

NESHAMINY SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2015



Certified Public Accountants and Business Consultants

INTRODUCTORY SECTION

NESHAMINY SCHOOL DISTRICT

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NESHAMINY SCHOOL DISTRICT

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FINANCIAL SECTION

Independent Auditors' Report

To the Board of School Directors
Neshaminy School District
Langhorne, 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 Neshaminy School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Neshaminy 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
Neshaminy School District
Langhorne, 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 Neshaminy School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Emphasis of Matter

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 17, budgetary comparison information on pages 55 and 56, schedule of the school district's proportionate share of the net pension liability on page 57, schedule of the school district contributions on page 58 and postemployment benefits other than pension funding progress on page 59 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 Neshaminy School District's basic financial statements. The supplementary information listed in the table of contents and the schedule of expenditures of federal and certain state awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

To the Board of School Directors
Neshaminy School District
Langhorne, 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 February 9, 2016 on our consideration of the Neshaminy 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 Neshaminy School District's internal control over financial reporting and compliance.

Maillie LLP

Oaks, Pennsylvania
February 9, 2016

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

The discussion and analysis of the Neshaminy School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the School District's financial performance as a whole, by providing additional information that is not provided in the government-wide financial statements. Please read it in conjunction with the basic financial statements and single audit report.

FINANCIAL HIGHLIGHTS

- The School District's liabilities and deferred inflows exceeded assets and deferred outflows by \$150.0 million at the close of the most recent fiscal year.
- Overall revenues were \$168.4 million, \$2.9 million less than expenses.
- Student enrollment continues to moderately decline.
- The increase in the Other Postemployment Benefits (OPEB) obligation for the year was \$400,126.

OVERVIEW OF THE FINANCIAL STATEMENTS

The accompanying financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement Number 34 and present government-wide financial statements, fund financial statements, and notes to the basic financial statements, using both the accrual and modified accrual basis of accounting, respectively.

Government-Wide Financial Statements

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

The *Statement of Net Position* reports assets, deferred outflows, liabilities and deferred inflows for the entire School District (governmental activities and business-type activities). Net position is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The *Statement of Activities* reports the School District's expenses, revenues, depreciation and other changes in net position during the year. This report focuses on the net cost of individual functions with reconciliation between the beginning net position and the ending net position.

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

Fund Financial Statements

A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District's funds can be divided into three categories: Governmental Funds, Proprietary Funds and Fiduciary Funds.

- **Governmental Funds.** *Governmental Funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, Governmental Fund financial statements focus on how cash and other financial assets can readily be converted to cash flow in and out and the balances left at year-end that are available for spending. Such information may be useful in evaluating the government's short-term financing requirements. Because this information does not encompass the additional long-term focus of the School District-wide statements, additional information to explain the relationship (or differences) between them can be found in the reconciliation statements.

The *Balance Sheet - Governmental Funds* reports assets, deferred outflows, liabilities, deferred inflows and fund balance of the General Fund and Capital Projects Fund.

The *Reconciliation of Total Governmental Funds Balances to Net Position of Governmental Activities* explains the differences in Governmental Funds balances reported on the *Balance Sheet - Governmental Funds* and the total net position reported on the *Statement of Net Position*.

The *Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds* reports the revenues, expenditures and changes in fund balance for the General Fund and Capital Projects Fund.

The *Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities* provides a reconciliation of the changes in fund balances reported on the *Statement of Revenues, Expenditures and Changes in Fund Balances* to the changes in net position as reported on the *Statement of Activities*.

- **Proprietary Funds.** *Proprietary Funds* are used to account for activities that are similar to those often found in the private sector. The District maintains one Proprietary Fund Type, which is an Enterprise Fund, for food service. The *Enterprise Fund* is used to account for the School District's operations that are financed and operated in a manner similar to private business enterprises. The cost of providing goods or services to the students on a continuing basis is financed or recovered primarily through user charges or cost reimbursement plans. The Food Service Fund accounts for the revenues, food purchases and other costs and expenses of providing meals to students during the school year. This fund is reported as a major fund.

The *Statement of Net Position - Proprietary Fund* reports assets, liabilities and net position for the Food Service Fund.

NESHAMINY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED JUNE 30, 2015

The *Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund* reports the revenues, expenses and changes in net position for the Food Service Fund.

The *Statement of Cash Flows - Proprietary Fund* reports the inflows and outflows of cash during the fiscal year for the Food Service Fund.

- ***Fiduciary Funds.*** *Fiduciary Funds* are used to account for resources held for the benefit of parties outside the governmental entity. *Fiduciary Funds* are not reflected in the government-wide financial statements because the District cannot use these funds to finance its operations. The School District uses an *Activity Fund* to account for resources held for student activities in the middle schools and high school and a *Trust Fund* to account for the receipts and disbursement of monies contributed to the School District for scholarships and memorials.

The *Statement of Fiduciary Net Position - Fiduciary Funds* reports assets and liabilities for the School District's student activity accounts and scholarship accounts.

The *Statement of Changes in Fiduciary Net Position - Fiduciary Funds* reports changes in net position for the School District's scholarship accounts.

Notes to the Basic Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As of June 30, 2015, the School District had total assets and deferred outflows of \$270.0 million with 7.7% of these assets being in cash and cash equivalents (or \$20.8 million), 30.9% (or \$83.5 million) being in investments and 45.3% (or \$122.3 million) being in the net value of land, buildings, furniture and equipment and construction in progress. The remaining 16.1% is attributed to the \$13.1 million in receivables and \$28.1 million deferred outflow related to the pensions. Changes in the capital assets include additions of \$11,821,308 and retirement of assets of \$702,140.

As of June 30, 2015, the School District had total liabilities and deferred inflows of \$420.0 million with 35.3% (or \$148.2 million) being in bonds payable, 1.3% (or \$5.3 million) being in accumulated compensated absences, 1.1% (or \$4.7 million) being in accounts payable, 0.3% (or \$1.1 million) being in accrued interest and 1.4% (or \$5.7 million) being in accrued salaries and benefits. The net pension liability incurred as a result of adopting GASB 68 was \$229.3 million. The principal paid for debt service during the year was \$33.1 million.

The resulting (\$150.0) million in net position includes unrestricted net position of (\$246.5) million and \$36.1 million in net investment in capital assets. There was an increase in net investment in capital assets of 59.7% and a decrease in unrestricted net position of 934.4%. This results in an overall decrease in net position of 339.0%.

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

Statement of Net Position

	Government-Wide Activities		Total Change 2014-2015
	2015	2014	
Assets and deferred outflows:			
Governmental activities:			
Other assets and deferred outflows	\$ 146,749,450	\$ 66,231,532	\$ 80,517,918
Capital assets	<u>122,089,745</u>	<u>116,207,519</u>	<u>5,882,226</u>
Total governmental assets and deferred outflows	<u>268,839,195</u>	<u>182,439,051</u>	<u>86,400,144</u>
Business-type activities:			
Other assets and deferred outflows	893,259	642,436	250,823
Capital assets	<u>239,538</u>	<u>274,338</u>	<u>(34,800)</u>
Total business-type assets and deferred outflows	<u>1,132,797</u>	<u>916,774</u>	<u>216,023</u>
Total assets and deferred outflows:			
Other assets and deferred outflows	147,642,709	66,873,968	80,768,741
Capital assets	<u>122,329,283</u>	<u>116,481,857</u>	<u>5,847,426</u>
Total assets and deferred outflows	<u>269,971,992</u>	<u>183,355,825</u>	<u>86,616,167</u>
Liabilities and deferred inflows:			
Governmental activities:			
Other liabilities and deferred inflows	29,509,448	14,260,543	15,248,905
Long-term liabilities	<u>386,099,087</u>	<u>105,970,429</u>	<u>280,128,658</u>
Total governmental liabilities and deferred inflows	<u>415,608,535</u>	<u>120,230,972</u>	<u>295,377,563</u>
Business-type activities:			
Other liabilities and deferred inflows	323,466	331,699	(8,233)
Unearned revenue	29,725	26,777	2,948
Long-term liabilities	<u>4,059,000</u>	<u>-</u>	<u>4,059,000</u>
Total business-type liabilities and deferred inflows	<u>4,412,191</u>	<u>358,476</u>	<u>4,053,715</u>
Total liabilities and deferred inflows:			
Other liabilities and deferred inflows	29,862,639	14,619,019	15,243,620
Long-term liabilities	<u>390,158,087</u>	<u>105,970,429</u>	<u>284,187,658</u>
Total liabilities and deferred inflows	<u>420,020,726</u>	<u>120,589,448</u>	<u>299,431,278</u>
Net Position:			
Governmental activities:			
Net investment in capital assets	35,834,108	22,309,249	13,524,859
Restricted for capital projects	60,372,287	10,640,529	49,731,758
Unrestricted net position	<u>(242,975,735)</u>	<u>29,258,301</u>	<u>(272,234,036)</u>
Total governmental net position	<u>(146,769,340)</u>	<u>62,208,079</u>	<u>(208,977,419)</u>
Business-type activities:			
Net investment in capital assets	239,538	274,338	(34,800)
Unrestricted net position	<u>(3,518,932)</u>	<u>283,960</u>	<u>(3,802,892)</u>
Total business-type net position	<u>(3,279,394)</u>	<u>558,298</u>	<u>(3,837,692)</u>
Total net position:			
Net investment in capital assets	36,073,646	22,583,587	13,490,059
Restricted for capital projects	60,372,287	10,640,529	49,731,758
Unrestricted net position	<u>(246,494,667)</u>	<u>29,542,261</u>	<u>(276,036,928)</u>
Total net position	<u>\$ (150,048,734)</u>	<u>\$ 62,766,377</u>	<u>\$ (212,815,111)</u>

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

As seen in the changes in net position chart below, the School District's total revenues increased by \$976,985, which included a governmental activities increase of \$1,033,954 and a business-type activities decrease of \$56,969. The School District's total expenses increased by \$12,908,370 which consisted of a governmental activities increase of \$12,848,222 and a business-type activities increase of \$60,148. This resulted in a decrease in total net position of \$212,815,111 which included a decrease in governmental activities of \$208,977,419 and a decrease in business-type activities of \$3,837,692.

