

MARPLE NEWTOWN SCHOOL DISTRICT

**FINANCIAL STATEMENTS
AND SINGLE AUDIT**

For the Year Ended June 30, 2016

MARPLE NEWTOWN SCHOOL DISTRICT

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MARPLE NEWTOWN SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the Board of School Directors
MARPLE NEWTOWN SCHOOL DISTRICT
Newtown Square, 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 MARPLE NEWTOWN SCHOOL DISTRICT, Pennsylvania, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise MARPLE NEWTOWN SCHOOL DISTRICT, Pennsylvania'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.

Auditor's 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 auditor's 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the MARPLE NEWTOWN SCHOOL DISTRICT, Pennsylvania 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress for postemployment benefits plan, schedule of the district's proportionate share of the net pension liability, schedule of district contributions, and budgetary comparison information on pages 4 through 12 and pages 46 through 50, respectively, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise MARPLE NEWTOWN SCHOOL DISTRICT, Pennsylvania's basic financial statements. The schedule of expenditures of federal awards and certain state grants is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

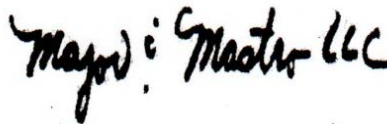
The schedule of expenditures of federal awards and certain state grants is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures 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 awards and certain state grants 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 November 7, 2016, on our consideration of the MARPLE NEWTOWN SCHOOL DISTRICT, Pennsylvania'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 MARPLE NEWTOWN SCHOOL DISTRICT, Pennsylvania's internal control over financial reporting and compliance.

November 7, 2016

MAJOR & MASTRO, LLC
Montgomeryville, Pennsylvania
Certified Public Accountants

Handwritten signature in black ink that reads "Major & Mastro LLC". The signature is written in a cursive, slightly slanted style.

MARPLE NEWTOWN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

FOR THE YEAR ENDED JUNE 30, 2016

INTRODUCTION

As management of the Marple Newtown School District, we offer readers of the Marple Newtown School District's financial statements this narrative overview and analysis of the financial activities of Marple Newtown School District for the fiscal year ended June 30, 2016. **All amounts, unless otherwise indicated, are expressed in thousands of dollars.**

FINANCIAL HIGHLIGHTS

- The liabilities and deferred inflows of resources exceeded the assets and deferred outflows of resources of the Marple Newtown School District at the close of the most recent fiscal year by \$64,597 (negative net position). The negative net position is the result of recording the district's proportionate share of net pension liability and deferred pension amounts in accordance with GASB Statement No. 68, which was implemented during 2015.
- As of the close of the current fiscal year, the Marple Newtown School District governmental funds reported combined ending fund balances of \$18,177, an increase of \$3,174 in comparison with the prior year. This increase was the result of the positive variance in revenues over expenditures in the general fund for the fiscal year that ended June 30, 2016.
- At the end of the current fiscal year, fund balance for the general fund was \$9,972 or 13.61 percent of the total general fund expenditures. Of this amount, \$29 is restricted for taxes paid in protest, \$3,250 is committed for capital projects and \$7 is assigned for encumbrances. The unassigned general fund balance is \$6,686 or 8.51 percent of 2016-2017 budgeted general fund expenditures.
- Marple Newtown School District's total debt decreased by \$4,030 during the current fiscal year due to normal debt payments during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

MARPLE NEWTOWN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

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

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

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

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

MARPLE NEWTOWN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

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

Proprietary funds. The Marple Newtown School District maintains one type of proprietary fund, an enterprise fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Marple Newtown School District uses enterprise funds to account for its Food Service Fund. Proprietary funds provide the same type of information as the government-wide financial statements only in more detail.

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Marple Newtown School District, liabilities and deferred inflows of resources exceeded the assets and deferred outflows of resources of the Marple Newtown School at the close of the most recent fiscal year by \$65,635 (negative net position).

On a government-wide basis, net position decreased \$368 from last fiscal year's adjusted net position.

MARPLE NEWTOWN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Marple Newtown School District's Net Position 2016

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

	Governmental Activities		Business-type Activities		Totals	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current & other assets	\$ 27,071	\$ 22,232	\$ 205	\$ 226	\$ 27,276	\$ 22,458
Capital assets	99,037	102,649	18	12	99,055	102,661
Total assets	<u>\$ 126,108</u>	<u>\$ 124,881</u>	<u>\$ 223</u>	<u>\$ 238</u>	<u>\$ 126,331</u>	<u>\$ 125,119</u>
Deferred outflows of resources	<u>\$ 9,970</u>	<u>\$ 7,689</u>	<u>\$ 130</u>	<u>\$ 99</u>	<u>\$ 10,100</u>	<u>\$ 7,788</u>
Long-term liabilities outstanding	\$ 187,820	\$ 180,920	\$ 1,427	\$ 1,284	\$ 189,247	\$ 182,204
Other liabilities	12,522	10,751	(40)	(35)	12,482	10,716
Total liabilities	<u>\$ 200,342</u>	<u>\$ 191,671</u>	<u>\$ 1,387</u>	<u>\$ 1,249</u>	<u>\$ 201,729</u>	<u>\$ 192,920</u>
Deferred inflows of resources	<u>\$ 333</u>	<u>\$ 5,186</u>	<u>\$ 4</u>	<u>\$ 69</u>	<u>\$ 337</u>	<u>\$ 5,255</u>
Net Position:						
Invested in capital assets, net of related debt	\$ 17,357	\$ 16,939	\$ 18	\$ 12	\$ 17,375	\$ 16,951
Restricted	8,233	5,845			8,233	5,845
Unrestricted	(90,187)	(87,071)	(1,056)	(993)	(91,243)	(88,064)
Total net position	<u>\$ (64,597)</u>	<u>\$ (64,287)</u>	<u>\$ (1,038)</u>	<u>\$ (981)</u>	<u>\$ (65,635)</u>	<u>\$ (65,268)</u>

The restricted net position is comprised of \$8,204 representing the amount restricted in the Capital Projects Funds for future capital needs and \$29 for taxes paid in protest.

Governmental activities. Governmental activities decreased Marple Newtown School District net position by \$310 for the current year.

Business type activity. The business-type activity decreased net position by \$58 for the current year.

MARPLE NEWTOWN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Marple Newtown School District Changes in Net Position – 2016

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

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Charges for Services	\$ 574	\$ 501	\$ 727	\$ 750	\$ 1,301	\$ 1,251
Operating Grants	10,365	9,666	411	372	10,776	10,038
Capital Grants	292	292			292	292
General Revenues:						
Taxes	63,521	60,708			63,521	60,708
Grants, not restricted to specific programs	2,556	2,463			2,556	2,463
Gain on sale of assets	6	10			6	10
Investment Income	63	38			63	38
Total Revenues	<u>77,377</u>	<u>73,678</u>	<u>1,138</u>	<u>1,122</u>	<u>78,515</u>	<u>74,800</u>
Expenses:						
Depreciation	4,280	4,196			4,280	4,196
Instruction	41,522	38,496			41,522	38,496
Instructional Student Support	7,601	7,347			7,601	7,347
Administration & Financial Support Services	6,623	6,015			6,623	6,015
Operation and Maintenance of Plant Services	6,574	6,122			0	6,122
Pupil Transportation	5,804	5,342			5,804	5,342
Student Activities	1,240	1,187			1,240	1,187
Community Services	49	45			49	45
Interest on long-term debt	3,994	4,141			3,994	4,141
Food Service			1,195	1,083	1,195	1,083
Total Expenses	<u>77,687</u>	<u>72,891</u>	<u>1,195</u>	<u>1,083</u>	<u>78,882</u>	<u>73,974</u>
Change in Net Position	(310)	787	(57)	39	(367)	826
Beginning Net Position	<u>(64,287)</u>	<u>(65,074)</u>	<u>(981)</u>	<u>(1,020)</u>	<u>(65,268)</u>	<u>(66,094)</u>
Ending Net Position	<u>\$ (64,597)</u>	<u>\$ (64,287)</u>	<u>\$ (1,038)</u>	<u>\$ (981)</u>	<u>\$ (65,635)</u>	<u>\$ (65,268)</u>

- Based on an actual versus actual comparison, tax revenue increased \$2,813 over 2015. This increase was primarily the result of an increase in the collection of real estate taxes of \$2,149 due to growth, and an increase in the rate of taxation. The remainder is the result of net collections of other taxes and deferrals in the amount of \$664.

