

NESHAMINY SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2016



Certified Public Accountants and Business Consultants

INTRODUCTORY SECTION

NESHAMINY SCHOOL DISTRICT
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2016

	Page
Introductory Section	
Table of Contents	1
Financial Section	
Independent Auditors' Report	3
Management's Discussion and Analysis (Unaudited)	6
Basic Financial Statements	
<i>Government-Wide Financial Statements</i>	
Statement of Net Position	18
Statement of Activities	19
<i>Fund Financial Statements</i>	
<i>Governmental Funds</i>	
Balance Sheet	20
Reconciliation of Total Governmental Funds Balances to Net Position of Governmental Activities	21
Statement of Revenues, Expenditures and Changes in Fund Balances	22
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	23
<i>Proprietary Fund</i>	
Statement of Net Position	24
Statement of Revenues, Expenses and Changes in Net Position	25
Statement of Cash Flows	26
<i>Fiduciary Funds</i>	
Statement of Fiduciary Net Position	28
Statement of Changes in Fiduciary Net Position	29
Notes to the Basic Financial Statements	30

NESHAMINY SCHOOL DISTRICT

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2016

	Page
Required Supplementary Information	
Budgetary Comparison Schedule, General Fund	55
Note to the Budgetary Comparison Schedule	56
Schedule of the School District's Proportionate Share of the Net Pension Liability	57
Schedule of the School District's Contributions	58
Postemployment Benefits Other Than Pension Funding Progress	59
Supplementary Information Section	
Schedule of General Fund Revenues	60
Statement of Changes in Assets and Liabilities, Fiduciary Funds	61
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	62
Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards in Accordance with the Uniform Guidance	64
Supplementary Information - Major Federal Awards Programs Audit	
Schedule of Expenditures of Federal and Certain State Awards	67
Notes to the Schedule of Expenditures of Federal and Certain State Awards	70
Schedule of Findings and Questioned Costs	71

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, 2016, 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, 2016, 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

For the year ended June 30, 2016, the Neshaminy School District adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application* and No. 79, *Certain External Investment Pools and Pool Participants*. 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's 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 Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates 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 schedule of expenditures of federal and state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 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
December 14, 2016

NESHAMINY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2016

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, 2016. 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 \$158.7 million at the close of the most recent fiscal year.
- Overall revenues were \$170.2 million, \$8.6 million less than expenses.
- Student enrollment has moderately increased over the last few years.
- The decrease in the Other Postemployment Benefits (OPEB) obligation for the year was \$912,289.

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, 2016

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, 2016

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, 2016, the School District had total assets and deferred outflows of \$270.0 million with 1.4% of these assets being in cash and cash equivalents (or \$3.8 million), 21.1% (or \$57.0 million) being in investments and 60.7% (or \$164.0 million) being in the net value of land, buildings, furniture and equipment and construction in progress. The remaining 16.8% is attributed to the \$10.5 million in receivables and \$29.6 million deferred outflow related to the pensions. Changes in the capital assets include additions of \$48,495,791 and retirement of assets of \$129,928.

As of June 30, 2016, the School District had total liabilities and deferred inflows of \$428.7 million with 33.9% (or \$145.3 million) being in bonds payable, 1.2% (or \$5.0 million) being in accumulated compensated absences, 2.4% (or \$10.3 million) being in accounts payable, 0.2% (or \$.9 million) being in accrued interest and 1.7% (or \$7.2 million) being in accrued salaries and benefits. The net pension liability was \$252.0 million. The principal paid for debt service during the year was \$46.8 million.

The resulting (\$158.7) million in net position includes unrestricted net position of (\$198.2) million and \$39.5 million in net investment in capital assets. There was an increase in net investment in capital assets of 9.5% and a decrease in unrestricted net position of 6.5%. This results in an overall decrease in net position of 5.7%.

NESHAMINY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2016

Statement of Net Position

	Government-Wide Activities		Total Change
	2016	2015	2015-2016
Assets:			
Governmental activities:			
Other assets	\$ 73,481,419	\$ 117,585,576	\$ (44,104,157)
Capital assets	163,759,317	122,089,745	41,669,572
Total governmental assets	<u>237,240,736</u>	<u>239,675,321</u>	<u>(2,434,585)</u>
Business-type activities:			
Other assets	374,720	396,259	(21,539)
Capital assets	218,191	239,538	(21,347)
Total business-type assets	<u>592,911</u>	<u>635,797</u>	<u>(42,886)</u>
Total assets:			
Other assets and deferred outflow s	73,856,139	117,981,835	(44,125,696)
Capital assets	163,977,508	122,329,283	41,648,225
Total assets	<u>237,833,647</u>	<u>240,311,118</u>	<u>(2,477,471)</u>
Deferred Outflows of Resources:			
Governmental activities:			
Deferred outflow s of resources, pension activity	29,096,000	27,592,000	1,504,000
Deferred amount on refunding	2,548,974	1,571,874	977,100
Total governmental deferred outflow s of resources	<u>31,644,974</u>	<u>29,163,874</u>	<u>2,481,100</u>
Business-type activities:			
Deferred outflow s of resources, pension activity	524,000	497,000	27,000
Deferred amount on refunding	-	-	-
Total business-type deferred outflow s of resources	<u>524,000</u>	<u>497,000</u>	<u>27,000</u>
Total deferred outflows of resources:			
Deferred outflow s of resources, pension activity	29,620,000	28,089,000	1,531,000
Deferred amount on refunding	2,548,974	1,571,874	977,100
Total deferred outflows of resources	<u>32,168,974</u>	<u>29,660,874</u>	<u>2,508,100</u>
Liabilities:			
Governmental activities:			
Other liabilities	18,411,274	13,402,448	5,008,826
Long-term liabilities	404,121,256	386,099,087	18,022,169
Total governmental liabilities	<u>422,532,530</u>	<u>399,501,535</u>	<u>23,030,995</u>
Business-type activities:			
Other liabilities	99,203	33,466	65,737
Unearned revenue	37,768	29,725	8,043
Long-term liabilities	4,459,000	4,059,000	400,000
Total business-type liabilities	<u>4,595,971</u>	<u>4,122,191</u>	<u>473,780</u>
Total liabilities:			
Other liabilities	18,548,245	13,465,639	5,082,606
Long-term liabilities	408,580,256	390,158,087	18,422,169
Total liabilities	<u>427,128,501</u>	<u>403,623,726</u>	<u>23,504,775</u>

NESHAMINY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2016

Governmental activities:			
Deferred inflows of resources, pension activity	<u>1,523,000</u>	<u>16,107,000</u>	<u>(14,584,000)</u>
Business-type activities:			
Deferred inflows of resources, pension activity	<u>27,000</u>	<u>290,000</u>	<u>(263,000)</u>
Total deferred inflows of resources:			
Deferred inflows of resources, pension activity	<u>1,550,000</u>	<u>16,397,000</u>	<u>(14,847,000)</u>
Net Position:			
Governmental activities:			
Net investment in capital assets	39,293,647	35,834,108	3,459,539
Unrestricted net position	<u>(194,463,467)</u>	<u>(182,603,448)</u>	<u>(11,860,019)</u>
Total governmental net position	<u>(155,169,820)</u>	<u>(146,769,340)</u>	<u>(8,400,480)</u>
Business-type activities:			
Net investment in capital assets	218,191	239,538	(21,347)
Unrestricted net position	<u>(3,724,251)</u>	<u>(3,518,932)</u>	<u>(205,319)</u>
Total business-type net position	<u>(3,506,060)</u>	<u>(3,279,394)</u>	<u>(226,666)</u>
Total net position:			
Net investment in capital assets	39,511,838	36,073,646	3,438,192
Unrestricted net position	<u>(198,187,718)</u>	<u>(186,122,380)</u>	<u>(12,065,338)</u>
Total net position	\$ <u>(158,675,880)</u>	\$ <u>(150,048,734)</u>	\$ <u>(8,627,146)</u>

As seen in the changes in net position chart below, the School District's total revenues increased by \$1,839,796, which included a governmental activities increase of \$2,110,059 and a business-type activities decrease of \$270,263. The School District's total expenses increased by \$7,517,831 which consisted of a governmental activities increase of \$7,685,120 and a business-type activities decrease of \$167,289. This resulted in a decrease in total net position of \$8,627,146 which included a decrease in governmental activities of \$8,400,480 and a decrease in business-type activities of \$226,666.

