

MARPLE NEWTOWN SCHOOL DISTRICT

**FINANCIAL STATEMENTS
AND SINGLE AUDIT**

For the Year Ended June 30, 2017

MARPLE NEWTOWN SCHOOL DISTRICT

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)	4
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements	
<i>Governmental Funds</i>	
Balance Sheet	15
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	16
Statement of Revenues, Expenditures, and Changes in Fund Balances	17
Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	18
<i>Proprietary Funds</i>	
Statement of Net Position	19
Statement of Revenues, Expenses and Changes in Net Position	20
Statement of Cash Flows	21

MARPLE NEWTOWN SCHOOL DISTRICT

TABLE OF CONTENTS, continued

	<u>Page</u>
<i>Fiduciary Funds</i>	
Statement of Fiduciary Net Position	22
Statement of Changes in Fiduciary Net Position	23
Notes to the Basic Financial Statements	24
 REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Funding Progress for the Postemployment Benefits Plan	46
Schedule of the District's Proportionate Share of the Net Pension Liability	47
Schedule of District Contributions – Pension Plan	48
Budgetary Comparison Schedule	49
Notes to Required Supplementary Information	50
 SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards and Certain State Grants	51
Notes to Schedule of Expenditures of Federal Awards and Certain State Grants	52
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	53
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	55
Schedule of Findings and Questioned Costs	57



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, 2017, 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, 2017, 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.

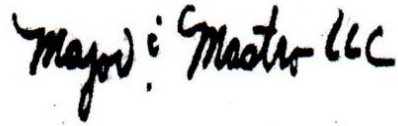
The schedule of expenditures of federal awards and certain state grants is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures 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 9, 2017, 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 9, 2017

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.

MARPLE NEWTOWN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

FOR THE YEAR ENDED JUNE 30, 2017

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, 2017. **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 \$65,520 (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 \$21,765, an increase of \$3,589 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, 2017.
- At the end of the current fiscal year, fund balance for the general fund was \$13,033 or 17.56 percent of the total general fund expenditures. Of this amount, \$29 is restricted for taxes paid in protest, \$6,533 is committed for capital projects and \$52 is assigned for encumbrances. The unassigned general fund balance is \$6,418 or 7.9% percent of 2017-2018 budgeted general fund expenditures.
- Marple Newtown School District's total debt decreased by \$12,265 during the current fiscal year due to normal debt payments and debt refunding during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The *statement of net 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 \$65,520 (negative net position).

On a government-wide basis, net position increased \$115 from last fiscal year's net position.

MARPLE NEWTOWN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Marple Newtown School District's Net Position 2017

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

	Governmental Activities		Business-type Activities		Totals	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current & other assets	\$ 29,960	\$ 27,071	\$ 266	\$ 205	\$ 30,226	\$ 27,276
Capital assets	97,395	99,037	14	18	97,409	99,055
Total assets	<u>\$ 127,355</u>	<u>\$ 126,108</u>	<u>\$ 280</u>	<u>\$ 223</u>	<u>\$ 127,635</u>	<u>\$ 126,331</u>
Deferred outflows of resources	<u>\$ 25,666</u>	<u>\$ 9,970</u>	<u>\$ 256</u>	<u>\$ 130</u>	<u>\$ 25,922</u>	<u>\$ 10,100</u>
Long-term liabilities outstanding	\$ 205,042	\$ 187,820	\$ 1,617	\$ 1,427	\$ 206,659	\$ 189,247
Other liabilities	11,652	12,522	18	(40)	11,670	12,482
Total liabilities	<u>\$ 216,694</u>	<u>\$ 200,342</u>	<u>\$ 1,635</u>	<u>\$ 1,387</u>	<u>\$ 218,329</u>	<u>\$ 201,729</u>
Deferred inflows of resources	<u>\$ 738</u>	<u>\$ 333</u>	<u>\$ 10</u>	<u>\$ 4</u>	<u>\$ 748</u>	<u>\$ 337</u>
Net Position:						
Invested in capital assets, net of related debt	\$ 27,980	\$ 17,357	\$ 14	\$ 18	\$ 27,994	\$ 17,375
Restricted	8,762	8,233			8,762	8,233
Unrestricted	(101,153)	(90,187)	(1,123)	(1,056)	(102,276)	(91,243)
Total net position	<u>\$ (64,411)</u>	<u>\$ (64,597)</u>	<u>\$ (1,109)</u>	<u>\$ (1,038)</u>	<u>\$ (65,520)</u>	<u>\$ (65,635)</u>

The restricted net position is comprised of \$8,719 representing the amount restricted in the Capital Projects Funds for future capital needs, \$14 for debt service, and \$29 for taxes paid in protest.