MARPLE NEWTOWN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Financial Analysis of the Governmental Funds

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

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

As of the end of the current fiscal year, the Marple Newtown School District's governmental funds reported combined ending fund balance of \$18,177, an increase of \$3,174 in comparison with the prior year. This balance consists of \$8,204 remaining in the capital projects funds, \$29 restricted for taxes paid in protest, \$7 assigned for encumbrances, and \$3,250 committed for capital projects. The unassigned general fund balance is \$6,686 or 8.51 percent of 2016-2017 budgeted general fund expenditures.

The general fund is the chief operating fund of Marple Newtown School District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$6,686 or 8.51% of 2016-2017 budgeted expenditures and the total general fund balance is \$9,972. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 9.12% of total general fund expenditures, while total general fund balance represents 13.61% of that same amount.

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

General Fund Budgetary Highlights and significant changes

- The District's general fund revenues for the fiscal year ended June 30, 2016 were \$77,321.
- The general fund revenue budget compared to actual revenue is over budget by \$2,084 primarily due to positive variances of \$767 in real estate tax collections, \$251 in delinquent tax proceeds, and better than expected revenues from interim and transfer taxes of \$1,090.
- This year's expenditure variance is expected to be approximately \$1,298 over budget which represents 1.7 % of the final adjusted budget. This negative variance is the results of a \$3,250 year-end transfer of excess fund balance committed in the prior year for capital improvements and is not a line item appropriation in the 2015 fiscal year budget.

MARPLE NEWTOWN SCHOOL DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)

Capital Asset and Debt Administration

Capital assets. Marple Newtown School District’s investment in capital assets for its governmental and business type activities as of June 30, 2016 amount to \$99,055 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, site improvements, buildings and building improvements, and property and equipment.

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

- Building and site improvements at the various district buildings.

Marple Newtown School District’s Capital Assets – 2016 (net of accumulated depreciation)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 143	\$ 143	\$	\$	\$ 143	\$ 143
Site Improvements	409	488			409	488
Construction in Progress	474	24			474	24
Building & Bldg. Improvements	96,786	100,570			96,786	100,570
Machinery & Equipment	1,225	1,424	18	12	1,243	1,436
Total	\$ 99,037	\$ 102,649	\$ 18	\$ 12	\$ 99,055	\$ 102,661

Long Term Debt. At the end of the current fiscal year, the Marple Newtown School District had total bonded debt outstanding of \$81,680. Of this amount, \$81,680 comprises debt backed by the full faith and credit of the government and is insured by Bond insurance.

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
General Obligation Bonds	\$ 81,680	\$ 85,710	\$	\$	\$ 81,680	\$ 85,710
Total	\$ 81,680	\$ 85,710	\$	\$	\$ 81,680	\$ 85,710

Marple Newtown School District’s debt decreased by \$4,030 during the 2015-2016 fiscal year as a result of normal debt payments.

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

MARPLE NEWTOWN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

State statutes limit the amount of general obligation debt a governmental entity may issue to 225% of a 3-year average of revenues. The current debt limitation for Marple Newtown School District is estimated at \$160,800 which is in excess of Marple Newtown School District's outstanding general obligation debt.

Economic Factors

- The most current unemployment rate for the Philadelphia Metro Area (September 2016), which the Marple Newtown School District is located, is currently 5.2 percent, which is a slight increase from a rate of 4.9 percent a year ago. This is lower than the state's average unemployment rate of 5.7 percent, and higher than the national average of 5.0 percent. (BLS 2016). It is important to point out that although the district is within the Philadelphia Metro Area, the unemployment rate for Delaware County, in which the district lies, is 5.0%. (BLS 2016)
- The most current CPI-U index for the Philadelphia Area, which the Marple Newtown School District is located, is 0.3 percent compared to a national index of 1.1 percent for the same September 2016 time period.

Legislative changes

On November 23, 2010 Pension Reform Legislation was signed into law. The legislation is now known as Act 120 of 2010. Act 120 includes a series of actuarial and funding changes to the public school employee's retirement system ("PSERS") and benefit reductions for individuals who become new members of PSERS on or after July 1, 2011. Act 120 will not impact the pension benefits of current or retired PSERS members. As a result of the legislation the employer contribution rate for 2016-2017 has been set and budgeted at 30.03%. The employer contribution rate for the upcoming 2017-2018 budget cycle is being projected at 32.23%.

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

This law is referred to as the Taxpayer Relief Act that intends to utilize gaming revenue and a local tax shift to an earned income or personal income tax to fund the plan. The law also provides that all school districts must allow an option to taxpayers to pay their real estate taxes in installments beginning with the 2007-2008 fiscal year (PSBA, 2006). To date, this has not presented any significant challenges to the district's cash flow.

The most significant requirement under Act 1 is the limitation on school real estate tax increases. The School District will have to seek approval from the voters if it intends to increase taxes over a set inflationary index provided by the Pennsylvania Department of Education. The index for 2017-2018 budget year is 2.5%. Any tax increase that is proposed that exceeds this index must either meet several exceptions provided for in the Act or be approved by the voters. The school district did not apply for any exceptions, and did not increase the real estate tax rate for the 16-17 fiscal year.

MARPLE NEWTOWN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Requests for Information

This financial report is designed to provide a general overview of the Marple Newtown School District's finances for all those with an interest in the district's finances. Questions concerning any of the information should be addressed to the Marple Newtown School District, Business Office, 38 Media Line Road, Suite 210, Newtown Square, PA 19073.