The largest increase in general revenues was in property taxes. Property taxes increased by \$1,140,312 due to the increase of several housing developments in the district.

The largest increase in expenses was in pupil transportation. This increased by \$1,777,341 (22.3%) due to the increase in benefits, supplies, and property.

NESHAMINY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2016

Changes in Net Position

	<u>Government-Wide Activities</u>		<u>Total Change 2015-2016</u>
	<u>2016</u>	<u>2015</u>	
Revenues:			
Program revenues:			
Governmental activities:			
Charges for services	\$ 390,008	\$ 405,799	\$ (15,791)
Operating grants and contributions	29,907,608	28,963,423	944,185
Business-type activities:			
Charges for services	1,491,335	1,829,098	(337,763)
Operating grants and contributions	1,566,659	1,499,159	67,500
General revenues:			
Governmental activities:			
Property taxes	123,292,350	122,152,038	1,140,312
Unrestricted grants and contributions	12,757,263	12,445,972	311,291
Gain on sale of capital assets	-	4,826	(4,826)
Investment earnings	202,047	509,282	(307,235)
Miscellaneous	612,562	570,439	42,123
Total governmental activities revenues forward	<u>167,161,838</u>	<u>165,051,779</u>	<u>2,110,059</u>
Total business-type activities revenues forward	<u>3,057,994</u>	<u>3,328,257</u>	<u>(270,263)</u>
Total forward	<u>170,219,832</u>	<u>168,380,036</u>	<u>1,839,796</u>
Expenses:			
Governmental activities:			
Instruction:			
Regular	73,909,973	72,244,232	1,665,741
Special	34,081,299	33,090,484	990,815
Vocational	7,653,214	7,836,192	(182,978)
Other	1,308,691	1,038,147	270,544
Subtotal forward	<u>\$ 116,953,177</u>	<u>\$ 114,209,055</u>	<u>\$ 2,744,122</u>

NESHAMINY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2016

	Government-Wide Activities		Total Change 2015-2016
	2016	2015	
Revenues:			
Total governmental activities revenues forwarded	\$ 167,161,838	\$ 165,051,779	\$ 2,110,059
Total business-type activities revenues forwarded	<u>3,057,994</u>	<u>3,328,257</u>	<u>(270,263)</u>
Total forwarded	<u>170,219,832</u>	<u>168,380,036</u>	<u>1,839,796</u>
Expenses:			
Governmental activities:			
Subtotal forwarded	116,953,177	114,209,055	2,744,122
Support services:			
Pupil	7,103,234	6,526,161	577,073
Instructional staff	3,411,758	3,659,953	(248,195)
Administration	9,048,248	9,031,081	17,167
Pupil health	1,762,587	1,730,332	32,255
Business	1,879,401	1,583,802	295,599
Operation and maintenance of plant	12,923,895	12,331,782	592,113
Pupil transportation	9,753,861	7,976,520	1,777,341
Central	4,132,852	3,128,703	1,004,149
Other	119,757	109,029	10,728
Operation of non-instructional services:			
Student activities	1,848,729	1,676,745	171,984
Community services	890,013	445,123	444,890
Interest on long-term debt	<u>5,734,806</u>	<u>5,468,912</u>	<u>265,894</u>
Total governmental activities expenses	<u>175,562,318</u>	<u>167,877,198</u>	<u>7,685,120</u>
Total business-type activities - food service	<u>3,284,660</u>	<u>3,451,949</u>	<u>(167,289)</u>
Total expenses	<u>178,846,978</u>	<u>171,329,147</u>	<u>7,517,831</u>
Net revenue (expense)			
Governmental activities	(8,400,480)	(2,825,419)	(5,575,061)
Business-type activities	<u>(226,666)</u>	<u>(123,692)</u>	<u>(102,974)</u>
Total of revenues over expenses	<u>(8,627,146)</u>	<u>(2,949,111)</u>	<u>(5,678,035)</u>
Net position - beginning:			
Governmental activities	(146,769,340)	(143,943,921)	(2,825,419)
Business-type activities	<u>(3,279,394)</u>	<u>(3,155,702)</u>	<u>(123,692)</u>
Total net position - beginning	<u>(150,048,734)</u>	<u>(147,099,623)</u>	<u>(2,949,111)</u>
Net position - ending:			
Governmental activities	(155,169,820)	(146,769,340)	(8,400,480)
Business-type activities	<u>(3,506,060)</u>	<u>(3,279,394)</u>	<u>(226,666)</u>
Total net position - ending	<u>\$ (158,675,880)</u>	<u>\$ (150,048,734)</u>	<u>\$ (8,627,146)</u>

NESHAMINY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2016

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>2016</u>	<u>2015</u>	<u>Difference</u>
Fund balance:			
Nonspendable	\$ 2,201,321	\$ 374,656	\$ 1,826,665
Committed	14,000,000	12,000,000	2,000,000
Assigned	9,639,245	12,222,448	(2,583,203)
Unassigned	<u>14,193,683</u>	<u>17,129,174</u>	<u>(2,935,491)</u>
Total fund balance	<u>\$ 40,034,249</u>	<u>\$ 41,726,278</u>	<u>\$ (1,692,029)</u>

For the year ended June 30, 2016, the fund balance decreased \$1,692,029 from the prior year's balance. The decrease in fund balance is primarily attributable to an unfavorable variance of budget to actual results in the following categories: Salaries, benefits, purchased professional and technical services, and other purchased 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 decreased by \$47,207,514. This was due to the use of the bond issue funds received for the new elementary school construction project and the guaranteed energy savings agreement (GESA). This decreased total assets by \$41,935,628. The Capital Projects Fund balance is restricted for use with the capital projects only.

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.

NESHAMINY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2016

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,		Difference
	2016	2015	
Fund net position:			
Total assets and deferred outflows	\$ 1,487,431	\$ 1,523,093	\$ (35,662)
Total liabilities and deferred inflows	4,993,491	4,802,487	191,004
Net investment in capital assets	218,191	239,538	(21,347)
Unrestricted	(3,724,251)	(3,518,932)	(205,319)
Total net position	\$ (3,506,060)	\$ (3,279,394)	\$ (226,666)

As of June 30, 2016, the Food Service Fund had (\$3,506,060) in net position. The decrease of \$226,666 was due to an increase in the net pension liability and an increase of unrestricted net position.

The food service revenues in 2015-2016 were 8.1% less than the previous year. Some of the major decreases were student sales, the value of donated commodities and subsidies-state lunch. These decreases were offset by increases in adult sales, subsidies-federal breakfast, and subsidies-federal lunch.

The expenses in 2015-2016 were 5.0% less than the previous year. Some of the major decreases were in salaries and payroll benefits expense and equipment repairs and maintenance. These decreases were offset by increases in supplies expense, food costs, and depreciation 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 2015-2016 was \$96,686, which was \$2,289 less than the previous year due to a decrease in cash and cash equivalents. The Activity Funds are used for the Student Activity Fund accounts for student activities in the high school and middle schools.

General Fund Budgetary Highlights

Variances between the original 2015-2016 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 \$1,414,024 over the original budget. This was due to \$1,414,024 in grants awarded during the fiscal year. The negative variance of actual revenues with the final budget of \$1,087,996 is primarily the result of real estate transfer tax and real estate taxes current.