Governmental activities. Governmental activities increased Marple Newtown School District net position by \$186 for the current year.

Business type activity. The business-type activity decreased net position by \$71 for the current year.

MARPLE NEWTOWN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Marple Newtown School District Changes in Net Position – 2017

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

	Governmental Activities		Business-type Activities		Totals	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues:						
Program Revenues:						
Charges for Services	\$ 752	\$ 574	\$ 741	\$ 727	\$ 1,493	\$ 1,301
Operating Grants	11,303	10,365	482	411	11,785	10,776
Capital Grants	65	292			65	292
General Revenues:						
Taxes	66,135	63,521			66,135	63,521
Grants, not restricted to specific programs	2,678	2,556			2,678	2,556
Gain on sale of assets	1	6			1	6
Investment Income	187	63			187	63
Total Revenues	<u>81,121</u>	<u>77,377</u>	<u>1,223</u>	<u>1,138</u>	<u>82,344</u>	<u>78,515</u>
Expenses:						
Depreciation	4,423	4,280			4,423	4,280
Instruction	43,250	41,522			43,250	41,522
Instructional Student Support	8,286	7,601			8,286	7,601
Administration & Financial Support Services	7,513	6,623			7,513	6,623
Operation and Maintenance of Plant Services	6,536	6,574			6,536	6,574
Pupil Transportation	6,052	5,804			6,052	5,804
Student Activities	1,425	1,240			1,425	1,240
Community Services	47	49			47	49
Interest on long-term debt	2,415	3,994			2,415	3,994
Refunds of prior year	988				988	0
Food Service			1,294	1,195	1,294	1,195
Total Expenses	<u>80,935</u>	<u>77,687</u>	<u>1,294</u>	<u>1,195</u>	<u>82,229</u>	<u>78,882</u>
Change in Net Position	186	(310)	(71)	(57)	115	(367)
Beginning 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>
Ending Net Position	<u>\$ (64,411)</u>	<u>\$ (64,597)</u>	<u>\$ (1,109)</u>	<u>\$ (1,038)</u>	<u>\$ (65,520)</u>	<u>\$ (65,635)</u>

Based on an actual versus actual comparison, tax revenue increased \$2,614 over 2015-16. This increase was primarily the result of an increase in the collection of real estate taxes of \$1,395 due to growth in the tax base, and successful tax appeals. There was no increase in the rate of taxation for the current fiscal year end June 30, 2017. The remainder is the result of net collections of other taxes and deferrals in the amount of \$1,219 - including \$358 in interim and \$438 in transfer taxes.

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 \$21,765, an increase of \$3,589 in comparison with the prior year. This balance consists of \$8,733 remaining in the capital projects funds, \$29 restricted for taxes paid in protest, \$52 assigned for encumbrances, and \$6,533 committed for capital projects. The unassigned general fund balance is \$6,418 or 7.9 percent of 2017-2018 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 \$6,418 or 7.9% of 2017-2018 budgeted expenditures and the total general fund balance is \$13,032. 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 8.65% of total general fund expenditures, while total general fund balance represents 17.56% 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, 2017 were \$81,243.
- The general fund revenue budget compared to actual revenue is over budget by \$2,598 primarily due to positive variances of \$1,395 in real estate tax collections, and better than expected revenues from interim and transfer taxes of \$796.
- This year's expenditure variance is expected to be approximately \$462 under budget which represents 0.59 % of the final adjusted budget. This variance includes 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 2016-17 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, 2017 amount to \$97,409 (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 – 2017 (net of accumulated depreciation)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 143	\$ 143	\$	\$	\$ 143	\$ 143
Site Improvements	936	409			936	409
Construction in Progress	299	474			299	474
Building & Bldg. Improvements	94,780	96,786			94,780	96,786
Machinery & Equipment	1,237	1,225	14	18	1,251	1,243
Total	<u>\$ 97,395</u>	<u>\$ 99,037</u>	<u>\$ 14</u>	<u>\$ 18</u>	<u>\$ 97,409</u>	<u>\$ 99,055</u>

Long Term Debt. At the end of the current fiscal year, the Marple Newtown School District had total bonded debt outstanding of \$69,415. Of this amount, \$69,415 comprises debt backed by the full faith and credit of the government.

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
General Obligation Bonds	\$ 69,415	\$ 81,680	\$	\$	\$ 69,415	\$ 81,680
Total	<u>\$ 69,415</u>	<u>\$ 81,680</u>	<u>\$</u>	<u>\$</u>	<u>\$ 69,415</u>	<u>\$ 81,680</u>

Marple Newtown School District’s debt decreased by \$12,265 during the 2016-2017 fiscal year as a result of normal debt payments and bond refunding.

