committee established under Act 25 considers amendments to the PlanCon reimbursement program. This new moratorium went into effect on May 15, 2016 and expired on June 30, 2017. On November 6, 2017, House Bill 178 became law without the signature of the Governor and became known as Act 55 of 2017. Contained in Act 55 of 2017 was an extension of the PlanCon moratorium through the end of the 2017-18 fiscal year.

To date, the CFA has issued \$1,170,705,000, to provide for PlanCon reimbursements owed to school districts, including the issuance of its Revenue Bonds, Series A of 2016 (Federally Taxable) in the principal amount of \$758,185,000 issued on October 31, 2016, as well as its Revenue Bonds, Series A of 2018 (Federally Taxable) in the total amount of \$412,520,000 issued on January 18, 2018. It is expected that proceeds of these issues have been and will continue to be used to provide PlanCon reimbursement that is owed to the School District for past and current fiscal years. However, the School District cannot be certain that any future PlanCon reimbursement will be received by PDE as the ability for CFA to issue additional bonds in the future to fund future PlanCon reimbursements owed to school districts may impact the availability of PlanCon reimbursements payable to the School District. Any failure by the Commonwealth to adopt a timely budget and enact necessary spending authorizations could have a material adverse effect upon the School District's anticipated receipt of PlanCon reimbursements.

There can be no assurances that the School District will be able to successfully apply for, be awarded, and receive sufficient PlanCon reimbursement for the costs of any current or future projects of the School District. A failure by the School District to receive such reimbursement could force the School District to apply other available funds, if any, toward the completion costs of the Project and may have a material adverse effect on the financial resources of the School District to fund other obligations, including payment of debt service on the Bonds.

Legislation has been introduced from time to time in the Pennsylvania legislature containing language that would revise or even abolish the debt service reimbursement program for Pennsylvania school districts. As of the date hereof, and except as described above, none of these proposals have been signed into law. To the extent that any future legislation contains material changes to the PlanCon program as it is

structured currently, the amount of PlanCon reimbursement to the School District may be positively or negatively affected, which could materially impact the amount of local funds needed to be raised by the School District to pay debt service on its debt obligations.

DEBT AND DEBT LIMITS

Debt Statement

Table 13 which follows shows the debt of the School District as of January 30, 2019, including the issuance of the Bonds.

TABLE 13
NORTH PENN SCHOOL DISTRICT
DEBT STATEMENT
(As of January 30, 2019)*

	Gross Outstanding
NONELECTORAL DEBT	
General Obligation Bonds, Series of 2019	\$9,370,000
General Obligation Bonds, Series of 2018	9,565,000
General Obligation Bonds, Series A of 2017	17,395,000
General Obligation Bonds, Series of 2017	17,565,000
General Obligation Bonds, Series of 2016	9,835,000
General Obligation Bonds, Series of 2015	9,875,000
General Obligation Bonds, Series of 2014	9,900,000
General Obligation Bonds, Series of 2013	9,925,000
General Obligation Bonds, Series A of 2010	7,275,000
General Obligation Bonds, Series of 2010	10,520,000
TOTAL NONELECTORAL DEBT	\$111,225,000
School Lease Revenue Bonds, Series of 2015**	\$3,284,625
TOTAL LEASE RENTAL DEBT	\$3,284,625
TOTAL PRINCIPAL OF DIRECT DEBT	\$114,509,625

*Includes the Bonds offered through this Official Statement.

**46.10 percent pro rata share of the State Public School Building Authority School Lease Revenue Bonds (North Montco Technical Career Center Project) Series of 2015.

Table 14 presents the overlapping indebtedness and debt ratios of the School District. After issuance of the Bonds, the principal of direct debt of the School District will total \$114,509,625. After adjustment for available funds and estimated Commonwealth aid, the local effort of direct debt will total \$110,227,991.

TABLE 14
NORTH PENN SCHOOL DISTRICT
BONDED INDEBTEDNESS AND DEBT RATIOS
(As of January 30, 2019)*

	Gross Outstanding	Local Effort or Net of Available Funds and Estimated State Aid⁽¹⁾
<u>DIRECT DEBT</u>		
Nonelectoral Debt.....	\$111,225,000	\$107,392,100
Lease Rental Debt.....	3,284,625	2,835,891
<i>TOTAL DIRECT DEBT</i>	<u>\$114,509,625</u>	<u>\$110,227,991</u>
<u>OVERLAPPING DEBT</u>		
Montgomery County, General Obligations ⁽²⁾	\$35,013,753	\$35,013,753
Bucks County, General Obligation ⁽³⁾	20,458,603	20,458,603
Municipal Debt.....	85,459,487	85,459,487
<i>TOTAL OVERLAPPING DEBT</i>	<u>\$140,931,844</u>	<u>\$140,931,844</u>
 <i>TOTAL DIRECT AND OVERLAPPING DEBT</i>	 <u><u>\$255,441,469</u></u>	 <u><u>\$251,159,835</u></u>
<u>DEBT RATIOS</u>		
Per Capita	\$2,599.73	\$2,556.15
2017-18 Percent of Assessed Value.....	3.55%	3.49%
2017-18 Percent Market Value.....	2.29%	2.26%

*Includes the Bonds offered through this Official Statement.

⁽¹⁾The School District may, at any time, claim a credit against the gross principal of debt outstanding equal to the amount to be reimbursed by state sources.

⁽²⁾Pro rata 7.59% share of \$461,025,827 principal amount outstanding as reported by the Department of Community and Economic Development.

⁽³⁾Pro rata 5.82% share of \$351,240,807 principal amount outstanding as reported by the Department of Community and Economic Development.

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Debt Limit and Remaining Borrowing Capacity

The statutory borrowing limit of the School District under the Debt Act is computed as a percentage of the School District's "Borrowing Base". The "Borrowing Base" is defined as the annual arithmetic average of "Total Revenues" (as defined by the Debt Act), for the three full fiscal years ended next preceding the date of incurring debt. The School District calculates its present borrowing base and borrowing capacity as follows:

Under the Act as presently in effect, no school district shall incur any nonelectoral debt or lease rental debt, if the aggregate net principal amount of such new debt together with any other net nonelectoral debt and lease rental debt then outstanding, would cause the net nonelectoral debt plus net lease rental debt to exceed 225% of the Borrowing Base. The application of the aforesaid percentage to the School District's Borrowing Base produces the following product:

Total Revenues for 2015-16	\$234,170,541
Total Revenues for 2016-17	247,331,538
Total Revenues for 2017-18	251,386,521
Totals	\$732,888,600
Annual Arithmetic Average (Borrowing Base)	\$244,296,200

	Legal Limit	Net Debt Outstanding	Borrowing Capacity
Net Non-electoral Debt and Lease Rental Debt Limit:			
225% of Borrowing Base	\$549,666,449	\$114,509,625	\$435,156,824

*Includes the Bonds offered through this Official Statement.

Does not reflect all credits against gross indebtedness that may be claimed for the portion of principal of debt estimated to be reimbursed by Commonwealth aid.

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Debt Service Requirements

Table 15 presents the debt service requirements on the School District's outstanding general obligation indebtedness including debt service on the Bonds.

Table 16 presents data on the extent to which Commonwealth Aid provides coverage for debt service requirements.

The School District has never defaulted on the payment of debt service.

TABLE 15
NORTH PENN SCHOOL DISTRICT
DEBT SERVICE REQUIREMENTS*

<u>Year</u>	<u>Lease Rev Series of 2015</u>	<u>Other Outstanding General Obligation Debt</u>	<u>Series of 2019</u>			<u>Total Requirements</u>
			<u>Principal</u>	<u>Interest</u>	<u>Subtotal</u>	
2018-19	\$318,882	\$15,404,164	\$0	\$0	\$0	\$15,723,046
2019-20	316,370	15,166,880	180,000	371,468	551,468	16,034,718
2020-21	317,223	13,949,087	5,000	367,700	372,700	14,639,010
2021-22	316,854	11,514,232	5,000	367,450	372,450	12,203,536
2022-23	318,675	11,514,219	5,000	367,200	372,200	12,205,094
2023-24	317,911	11,565,369	5,000	367,000	372,000	12,255,280
2024-25	319,169	11,543,600	5,000	366,800	371,800	12,234,569
2025-26	317,828	11,335,300	5,000	366,600	371,600	12,024,728
2026-27	318,282	7,317,800	5,000	366,400	371,400	8,007,482
2027-28	318,149	1,511,000	1,160,000	366,200	1,526,200	3,355,349
2028-29	317,481	1,515,800	1,205,000	319,800	1,524,800	3,358,081
2029-30	318,228	1,513,600	1,255,000	271,600	1,526,600	3,358,428
2030-31	318,182	1,514,600	1,305,000	221,400	1,526,400	3,359,182
2031-32		1,698,600	1,355,000	169,200	1,524,200	3,222,800
2032-33		1,698,200	1,410,000	115,000	1,525,000	3,223,200
2033-34		1,700,400	1,465,000	58,600	1,523,600	3,224,000
	<u>\$4,133,234</u>	<u>\$120,462,851</u>	<u>\$9,370,000</u>	<u>\$4,462,418</u>	<u>\$13,832,418</u>	<u>\$138,428,503</u>

*Totals may not add due to rounding.

TABLE 16
NORTH PENN SCHOOL DISTRICT
COVERAGE OF DEBT SERVICE
REQUIREMENTS BY STATE AID*

2017-18 Commonwealth Aid Received.....	\$50,377,168
2017-18 Debt Service Requirements	17,686,108
Maximum Future Debt Service Requirements after Issuance of Bonds	16,034,718
2017-18 Debt Service Requirements	2.85 times
Coverage of Maximum Future Debt Service Requirements after Issuance of Bonds	3.14 times

*Assumes current Commonwealth CARF. See "Commonwealth Aid to School Districts."

Future Financing

The School District anticipates issuing additional long-term debt of approximately \$5 million over the next 2 years for completion of the Knapp Elementary School project. The School District recently conducted a facilities study and the School Board is evaluating the additional borrowing needs.

LABOR RELATIONS

School District Employees

There are approximately 1,941 employees of the School District, including 1,051 teachers and administrators and 890 support personnel including secretaries, maintenance staff, custodial staff, cafeteria staff, transportation and teacher aides.

The School District teachers are represented by the North Penn Education Association (the "Association"), an affiliate of the Pennsylvania State Education Association (PSEA), under a contract with the School District, which expires on June 30, 2021. North Penn Educational Support Professional Association (NPESPA), an affiliate of PSEA, representing classroom assistants, special education assistants, secretaries and various other support personnel are under contract with the School District, which expires on June 30, 2020.

Pension Program

Currently, all Pennsylvania school districts and intermediate units participate in a pension program administrated by the Commonwealth. The program is formally known as the Public School Employees' Retirement System ("PSERS"), and a percentage of each eligible employee's salary is contributed by the employee, the School District and the Commonwealth. All full-time employees, part-time employees salaried over eighty days per year and hourly employees with over five hundred hours per year participate in the program.

Contributions are required by active members, School Districts, and the Commonwealth of Pennsylvania as established by the Public School Employees' Retirement Code. Members who enrolled prior to January 1, 2002 range from 5.28% to 7.5% of compensation, depending upon the date of commencement of employment and elections made by each employee member. Members who enrolled in the pension plan on or after January 1, 2002 and before July 1, 2011 is 7.5% of compensation. The contribution rate for PSERS members who enrolled on or after July 1, 2011 is 7.5% or 10.3%, depending upon elections made by each employee member. The PSERS Board of Trustees certified an annual employer contribution rate of 33.43% for the fiscal year 2018-19. Current financial projections indicate the possibility of increases in the contribution rate in the next five years.

The Commonwealth will reimburse the School District at the rate of 50% of its total contributions with respect to all employees who were hired prior to July 1, 1994. With respect to employees hired after July 1, 1994, and who were not previously employed by another public school system in the Commonwealth, the School District will be reimbursed by the Commonwealth at the rate of the higher of 50% of contributions made by the School District or the current Market Value/Personal Income Aid Ratio. The School District is reimbursed on a quarterly basis.

Under Act 5 of 2017 ("Act 5") PSERS will transition from a traditional defined benefit system and begin to offer defined contribution plans as well. Beginning July 1, 2019, in addition to other transaction rules and options based on members' classifications, certain classes of active members may choose to switch from the current defined benefit plan to one of three new retirement benefit plan options which will be available. Additionally, all active members newly hired on or after July 1, 2019 will be required to select one of those three new retirement benefit plan options and will not be eligible to participate in the current defined benefit plan. The three new plans consist of two hybrid plans, with defined benefit and defined contribution components, along with a stand-alone defined contribution plan.

In addition to its comprehensive change in available plans for active members, Act 5 also made certain changes to the PSERS Board of Trustees and administrative protocols and created the Public Pension Management and Asset Investment Review Commission to study and make recommendations to the General Assembly and the Governor regarding investment performance and strategies.

According to the Independent Fiscal Office, Act 5 is not expected to reduce school district and state contributions to PSERS over the first fifteen years. However, beginning in fiscal 2034-35 through fiscal 2049-50, employer contribution rates are expected to begin to decline due to the lower long-term employer costs of the new benefit plans and will be lower, in the aggregate, over the study period.

Annual School District contributions have been as follows:

2013-14	\$19,071,542
2014-15	\$23,825,000
2015-16	\$29,998,000
2016-17	\$35,740,000
2017-18	\$40,546,164
2018-19 (budgeted)	\$43,120,859

At June 30, 2018, the School District reported a liability of \$545,989,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined

by rolling forward the PSERS total pension liability as of June 30, 2016 to June 30, 2017. The School District's proportion of the net pension liability was calculated utilizing its one-year reported covered payroll as it relates to the total one-year reported covered payroll of all school districts. At June 30, 2017, the School District's proportion as 1.1055% which was an increase of 0.3507% from its proportion measured as of June 30, 2016.

As of June 30, 2017, the PSERS plan was 56.3% funded, with an unfunded actuarial accrued liability of approximately \$44.5 billion. PSERS' rate of return for fiscal year ended June 30, 2018 was 9.27%. The Fund had plan net assets of \$56.7 billion at June 30, 2018. For more information, visit the PSERS website at www.psers.pa.gov, which is not incorporated by specific reference into this Official Statement.

Source: School District Administrative Officials and PSERS.

Other Post-Employment Benefits (OPEB)

The School District's OPEB costs include benefits from both a Multiple Employer OPEB Plan as well as a Single Employer OPEB Plan.

The Multiple Employer OPEB Plan, known as the Health Insurance Premium Assistance Program, is provided by PSERS to all eligible retirees who qualify and elect to participate. At June 30, 2018, the District reported a liability of \$22,524,000 for its proportionate share of the net OPEB liability. The School District recognized OPEB expense of \$769,943 for June 30, 2018.

The School administers a single-employer defined benefit healthcare plan. The plan provides medical insurance benefits to eligible retirees and their spouses. The Board of School Directors has the authority to establish and amend benefit provisions through the collective bargaining process with members of the professional and support staff, an agreement with administrative employees and individual employment contracts with certain employees. The District's total OPEB liability under the Single Employer OPEB Plan was \$9,190,915, measured as of June 30, 2018. The District recognized OPEB expense of \$898,499 for year ended June 30, 2018.

The annual OPEB expense for the Single Employer OPEB Plan for the previous five fiscal years ending June 30th were as follows:

Fiscal Year Ended	Single Employer Annual OPEB Expense
6/30/2018	\$898,499
6/30/2017	\$788,668
6/30/2016	\$797,226
6/30/2015	\$925,664
6/30/2014	\$932,955

In June 2015, GASB issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans. GASB 75 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2017.

For further information on the effects of GASB Statement No.75, the School District's OPEB and other vested employee benefits, including valuation and sick pay, see "Appendix D – Basic Financial Statements Single Audit Report for the Year Ended June 30, 2018".

LITIGATION

At the time of settlement, there is no litigation pending or threatened with respect to the Bonds, the Resolution or the right of the School District to issue said Bonds and there is no litigation which would materially affect the School District's financial condition.

DEFAULTS AND REMEDIES

In the event of failure of the School District to pay or cause to be paid the interest on or principal of the Bonds, the holders of the Bonds shall be entitled to certain remedies provided by the Act. Among the remedies, if the failure to pay shall continue for 30 days, holders of the Bonds shall have the right to recover the amount due by bringing actions in the Court of Common Pleas of Montgomery and/or Bucks County. The Act provides any judgment shall have an appropriate priority upon the funds next coming into the treasury of the School District. The Act also provides that upon a default of at least 30 days, holders of at least 25 percent of the Bonds may appoint a trustee to represent them. The Act provides certain other remedies in the event of default, and further qualifies the remedies hereinbefore described.

TAX MATTERS

In the opinion of Kegel Kelin Almy & Lord LLP, Lancaster, Pennsylvania, Bond Counsel, interest on the Bonds (a) is excludable from the gross income of the registered owners thereof for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. The opinion set forth in clause (a) above is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, (the “Code”) and any regulations thereunder, now or hereafter enacted, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excludable from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause the interest on the Bonds to be included in the gross income of the registered owners thereof retroactive to the date of issuance of the Bonds. The issuer has covenanted to comply with all such requirements. Except for the discussion of original issue discount below, Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the Bonds.

Bond Counsel is of the opinion, based on existing law, that the original issue discount in the selling price of Bonds, if any, to the extent properly allocable to each holder of such Bonds, is excluded from gross income for federal income tax purposes with respect to such holder. The original issue discount is the excess of the stated redemption price at maturity of such Bonds over the initial offering price to the public, excluding underwriters and other intermediaries, at which price a substantial amount of such Bonds were sold. Original issue discount on tax-exempt bonds accrues on a compound basis. The amount of original issue discount that accrues to holders of such Bonds who acquire the Bonds in this offering during any accrual period generally equals (i) the issue price of such Bonds plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity of such Bonds (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (iii) any interest payable on such Bonds during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes, and will increase the holder’s tax basis in such Bonds. Any gain realized by the holder from a sale, exchange, payment or redemption of a Bond would be treated as gain from the sale or exchange of such Bond.