The increase of \$1,414,024 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 \$7,249,459 is primarily the result of the following factors: Savings of salaries and benefits \$4,427,468; purchased property services \$522,862; other purchased services \$640,291; general supplies \$1,023,346; property \$268,930; and other objects \$783,383.

Transfers

There was a transfer from the General Fund to the Capital Projects Fund of \$500,000 to fund future capital projects.

NESHAMINY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2016

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 2016, the School District had \$163,759,317 in capital assets, less depreciation. The additions and retirements, less depreciation, were \$17,468,282 and construction in progress increased \$24,201,290. For the year ended 2016, food service had \$218,191 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 2015-2016
	2016	2015	
Land and improvements	\$ 4,207,505	\$ 4,207,505	\$ -
Buildings and building improvements	116,761,538	99,418,789	17,342,749
Furniture and equipment	10,602,838	10,477,305	125,533
Construction in progress	32,187,436	7,986,146	24,201,290
Total capital assets	\$ 163,759,317	\$ 122,089,745	\$ 41,669,572
	Business-Type Activities		Total Change
	2016	2015	2015-2016
Furniture and equipment	\$ 218,191	\$ 239,538	\$ (21,347)

Debt Administration

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

For the year ended 2016, the School District had \$134,010,000 in general obligation bonds, of which \$3,310,000 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

	Governmental Activities		Total Change 2015-2016
	2016	2015	
Series of 2006	\$ -	\$ 34,300,000	\$ (34,300,000)
Series B of 2007	-	8,755,000	(8,755,000)
Series of 2012	9,225,000	9,395,000	(170,000)
Series of 2013	4,505,000	5,835,000	(1,330,000)
Series A of 2015	28,775,000	28,780,000	(5,000)
Series B of 2015	51,645,000	51,770,000	(125,000)
Series C of 2015	30,615,000	-	30,615,000
Series of 2016	9,245,000	-	9,245,000
Total bonds payable	\$ 134,010,000	\$ 138,835,000	\$ (4,825,000)

NESHAMINY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2016

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 state funding and the pension program.

State Funding

The Governor's 2015-2016 budget for the Commonwealth of Pennsylvania had a slight increase for the basic education funding. This increase started to restore previous cuts to the basic education funding.

The state also had a slight increase to the special education funding.

The state's share of instruction expenditures has dropped from 54.2% in 1971-72 to 37.1% in 2015-2016.

o	1971-72	54.2%	o	1991-92	40.3%
o	1987-88	43.2%	o	2015-16	37.1%

Pension Program

The Pennsylvania School Employees Retirement System (PSERS) board has increased the employer retirement rate from 21.4 percent to 25.84 percent of salaries for 2015-16 and this is approximately a \$3 million increase. This will be a growing financial issue for many years until there is some type of pension reform.

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 that the district's resources effectively address instructional priorities aligned with the district's vision and mission.

NESHAMINY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2016

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 November 2016, retroactive to July 2016, and this will be in effect through June 2019.

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.

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, 2016

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 3,559,488	\$ 207,281	\$ 3,766,769
Investments	57,005,170	-	57,005,170
Taxes receivable, net	3,507,179	-	3,507,179
Internal balances	370,520	(370,520)	-
Due from other governments	4,444,053	376,733	4,820,786
Other receivables, net	2,186,352	8,466	2,194,818
Inventories	122,785	152,760	275,545
Prepaid expenses	2,285,872	-	2,285,872
Capital assets			
Land and site improvements	4,207,505	-	4,207,505
Buildings and building improvements	201,296,550	-	201,296,550
Furniture and equipment	41,510,840	1,161,564	42,672,404
Construction in progress	32,187,436	-	32,187,436
Accumulated depreciation	(115,443,014)	(943,373)	(116,386,387)
TOTAL ASSETS	<u>237,240,736</u>	<u>592,911</u>	<u>237,833,647</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources, pension activity	29,096,000	524,000	29,620,000
Deferred amount on refunding	2,548,974	-	2,548,974
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>31,644,974</u>	<u>524,000</u>	<u>32,168,974</u>
LIABILITIES			
Accounts payable	10,191,594	99,203	10,290,797
Accrued salaries and benefits	7,211,608	-	7,211,608
Accrued interest	900,296	-	900,296
Due to other governments	13,155	-	13,155
Unearned revenue	-	37,768	37,768
Other current liabilities	88,935	-	88,935
Self-insurance liability	5,686	-	5,686
Long-term liabilities			
Portion due or payable within one year			
Bonds payable	4,095,450	-	4,095,450
Compensated absences	502,074	-	502,074
Portion due or payable after one year			
Bonds payable	141,169,369	-	141,169,369
Compensated absences	4,518,663	-	4,518,663
Net pension liability	247,506,000	4,459,000	251,965,000
Other postemployment benefits	6,329,700	-	6,329,700
TOTAL LIABILITIES	<u>422,532,530</u>	<u>4,595,971</u>	<u>427,128,501</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources, pension activity	1,523,000	27,000	1,550,000
NET POSITION			
Net investment in capital assets	39,293,647	218,191	39,511,838
Unrestricted	(194,463,467)	(3,724,251)	(198,187,718)
TOTAL NET POSITION	<u>\$ (155,169,820)</u>	<u>\$ (3,506,060)</u>	<u>\$ (158,675,880)</u>

See accompanying notes to the basic financial statements.

NESHAMINY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
Instruction				
Regular programs	\$ 73,909,973	\$ -	\$ 12,208,051	\$ -
Special programs	34,081,299	94,398	7,853,914	-
Vocational education	7,653,214	12,050	-	-
Other instructional programs	1,308,691	127,027	7,499,040	-
Support services				
Pupil personnel services	7,103,234	-	-	-
Instructional staff services	3,411,758	-	26,897	-
Administration services	9,048,248	-	-	-
Pupil health services	1,762,587	-	184,724	-
Business services	1,879,401	-	-	-
Operation and maintenance of plant services	12,923,895	-	-	-
Student transportation services	9,753,861	-	1,287,788	-
Central services	4,132,852	-	-	-
Other services	119,757	-	-	-
Operation of non-instructional services				
Student activities	1,848,729	59,088	-	-
Community services	890,013	97,445	-	-
Interest on long-term debt	5,734,806	-	847,194	-
TOTAL GOVERNMENTAL ACTIVITIES	175,562,318	390,008	29,907,608	-
BUSINESS-TYPE ACTIVITIES				
Food service	3,284,660	1,491,335	1,565,899	-
TOTAL SCHOOL DISTRICT ACTIVITIES	\$ 178,846,978	\$ 1,881,343	\$ 31,473,507	\$ -

GENERAL REVENUES

Property taxes, levied for general purposes
 Grants and contributions not restricted to specific programs
 Investment earnings
 Miscellaneous

TOTAL GENERAL REVENUES

CHANGE IN NET POSITION

NET POSITION AT BEGINNING OF YEAR

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
\$ (61,701,922)	\$ -	\$ (61,701,922)
(26,132,987)	-	(26,132,987)
(7,641,164)	-	(7,641,164)
6,317,376	-	6,317,376
(7,103,234)	-	(7,103,234)
(3,384,861)	-	(3,384,861)
(9,048,248)	-	(9,048,248)
(1,577,863)	-	(1,577,863)
(1,879,401)	-	(1,879,401)
(12,923,895)	-	(12,923,895)
(8,466,073)	-	(8,466,073)
(4,132,852)	-	(4,132,852)
(119,757)	-	(119,757)
(1,789,641)	-	(1,789,641)
(792,568)	-	(792,568)
(4,887,612)	-	(4,887,612)
<u>(145,264,702)</u>	<u>-</u>	<u>(145,264,702)</u>
-	(227,426)	(227,426)
<u>(145,264,702)</u>	<u>(227,426)</u>	<u>(145,492,128)</u>
123,292,350	-	123,292,350
12,757,263	-	12,757,263
202,047	760	202,807
612,562	-	612,562
<u>136,864,222</u>	<u>760</u>	<u>136,864,982</u>
(8,400,480)	(226,666)	(8,627,146)
<u>(146,769,340)</u>	<u>(3,279,394)</u>	<u>(150,048,734)</u>
<u>\$ (155,169,820)</u>	<u>\$ (3,506,060)</u>	<u>\$ (158,675,880)</u>