Marple Newtown School District has maintained its 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 \$174,244 which is in excess of Marple Newtown School District's outstanding general obligation debt. Due to the growing student population and aging facilities, the school district is in the process of reviewing the need for additional capital improvements which could require the school district to increase its current debt level.

Economic Factors

- The most current unemployment rate for the Philadelphia Metro Area (August 2017), which the Marple Newtown School District is located, is currently 5.1 percent, which is a slight increase from a rate of 5.2 percent a year ago. This is lower than the state's average unemployment rate of 5.3 percent, and higher than the national average of 4.4 percent. (BLS 2017). 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 5.1%. (BLS 2017)
- The most current CPI-U index for the Philadelphia Area, which the Marple Newtown School District is located, is 1.4 percent compared to a national index of 1.9 percent for the same August 2017 time period.

Legislative changes

New Legislation

On June 12, 2017 the most recent pension reform was passed and signed into law. The legislation is Act 5 of 2017 (formerly SB1).

Act 5 changes the retirement's benefits of all school employees hired on or after July 1, 2019. Act 5 will not impact the pension benefits of current employees or retirees. For more details on the new benefit levels provided for in the act please follow this link: <http://www.legis.state.pa.us/cfdocs/legis/li/uconsCheck.cfm?yr=2017&sessInd=0&act=5>

The employer contribution rate for 2017-2018 has been set and budgeted at 32.57%. The employer contribution rate for the upcoming 2018-2019 budget cycle is being projected at 34.18%.

Prior Legislation

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.

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.

MARPLE NEWTOWN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

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 2018-2019 budget year is 2.4%. 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 increase the real estate tax rate for the 17-18 fiscal year.

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, 2017

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 18,640,578	\$ 176,404	\$ 18,816,982
Investments	7,666,455		7,666,455
Taxes receivable, net	1,156,032		1,156,032
Due from other governments	1,979,045	58,391	2,037,436
Other receivables, net	518,396	19,417	537,813
Inventories		11,361	11,361
Total Current Assets	29,960,506	265,573	30,226,079
Noncurrent assets:			
Capital assets:			
Land	142,627		142,627
Construction in progress	298,821		298,821
Site improvements	2,572,092		2,572,092
Buildings and building improvements	134,278,490		134,278,490
Property and equipment	7,481,299	582,725	8,064,024
Accumulated depreciation	(47,378,703)	(568,560)	(47,947,263)
Total Noncurrent Assets	97,394,626	14,165	97,408,791
TOTAL ASSETS	127,355,132	279,738	127,634,870
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	6,277,725		6,277,725
Deferred amounts related to pensions	19,387,882	256,333	19,644,215
TOTAL DEFERRED OUTFLOWS OF RESOURCES	25,665,607	256,333	25,921,940
LIABILITIES			
Current Liabilities:			
Accounts payable	3,930,453	96,284	4,026,737
Payroll deductions	37,973		37,973
Accrued salaries and benefits	3,295,999		3,295,999
Accrued interest	284,974		284,974
Unearned revenue	-	2,940	2,940
Internal balances	80,563	(80,563)	-
Portion due or payable within one year			
Bonds payable	3,835,000		3,835,000
Accumulated compensated absences	187,146		187,146
Total Current Liabilities	11,652,108	18,661	11,670,769
Long-term Liabilities:			
Portion due or payable after one year			
Bonds payable	65,580,000		65,580,000
Bond premiums	14,911,374		14,911,374
Accumulated compensated absences	1,149,611		1,149,611
Other post-employment benefits	1,125,267		1,125,267
Net pension liability	122,275,359	1,616,641	123,892,000
Total Long-term Liabilities	205,041,611	1,616,641	206,658,252
TOTAL LIABILITIES	216,693,719	1,635,302	218,329,021
DEFERRED INFLOWS OF RESOURCES			
Deferred amounts related to pensions	737,844	9,755	747,599
NET POSITION			
Net investment in capital assets	27,979,626	14,165	27,993,791
Restricted for			
Taxes paid in protest	29,143		29,143
Debt service	14,109		14,109
Capital projects	8,718,857		8,718,857
Unrestricted	(101,152,559)	(1,123,151)	(102,275,710)
TOTAL NET POSITION	\$ (64,410,824)	\$ (1,108,986)	\$ (65,519,810)