The largest decrease in general revenues was from the sale of capital assets. The sale of capital assets decreased by \$1,820,130, due to the sale of Dwight D Eisenhower Elementary School in 2013-2014. There were no buildings sold in 2014-2015.

The largest increase in expenses was in regular instruction. This increased by \$8,653,267 (13.6%) due to the increase in salaries and benefits due to full-day kindergarten.

Changes in Net Position

	<u>Government-Wide Activities</u>		<u>Total Change</u>
	<u>2015</u>	<u>2014</u>	<u>2014-2015</u>
Revenues:			
Program revenues:			
Governmental activities:			
Charges for services	\$ 405,799	\$ 651,199	\$ (245,400)
Operating grants and contributions	28,963,423	26,082,866	2,880,557
Business-type activities:			
Charges for services	1,829,098	1,978,780	(149,682)
Operating grants and contributions	1,499,159	1,406,446	92,713
General revenues:			
Governmental activities:			
Property taxes	122,152,038	122,338,401	(186,363)
Unrestricted grants and contributions	12,445,972	12,445,948	24
Gain on sale of capital assets	4,826	1,824,956	(1,820,130)
Investment earnings	509,282	148,988	360,294
Miscellaneous	570,439	525,467	44,972
Total governmental activities revenues forward	<u>165,051,779</u>	<u>164,017,825</u>	<u>1,033,954</u>
Total business-type activities revenues forward	<u>3,328,257</u>	<u>3,385,226</u>	<u>(56,969)</u>
Total forward	<u>168,380,036</u>	<u>167,403,051</u>	<u>976,985</u>
Expenses:			
Governmental activities:			
Instruction:			
Regular	72,244,232	63,590,965	8,653,267
Special	33,090,484	33,161,328	(70,844)
Vocational	7,836,192	7,228,008	608,184
Other	1,038,147	906,745	131,402
Subtotal forward	<u>\$ 114,209,055</u>	<u>\$ 104,887,046</u>	<u>\$ 9,322,009</u>

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

	Government-Wide Activities		Total Change 2014-2015
	2015	2014	
Revenues:			
Total governmental activities revenues forwarded	\$ 165,051,779	\$ 164,017,825	\$ 1,033,954
Total business-type activities revenues forwarded	<u>3,328,257</u>	<u>3,385,226</u>	<u>(56,969)</u>
Total forwarded	<u>168,380,036</u>	<u>167,403,051</u>	<u>976,985</u>
Expenses:			
Governmental activities:			
Subtotal forwarded	114,209,055	104,887,046	9,322,009
Support services:			
Pupil	6,526,161	5,945,641	580,520
Instructional staff	3,659,953	3,324,070	335,883
Administration	9,031,081	8,445,662	585,419
Pupil health	1,730,332	1,576,082	154,250
Business	1,583,802	1,504,701	79,101
Operation and maintenance of plant	12,331,782	12,519,214	(187,432)
Pupil transportation	7,976,520	7,241,112	735,408
Central	3,128,703	2,877,870	250,833
Other	109,029	107,990	1,039
Operation of non-instructional services:			
Student activities	1,676,745	1,497,325	179,420
Community services	445,123	512,628	(67,505)
Interest on long-term debt	<u>5,468,912</u>	<u>4,589,635</u>	<u>879,277</u>
Total governmental activities expenses	<u>167,877,198</u>	<u>155,028,976</u>	<u>12,848,222</u>
Total business-type activities - food service	<u>3,451,949</u>	<u>3,391,801</u>	<u>60,148</u>
Total expenses	<u>171,329,147</u>	<u>158,420,777</u>	<u>12,908,370</u>
Net revenue (expense)			
Governmental activities	(2,825,419)	8,988,849	(11,814,268)
Business-type activities	<u>(123,692)</u>	<u>(6,575)</u>	<u>(117,117)</u>
Total of revenues over expenses	<u>(2,949,111)</u>	<u>8,982,274</u>	<u>(11,931,385)</u>
Net position - beginning:			
Governmental activities, restated	(143,943,921)	53,219,230	(197,163,151)
Business-type activities, restated	<u>(3,155,702)</u>	<u>564,873</u>	<u>(3,720,575)</u>
Total net position - beginning	<u>(147,099,623)</u>	<u>53,784,103</u>	<u>(200,883,726)</u>
Net position - ending:			
Governmental activities	(146,769,340)	62,208,079	(208,977,419)
Business-type activities	<u>(3,279,394)</u>	<u>558,298</u>	<u>(3,837,692)</u>
Total net position - ending	<u>\$ (150,048,734)</u>	<u>\$ 62,766,377</u>	<u>\$ (212,815,111)</u>

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

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

Governmental Funds

Governmental Funds report the differences between their assets, deferred outflows, liabilities and deferred inflows as fund balance, which is reported as five components: Nonspendable, Restricted, Committed, Assigned and Unassigned. Nonspendable Fund Balance cannot be spent either because it is not in a spendable form or because it is legally or contractually required to be maintained intact. Restricted Fund Balance is amounts that can be spent only for specific purposes because of state or federal laws or externally imposed conditions by grantors or creditors. Committed Fund Balance is amounts that can be used only for specific purposes determined by a formal action by the Board of School Directors. This includes the budget reserve account. Assigned Fund Balance is amounts that are intended to be used for a specific purpose, as expressed by the Board of School Directors or by an official or body to which the Board of School Directors delegates the Authority. Unassigned Fund Balance is all amounts not included in other spendable classifications.

Fund balance in the *Balance Sheet - Governmental Funds* is the difference between revenue and expenditures at the end of the year, combined with the fund balance from the beginning of the year. Fund balance in the General Fund is summarized below.

	June 30,		
	<u>2015</u>	<u>2014</u>	<u>Difference</u>
Fund balance:			
Nonspendable	\$ 374,656	\$ 226,995	\$ 147,661
Committed	12,000,000	12,000,000	-
Assigned	12,222,448	8,073,858	4,148,590
Unassigned	<u>17,129,174</u>	<u>17,592,540</u>	<u>(463,366)</u>
Total fund balance	<u>\$ 41,726,278</u>	<u>\$ 37,893,393</u>	<u>\$ 3,832,885</u>

For the year ended June 30, 2015, the fund balance increased \$3,832,885 from the prior year's balance. The increase in fund balance is primarily attributable to a favorable variance of budget to actual results in the following categories: Salaries, benefits, and purchased property services. Non-emergency spending of expenditures were frozen in February 2015, which helped control the fund balance.

The fund balance in the Capital Projects Fund increased by \$49,731,758. This was due to the bond issue received for the new elementary school construction project and the guaranteed energy savings agreement (GESA). This increased total assets by \$49,524,866. The Capital Projects Fund balance is restricted for use with the capital projects only.

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

Proprietary Fund

The Proprietary Fund is an Enterprise Fund (Food Service Fund) that accounts for the revenues, food purchases and other costs and expenses of providing meals to students during the school year. This fund is reported as a major fund.

Fund net position in the *Statement of Net Position - Proprietary Fund* is the difference between assets and liabilities at the end of the year. Total net position is summarized below.

	June 30,		
	<u>2015</u>	<u>2014</u>	<u>Difference</u>
Fund net position:			
Total assets and deferred outflows	\$ 1,523,093	\$ 922,667	\$ 600,426
Total liabilities and deferred inflows	<u>4,802,487</u>	<u>364,369</u>	<u>4,438,118</u>
Net investment in capital assets	239,538	274,338	(34,800)
Unrestricted	<u>(3,518,932)</u>	<u>283,960</u>	<u>(3,802,892)</u>
Total net position	<u>\$ (3,279,394)</u>	<u>\$ 558,298</u>	<u>\$ (3,837,692)</u>

As of June 30, 2015, the Food Service Fund had (\$3,279,394) in net position. The decrease of \$3,837,692 was due to a decrease of unrestricted net position of \$3,802,892 and a decrease of net investment in capital assets of \$34,800.

The food service revenues in 2014-2015 were 7.6% less than the previous year. Some of the major decreases were the value of donated commodities, subsidies-federal lunch and student sales. These decreases were offset by increases in special functions and FICA & Retirement subsidy.

The expenses in 2014-2015 were 1.8% greater than the previous year. Some of the major increases were in payroll expense, equipment repairs & maintenance, and supplies expense. These increases were offset by decreases in food costs, donated commodities, and retirement expense.

Fiduciary Funds

The Fiduciary Funds consist of the Private-Purpose Trust Funds and the Activity Fund. The Trust Fund accounts are the receipts and disbursement of monies contributed to the District for scholarships and memorials. The balance for 2014-2015 was \$98,975, which was \$32,790 greater than the previous year due to an increase in investments. The Activity Funds are used for the Student Activity Fund accounts for student activities in the high school and middle schools.

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

General Fund Budgetary Highlights

Variances between the original 2014-2015 budget and the final year-end budget were due to transfers done throughout the year and federal, state and local grants. The grant budgets are increased as grants are awarded. These are not expected to have a significant effect on future services or liquidity.

The final revenue budget was \$1,086,263 over the original budget. This was due to \$1,086,263 in grants awarded during the fiscal year. The positive variance of actual revenues with the final budget of \$857,831 is primarily the result of real estate transfer tax and delinquent real estate tax.