NESHAMINY SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2016

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 804,943	\$ 2,754,545	\$ 3,559,488
Investments	41,509,540	15,495,630	57,005,170
Taxes receivable, net	3,507,179	-	3,507,179
Due from other funds	455,449	-	455,449
Due from other governments	4,444,053	-	4,444,053
Other receivables, net	2,179,861	6,491	2,186,352
Inventories	122,785	-	122,785
Prepaid items	2,078,536	207,336	2,285,872
	<u>55,102,346</u>	<u>18,464,002</u>	<u>73,566,348</u>
TOTAL ASSETS			
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 4,977,294	\$ 5,214,300	\$ 10,191,594
Due to other funds	-	84,929	84,929
Due to other governments	13,155	-	13,155
Self-insurance liability	5,686	-	5,686
Accrued salaries and benefits	7,211,608	-	7,211,608
Other current liabilities	88,935	-	88,935
	<u>12,296,678</u>	<u>5,299,229</u>	<u>17,595,907</u>
TOTAL LIABILITIES			
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues, property taxes	2,771,419	-	2,771,419
FUND BALANCES			
Nonspendable			
Inventories	122,785	-	122,785
Prepaid items	2,078,536	-	2,078,536
Restricted for capital projects	-	13,164,773	13,164,773
Committed to PSERS	14,000,000	-	14,000,000
Assigned to			
Capital projects	2,000,000	-	2,000,000
Operating expenditures	34,080	-	34,080
Subsequent year's budget	5,805,165	-	5,805,165
Technological infrastructure	1,800,000	-	1,800,000
Unassigned	14,193,683	-	14,193,683
	<u>40,034,249</u>	<u>13,164,773</u>	<u>53,199,022</u>
TOTAL FUND BALANCES			
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
	<u>\$ 55,102,346</u>	<u>\$ 18,464,002</u>	<u>\$ 73,566,348</u>

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, 2016

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 53,199,022
<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	201,296,550
Furniture and equipment	41,510,840
Construction in progress	32,187,436
Accumulated depreciation	(115,443,014)
Deferred amount on refunding	2,548,974
<p>Deferred inflows and outflows of resources related to pension activities are not financial resources and therefore not reported in the governmental funds.</p>	
	27,573,000
<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	(900,296)
Bonds/note payable	(134,010,000)
Bond premium, net of issuance costs	(11,254,819)
Compensated absences	(5,020,737)
Net pension liability	(247,506,000)
Other postemployment benefits	(6,329,700)
<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>2,771,419</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (155,169,820)</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, 2016

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Local sources	\$ 124,993,407	\$ 57,269	\$ 125,050,676
State sources	39,626,111	-	39,626,111
Federal sources	2,935,545	-	2,935,545
TOTAL REVENUES	<u>167,555,063</u>	<u>57,269</u>	<u>167,612,332</u>
EXPENDITURES			
Current			
Instruction	109,675,145	-	109,675,145
Support services	46,056,910	370,009	46,426,919
Operation of non-instructional services	2,426,808	-	2,426,808
Capital			
Facilities acquisition, construction and improvement services	683,438	47,394,774	48,078,212
Debt service			
Debt issuance cost	568,958	-	568,958
Principal	4,412,866	-	4,412,866
Interest	5,491,925	-	5,491,925
TOTAL EXPENDITURES	<u>169,316,050</u>	<u>47,764,783</u>	<u>217,080,833</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(1,760,987)</u>	<u>(47,707,514)</u>	<u>(49,468,501)</u>
OTHER FINANCING SOURCES			
Refunding bonds issued	41,985,000	-	41,985,000
Premium on refunding bonds issued	3,570,151	-	3,570,151
Payment to refunded bond escrow agent	(44,986,193)	-	(44,986,193)
Transfers in	-	500,000	500,000
Transfers out	(500,000)	-	(500,000)
TOTAL OTHER FINANCING SOURCES	<u>68,958</u>	<u>500,000</u>	<u>568,958</u>
NET CHANGE IN FUND BALANCES	<u>(1,692,029)</u>	<u>(47,207,514)</u>	<u>(48,899,543)</u>
FUND BALANCES AT BEGINNING OF YEAR	<u>41,726,278</u>	<u>60,372,287</u>	<u>102,098,565</u>
FUND BALANCES AT END OF YEAR	<u>\$ 40,034,249</u>	<u>\$ 13,164,773</u>	<u>\$ 53,199,022</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, 2016

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (48,899,543)

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 (\$48,495,791) exceeds depreciation (\$6,826,219) in the current period.

41,669,572

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 increased by this amount this year.

(450,494)

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.

3,191,042

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.

741,889

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).

304,711

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

237,054

Pension plan expense

(6,107,000)

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.

912,289

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ (8,400,480)

See accompanying notes to the basic financial statements.

NESHAMINY SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUND

JUNE 30, 2016

	Enterprise Fund
	<u>Food</u>
	<u>Service Fund</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 207,281
Accounts receivable, net	8,466
Due from other governments	376,733
Inventories	152,760
TOTAL CURRENT ASSETS	<u>745,240</u>
CAPITAL ASSETS	
Furniture and equipment	1,161,564
Accumulated depreciation	(943,373)
TOTAL CAPITAL ASSETS	<u>218,191</u>
TOTAL ASSETS	<u>963,431</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pension activity	<u>524,000</u>
LIABILITIES	
Due to other funds	370,520
Accounts payable	99,203
Unearned revenue	37,768
Long-term liabilities	
Net pension liability	<u>4,459,000</u>
TOTAL LIABILITIES	<u>4,966,491</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pension activity	<u>27,000</u>
NET POSITION	
Net investment in capital assets	218,191
Unrestricted	<u>(3,724,251)</u>
TOTAL NET POSITION	<u>\$ (3,506,060)</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, 2016

	Enterprise Fund
	<u>Food Service Fund</u>
OPERATING REVENUES	
Food service revenues	\$ <u>1,491,335</u>
OPERATING EXPENSES	
Salaries	1,115,659
Employee benefits	647,145
Purchased professional and technical service	2,752
Purchased property service	8,816
Other purchased service	3,522
Supplies	1,435,943
Depreciation	57,849
Other operating expenses	12,974
TOTAL OPERATING EXPENSES	<u>3,284,660</u>
OPERATING LOSS	<u>(1,793,325)</u>
NONOPERATING REVENUES	
Earnings on investments	760
State sources	284,152
Federal sources	1,281,747
TOTAL NONOPERATING REVENUES	<u>1,566,659</u>
CHANGE IN NET POSITION	(226,666)
NET POSITION AT BEGINNING OF YEAR	<u>(3,279,394)</u>
NET POSITION AT END OF YEAR	\$ <u><u>(3,506,060)</u></u>

See accompanying notes to the basic financial statements.

NESHAMINY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

YEAR ENDED JUNE 30, 2016

	Enterprise Fund <u>Food Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,309,225
Payments to employees	(1,522,769)
Payments to suppliers	(1,382,005)
NET CASH USED BY OPERATING ACTIVITIES	<u>(1,595,549)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal sources	1,137,227
State sources	<u>284,152</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>1,421,379</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition, construction and improvements of capital assets	<u>(36,502)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale of investments	412,380
Earnings on investments	<u>760</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>413,140</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	202,468
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>4,813</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 207,281</u></u>

NESHAMINY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

YEAR ENDED JUNE 30, 2016

	<u>Enterprise Fund</u> <u>Food</u> <u>Service Fund</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (1,793,325)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	57,849
Pension expense	110,000
Donated foods	144,520
(Increase) decrease in	
Accounts receivable	(190,154)
Inventories	21,557
Increase (decrease) in	
Due to other funds	(19,776)
Accounts payable	65,737
Unearned revenue	<u>8,043</u>
NET CASH USED BY OPERATING ACTIVITIES	\$ <u><u>(1,595,549)</u></u>
SUPPLEMENTAL DISCLOSURES	
Noncash activities	
Donated foods	\$ 144,520

See accompanying notes to the basic financial statements.