Prospective purchasers of the Bonds should be aware that (i) section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds or, in the case of a financial institution, that portion of a holder’s interest expense allocated to interest on the Bonds, except with respect to certain financial institutions (within the meaning of Section 265 (b)(5) of the Code), (ii) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, for taxable years beginning after December 31, 1986, Section 832 (b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the Bonds, (iii) for taxable years beginning after December 31, 1986, interest on the Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (iv) passive investment income including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income and (v) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account in determining gross income, receipts or accruals of interest on the Bonds.

The Bonds are “qualified tax exempt obligations” within the meaning of Section 265(b)(3)(B) of the Code, and, in the case of certain financial institutions (within the meaning of Section 265 (b)(5) of the Code), a deduction is allowed for 80 percent of that portion of such financial institutions’ interest expense allocable to interest on the Bonds.

In the opinion of Bond Counsel, under the existing statutes, regulations and decisions, the interest on the Bonds is exempt from taxation for state and local purposes within the Commonwealth of Pennsylvania. Such exemption, however, does not extend to profits, gains or income derived from the sale, exchange or other disposition of the Bonds, nor to gift, estate, succession or inheritance taxes or any other taxes not levied or assessed directly on the interest on the Bonds. Under the laws of the Commonwealth profits, gains, or income derived from the sale, exchange, or other disposition of certain government obligations, including the Bonds, may be subject to state and local taxation within the Commonwealth of Pennsylvania. Pennsylvania Act 68 of 1993 enacted a statutory provision allowing taxation of such profits, gains or income; although the statute is unclear as to its applicability to obligations of political subdivisions, the Pennsylvania Department of Revenue interprets the statute as applicable to obligations of political subdivisions.

The issuer of the Bonds will issue its certificate to the effect that on the basis of the facts, estimates and circumstances in existence on the date of delivery of the Bonds, it is not expected that proceeds of the Bonds will be used in a manner that would cause the Bonds to be “arbitrage bonds” under Section 103 (b)(2) and Section 148 of the Internal Revenue Code of 1986, as amended, or as contemplated by the United States Treasury regulations relating to “arbitrage bonds”.

CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirements of the Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission (the “SEC”), the School District (being an “obligated person” with respect to the Bonds, within the meaning of the Rule), will agree to provide the following to the Municipal Securities Rulemaking Board (the “MSRB”) in an electronic format as prescribed by the MSRB, either directly or indirectly through a designated agent:

- (A) Annually, not later than **270 days** following the end of each fiscal year, beginning with the fiscal year ending June 30, 2018, the following financial information and operating information for the School District:

- (1) financial statements for the most recent fiscal year, prepared in accordance with generally accepted accounting principles for local government units
 - (2) a summary of the budget for the current fiscal year when available (i.e. the fiscal year following the fiscal year of the financial statements being provided)
- (B) If not submitted as part of the annual financial information, then when and if available, audited financial statements for the School District;
- (C) In a timely manner not in excess of ten (10) business days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Bonds:
 - (1) principal and interest payment delinquencies;
 - (2) non-payment related defaults, if material;
 - (3) unscheduled draws on debt service reserves reflecting financial difficulties;
 - (4) unscheduled draws on credit enhancements reflecting financial difficulties;
 - (5) substitution of credit or liquidity providers, or their failure to perform;
 - (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax-exempt status of the Bonds;
 - (7) modifications to rights of holders of the Bonds, if material;
 - (8) bond calls, if material, and tender offers;
 - (9) defeasances;
 - (10) release, substitution, or sale of property securing repayment of the Bonds, if material;
 - (11) rating changes;
 - (12) bankruptcy, insolvency, receivership or similar event of the School District;
 - (13) the consummation of a merger, consolidation, or acquisition involving the School District or the sale of all or substantially all of the assets of the School District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
 - (14) appointment of a successor or additional trustee or the change of name of a trustee, if material;
 - (15) incurrence of a financial obligation of the issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or obligated person, any of which affect security holders, if material;
 - (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the issuer or obligated person, any of which reflect financial difficulties; and
- (D) in a timely manner, notice of a failure of the School District to provide the required annual financial information specified above, on or before the date specified above.

With respect to the filing of annual financial and operating information, the School District reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information to the extent necessary or appropriate as a result of a change in legal requirements or a change in the nature of the School District or its operations or financial reporting, but the School District will agree that any such modification will be done in a manner consistent with the Rule.

The events listed in (C) above are those specified in the Rule, not all of which may be relevant to the Bonds. The School District may from time to time choose to file notice of the occurrence of other events, in addition to the events listed in (C) above, but the School District does not commit to provide notice of the occurrence of any events except those specifically listed in (C) above.

The School District acknowledges that its undertaking pursuant to the Rule described herein is intended to be for the benefit of the holders and beneficial owners of the Bonds and shall be enforceable by the holders and beneficial owners of the Bonds, but the right of the holders and beneficial owners of the Bonds to enforce the provisions of the School District's continuing disclosure undertaking shall be limited to a right to obtain specific enforcement, and any failure by the School District to comply with the provisions of the undertaking shall not be an event of default with respect to the Bonds.

The School District's obligations with respect to continuing disclosure described herein shall terminate upon the prior redemption or payment in full of all of the Bonds or if and when the School District is no longer an "obligated person" with respect to the Bonds, within the meaning of the Rule.

The MSRB has been designated by the SEC to be the central and sole repository for continuing disclosure information filed by issuers of municipal securities since July 1, 2009. Information and notices filed by municipal issuers (and other "obligated persons" with respect to municipal securities issues) are made available through the MSRB's Electronic Municipal Market Access ("EMMA") System, which may be accessed on the internet at <http://www.emma.msrb.org>.

Some operating data of the School District may be inherently included in the annual filings of financial statements, the summary of the budget, contents in Official Statements of future bond issues as well as publicly available information. In connection with the Continuing Disclosure

Undertaking associated with the Bonds, the School District will not be filing this information separately but it may be available in the other annual filings of the School District or publicly available elsewhere.

Continuing Disclosure Filing History

The School District has previously entered into Continuing Disclosure Undertakings with respect to each one of its previously issued bond issues that are currently outstanding. The School District's filing history of its annual financial and operating information during the past five (5) years is outlined in the table below.

Fiscal Year Ending	Filing Deadline ^[1]	Financial Statements		Budget		Operating Data	
		Filing Date	EMMA ID ^[2]	Filing Date	EMMA ID ^[2]	Filing Date	EMMA ID ^[2]
6/30/2014	12/27/2014	12/12/2014	EP671901	12/12/2014	EP671901	12/12/2014	EP671901
6/30/2015	12/27/2015	12/15/2015	EP710809	12/15/2015	EP710809	12/15/2015	EP710809
6/30/2016	12/27/2016	12/16/2016	ER787829	6/27/2016	ER769771	12/16/2016	ER787897
6/30/2017	12/27/2017	12/22/2017	ES842064	6/28/2017	ER836032	12/22/2017	ES842404
6/30/2018	12/27/2018	12/26/2018	ER916992	6/21/2018	ER884707	12/26/2018	ER916992

Notes

^[1] For these purposes, assumes the shortest filing deadline of the School District's previous Continuing Disclosure Agreements.

^[2] Submission ID is the EMMA Submission ID for each filing. To access a filing, insert the Submission ID to the end of the web address below:
<http://emma.msrb.org/ContinuingDisclosureView/ContinuingDisclosureDetails.aspx?submissionId=>

^[3] Filing of PDE-2057 Annual Financial Report. Audited financial statements filed on March 20, 2014 (EMMA ID ER615018)

Based on the information above, the School District's annual financial and operating filing history over the past five (5) years can be summarized as follows:

For fiscal year ending June 30, 2014 through June 30, 2018, the School District filed its Audit, adopted budget and operating data timely.

Bond Insurance Rating Downgrades and Upgrades by S&P and/or Moody's

Some of the School District's bond issues that have been outstanding during the past five (5) years have been insured by various bond insurance companies that have received rating downgrades and upgrades by both S&P and Moody's. This information was publicly available from widely accepted information sources at the time of their respective downgrades or upgrades. For informational purposes, the School District filed a summary of rating upgrades and downgrades relating to certain bond insurance companies.

Future Continuing Disclosure Compliance

The School District has conducted a thorough review of its continuing disclosure obligations and submissions. Upon discovering any inadvertent omissions with respect to these filings, the School District, to the best of its knowledge, has attempted to bring its continuing disclosure filings up to date.

In an effort to augment the School District's procedures and policies to maintain future compliance, the School District has taken additional steps intended to assure future compliance with its Continuing Disclosure Agreements. These steps include implementing the MSRB's EMMA's internal notification system whereby the School District will receive timely email reminders a month in advance for all of the School District's annual disclosure filings and coordinating with the School District's financial advisor to ensure all disclosure obligations have been made on a timely basis and in all material respects.

A member of the School District's business office will be responsible for ensuring ongoing continuing disclosure compliance. Members of the School District's business office will make an effort to participate in any ongoing continuing education regarding continuing disclosure undertaking if offered by local groups or affiliated organizations such as MSRB, PASBO or GFOA. The School District may communicate with its financial advisor, underwriter(s), bond counsel, or solicitor regarding any questions or concerns regarding ongoing continuing disclosure compliance. The School District may also communicate with its local auditor and advise of the School District's need for financial statements in a timely manner. In the event audited financial statements are not available by the filing deadline, the School District may file with EMMA, if available, its State Form PDE-2057 Annual Financial Report as an interim filing until such audited financial statements are available. Some of the operating data requirements may be found contained within the School District's financial statements or budget filing and may not be filed explicitly by themselves.

RATING

Moody's Investor's Service, Inc. which has assigned its municipal bond rating of "Aa1" (Stable Outlook) to this issue of Bonds. Such rating reflects only the view of such organization and any desired explanation of the significance of such rating should be obtained from the rating agency furnishing the same, at the following address: Moody's Investor's Service, Inc., 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any such rating will continue for any given period of time or that it will not be

revised downward or withdrawn entirely by the rating agency, if circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

UNDERWRITING

The Underwriter has agreed, subject to certain conditions, to purchase the Bonds from the School District at an aggregate purchase price of \$9,936,532.10, comprised of the par amount of the Bonds plus an original issue premium of \$625,094.60 less an underwriter's discount of \$58,562.50. The Underwriter's obligations to purchase the Bonds are subject to certain conditions precedent; however, the Underwriter is obligated to purchase all such Bonds if any such Bonds are purchased. The Bonds may be offered and sold to certain dealers (including dealers depositing such Bonds into investment trusts) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriter.

LEGAL OPINION

The Bonds are offered subject to the receipt of the approving legal opinion of Kegel Kelin Almy & Lord LLP, Bond Counsel of Lancaster, Pennsylvania. Certain other legal matters will be passed upon for the School District by Kyle Somers, Esquire, of Sweet, Stevens, Katz & Williams, LLP, New Britain, Pennsylvania, School District Solicitor.

FINANCIAL ADVISOR

The School District has retained PFM Financial Advisors LLC, Harrisburg, Pennsylvania, as financial advisor (the "Financial Advisor") in connection with the preparation, authorization and issuance of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement. PFM Financial Advisors LLC is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

MISCELLANEOUS

This Official Statement has been prepared under the direction of the School District by PFM Financial Advisors LLC, Harrisburg, Pennsylvania, in its capacity as Financial Advisor to the School District. The information set forth in this Official Statement had been obtained from the School District and from other sources believed to be reliable. Insofar as any statement herein includes matters of opinion or estimates about future conditions, it is not intended as representation of fact, and there is no guarantee that it is, or will be, realized. Summaries or descriptions of provisions of the Bonds, the Resolution, and all references to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof. Reference is hereby made to the complete documents, copies of which will be furnished by the School District or the Financial Advisor upon request. The information assembled in this Official Statement is not to be construed as a contract with holders of the Bonds.

The School District has authorized the distribution of this Official Statement.

NORTH PENN SCHOOL DISTRICT MONTGOMERY AND BUCKS COUNTIES PENNSYLVANIA

By: /s/ Martina Stoll
President, Board of School Directors

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APPENDIX A
Demographic and Economic Information
Relating to the North Penn School District

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Introduction

North Penn School District is located in north central section of Montgomery County and a small portion of south central Bucks County and is comprised of the municipal subdivisions of the Boroughs of Hatfield, Lansdale and North Wales and the Townships of Hatfield, Montgomery, Towamencin and Upper Gwynedd, all located in Montgomery County and a small portion of the Townships of Hilltown and New Britain located in adjacent Bucks County. Geographically, the 42.6 square mile area lies approximately 18 miles north of center-city Philadelphia, 20 miles south of Allentown, 10 miles west of Doylestown and 10 miles northeast of King of Prussia, Pennsylvania. In addition to the incorporated communities, there are several well-known unincorporated communities located within the School District including: West Point in Upper Gwynedd Township, Kulpsville in Towamencin Township, Montgomeryville in Montgomery Township and Line Lexington in New Britain Township.

Character

North Penn School District is characterized by rolling hills common to the piedmont region of the Commonwealth of Pennsylvania. The Borough of Lansdale and North Wales are the financial and professional center for the surrounding area and of considerable industrial importance. The Townships are principally residential in character, with large regional shopping malls and office industrial centers. The residential growth has taken place in the Townships due chiefly to the large industrial companies located within or adjacent to the School District and the ease of commuting to the major employment centers throughout the south eastern region of Pennsylvania.

Population

Table A-1 which follows shows recent population trends for the School District, Montgomery and Bucks Counties and the Commonwealth of Pennsylvania. Table A-2 shows 2000 age composition and average number of persons per household in Montgomery and Bucks Counties and for the State.

**TABLE A-1
RECENT POPULATION TRENDS**

Geographic Area	Census: April 1, 2010			Census: April 1, 2000			Change: 2000 to 2010			
	Number	Percent	Munic. Pop. Rank	Number	Percent	Munic. Pop. Rank	Number	Munic. Rank	Percent	Munic. Rank
		Share of State Total			Share of State Total					
Hatfield Borough.....	3,290	0.0%	849	2,605	0.0%	1,005	685	260	26.3%	140
Hatfield Township.....	17,249	0.1%	117	16,712	0.1%	105	537	296	3.2%	967
Lansdale Borough	16,269	0.1%	130	16,071	0.1%	115	198	536	1.2%	1,153
Montgomery Township	24,790	0.2%	60	22,025	0.2%	67	2,765	60	12.6%	380
North Wales Borough.....	3,229	0.0%	858	3,342	0.0%	814	-113	2067	-3.4%	1,643
Towamencin Township	17,578	0.1%	113	17,597	0.1%	94	-19	1488	-0.1%	1,285
Upper Gwynedd Township ...	15,552	0.1%	141	14,243	0.1%	143	1,309	166	9.2%	525
Hilltown Township*.....	150	0.1%	148	150	0.1%	178	2,927	51	24.2%	154
New Britain Township*	150	0.1%	219	150	0.1%	215	372	383	3.5%	942
School District	98,257	0.8%	-	92,895	0.8%	-	5,362	-	0.6%	-
Montgomery County	799,874	6.3%	-	750,097	6.1%	-	49,777	-	6.6%	-
Bucks County	625,249	4.9%	-	597,635	4.9%	-	27,614	-	4.6%	-
Pennsylvania	12,702,379	100.0%	-	12,281,054	100.0%	-	421,325	-	3.4%	-

Source: U.S. Census Bureau, Census 2000 & 2010

**TABLE A-2
AGE COMPOSITION**

<u>Area</u>	<u>0-19 Years</u>	<u>20-64 Years</u>	<u>65+ Years</u>	<u>Persons Per Household</u>
Montgomery County.....	26.29%	58.79%	14.90%	2.54
Bucks County	27.92	59.68	12.40	2.69
Pennsylvania	26.60	57.70	15.60	2.48

Source: Pennsylvania State Data Center, 2000 General Population and Housing Characteristics: Pennsylvania.

Employment

Overall employment data are not compiled for the School District, but such data are compiled for the Montgomery-Bucks-Chester, PA Metropolitan Division (an area which includes the School District) as shown on Table A-3.