See accompanying notes to the basic financial statements

MARPLE NEWTOWN SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017

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	\$ 43,249,670	\$	\$ 6,241,475	\$	\$ (37,008,195)	\$	\$ (37,008,195)
Instructional Student Support	8,286,161	601,433	1,598,559		(6,086,169)		(6,086,169)
Administrative Support Services	7,513,061		886,114		(6,626,947)		(6,626,947)
Operation and Maintenance of Plant Services	6,536,358	150,830	518,644	65,203	(5,801,681)		(5,801,681)
Pupil Transportation	6,052,054		1,797,936		(4,254,118)		(4,254,118)
Student Activities	1,425,087		260,067		(1,165,020)		(1,165,020)
Community Services	47,347				(47,347)		(47,347)
Interest on long-term debt	2,414,837				(2,414,837)		(2,414,837)
Refunds of prior year	988,174				(988,174)		(988,174)
Unallocated depreciation *	4,422,765				(4,422,765)		(4,422,765)
TOTAL GOVERNMENTAL ACTIVITIES	80,935,514	752,263	11,302,795	65,203	(68,815,253)		(68,815,253)
BUSINESS-TYPE ACTIVITIES							
Food service	1,293,624	740,540	481,796			(71,288)	(71,288)
	<u>\$ 82,229,138</u>	<u>\$ 1,492,803</u>	<u>\$ 11,784,591</u>	<u>\$ 65,203</u>			<u>(68,886,541)</u>
GENERAL REVENUES							
Property taxes, levied for general purposes					64,205,319		64,205,319
Public utility taxes					66,793		66,793
Transfer taxes					1,862,495		1,862,495
Grants and entitlements not restricted to specific programs					2,677,860		2,677,860
Gain on sale of assets					1,322		1,322
Investment earnings					187,497	870	188,367
TOTAL GENERAL REVENUES					69,001,286	870	69,002,156
CHANGE IN NET POSITION							
					186,033	(70,418)	115,615
NET POSITION AT BEGINNING OF YEAR							
					(64,596,857)	(1,038,568)	(65,635,425)
NET POSITION AT END OF YEAR							
					<u>\$ (64,410,824)</u>	<u>\$ (1,108,986)</u>	<u>\$ (65,519,810)</u>

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

See accompanying notes to the basic financial statements

MARPLE NEWTOWN SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2017

	<u>General Fund</u>	<u>Capital Projects Fund I</u>	<u>Capital Projects Fund II</u>	<u>Totals</u>
ASSETS				
Cash and cash equivalents	\$ 9,769,225	\$ 14,109	\$ 8,857,244	\$ 18,640,578
Investments	7,666,455			7,666,455
Taxes receivable, net	1,182,322			1,182,322
Due from other governments	1,979,045			1,979,045
Interfund receivable	2,330			2,330
Other receivables	518,396			518,396
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 21,117,773</u>	<u>\$ 14,109</u>	<u>\$ 8,857,244</u>	<u>\$ 29,989,126</u>
LIABILITIES				
Accounts payable	\$ 3,792,066	\$	\$ 138,387	\$ 3,930,453
Payroll deductions	37,973			37,973
Accrued salaries and benefits	3,295,999			3,295,999
Interfund payable	82,893			82,893
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>7,208,931</u>	<u>-</u>	<u>138,387</u>	<u>7,347,318</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - real estate taxes	876,319	-	-	876,319
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
FUND BALANCES				
Restricted:				
Capital projects			8,718,857	8,718,857
Debt service		14,109		14,109
Taxes paid in protest	29,143			29,143
Committed:				
Capital projects	6,533,000			6,533,000
Assigned				
Encumbrances	52,144			52,144
Unassigned	6,418,236			6,418,236
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>13,032,523</u>	<u>14,109</u>	<u>8,718,857</u>	<u>21,765,489</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 21,117,773</u>	<u>\$ 14,109</u>	<u>\$ 8,857,244</u>	<u>\$ 29,989,126</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, 2017

TOTAL GOVERNMENTAL FUND BALANCES	\$ 21,765,489
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.	97,394,626
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.	850,029
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	6,277,725
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	19,387,882
Deferred inflows of resources related to pensions	(737,844)
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	(284,974)
Bonds and notes payable	(69,415,000)
Bond premiums	(14,911,374)
Other post-employment benefits	(1,125,267)
Net pension liability	(122,275,359)
Accumulated compensated absences	<u>(1,336,757)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (64,410,824)</u>