NESHAMINY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	<u>Private- Purpose Trust Funds</u>	<u>Activity Fund</u>
ASSETS		
Cash and cash equivalents	\$ 9,093	\$ 561,449
Investments	<u>90,443</u>	<u>-</u>
TOTAL ASSETS	<u>99,536</u>	<u>\$ 561,449</u>
LIABILITIES		
Scholarships payable	2,850	\$ -
Due to student groups	<u>-</u>	<u>561,449</u>
TOTAL LIABILITIES	<u>2,850</u>	<u>\$ 561,449</u>
NET POSITION		
Assets held in trust for other purposes	<u>\$ 96,686</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, 2016

	<u>Private- Purpose Trust Funds</u>
ADDITIONS	
Investment earnings	\$ <u>316</u>
DEDUCTIONS	
Scholarships awarded	<u>2,605</u>
CHANGE IN NET POSITION	(2,289)
NET POSITION AT BEGINNING OF YEAR	<u>98,975</u>
NET POSITION AT END OF YEAR	\$ <u><u>96,686</u></u>

See accompanying notes to the basic financial statements.

NESHAMINY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016

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, 2016

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, 2016

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

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

Pennsylvania Local Government Investment Trust Funds are invested in accordance with Section 440.1 of the School Code. Each school district owns a pro rata share of each investment or deposit which is held in the name of the fund.

Under Act No. 72, enacted by the General Assembly of the Commonwealth of Pennsylvania, the funds deposited with the various banks are permitted to be secured on a pooled basis with all other public funds which the banking institution has on deposit. These may be bonds of the United States, any state of the United States, or bonds of any political subdivision of Pennsylvania or the general state authority or their authorities created by the General Assembly of the Commonwealth of Pennsylvania, or insured with the Federal Deposit Insurance Corporation. The market value of such bonds pledged must equal 120% of the funds deposited. The security pledged by the various depositories utilized during the year and at June 30, 2016, was in excess of the minimum requirements just described.

NESHAMINY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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.

NESHAMINY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$5,686 in the General Fund representing incurred but unreported claims for the workers' compensation program.

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.

NESHAMINY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The deferred outflow related to pension activity is the result of changes in the School District's proportionate share of the total plan from year to year, the difference between actual employer contributions and the School District's proportionate share of total contributions, and actual contributions subsequent to the measurement date.

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. The deferred inflow related to pension activity is the result of differences between projected and actual investment earnings. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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.

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.

NESHAMINY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2016

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. At June 30, 2016, the carrying amount of the District's deposits was \$4,337,311, and the bank balance was \$7,297,163. Of the bank balance, \$230,495 was covered by federal depository insurance. The remaining cash deposits totaling \$7,066,668 are in the Pennsylvania School District Liquid Asset Fund (PSDLAF) and are uninsured. Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF acts like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization and is subject to an independent annual audit.

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, 2016, the School District held the following investments:

Investment Type	Percentage of Investments	Amortized Cost	Maturities	
			Less Than One Year	1 to 5 Years
State Investment pools	99.83%	\$ 57,005,170	\$ 51,760,170	\$ 5,245,000
Certificates of deposit	0.16%	90,443	90,443	-
		<u>\$ 57,095,613</u>	<u>\$ 51,850,613</u>	<u>\$ 5,245,000</u>

A portion of the School District's investments is in the PSDLAF program, of which are funds similar to mutual funds. GASB Statement No. 3, Paragraph 69, provides that certain types of cash and investments, such as cash investments in a State Treasurer's investment pool or mutual fund, cannot be assigned a credit risk category because the government does not own specific securities. Therefore, the PSDLAF cash investments included in these statements will not be assigned a credit risk category. The carrying amount of these investments at June 30, 2016, is \$57,005,170. These assets maintain a stable net asset value of \$1 per share. PSDLAF is not SEC-registered. All investments are monitored weekly by Standard & Poor's and are subject to an independent audit on an annual basis.

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

Certificates of deposit held by banks of \$90,443 are stated at cost plus interest earned.

NESHAMINY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE B - CASH AND INVESTMENTS (Continued)

Fair Value Measurement

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are those that lack significant observable inputs. The School District did not have any recurring fair value measurements as of June 30, 2016.

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, 2016, the School District's investment in the state investment pool was rated AAAM by Standard & Poor's.

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 periodJuly 1 to August 31 - 2% of gross levy
Face period September 1 to October 31
Penalty periodOctober 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, 2016

NOTE D - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2016, 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	\$ 2,623,724	\$ -	\$ -
Real estate transfer taxes	247,399	-	-
Section 511 taxes	636,056	-	-
Due from other governments			
Federal sources	221,735	-	351,871
State subsidies	4,222,318	-	24,862
Other receivables	<u>2,179,861</u>	<u>6,491</u>	<u>8,466</u>
	<u>\$ 10,131,093</u>	<u>\$ 6,491</u>	<u>\$ 385,199</u>

NOTE E - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2016, is as follows:

Due to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Food Service Fund	\$ 370,520
General Fund	Capital Projects Fund	<u>84,929</u>
		<u>\$ 455,449</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. The amounts between the General Fund and the Capital Projects Fund are General Fund monies used to pay for capital project expenditures.

Interfund Transfers

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Capital Projects Fund	General Fund	<u>\$ 500,000</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, 2016

NOTE F - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land and site improvements	\$ 4,207,505	\$ -	\$ -	\$ 4,207,505
Construction in progress	7,986,146	30,768,357	(6,567,067)	32,187,436
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>12,193,651</u>	<u>30,768,357</u>	<u>(6,567,067)</u>	<u>36,394,941</u>
Capital assets being depreciated				
Buildings and building improvements	178,848,914	22,447,636	-	201,296,550
Accumulated depreciation	(79,430,125)	(5,104,887)	-	(84,535,012)
TOTAL BUILDINGS AND BUILDING IMPROVEMENTS, net	<u>99,418,789</u>	<u>17,342,749</u>	<u>-</u>	<u>116,761,538</u>
Furniture and equipment	39,793,903	1,846,865	(129,928)	41,510,840
Accumulated depreciation	(29,316,598)	(1,721,332)	129,928	(30,908,002)
TOTAL FURNITURE AND EQUIP- MENT, net	<u>10,477,305</u>	<u>125,533</u>	<u>-</u>	<u>10,602,838</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>109,896,094</u>	<u>17,468,282</u>	<u>-</u>	<u>127,364,376</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	<u>122,089,745</u>	<u>48,236,639</u>	<u>(6,567,067)</u>	<u>163,759,317</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Furniture and equipment	1,125,062	36,502	-	1,161,564
Accumulated depreciation	(885,524)	(57,849)	-	(943,373)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	<u>239,538</u>	<u>(21,347)</u>	<u>-</u>	<u>218,191</u>
CAPITAL ASSETS, net	<u>\$ 122,329,283</u>	<u>\$ 48,215,292</u>	<u>\$ (6,567,067)</u>	<u>\$ 163,977,508</u>

NESHAMINY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE F - CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

INSTRUCTION

Regular programs	\$ 2,975,372
Special programs	1,387,144
Vocational education	318,200
Other instructional programs	41,872