TABLE A-3
DISTRIBUTION OF EMPLOYMENT BY INDUSTRY
MONTGOMERY-BUCKS-CHESTER, PA METROPOLITAN DIVISION

(Bucks, Chester, and Montgomery - PA counties)

October 2018

NONFARM JOBS - NOT SEASONALLY ADJUSTED

Establishment Data	Industry Employment				Net Change From:	
	Oct 2018	Sept 2018	Aug 2018	Oct 2017	Sept 2018	Oct 2017
TOTAL NONFARM	1,085,500	1,077,800	1,077,600	1,076,700	7,700	8,800
TOTAL PRIVATE	1,000,900	994,200	1,000,400	992,400	6,700	8,500
GOODS PRODUCING	145,900	146,500	145,700	144,000	-600	1,900
Construction, Natural Resources, and Mining	54,900	55,900	55,800	52,700	-1,000	2,200
Manufacturing	91,000	90,600	89,900	91,300	400	-300
Durable Goods	46,500	46,300	45,500	47,100	200	-600
Non-Durable Goods	44,500	44,300	44,400	44,200	200	300
Chemical Manufacturing	19,500	19,500	19,400	19,400	0	100
SERVICE-PROVIDING	939,600	931,300	931,900	932,700	8,300	6,900
PRIVATE SERVICE-PROVIDING	855,000	847,700	854,700	848,400	7,300	6,600
Trade, Transportation, and Utilities	203,600	200,000	200,400	203,300	3,600	300
Wholesale Trade	58,000	57,300	57,400	56,400	700	1,600
Retail Trade	117,000	114,800	115,700	118,000	2,200	-1,000
General merchandise stores	18,100	17,700	18,000	17,900	400	200
Transportation, Warehousing, and Utilities	28,600	27,900	27,300	28,900	700	-300
Information	19,900	19,900	20,300	20,700	0	-800
Financial Activities	84,300	85,100	84,700	82,600	-800	1,700
Finance and insurance	69,000	69,800	69,300	67,700	-800	1,300
Credit Intermediation and Related Activities	16,700	16,600	16,600	16,500	100	200
Depository Credit Intermediation	9,600	9,500	9,500	9,400	100	200
Insurance carriers and related activities	28,000	28,000	28,000	27,400	0	600
Real estate and rental and leasing	15,300	15,300	15,400	14,900	0	400
Professional and Business Services	215,500	213,700	211,900	209,200	1,800	6,300
Professional and technical services	111,400	110,700	110,700	109,300	700	2,100
Scientific research and development services	18,100	18,000	18,100	17,200	100	900
Management of companies and enterprises	28,200	28,300	28,200	27,300	-100	900
Administrative and waste services	75,900	74,700	73,000	72,600	1,200	3,300
Education and Health Services	199,300	196,200	193,300	198,100	3,100	1,200
Educational services	29,300	27,300	24,400	29,500	2,000	-200
Health care and social assistance	170,000	168,900	168,900	168,600	1,100	1,400
Ambulatory health care services	63,600	62,900	62,800	62,900	700	700
Hospitals	31,800	31,700	31,700	32,100	100	-300
Nursing and residential care facilities	37,900	37,800	38,000	38,100	100	-200
Social assistance	36,700	36,500	36,400	35,500	200	1,200
Leisure and Hospitality	84,600	85,400	96,000	88,100	-800	-3,500
Accommodation and food services	70,000	69,600	72,800	70,900	400	-900
Other Services	47,800	47,400	48,100	46,400	400	1,400
Government	84,600	83,600	77,200	84,300	1,000	300
Federal Government	6,000	6,000	6,000	6,000	0	0
State Government	9,700	9,900	9,900	9,900	-200	-200
Local Government	68,900	67,700	61,300	68,400	1,200	500
Local Government educational services	48,400	47,000	39,900	47,700	1,400	700
Local Government excluding educational services	20,500	20,700	21,400	20,700	-200	-200
Data benchmarked to March 2017	***Data changes of 100 may be due to rounding***					

Source: Center for Workforce Information & Analysis, Pennsylvania Department of Labor & Industry

Major employers within or near the School District include:

Name	Product or Service
Merck & Company, Inc.	Health products
Prudential Insurance Company of America	Insurance services
Jefferson Health System/Main Line Health	Health care services
SmithKline Beecham Pharmaceutical R & D	Health products
Abington Memorial Hospital	Health care services
Lockheed Martin Management & Data Systems	Information systems and services
Aetna/U.S. Healthcare, Inc.	Managed health care services
Wyeth Pharmaceuticals Inc.	Health care pharmaceuticals

Source: Chamber of Commerce.

Table A-4 shows recent trends in labor force, employment, and unemployment for Montgomery County, Bucks County and the Commonwealth.

TABLE A-4
TRENDS IN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
NOT SEASONALLY ADJUSTED

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018(1)</u>	Compound Average Annual % Rate
Bucks County							
Civilian Labor Force (000)	343.8	335.6	328.4	342.6	321.4	344.1	-1.34%
Employment (000)	320.3	318.2	323.1	326.7	327	332	0.41%
Unemployment (000)	23.6	17.5	15.3	15.9	14.5	12.1	-9.28%
Unemployment Rate	6.90%	5.20%	4.50%	4.60%	4.20%	3.50%	
Montgomery County							
Civilian Labor Force (000)	435.6	434.4	441.3	447.7	448.7	452.8	0.59%
Employment (000)	409.8	414.4	423.5	429	431.4	438.1	1.03%
Unemployment (000)	25.7	20.1	17.8	18.7	17.3	14.8	-7.61%
Unemployment Rate	5.90%	4.60%	4.00%	4.20%	3.90%	3.30%	
Pennsylvania							
Civilian Labor Force (000)	6,460.0	6,378.0	6,424.0	6,472.0	6,427.0	6,455.0	-0.10%
Employment (000)	5,982.0	6,009.0	6,094.0	6,120.0	6,112.0	6,201.0	0.43%
Unemployment (000)	478.0	370.0	330.0	352.0	316.0	253.0	-7.94%
Unemployment Rate	7.40%	5.80%	5.10%	5.40%	4.90%	3.90%	

⁽¹⁾ As of October 2018

Source: Pennsylvania Department of Labor and Industry, Center for Workforce Information and Analysis website.

Income

The data on Table A-5 shows recent trends in per capita income for Montgomery County and the Commonwealth over the 2000-2010 period. The per capita income of the School District is higher than the County and the Commonwealth and at faster rate over this period than per capita for the Commonwealth and County.

TABLE A-5
RECENT TRENDS IN PER CAPITA INCOME*

	<u>2000</u>	<u>2010</u>	<u>Average Annual Percentage Change 2000-2010</u>
Montgomery County.....	\$30,898	\$39,511	2.49%
Bucks County	27,430	35,687	2.67%
Pennsylvania.....	20,880	26,678	2.48%

*Income is defined by the Bureau of the Census as the sum of wage and salary income, non-farm self-employment income, net self-employment income, Social Security and Railroad retirement income, public assistance income, interest, dividends, pensions, etc. before deductions for personal income taxes, Social Security, etc. School District income is the population-weighted average for political subdivisions.

Source: 2000 & 2010 Census, Pennsylvania State Data Center & General Income Characteristics: Pennsylvania.

Table A-6 shows recent trends for retail sales in Bucks County, Montgomery County, the PMSA and the Commonwealth.

TABLE A-6
TOTAL RETAIL SALES
(000)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Bucks County	10,134,062	13,232,095	12,946,128	13,069,185	12,162,282
Montgomery County	13,453,443	14,129,459	15,080,841	15,685,831	19,406,393
Philadelphia Metropolitan Statistical Area	89,309,764	91,259,939	92,944,956	96,525,422	105,082,759
Pennsylvania	187,412,600	199,975,258	198,215,135	207,887,941	213,005,475

Source: The Nielsen Company.

Educational Institutions

In addition to the numerous institutions of higher education which are located in the Philadelphia area, i.e., Temple University, The University of Pennsylvania and Drexel University, the following institutions of higher education are found in Montgomery County: Academy of New Church, Antonelli Institute of Art and Photography, Arcadia University, Biblical Theological Seminary, Bryn Mawr College, Calvary Baptist Theological Seminary, Combs College of Music, Dropsie College, Eastern Baptist Theological Seminary, Faith Theological Seminary, Gwynedd-Mercy College, Harcum Junior College, Haverford College, Lansdale School of Business (Lansdale and Pottstown), Manor Junior College, Montgomery County Community College, Northeastern Christian Junior College, The Pennsylvania State University (Malvern and Abington Campuses), Reconstructionist Rabbinical College, Rosemont College, St. Charles Borromeo Seminary, Temple University (Amber Campus), Ursinus College, Welder Training and Testing Institute, and Westminster Theological Seminary. Other nearby institutions are: Muhlenberg College Moravian College, Lafayette College, Lehigh University, DeSales University, and Cedar Crest College.

Medical Facilities

The major hospital facility servicing residents of the School District is Abington – Lansdale Hospital is a 135-bed, acute care general hospital providing a comprehensive range of inpatient and outpatient healthcare services. The facility includes a 24-hour emergency department, an 18-bed Orthopedic and Spine Institute, a six-bed Acute Rehabilitation Unit, a Pain Center, Sleep Center and Wound Care Center. Home to over 700 employees, Abington – Lansdale Hospital has a staff of more than 300 active physicians. Physicians are supported by a dedicated team of professional nurses who draw from years of clinical experience and training.

Residents of the School District also utilize major medical facilities located in the Philadelphia region.

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APPENDIX B
BOND COUNSEL OPINION

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DRAFT

**NORTH PENN SCHOOL DISTRICT
MONTGOMERY AND BUCKS COUNTIES, PENNSYLVANIA
\$ _____ GENERAL OBLIGATION BONDS, SERIES OF 2019**

OPINION

We have acted as Bond Counsel in connection with the issuance by North Penn School District, Montgomery and Bucks Counties, Pennsylvania (the "School District"), of the \$ _____ General Obligation Bonds, Series of 2019 dated _____, 2019 (the "Bonds").

We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Bonds are issued in accordance and in compliance with the provisions of the Local Government Unit Debt Act of the Commonwealth of Pennsylvania, as codified by the Act of December 19, 1996 (53 Pa. Cons. Stat. Chs. 80-82), ("the Act"), without the assent of the electors, and pursuant to a resolution adopted by the Board of School Directors of the School District on October 18, 2018.

2. The Bonds are a valid and binding obligation of the School District.

3. The School District has established with the Paying Agent, as Sinking Fund Depositary, a sinking fund in which it has covenanted to deposit amounts sufficient to pay the principal of and interest on the Bonds as the same become due and payable and, to the extent required, to apply such amounts to such purposes.

4. The School District has further covenanted that, subject to statutory restrictions and limitations, it will include in its budget for each fiscal year in which the Bonds are outstanding, and will appropriate in each such fiscal year, the amount of the debt service on the Bonds for such year, that it will duly and punctually pay or cause to be paid, the principal of and interest on the Bonds at the dates and place and in the manner stated on the Bonds; and for such budgeting, appropriation and payment, the School District has irrevocably pledged its full faith, credit and taxing power. For purposes of such payments, the School District has covenanted that it will exercise its ad valorem taxing power, within limitations provided by law, upon all taxable property within the School District. The Bonds are additionally secured by the "state aid intercept" provisions of Section 633 of the Public School Code of 1949, as amended by Act 150 of 1975.

5. The Bonds are "qualified tax-exempt obligations" as defined in Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended (the "Code") and, in the case of certain financial institutions (within the meaning of Section 265(b)(5) of the Code), a deduction is allowed for 80 percent of the portion of such financial institutions' interest expense allocable to interest on the Bonds. The opinions set forth in the preceding sentence are subject to the condition that the School District comply with all requirements of the Code, and any regulations promulgated thereunder, that must be satisfied subsequent to the issuance of the Bonds, in order that the Bonds continue to constitute qualified tax exempt obligations for purposes of Section 265(b)(3) of the Code. Failure to comply with such requirements may cause the Bonds to cease to constitute

qualified tax exempt obligations, with the result that the Bonds would have to be taken into account by financial institutions (as defined in Section 265(b)(5) of the Code) for purposes of determining the allocation of interest expense to tax-exempt interest under Sections 265(b)(1) and (2) of the Code retroactive to the date of issuance of the Bonds.

6. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth in the preceding sentence are subject to the condition that the School District comply with all requirements of the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder, that must be satisfied subsequent to the issuance of the Bonds, in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The School District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

7. Under the laws of the Commonwealth of Pennsylvania as presently enacted and construed, the Bonds and the interest thereon will be free from taxation for state and local purposes within the Commonwealth of Pennsylvania, but this exemption does not extend to gift, estate, succession or inheritance taxes or any other taxes not levied or assessed directly on the Bonds or the interest thereon. Under the laws of the Commonwealth, profits, gains or income derived from the sale, exchange or other disposition of certain government obligations, including the Bonds, may be subject to state and local taxation within the Commonwealth of Pennsylvania.

The rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

Very truly yours,

Kegel Kelin Almy & Lord LLP

_____, 2019

APPENDIX C
CONTINUING DISCLOSURE AGREEMENT

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DRAFT

NORTH PENN SCHOOL DISTRICT MONTGOMERY AND BUCKS COUNTIES, PENNSYLVANIA

**\$_____ GENERAL OBLIGATION BONDS, SERIES OF 2019
DATED, ISSUED AND DELIVERED _____, 2019**

CONTINUING DISCLOSURE AGREEMENT

This agreement (the "Agreement") is executed as one of the closing documents for the \$_____ General Obligation Bonds, Series of 2019 (the "Bonds") in accordance with the provisions of Rule 15c2-12, as amended (the "Rule"), promulgated by the Securities and Exchange Commission (the "Commission") pursuant to the Securities Exchange Act of 1934.

The undersigned are officers of the Board of School Directors of North Penn School District (the "School District"), a Pennsylvania governmental unit, and hereby certify on behalf of the School District as follows:

Section 1. Undertaking to file current information with MSRB. The School District agrees, in accordance with the Rule, to provide or cause to be provided, to the Municipal Securities Rulemaking Board ("MSRB") as designated by the Commission in accordance with the Rule, the following annual financial information and operating data commencing with the fiscal year ended June 30, 2018:

a. A copy of its budget and audited financial statements, prepared in accordance with the guidelines adopted by the Governmental Accounting Standard Board and the American Institute of Certified Public Accountants' Audit Guide, Audits of State and Local Government, containing the:

- (i) Combined balance sheet of all fund types and account groups; and
- (ii) Combined statement of revenues, expenditures and changes in fund balances - all governmental fund types and expendable trust funds.

Section 2. Modification of types of information and format of information permitted. The School District reserves the right to modify from time to time the specific types of information provided, the time period within which the information must be filed, the format of the presentation of such information, or any other requirements hereunder, in its sole discretion, so long as such modification or amendment would have been allowed under the Rule at the time of the undertaking. Any such modification will be done in a manner consistent with the Rule at the time of the undertaking, and will not substantially impair the interest of the holders of the Bonds.

Section 3. Time period within which annual information must be filed. The annual information and operating data described above in Section 1 must be provided within 270 days after the end of each fiscal year, commencing with the fiscal year ending June 30, 2019. Such

information shall be made available, in addition to the MSRB, to the Paying Agent for the Bonds and to each holder of Bonds who makes request for such information. In the event that no such audited financial statement is available within 270 days of the close of the fiscal year, the School District shall provide an unaudited statement, and shall thereafter provide an audited financial statement for the same period as soon as available. Upon receipt of the audited financial statement, the School District will promptly file it.

Section 4. Notice of failure to comply with annual information updates. The School District agrees to provide or cause to be provided, in a timely manner, to the Paying Agent for the Bonds, and to the MSRB, notice of a failure by the School District to provide the annual financial information described in Section 1 above on or prior to the date set forth in Section 3 above.

Section 5. Event disclosure. The School District agrees to provide or cause to be provided to the MSRB, in a timely manner, not to exceed ten (10) days after occurrence, notice of the occurrence of any of the following events with respect to the Bonds:

- a. Principal and interest payment delinquencies;
- b. Non-payment related defaults, if material;
- c. Unscheduled draws on debt service reserves reflecting financial difficulties;
- d. Unscheduled draws on credit enhancements reflecting financial difficulties;
- e. Substitution of any credit or liquidity providers, or their failure to perform;
- f. Adverse tax opinions, IRS notices or material events affecting the tax status of the Bonds;
- g. Modifications to rights of holders of the Bonds, if material;
- h. Bond calls, if material, and tender offers;
- i. Defeasances;
- j. Release, substitution, or sale of property securing repayment of the Bonds, if material;
- k. Rating changes;

l. Bankruptcy, insolvency, receivership or similar event of the School District (which is considered to occur when any of the following occur: appointment of a receiver, fiscal agent or similar officer for the School District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the School District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the

entry of any order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the School District);

m. Merger, consolidation or acquisition involving the School District, if material; or

n. Appointment of successor or additional trustee or the change of name of a trustee, if material.

o. Incurrence of a financial obligation of the School District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the School District, any of which affect security holders, if material; and

p. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the School District, any of which reflect financial difficulties.

The School District may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if, in the judgment of the School District, such other event is material with respect to the Bonds, but the School District does not commit to provide any such notice of the occurrence of any material event except those events listed above.

Section 6. Termination of reporting obligation. The School District's obligations under this Agreement shall terminate upon the redemption or payment in full of all of the Bonds.

Section 7. Enforcement. The School District agrees that its undertakings pursuant to this Agreement are intended to be for the benefit of the holders of the Bonds (including beneficial owners thereof) and shall be enforceable by the holders of the Bonds or the Paying Agent for the Bonds on behalf of such holders; provided that the holders of the Bonds, or in lieu thereof, the Paying Agent's right to enforce the provisions of this undertaking shall be limited to a right to obtain specific enforcement of the School District's obligations hereunder, and any failure by the School District to comply with the provisions of this undertaking shall not be an event of default, with respect to the Bonds.

Section 8. Amendment; waiver. Notwithstanding any other provision of this Agreement, the School District may amend this Agreement, and any provision of this Agreement may be waived, if such amendment or waiver is supported by an opinion of Bond Counsel, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

IN WITNESS WHEREOF, the undersigned officers of the School District, being duly authorized, have executed this certificate in the name of and on behalf of the School District and in our own names and on our own behalf, the day and year of the issuance and delivery of the Bonds set forth above.

North Penn School District

By: _____
Vice President

Attest: _____
Secretary

(SEAL)

APPENDIX D
BASIC FINANCIAL STATEMENTS
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2018

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NORTH PENN SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2018



Certified Public Accountants and Business Consultants

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INTRODUCTORY SECTION

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NORTH PENN SCHOOL DISTRICT

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NORTH PENN SCHOOL DISTRICT

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FINANCIAL SECTION

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the North Penn School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the North Penn School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the North Penn School District as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

For the year ended June 30, 2018, the North Penn School District adopted new accounting guidance, implementing Governmental Accounting Standards Board Statements No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Penn School District's basic financial statements. The supplementary information listed in the table of contents and the schedule of expenditures of federal and certain state awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2018, on our consideration of the North Penn School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the North Penn School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Maillie LLP". The signature is written in a cursive, flowing style.

Oaks, Pennsylvania
December 10, 2018

NORTH PENN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED JUNE 30, 2018

This section of the North Penn School District's annual financial report presents its discussion and analysis of the School District's financial performance during the fiscal year ending June 30, 2018.

FINANCIAL HIGHLIGHTS

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

For the General Fund, actual revenues were \$252.3 million or \$4.4 million above the original budget revenues. The strong revenues are a reflection of an improving economy, real estate tax assessment appeal settlements, and conservative budgeting. Actual expenditures totaled \$252.4 million and included expenditures for transfers to other funds. Actual expenditures exceeded actual revenues by \$99,664.