MARPLE NEWTOWN SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2016

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 21,343,376	\$ 153,569	\$ 21,496,945
Investments	2,564,085		2,564,085
Taxes receivable, net	1,318,488		1,318,488
Due from other governments	1,608,796	20,358	1,629,154
Other receivables, net	236,246	13,042	249,288
Inventories		17,794	17,794
Total Current Assets	<u>27,070,991</u>	<u>204,763</u>	<u>27,275,754</u>
Noncurrent assets:			
Capital assets:			
Land	142,627		142,627
Construction in progress	474,080		474,080
Site improvements	1,932,692		1,932,692
Buildings and building improvements	131,984,877		131,984,877
Property and equipment	7,032,701	582,725	7,615,426
Accumulated depreciation	(42,529,946)	(564,688)	(43,094,634)
Total Noncurrent Assets	<u>99,037,031</u>	<u>18,037</u>	<u>99,055,068</u>
TOTAL ASSETS	<u>126,108,022</u>	<u>222,800</u>	<u>126,330,822</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	182,283		182,283
Deferred amounts related to pensions	9,787,278	129,686	9,916,964
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>9,969,561</u>	<u>129,686</u>	<u>10,099,247</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	3,284,164		3,284,164
Accrued salaries and benefits	4,258,556		4,258,556
Accrued interest	519,017		519,017
Unearned revenue	18,822	6,939	25,761
Internal balances	47,161	(47,161)	-
Portion due or payable within one year			
Bonds payable	4,205,000		4,205,000
Accumulated compensated absences	188,711		188,711
Total Current Liabilities	<u>12,521,431</u>	<u>(40,222)</u>	<u>12,481,209</u>
Long-term Liabilities:			
Portion due or payable after one year			
Bonds payable	77,475,000		77,475,000
Bond premiums	625,974		625,974
Accumulated compensated absences	1,159,226		1,159,226
Other post-employment benefits	875,585		875,585
Net pension liability	107,684,138	1,426,862	109,111,000
Total Long-term Liabilities	<u>187,819,923</u>	<u>1,426,862</u>	<u>189,246,785</u>
TOTAL LIABILITIES	<u>200,341,354</u>	<u>1,386,640</u>	<u>201,727,994</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred amounts related to pensions	333,086	4,414	337,500
NET POSITION			
Net investment in capital assets	17,357,031	18,037	17,375,068
Restricted for			
Taxes paid in protest	29,143		29,143
Capital projects	8,204,447		8,204,447
Unrestricted	<u>(90,187,478)</u>	<u>(1,056,605)</u>	<u>(91,244,083)</u>
TOTAL NET POSITION	<u>\$ (64,596,857)</u>	<u>\$ (1,038,568)</u>	<u>\$ (65,635,425)</u>

See accompanying notes to the basic financial statements

MARPLE NEWTOWN SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
GOVERNMENTAL ACTIVITIES							
Instruction	\$ 41,522,065	\$ 200	\$ 5,551,260	\$	\$ (35,970,605)	\$	\$ (35,970,605)
Instructional Student Support	7,600,688	428,355	1,528,032		(5,644,301)		(5,644,301)
Administrative Support Services	6,623,571		767,298		(5,856,273)		(5,856,273)
Operation and Maintenance of Plant Services	6,573,789	145,084	482,739	291,753	(5,654,213)		(5,654,213)
Pupil Transportation	5,803,737		1,810,418		(3,993,319)		(3,993,319)
Student Activities	1,239,895		225,283		(1,014,612)		(1,014,612)
Community Services	48,950				(48,950)		(48,950)
Interest on long-term debt	3,993,919				(3,993,919)		(3,993,919)
Unallocated depreciation *	4,279,649				(4,279,649)		(4,279,649)
TOTAL GOVERNMENTAL ACTIVITIES	77,686,263	573,639	10,365,030	291,753	(66,455,841)		(66,455,841)
BUSINESS-TYPE ACTIVITIES							
Food service	1,196,077	727,430	410,562			(58,085)	(58,085)
	<u>\$ 78,882,340</u>	<u>\$ 1,301,069</u>	<u>\$ 10,775,592</u>	<u>\$ 291,753</u>			<u>(66,513,926)</u>
GENERAL REVENUES							
Property taxes, levied for general purposes					61,986,681		61,986,681
Public utility taxes					67,781		67,781
Transfer taxes					1,466,807		1,466,807
Grants and entitlements not restricted to specific programs					2,555,583		2,555,583
Gain on sale of assets					5,800		5,800
Investment earnings					63,312	436	63,748
TOTAL GENERAL REVENUES					66,145,964	436	66,146,400
CHANGE IN NET POSITION							
					<u>(309,877)</u>	<u>(57,649)</u>	<u>(367,526)</u>
NET POSITION AT BEGINNING OF YEAR							
					<u>(64,286,980)</u>	<u>(980,919)</u>	<u>(65,267,899)</u>
NET POSITION AT END OF YEAR							
					<u>\$ (64,596,857)</u>	<u>\$ (1,038,568)</u>	<u>\$ (65,635,425)</u>

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

MARPLE NEWTOWN SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2016

	<u>General Fund</u>	<u>Capital Projects Fund I</u>	<u>Capital Projects Fund II</u>	<u>Totals</u>
ASSETS				
Cash and cash equivalents	\$ 12,698,852	\$ -	\$ 8,644,524	\$ 21,343,376
Investments	2,564,085			2,564,085
Taxes receivable, net	1,349,218			1,349,218
Due from other governments	1,317,043			1,317,043
Interfund receivable	25,369			25,369
Other receivables	236,246			236,246
TOTAL ASSETS	<u>\$ 18,190,813</u>	<u>\$ -</u>	<u>\$ 8,644,524</u>	<u>\$ 26,835,337</u>
LIABILITIES				
Accounts payable	\$ 2,844,087	\$ -	\$ 440,077	\$ 3,284,164
Accrued salaries and benefits	4,258,556			4,258,556
Interfund payable	72,530			72,530
Unearned revenue	18,822			18,822
TOTAL LIABILITIES	<u>7,193,995</u>	<u>-</u>	<u>440,077</u>	<u>7,634,072</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - real estate taxes	1,024,339	-	-	1,024,339
FUND BALANCES				
Restricted:				
Capital projects		-	8,204,447	8,204,447
Taxes paid in protest	29,143			29,143
Committed:				
Capital projects	3,250,000			3,250,000
Assigned				
Encumbrances	6,998			6,998
Unassigned	6,686,338			6,686,338
TOTAL FUND BALANCES	<u>9,972,479</u>	<u>-</u>	<u>8,204,447</u>	<u>18,176,926</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 18,190,813</u>	<u>\$ -</u>	<u>\$ 8,644,524</u>	<u>\$ 26,835,337</u>

See accompanying notes to the basic financial statements

MARPLE NEWTOWN SCHOOL DISTRICT

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES**

JUNE 30, 2016

TOTAL GOVERNMENTAL FUND BALANCES	\$ 18,176,926
Amounts reported for governmental activities on the statement of net position are different because of the following:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	99,037,031
Some of the District's revenues will be collected after year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	1,285,362
Deferred charges on refunding are recorded as other financing uses in the Governmental funds, the statement of net position includes these amounts as deferred outflows of resources	182,283
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to pensions	9,787,278
Deferred inflows of resources related to pensions	(333,086)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
Accrued interest	(519,017)
Bonds and notes payable	(81,680,000)
Bond premiums	(625,974)
Other post-employment benefits	(875,585)
Net pension liability	(107,684,138)
Accumulated compensated absences	<u>(1,347,937)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (64,596,857)</u>

See accompanying notes to the basic financial statements

MARPLE NEWTOWN SCHOOL DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Capital Projects Fund I	Capital Projects Fund II	Totals
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Local sources	\$ 64,235,794	\$ 79	\$ 9,259	\$ 64,245,132
State sources	12,361,468			12,361,468
Federal sources	723,934			723,934
TOTAL REVENUES	<u>77,321,196</u>	<u>79</u>	<u>9,259</u>	<u>77,330,534</u>
Other Financing Sources:				
Transfers in			3,250,000	3,250,000
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>3,250,000</u>	<u>3,250,000</u>
TOTAL REVENUE AND OTHER FINANCING SOURCES	<u>77,321,196</u>	<u>79</u>	<u>3,259,259</u>	<u>80,580,534</u>
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Instruction	38,969,950			38,969,950
Support services	25,014,278	1,100		25,015,378
Operation of non-instructional services	1,209,099			1,209,099
Capital outlay		47,635	822,513	870,148
Debt service				
Interest	4,062,300			4,062,300
Principal	4,030,000			4,030,000
TOTAL EXPENDITURES	<u>73,285,627</u>	<u>48,735</u>	<u>822,513</u>	<u>74,156,875</u>
Other Financing Uses:				
Transfers out	3,250,000			3,250,000
TOTAL OTHER FINANCING USES	<u>3,250,000</u>	<u>-</u>	<u>-</u>	<u>3,250,000</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>76,535,627</u>	<u>48,735</u>	<u>822,513</u>	<u>77,406,875</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	785,569	(48,656)	2,436,746	3,173,659
FUND BALANCE AT BEGINNING OF YEAR	<u>9,186,910</u>	<u>48,656</u>	<u>5,767,701</u>	<u>15,003,267</u>
FUND BALANCE AT END OF YEAR	<u>\$ 9,972,479</u>	<u>\$ -</u>	<u>\$ 8,204,447</u>	<u>\$ 18,176,926</u>