SUPPORT SERVICES

Pupil personnel services	285,750
Instructional staff services	134,779
Administration services	370,396
Pupil health services	68,953
Business services	62,195
Operation and maintenance of plant services	495,950
Student transportation services	415,396
Central services	160,769
Other services	4,944

NON-INSTRUCTIONAL SERVICES

Student activities	67,797
Community services	<u>36,702</u>
	\$ <u><u>6,826,219</u></u>

Depreciation expense was charged to proprietary functions as follows:

Food Service Fund	\$ <u><u>57,849</u></u>
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NESHAMINY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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>
2017	\$ 3,310,000	\$ 5,429,990	\$ 8,739,990
2018	3,310,000	5,436,186	8,746,186
2019	3,420,000	5,327,191	8,747,191
2020	4,280,000	5,198,429	9,478,429
2021	4,420,000	5,064,613	9,484,613
2022 to 2026	25,000,000	22,835,634	47,835,634
2027 to 2031	31,995,000	17,215,595	49,210,595
2032 to 2036	39,855,000	9,155,775	49,010,775
2037 to 2038	<u>18,420,000</u>	<u>906,376</u>	<u>19,326,376</u>
	<u>\$ 134,010,000</u>	<u>\$ 76,569,789</u>	<u>\$ 210,579,789</u>

NESHAMINY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE H - CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2016, 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
Series C of 2015	0.18% to 5.00%	11/1/2026
Series of 2016	0.70% to 3.00%	2/15/2028
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 July 2015, the District issued General Obligation Bonds, Series C of 2015, in the amount of \$32,740,000 for the purpose of advance refunding the District's General Obligation Bonds, Series of 2006, and to pay the cost of issuing the bonds. The refunding decreased the District's total debt service payments by \$3,837,655 and resulted in an estimated net present value economic gain of \$3,011,200 for the District.

In June 2016, the District issued General Obligation Bonds, Series of 2016, in the amount of \$9,245,000 for the purpose of advance refunding the District's General Obligation Bonds, Series B of 2007, and to pay the cost of issuing the bonds. The refunding decreased the District's total debt service payments by \$1,923,039 and resulted in an estimated net present value economic gain of \$1,701,225 for the District.

<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
\$ 34,300,000	\$ -	\$ (34,300,000)	\$ -	\$ -
8,755,000	-	(8,755,000)	-	-
9,395,000	-	(170,000)	9,225,000	170,000
5,835,000	-	(1,330,000)	4,505,000	1,375,000
28,780,000	-	(5,000)	28,775,000	5,000
51,770,000	-	(125,000)	51,645,000	165,000
-	32,740,000	(2,125,000)	30,615,000	1,470,000
-	<u>9,245,000</u>	<u>-</u>	<u>9,245,000</u>	<u>125,000</u>
138,835,000	41,985,000	(46,810,000)	134,010,000	3,310,000
9,385,650	3,570,151	(1,700,982)	11,254,819	785,450
5,325,448	-	(304,711)	5,020,737	502,074
225,311,000	22,195,000	-	247,506,000	-
<u>7,241,989</u>	<u>-</u>	<u>(912,289)</u>	<u>6,329,700</u>	<u>-</u>
<u>\$ 386,099,087</u>	<u>\$ 67,750,151</u>	<u>\$ (49,727,982)</u>	<u>\$ 404,121,256</u>	<u>\$ 4,597,524</u>
<u>\$ 4,059,000</u>	<u>\$ 400,000</u>	<u>\$ -</u>	<u>\$ 4,459,000</u>	<u>\$ -</u>

NESHAMINY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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 \$762,233 for the year ended June 30, 2016, of which \$652,866 represented principal payments.

Shown below are the School District's future lease payments, based on the apportionment that is binding through fiscal year 2019:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Administrative Fees</u>	<u>Totals</u>
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>\$ 2,170,658</u>	<u>\$ 156,599</u>	<u>\$ 16,812</u>	<u>\$ 2,344,069</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, 2016, deferred inflows of resources consisted of delinquent taxes receivable of \$2,771,419.

NESHAMINY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE K - UNEARNED REVENUE

Food Service Fund

Unearned revenue of \$37,768 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.psers.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, 2016

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, 2016, was 25.00% 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 \$18,940,000 for the year ended June 30, 2016.

NESHAMINY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016, the School District reported a liability of \$251,965,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2014 to June 30, 2015. 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, 2015, the School District's proportion was 0.5817%, which was an increase of 0.0022% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the School District recognized pension expense of \$25,157,000. At June 30, 2016, 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		
Difference between expected and actual experience	\$ -	\$ 1,022,000
Net difference between projected and actual investment earnings	-	501,000
Changes in proportions	8,948,000	-
Difference between employer contributions and proportionate share of total contributions	1,543,000	-
Contributions subsequent to the measurement date	<u>18,605,000</u>	<u>-</u>
	<u>\$ 29,096,000</u>	<u>\$ 1,523,000</u>
BUSINESS-TYPE ACTIVITIES		
Difference between expected and actual experience	\$ -	\$ 18,000
Net difference between projected and actual investment earnings	-	9,000
Changes in proportions	161,000	-
Difference between employer contributions and proportionate share of total contributions	28,000	-
Contributions subsequent to the measurement date	<u>335,000</u>	<u>-</u>
	<u>\$ 524,000</u>	<u>\$ 27,000</u>

NESHAMINY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE L - PENSION PLAN (Continued)

\$18,940,000 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2017	\$ 1,877,000	\$ 34,000
2018	1,877,000	34,000
2019	1,877,000	34,000
2020	<u>3,337,000</u>	<u>60,000</u>
	<u>\$ 8,968,000</u>	<u>\$ 162,000</u>

Actuarial Assumptions - The total pension liability as of June 30, 2015, was determined by rolling forward the System’s total pension liability as of the June 30, 2014 actuarial valuation to June 30, 2015, 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, 2016

NOTE L - PENSION PLAN (Continued)

The actuarial assumptions used in the June 30, 2014 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	22.5%	4.8%
Private markets (equity)	15.0%	6.6%
Private real estate	12.0%	4.5%
Global fixed income	7.5%	2.4%
U.S. long treasuries	3.0%	1.4%
TIPS	12.0%	1.1%
High yield bonds	6.0%	3.3%
Cash	3.0%	0.7%
Absolute return	10.0%	4.9%
Risk parity	10.0%	3.7%
MLPs/Infrastructure	5.0%	5.2%
Commodities	8.0%	3.1%
Financing (LIBOR)	-14.0%	1.1%
	<u>100.0%</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, 2015.

NESHAMINY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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>310,571,000</u>	\$ <u>251,965,000</u>	\$ <u>202,707,000</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, 2016

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	\$ 98,076
Amortization of unfunded actuarial accrued liability	446,422
Interest	4,413
ANNUAL REQUIRED CONTRIBUTION (ARC)	<u>548,911</u>
Interest on net OPEB obligation	325,890
Adjustment to ARC	(444,597)
ANNUAL OPEB EXPENSE	<u>430,204</u>
Net OPEB contributions during the year	<u>(1,342,493)</u>
DECREASE IN NET OPEB OBLIGATION	<u>(912,289)</u>
Net OPEB obligation at beginning of year	<u>7,241,989</u>
NET OPEB OBLIGATION AT END OF YEAR	<u>\$ 6,329,700</u>

<u>Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2014	\$ 2,325,105	103.8%	\$ 6,841,863
2015	2,352,947	83.0%	7,241,989
2016	430,204	312.1%	6,329,700

Funded Status and Funding Progress

As of January 1, 2016, the actuarial accrued liability for benefits was \$7,271,717 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 \$63,747,914, and the ratio of the UAAL to the covered payroll was 11.41%.

NESHAMINY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016 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% in 2016, 6.0% in 2017 and to an ultimate rate of 5.5% in 2018-2020. 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, 2016, was 22 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 \$5,020,737 at June 30, 2016, is recorded in compensated absences in the statement of net position.