OVERVIEW OF THE FINANCIAL STATEMENTS

The accompanying financial statements have been prepared in accordance with GASB Statement No. 34 and present both government-wide and fund level financial statements using both the accrual and modified accrual basis of accounting, respectively.

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

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.
 - ✓ **Governmental Funds** statements tell how basic services, such as regular and special education, were financed in the short term, as well as what remains for future spending.
 - ✓ **Proprietary Funds** statements offer short- and long-term financial information about the activities the District operates like businesses, such as School Nutrition Services.
 - ✓ **Fiduciary Funds** statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

NORTH PENN SCHOOL DISTRICT

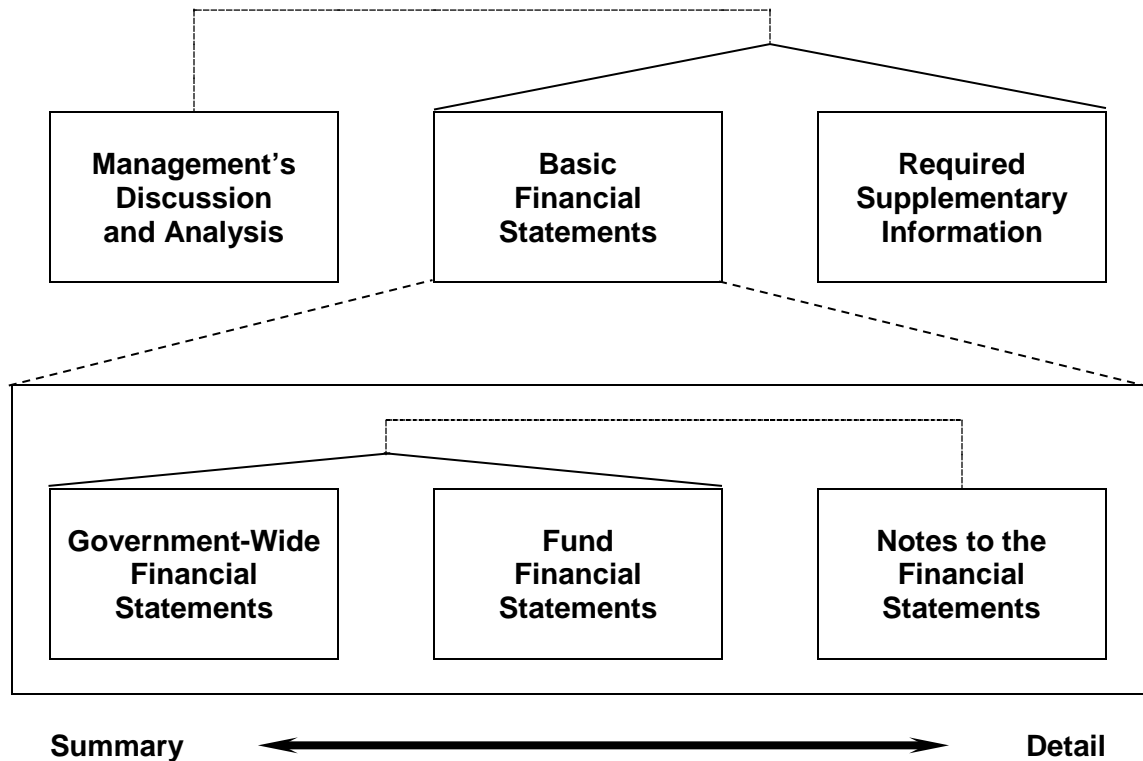
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED JUNE 30, 2018

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1

Organization of the North Penn School District Annual Financial Report



NORTH PENN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2018

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

Figure A-2
Major Features of the Government-Wide and Fund Financial Statements

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

NORTH PENN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED JUNE 30, 2018

Government-Wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

- **Governmental Funds:** Most of the District's basic services are included in Governmental Funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the Governmental Funds statements provide a detailed short-term view that help one determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the long-term focus of the District-wide statements, additional information accompanying the Governmental Funds statements explains the relationship (or differences) between them.

NORTH PENN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED JUNE 30, 2018

- **Proprietary Funds:** Services for which the District charges a fee are generally reported in Proprietary Funds. Proprietary Funds are reported in the same way as the District-wide statements. The District's Enterprise Funds (one type of Proprietary Fund) report its business-type activities, providing more detail and additional information such as cash flows.
- **Fiduciary Funds:** The District is the trustee, or fiduciary, for assets that belong to others, such as the Scholarship Fund and the Student Activities Funds. The District is responsible for ensuring the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

- Total assets and deferred outflows of resources increased by \$127.3 million in the School District's governmental activities, mainly due to the current year implementation of GASB Statement No. 75. Net assets of the governmental activities decreased by \$44.6 million including the implementation of GASB Statement No. 75 (See Note U). Net assets of the business-type activities increased by \$1.9 million including the implementation of GASB Statement No. 75 (See Note U).
- Program specific revenues in the form of charges for services and grants and contributions accounted for \$48.9 million or 19% of total revenues. General revenues accounted for \$211.4 million or 81% of total revenues (Figure A-4).
- Governmental fund expenses totaled \$258.6 million of which \$159.8 million was spent on instructional services, \$67.7 million was spent on support services, \$3.1 million was spent on non-instructional services, \$17.6 million was spent for debt service payments and \$10 million was spent on facilities acquisition, construction, and improvement services (Page 20).
- The North Penn Education Association (NPEA), an affiliation of the Pennsylvania State Education Teachers Association, represents the professional staff of the District. The District and NPEA have a four-year agreement that expires June 30, 2021.
- The North Penn Educational Support Personnel Association (NPESPA), an affiliation of the Pennsylvania State Education Teachers Association, represents part of the support staff of the District. The District and NPESPA have a three-year agreement that expires June 30, 2020.
- The District administrators have a one-year agreement with the Board of School Directors that expires June 30, 2018.

NORTH PENN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2018

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

	Governmental Activities		Business-Type Activities		Total District		Total Percentage Change 2017-2018
	0	2018	0	2018	0	2018	
Current and other assets	\$ 107.6	\$ 105.7	\$ 1.9	\$ 1.9	\$ 109.5	\$ 107.6	
Capital assets, net	193.1	194.6	0.3	0.4	193.4	195.0	
TOTAL ASSETS	300.7	300.3	2.2	2.3	302.9	302.6	-0.1%
Deferred outflow s of resources	83.5	211.2	2.3	6.0	85.8	217.2	153.1%
Current and other liabilities	35.8	35.7	0.6	0.7	36.4	36.4	
Long-term liabilities	486.9	664.3	10.2	15.9	497.1	680.2	
TOTAL LIABILITIES	522.7	700.0	10.8	16.6	533.5	716.6	34.3%
Deferred inflow s of resources	54.0	48.6	1.5	1.4	55.5	50.0	-9.9%
Net investment in capital assets	80.1	97.3	0.3	0.4	80.4	97.7	
Restricted	14.4	3.8	-	-	14.4	3.8	
Unrestricted	(287.0)	(338.2)	(8.1)	(10.1)	(295.1)	(348.3)	
TOTAL NET POSITION	\$ (192.5)	\$ (237.1)	\$ (7.8)	\$ (9.7)	\$ (200.3)	\$ (246.8)	23.2%

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

	Governmental Activities		Business-Type Activities		Total District		Total Percentage Change 2017-2018
	0	2018	0	2018	0	2018	
REVENUES							
Program revenues	\$ 41.2	\$ 40.7	\$ 8.2	\$ 8.2	\$ 49.4	\$ 48.9	
General revenues	207.6	211.4	-	-	207.6	211.4	
TOTAL REVENUES	248.8	252.1	8.2	8.2	257.0	260.3	1.3%
EXPENSES	235.5	278.9	7.9	9.3	243.4	288.2	18.4%
CHANGE IN NET POSITION	\$ 13.3	\$ (26.8)	\$ 0.3	\$ (1.2)	\$ 13.6	\$ (28.0)	-305.9%

NORTH PENN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED JUNE 30, 2018

Governmental Activities

Governmental activities consist of the General Fund and Bond Funds. Total governmental assets decreased by \$0.4 million and total liabilities increased by \$177.4 million due to an increase in the net pension liability and the implementation of GASB Statement No. 75 in the current year. Governmental Net Assets decreased by \$44.6 million (Figure A-3).

The District depends heavily on local taxes to fund the District's programs. For 2017-2018, local sources comprised 78.9% of total revenue, of which current real estate taxes, including interim taxes, were \$170.3 million, delinquent real estate taxes were \$2.1 million, transfer taxes were \$3.7 million and earned income taxes were \$16.8 million. Other revenue comes from state subsidies (19.9%) and federal grants and other sources (1.2%).

Business-Type Activities

Business-type activities include the School Nutrition Services Program, the Extended School Care Program and the Community Education Program. Each Enterprise Fund is operated separately. These programs had operating and non-operating revenues of \$8.2 million and expenses of approximately \$9.3 million, resulting in a \$1.2 million decrease in net position for the year due to the implementation of GASB Statement No. 75. The programs are designed to operate at or near break-even so that the cost for the services offered will benefit the District residents. Business-type activities received no support from tax revenues (Figure A-4).

The School Nutrition Services Program provides school lunches and operates a breakfast program as well as catering services. The School Nutrition Services Program receives both federal and state subsidies for lunch and breakfast programs. It also receives some government commodities on a routine basis. The majority of revenue comes from federal subsidies.

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

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

General Fund Budgetary Highlights

The economic environment continued to stabilize and improve over the past year. Real estate tax collections remained strong, as did the realty transfer tax and earned income tax. In fact, earned income collections exceeded budget by \$800 thousand and realty transfer tax exceeded budget by \$650 thousand. Interest income exceeded budget by \$1.1 million as a result of proactive investments, despite low interest rates. On the expenditure side, actual expenditures for the year were greater than budgeted expenditures.

NORTH PENN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2018

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

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

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

The District maintains fixed asset records for the above capital assets as well as for any item costing over \$1,000 with a life extending at least one year. Each department or school is responsible for the protection of these assets.

The District maintains more than 12,000 computers for students and staff. Technology equipment is replaced when the functionality requires it, not based on a set time period. The District embarked on a 1:1 student computer initiative in the summer of 2016. The District maintains approximately 145 buses and 18 vans that transport the District's students over 2 million miles per year. The District also transports approximately 1,800 non-public students each year.

Regular improvements to the buildings of the District are ongoing.

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

	Governmental Activities		Business-Type Activities		Total District		Total Percentage Change
	0	2018	0	2018	0	2018	2017-2018
Land and site improvements	\$ 8.9	\$ 8.8	\$ -	\$ -	\$ 8.9	\$ 8.8	
Construction in progress	17.9	24.2	-	-	17.9	24.2	
Buildings	156.8	153.3	-	-	156.8	153.3	
Furniture and equipment	9.5	8.3	0.3	0.4	9.8	8.7	
	<u>\$ 193.1</u>	<u>\$ 194.6</u>	<u>\$ 0.3</u>	<u>\$ 0.4</u>	<u>\$ 193.4</u>	<u>\$ 195.0</u>	<u>0.8%</u>

NORTH PENN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2018

Long-Term Obligations

Long-term obligations increased by \$183.7 million, primarily due to an increase in the net pension liability and the implementation of GASB Statement No. 75 in the current year. The short-term debt decreased by \$0.7 million due to the schedule of bond, note, and lease obligations (Figure A-6).

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

			Total Percentage Change <u>2017-2018</u>
	-	2018	
LONG-TERM OBLIGATIONS			
General obligation bonds and notes	\$ 98.1	\$ 84.7	
Other general obligations	385.1	582.2	
TOTAL LONG-TERM OBLIGATIONS	<u>483.2</u>	<u>666.9</u>	
SHORT-TERM OBLIGATIONS			
General obligation bonds and notes	11.5	12.1	
Other general obligations	2.5	1.2	
TOTAL SHORT-TERM OBLIGATIONS	<u>14.0</u>	<u>13.3</u>	
TOTAL	<u>\$ 497.2</u>	<u>\$ 680.2</u>	<u>36.8%</u>

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

Financial challenges face many school districts in the state of Pennsylvania and North Penn School District is not alone in this regard. With the passage of Act 1 of 2006, school districts are faced with a cap on the money that can be funded from a property tax increase. The cap is an inflationary index annually calculated by the Pennsylvania Department of Education (PDE). Act 1 does provide for some exceptions that permit districts to increase property taxes in excess of the cap. Exceptions are approved by the PDE. Limited tax relief arrived starting in the 2008-2009 fiscal year as the state distributed a portion of gambling revenue to offset real estate tax increases. The School District was fortunate to receive \$5,175,590 in the 2017-2018 fiscal year that offset property taxes for those property owners who qualified for the homestead exemption.

The 2017-2018 school year was another strong year financially for the North Penn School District. The District was able to make a \$3.7 million transfer to the Capital Reserve Fund from the General Fund to support capital projects. Finally, the unassigned fund balance in the General Fund decreased from \$24,844,091 to \$20,727,432. Total fund balances in the general fund amounted to a fiscally healthy \$40,917,813.

NORTH PENN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED JUNE 30, 2018

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

North Penn School District has committed itself to educational and financial excellence. The District's system of budgeting and internal controls is well regarded and consistently followed. The District was recognized by the Association of School Business Officials International with the prestigious Meritorious Budget Award for the fourth straight year. The District also received a bond rating upgrade to Aa1 from Aa2 Moody's during the prior fiscal year. Continued diligence in all financial matters will be a key component of continued successful financial performance well into the future.

CONTACTING THE SCHOOL DISTRICT FINANCIAL MANAGEMENT

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

NORTH PENN SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 57,187,608	\$ 1,825,761	\$ 59,013,369
Investments	24,319,370	285,655	24,605,025
Taxes receivable	1,936,567	-	1,936,567
Internal balances	502,502	(502,502)	-
Due from other governments	9,990,619	126,853	10,117,472
Other receivables	773,660	31,244	804,904
Inventories	212,556	95,469	308,025
Prepaid expenses	10,769,101	9,080	10,778,181
Capital assets, net of accumulated depreciation			
Land	8,431,732	-	8,431,732
Site improvements	399,135	-	399,135
Buildings and building improvements	153,271,480	-	153,271,480
Furniture and equipment	8,317,458	411,382	8,728,840
Construction in progress	24,176,818	-	24,176,818
TOTAL ASSETS	300,288,606	2,282,942	302,571,548
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding, net of accumulated amortization	728,652	-	728,652
Deferred outflows of resources, pension activity	203,254,000	5,818,000	209,072,000
Deferred outflows of resources, OPEB activity	7,230,284	209,045	7,439,329
TOTAL DEFERRED OUTFLOWS OF RESOURCES	211,212,936	6,027,045	217,239,981
LIABILITIES			
Accounts payable	5,484,713	165,840	5,650,553
Accrued salaries and benefits	28,835,580	104,335	28,939,915
Accrued interest	1,179,508	-	1,179,508
Due to agency funds	13,517	-	13,517
Unearned revenue	231,457	391,046	622,503
Long-term liabilities			
Portion due or payable within one year			
Bonds and note payable	12,145,000	-	12,145,000
Lease-purchase obligations	1,037,901	-	1,037,901
Compensated absences	206,364	-	206,364
Portion due or payable after one year			
Bonds and note payable	84,702,804	-	84,702,804
Lease-purchase obligations	94,727	-	94,727
Compensated absences	4,339,196	-	4,339,196
Net pension liability	530,905,000	15,084,000	545,989,000
Net OPEB liability	30,823,613	891,302	31,714,915
TOTAL LIABILITIES	699,999,380	16,636,523	716,635,903
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources, pension activity	46,531,000	1,305,000	47,836,000
Deferred inflows of resources, OPEB activity	2,042,974	59,068	2,102,042
TOTAL DEFERRED INFLOWS OF RESOURCES	48,573,974	1,364,068	49,938,042
NET POSITION			
Net investment in capital assets	97,344,843	411,382	97,756,225
Restricted	3,847,867	-	3,847,867
Unrestricted	(338,264,522)	(10,101,986)	(348,366,508)
TOTAL NET POSITION	\$ (237,071,812)	\$ (9,690,604)	\$ (246,762,416)

See accompanying notes to the basic financial statements.