The increase of \$1,086,263 in the final expenditure budget over the original budget is due to additional expenditures budgeted to take advantage of additional funding from the state grants awarded during the fiscal year. The positive variance of actual expenditures with the final budget of \$10,481,599 is primarily the result of the following factors: Savings of salaries and benefits \$6,550,990; purchased professional and technical services \$347,645; purchased property services \$407,368; other purchased services \$681,601; general supplies \$658,856; and other objects \$1,566,092.

Transfers

There was a transfer from the General Fund to the Capital Projects Fund of \$1,307,000 to fund future capital projects.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The School District's property, plant and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Proprietary Fund capital assets are also reported in their fund financial statements.

For the year ended 2015, the School District had \$122,089,745 in capital assets, less depreciation. The additions and retirements, less depreciation, were \$(1,725,501) and construction in progress was \$7,607,727. For the year ended 2014, food service had \$239,538 in capital assets, less depreciation. More detailed information about capital assets can be found in Note F to the financial statements.

Capital Assets
(Net of Accumulated Depreciation)

	Governmental Activities		Total Change 2014-2015
	2015	2014	
Land and improvements	\$ 4,207,505	\$ 4,207,505	\$ -
Buildings and building improvements	99,418,789	101,910,313	(2,491,524)
Furniture and equipment	10,477,305	9,711,282	766,023
Construction in progress	7,986,146	378,419	7,607,727
Total capital assets	\$ 122,089,745	\$ 116,207,519	\$ 5,882,226

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

	Business-Type Activities		Total Change 2014-2015
	2015	2014	
Furniture and equipment	\$ 239,538	\$ 274,338	\$ (34,800)

Debt Administration

In the government-wide and Proprietary Fund financial statements, outstanding debt is reported as liabilities.

For the year ended 2015, the School District had \$138,835,000 in general obligation bonds, of which \$3,015,000 is due within one year. Additional information on the School District's bonds payable can be found in Note H to the basic financial statements.

	Bonds Payable		Total Change 2014-2015
	Governmental Activities		
	2015	2014	
Series of 2006	\$ 34,300,000	\$ 66,305,000	\$ (32,005,000)
Series B of 2007	8,755,000	8,755,000	-
Series of 2012	9,395,000	9,560,000	(165,000)
Series of 2013	5,835,000	6,800,000	(965,000)
Series A of 2015	28,780,000	-	28,780,000
Series B of 2015	51,770,000	-	51,770,000
Total bonds payable	\$ 138,835,000	\$ 91,420,000	\$ 47,415,000

MAJOR FINANCIAL ISSUES

Most of the major financial issues addressed by the School District during the past year were a continuation of annual or ongoing events that began in the prior year. Among these events are inadequate state funding and stagnant enrollment.

Inadequate State Funding

The Governor's 2013-2014 budget for the Commonwealth of Pennsylvania kept the basic education funding relatively flat. The funds were distributed based on a base cost amount and adjustments for poverty, school district size, geographic costs and English language learners.

The state had a slight increase of the 2013-2014 school year allocations for special education funding.

The state's share of instruction expenditures has dropped from 54.2% in 1971-72 to 32.4% in 2013-2014.

o	1971-72	54.2%	o	1991-92	40.3%
o	1987-88	43.2%	o	2013-14	32.4%

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

Declining Enrollment

Unlike many of our surrounding school districts, Neshaminy School District has very little land available for future development. Without the influx of students caused by residential development, Neshaminy has been experiencing only the natural changes in demographics. These changes in demographics are caused by the aging of our community and by a change in the number of children per household.

According to projections made by School District officials and also by the Pennsylvania Department of Education, the School District can expect a slight decline and stagnant enrollment over the next few years. There was a slight increase in enrollment in the 2014-15 school year due to full-day kindergarten.

o	2008-2009	8,839	o	2012-2013	8,517
o	2009-2010	8,687	o	2013-2014	8,356
o	2010-2011	8,680	o	2014-2015	8,942
o	2011-2012	8,568	o	2015-2016	8,795

Comprehensive Plan

The School District has developed a Comprehensive Plan, which was formerly known as the Strategic Plan. The Comprehensive Plan was mandated by the State as a requirement of every district to have a system in place to monitor our Academic Standards and Assessment. This is a visionary roadmap for the district and the planning includes the community stakeholders.

The Neshaminy community is committed to implementing the following goals:

- Student Achievement – Curriculum and Instruction
 - We will establish a district system that fully ensures consistent implementation of standards aligned curricula across all schools for all students and effective instructional practices across all classrooms in each school.
- Student Centered and Community Focused
 - We will establish a district system that fully ensures barriers to student learning are addressed in order to increase student achievement and graduation rates.
- Financial Responsibility and Fiscal Resiliency
 - We will establish a system that fully ensures the district's resources effectively address instructional priorities aligned with the district's vision and mission.

Labor Relations

The professional staff of the Neshaminy School District is represented by the Neshaminy Federation of Teachers, an affiliation of the Pennsylvania Federation of Teachers. This group has the responsibility of bargaining for these employees. The School District and Neshaminy Federation of Teachers settled the contract in June 2013, and this will be in effect through June 2015.

The support staff of the Neshaminy School District is represented by the Neshaminy Educational Support Personnel Association, an affiliation of the Pennsylvania State Educational Support Personnel Association. The contract ended on June 30, 2014, and the School District and Neshaminy Educational Support Personnel Association settled on a new contract that will be in effect through June 30, 2018.

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

FUTURE PROSPECTS

Mission Statement

The District is dedicated to empowering students to become accountable, creative, self-aware, and productive citizens who utilize the knowledge, the skills, the social consciousness, and the desire for continuous learning. Our Neshaminy community has a proud tradition of integrating its people, its programs, and its resources.

In order to carry out the mission and objectives of the School District, the Board, administration and public are continually exploring new and improved vehicles by which the School District will be the **BEST** in providing for the educational needs of its students. The School District is constantly designing methods to maintain our educational excellence while cutting unnecessary spending on those items or services, which will not ultimately benefit the student. Internal controls and constant monitoring of procedures and policies help to ensure the best educational environment for any student here at Neshaminy. Not only is the School District searching for increases in funding, as are all school districts, but we are searching for innovative alternatives to the funding of a school district. Some avenues which the School District is currently exploring are the use of Parent Teacher Organizations, sponsorship from private corporations and donated services to the school district for a variety of educational needs. We will continue to investigate alternatives as well as tax reform to lessen the burden of increases in real estate taxes in subsequent years on the average homeowner in the School District.

The Neshaminy Board of School Directors, administration and the public are committed to meeting the challenges of the present and future conditions to establish the "best education possible" while maintaining fiscal responsibility to the taxpayers.

NESHAMINY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 20,796,087	\$ 4,813	\$ 20,800,900
Investments	83,100,655	412,380	83,513,035
Taxes receivable, net	3,763,250	-	3,763,250
Internal balances	390,296	(390,296)	-
Due from other governments	3,789,414	182,159	3,971,573
Other receivables, net	5,371,218	12,886	5,384,104
Inventories	150,852	174,317	325,169
Prepaid expenses	223,804	-	223,804
Capital assets			
Land and site improvements	4,207,505	-	4,207,505
Buildings and building improvements	178,848,914	-	178,848,914
Furniture and equipment	39,793,903	1,125,062	40,918,965
Construction in progress	7,986,146	-	7,986,146
Accumulated depreciation	(108,746,723)	(885,524)	(109,632,247)
TOTAL ASSETS	<u>239,675,321</u>	<u>635,797</u>	<u>240,311,118</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources, pension activity	27,592,000	497,000	28,089,000
Deferred amount on refunding	1,571,874	-	1,571,874
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>29,163,874</u>	<u>497,000</u>	<u>29,660,874</u>
LIABILITIES			
Accounts payable	4,633,902	33,466	4,667,368
Accrued salaries and benefits	5,703,747	-	5,703,747
Accrued interest	1,137,350	-	1,137,350
Due to other governments	4,355	-	4,355
Unearned revenue	-	29,725	29,725
Other current liabilities	1,922,273	-	1,922,273
Self-insurance liability	821	-	821
Long-term liabilities			
Portion due or payable within one year			
Bonds payable	3,561,097	-	3,561,097
Compensated absences	532,545	-	532,545
Portion due or payable after one year			
Bonds payable	144,659,553	-	144,659,553
Compensated absences	4,792,903	-	4,792,903
Net pension liability	225,311,000	4,059,000	229,370,000
Other postemployment benefits	7,241,989	-	7,241,989
TOTAL LIABILITIES	<u>399,501,535</u>	<u>4,122,191</u>	<u>403,623,726</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources, pension activity	16,107,000	290,000	16,397,000
NET POSITION			
Net investment in capital assets	35,834,108	239,538	36,073,646
Restricted for standard fund balance reserves, capital projects	60,372,287	-	60,372,287
Unrestricted	(242,975,735)	(3,518,932)	(246,494,667)
TOTAL NET POSITION	<u>\$ (146,769,340)</u>	<u>\$ (3,279,394)</u>	<u>\$ (150,048,734)</u>

See accompanying notes to the basic financial statements.