NESHAMINY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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 \$5,686 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, 2016, is presented below:

<u>Balance June 30, 2015</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Market Adjustment</u>	<u>Balance June 30, 2016</u>
\$ <u>821</u>	\$ <u>605,330</u>	\$ <u>(581,734)</u>	\$ <u>(18,731)</u>	\$ <u>5,686</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.

NOTE P - SUBSEQUENT EVENT

In July 2016, the School District contracted with a food service management company for the operation of the food service program. Due to losses from a freezer malfunction, the food service management purchased the School District's inventory for \$60,000.

REQUIRED SUPPLEMENTARY INFORMATION

NESHAMINY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 124,591,507	\$ 124,783,007	\$ 124,993,407	\$ 210,400
State sources	42,017,580	42,331,483	39,626,111	(2,705,372)
Federal sources	619,948	1,528,569	2,935,545	1,406,976
TOTAL REVENUES	167,229,035	168,643,059	167,555,063	(1,087,996)
EXPENDITURES				
Instruction	113,195,289	113,202,577	109,675,145	3,527,432
Support services	48,694,685	50,048,086	46,056,910	3,991,176
Operation of non-instructional services	1,909,865	1,924,942	2,426,808	(501,866)
Facilities acquisition, construction and improvement services	825,491	825,491	683,438	142,053
Debt service	10,126,155	10,126,155	10,473,749	(347,594)
Budgetary reserve	400,000	438,258	-	438,258
TOTAL EXPENDITURES	175,151,485	176,565,509	169,316,050	7,249,459
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(7,922,450)	(7,922,450)	(1,760,987)	6,161,463
OTHER FINANCING SOURCES (USES)				
Refunding bonds issued	-	-	41,985,000	41,985,000
Premium on refunding bonds issued	-	-	3,570,151	3,570,151
Payment to refunded bond escrow agent	-	-	(44,986,193)	(44,986,193)
Transfers, net	(500,000)	(500,000)	(500,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(500,000)	(500,000)	68,958	568,958
NET CHANGE IN FUND BALANCE	(8,422,450)	(8,422,450)	(1,692,029)	6,730,421
FUND BALANCE AT BEGINNING OF YEAR	-	-	41,726,278	(41,726,278)
FUND BALANCE AT END OF YEAR	\$ (8,422,450)	\$ (8,422,450)	\$ 40,034,249	\$ (34,995,857)

See accompanying note to the budgetary comparison schedule.

NESHAMINY SCHOOL DISTRICT
NOTE TO THE BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2016

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 2016.
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
LAST TWO FISCAL YEARS**

	<u>2016</u>	<u>2015</u>
SCHOOL DISTRICT'S PROPORTION OF THE NET PENSION LIABILITY (ASSET)	<u>0.5817%</u>	<u>0.5795%</u>
SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)	\$ <u>251,965,000</u>	\$ <u>229,370,000</u>
SCHOOL DISTRICT'S COVERED-EMPLOYEE PAYROLL	\$ <u>74,849,640</u>	\$ <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>336.63%</u>	<u>310.20%</u>
THE PLAN'S FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>45.64%</u>	<u>57.24%</u>

NESHAMINY SCHOOL DISTRICT
SCHEDULE OF THE SCHOOL DISTRICT'S CONTRIBUTIONS
LAST TWO FISCAL YEARS

	<u>2016</u>	<u>2015</u>
CONTRACTUALLY REQUIRED CONTRIBUTION	\$ 18,940,000	\$ 15,345,000
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	<u>18,940,000</u>	<u>15,345,000</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$ <u> -</u>	\$ <u> -</u>
SCHOOL DISTRICT'S COVERED-EMPLOYEE PAYROLL	\$ <u>75,760,000</u>	\$ <u>53,632,817</u>
CONTRIBUTIONS AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>25.00%</u>	<u>28.61%</u>

NESHAMINY SCHOOL DISTRICT
POSTEMPLOYMENT BENEFITS OTHER THAN
PENSION FUNDING PROGRESS
YEAR ENDED JUNE 30, 2016

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)
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%
2016	-	7,271,717	7,271,717	0.00%	63,747,914	11.41%

SUPPLEMENTARY INFORMATION SECTION

NESHAMINY SCHOOL DISTRICT
SCHEDULE OF GENERAL FUND REVENUES
YEAR ENDED JUNE 30, 2016

GENERAL FUND REVENUES

Local sources

Taxes, current and interim real estate	\$ 114,816,842
Real estate transfer tax	2,045,866
Public utility realty tax	142,515
Public current per capita tax	391,924
Current business privilege tax	1,500,453
Current mercantile tax	1,315,134
Current occupational privilege tax	172,648
Amusement tax	602,270
Delinquent taxes (all levies)	<u>2,709,252</u>
TOTAL TAXES	123,696,904
Receipts from Pennsylvania school districts	94,398
Earnings from temporary deposits and investments	144,778
Rent from school and other facilities	481,101
Miscellaneous revenue	<u>576,226</u>
TOTAL LOCAL SOURCES	<u>124,993,407</u>

State sources

Basic instructional subsidy	12,757,263
Special education	7,853,914
Transportation	1,287,788
Health service	184,724
Tuition for orphans and court placed children (Sections 1305 and 1306)	26,897
Retirement subsidy	9,623,288
Social Security subsidy	2,584,763
Rental payment subsidy	847,194
Property tax reduction allocation	3,591,192
Miscellaneous grants	<u>869,088</u>
TOTAL STATE SOURCES	<u>39,626,111</u>

Federal sources

Title I	582,799
Other federal programs and grants	<u>2,352,746</u>
TOTAL FEDERAL SOURCES	<u>2,935,545</u>

TOTAL GENERAL FUND REVENUES	\$ <u><u>167,555,063</u></u>
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NESHAMINY SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2016

	Activity Fund			Balance June 30, 2016
	Balance July 1, 2015	Additions	Deletions	
ASSETS				
Cash and cash equivalents	\$ <u>461,544</u>	\$ <u>1,492,675</u>	\$ <u>(1,392,770)</u>	\$ <u>561,449</u>
LIABILITIES				
Due to student groups	\$ <u>461,544</u>	\$ <u>1,492,675</u>	\$ <u>(1,392,770)</u>	\$ <u>561,449</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, 2016, 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 December 14, 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
December 14, 2016

***Independent Auditors' Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of
Federal Awards in Accordance with the Uniform Guidance***

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) 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, 2016. 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 the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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.

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

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, 2016.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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.

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

Report on Schedule of Expenditures of Federal Awards Required By the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Neshaminy School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Neshaminy School District's basic financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (the Uniform Guidance) and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Purpose of this Report

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



Oaks, Pennsylvania
December 14, 2016

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

NESHAMINY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AND CERTAIN STATE AWARDS
YEAR ENDED JUNE 30, 2016

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				
Passed through the Pennsylvania Department of Education				
Title I	I	84.010	013-150277	August 6, 2014 to September 30, 2015
Title I	I	84.010	013-160277	August 31, 2015 to September 30, 2016
Academic Achievement Award	I	84.010	077-150277	March 13, 2015 to September 30, 2016
TOTAL TITLE I				
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 III, Language Instruction ESL	I	84.365	010-160277	August 31, 2015 to September 30, 2016
TOTAL TITLE III				
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	August 6, 2014 to September 30, 2015
Title II, Part A	I	84.367	020-160277	August 31, 2015 to September 30, 2016
TOTAL TITLE II				
Passed through the Bucks County Intermediate Unit				
IDEA	I	84.173	N/A	July 1, 2014 to June 30, 2015
IDEA	I	84.173	N/A	July 1, 2014 to June 30, 2015
IDEA	I	84.027	N/A	July 1, 2015 to June 30, 2016
TOTAL SPECIAL EDUCATION CLUSTER				
TOTAL FORWARD				