NORTH PENN SCHOOL DISTRICT

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
Instruction				
Regular programs	\$ 134,222,885	\$ -	\$ 13,719,166	\$ -
Special programs	53,042,736	-	4,529,714	-
Vocational education	3,889,430	-	-	-
Other instructional programs	638,766	53,663	11,108,879	-
Nonpublic school programs	27,339	-	-	-
Pre-kindergarten	8,503	-	-	-
Support services				
Pupil personnel services	11,124,026	-	2,185,775	-
Instructional staff services	7,841,162	-	681,192	-
Administration services	15,491,823	-	1,355,924	-
Pupil health services	3,862,885	-	647,475	-
Business services	3,022,233	-	216,046	-
Operation and maintenance of plant services	18,920,256	-	1,325,531	-
Student transportation services	16,358,453	-	3,216,605	-
Central services	4,107,555	-	353,211	-
Other services	346,107	-	-	-
Operation of non-instructional services				
Student activities	3,467,446	103,658	292,377	-
Community services	70,468	-	233	-
Facilities acquisition, construction and improvement	46,063	-	-	-
Interest on long-term debt	2,426,528	-	-	915,701
TOTAL GOVERNMENTAL ACTIVITIES	278,914,664	157,321	39,632,128	915,701
BUSINESS-TYPE ACTIVITIES				
School nutrition services	5,946,345	2,535,044	2,891,629	-
Extended care	2,653,900	2,220,004	6,751	-
Community education	703,957	577,575	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	9,304,202	5,332,623	2,898,380	-
TOTAL SCHOOL DISTRICT ACTIVITIES	\$ 288,218,866	\$ 5,489,944	\$ 42,530,508	\$ 915,701

GENERAL REVENUES

Taxes

Property taxes, levied for general purposes

Public utility taxes

Earned income taxes

Grants and contributions not restricted to specific programs

Investment earnings

Receipts from member districts

Gain (loss) on sale of capital assets

Miscellaneous

EXTRAORDINARY LOSS

TRANSFERS

TOTAL GENERAL REVENUES

CHANGE IN NET POSITION

NET POSITION AT BEGINNING OF YEAR, restated

NET POSITION AT END OF YEAR

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Totals
\$ (120,503,719)	\$ -	\$ (120,503,719)
(48,513,022)	-	(48,513,022)
(3,889,430)	-	(3,889,430)
10,523,776	-	10,523,776
(27,339)	-	(27,339)
(8,503)	-	(8,503)
(8,938,251)	-	(8,938,251)
(7,159,970)	-	(7,159,970)
(14,135,899)	-	(14,135,899)
(3,215,410)	-	(3,215,410)
(2,806,187)	-	(2,806,187)
(17,594,725)	-	(17,594,725)
(13,141,848)	-	(13,141,848)
(3,754,344)	-	(3,754,344)
(346,107)	-	(346,107)
(3,071,411)	-	(3,071,411)
(70,235)	-	(70,235)
(46,063)	-	(46,063)
(1,510,827)	-	(1,510,827)
(238,209,514)	-	(238,209,514)
-	(519,672)	(519,672)
-	(427,145)	(427,145)
-	(126,382)	(126,382)
-	(1,073,199)	(1,073,199)
(238,209,514)	(1,073,199)	(239,282,713)
175,782,614	-	175,782,614
187,784	-	187,784
16,752,716	-	16,752,716
15,395,605	-	15,395,605
1,869,443	14,972	1,884,415
378,086	-	378,086
(22,254)	3,386	(18,868)
997,069	12,142	1,009,211
(57,596)	-	(57,596)
129,039	(129,039)	-
211,412,506	(98,539)	211,313,967
(26,797,008)	(1,171,738)	(27,968,746)
(210,274,804)	(8,518,866)	(218,793,670)
\$ (237,071,812)	\$ (9,690,604)	\$ (246,762,416)

NORTH PENN SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 49,794,377	\$ 257,763	\$ 50,052,140
Investments	14,007,678	10,311,692	24,319,370
Taxes receivable	1,936,567	-	1,936,567
Due from other funds	504,235	3,687,284	4,191,519
Due from other governments	9,990,619	-	9,990,619
Other receivables	740,663	-	740,663
Inventories	212,556	-	212,556
Prepaid items	471,302	-	471,302
TOTAL ASSETS	\$ 77,657,997	\$ 14,256,739	\$ 91,914,736
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued expenses	\$ 4,399,992	\$ 1,053,865	\$ 5,453,857
Due to other funds	3,689,738	-	3,689,738
Due to agency funds	13,517	-	13,517
Unearned revenue	231,457	-	231,457
Accrued salaries and benefits	27,003,713	-	27,003,713
TOTAL LIABILITIES	35,338,417	1,053,865	36,392,282
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue, property taxes	1,401,767	-	1,401,767
FUND BALANCES			
Nonspendable for			
Inventory	212,556	-	212,556
Prepaid items	471,302	-	471,302
Restricted for capital projects	-	3,847,867	3,847,867
Committed to			
Capital projects	-	5,975,653	5,975,653
Future retirement rate increase	16,806,523	-	16,806,523
Assigned to			
Self-funded insurance	2,700,000	-	2,700,000
Unassigned	20,727,432	3,379,354	24,106,786
TOTAL FUND BALANCES	40,917,813	13,202,874	54,120,687
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 77,657,997	\$ 14,256,739	\$ 91,914,736

See accompanying notes to the basic financial statements.

NORTH PENN SCHOOL DISTRICT

RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2018

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 54,120,687
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. These assets consist	
Land	8,431,732
Site improvements	399,135
Buildings and building improvements	153,271,480
Furniture and equipment	8,317,458
Construction in progress	24,176,818
Deferred charges used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:	
Deferred charges	1,527,071
Accumulated amortization	(798,419)
Deferred inflows and outflows of resources related to pension and OPEB activities are not financial resources and therefore, not reported in the governmental funds.	161,910,302
The assets and liabilities of certain Internal Service Funds are not included in the fund financial statements but are included in the governmental activities on the statement of net position.	15,604,270
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
Accrued interest	(1,179,508)
Bonds and notes payable	(96,847,804)
Lease-purchase obligations	(1,132,628)
Compensated absences	(4,545,560)
Net pension liability	(530,905,000)
Net OPEB liability	(30,823,613)
Some of the School District's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.	<u>1,401,767</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u><u>(237,071,812)</u></u>

See accompanying notes to the basic financial statements.

NORTH PENN SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Local sources	\$ 198,901,177	\$ 142,788	\$ 199,043,965
State sources	50,377,168	-	50,377,168
Federal sources	2,865,162	-	2,865,162
TOTAL REVENUES	<u>252,143,507</u>	<u>142,788</u>	<u>252,286,295</u>
EXPENDITURES			
Instruction	159,812,631	-	159,812,631
Support services	67,736,418	-	67,736,418
Operation of non-instructional services	3,011,663	-	3,011,663
Facilities acquisition, construction and improvement services	18,995	9,914,778	9,933,773
Refund of prior year revenues	448,787	-	448,787
Debt service	17,628,512	-	17,628,512
TOTAL EXPENDITURES	<u>248,657,006</u>	<u>9,914,778</u>	<u>258,571,784</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>3,486,501</u>	<u>(9,771,990)</u>	<u>(6,285,489)</u>
OTHER FINANCING SOURCES (USES)			
Insurance recoveries	16,676	-	16,676
Proceeds from sale of capital assets	13,000	-	13,000
Transfers in	129,039	3,687,284	3,816,323
Transfers out	(3,687,284)	-	(3,687,284)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,528,569)</u>	<u>3,687,284</u>	<u>158,715</u>
EXTRAORDINARY LOSS	<u>(57,596)</u>	<u>-</u>	<u>(57,596)</u>
NET CHANGE IN FUND BALANCES	(99,664)	(6,084,706)	(6,184,370)
FUND BALANCES AT BEGINNING OF YEAR	<u>41,017,477</u>	<u>19,287,580</u>	<u>60,305,057</u>
FUND BALANCES AT END OF YEAR	<u>\$ 40,917,813</u>	<u>\$ 13,202,874</u>	<u>\$ 54,120,687</u>

See accompanying notes to the basic financial statements.

NORTH PENN SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (6,184,370)
Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$12,691,851) exceeded depreciation (\$11,124,441) in the current period.	1,567,410
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to decrease net assets.	(35,254)
Deferred charges are reported in Governmental Funds as expenditures and premiums are reported as revenues. However, in the statement of activities, the cost of those assets is allocated over the term lives of debt instruments as amortization expense. This is the amount of amortization in the current period.	1,118,562
Because some property taxes will not be collected for several months after the School District's fiscal year ends, they are not considered as "available" revenues in the Governmental Funds. Unavailable tax revenues increased by this amount this year.	(361,041)
Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position.	11,545,000
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in Governmental Funds.	
Accrued interest not reflected in Governmental Funds	275,852
Repayment of capital lease principal is an expenditure in Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position.	2,262,562
In the statement of activities, certain operating expenses--compensated absences (vacations and sick leave) and special termination benefits (early retirement)--are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	(449,502)
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in Governmental Funds.	(39,014,000)
The net change in the liability for the net OPEB liability is reported in the government-wide statements but not in the Governmental Funds statements.	(1,875,112)
Internal Service Funds are used by management to charge the costs of certain activities, such as health insurance, to individual funds. The net revenue (expense) of certain Internal Service Funds is reported with governmental activities.	4,352,885
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>(26,797,008)</u>

See accompanying notes to the basic financial statements.

NORTH PENN SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	Business-Type Activities				Governmental
	Enterprise Funds				Activities
	School Nutrition Services Fund	Extended Care Fund	Community Education Fund	Total Enterprise Funds	Internal Service Fund Self-Insurance Fund
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 755,342	\$ 788,609	\$ 281,810	\$ 1,825,761	\$ 7,135,468
Investments	285,655	-	-	285,655	-
Due from other funds	-	-	-	-	2,454
Due from other governments	126,853	-	-	126,853	-
Other receivables	16,321	10,202	4,721	31,244	32,997
Inventories	95,469	-	-	95,469	-
Prepaid expenses	-	2,693	6,387	9,080	10,297,799
TOTAL CURRENT ASSETS	<u>1,279,640</u>	<u>801,504</u>	<u>292,918</u>	<u>2,374,062</u>	<u>17,468,718</u>
CAPITAL ASSETS					
Furniture and equipment	1,709,851	-	45,632	1,755,483	-
Accumulated depreciation	(1,327,803)	-	(16,298)	(1,344,101)	-
TOTAL CAPITAL ASSETS	<u>382,048</u>	<u>-</u>	<u>29,334</u>	<u>411,382</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 1,661,688</u>	<u>\$ 801,504</u>	<u>\$ 322,252</u>	<u>\$ 2,785,444</u>	<u>\$ 17,468,718</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows of resources, pension activity	3,177,209	2,204,124	436,667	5,818,000	-
Deferred outflows of resources, OPEB activity	114,566	78,857	15,623	209,046	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>3,291,775</u>	<u>2,282,981</u>	<u>452,290</u>	<u>6,027,046</u>	<u>-</u>
LIABILITIES AND NET POSITION					
LIABILITIES					
Current liabilities					
Due to other funds	\$ 289,190	\$ 186,786	\$ 26,526	\$ 502,502	\$ 1,733
Accounts payable	117,146	5,177	43,526	165,849	30,848
Accrued salaries and benefits	37,033	61,153	6,149	104,335	1,831,867
Unearned revenue	145,490	144,354	101,202	391,046	-
Long-term liabilities					
Net pension liability	8,154,837	5,783,394	1,145,768	15,083,999	-
Net OPEB liability	488,471	336,221	66,610	891,302	-
TOTAL LIABILITIES	<u>9,232,167</u>	<u>6,517,085</u>	<u>1,389,781</u>	<u>17,139,033</u>	<u>1,864,448</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources, pension activity	707,206	498,947	98,848	1,305,001	-
Deferred inflows of resources, OPEB activity	32,371	22,281	4,414	59,066	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>739,577</u>	<u>521,228</u>	<u>103,262</u>	<u>1,364,067</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	382,048	-	29,334	411,382	-
Unrestricted	<u>(5,400,329)</u>	<u>(3,953,828)</u>	<u>(747,835)</u>	<u>(10,101,992)</u>	<u>15,604,270</u>
TOTAL NET POSITION	<u>\$ (5,018,281)</u>	<u>\$ (3,953,828)</u>	<u>\$ (718,501)</u>	<u>\$ (9,690,610)</u>	<u>\$ 15,604,270</u>

See accompanying notes to the basic financial statements.

NORTH PENN SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2018

	Business-Type Activities				Governmental
	Enterprise Funds				Activities
	School Nutrition Services Fund	Extended Care Fund	Community Education Fund	Total Enterprise Funds	Internal Service Fund Self-Insurance Fund
OPERATING REVENUES					
Charges for services	\$ 2,535,044	\$ 2,223,888	\$ 577,575	\$ 5,336,507	\$ -
Premiums transferred from General Fund	-	-	-	-	30,916,342
Other	8,258	-	-	8,258	45,830
TOTAL OPERATING REVENUES	2,543,302	2,223,888	577,575	5,344,765	30,962,172
OPERATING EXPENSES					
Salaries	1,941,284	1,381,286	227,528	3,550,098	-
Employee benefits	1,741,288	1,161,012	199,676	3,101,976	26,690,002
Purchased professional and technical service	13,677	2,746	157,302	173,725	-
Purchased property service	26,404	-	13,765	40,169	-
Other purchased service	2,729	12,931	55,756	71,416	-
Supplies	2,174,634	95,454	10,161	2,280,249	-
Depreciation	41,984	-	5,371	47,355	-
Other operating expenses	4,345	469	34,398	39,212	11,698
TOTAL OPERATING EXPENSES	5,946,345	2,653,898	703,957	9,304,200	26,701,700
OPERATING LOSS	(3,403,043)	(430,010)	(126,382)	(3,959,435)	4,260,472
NONOPERATING REVENUES					
Investment income	8,612	5,036	1,316	14,964	92,413
Gain on sale of assets	3,386	-	-	3,386	-
State sources	149,129	6,751	-	155,880	-
Federal sources	2,742,500	-	-	2,742,500	-
TOTAL NONOPERATING REVENUES	2,903,627	11,787	1,316	2,916,730	92,413
INCOME BEFORE TRANSFERS	(499,416)	(418,223)	(125,066)	(1,042,705)	4,352,885
TRANSFERS OUT	(50,000)	(79,039)	-	(129,039)	-
CHANGE IN NET POSITION	(549,416)	(497,262)	(125,066)	(1,171,744)	4,352,885
NET POSITION AT BEGINNING OF YEAR, restated	(4,468,865)	(3,456,566)	(593,435)	(8,518,866)	11,251,385
NET POSITION AT END OF YEAR	\$ (5,018,281)	\$ (3,953,828)	\$ (718,501)	\$ (9,690,610)	\$ 15,604,270

See accompanying notes to the basic financial statements.

NORTH PENN SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2018

	Business-Type Activities				Governmental
	Enterprise Funds				Activities
	School Nutrition Services Fund	Extended Care Fund	Community Education Fund	Total Enterprise Funds	Internal Service Fund Self-Insurance Fund
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 2,539,920	\$ 2,226,962	\$ 582,367	\$ 5,349,249	\$ -
Premiums transferred from General Fund	-	-	-	-	30,962,172
Payments to employees	(2,936,872)	(2,023,093)	(336,560)	(5,296,525)	-
Payments to suppliers	(1,846,252)	(103,973)	(261,854)	(2,212,079)	(30,568,670)
Payments to other governments	(67,998)	(49,579)	(1,802)	(119,379)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(2,311,202)	50,317	(17,849)	(2,278,734)	393,502
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Facility acquisition, construction and improvements	(176,964)	-	-	(176,964)	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers to other funds	(50,000)	(79,039)	-	(129,039)	-
Federal sources	2,414,633	-	-	2,414,633	-
State sources	145,240	6,751	-	151,991	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	2,509,873	(72,288)	-	2,437,585	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Maturities on investments	226,443	-	-	226,443	-
Earnings on investments	8,612	5,036	1,316	14,964	92,413
NET CASH PROVIDED BY INVESTING ACTIVITIES	235,055	5,036	1,316	241,407	92,413
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	256,762	(16,935)	(16,533)	223,294	485,915
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	498,580	805,544	298,343	1,602,467	6,649,553
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 755,342	\$ 788,609	\$ 281,810	\$ 1,825,761	\$ 7,135,468

NORTH PENN SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2018

	Business-Type Activities				Governmental
	Enterprise Funds				Activities
	School		Community	Total	Internal
	Nutrition	Extended	Education	Enterprise	Service Fund
	Services	Care Fund	Fund	Funds	Self-Insurance
	Fund				Fund
RECONCILIATION OF OPERATING INCOME					
(LOSS) TO NET CASH PROVIDED (USED)					
BY OPERATING ACTIVITIES					
Operating income (loss)	\$ (3,403,043)	\$ (430,010)	\$ (126,382)	\$ (3,959,435)	\$ 4,260,472
Adjustment to reconcile operating					
income (loss) to net cash provided					
(used) by operating activities					
Depreciation	41,984	-	5,371	47,355	-
Donated foods	308,888	-	-	308,888	-
Pension expense	618,740	425,888	84,376	1,129,004	-
OPEB expense	29,774	20,494	4,060	54,328	-
(Increase) decrease in					
Due from other funds	-	-	-	-	(2,454)
Other receivables	(4,730)	(1,616)	(2,854)	(9,200)	(13,084)
Inventories	10,140	-	-	10,140	-
Prepaid expenses	-	(1,650)	12,039	10,389	(3,815,315)
Increase (decrease) in					
Due to other funds	37,242	8,057	(6,839)	38,460	1,533
Accounts payable	19,267	1,220	4,328	24,815	(1,599)
Accrued salaries and benefits	29,188	23,244	406	52,838	(36,051)
Unearned revenue	1,348	4,690	7,646	13,684	-
NET CASH PROVIDED					
(USED) BY OPERATING					
ACTIVITIES	<u>\$ (2,311,202)</u>	<u>\$ 50,317</u>	<u>\$ (17,849)</u>	<u>\$ (2,278,734)</u>	<u>\$ 393,502</u>
SUPPLEMENTAL DISCLOSURES					
Noncash activities					
Donated foods	\$ 308,888	\$ -	\$ -	\$ 308,888	\$ -

See accompanying notes to the basic financial statements.

NORTH PENN SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	<u>Scholarship Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 242,063	\$ 453,768
Investments	279,252	-
Due from primary government	<u>-</u>	<u>13,517</u>
TOTAL ASSETS	521,315	<u><u>\$ 467,285</u></u>
LIABILITIES		
Accounts payable	<u>83,080</u>	<u><u>\$ 467,285</u></u>
NET POSITION		
Held in trust for benefits and other purposes	<u><u>\$ 438,235</u></u>	

See accompanying notes to the basic financial statements.

NORTH PENN SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2018

	Scholarship Trust Funds
ADDITIONS	
Contributions	\$ -
Investment earnings	<u>30,507</u>
TOTAL ADDITIONS	<u>30,507</u>
DEDUCTIONS	
Scholarships awarded and fees paid	<u>4,500</u>
CHANGE IN NET POSITION	26,007
NET POSITION AT BEGINNING OF YEAR	<u>412,228</u>
NET POSITION AT END OF YEAR	<u>\$ 438,235</u>

See accompanying notes to the basic financial statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the North Penn School District (the "School District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

Reporting Entity

The accompanying basic financial statements comply with the provisions of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, in that the financial statements include all organizations, activities and functions for which the School District is financially accountable. Financial accountability is defined as the appointment of a voting majority of a component unit's board and either (1) the School District's ability to impose its will over a component unit or (2) the possibility that the component unit will provide a financial benefit or impose a financial burden on the School District. In addition, component units can be organizations for which the nature and significance of their relationship with the School District are such that exclusion would cause the School District's financial statements to be misleading. This report presents the activities of the North Penn School District. Based upon the application of these criteria, the School District is not a component unit of another reporting entity. Currently, the School District does not have any potential component units that should be included in the School District's reporting entity.