NESHAMINY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
Instruction				
Regular programs	\$ 72,244,232	\$ -	\$ 10,557,795	\$ -
Special programs	33,090,484	121,194	8,269,328	-
Vocational education	7,836,192	13,750	34	-
Other instructional programs	1,038,147	79,516	7,154,806	-
Support services				
Pupil personnel services	6,526,161	-	-	-
Instructional staff services	3,659,953	-	598,472	-
Administration services	9,031,081	-	-	-
Pupil health services	1,730,332	-	187,679	-
Business services	1,583,802	-	-	-
Operation and maintenance of plant services	12,331,782	-	-	-
Student transportation services	7,976,520	-	1,339,767	-
Central services	3,128,703	-	-	-
Other services	109,029	-	-	-
Operation of non-instructional services				
Student activities	1,676,745	61,645	-	-
Community services	445,123	129,694	6,301	-
Interest on long-term debt	5,468,912	-	849,241	-
TOTAL GOVERNMENTAL ACTIVITIES	167,877,198	405,799	28,963,423	-
BUSINESS-TYPE ACTIVITIES				
Food service	3,451,949	1,829,098	1,499,117	-
TOTAL SCHOOL DISTRICT ACTIVITIES	\$ 171,329,147	\$ 2,234,897	\$ 30,462,540	\$ -

GENERAL REVENUES

Property taxes, levied for general purposes
 Grants and contributions not restricted to specific programs
 Investment earnings
 Miscellaneous
 Gain on sale of capital assets

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
\$ (61,686,437)	\$ -	\$ (61,686,437)
(24,699,962)	-	(24,699,962)
(7,822,408)	-	(7,822,408)
6,196,175	-	6,196,175
(6,526,161)	-	(6,526,161)
(3,061,481)	-	(3,061,481)
(9,031,081)	-	(9,031,081)
(1,542,653)	-	(1,542,653)
(1,583,802)	-	(1,583,802)
(12,331,782)	-	(12,331,782)
(6,636,753)	-	(6,636,753)
(3,128,703)	-	(3,128,703)
(109,029)	-	(109,029)
(1,615,100)	-	(1,615,100)
(309,128)	-	(309,128)
(4,619,671)	-	(4,619,671)
<u>(138,507,976)</u>	<u>-</u>	<u>(138,507,976)</u>
-	(123,734)	(123,734)
<u>(138,507,976)</u>	<u>(123,734)</u>	<u>(138,631,710)</u>
122,152,038	-	122,152,038
12,445,972	-	12,445,972
509,282	42	509,324
570,439	-	570,439
4,826	-	4,826
<u>135,682,557</u>	<u>42</u>	<u>135,682,599</u>
(2,825,419)	(123,692)	(2,949,111)
<u>(143,943,921)</u>	<u>(3,155,702)</u>	<u>(147,099,623)</u>
<u>\$ (146,769,340)</u>	<u>\$ (3,279,394)</u>	<u>\$ (150,048,734)</u>

NESHAMINY SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2015

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 20,796,087	\$ -	\$ 20,796,087
Investments	22,707,516	60,393,139	83,100,655
Taxes receivable, net	3,763,250	-	3,763,250
Due from other funds	390,296	-	390,296
Due from other governments	3,789,414	-	3,789,414
Other receivables, net	5,364,727	6,491	5,371,218
Inventories	150,852	-	150,852
Prepaid items	223,804	-	223,804
	<u>57,185,946</u>	<u>60,399,630</u>	<u>117,585,576</u>
TOTAL ASSETS	\$ 57,185,946	\$ 60,399,630	\$ 117,585,576
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 4,606,559	\$ 27,343	\$ 4,633,902
Due to other governments	4,355	-	4,355
Self-insurance liability	821	-	821
Accrued salaries and benefits	5,703,747	-	5,703,747
Other current liabilities	1,922,273	-	1,922,273
	<u>12,237,755</u>	<u>27,343</u>	<u>12,265,098</u>
TOTAL LIABILITIES	12,237,755	27,343	12,265,098
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues, property taxes	<u>3,221,913</u>	-	<u>3,221,913</u>
FUND BALANCES			
Nonspendable			
Inventories	150,852	-	150,852
Prepaid items	223,804	-	223,804
Restricted for capital projects	-	60,372,287	60,372,287
Committed to PSERS	12,000,000	-	12,000,000
Assigned to			
Capital projects	2,000,000	-	2,000,000
Operating expenditures	398,830	-	398,830
Subsequent year's budget	8,023,618	-	8,023,618
Technological infrastructure	1,800,000	-	1,800,000
Unassigned	17,129,174	-	17,129,174
	<u>41,726,278</u>	<u>60,372,287</u>	<u>102,098,565</u>
TOTAL FUND BALANCES	41,726,278	60,372,287	102,098,565
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 57,185,946	\$ 60,399,630	\$ 117,585,576

See accompanying notes to the basic financial statements.

NESHAMINY SCHOOL DISTRICT

RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2015

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 102,098,565
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. These assets consist of:</p>	
Land and site improvements	4,207,505
Buildings and building improvements	178,848,914
Furniture and equipment	39,793,903
Construction in progress	7,986,146
Accumulated depreciation	(108,746,723)
Deferred amount on refunding	1,571,874
<p>Deferred inflows and outflows of resources related to pension activities are not financial resources and therefore not reported in the governmental funds.</p>	
	11,485,000
<p>Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:</p>	
Accrued interest	(1,137,350)
Bonds/note payable	(138,835,000)
Bond premium, net of issuance costs	(9,385,650)
Compensated absences	(5,325,448)
Net pension liability	(225,311,000)
Other postemployment benefits	(7,241,989)
<p>Some of the School District's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.</p>	
	<u>3,221,913</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (146,769,340)</u>

See accompanying notes to the basic financial statements.

NESHAMINY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Local sources	\$ 123,352,407	\$ 9,788	\$ 123,362,195
State sources	38,626,671	-	38,626,671
Federal sources	2,705,404	-	2,705,404
TOTAL REVENUES	<u>164,684,482</u>	<u>9,788</u>	<u>164,694,270</u>
EXPENDITURES			
Current			
Instruction	104,560,894	-	104,560,894
Support services	43,200,621	-	43,200,621
Operation of non-instructional services	1,940,576	-	1,940,576
Capital			
Facilities acquisition, construction and improvement services	863,820	9,558,323	10,422,143
Debt service			
Debt issuance cost	291,295	475,959	767,254
Principal	5,445,643	-	5,445,643
Interest	3,892,869	-	3,892,869
TOTAL EXPENDITURES	<u>160,195,718</u>	<u>10,034,282</u>	<u>170,230,000</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>4,488,764</u>	<u>(10,024,494)</u>	<u>(5,535,730)</u>
OTHER FINANCING SOURCES (USES)			
Refunding bonds issued	28,780,000	51,770,000	80,550,000
Premium on refunding bonds issued	1,070,706	6,679,252	7,749,958
Payment to refunded bond escrow agent	(29,559,411)	-	(29,559,411)
Swap termination proceeds	352,000	-	352,000
Transfers in	-	1,307,000	1,307,000
Transfers out	(1,307,000)	-	(1,307,000)
Proceeds from sale of capital assets	7,826	-	7,826
TOTAL OTHER FINANCING SOURCES (USES)	<u>(655,879)</u>	<u>59,756,252</u>	<u>59,100,373</u>
NET CHANGE IN FUND BALANCES	3,832,885	49,731,758	53,564,643
FUND BALANCES AT BEGINNING OF YEAR	<u>37,893,393</u>	<u>10,640,529</u>	<u>48,533,922</u>
FUND BALANCES AT END OF YEAR	<u>\$ 41,726,278</u>	<u>\$ 60,372,287</u>	<u>\$ 102,098,565</u>

See accompanying notes to the basic financial statements.

NESHAMINY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 53,564,643
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 (\$11,801,043) exceeds depreciation (\$5,915,817) in the current period.	5,885,226
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. Unearned tax revenues decreased by this amount this year.	90,684
Issuance of bonds and notes is a revenue in the Governmental Funds, but the proceeds increase long-term liabilities in the statement of net position. Repayment of bonds, notes and capital lease principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position. Also, Governmental Funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This is the net effect of these differences in the treatment of long-term debt and related items.	(53,915,547)
Bond premiums provide current financial resources to Governmental Funds, while discounts are uses of current financial resources in Governmental Funds. In the statement of net position, bond premiums and discounts are deferred and amortized.	174,433
In the statement of activities, certain operating expenses--compensated absences (vacations and sick leave) and other postemployment benefits--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).	(95,152)
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	(362,579)
Pension plan expense	(7,674,000)
Derivative instrument, change in swap liability	(90,001)
The net change in the liability for the net OPEB obligation is reported in the government-wide statements but not in the Governmental Funds statements.	(400,126)
The net effect of various transactions involving capital assets (i.e., sales, gains on dispositions) is to decrease net position.	<u>(3,000)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (2,825,419)</u>

See accompanying notes to the basic financial statements.

NESHAMINY SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUND

JUNE 30, 2015

	Enterprise Fund
	<u>Food</u>
	<u>Service Fund</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 4,813
Investments	412,380
Accounts receivable, net	12,886
Due from other governments	182,159
Inventories	174,317
TOTAL CURRENT ASSETS	<u>786,555</u>
CAPITAL ASSETS	
Furniture and equipment	1,125,062
Accumulated depreciation	(885,524)
TOTAL CAPITAL ASSETS	<u>239,538</u>
TOTAL ASSETS	<u>1,026,093</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pension activity	<u>497,000</u>
LIABILITIES	
Due to other funds	390,296
Accounts payable	33,466
Unearned revenue	29,725
Long-term liabilities	
Net pension liability	<u>4,059,000</u>
TOTAL LIABILITIES	<u>4,512,487</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pension activity	<u>290,000</u>
NET POSITION	
Net investment in capital assets	239,538
Unrestricted	<u>(3,518,932)</u>
TOTAL NET POSITION	<u>\$ (3,279,394)</u>

See accompanying notes to the basic financial statements.