See accompanying notes to the basic financial statements

MARPLE NEWTOWN SCHOOL DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2016

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 3,173,659
<p>Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense and capital outlays:</p>	
Capital outlay	1,177,923
Depreciation expense	(4,790,092)
<p>Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in Governmental Funds.</p>	
	45,851
<p>Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position.</p>	
	4,030,000
<p>Premiums are amortized over the lives of the bonds in the Statement of Activities, but are recorded as other financing uses in the Governmental Funds.</p>	
	37,278
<p>Compensated absences do not require the use of current financial resources, therefore, are not reported as expenditures in Governmental Funds.</p>	
	(45,400)
<p>Other Post-employment benefits do not require the use of current financial resources, therefore, are not reported as expenditures in Governmental Funds.</p>	
	(154,066)
<p>Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension related benefits earned net of employee contributions is reported as pension expense.</p>	
District pension contributions	7,889,076
Cost of pension benefits earned, net of employee contributions	(11,705,208)
<p>Interest is reported as an expenditure when due in the Governmental Funds, but is accrued on outstanding debt in the statement of activities.</p>	
	<u>31,102</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (309,877)</u>

See accompanying notes to the basic financial statements

MARPLE NEWTOWN SCHOOL DISTRICT

STATEMENT OF NET POSITION
 PROPRIETARY FUND

JUNE 30, 2016

	Enterprise Fund
	Food
	Service Fund
ASSETS	
CURRENT ASSETS	
Cash	\$ 153,569
Due from other governments	20,358
Other receivables	13,042
Interfund receivable	72,530
Inventories	17,794
	277,293
TOTAL CURRENT ASSETS	277,293
PROPERTY AND EQUIPMENT	582,725
Accumulated depreciation	(564,688)
	18,037
PROPERTY AND EQUIPMENT, Net	18,037
TOTAL ASSETS	295,330
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts related to pensions	129,686
	129,686
CURRENT LIABILITIES	
Interfund payable	25,369
Unearned revenues	6,939
	32,308
TOTAL CURRENT LIABILITIES	32,308
LONG-TERM LIABILITIES	
Net pension liability	1,426,862
	1,426,862
DEFERRED INFLOWS OF RESOURCES	
Deferred amounts related to pensions	4,414
	4,414
NET POSITION	
Net investment in capital assets	18,037
Unrestricted	(1,056,605)
	(1,038,568)
TOTAL NET POSITION	\$ (1,038,568)

See accompanying notes to the basic financial statements

MARPLE NEWTOWN SCHOOL DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2016

	<u>Enterprise Fund</u> Food Service Fund
OPERATING REVENUES	\$ 727,430
OPERATING EXPENSES	
Payroll	677,662
Supplies	506,323
Purchased services	6,139
Other operating expenses	3,021
Depreciation	2,932
TOTAL OPERATING EXPENSES	<u>1,196,077</u>
OPERATING LOSS	<u>(468,647)</u>
NONOPERATING REVENUES	
Earnings on investments	436
State sources	90,876
Federal sources	319,686
TOTAL NONOPERATING REVENUES	<u>410,998</u>
CHANGE IN NET POSITION	<u>(57,649)</u>
NET POSITION AT BEGINNING OF YEAR	<u>(980,919)</u>
NET POSITION AT END OF YEAR	<u><u>\$ (1,038,568)</u></u>

See accompanying notes to the basic financial statements

MARPLE NEWTOWN SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

FOR THE YEAR ENDED JUNE 30, 2016

	Enterprise Fund <u>Food Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 732,196
Payments to suppliers	(522,699)
Payments to employees	<u>(629,915)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(420,418)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Net transfer from other funds	(9,025)
State sources	90,574
Federal sources	<u>318,962</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>400,511</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of equipment	<u>(9,396)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on investments	<u>436</u>
NET DECREASE IN CASH	(28,867)
CASH AT BEGINNING OF YEAR	<u>182,436</u>
CASH AT END OF YEAR	<u><u>\$ 153,569</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (468,647)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	2,932
(Increase) decrease in assets:	
Receivables	4,766
Inventory	(5,360)
Increase (decrease) in liabilities:	
Accounts payable	(1,856)
Net pension liability	<u>47,747</u>
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (420,418)</u></u>
Schedule of noncash noncapital financing activities	
Donated commodities received	52,951
Donated commodities used	47,387

See accompanying notes to the basic financial statements

MARPLE NEWTOWN SCHOOL DISTRICT

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS**

JUNE 30, 2016

	<u>Scholarship Trust Fund</u>	<u>Agency Fund</u>
ASSETS		
Cash and cash equivalents	\$ 173,541	\$ 134,960
TOTAL ASSETS	<u>173,541</u>	<u>134,960</u>
LIABILITIES		
Due to student organizations	<u> </u>	<u>134,960</u>
TOTAL LIABILITIES	<u>-</u>	<u>134,960</u>
NET POSITION		
Reserved for scholarships	<u>173,541</u>	<u> </u>
TOTAL NET POSITION	<u><u>\$ 173,541</u></u>	<u><u>\$ -</u></u>

See accompanying notes to the basic financial statements

MARPLE NEWTOWN SCHOOL DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2016

	<u>Scholarship Trust Fund</u>
ADDITIONS	
Local contributions	\$ 15,350
Interest earnings	309
TOTAL ADDITIONS	<u>15,659</u>
DEDUCTIONS	
Fees paid and scholarships awarded	<u>29,820</u>
TOTAL DEDUCTIONS	29,820
CHANGE IN NET POSITION	(14,161)
NET POSITION AT BEGINNING OF YEAR	<u>187,702</u>
NET POSITION AT END OF YEAR	<u><u>\$ 173,541</u></u>

See accompanying notes to the basic financial statements

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Reporting Entity

In evaluating the District as a reporting entity, management has addressed all potential component units for which the District may or may not be financially accountable, and, as such, be includable within the District's financial statements. In accordance with Statement of Governmental Accounting Standards Board (GASB) No. 14, as amended by GASB No. 61, the District is financially accountable if it appoints a voting majority of the organization's governing board (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burden on the District. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on this criteria, there have been no component units defined within our reporting entity.

Basis of Presentation and Accounting

Government-Wide Financial Statements

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

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

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Basis of Presentation and Accounting, continued

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

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

Fund Financial Statements

Fund financial statements report detailed information about the District. The focus of Governmental and Proprietary Funds financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Marple Newtown School District does not have any nonmajor funds. Fiduciary funds are reported by fund type.

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

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Basis of Presentation and Accounting, continued

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

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

Fiduciary Funds are reported using the economic resources measurement focus.