Basis of Presentation and Accounting

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. The principal operating revenues of the School District's Enterprise Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds include cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Trust Funds are reported using the economic resources measurement focus.

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

Fund Accounting

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

Governmental Funds

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

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

Capital Project Funds - Capital Project Funds are used to account for financial resources to be used for the acquisition and construction of capital equipment and improvements in accordance with the applicable general obligation bond agreements. The School District's Capital Reserve Fund is accounted for in this fund type.

Proprietary Funds

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Fiduciary Funds

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

Cash and Cash Equivalents

The School District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition and no restrictions on withdrawal.

Investments

Statutes authorize the School District to invest in: 1) obligations, participations and other instruments of any Federal agency, 2) repurchase agreements with respect to U.S. Treasury bills or obligations, 3) negotiable certificates of deposit, 4) bankers' acceptances, 5) commercial paper, 6) shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933, and 7) savings or demand deposits. The specific conditions under which the District may invest in these categories are detailed in Pennsylvania Act No. 53 of 1973, as amended by Pennsylvania Act No. 10 of 2016.

The School District has adopted GASB Statements No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, No. 72, Fair Value Measurement and Application and No. 79 Certain External Investment Pools and Pool Participants. In accordance with these Statements, investments in marketable securities with readily determinable fair value and all investments in debt securities are reported at their fair values. Investments in qualifying external investment pools are reported at amortized cost basis.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Short-Term Interfund Receivables/Payables

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

Inventories and Prepaid Items

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

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

Capital Assets

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

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

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unearned Revenue

Unearned revenue arises when assets are recognized before the revenue recognition criteria have been satisfied. Such is the case when resources are received by the School District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when revenue recognition criteria are met or when the School District has a legal claim to the resources, the liability for unearned revenue is removed from the Governmental Funds balance sheet and revenue is recognized.

Long-Term Obligations

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

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

Compensated Absences

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

Fund Equity

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

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

Deferred Outflows/Inflows of Resources

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

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

Net Position Flow Assumption

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance

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

- **Nonspendable** - Amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints. Fund balance types of this category are inventories and prepaid expenditures.
- **Restricted** - Amounts that can be spent only for specific purposes stipulated by external **resource** providers or through enabling legislation. Fund balance types in this category include amounts for capital projects.
- **Committed** - Amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and do not lapse at year-end. Fund balance of this type is for the retirement rate increase. Since the School District is required to contribute to the retirement plan, the retirement rate increase has been set up by the Board of School Directors to provide for any fluctuations to the rate increases. Additional amounts have been committed for future capital projects.
- **Assigned** - Amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the School District Manager and/or School District Finance Director. Fund balance of this type includes amounts for debt service along with funds to be set aside for self-insurance funding.
- **Unassigned** - Amounts not contained in other classifications. Unassigned amounts are technically available for any purpose. It is the policy of the School District to follow state requirements that unassigned fund balance will not exceed 8% of the subsequent year operating budget in the unassigned category.

The Board of School Directors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. Assigned fund balance is intended to be used by the government for specific purposes but does not meet the criteria to be classified as restricted or committed. The details of the fund balances are included in the Governmental Funds balance sheet (page 18). Restricted funds are used first as appropriate, followed by committed resources and then assigned resources, to the extent that expenditure authority has been budgeted by the Board of School Directors. The School District does reserve the right to first reduce unassigned fund balance to defer the use of these other classified funds. In the event that unassigned fund balance becomes zero, then assigned and committed fund balances are used in that order.

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

NOTE B - CASH AND INVESTMENTS

Cash

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. Of the bank balance, \$855,204 was covered by federal depository insurance. As of June 30, 2018, \$59,849,548 of the School District's bank balance of \$60,704,752 was exposed to custodial credit risk as follows:

Uninsured by FDIC but covered under a Letter of Credit held by the FHLB in the School District's name	\$ <u>59,849,548</u>
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Interest Rate Risk - The School District's investment policy limits investment maturities in accordance with the Commonwealth of Pennsylvania School Code as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investments

As of June 30, 2018, the School District had the following investments and maturities:

<u>Investment Type</u>	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Investment Maturities Less Than One Year</u>
State investment pools	\$ 19,625,025	\$ -	\$ 19,625,025
Certificates of deposit	<u>4,980,000</u>	<u>-</u>	<u>4,980,000</u>
	<u>\$ 24,605,025</u>	<u>\$ -</u>	<u>\$ 24,605,025</u>

NOTE B - CASH AND INVESTMENTS (Continued)

A portion of the School District's investments is in the PSDLAF program, of which are funds similar to mutual funds. GASB Statement No. 3, Paragraph 69, provides that certain types of cash and investments, such as cash investments in a State Treasurer's investment pool or mutual fund, cannot be assigned a credit risk category because the government does not own specific securities. Therefore, the PSDLAF cash investments included in these statements will not be assigned a credit risk category. The carrying amount of these investments at June 30, 2018, is \$19,625,025. These assets maintain a stable net asset value of \$1 per share. PSDLAF is not SEC-registered. All investments are monitored weekly by Standard & Poor's and are subject to an independent audit on an annual basis.

Investments held with qualifying external state investment pools are valued at amortized cost in accordance with GASB Statement No. 79.

Certificates of deposit held by banks of \$4,980,000 are stated at cost plus interest earned.

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

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

The School District's investment policy does not further limit its investment choices. As of June 30, 2018, the School District's investment in the state investment pool was rated AAAM by Standard & Poor's.

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

Fair Value Measurement

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are those that lack significant observable inputs. The School District did not have any investments subject to fair value measurements as of June 30, 2018.

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE C - TAXES - REAL ESTATE AND OTHER

The School Board is authorized by state law to levy property taxes for School District operations, capital improvements and debt service. In addition, the School District levies a .5% earned income tax. Property taxes are based on assessed valuations of real property within the School District.

Taxes are levied on July 1 and payable in the following periods:

Discount period July 1 to August 31 - 2% of gross levy
 Face period September 1 to October 31
 Penalty period October 31 to collection - 10% of gross levy
 Lien date January 15

School District taxes are billed and collected by the local elected tax collectors. Property taxes attach as an enforceable lien on property as of July 1.

NOTE D - RECEIVABLES

Receivables at June 30, 2018, consisted of taxes, other revenue and intergovernmental grants and entitlements. The real estate taxes receivable account represents real estate transfer taxes and prior year uncollected tax levies. All receivables are considered fully collectible due to the ability to lien property for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds.

A summary of receivables by fund is as follows:

	General Fund	School Nutrition Services Fund	Extended Care Fund	Community Education Fund
Real estate taxes	\$ 1,910,198	\$ -	\$ -	\$ -
Earned income taxes	26,369	-	-	-
Federal subsidies	1,288,731	119,298	-	-
State subsidies	8,701,888	7,555	-	-
Other revenue	740,663	16,321	10,202	4,721
	<u>\$ 12,667,849</u>	<u>\$ 143,174</u>	<u>\$ 10,202</u>	<u>\$ 4,721</u>

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE E - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2018, is as follows:

Due to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	School Nutrition Services Fund	\$ 289,190
General Fund	Community Education Fund	26,526
General Fund	Extended Care Fund	186,786
General Fund	Self-Insurance Fund	1,733
Other Governmental Funds	General Fund	<u>3,687,284</u>
		4,191,519
Agency Funds	General Fund	<u>13,157</u>
		<u>\$ 4,204,676</u>

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." The amounts between the General Fund, School Nutrition Services Fund, Extended Care Fund and Community Education Fund are for payroll. The amounts between the General Fund and Other Governmental Funds are for future capital projects. The amounts between the General Fund and the Self-Insurance Fund are for insurance premiums.

Interfund Transfers

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Capital Reserve Fund	General Fund	\$ 3,687,284
General Fund	Extended Care Fund	<u>79,039</u>
		<u>\$ 3,766,323</u>

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

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE F - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance June 30, 2017	Additions/ Reclasses	Deletions/ Reclasses	Balance June 30, 2018
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 8,431,732	\$ -	\$ -	\$ 8,431,732
Construction in progress	17,907,684	10,738,863	(4,469,729)	24,176,818
TOTAL CAPITAL ASSETS				
NOT BEING DEPRECIATED	<u>26,339,416</u>	<u>10,738,863</u>	<u>(4,469,729)</u>	<u>32,608,550</u>
Capital assets being depreciated				
Site improvements	661,917	-	-	661,917
Buildings and building improvements	269,770,211	4,142,837	-	273,913,048
Furniture and equipment	35,833,380	2,279,880	(1,910,565)	36,202,695
TOTAL CAPITAL ASSETS				
BEING DEPRECIATED	<u>306,265,508</u>	<u>6,422,717</u>	<u>(1,910,565)</u>	<u>310,777,660</u>
Accumulated depreciation				
Site improvements	(224,762)	(38,020)	-	(262,782)
Buildings and building improvements	(112,947,853)	(7,693,715)	-	(120,641,568)
Furniture and equipment	(26,367,842)	(3,392,706)	1,875,311	(27,885,237)
TOTAL ACCUMULATED DEPRECIATION	<u>(139,540,457)</u>	<u>(11,124,441)</u>	<u>1,875,311</u>	<u>(148,789,587)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>166,725,051</u>	<u>(4,701,724)</u>	<u>(35,254)</u>	<u>161,988,073</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	<u>193,064,467</u>	<u>6,037,139</u>	<u>(4,504,983)</u>	<u>194,596,623</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Furniture and equipment	1,575,133	180,351	-	1,755,484
Accumulated depreciation	(1,296,747)	(47,354)	-	(1,344,101)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	<u>278,386</u>	<u>132,997</u>	<u>-</u>	<u>411,383</u>
CAPITAL ASSETS, net	<u>\$ 193,342,853</u>	<u>\$ 6,170,136</u>	<u>\$ (4,504,983)</u>	<u>\$ 195,008,006</u>

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE F - CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

INSTRUCTION	
Regular programs	\$ 6,266,897
Special programs	882,371
Other instructional programs	307,998
SUPPORT SERVICES	
Pupil personnel services	139,418
Instructional staff services	71,822
Administration services	388,054
Pupil health services	57,043
Business services	93,642
Operation and maintenance of plant services	871,688
Student transportation services	1,580,202
Central and other services	431,678
OPERATION OF NON-INSTRUCTIONAL SERVICES	
Student activities	<u>33,628</u>
	<u>\$ 11,124,441</u>

NOTE G - LEASES

Capital Leases

The School District has entered into lease agreements as lessee for financing the acquisition of computers and buses. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

Computer equipment	\$ 5,829,671
Buses	<u>934,540</u>
	6,764,211
Accumulated depreciation	<u>(4,978,483)</u>
	<u>\$ 1,785,728</u>

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE G - LEASES (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018, were as follows:

<u>Year Ending June 30,</u>	
2019	\$ 1,053,516
2020	<u>96,672</u>
	1,150,188
Amount representing interest	<u>(17,560)</u>
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	<u>\$ 1,132,628</u>

NOTE H - LONG-TERM DEBT

General Obligation Bonds and Note

The School District issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. At June 30, 2018, the outstanding balance of general obligation bonds and note issued was \$92,290,000.

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 12,145,000	\$ 3,259,164
2020	11,995,000	2,691,067
2021	11,410,000	2,151,887
2022	9,545,000	1,582,182
2023	9,775,000	1,352,319
2024 to 2027	<u>37,420,000</u>	<u>2,796,119</u>
	<u>\$ 92,290,000</u>	<u>\$ 13,832,738</u>

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE I - CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2018, was as follows:

	<u>Interest Rate</u>	<u>Maturity Date</u>
GENERAL OBLIGATION BONDS AND NOTE		
Bonds		
Series of 2008	3.50% to 4.25%	3/1/2018
Series of 2010	2.00% to 5.00%	3/1/2020
Series A of 2010	.50% to 5.00%	3/1/2020
Series of 2013	1.00% to 2.25%	3/1/2023
Series of 2014	2.00% to 4.00%	3/1/2024
Series of 2015	1.50% to 4.00%	3/1/2025
Series of 2016	2.00%	2/1/2026
Series of 2017	1.75% to 5.00%	3/1/2027
Series A of 2017	1.35% to 5.00%	3/1/2021
Deferred amounts		
Issuance premiums/discounts		
TOTAL GENERAL OBLIGATION BONDS AND NOTE		
CAPITAL LEASES		
COMPENSATED ABSENCES		
NET OPEB OBLIGATION		
NET PENSION LIABILITY		
TOTAL LONG-TERM LIABILITIES		

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

NOTE J - DEFEASED DEBT

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

As of June 30, 2018, the School District has defeased debt outstanding of \$25,240,000.

<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
\$ 4,265,000	\$ -	\$ (4,265,000)	\$ -	\$ -
14,205,000	-	(3,685,000)	10,520,000	8,275,000
10,720,000	-	(3,445,000)	7,275,000	3,560,000
9,930,000	-	(5,000)	9,925,000	5,000
9,975,000	-	(75,000)	9,900,000	165,000
9,930,000	-	(55,000)	9,875,000	125,000
9,840,000	-	(5,000)	9,835,000	5,000
17,570,000	-	(5,000)	17,565,000	5,000
17,400,000	-	(5,000)	17,395,000	5,000
<u>103,835,000</u>	<u>-</u>	<u>(11,545,000)</u>	<u>92,290,000</u>	<u>12,145,000</u>
<u>5,804,174</u>	<u>-</u>	<u>(1,246,370)</u>	<u>4,557,804</u>	<u>-</u>
109,639,174	-	(12,791,370)	96,847,804	12,145,000
3,395,190	-	(2,262,562)	1,132,628	1,037,901
4,096,058	536,675	(87,173)	4,545,560	206,364
5,998,620	31,714,915	(5,998,620)	31,714,915	-
<u>374,055,000</u>	<u>171,934,000</u>	<u>-</u>	<u>545,989,000</u>	<u>-</u>
<u>\$ 497,184,042</u>	<u>\$ 204,185,590</u>	<u>\$ (21,139,725)</u>	<u>\$ 680,229,907</u>	<u>\$ 13,389,265</u>

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE K - UNEARNED REVENUE

General Fund

Program grants received prior to the incurrence of qualifying expenditures are recorded as deferred revenue. At June 30, 2018, unearned revenue consisted of \$231,457, which represents funds received to be used for future expenditures.

School Nutrition Services Fund

Unearned revenue of \$145,490 in the School Nutrition Services Fund represents the carryover of student deposits.

Extended Care Fund

Unearned revenue of \$144,354 represents deposits received for 2018-2019 school year programs.

Community Education Fund

Unearned revenue of \$101,202 represents deposits received for 2018-2019 school year programs.

NOTE L - PENSIONS

Summary of Significant Accounting Policies

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

General Information About the Pension Plan

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

NOTE L - PENSIONS (Continued)

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

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

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

Contributions

Members Contributions

- Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.
- Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.
- Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with services rendered on or after January 1, 2002.

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE L - PENSIONS (Continued)

- Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and the Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Employer Contributions

The School District's contractually required contribution rate for the fiscal year ended June 30, 2017, was 29.20% of covered payroll, actuarially determined as an amount that, when combined with employee contributions is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the plan from the School District were \$35,740,000 for the year ended June 30, 2017.

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

At June 30, 2018, the School District reported a liability of \$545,989,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2016 to June 30, 2017. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2017, the School District's proportion was 1.1055%, which was an increase of 0.3507% from its proportion measured as of June 30, 2016.

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE L - PENSIONS (Continued)

For the year ended June 30, 2018, the School District recognized pension expense of \$79,106,000. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
GOVERNMENTAL ACTIVITIES		
Difference between expected and actual experience	\$ 5,536,000	\$ 3,206,000
Changes in assumptions	14,415,000	-
Net difference between projected and actual investment earnings	12,296,000	-
Changes in proportions	129,037,000	38,237,000
Difference between employer contributions and proportionate share of total contributions	4,103,000	5,088,000
Contributions subsequent to the measurement date	37,867,000	-
	<u>\$ 203,254,000</u>	<u>\$ 46,531,000</u>
BUSINESS-TYPE ACTIVITIES		
Difference between expected and actual experience	\$ 160,000	\$ 93,000
Changes in assumptions	417,000	-
Net difference between projected and actual investment earnings	356,000	-
Changes in proportions	3,670,000	1,065,000
Difference between employer contributions and proportionate share of total contributions	119,000	147,000
Contributions subsequent to the measurement date	1,096,000	-
	<u>\$ 5,818,000</u>	<u>\$ 1,305,000</u>

\$38,963,000 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the new pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Governmental Activities	Business-Type Activities
2018	\$ 28,751,000	\$ 832,000
2019	32,525,000	941,000
2020	26,817,000	776,000
2021	30,763,000	868,000
	<u>\$ 118,856,000</u>	<u>\$ 3,417,000</u>

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE L - PENSION (Continued)

Changes in Actuarial Assumptions

The total pension liability as of June 30, 2017 was determined by rolling forward the System's total pension liability as of the June 30, 2016 to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – Level % of pay.
- Investment Rate of Return - 7.25%, includes inflation at 2.75%.
- Salary growth – Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	20.0%	5.1%
Fixed income	36.0%	2.6%
Commodities	8.0%	3.0%
Absolute return	10.0%	3.4%
Risk parity	10.0%	3.8%
Infrastructure/MLP's	8.0%	4.8%
Real estate	10.0%	3.6%
Alternative investments	15.0%	6.2%
Cash	3.0%	0.6%
Financing (LIBOR)	-20.0%	1.1%
	<u>100.0%</u>	

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE L - PENSION (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
School District's proportionate share of the net pension liability	\$ <u>672,065,000</u>	\$ <u>545,989,000</u>	\$ <u>439,545,000</u>

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

NOTE M - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - PSERS

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

General Information about the Health Insurance Premium Assistance Program

Health Insurance Premium Assistance Program

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2017, there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

Retirees of the System can participate in the Premium Assistance program if they satisfy the following criteria:

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

Pension Plan Description

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

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE M - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) -PSERS
(Continued)

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2017 there were no assumed future benefit increases to participating eligible retirees.