NESHAMINY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2015

	Enterprise Fund
	<u>Food Service Fund</u>
OPERATING REVENUES	
Food service revenues	\$ <u>1,829,098</u>
OPERATING EXPENSES	
Salaries	1,389,025
Employee benefits	661,292
Purchased professional and technical service	5,112
Purchased property service	17,188
Other purchased service	4,186
Supplies	1,305,914
Property	6,229
Depreciation	55,065
Other operating expenses	7,938
TOTAL OPERATING EXPENSES	<u>3,451,949</u>
OPERATING LOSS	<u>(1,622,851)</u>
NONOPERATING REVENUES	
Earnings on investments	42
State sources	280,205
Federal sources	1,218,912
TOTAL NONOPERATING REVENUES	<u>1,499,159</u>
CHANGE IN NET POSITION	(123,692)
NET POSITION AT BEGINNING OF YEAR, restated	<u>(3,155,702)</u>
NET POSITION AT END OF YEAR	\$ <u><u>(3,279,394)</u></u>

See accompanying notes to the basic financial statements.

NESHAMINY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

YEAR ENDED JUNE 30, 2015

	Enterprise Fund <u>Food Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,849,279
Payments to employees	(2,244,016)
Payments to suppliers	(782,350)
NET CASH USED BY OPERATING ACTIVITIES	<u>(1,177,087)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal sources	1,070,602
State sources	280,205
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>1,350,807</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition, construction and improvements of capital assets	<u>(20,265)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(152,624)
Earnings on investments	42
NET CASH USED BY INVESTING ACTIVITIES	<u>(152,582)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	873
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>3,940</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 4,813</u>

NESHAMINY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

YEAR ENDED JUNE 30, 2015

	Enterprise Fund
	<u>Food</u>
	<u>Service Fund</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (1,622,851)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	55,065
Pension expense	138,000
Donated foods	148,310
(Increase) decrease in	
Accounts receivable	17,233
Inventories	(38,642)
Prepaid expenses	36,680
Increase (decrease) in	
Due to other funds	384,403
Accounts payable	33,466
Accrued salaries and benefits	(331,699)
Unearned revenue	<u>2,948</u>
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (1,177,087)</u></u>

SUPPLEMENTAL DISCLOSURES

Noncash activities	
Donated foods	\$ 148,310

See accompanying notes to the basic financial statements.

NESHAMINY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

	<u>Private- Purpose Trust Funds</u>	<u>Activity Fund</u>
ASSETS		
Cash and cash equivalents	\$ 17,673	\$ 461,544
Investments	<u>84,372</u>	<u>-</u>
TOTAL ASSETS	<u>102,045</u>	<u>\$ 461,544</u>
LIABILITIES		
Scholarships payable	3,070	\$ -
Due to student groups	<u>-</u>	<u>461,544</u>
TOTAL LIABILITIES	<u>3,070</u>	<u>\$ 461,544</u>
NET POSITION		
Assets held in trust for other purposes	<u>\$ 98,975</u>	

See accompanying notes to the basic financial statements.

NESHAMINY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2015

	<u>Private- Purpose Trust Funds</u>
ADDITIONS	
Contributions	\$ 36,105
Investment earnings	<u>298</u>
TOTAL ADDITIONS	36,403
DEDUCTIONS	
Scholarships awarded	<u>3,613</u>
CHANGE IN NET POSITION	32,790
NET POSITION AT BEGINNING OF YEAR	<u>66,185</u>
NET POSITION AT END OF YEAR	<u><u>\$ 98,975</u></u>

See accompanying notes to the basic financial statements.

NESHAMINY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Neshaminy 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. 39, *Determining Whether Certain Organizations Are Component Units*, in that the financial statements include all organizations, activities and functions for which the School District is financially accountable. Financial accountability is defined as the appointment of a voting majority of a component unit's board and either (1) the School District's ability to impose its will over a component unit or (2) the possibility that the component unit will provide a financial benefit or impose a financial burden on the School District. This report presents the activities of the Neshaminy School District. The School District is not a component unit of another reporting entity nor does it have any component units.

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

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.

NESHAMINY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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.

The Proprietary Fund Type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund 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.

The Proprietary Fund distinguishes *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 Fund are charges to customers for sales and services. Operating expenses for the Enterprise Fund 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.

NESHAMINY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Revenue Recognition

In applying the susceptible to accrual concept under the modified accrual basis, certain revenue sources are deemed both measureable and available (i.e., collectible within the current year or within 60 days from year-end and available to pay obligations of the current period). This includes property taxes, interest earnings, real estate transfer taxes and certain fees for services. Revenues for state and federally funded projects are recognized at the time the expenditures are made or when received in advance.

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.

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

Proprietary Fund

Food Service Fund - The Food Service Fund is 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 is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

NESHAMINY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds

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

Trust Funds are used for the resources of the various scholarships whose sole purpose is to provide annual scholarships to particular students as prescribed by donor stipulations.

The Agency Funds account for the assets held as an agent for the various student activities.

Cash and Cash Equivalents

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

Investments

Investments are valued at fair value.

Short-Term Interfund Receivables/Payables

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

Inventories and Prepaid Items

Inventory of food and milk in the Food Service Fund consists of supplies purchased and donated foods received from the federal government. Donated foods 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 expenses/items in both the government-wide and fund financial statements. Prepaid expenses are reported under the purchase method.

NESHAMINY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$4,000 or purchased with debt proceeds. The asset 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>
Buildings and building improvements	10-45
Furniture and equipment	5-20

Long-Term Obligations

In the government-wide financial statements and the Proprietary Fund Type 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 reported as deferred charges and amortized over the term of the related debt.

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

Self-Insurance

The School District is self-insured for workers' compensation. The School District accounts for its self-insurance program in the General Fund.

The School District has accrued \$821 in the General Fund representing incurred but unreported claims for the workers' compensation program.

NESHAMINY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

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

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 two items that qualify for reporting in this category. They are the deferred outflow related to pension activity and the deferred charge on refunding, both reported in the government-wide 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.

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 future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has two items that qualify for reporting in this category. The first item, unavailable revenues, property taxes is reported only in the Governmental Funds balance sheet. The Governmental Funds report unavailable revenues from property taxes, state grants and federal programs. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item, deferred inflows related to pension activity, are reported in the government-wide statement of net position.

Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. 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 when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

NESHAMINY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

GASB Statement No. 54

The School District previously, through *Policy 702 Fund Balance*, adopted GASB Statement No. 54, which redefined how fund balances of the Governmental Funds are presented in the financial statements. Fund balances are classified as follows:

- ***Nonspendable*** - Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.
- ***Restricted*** - Amounts that can be spent only for specific purposes because of state or federal laws or externally imposed conditions by grantors or creditors.
- ***Committed*** - Amounts that can be used only for specific purposes determined by a formal resolution by the Board of School Directors.
- ***Assigned*** - Amounts that are intended to be used for a specific purpose, as expressed by the Board of School Directors or by the Business Administrator to which the Board of School Directors has delegated the authority.
- ***Unassigned*** - All amounts not included in other spendable classifications.

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.

NESHAMINY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE B - CASH AND INVESTMENTS

Cash

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. The carrying value was \$21,280,117. As of June 30, 2015, \$20,809,625 of the School District's bank balance of \$21,293,365 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's trust department not in the School District's name	\$ <u>20,809,625</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, 2015, the School District had the following investments and maturities:

<u>Investment Type</u>	<u>Percentage of Investments</u>	<u>Fair Value</u>	<u>Maturities Less Than One Year</u>
PA INVEST	11.82%	\$ 9,889,945	\$ 9,889,945
PSDLAF	84.30%	70,475,864	70,475,864
Certificates of deposit	3.87%	<u>3,231,598</u>	<u>3,231,598</u>
		<u>\$ 83,597,407</u>	<u>\$ 83,597,407</u>

Investments with the Pennsylvania Local Government Investment Trust, PA INVEST and Pennsylvania School District Liquid Asset Fund (PSDLAF) are SEC Rule 2a7-like and are similar to investments in AAA money market mutual funds. These pooled investments are not subject to regulatory oversight and, as such, collateral is not required since the School District owns a proportionate share in the securities held in the trusts. The fair value of the School District's position in the pool is the same as the value of the pool share.

NESHAMINY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE B - CASH AND INVESTMENTS (Continued)

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, 2015, the School District's investment in the state investment pool was rated AAAM by Standard & Poor's.

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

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. 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 collector. Property taxes attach as an enforceable lien on property as of July 1.

NESHAMINY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE D - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2015, consisted of taxes, interest, other revenue and intergovernmental grants and entitlements. 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 accounts receivable by fund is as follows:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Food Service Fund</u>
Real estate taxes	\$ 3,140,920	\$ -	\$ -
Real estate transfer taxes	158,537	-	-
Section 511 taxes	463,793	-	-
Due from other governments			
Federal sources	306,257	-	168,747
State subsidies	3,483,157	-	13,412
Other receivables	<u>5,364,727</u>	<u>6,491</u>	<u>12,886</u>
	<u>\$ 12,917,391</u>	<u>\$ 6,491</u>	<u>\$ 195,045</u>

NOTE E - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2015, is as follows:

Due to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Food Service Fund	\$ <u>390,296</u>

The amounts between the Food Service Fund and the General Fund are General Fund monies used to pay the salary and benefits of Food Service Fund employees.

Interfund Transfers

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Capital Projects Fund	General Fund	\$ <u>1,307,000</u>

Funds are transferred from the General Fund to pay for equipment purchases and construction services.