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

Fund Accounting

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

Governmental Fund Types

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

General Fund

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

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Governmental Fund Types, continued

Capital Projects Funds

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

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

Proprietary Fund Type

Enterprise (Food Service) Fund

The Enterprise Fund accounts for the District's Food Service operations, which is maintained to account for operations that are financed and operated in a manner similar to a private business enterprise. The fund accounts for all revenues, food purchases, costs, and expenses for the food service program on the accrual method of accounting. This method recognizes expenses when incurred and revenues when earned. All proprietary activities are accounted for using GASB pronouncements as established by GASB No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 1989 FASB and AICPA Pronouncements*.

Fiduciary Fund Types

Trust Fund

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

Agency Fund

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

Estimates

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

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Cash and Cash Equivalents

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

Investments

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

Intergovernmental Receivables/Payables

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

Inventories

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

Capital Assets

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

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

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

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

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Compensated Absences

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

Unavailable and Unearned Revenues

General Fund unavailable revenues represent primarily delinquent taxes not collected within 60 days subsequent to the District's year-end. It is expected that these receivables will be collected and included in revenues of future fiscal years. On governmental fund financial statements, these receivables are reported as unavailable revenue. Food Service Fund unavailable revenues represent food received in its food service operations that is on hand at June 30, 2016. Such revenues will be recognized when the food commodities are used.

Long-Term Obligations

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

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

Encumbrances

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

Net Position

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

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Interfund Assets/Liabilities

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

Fund Balance

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

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

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

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

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

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

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Fund Balance, continued

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

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

2. CASH AND INVESTMENTS

Cash

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

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's investment policy states that all funds invested shall be insured or secured by approved assets pledged as collateral and the financial institutions will be monitored for credit worthiness. As of June 30, 2016, \$22,910,274 of the District's bank balance of \$23,160,274 was exposed to custodial credit risk because it was uninsured and the collateral held by the depository's agent was not in the District's name.

Investments

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

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

As of June 30, 2016, the District had the following investments:

<u>Investment</u>	<u>Fair Value</u>
PA Local Government Investment Trust	<u>\$2,564,085</u>

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS, continued

Investments, continued

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

Credit Risk. The District has no investment policy that would limit its investment choices to certain credit ratings, however, the primary objective of the policy is ensuring safety through the mitigation of credit risk. As of June 30, 2016, the District’s investments were rated as:

<u>Investment</u>	<u>Standard & Poor’s</u>
PA Local Government Investment Trust	AA+

3. SCHOOL TAXES

The tax on real estate, as levied by the School Board, was 18.069 mills (\$18.069 per \$1,000 of assessed valuation) for fiscal 2015. Assessed valuation of property is established by the Board of Assessments, and the elected or appointed tax collectors are responsible for collection. Real property in the district for the July 1, 2015 levy was assessed at \$3,387,739,108. The schedule for real estate taxes levied for each fiscal year is as follows:

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

For government-wide financial statements, the school district, in accordance with GAAP, recognized the delinquent and unpaid taxes receivable reduced by an allowance for uncollectible taxes in the amount of \$30,730 as determined by the administration. A portion of the net amount estimated to be collectible, which was measurable and available within 60 days, was recognized as revenue and the balance deferred in the fund financial statements.

4. INTERFUND RECEIVABLES AND PAYABLES

The following is a summary of interfund activity for the year ending June 30, 2016

	Interfund Receivables	Interfund Payables
General Fund	\$ 25,369	\$ 72,530
Proprietary Fund, Food Service Fund	72,530	25,369
	\$ 97,899	\$ 97,899

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

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

4. INTERFUND RECEIVABLES AND PAYABLES, continued

	Transfers to Other funds	Transfers from Other funds
General Fund	\$ 3,250,000	\$
Capital Projects Fund II		3,250,000
	\$ 3,250,000	\$ 3,250,000

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

5. CAPITAL ASSETS

Capital Asset Activity for the year ended June 30, 2016, was as follows:

Governmental Activities:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Capital assets not being depreciated				
Land	\$ 142,627	\$	\$	\$ 142,627
Construction in progress	23,992	474,080	23,992	474,080
Total Capital assets not being depreciated	166,619	474,080	23,992	616,707
Capital assets being depreciated				
Site improvements	1,932,692			1,932,692
Buildings and improvements	131,579,164	405,713		131,984,877
Machinery and equipment	6,775,680	322,122	65,101	7,032,701
Total capital assets being depreciated at historical cost	140,287,536	727,835	65,101	140,950,270
Less accumulated depreciation for				
Site improvements	(1,444,336)	(79,784)		(1,524,120)
Buildings and improvements	(31,009,389)	(4,189,194)		(35,198,583)
Machinery & Equipment	(5,351,230)	(521,114)	(65,101)	(5,807,243)
Total accumulated depreciation	(37,804,955)	(4,790,092)	(65,101)	(42,529,946)
Total capital assets being depreciated, net	102,482,581	(4,062,257)	-	98,420,324
Governmental Activities capital assets, net	\$ 102,649,200	\$ (3,588,177)	\$ 23,992	\$ 99,037,031

Business-type Activities:

Capital assets being depreciated				
Machinery and equipment	\$ 573,329	\$ 9,396	\$	\$ 582,725
Less accumulated depreciation	(561,756)	(2,932)		(564,688)
Business-type activities capital assets, net	\$ 11,573	\$ 6,464	\$ -	\$ 18,037

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

5. CAPITAL ASSETS, continued

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

Instruction	\$ 93,920
Instructional Student Support	60,096
Administrative Support Services	78,328
Pupil Transportation	55,229
Operation and Maintenance of Plant Services	149,152
Student Activities	<u>73,718</u>
Total Depreciation charged as direct expense	510,443
Unallocated depreciation	<u>4,279,649</u>
Total Governmental Activities depreciation expense	<u><u>\$ 4,790,092</u></u>

6. LONG-TERM LIABILITIES

The following is a summary of governmental long-term liability activity of the district for the year ending June 30, 2016:

Type	Principal Outstanding July 1, 2015	Additions	Repayments	Principal Outstanding June 30, 2016	Due within One Year
General Obligation Bond - 2006	\$ 18,380,000	\$	1,195,000	\$ 17,185,000	\$ 1,260,000
General Obligation Bond - 2009	63,835,000		2,175,000	61,660,000	2,265,000
General Obligation Bond - 2010	<u>3,495,000</u>		<u>660,000</u>	<u>2,835,000</u>	<u>680,000</u>
	85,710,000	-	4,030,000	81,680,000	4,205,000
Net Discount/Premium	<u>(680,344)</u>		<u>(54,370)</u>	<u>(625,974)</u>	
	86,390,344	-	4,084,370	82,305,974	4,205,000
Compensated Absences	1,302,536	45,401		1,347,937	188,711
Other Post-employment Benefits	<u>721,519</u>	<u>154,066</u>		<u>875,585</u>	<u>-</u>
Total	<u><u>\$ 88,414,399</u></u>	<u><u>\$ 199,467</u></u>	<u><u>\$ 4,084,370</u></u>	<u><u>\$ 84,529,496</u></u>	<u><u>\$ 4,393,711</u></u>

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

6. LONG-TERM LIABILITIES, continued

Bonds and Notes payable at June 30, 2016 consisted of:

General Obligation Bond Series 2006. Original principal amount of \$25,490,000, maturing March 1, 2027, bearing interest from 3.50% to 5.00%. Interest is paid semi-annually on March 1 and September 1.	\$ 17,185,000
General Obligation Bond Series 2009. Original principal amount of \$69,470,000, maturing June 1, 2031, bearing interest from 1.60% to 5.00%. Interest is paid semi-annually on June 1 and December 1.	61,660,000
General Obligation Bond Series 2010. Original principal amount of \$8,880,000, maturing April 1, 2020, bearing interest from 2.00% to 3.75%. Interest is paid semi-annually on April 1 and October 1.	<u>2,835,000</u>
	<u><u>\$ 81,680,000</u></u>

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

Year Ended June 30,	Principal	Interest	Total
2017	\$ 4,205,000	\$ 3,899,051	\$ 8,104,051
2018	4,385,000	3,715,424	8,100,424
2019	4,570,000	3,504,138	8,074,138
2020	4,765,000	3,301,938	8,066,938
2021	4,965,000	3,073,608	8,038,608
2022-2026	28,455,000	11,588,496	40,043,496
2027-2031	<u>30,335,000</u>	<u>4,144,380</u>	<u>34,479,380</u>
	<u><u>\$ 81,680,000</u></u>	<u><u>\$ 33,227,035</u></u>	<u><u>\$ 114,907,035</u></u>

Interest expense for the year ended June 30, 2016 was \$4,062,300.

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

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

7. PENSION PLAN

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/deduction 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 1 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 new 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 of 3 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 upon 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.

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

7. PENSION PLAN, continued

Benefits provided, 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 the 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

Member 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 service 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 Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

7. PENSION PLAN, continued

Contributions, continued

Employer Contributions:

The school districts' contractually required contribution rate for 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 pension plan from the District were \$7,993,610 for the year ended June 30, 2016.

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

At June 30, 2016, the District reported a liability of \$109,111,000 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 District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it related to the total one-year reported covered payroll. At June 30, 2015, the District's proportion was .2519 percent, which was an increase of .0043 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$12,433,555. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportions	\$ 1,437,400	\$
Net difference between projected and actual investment earnings	278,000	
Difference between actual and expected experience		337,500
Difference between employer contributions and proportionate share of total contributions	207,954	
Contributions subsequent to the measurement date	7,993,610	
	\$ 9,916,964	\$ 337,500

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

7. PENSION PLAN, continued

\$7,993,610 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as reduction of the net 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:

Year ended June 30:

2017	\$	(24,624)
2018		(24,624)
2019		1,622,376
2020		12,726

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 – 7.50%, 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 Tables (male and female) with age set back 3 years for both males and females. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females.

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

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

7. PENSION PLAN, continued

The pension 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%</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.

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 pension 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

7. PENSION PLAN, continued

Sensitivity of the 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 1-percentage point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
District's proportionate share of the net pension liability	\$ 134,490,000	\$ 109,111,000	\$ 87,780,000

Pension plan fiduciary net position

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

8. POST-EMPLOYMENT HEALTHCARE BENEFITS

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

Plan Description: Pursuant to the provisions of Act 110/43, teachers and non-professional union and non-union employees who retire from the District and eligible dependents, may continue to participate in the district's group health plan by paying full premiums, until the retired employee reaches Medicare age. Employees are eligible when they become eligible for PSERS retirement. Administrators hired after July 1, 2010 who have attained age 59 with 10 consecutive years of service are eligible for subsidized coverage paying 50% of the premiums until the retired employee reaches Medicare age, if the employees do not meet the subsidized coverage they must pay full premiums. Administrators and non-union employees hired before July 1, 2010 who have attained superannuation with 5 consecutive years of service are eligible for subsidized coverage paying the same percentage as active employees at the time of retirement until the retired employee reaches Medicare age, if the employees do not meet the subsidized coverage they must pay full premiums. The district subsidizes the premium rates

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

8. POST-EMPLOYMENT HEALTHCARE BENEFITS, continued

Plan Description, continued

paid by retirees by allowing them to participate in the plan at blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The plan is a single-employer defined benefit plan. Separate financial statements are not issued for the plan.

Funding Policy: The District has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation. For the 2015-16 fiscal year, 37 retirees and eligible dependents received postemployment health care benefits. Retiree contributions are based on weighted averages for the medical premiums, increasing at the same rate as the health care cost trend rate. The District's pay-as-you-go cost, including implicit rate subsidy of \$221,322 has been applied toward the annual OPEB cost.

Annual OPEB Cost and Net OPEB Obligation: The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the last three years was as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$ 362,204	71%	578,737
6/30/2015	377,728	62%	721,519
6/30/2016	375,388	59%	875,585

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

<u>Description</u>	
Normal cost (service cost for one year)	\$ 207,070
Interest on Normal Cost	9,318
Amortization of Unfunded Actuarial Accrued Liability	<u>170,827</u>
Annual Required Contribution (ARC)	387,215
Interest on net OPEB Obligation	32,468
Adjustment to Annual Required Contribution	<u>(44,295)</u>
Annual OPEB Cost (expense)	375,388
Contributions toward the OPEB Cost	<u>(221,322)</u>
Increase in Net OPEB Obligation	154,066
Net OPEB Obligation, Beginning of Year	<u>721,519</u>
Net OPEB Obligation, End of Year	<u><u>\$ 875,585</u></u>

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

8. POST-EMPLOYMENT HEALTHCARE BENEFITS, continued

Funded Status and Funding Progress: As of January 1, 2014, the date of the latest actuarial valuation, the actuarial accrued liability for benefits was \$2,782,586, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$2,782,586. The covered payroll (annual payroll of active participating employees) was \$27,583,289, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 10.09 percent.

Actuarial Methods and Assumptions: Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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

The District's OPEB actuarial valuation as of January 1, 2014, used the entry age normal actuarial cost method to estimate both the unfunded liability as of June 30, 2016 and to estimate the District's 2015-16 fiscal year annual required contribution. This method was selected because it produced the best estimate of the OPEB liability and annual cost. Because the OPEB liability is currently unfunded, the actuarial assumptions include a 4.5 percent rate of return on invested assets. The actuarial assumptions include a payroll growth of a 2.5% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75% to .25%. The actuarial assumptions also include an annual health care cost trend rate of 6.5% initially for 2014, reduced by .5% per year to an ultimate rate of 5.5% in 2016. The unfunded actuarial liability is being amortized as a level dollar of projected payroll growth on an open basis over 30 years. The remaining amortization period at June 30, 2016 is 22 years.

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

9. JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATION

Delaware County Intermediate Unit

The District and the other Delaware County school districts are participating members of the Delaware County Intermediate Unit (the “DCIU”). The DCIU is a regional education service agency, established by the Commonwealth of Pennsylvania, which is governed by a joint committee consisting of School Board members from each participating district. The School Board of each participating district must approve the annual operating budget of the DCIU but the participating districts have no ongoing fiduciary interest or responsibility to the DCIU. The DCIU is a self-sustaining organization that provides a broad array of services to participating districts which include: Curriculum development and instructional improvement; educational planning services; instructional material; continuing professional development; pupil personnel services; management services and state and federal liaison services.

Delaware County Vocational Technical School and Delaware Vocational Technical School Authority

The Delaware County School Districts (including Marple Newtown School District) participate in the Delaware County Vocational Technical School (the “DCVTS”). The DCVTS provides vocational-technical training and education to students of the participating districts. The DCVTS is controlled by a joint Board comprised of school board members of the participating districts. District oversight of the DCVTS operations is the responsibility of the joint board. The District’s share of operating costs for the DCVTS fluctuates based on the District’s percentage of enrollment. The District’s share of operating costs of 2015-2016 was \$333,369.