Contributions

The Districts' contractually required contribution rate for the fiscal year ended June 30, 2017 was 0.83% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$296,600 for the year ended June 30, 2017.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the District reported a liability of \$22,524,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2016 to June 30, 2017. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2018, the District's proportion was 0.2263% percent, which was a decrease of 0.0060% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the District recognized OPEB expense of \$769,943. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
GOVERNMENTAL ACTIVITIES		
Changes in assumptions	\$ -	\$ 1,018,551
Net difference between projected and actual investment earnings	23,326	-
Changes in proportions	6,293,150	-
Difference between employer contributions and proportionate share of total contributions	-	749,497
Contributions subsequent to the measurement date	314,210	-
	<u>\$ 6,630,686</u>	<u>\$ 1,768,048</u>

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE M - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) -PSERS
(Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
BUSINESS-TYPE ACTIVITIES		
Changes in assumptions	\$ -	\$ 29,449
Net difference between projected and actual investment earnings	677	-
Changes in proportions	181,948	-
Difference between employer contributions and proportionate share of total contributions	-	21,670
Contributions subsequent to the measurement date	9,085	-
	<u>\$ 191,709</u>	<u>\$ 51,119</u>

\$323,295 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Governmental Activities	Business-Type Activities
2019	\$ 944,784	\$ 27,316
2020	944,784	27,316
2021	944,784	27,316
2022	944,784	27,316
2023	938,953	27,147
Thereafter	(169,662)	(4,905)
	<u>\$ 4,548,427</u>	<u>\$ 131,506</u>

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE M - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) -PSERS
(Continued)

Actuarial Assumptions

The Total OPEB Liability as of June 30, 2017, was determined by rolling forward the System's Total OPEB Liability as of June 30, 2016 to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 3.13% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Participation rate.
- Eligible retirees will elect to participate Pre age 65 at 50%.
- Eligible retirees will elect to participate Post age 65 at 70%.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2015 determined the employer contribution rate for fiscal year 2017.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

Investments consist primarily of short term assets designed to protect the principal of the plan assets. The expected rate of return on OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE M - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) -PSERS
(Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	76.4%	0.6%
Fixed income	<u>23.6%</u>	1.5%
	<u><u>100.0%</u></u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2017.

Discount Rate

The discount rate used to measure the Total OPEB Liability was 3.13%. Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 3.13% which represents the S&P 20 year Municipal Bond Rate at June 30, 2017, was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of the System Net OPEB Liability to Change in Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2017, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2016, 91,797 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2016, 1,354 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE M - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) -PSERS
(Continued)

The following presents the System net OPEB liability for June 30,2017, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if it health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease	Current Rate	1% Increase
System net OPEB liability	\$ <u>22,518,000</u>	\$ <u>22,524,000</u>	\$ <u>22,528,000</u>

Sensitivity of the Net OPEB Liability to Change in the Discount Rate

The following presents the net OPEB liability, calculated using the discount rate of 3.13%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.13%) or 1-percentage-point higher (4.13%) than the current rate:

	1% Decrease 2.13%	Current Discount Rate 3.13%	1% Increase 4.13%
District's proportionate share of the net OPEB liability	\$ <u>25,603,000</u>	\$ <u>22,524,000</u>	\$ <u>19,965,000</u>

NOTE N - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS – SINGLE EMPLOYER PLAN

Plan Description

The School administers a single-employer defined benefit healthcare plan. The plan provides medical insurance benefits to eligible retirees and their spouses. The Board of School Directors has the authority to establish and amend benefit provisions through the collective bargaining process with members of the professional and support staff, an agreement with administrative employees and individual employment contracts with certain employees. The plan does not issue any financial report and is not included in the report of any public employee retirement system or any other entity.

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE N - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS – SINGLE EMPLOYER PLAN (Continued)

Plan Membership

At June 30, 2018, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	41
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	<u>1,831</u>
	<u>1,872</u>

Funding Policy and Funding Status

The plan is an unfunded plan with no assets accumulated in a trust. Contributions to the plan are equal to benefit payments. For the year ending June 30, 2018 benefit payments paid as they came due were \$307,357.

Benefits Provided

The plan provides the following benefits:

Administrators

Administrators who retired before July 1, 2011 shall be eligible for up to \$1,500 per year reimbursement of premiums for medical and prescription drug insurance for the member only until Medicare age. Superintendents and administrators who retire after July 1, 2011, and who are eligible for PSERS retirement, shall be eligible for participation in medical, prescription drug, dental, and vision insurance until Medicare age. Members are responsible for the full premium.

In addition, for Superintendents and administrators who retired prior to July 1, 2011, the member is entitled to participate in group life insurance with the School District paying the premiums until the member reaches Medicare age. Members may then continue coverage by paying the full premium until age 70.

Administrators who retire after July 1, 2011 are entitled to participate in group life insurance coverage until age 70. Members are responsible for the full premium.

All Other Employees

All employees other than administrators, who are eligible for PSERS retirement, will be eligible to participate in group coverage for medical and prescription drug insurance until reaching Medicare age. Members are responsible for the full premium.

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE N - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS – SINGLE EMPLOYER PLAN (Continued)

Assumptions

The following assumptions and actuarial methods and calculation were used:

Interest Rate – 3.13%, based on S&P Municipal Bond 20 Year High grade Rate Index at July 1, 2017.

Salary - An assumption for salary increases is used only for spreading contributions over future pay under the entry age normal cost method. For this purpose, salary increases are composed of a 2.5% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies from 2.75% to 0%.

Health Care Cost Trend Rate - 6.0% in 2017, and 5.5% in 2018 through 2023. Rates gradually decrease from 5.4% in 2024 to 3.9% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

Withdrawal - Rates of withdrawal vary by age, gender and years of service. Sample rates for employees with more than 10 years of service are shown below. Rates for new employees start at 22.9% for both men and women and decrease with age and service.

<u>Age</u>	<u>Male Rate</u>	<u>Female Rate</u>	<u>Age</u>	<u>Male Rate</u>	<u>Female Rate</u>
25	2.57%	5.02%	45	1.37%	1.65%
30	2.57%	4.02%	50	1.92%	2.06%
35	1.50%	2.85%	55	3.38%	3.11%
40	1.34%	1.60%	60	5.57%	6.40%

Mortality - Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation.

Disability - No disability was assumed.

Retirement - Assumed retirement rates are based on PSERS plan experience and vary by age, service and gender.

Percent of Eligible Retirees Electing Coverage in Plan – 50% of teachers and administrators and 20% of the support staff are assumed to elect coverage. 75% of administrators are assumed to elect life insurance coverage.

Percent Married at Retirement - 25% of employees are assumed to be married and have a spouse covered by the plan at retirement. Non-spouse dependents are deemed to be immaterial.

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE N - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS – SINGLE EMPLOYER PLAN (Continued)

Spouse Age - Wives are assumed to be two years younger than their husbands.

Retiree Contributions - Retiree Contributions are assumed to increase at the same rate as the Health Care Cost Trend Rate.

Actuarial Value of Assets - Equal to the Market Value of Assets.

Actuarial Cost Method - Entry Age Normal - Under the Entry Age Normal Cost Method, the Normal Cost is the present value of benefits allocated to the year following the valuation date. Benefits are allocated on a level basis over the earnings of an individual between the date of hire and the assumed retirement age. The Accrued Liability as of the valuation date is the excess of the present value of future benefits over the present value of future Normal Cost. The Unfunded Accrued Liability is the excess of the Accrued Liability over the Actuarial Value of Assets. Actuarial gains and losses serve to reduce or increase the Unfunded Accrued Liability.

Changes in Assumptions - In the 2017 actuarial valuation, the discount rate changed from 2.49% to 3.13%. The trend assumption was updated. Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2017	\$ 8,486,785
Changes for the year	
Service cost	666,971
Interest cost	223,783
Change in benefit terms	(2,527)
Changes for experience	(308,591)
Changes in assumptions	431,851
Benefit payments	(307,357)
Net changes	704,130
Balance at June 30, 2018	\$ 9,190,915

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE N - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS – SINGLE EMPLOYER PLAN (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the School, as well as what the School's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.13 percent) or 1-percentage-point higher (4.13 percent) than the current discount rate:

	1% Decrease 2.13%	Current Discount Rate 3.13%	1% Increase 4.13%
Total OPEB liability	\$ <u>9,897,700</u>	\$ <u>9,190,915</u>	\$ <u>8,523,469</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the School, as well as what the School's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	1% Decrease	Current Rates	1% Increase
Total OPEB liability	\$ <u>8,118,147</u>	\$ <u>9,190,915</u>	\$ <u>10,465,843</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - For the year ended June 30, 2018, the School recognized OPEB expense of \$898,499. At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
GOVERNMENTAL ACTIVITIES		
Changes in assumptions	\$ 384,739	\$ -
Difference between expected and actual experience	-	274,926
Contributions subsequent to the measurement date	<u>214,859</u>	<u>-</u>
	\$ <u>599,598</u>	\$ <u>274,926</u>

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE N - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS – SINGLE EMPLOYER PLAN (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
BUSINESS-TYPE ACTIVITIES		
Changes in assumptions	\$ 11,124	\$ -
Changes in proportion	-	-
Difference between expected and actual experience	-	7,949
Net difference between projected and actual investments earnings	-	-
Contributions subsequent to the measurement date	6,212	-
	<u>\$ 17,336</u>	<u>\$ 7,949</u>

\$221,071 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Governmental Activities	Business-Type Activities
2019	\$ 9,983	\$ 289
2020	9,983	289
2021	9,983	289
2022	9,983	289
2023	9,983	289
Thereafter	59,896	1,732
	<u>\$ 109,813</u>	<u>\$ 3,175</u>

NOTE O - COMPENSATED ABSENCES AND EARLY RETIREMENT INCENTIVE PLAN

School District employees who are required to work on a 12-month schedule are credited with vacation at rates which vary with length of service or job classification. Vacation (for most employee categories) may be taken or accumulated within certain limits and is paid prior to retirement or termination at the employee's current rate of pay.

The liability to current employees is estimated and will change since unused vacation will be paid at the rate of pay in effect at the time of separation. These accumulated leaves are recorded as an expenditure in the period taken or as an accrued expenditure in the fiscal year of separation. Termination compensation payable in future years, which was \$1,448,813 at June 30, 2018, is recorded in compensated absences on the statement of net position.

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE O - COMPENSATED ABSENCES AND EARLY RETIREMENT INCENTIVE PLAN
(Continued)

The School District pays various per diem rates to retirees for unused sick time. Compensation payable in future years, which was \$3,096,747 at June 30, 2018, is recorded in compensated absences on the statement of net position.

NOTE P - COMMITMENTS AND CONTINGENCIES

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

NOTE Q - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the School District to purchase commercial insurance for the risks of loss to which it is exposed, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE R - JOINT VENTURE

The School District is a participating member of the North Montco Technical Career Center (the "Center"). The Center is run by a joint committee consisting of members from each participating district. No participating district appoints a majority of the joint committee. The Board of School Directors of each participating district must approve the Center's annual operating budget. Each participating district pays a pro rata share of the Center's operating costs based on the number of students attending the Center from each district. The School District's share of the Center's operating costs for 2017-2018 was \$3,889,430.

On dissolution of the Center, the net position of the Center will be shared on a pro rata basis of each participating district's current market value of taxable real property as certified by the Pennsylvania State Tax Equalization Board. However, the School District does not have an equity interest in the Center, as defined by GASB Statement No. 14, except a residual interest in net assets upon dissolution that should not be reflected on the basic financial statements. Complete financial statements for the Center can be obtained from the Center's administrative office.

In June 2010, the District entered into a long-term sublease agreement with the Center through May 2031 for a portion of the debt service payments on the Center's School Lease Revenue Bonds, Series of 2010.

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE R - JOINT VENTURE (Continued)

Future minimum sublease payments are as follows:

<u>Year Ending</u> <u>June 30,</u>	
2019	\$ 195,925
2020	200,535
2021	207,450
2022	214,365
2023	223,585
2024-2028	1,260,835
2029-2031	<u>885,120</u>
	<u>\$ 3,187,815</u>

NOTE S - DONATED FOODS

The School Nutrition Services Fund generally contains inventories which consist of both food commodities donated by the federal government and other food and supply inventories. Donated food inventory is valued at last unit cost in accordance with the recommendations of the Food Nutrition Service of the Department of Agriculture and are expensed as used. There was \$95,469 in donated foods in the Proprietary Fund's inventory balance at June 30, 2018.

NOTE T - SELF-INSURANCE

In July 2011, the School District elected to sponsor a self-insured employee welfare benefit plan for health care coverage. An administrative services agreement was signed with a third-party insurance company (claims administrator) to administer the costs and claims associated with the plan. The agreement required the School District to establish a deposit with the administrator. These funds are reported as prepaid expenses on the statement of net position in the amount of \$10,297,799. The deposit will be used to pay claims, retention charges and broker commissions incurred prior to but paid after the date of determination. The deposit is intended to secure only the School District's obligations to the claims administrator and has no effect, application, or operation regarding the School District's direct obligation to the benefit program. The claims administrator may, in its discretion, require a greater or lesser deposit amount from the School District to secure the School District's obligations under the agreement. If the claims administrator requires a lesser amount, the School District will receive a refund or credit.

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE U - PRIOR PERIOD ADJUSTMENT

The School District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of GASB Statement No. 75 is to improve accounting and financial reporting by state and local governments for other postemployment benefit (OPEB) plans. GASB Statement No. 75 states that the School Districts must record their share of the Public School Employees' Retirement System (PSERS) unfunded liability. In addition, the School also must record the total liability of their single employer other postemployment benefit plan.

For the government-wide governmental activities, the School District has treated their proportionate share of the beginning of year PSERS net OPEB liability of \$15,801,150 and deferred outflows of resources of \$288,266 and the beginning of year single employer OPEB plan liability of \$8,248,306 as having been recognized in the period incurred. As part of the implementation, the previously recognized obligation for other postemployment benefits under GASB 45 in the amount of \$5,998,620 will be reversed. The School District has adjusted beginning net position for the governmental activities from (\$192,512,233) to (\$210,274,804).

For the business-type activities, the School District has treated their proportionate share of the beginning of year PSERS net OPEB liability of \$456,850 and deferred outflows of resources of \$8,334 and the beginning of year single employer OPEB plan liability of \$238,479 as having been recognized in the period incurred. The School District has adjusted beginning net position for the business-type activities as follows:

<u>Fund</u>	<u>Previously Reported Amount</u>	<u>Change</u>	<u>Currently Reported Amount</u>
Food Service Fund	\$ (4,092,363)	\$ (376,502)	\$ (4,468,865)
Extended Day Fund	(3,197,415)	(259,151)	(3,456,566)
Community Education Fund	<u>(542,094)</u>	<u>(51,341)</u>	<u>(593,435)</u>
	\$ <u><u>(7,831,872)</u></u>	\$ <u><u>(686,994)</u></u>	\$ <u><u>(8,518,866)</u></u>

NOTE V – SUBSEQUENT EVENT

On December 3, 2018, the School District issued \$9,565,000 of General Obligation Bonds for the purposes of construction and renovation of district owned facilities. The bonds mature starting in 2024 through 2034 with interest on the bonds being due March 1 and September 1 of each year with rates ranging from 2.80% to 3.20%.

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REQUIRED SUPPLEMENTARY INFORMATION

NORTH PENN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts GAAP Basis	Final Budget Positive (Negative)
REVENUES				
Local sources	\$ 194,007,132	\$ 194,007,132	\$ 198,901,177	\$ 4,894,045
State sources	50,756,788	50,756,788	50,377,168	(379,620)
Federal sources	2,983,043	2,983,043	2,865,162	(117,881)
TOTAL REVENUES	<u>247,746,963</u>	<u>247,746,963</u>	<u>252,143,507</u>	<u>4,396,544</u>
EXPENDITURES				
Instruction	163,555,282	161,437,681	159,812,631	1,625,050
Support services	69,417,264	69,707,484	67,736,418	1,971,066
Operation of non-instructional services	3,257,752	3,283,907	3,011,663	272,244
Facilities acquisition, construction and improvement services	-	-	18,995	(18,995)
Debt service	15,321,588	17,628,528	17,628,512	16
Refund of prior year revenues	100,000	100,000	448,787	(348,787)
TOTAL EXPENDITURES	<u>251,651,886</u>	<u>252,157,600</u>	<u>248,657,006</u>	<u>3,500,594</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(3,904,923)</u>	<u>(4,410,637)</u>	<u>3,486,501</u>	<u>7,897,138</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	10,000	10,000	13,000	3,000
Transfers in	100,000	100,000	129,039	29,039
Transfers out	-	-	(3,687,284)	(3,687,284)
Budgetary reserve	(750,000)	(244,286)	-	244,286
TOTAL OTHER FINANCING SOURCES (USES)	<u>(640,000)</u>	<u>(134,286)</u>	<u>(3,545,245)</u>	<u>(3,410,959)</u>
EXTRAORDINARY LOSS	<u>-</u>	<u>-</u>	<u>(57,596)</u>	<u>(57,596)</u>
NET CHANGE IN FUND BALANCE	<u>(4,544,923)</u>	<u>(4,544,923)</u>	<u>(116,340)</u>	<u>4,428,583</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>33,422,215</u>	<u>33,422,214</u>	<u>41,017,477</u>	<u>(7,595,263)</u>
FUND BALANCE AT END OF YEAR	<u>\$ 28,877,292</u>	<u>\$ 28,877,291</u>	<u>\$ 40,901,137</u>	<u>\$ (3,166,680)</u>

See accompanying notes to the budgetary comparison schedule.

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2018

NOTE A - BUDGETARY INFORMATION

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. An annual appropriated budget is adopted for the General Fund. All annual appropriations lapse at fiscal year-end. Project-length financial plans are adopted for all Capital Project Funds.