NESHAMINY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE F - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land and site improvements	\$ 4,207,505	\$ -	\$ -	\$ 4,207,505
Construction in progress	378,419	7,607,727	-	7,986,146
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>4,585,924</u>	<u>7,607,727</u>	<u>-</u>	<u>12,193,651</u>
Capital assets being depreciated				
Buildings and building improvements	177,122,406	1,726,508	-	178,848,914
Accumulated depreciation	(75,212,093)	(4,218,032)	-	(79,430,125)
TOTAL BUILDINGS AND BUILDING IMPROVEMENTS, net	<u>101,910,313</u>	<u>(2,491,524)</u>	<u>-</u>	<u>99,418,789</u>
Furniture and equipment	38,029,235	2,466,808	(702,140)	39,793,903
Accumulated depreciation	(28,317,953)	(1,697,785)	699,140	(29,316,598)
TOTAL FURNITURE AND EQUIP- MENT, net	<u>9,711,282</u>	<u>769,023</u>	<u>(3,000)</u>	<u>10,477,305</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>111,621,595</u>	<u>(1,722,501)</u>	<u>(3,000)</u>	<u>109,896,094</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	<u>116,207,519</u>	<u>5,885,226</u>	<u>(3,000)</u>	<u>122,089,745</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Furniture and equipment	1,104,797	20,265	-	1,125,062
Accumulated depreciation	(830,459)	(55,065)	-	(885,524)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	<u>274,338</u>	<u>(34,800)</u>	<u>-</u>	<u>239,538</u>
CAPITAL ASSETS, net	<u>\$ 116,481,857</u>	<u>\$ 5,850,426</u>	<u>\$ (3,000)</u>	<u>\$ 122,329,283</u>

NESHAMINY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE F - CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

INSTRUCTION	
Regular programs	\$ 2,593,566
Special programs	1,212,798
Vocational education	287,557
Other instructional programs	38,039
SUPPORT SERVICES	
Pupil personnel services	233,954
Instructional staff services	131,737
Administration services	325,107
Pupil health services	61,896
Business services	56,946
Operation and maintenance of plant services	447,090
Student transportation services	329,157
Central services	117,139
Other services	4,145
NON-INSTRUCTIONAL SERVICES	
Student activities	59,934
Community services	16,752
	<u> </u>
	\$ <u>5,915,817</u>

Depreciation expense was charged to proprietary functions as follows:

Food Service Fund	\$ <u>55,065</u>
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NESHAMINY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE G - LONG-TERM DEBT

General Obligation Bonds

The School District issues general obligation bonds to provide funds for acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 20-year serial bonds with equal amounts of principal maturing each year.

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2016	\$ 3,015,000	\$ 6,148,922	\$ 9,163,922
2017	3,280,000	6,027,264	9,307,264
2018	3,390,000	5,916,434	9,306,434
2019	3,535,000	5,772,571	9,307,571
2020	4,400,000	5,641,609	10,041,609
2021 to 2025	24,810,000	25,625,814	50,435,814
2026 to 2030	31,195,000	19,265,419	50,460,419
2031 to 2035	38,075,000	10,941,850	49,016,850
2036 to 2038	<u>27,135,000</u>	<u>1,990,125</u>	<u>29,125,125</u>
	<u>\$ 138,835,000</u>	<u>\$ 87,330,008</u>	<u>\$ 226,165,008</u>

NESHAMINY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE H - CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2015, was as follows:

	<u>Interest Rate</u>	<u>Maturity Date</u>
GOVERNMENTAL ACTIVITIES		
BONDS AND NOTES PAYABLE		
Series of 2006	3.30% to 5.00%	5/1/2027
Series B of 2007	3.60% to 5.00%	2/15/2028
Series of 2012	0.75% to 3.00%	4/15/2024
Series of 2013	0.29% to 4.00%	4/15/2020
Series A of 2015	0.25% to 3.62%	11/1/2036
Series B of 2015	0.25% to 3.31%	11/1/2037
TOTAL BONDS AND NOTES PAYABLE		
DEFERRED AMOUNTS		
Unamortized bond premium		
COMPENSATED ABSENCES		
NET PENSION LIABILITY		
OTHER POSTEMPLOYMENT BENEFITS		
TOTAL LONG-TERM LIABILITIES		
BUSINESS-TYPE ACTIVITIES		
NET PENSION LIABILITY		

Compensated absences and other postemployment benefits are generally liquidated by the General Fund.

In April 2015, the District issued General Obligation Notes, Series A of 2015, in the amount of \$28,780,000 for the purpose of advance refunding the District's General Obligation Bonds, Series of 2006, and to pay the cost of issuing the 2015 Notes. The refunding increased the District's total debt service payments by \$12,724,356 and resulted in an estimated net present value economic impact of (\$1,868,261) for the District, however the refunding enabled the District to restructure the General Obligation Bonds, Series of 2006, in order to better accommodate the impact to its budget of the debt service on the General Obligation Bonds, Series B of 2015, which funded various capital projects.

In April 2015, the District issued General Obligation Bonds, Series B of 2015, in the amount of \$51,770,000 for the purpose of funding various capital projects.

<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
\$ 66,305,000	\$ -	\$ (32,005,000)	\$ 34,300,000	\$ 1,380,000
8,755,000	-	-	8,755,000	5,000
9,560,000	-	(165,000)	9,395,000	170,000
6,800,000	-	(965,000)	5,835,000	1,330,000
-	28,780,000	-	28,780,000	5,000
-	51,770,000	-	51,770,000	125,000
91,420,000	80,550,000	(33,135,000)	138,835,000	3,015,000
2,478,270	7,749,958	(842,578)	9,385,650	546,097
5,230,296	95,152	-	5,325,448	532,545
219,597,000	5,714,000	-	225,311,000	-
6,841,863	2,352,947	(1,952,821)	7,241,989	-
<u>\$ 325,567,429</u>	<u>\$ 96,462,057</u>	<u>\$ (35,930,399)</u>	<u>\$ 386,099,087</u>	<u>\$ 4,093,642</u>
<u>\$ 3,956,000</u>	<u>\$ 103,000</u>	<u>\$ -</u>	<u>\$ 4,059,000</u>	<u>\$ -</u>

NESHAMINY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE I - NONCANCELABLE LEASE OBLIGATION

In December 1995, the Bucks County Technical School Authority (the "Authority") issued 20-year School Revenue Bonds in the aggregate amount of \$35,360,000 for a new technical school and renovations on the old technical school. These bonds were refinanced in 2005. The bonds are secured under a trust indenture between the Authority and Wachovia National Bank by a pledge of, and are payable solely from, lease rentals payable by the Authority's member school districts, which includes the School District, under an assignment of the lease. Thus, the School District is obligated for a portion of the above amount. Each member school district's portion of the debt is based on a calculation of the apportionment of the lease rental among the member school districts made to create an equal millage impact upon all member school districts, which is effective for five years. This apportionment is then adjusted every five years thereafter until the lease expires or all payments are made. The School District made rental payments in the amount of \$767,452 for the year ended June 30, 2015, of which \$620,643 represented principal payments.

Shown below are the School District's future lease payments, based on the apportionment that is binding through fiscal year 2016:

Year Ending June 30,	Principal	Interest	Administrative Fees	Totals
2016	\$ 652,866	\$ 109,367	\$ 5,604	\$ 767,837
2017	687,401	79,995	5,604	773,000
2018	723,866	52,715	5,604	782,185
2019	<u>759,391</u>	<u>23,889</u>	<u>5,604</u>	<u>788,884</u>
	<u>\$ 2,823,524</u>	<u>\$ 265,966</u>	<u>\$ 22,416</u>	<u>\$ 3,111,906</u>

NOTE J - DEFERRED INFLOWS OF RESOURCES

General Fund

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

At June 30, 2015, deferred inflows of resources consisted of delinquent taxes receivable of \$3,221,913.

NESHAMINY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE K - UNEARNED REVENUE

Food Service Fund

Unearned revenue of \$29,725 in the Food Service Fund represents deferred inflows of donated commodity revenue.

NOTE L - PENSION PLAN

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.pasers.state.pa.us.

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.

NESHAMINY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE L - PENSION PLAN (Continued)

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

Employer Contributions

The School District's contractually required contribution rate for the fiscal year ended June 30, 2015, was 20.50% of covered payroll, actuarially determined as an amount that, when combined with employee contributions is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the plan from the School District were \$15,345,000 for the year ended June 30, 2015.

NESHAMINY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE L - PENSION PLAN (Continued)

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

At June 30, 2015, the School District reported a liability of \$229,370,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2013 to June 30, 2014. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2014, the School District's proportion was 0.5795%, which was an increase of 0.0334% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the School District recognized pension expense of \$23,157,000. At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Governmental Activities:		
Net difference between projected and actual investment earnings	\$ -	\$ 16,107,000
Changes in proportions	10,822,000	-
Difference between employer contributions and proportionate share of total contributions	1,696,000	-
Contributions subsequent to the measurement date	<u>15,074,000</u>	<u>-</u>
	<u>\$ 27,592,000</u>	<u>\$ 16,107,000</u>
Business-type Activities:		
Net difference between projected and actual investment earnings	\$ -	\$ 290,000
Changes in proportions	195,000	-
Difference between employer contributions and proportionate share of total contributions	31,000	-
Contributions subsequent to the measurement date	<u>271,000</u>	<u>-</u>
	<u>\$ 497,000</u>	<u>\$ 290,000</u>

NESHAMINY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE L - PENSION PLAN (Continued)

\$15,345,000 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the new pension liability in the year ended June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending
June 30,

Governmental activities:

2016	\$ (1,010,000)
2017	(1,010,000)
2018	(1,010,000)
2019	(1,010,000)
2020	<u>451,000</u>
	<u>\$ (3,589,000)</u>

Business-type activities:

2016	\$ (18,000)
2017	(18,000)
2018	(18,000)
2019	(18,000)
2020	<u>8,000</u>
	<u>\$ (64,000)</u>

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

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

NESHAMINY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE L - PENSION PLAN (Continued)

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

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

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

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

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, 2014.