The Delaware County School Districts (including Marple Newtown School District) participate in a joint venture for the operation of the Delaware County Vocational-Technical Authority (the “DCVTSA”). The DCVTSA oversees acquiring, holding, constructing, improving, and maintaining the DCVTSA school buildings. The DCVTSA is controlled by a joint board comprised of school board members of each participating school district.

Both DCVTS and the DCVTSA prepare financial statements that are available to the public from their administrative offices located at 200 Yale Avenue, Morton, PA 19070.

10. CONTINGENCIES

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

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

11. OPERATING LEASES

The District entered into operating leases for school buses and computer equipment during the year. The total expense under these operating leases for the June 30, 2016 year is \$1,446,432. The lease payments for future years are as follows:

<u>Year End</u>	<u>Amount</u>
6/30/2017	\$ 1,449,896
6/30/2018	782,225
6/30/2019	730,269
6/30/2020	241,706
6/30/2021	128,064
	<u>\$ 3,332,160</u>

12. COMMITMENTS

The District has various commitments under long-term construction contracts totaling approximately \$2,333,824 as of June 30, 2016.

13. SUBSEQUENT EVENTS

On September 7, 2016, the District issued General Obligation Bonds Series 2016 in the amount of \$66,480,000. The bonds were issued to currently refund the outstanding 2006 and 2010 Bonds, and advance refund a portion of the 2009 bonds. The bonds mature through June 1, 2031 and bear interest ranging from 3% to 5%.

REQUIRED

SUPPLEMENTARY INFORMATION

MARPLE NEWTOWN SCHOOL DISTRICT

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

JUNE 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
1/1/2014	\$ 0	\$ 2,782,586	\$ 2,782,586	0%	\$ 27,583,289	10.09%
1/1/2012	\$ 0	\$ 2,619,768	\$ 2,619,768	0%	\$ 26,555,705	9.87%
1/1/2010	\$ 0	\$ 3,255,110	\$ 3,255,110	0%	\$ 27,209,045	11.96%

MARPLE NEWTOWN SCHOOL DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY**

Last 10 Fiscal Years*

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
District's proportion of the net pension liability	0.2519%	0.2476%	0.2456%
District's proportionate share of the net pension liability	\$ 109,111,000	\$ 98,002,000	\$ 100,540,000
District's covered-employee payroll	\$ 32,408,377	\$ 31,595,541	\$ 31,517,435
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	336.68%	310.18%	319.00%
Plan fiduciary net position as a percentage of the total pension liability	54.36%	57.24%	54.49%

Amounts were determined as of the cost-sharing plan's June 30, 2015 fiscal year.

* This schedule is presented to illustrate the requirement to show information for 10 years.
However, until a full 10-year trend is complete, available information is presented.

MARPLE NEWTOWN SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
PENSION PLAN

Last 10 Fiscal Years*

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Contractually required contribution	\$ 7,993,610	\$ 6,521,195	\$ 4,957,139
Contributions in relation to the contractually required contribution	<u>(7,993,610)</u>	<u>(6,521,195)</u>	<u>(4,957,139)</u>
Contribution deficiency (excess)	-	-	-
District's covered-employee payroll	\$ 31,974,440	\$ 31,810,707	\$ 31,595,541
Contributions as a percentage of covered-employee payroll	25.00%	20.50%	15.69%

Amounts are based on actual contributions during the fiscal year.

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.

MARPLE NEWTOWN SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES				
Revenues:				
Local sources	\$ 61,931,784	\$ 61,969,016	\$ 64,235,794	\$ 2,266,778
State sources	12,598,216	12,598,216	12,361,468	(236,748)
Federal sources	670,000	670,000	723,934	53,934
TOTAL REVENUES	<u>75,200,000</u>	<u>75,237,232</u>	<u>77,321,196</u>	<u>2,083,964</u>
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Instruction				
Regular programs	25,262,301	25,198,405	24,551,473	646,932
Special programs	14,293,818	14,331,940	13,947,655	384,285
Vocational programs	425,000	421,448	374,802	46,646
Other instructional and nonpublic programs	97,269	104,123	96,020	8,103
Total Instruction	<u>40,078,388</u>	<u>40,055,916</u>	<u>38,969,950</u>	<u>1,085,966</u>
Support Services				
Pupil personnel services	2,989,941	3,021,202	2,952,011	69,191
Instructional staff services	3,159,706	3,160,130	3,005,620	154,510
Administration services	3,718,821	3,731,009	3,643,993	87,016
Pupil health	1,296,064	1,246,110	1,180,132	65,978
Business services	816,996	806,496	806,521	(25)
Operation and maintenance of plant services	6,238,333	6,375,007	6,341,190	33,817
Student transportation	5,316,362	5,424,296	5,383,203	41,093
Central services	1,587,553	1,599,363	1,557,241	42,122
Other support services	115,303	115,303	144,367	(29,064)
Total Support Services	<u>25,239,079</u>	<u>25,478,916</u>	<u>25,014,278</u>	<u>464,638</u>
Operation of Non-instructional Services				
Student activities	1,141,645	1,186,287	1,160,274	26,013
Community services	48,388	49,568	48,825	743
Total Operation of Non-instructional Services	<u>1,190,033</u>	<u>1,235,855</u>	<u>1,209,099</u>	<u>26,756</u>
Other Financing Uses				
Debt service	8,092,500	8,092,500	8,092,300	200
Transfers out	-	-	3,250,000	(3,250,000)
Budgetary reserve	600,000	374,045		374,045
Total Other Financing Uses	<u>8,692,500</u>	<u>8,466,545</u>	<u>11,342,300</u>	<u>(2,875,755)</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>75,200,000</u>	<u>75,237,232</u>	<u>76,535,627</u>	<u>(1,298,395)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-	-	785,569	785,569
FUND BALANCE AT BEGINNING OF YEAR	<u>9,186,910</u>	<u>9,186,910</u>	<u>9,186,910</u>	-
FUND BALANCE AT END OF YEAR	<u>\$ 9,186,910</u>	<u>\$ 9,186,910</u>	<u>\$ 9,972,479</u>	<u>\$ 785,569</u>

MARPLE NEWTOWN SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2016

1. Budgetary Data

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

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

2. Pension Data

The amounts reported in the schedule of the district's proportionate share of the net pension liability are determined as of June 30, 2015 by The Commonwealth of Pennsylvania Public School Employees' Retirement System (the cost-sharing plan). There were no changes in benefit terms and no changes in assumptions.

SUPPLEMENTARY INFORMATION

MARPLE NEWTOWN SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS
FOR THE YEAR ENDED JUNE 30, 2016