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

1. In January, the School District must make the Act 1 preliminary budget available for public inspection 20 days prior to the School Board vote.
2. The School Board of Directors must approve the Act 1 preliminary budget 90 days prior to the Pennsylvania primary election.
3. The operating budget includes proposed expenditures and the means of financing them for the fiscal year commencing the following July 1.
4. Public hearings are conducted at the School District offices to obtain taxpayer comments.
5. Prior to July 1, the budget is legally enacted through passage of an ordinance.
6. The Business Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the School Board.
7. Formal budgetary integration is employed as a management control device during the year for the General Fund. Formal budgetary integration is not employed for the Special Revenue Funds. Formal budgetary integration is also not employed for the Debt Service Fund because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
8. Budgeted amounts are as originally adopted or as amended by the School Board.

All budget amounts presented in the accompanying required supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions to the annual budgets during the year).

NORTH PENN SCHOOL DISTRICT
NOTES TO THE BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2018

NOTE B - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2018, expenditures exceeded appropriations in the following General Fund department levels (the legal level of budgetary control):

Facilities acquisition, construction and improvement services	\$ <u>18,995</u>
Refund of prior year revenues	\$ <u>348,787</u>

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

NORTH PENN SCHOOL DISTRICT
SCHEDULES OF THE SCHOOL DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
LAST FOUR FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
SCHOOL DISTRICT'S PROPORTION OF THE NET PENSION LIABILITY (ASSET)	<u>1.1055%</u>	<u>0.7548%</u>	<u>0.9051%</u>	<u>0.8931%</u>
SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)	<u>\$ 545,989,000</u>	<u>\$ 374,055,000</u>	<u>\$ 392,046,000</u>	<u>\$ 353,497,000</u>
SCHOOL DISTRICT'S COVERED-EMPLOYEE PAYROLL	<u>\$ 147,188,129</u>	<u>\$ 97,749,376</u>	<u>\$ 116,454,969</u>	<u>\$ 113,971,850</u>
SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF ITS COVERED-EMPLOYEE PAYROLL	<u>370.95%</u>	<u>382.67%</u>	<u>336.65%</u>	<u>310.16%</u>
THE PLAN'S FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>51.84%</u>	<u>50.14%</u>	<u>45.64%</u>	<u>57.24%</u>

NOTES TO SCHEDULES

The District's covered employee payroll noted above is as of the measurement date of the net pension liability (June 30, 2017, 2016, 2015 and 2014).

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

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NOTE TO SCHEDULES

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

NORTH PENN SCHOOL DISTRICT

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE PSERS NET OTHER POSTEMPLOYMENT BENEFIT PLAN LIABILITY LAST FISCAL YEAR

SCHOOL DISTRICT'S PROPORTION OF THE NET OPEB LIABILITY (ASSET)	<u><u>1.1055%</u></u>
SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)	<u><u>\$ 22,524,000</u></u>
SCHOOL DISTRICT'S COVERED-EMPLOYEE PAYROLL	<u><u>\$ 147,188,129</u></u>
SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET) AS A PERCENTAGE OF ITS COVERED-EMPLOYEE PAYROLL	<u><u>15.30%</u></u>
THE PLAN'S FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL OPEB LIABILITY	<u><u>5.73%</u></u>

NOTES TO SCHEDULE

The District's covered employee payroll noted above is as of the measurement date of the net OPEB liability (June 30, 2017).

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

NORTH PENN SCHOOL DISTRICT**SCHEDULE OF SCHOOL DISTRICT'S PSERS OTHER POSTEMPLOYMENT
BENEFIT PLAN CONTRIBUTIONS
LAST FISCAL YEAR**

CONTRACTUALLY REQUIRED CONTRIBUTION	\$ 323,295
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	<u>323,295</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$ <u><u>-</u></u>
SCHOOL DISTRICT'S COVERED-EMPLOYEE PAYROLL	\$ <u><u>147,188,129</u></u>
CONTRIBUTIONS AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u><u>0.22%</u></u>

NOTE TO SCHEDULE

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

NORTH PENN SCHOOL DISTRICT**SCHEDULE OF CHANGES IN THE TOTAL OTHER POSTEMPLOYMENT
BENEFIT PLAN LIABILITY AND RELATED RATIOS
LAST FISCAL YEAR**

TOTAL OPEB LIABILITY	
Service cost	\$ 666,971
Interest	223,783
Change in benefit terms	(2,527)
Changes in experience	(308,591)
Changes of assumptions	431,851
Benefit payments	<u>(307,357)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	<u>704,130</u>
 TOTAL OPEB LIABILITY, BEGINNING	 <u>8,486,785</u>
 TOTAL OPEB LIABILITY, ENDING	 <u>\$ 9,190,915</u>
 COVERED-EMPLOYEE PAYROLL	 <u>\$ 116,833,571</u>
 TOTAL OPEB LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	 <u>7.87%</u>

NOTES TO SCHEDULE

No assets are accumulated in a trust to pay benefits related to this plan

Changes in assumptions: In the 2017 actuarial valuation, the discount rate changed from 2.49% to 3.13%. The trend assumption was updated. Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

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SUPPLEMENTARY INFORMATION SECTION

NORTH PENN SCHOOL DISTRICT
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2018

	Capital Project Funds					Total Other Governmental Funds
	Capital Reserve Fund	2017/2018 Bond Fund	2016/2017 Bond Fund	2014/2015 Bond Fund	2013 Bond Fund	
ASSETS						
Cash and cash equivalents	\$ 632	\$ -	\$ 540	\$ 19,716	\$ 236,875	\$ 257,763
Investments	3,314,840	3,386,098	1,409,661	2,201,093	-	10,311,692
Due from other funds	3,687,284	-	-	-	-	3,687,284
TOTAL ASSETS	\$ 7,002,756	\$ 3,386,098	\$ 1,410,201	\$ 2,220,809	\$ 236,875	\$ 14,256,739
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 1,027,103	\$ 6,744	\$ 18,210	\$ -	\$ 1,808	\$ 1,053,865
FUND BALANCES						
Restricted for capital projects	-	-	1,391,991	2,220,809	235,067	3,847,867
Committed to capital projects	5,975,653	-	-	-	-	5,975,653
Unassigned	-	3,379,354	-	-	-	3,379,354
TOTAL FUND BALANCES	5,975,653	3,379,354	1,391,991	2,220,809	235,067	13,202,874
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,002,756	\$ 3,386,098	\$ 1,410,201	\$ 2,220,809	\$ 236,875	\$ 14,256,739

NORTH PENN SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OTHER GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2018

	Capital Project Funds					Total Other Governmental Funds
	Capital Reserve Fund	2017/2018 Bond Fund	2016/2017 Bond Fund	2014/2015 Bond Fund	2013 Bond Fund	
REVENUES						
Local sources	\$ 37,374	\$ 50,753	\$ 40,871	\$ 12,527	\$ 1,263	\$ 142,788
EXPENDITURES						
Facilities acquisition, construction and improvement services	2,658,555	1,572,141	5,677,294	4,980	1,808	9,914,778
TOTAL EXPENDITURES	2,658,555	1,572,141	5,677,294	4,980	1,808	9,914,778
DEFICIENCY OF REVENUES OVER EXPENDITURES	(2,621,181)	(1,521,388)	(5,636,423)	7,547	(545)	(9,771,990)
OTHER FINANCING SOURCES (USES)						
Transfers in	3,687,284	-	-	-	-	3,687,284
TOTAL OTHER FINANCING SOURCES (USES)	3,687,284	-	-	-	-	3,687,284
NET CHANGE IN FUND BALANCES	1,066,103	(1,521,388)	(5,636,423)	7,547	(545)	(6,084,706)
FUND BALANCES AT BEGINNING OF YEAR	4,909,550	4,900,742	7,028,414	2,213,262	235,612	19,287,580
FUND BALANCES AT END OF YEAR	\$ 5,975,653	\$ 3,379,354	\$ 1,391,991	\$ 2,220,809	\$ 235,067	\$ 13,202,874

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the North Penn School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the North Penn School District's basic financial statements, and have issued our report thereon dated December 10, 2018.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Maillie LLP". The signature is written in a cursive, flowing style.

Oaks, Pennsylvania
December 10, 2018

Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance in Accordance With the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited the North Penn School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the North Penn School District's major federal programs for the year ended June 30, 2018. North Penn School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the North Penn School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the North Penn School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the North Penn School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the North Penn School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

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

Report on Internal Control Over Compliance

Management of the North Penn School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the North Penn School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the North Penn School District's internal control over compliance.

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

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Maullie LLP". The signature is written in a cursive, flowing style.

Oaks, Pennsylvania
December 10, 2018

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

NORTH PENN SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL
AND CERTAIN STATE AWARDS
YEAR ENDED JUNE 30, 2018

Federal Grantor/ Pass-Through Grantor/Program Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Dates
U.S. DEPARTMENT OF EDUCATION				
Passed through the PA Department of Education				
Title I Improving Basic Programs	I	84.010	13-170289	July 1, 2016 to September 30, 2017
Title I Improving Basic Programs	I	84.010	13-180289	July 1, 2017 to September 30, 2018
Academic Achievement Award	I	84.010	077-160289	August 23, 2016 to September 30, 2017
TOTAL CFDA 84.010				
Keystones to Opportunity	I	84.371	143-150289	May 1, 2015 to September 30, 2016
Keystones to Opportunity	I	84.371	143-160289	May 1, 2016 to September 30, 2017
Passed through the Lancaster-Lebanon Intermediate Unit				
Keystones to Opportunity - KTO-R8514	I	84.371	N/A	July 1, 2017 to June 30, 2018
TOTAL CFDA 84.371				
Title II Improving Teacher Quality	I	84.367	20-170289	July 1, 2016 to September 30, 2018
Title II Improving Teacher Quality	I	84.367	20-180289	July 1, 2017 to September 30, 2019
TOTAL CFDA 84.367				
Title III Language Inst LEP/Immigrant Students	I	84.365	10-160289	July 1, 2015 to September 30, 2017
Title III Language Inst LEP/Immigrant Students	I	84.365	10-170289	July 1, 2016 to September 30, 2018
Title III Language Inst LEP/Immigrant Students	I	84.365	10-180289	July 1, 2017 to September 30, 2018
TOTAL CFDA 84.365				
Title IV Student Support and Academic Enrichment	I	84.424	144-180289	July 1, 2017 to September 30, 2018
SUBTOTAL FORWARD				

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2017</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2018</u>	<u>Passed Through to Sub-Recipients</u>
1,324,905	\$ 159,178	\$ 159,178	\$ -	\$ -	\$ -	\$ -
1,217,561	1,049,235	-	1,203,031	1,203,031	153,796	-
50,000	<u>3,571</u>	<u>3,502</u>	<u>69</u>	<u>69</u>	<u>-</u>	<u>-</u>
	<u>1,211,984</u>	<u>162,680</u>	<u>1,203,100</u>	<u>1,203,100</u>	<u>153,796</u>	<u>-</u>
1,257,268	261,157	261,157	-	-	-	-
759,918	126,653	74,314	52,339	52,339	-	-
12,000	<u>12,000</u>	<u>-</u>	<u>12,000</u>	<u>12,000</u>	<u>-</u>	<u>-</u>
	<u>399,810</u>	<u>335,471</u>	<u>64,339</u>	<u>64,339</u>	<u>-</u>	<u>-</u>
299,438	78,880	54,878	24,002	24,002	-	-
303,662	<u>282,800</u>	<u>-</u>	<u>244,894</u>	<u>244,894</u>	<u>(37,906)</u>	<u>-</u>
	<u>361,680</u>	<u>54,878</u>	<u>268,896</u>	<u>268,896</u>	<u>(37,906)</u>	<u>-</u>
174,335	829	(1,838)	2,667	2,667	-	-
131,232	96,237	(34,639)	121,562	121,562	(9,314)	-
120,149	<u>42,910</u>	<u>-</u>	<u>20,503</u>	<u>20,503</u>	<u>(22,407)</u>	<u>-</u>
	<u>139,976</u>	<u>(36,477)</u>	<u>144,732</u>	<u>144,732</u>	<u>(31,721)</u>	<u>-</u>
27,872	<u>15,904</u>	<u>-</u>	<u>21,253</u>	<u>21,253</u>	<u>5,349</u>	<u>-</u>
	<u>\$ 2,129,354</u>	<u>\$ 516,552</u>	<u>\$ 1,702,320</u>	<u>\$ 1,702,320</u>	<u>\$ 89,518</u>	<u>\$ -</u>

NORTH PENN SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL
AND CERTAIN STATE AWARDS
YEAR ENDED JUNE 30, 2018

Federal Grantor/ Pass-Through Grantor/Program Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Dates
U.S. DEPARTMENT OF EDUCATION				
SUBTOTAL FORWARDED				
Passed through the Montgomery County Intermediate Unit				
IDEA - Part B	I	84.027	N/A	July 1, 2016 to June 30, 2017
IDEA - Part B	I	84.027	N/A	July 1, 2017 to June 30, 2018
Passed through Intermediate Unit #1				
IDEA - School Wide Positive Behavior Interventions & Supports	I	84.027	N/A	October 1, 2017 to June 30, 2018
TOTAL CFDA 84.027				
IDEA - Section 619	I	84.173	N/A	July 1, 2016 to June 30, 2017
IDEA - Section 619	I	84.173	N/A	July 1, 2017 to June 30, 2018
TOTAL CFDA 84.173				
TOTAL SPECIAL EDUCATION CLUSTER				
TOTAL U.S. DEPARTMENT OF EDUCATION				
U.S. DEPARTMENT OF AGRICULTURE				
Passed through the PA Department of Agriculture				
National School Lunch Program	I	10.555	N/A	July 1, 2017 to June 30, 2018
Donated Commodities				
Passed through the PA Department of Education				
Child Nutrition Cluster				
National School Lunch Program	I	10.555	N/A	July 1, 2017 to June 30, 2018
TOTAL CFDA 10.555				
National School Breakfast Program	I	10.553	N/A	July 1, 2017 to June 30, 2018
Summer Food Program	I	10.559	N/A	July 1, 2017 to June 30, 2018
TOTAL CHILD NUTRITION CLUSTER				
National School Lunch Program	S	N/A	N/A	July 1, 2017 to June 30, 2018
National School Breakfast Program	S	N/A	N/A	July 1, 2017 to June 30, 2018
Child and Adult Care Food Program	I	10.558	N/A	July 1, 2017 to June 30, 2018
TOTAL U.S. DEPARTMENT OF AGRICULTURE				
TOTAL FEDERAL AND CERTAIN STATE AWARDS				
LESS STATE AWARDS				
TOTAL FEDERAL AWARDS				

Footnotes:

- (A) Total amount of commodities received from Department of Agriculture.
 (B) Beginning inventory at July 1, 2017.
 (C) Total amount of commodities used.
 (D) Ending inventory at June 30, 2018.

Source Codes:

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

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

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2017</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2018</u>	<u>Passed Through to Sub-Recipients</u>
	\$ 2,129,354	\$ 516,552	\$ 1,702,320	\$ 1,702,320	\$ 89,518	\$ -
2,355,173	654,770	654,770	-	-	-	-
2,327,186	1,248,002	-	2,327,186	2,327,186	1,079,184	-
8,906	-	-	8,906	8,906	8,906	-
	1,902,772	654,770	2,336,092	2,336,092	1,088,090	-
13,281	13,281	13,281	-	-	-	-
8,404	1,521	-	8,404	8,404	6,883	-
	14,802	13,281	8,404	8,404	6,883	-
	1,917,574	668,051	2,344,496	2,344,496 *	1,094,973	-
	4,046,928	1,184,603	4,046,816	4,046,816	1,184,491	-
N/A	308,888 (A)	- (B)	308,888 (C)	308,888 (C)	- (D)	-
N/A	1,777,308	39,602	1,825,959	1,825,959	88,253	-
	2,086,196	39,602	2,134,847	2,134,847	88,253	-
N/A	393,311	10,337	405,322	405,322	22,348	-
N/A	207,580	49,901	157,679	157,679	-	-
	2,687,087	99,840	2,697,848	2,697,848	110,601	-
N/A	118,079	2,902	121,167	121,167	5,990	-
N/A	27,161	764	27,962	27,962	1,565	-
N/A	36,434	479	44,652	44,652	8,697	-
	2,868,761	103,985	2,891,629	2,891,629	126,853	-
	6,915,689	1,288,588	6,938,445	6,938,445	1,311,344	-
	(145,240)	(3,666)	(149,129)	(149,129)	(7,555)	-
	\$ 6,770,449	\$ 1,284,922	\$ 6,789,316	\$ 6,789,316	\$ 1,303,789	\$ -

NORTH PENN SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AND CERTAIN STATE AWARDS
YEAR ENDED JUNE 30, 2018

NOTE A - BASIS OF ACCOUNTING

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

NOTE B - FEDERAL EXPENDITURES

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

NOTE C - DONATED FOODS

Donated foods were valued according to cost estimates provided by the U.S.D.A.

NOTE D - PROGRAM DISCLOSURES

U.S. Department of Education

Funds passed through Pennsylvania Department of Education under Title I are used primarily to provide education to economically disadvantaged children. Funds received under other grants are used to support instructional programs.

U.S. Department of Agriculture

Funds passed through the Pennsylvania Departments of Education and Agriculture are used to provide nutritional meals to economically disadvantaged children.

NOTE E - INDIRECT COST RATES

The District has not elected to use the 10% de minimis indirect cost rate as allowed in the Uniform Guidance, Section 414.

NORTH PENN SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of the North Penn School District.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the North Penn School District were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards in Accordance With the Uniform Guidance
5. The auditors' report on compliance for the major award programs for the North Penn School District expresses an unmodified opinion.
6. There were no audit findings that are required to be reported in accordance with the Uniform Grant Guidance.
7. The programs tested as major programs include:

Program	CFDA
Special Education Cluster	84.027/84.173
8. The threshold used for distinguishing Types A and B programs was \$750,000.
9. North Penn School District was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None.

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

None.

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