NESHAMINY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE L - PENSION PLAN (Continued)

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

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

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
School District's proportionate share of the net pension liability	\$ <u>286,108,000</u>	\$ <u>229,370,000</u>	\$ <u>180,932,000</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 - OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

Funding Policy

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

NESHAMINY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE M - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation

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

Normal cost	\$ 155,852
Amortization of unfunded actuarial accrued liability	4,371,053
Interest	7,013
ANNUAL REQUIRED CONTRIBUTION (ARC)	<u>4,533,918</u>
Interest on net OPEB obligation	307,884
Adjustment to ARC	<u>(2,488,855)</u>
ANNUAL OPEB EXPENSE	<u>2,352,947</u>
Net OPEB contributions during the year	<u>(1,952,821)</u>
INCREASE IN NET OPEB OBLIGATION	400,126
Net OPEB obligation at beginning of year	<u>6,841,863</u>
NET OPEB OBLIGATION AT END OF YEAR	<u><u>\$ 7,241,989</u></u>

<u>Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2013	\$ 5,298,041	84.2%	\$ 6,929,204
2014	2,325,105	103.8%	6,841,863
2015	2,352,947	83.0%	7,241,989

Funded Status and Funding Progress

As of January 1, 2014, the actuarial accrued liability for benefits was \$12,016,025 and the actuarial value of assets was \$0, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$62,703,898, and the ratio of the UAAL to the covered payroll was 19.16%.

NESHAMINY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE M - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

Methods and Assumptions

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

In the January 1, 2014 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date and an annual healthcare cost trend rate of 6.5% initially, reduced by decrements to an ultimate rate of 5.5% in 2016. Both rates included a 2.5% inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2015, was 23 years.

NOTE N - COMPENSATED ABSENCES

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 \$5,325,448 at June 30, 2015, is recorded in compensated absences in the statement of net position.

NESHAMINY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE O - RISK MANAGEMENT

Workers' Compensation Self-Insurance

In fiscal year 1996, the School District established a Workers' Compensation Program to account for and finance its uninsured risks of loss due to employee claims. This program provides coverage up to a maximum of \$300,000 for each individual worker's compensation occurrence with specific, lower annual maximums over the life of the claim. The School District purchases commercial insurance for claims in excess of coverage provided by the program.

All School District employees are covered by the program. All salary-paying funds of the School District participate in the program and make payments to the program, which are accounted for in the General Fund, based on estimates of the amounts needed to pay prior and current period claims. The self-insurance liability of \$821 is based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the program's claims liability for the year ended June 30, 2015, is presented below:

<u>Balance June 30, 2014</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Market Adjustment</u>	<u>Balance June 30, 2015</u>
\$ <u>478,721</u>	\$ <u>263,318</u>	\$ <u>(741,032)</u>	\$ <u>(186)</u>	\$ <u>821</u>

Other Risks

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.

NESHAMINY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE P - PRIOR PERIOD ADJUSTMENT

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

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

For the government-wide governmental activities, the School District has treated their proportionate share of beginning of year net pension liability of \$219,597,000 and beginning of year deferred outflows of resources of \$13,445,000 as having been recognized in the period incurred. The School District has adjusted beginning net position for the governmental activities from \$62,208,079 to (\$143,943,921).

For the proprietary fund food service fund and the government-wide business-type activities, the School District has treated their proportionate share of beginning of year net pension liability of \$3,956,000 and beginning of year deferred outflows of resources of \$242,000 as having been recognized in the period incurred. The School District has adjusted beginning net position for the proprietary fund food service fund and for the business-type activities from \$558,298 to (\$3,155,702).

NOTE Q – SUBSEQUENT EVENT

In August 2015, the District issued General Obligation Bonds, Series C of 2015, in the amount of \$32,740,000 for the purpose of advance refunding all of the District's outstanding General Obligation Bonds, Series of 2006.

REQUIRED SUPPLEMENTARY INFORMATION

NESHAMINY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 124,779,922	\$ 123,202,521	\$ 123,352,407	\$ 149,886
State sources	38,657,084	38,585,457	38,626,671	41,214
Federal sources	619,948	3,310,574	2,705,404	(605,170)
TOTAL REVENUES	164,056,954	165,098,552	164,684,482	(414,070)
EXPENDITURES				
Instruction	110,127,938	110,213,939	104,560,894	5,653,045
Support services	47,695,992	48,305,806	43,200,621	5,105,185
Operation of non-instructional services	2,063,841	2,094,739	1,940,576	154,163
Facilities acquisition, construction and improvement services	1,195,783	1,195,783	863,820	331,963
Debt service	9,575,361	9,866,656	9,629,807	236,849
Budgetary reserve	400,000	423,590	-	423,590
TOTAL EXPENDITURES	171,058,915	172,100,513	160,195,718	11,904,795
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(7,001,961)	(7,001,961)	4,488,764	11,490,725
OTHER FINANCING SOURCES (USES)				
Refunding bonds issued	-	-	28,780,000	28,780,000
Premium on refunding bonds issued	-	-	1,070,706	1,070,706
Payment to refunded bond escrow agent	-	-	(29,559,411)	(29,559,411)
Swap termination proceeds	-	-	352,000	352,000
Transfers, net	(975,000)	(975,000)	(1,307,000)	(332,000)
Proceeds from sale of capital assets	-	-	7,826	7,826
TOTAL OTHER FINANCING SOURCES (USES)	(975,000)	(975,000)	(655,879)	319,121
NET CHANGE IN FUND BALANCE	(7,976,961)	(7,976,961)	3,832,885	11,809,846
FUND BALANCE AT BEGINNING OF YEAR	-	-	37,893,393	(37,893,393)
FUND BALANCE AT END OF YEAR	\$ (7,976,961)	\$ (7,976,961)	\$ 41,726,278	\$ (26,083,547)

See accompanying note to the budgetary comparison schedule.

NESHAMINY SCHOOL DISTRICT
NOTE TO THE BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2015

NOTE A - BUDGETARY INFORMATION

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

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

1. Prior to March 1, the Business Manager submits to the School Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. The School District also prepares budgets for the Capital Projects Fund. No budget is prepared for the Food Service Fund.
2. Public hearings are conducted at the School District offices to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of an ordinance. The Capital Projects Fund budgets are not legally adopted.
4. Legal budgetary control is maintained by the School Board at the department level. Transfers between departments, whether between funds or within a fund, or revisions that alter total revenues and expenditures of any fund must be approved by the School Board. Budgetary information in the combined operating statements is presented at or below the legal level of budgetary control. It also includes the effects of approved budget amendments. There were no budget amendments made in fiscal year 2015.
5. Budgetary data are included in the School District's management information system and are employed as a management control device during the year.
6. Unused appropriations lapse at the end of each fiscal year; however, the School District increases the subsequent year's appropriation by an amount equal to outstanding encumbrances and reserves a portion of the fund balance in a like amount.
7. The budget for the General Fund is adopted substantially on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

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).

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

School District's proportion of the net pension liability (asset)	<u>0.5795%</u>
School District's proportionate share of the net pension liability (asset)	\$ <u>229,370,000</u>
School District's covered-employee payroll	\$ <u>73,943,493</u>
School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	<u>310.20%</u>
The plan's fiduciary net position as a percentage of the total pension liability	<u>57.24%</u>

NESHAMINY SCHOOL DISTRICT
SCHEDULE OF THE SCHOOL DISTRICT'S CONTRIBUTIONS
YEAR ENDED JUNE 30, 2015

Contractually required contribution	\$ 15,345,000
Contributions in relation to the contractually required contribution	<u>15,345,000</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ -</u>
School District's covered-employee payroll	<u>\$ 53,632,817</u>
Contributions as a percentage of covered-employee payroll	<u>28.61%</u>

NESHAMINY SCHOOL DISTRICT
POSTEMPLOYMENT BENEFITS OTHER THAN
PENSION FUNDING PROGRESS
YEAR ENDED JUNE 30, 2015

SCHEDULE OF FUNDING PROGRESS

Valuation Date January 1,	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability (AAL)	(c) Unfunded AAL (UAAL) (b)-(a)	(d) Funded Ratio (a)/(b)	(e) Covered Payroll	(f) UAAL as a Percentage of Covered Payroll (c)/(e)
2010	\$ -	\$ 51,702,301	\$ 51,702,301	0.00%	\$ 66,886,777	77.30%
2012	-	51,776,275	51,776,275	0.00%	65,111,414	79.52%
2014	-	12,016,025	12,016,025	0.00%	62,703,898	19.16%

SUPPLEMENTARY INFORMATION SECTION

NESHAMINY SCHOOL DISTRICT
SCHEDULE OF GENERAL FUND REVENUES
YEAR ENDED JUNE 30, 2015

GENERAL FUND REVENUES

Local sources

Taxes, current and interim real estate	\$ 114,082,954
Real estate transfer tax	1,566,863
Public utility realty tax	153,887
Public current per capita tax	399,654
Current business privilege tax	1,511,149
Current mercantile tax	1,312,332
Current occupational privilege tax	214,536
Amusement tax	559,787
Delinquent taxes (all levies)	<u>2,268,623</u>
TOTAL TAXES	122,069,785
Receipts from Pennsylvania school districts	121,194
Earnings from temporary deposits and investments	237,495
Rent from school and other facilities	553,814
Miscellaneous revenue	<u>370,119</u>
TOTAL LOCAL SOURCES	<u>123,352,407</u>

State sources

Basic instructional subsidy	12,445,972
Special education	8,269,328
Transportation	1,339,767
Health service	187,679
Tuition for orphans and court placed children (Sections 1305 and 1306)	598,472
Retirement subsidy	7,859,683
Social Security subsidy	2,698,112
Rental payment subsidy	849,241
Property tax reduction allocation	3,591,458
Miscellaneous grants	<u>786,959</u>
TOTAL STATE SOURCES	<u>38,626,671</u>

Federal sources

Title I	138,707
Other federal programs and grants	<u>2,566,697</u>
TOTAL FEDERAL SOURCES	<u>2,705,404</u>

TOTAL GENERAL FUND REVENUES	\$ <u><u>164,684,482</u></u>
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NESHAMINY SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2015

	Activity Fund			Balance June 30, 2015
	Balance July 1, 2014	Additions	Deletions	
ASSETS				
Cash and cash equivalents	\$ <u>483,496</u>	\$ <u>1,466,789</u>	\$ <u>(1,488,741)</u>	\$ <u>461,544</u>
LIABILITIES				
Due to student groups	\$ <u>483,496</u>	\$ <u>1,466,789</u>	\$ <u>(1,488,741)</u>	\$ <u>461,544</u>

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

To the Board of School Directors
Neshaminy School District
Langhorne, 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 Neshaminy School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Neshaminy School District's basic financial statements, and have issued our report thereon dated February 9, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Neshaminy 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 Neshaminy School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Neshaminy 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
Neshaminy School District
Langhorne, Pennsylvania

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Neshaminy 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 "Maullie LLP". The signature is written in a cursive, flowing style.