FEDERAL GRANTOR/PASS THROUGH GRANTOR/ PROGRAM TITLE	Federal CFDA Number	Pass Through Grantor's Number	Grant Period	Program or Award Amount	Accrued or (Deferred) at July 1, 2015	Total Received For the Year	Expenditures	Accrued or (Deferred) at June 30, 2016	Revenue Recognized
FEDERAL AWARDS									
U.S. DEPT. OF EDUCATION									
Passed Through the PA Dept. of Education									
Title I - Low Income	84.010	013-15-0239	7/1/14 - 9/30/15	\$ 330,675	\$ 17,660	\$ 20,177	\$ 2,517		\$ 2,517
Title I - Low Income	84.010	013-16-0239	7/1/15 - 9/30/16	305,608		285,257	303,224	17,967	303,224
Total CFDA 84.010				<u>636,283</u>	<u>17,660</u>	<u>305,434</u>	<u>305,741</u>	<u>17,967</u>	<u>305,741</u>
Title II	84.367	020-15-0239	7/1/14 - 9/30/15	104,948	613	6,961	6,348		6,348
Title II	84.367	020-16-0239	7/1/15 - 9/30/16	104,052		83,418	103,245	19,827	103,245
Total CFDA 84.367				<u>209,000</u>	<u>613</u>	<u>90,379</u>	<u>109,593</u>	<u>19,827</u>	<u>109,593</u>
Title III	84.365	010-14-0239	7/1/13 - 9/30/14	21,002	(1,514)	-	1,514		1,514
Title III	84.365	010-15-0239	7/1/14 - 9/30/15	20,530	4,276	8,212	3,936		3,936
Title III	84.365	010-16-0239	7/1/15 - 9/30/16	25,602		14,726	19,855	5,129	19,855
Total CFDA 84.365				<u>67,134</u>	<u>2,762</u>	<u>22,938</u>	<u>25,305</u>	<u>5,129</u>	<u>25,305</u>
Passed Through the Delaware County Intermediate Unit #25									
IDEA	84.027		7/1/15 - 6/30/16	570,088		570,088	570,088		570,088
IDEA - 619	84.173		7/1/15 - 6/30/16	2,717		2,717	2,717		2,717
Total IDEA Cluster				<u>572,805</u>		<u>572,805</u>	<u>572,805</u>		<u>572,805</u>
Passed Through Old Dominion Univeristy									
Old Dominion University Research Foundation	84.411A	14-104-317101	7/1/13 - 6/30/16	77,475	7,751	23,824	22,771	6,698	22,771
Total CFDA 84.411A				<u>77,475</u>	<u>7,751</u>	<u>23,824</u>	<u>22,771</u>	<u>6,698</u>	<u>22,771</u>
TOTAL U.S. DEPT. OF EDUCATION				<u>1,562,697</u>	<u>28,786</u>	<u>1,015,380</u>	<u>1,036,215</u>	<u>49,621</u>	<u>1,036,215</u>
U.S. DEPT. OF HEALTH AND HUMAN SERVICES									
Passed Through the PA Dept. of Public Welfare									
Medical Assistance Reimbursement - Administration	93.778		7/1/14 - 6/30/14	N/A	5,075	5,075	-		-
Medical Assistance Reimbursement - Administration	93.778		7/1/15 - 6/30/16	N/A	-	12,364	22,509	10,145	22,509
Total CFDA 93.778					<u>5,075</u>	<u>17,439</u>	<u>22,509</u>	<u>10,145</u>	<u>22,509</u>
TOTAL U.S. DEPT. OF HEALTH AND HUMAN SERVICES					<u>5,075</u>	<u>17,439</u>	<u>22,509</u>	<u>10,145</u>	<u>22,509</u>
<i>CHILD NUTRITION CLUSTER</i>									
U.S. DEPT. OF AGRICULTURE									
Passed Through the PA Dept. of Education									
National School Lunch Program	10.555		7/1/14 - 6/30/15	N/A	12,807	12,807			
National School Lunch Program	10.555		7/1/15 - 6/30/16	N/A		253,203	272,297	19,094	272,297
Passed Through the PA Dept. of Agriculture									
National School Lunch Value of USDA Commodities	10.555		7/1/15 - 6/30/16		(1,376)	52,951	47,387	(6,940)	47,387
Total Child Nutrition Cluster				-	<u>11,431</u>	<u>318,961</u>	<u>319,684</u>	<u>12,154</u>	<u>319,684</u>
TOTAL U.S. DEPT. OF AGRICULTURE				<u>-</u>	<u>11,431</u>	<u>318,961</u>	<u>319,684</u>	<u>12,154</u>	<u>319,684</u>
TOTAL FEDERAL AWARDS				<u>1,562,697</u>	<u>45,292</u>	<u>1,351,780</u>	<u>1,378,408</u>	<u>71,920</u>	<u>1,378,408</u>
CERTAIN STATE GRANTS									
STATE GRANTOR/PROGRAM TITLE									
National School Lunch Program	N/A		7/1/14 - 6/30/15	N/A	962	962			
National School Lunch Program	N/A		7/1/15 - 6/30/16	N/A		17,081	18,345	1,264	18,345
TOTAL CERTAIN STATE GRANTS					<u>962</u>	<u>18,043</u>	<u>18,345</u>	<u>1,264</u>	<u>18,345</u>
TOTAL FEDERAL AWARDS AND CERTAIN STATE GRANTS				<u>\$ 1,562,697</u>	<u>\$ 46,254</u>	<u>\$ 1,369,823</u>	<u>\$ 1,396,753</u>	<u>\$ 73,184</u>	<u>\$ 1,396,753</u>

MARPLE NEWTOWN SCHOOL DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2016

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and certain state grants (the Schedule) includes the federal award activity of MARPLE NEWTOWN SCHOOL DISTRICT under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of MARPLE NEWTOWN SCHOOL DISTRICT, it is not intended to and does not present the financial position, changes in net assets, or cash flows of MARPLE NEWTOWN SCHOOL DISTRICT.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*) wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. INDIRECT COST RATE

MARPLE NEWTOWN SCHOOL DISTRICT has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

4. FOOD DISTRIBUTION

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.



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

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

We have audited, 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 MARPLE NEWTOWN SCHOOL DISTRICT as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise MARPLE NEWTOWN SCHOOL DISTRICT's basic financial statements and have issued our report thereon dated November 7, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MARPLE NEWTOWN 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 MARPLE NEWTOWN SCHOOL DISTRICT's internal control. Accordingly, we do not express an opinion on the effectiveness of the MARPLE NEWTOWN 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 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be

material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MARPLE NEWTOWN 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.

November 7, 2016

MAJOR & MASTRO, LLC
Montgomeryville, Pennsylvania
Certified Public Accountants

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



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited MARPLE NEWTOWN SCHOOL DISTRICT's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of MARPLE NEWTOWN SCHOOL DISTRICT's major federal programs for the year ended June 30, 2016. MARPLE NEWTOWN SCHOOL DISTRICT's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of MARPLE NEWTOWN 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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and 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 MARPLE NEWTOWN SCHOOL DISTRICT's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of MARPLE NEWTOWN SCHOOL DISTRICT's compliance.

Opinion on Each Major Federal Program

In our opinion, MARPLE NEWTOWN 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 MARPLE NEWTOWN 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 MARPLE NEWTOWN 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 to determine the 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 MARPLE NEWTOWN SCHOOL DISTRICT's internal control over compliance.

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

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.

November 7, 2016

MAJOR & MASTRO, LLC
Montgomeryville, Pennsylvania
Certified Public Accountants



MARPLE NEWTOWN SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2016

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of MARPLE NEWTOWN SCHOOL DISTRICT.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of MARPLE NEWTOWN SCHOOL DISTRICT which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs are reported in the Independent Auditor's Report on Compliance for each Major Program and on Internal Control over Compliance in Accordance with the Uniform Guidance.
5. Independent Auditor's Report on Compliance for each Major Program and on Internal Control over Compliance in Accordance with the Uniform Guidance expresses an unmodified opinion on all major federal programs.
6. No audit findings were disclosed relating to major programs that are required to be reported under 2 CFR section 200.516(a).
7. The programs tested as major programs include:

IDEA Cluster	
IDEA	84.027
IDEA – 619	84.392

MARPLE NEWTOWN SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued

FOR THE YEAR ENDED JUNE 30, 2016

8. The threshold for distinguishing Types A and B programs was \$750,000.
9. MARPLE NEWTOWN SCHOOL DISTRICT was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None

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

None