See accompanying notes to the 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, 2015</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2016</u>	<u>Passed Through to Sub-Recipients</u>
\$ 585,637	\$ 37,878	\$ (90,562)	\$ 128,440	\$ 128,440	\$ -	\$ -
673,287	514,668	-	577,799	577,799	63,131	-
48,915	<u>24,405</u>	<u>19,405</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>-</u>
	<u>576,951</u>	<u>(71,157)</u>	<u>711,239</u>	<u>711,239</u>	<u>63,131</u>	<u>-</u>
16,802	2,981	(7,331)	8,523	8,523	(1,789)	-
21,386	10,693	5,286	5,407	5,407	-	-
23,207	<u>14,919</u>	<u>-</u>	<u>9,076</u>	<u>9,076</u>	<u>(5,843)</u>	<u>-</u>
	<u>28,593</u>	<u>(2,045)</u>	<u>23,006</u>	<u>23,006</u>	<u>(7,632)</u>	<u>-</u>
249,989	-	(78,476)	-	-	(78,476)	-
249,107	177,863	16,018	161,845	161,845	-	-
249,659	<u>196,161</u>	<u>-</u>	<u>81,954</u>	<u>81,954</u>	<u>(114,207)</u>	<u>-</u>
	<u>374,024</u>	<u>(62,458)</u>	<u>243,799</u>	<u>243,799</u>	<u>(192,683)</u>	<u>-</u>
7,098	7,098	7,098	-	-	-	-
5,904	-	-	5,904	5,904	5,904	-
1,832,113	<u>1,742,671</u>	<u>-</u>	<u>1,832,112</u>	<u>1,832,112</u>	<u>89,441</u>	<u>-</u>
	<u>1,749,769</u>	<u>7,098</u>	<u>1,838,016</u>	<u>1,838,016</u>	<u>95,345</u>	<u>-</u>
	<u>\$ 2,729,337</u>	<u>\$ (128,562)</u>	<u>\$ 2,816,060</u>	<u>\$ 2,816,060</u>	<u>\$ (41,839)</u>	<u>\$ -</u>

NESHAMINY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AND CERTAIN STATE AWARDS

YEAR ENDED JUNE 30, 2016

<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, 2014 to June 30, 2015
E.L.E.C.T. Fatherhood Program	I	93.558	4100060965	July 1, 2015 to June 30, 2016
E.L.E.C.T. Grant	I	93.558	110-110017	July 1, 2014 to June 30, 2015
E.L.E.C.T. Grant	I	93.558	110-110017	July 1, 2015 to June 30, 2016
TOTAL E.L.E.C.T. GRANT				
U.S. DEPARTMENT OF AGRICULTURE				
Passed through the Pennsylvania Department of Agriculture				
National School Lunch Program	I	10.555*	N/A	July 1, 2015 to June 30, 2016
Passed through the Pennsylvania Department of Education				
Child Nutrition Cluster				
National School Lunch Program	I	10.555*	N/A	July 1, 2014 to June 30, 2015
National School Lunch Program	I	10.555*	N/A	July 1, 2015 to June 30, 2016
School Breakfast Program	I	10.553*	N/A	July 1, 2014 to June 30, 2015
School Breakfast Program	I	10.553*	N/A	July 1, 2015 to June 30, 2016
TOTAL CHILD NUTRITION CLUSTER				

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2015</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2016</u>	<u>Passed Through to Sub-Recipients</u>
\$ 69,362	\$ 58,689	\$ 58,689	\$ -	\$ -	\$ -	\$ -
41,246	-	-	41,246	41,246	41,246	-
236,175	153,532	153,532	-	-	-	-
230,111	<u>-</u>	<u>-</u>	<u>230,111</u>	<u>230,111</u>	<u>230,111</u>	<u>-</u>
	<u>212,221</u>	<u>212,221</u>	<u>271,357</u>	<u>271,357</u>	<u>271,357</u>	<u>-</u>
	152,803 (a)	(29,725) (b)	144,760 (c)	144,760 (c)	(37,768)	-
N/A	137,343	137,343	-	-	-	-
N/A	652,103	-	934,015	934,015	281,912	-
N/A	31,404	31,404	-	-	-	-
N/A	<u>133,255</u>	<u>-</u>	<u>203,214</u>	<u>203,214</u>	<u>69,959</u>	<u>-</u>
	<u>\$ 1,106,908</u>	<u>\$ 139,022</u>	<u>\$ 1,281,989</u>	<u>\$ 1,281,989</u>	<u>\$ 314,103</u>	<u>\$ -</u>

NESHAMINY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AND CERTAIN STATE AWARDS
YEAR ENDED JUNE 30, 2016

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				
National School Lunch Program	S	N/A	N/A	July 1, 2014 to June 30, 2015
National School Lunch Program	S	N/A	N/A	July 1, 2015 to June 30, 2016
School Breakfast Program	S	N/A	N/A	July 1, 2014 to June 30, 2015
School Breakfast Program	S	N/A	N/A	July 1, 2015 to June 30, 2016
TOTAL U.S. DEPARTMENT OF AGRICULTURE				
TOTAL FEDERAL AND CERTAIN STATE AWARDS				
LESS STATE SHARE				
TOTAL FEDERAL AWARDS				

Footnotes:

- (a) Total amount of foods received from the Department of Agriculture.
- (b) Beginning inventory at July 1, 2015.
- (c) Total amount of foods used.
- (d) Ending inventory at June 30, 2016.

Source Codes:

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

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2015</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2016</u>	<u>Passed Through to Sub-Recipients</u>
	\$ <u>2,729,337</u>	\$ <u>(128,562)</u>	\$ <u>2,816,060</u>	\$ <u>2,816,060</u>	\$ <u>(41,839)</u>	\$ <u>-</u>
	<u>212,221</u>	<u>212,221</u>	<u>271,357</u>	<u>271,357</u>	<u>271,357</u>	<u>-</u>
	<u>1,106,908</u>	<u>139,022</u>	<u>1,281,989</u>	<u>1,281,989</u>	<u>314,103</u>	<u>-</u>
N/A	9,691	9,691	-	-	-	-
N/A	47,684	-	66,592	66,592	18,908	-
N/A	3,721	3,721	-	-	-	-
N/A	<u>8,508</u>	<u>-</u>	<u>14,462</u>	<u>14,462</u>	<u>5,954</u>	<u>-</u>
	<u>1,176,512</u>	<u>152,434</u>	<u>1,363,043</u>	<u>1,363,043</u>	<u>338,965</u>	<u>-</u>
	4,118,070	236,093	4,450,460	4,450,460	568,483	-
	<u>(69,604)</u>	<u>(13,412)</u>	<u>(81,054)</u>	<u>(81,054)</u>	<u>(24,862)</u>	<u>-</u>
	\$ <u><u>4,048,466</u></u>	\$ <u><u>222,681</u></u>	\$ <u><u>4,369,406</u></u>	\$ <u><u>4,369,406</u></u>	\$ <u><u>543,621</u></u>	\$ <u><u>-</u></u>

NESHAMINY SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AND CERTAIN STATE AWARDS
YEAR ENDED JUNE 30, 2016

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	\$ 3,006,605
Enterprise Fund	1,281,747
	<u>4,288,352</u>
STATE MATCHING FUNDS	
National School Lunch Program	81,054
	<u>81,054</u>
	<u>\$ 4,369,406</u>

NOTE D - INDIRECT COST RATES

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

NESHAMINY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

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; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards in Accordance With the Uniform Guidance.
5. The auditors' report on compliance for the major award programs for the Neshaminy School District expresses an unmodified opinion.
6. There are no audit findings that are required to be reported in accordance with 2 CFR 200.516(a) of the Circular.
7. The programs tested as major programs include:

Program	CFDA
Special Education Cluster	84.027, 84.173

The threshold used for distinguishing Types A and B programs was \$750,000.

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.