Oaks, Pennsylvania
February 9, 2016

***Independent Auditors' Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance in Accordance With OMB Circular A-133***

To the Board of School Directors
Neshaminy School District
Langhorne, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited the Neshaminy School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Neshaminy School District's major federal programs for the year ended June 30, 2015. Neshaminy 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 Neshaminy School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Neshaminy 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 Neshaminy School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Neshaminy School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

To the Board of School Directors
Neshaminy School District
Langhorne, Pennsylvania

Report on Internal Control Over Compliance

Management of the Neshaminy 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 Neshaminy School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Neshaminy School District's internal control over compliance.

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Oaks, Pennsylvania
February 9, 2016

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

NESHAMINY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AND CERTAIN STATE AWARDS YEAR ENDED JUNE 30, 2015

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/ Ending Date</u>
U.S. DEPARTMENT OF EDUCATION				
Passed through the Pennsylvania Department of Education				
Title I	I	84.010	013-140277	July 1, 2013 to September 30, 2014
Title I	I	84.010	013-150277	July 1, 2014 to September 30, 2015
Academic Achievement Award	I	84.010	077-150277	July 1, 2014 to September 30, 2015
Title III, Language Instruction ESL	I	84.365	010-130277	July 1, 2012 to September 30, 2013
Title III, Language Instruction ESL	I	84.365	010-140277	July 1, 2013 to September 30, 2014
Title III, Language Instruction ESL	I	84.365	010-150277	July 1, 2014 to September 30, 2015
Title II, Part A	I	84.367	020-130277	July 1, 2012 to September 30, 2013
Title II, Part A	I	84.367	020-140277	July 1, 2013 to September 30, 2014
Title II, Part A	I	84.367	020-150277	July 1, 2014 to September 30, 2015
Passed through the Bucks County Intermediate Unit				
IDEA	I	84.173	N/A	July 1, 2013 to June 30, 2014
IDEA	I	84.173	N/A	July 1, 2014 to June 30, 2015
IDEA	I	84.027	N/A	July 1, 2014 to June 30, 2015
TOTAL FORWARD				

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2014</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2015</u>
\$ 615,790	\$ 450,560	\$ 352,222	\$ 98,338	\$ 98,338	\$ -
585,637	547,759	-	457,197	457,197	(90,562)
48,915	20,964	-	40,369	40,369	19,405
11,678	1,230	1,230	-	-	-
16,802	8,961	2,850	6,111	6,111	-
21,386	10,693	-	15,979	15,979	5,286
262,709	69,414	69,414	-	-	-
249,989	183,278	228,243	-	-	44,965
249,107	71,244	-	87,262	87,262	16,018
6,432	6,432	6,432	-	-	-
7,098	-	-	7,098	7,098	7,098
1,798,609	<u>1,798,609</u>	<u>-</u>	<u>1,798,609</u>	<u>1,798,609</u>	<u>-</u>
	<u>\$ 3,169,144</u>	<u>\$ 660,391</u>	<u>\$ 2,510,963</u>	<u>\$ 2,510,963</u>	<u>\$ 2,210</u>

NESHAMINY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AND CERTAIN STATE AWARDS

YEAR ENDED JUNE 30, 2015

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/ Ending Date</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through the Pennsylvania Department of Education				
E.L.E.C.T. Fatherhood Program	I	93.558	4100060965	July 1, 2013 to June 30, 2014
E.L.E.C.T. Fatherhood Program	I	93.558	4100060965	July 1, 2014 to
E.L.E.C.T. Grant	I	93.558	110-110017	July 1, 2013 to June 30, 2014
E.L.E.C.T. Grant	I	93.558	110-110017	July 1, 2014 to June 30, 2015
TOTAL FORWARD				
U.S. DEPARTMENT OF AGRICULTURE				
Passed through the Pennsylvania Department of Education				
Child Nutrition Cluster				
National School Lunch Program	I	10.555*	N/A	July 1, 2013 to June 30, 2014
National School Lunch Program	I	10.555*	N/A	July 1, 2014 to June 30, 2015
Special Milk Program	I	10.556*	N/A	July 1, 2013 to June 30, 2014
National School Lunch Program	S	N/A	N/A	July 1, 2013 to June 30, 2014
National School Lunch Program	S	N/A	N/A	July 1, 2014 to June 30, 2015
School Breakfast Program	I	10.553*	N/A	July 1, 2013 to June 30, 2014
School Breakfast Program	I	10.553*	N/A	July 1, 2014 to June 30, 2015
School Breakfast Program	S	N/A	N/A	July 1, 2013 to June 30, 2014
School Breakfast Program	S	N/A	N/A	July 1, 2014 to June 30, 2015
SUBTOTAL FORWARD				

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2014</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2015</u>
\$ 69,362	\$ -	\$ 28,221	\$ (28,221)	\$ (28,221)	\$ -
69,362	-	-	69,130	69,130	69,130
236,175	-	96,615	(96,615)	(96,615)	-
236,175	<u>-</u>	<u>-</u>	<u>250,147</u>	<u>250,147</u>	<u>250,147</u>
	<u>-</u>	<u>124,836</u>	<u>194,441</u>	<u>194,441</u>	<u>319,277</u>
N/A	149,471	149,471	-	-	-
N/A	751,193	-	888,536	888,536	137,343
N/A	339	339	-	-	-
N/A	11,432	11,432	-	-	-
N/A	61,108	-	70,799	70,799	9,691
N/A	37,285	37,285	-	-	-
N/A	150,662	-	182,066	182,066	31,404
N/A	4,555	4,555	-	-	-
N/A	<u>12,595</u>	<u>-</u>	<u>16,316</u>	<u>16,316</u>	<u>3,721</u>
	<u>\$ 1,178,640</u>	<u>\$ 203,082</u>	<u>\$ 1,157,717</u>	<u>\$ 1,157,717</u>	<u>\$ 182,159</u>

NESHAMINY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AND CERTAIN STATE AWARDS YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Date
U.S. DEPARTMENT OF EDUCATION				
TOTAL FORWARDED				
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
TOTAL FORWARDED				
U.S. DEPARTMENT OF AGRICULTURE				
SUBTOTAL FORWARDED				
Passed through the Pennsylvania Department of Agriculture				
National School Lunch Program	I	10.555*	N/A	July 1, 2014 to June 30, 2015
TOTAL U.S. DEPARTMENT OF AGRICULTURE				
TOTAL FEDERAL AND CERTAIN STATE AWARDS				

Footnotes:

- (a) Total amount of foods received from the Department of Agriculture.
- (b) Beginning inventory at July 1, 2014.
- (c) Total amount of foods used.
- (d) Ending inventory at June 30, 2015.

Source Codes:

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

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

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2014</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2015</u>
	\$ <u>3,169,144</u>	\$ <u>660,391</u>	\$ <u>2,510,963</u>	\$ <u>2,510,963</u>	\$ <u>2,210</u>
	<u>-</u>	<u>124,836</u>	<u>194,441</u>	<u>194,441</u>	<u>319,277</u>
	1,178,640	203,082	1,157,717	1,157,717	182,159
	<u>151,258</u> (a)	<u>(26,777)</u> (b)	<u>148,310</u> (c)	<u>148,310</u> (c)	<u>(29,725)</u> (d)
	<u>1,329,898</u>	<u>176,305</u>	<u>1,306,027</u>	<u>1,306,027</u>	<u>152,434</u>
	\$ <u><u>4,499,042</u></u>	\$ <u><u>961,532</u></u>	\$ <u><u>4,011,431</u></u>	\$ <u><u>4,011,431</u></u>	\$ <u><u>473,921</u></u>

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

NOTE A - GENERAL

The accompanying schedule of expenditures of federal and certain state awards presents the activity of all federal financial assistance programs of the Neshaminy School District. The School District reporting entity is defined in Note A to the School District's basic financial statements. Federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other governmental agencies is included on the schedule.

NOTE B - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal and certain state awards is presented using the modified accrual basis of accounting, which is described in Note A to the School District's basic financial statements.

NOTE C - RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal revenue recognized in the General Fund and the Enterprise Fund is reconciled to the schedule of expenditures of federal and certain state awards as follows:

FEDERAL REVENUE RECOGNIZED IN	
BASIC FINANCIAL STATEMENTS	
General Fund	\$ 2,705,404
Enterprise Fund	1,218,912
	<u>3,924,316</u>
STATE MATCHING FUNDS	
National School Lunch Program	<u>87,115</u>
	<u><u>\$ 4,011,431</u></u>

NESHAMINY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of the Neshaminy 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 Neshaminy School District were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major award programs for the Neshaminy School District expresses an unmodified opinion.
6. There are no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs include:

Program	CFDA
Title I	84.010
Special Education Cluster	84.027, 84.173

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

8. Neshaminy 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.