MARPLE NEWTOWN SCHOOL DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2017

	<u>General Fund</u>	<u>Capital Projects Fund I</u>	<u>Capital Projects Fund II</u>	<u>Totals</u>
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Local sources	\$ 67,075,409	\$	\$ 22,165	\$ 67,097,574
State sources	13,493,691			13,493,691
Federal sources	673,863			673,863
TOTAL REVENUES	<u>81,242,963</u>	<u>-</u>	<u>22,165</u>	<u>81,265,128</u>
Other Financing Sources:				
Transfers in			3,250,000	3,250,000
Proceeds from refunding bonds		66,480,000		66,480,000
Bond premiums		15,713,557		15,713,557
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>82,193,557</u>	<u>3,250,000</u>	<u>85,443,557</u>
TOTAL REVENUE AND OTHER FINANCING SOURCES	<u>81,242,963</u>	<u>82,193,557</u>	<u>3,272,165</u>	<u>166,708,685</u>
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Instruction	39,889,109			39,889,109
Support services	25,695,687	577,157		26,272,844
Operation of non-instructional services	1,336,512			1,336,512
Capital outlay			2,757,755	2,757,755
Debt service				
Interest	3,130,188			3,130,188
Principal	4,185,000			4,185,000
TOTAL EXPENDITURES	<u>74,236,496</u>	<u>577,157</u>	<u>2,757,755</u>	<u>77,571,408</u>
Other Financing Uses:				
Refund of prior year	696,423			696,423
Payment to refund bonds		81,602,291		81,602,291
Transfers out	3,250,000			3,250,000
TOTAL OTHER FINANCING USES	<u>3,946,423</u>	<u>81,602,291</u>	<u>-</u>	<u>85,548,714</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>78,182,919</u>	<u>82,179,448</u>	<u>2,757,755</u>	<u>163,120,122</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	3,060,044	14,109	514,410	3,588,563
FUND BALANCE AT BEGINNING OF YEAR	<u>9,972,479</u>	<u>-</u>	<u>8,204,447</u>	<u>18,176,926</u>
FUND BALANCE AT END OF YEAR	<u>\$ 13,032,523</u>	<u>\$ 14,109</u>	<u>\$ 8,718,857</u>	<u>\$ 21,765,489</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, 2017

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 3,588,563
<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	3,243,752
Depreciation expense	(4,886,157)
Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in Governmental Funds.	(435,333)
Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position.	4,185,000
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.	531,827
Compensated absences do not require the use of current financial resources, therefore, are not reported as expenditures in Governmental Funds.	11,180
Other Post-employment benefits do not require the use of current financial resources, therefore, are not reported as expenditures in Governmental Funds.	(249,682)
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.	
District pension contributions	9,831,387
Cost of pension benefits earned, net of employee contributions	(15,226,762)
The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds. This transaction has no impact on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These amounts represent the related activity of the current period.	
Proceeds from refunding bonds	(66,480,000)
Payment to refund bonds	81,602,291
Net bond premium	(15,713,557)
Interest is reported as an expenditure when due in the Governmental Funds, but is accrued on outstanding debt in the statement of activities.	<u>183,524</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 186,033</u></u>

See accompanying notes to the basic financial statements

MARPLE NEWTOWN SCHOOL DISTRICT

**STATEMENT OF NET POSITION
PROPRIETARY FUND**

JUNE 30, 2017

	Enterprise Fund
	Food
	Service Fund
ASSETS	
CURRENT ASSETS	
Cash	\$ 176,404
Due from other governments	58,391
Other receivables	19,417
Interfund receivable	82,893
Inventories	11,361
TOTAL CURRENT ASSETS	348,466
PROPERTY AND EQUIPMENT	582,725
Accumulated depreciation	(568,560)
PROPERTY AND EQUIPMENT, Net	14,165
TOTAL ASSETS	362,631
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts related to pensions	256,333
CURRENT LIABILITIES	
Interfund payable	2,330
Accounts payable	96,284
Unearned revenues	2,940
TOTAL CURRENT LIABILITIES	101,554
LONG-TERM LIABILITIES	
Net pension liability	1,616,641
DEFERRED INFLOWS OF RESOURCES	
Deferred amounts related to pensions	9,755
NET POSITION	
Net investment in capital assets	14,165
Unrestricted	(1,123,151)
TOTAL NET POSITION	\$ (1,108,986)

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, 2017

	<u>Enterprise Fund</u> Food Service Fund
OPERATING REVENUES	\$ 740,540
OPERATING EXPENSES	
Payroll	730,494
Supplies	546,327
Purchased services	3,744
Other operating expenses	9,188
Depreciation	3,871
TOTAL OPERATING EXPENSES	<u>1,293,624</u>
OPERATING LOSS	<u>(553,084)</u>
NONOPERATING REVENUES	
Earnings on investments	870
State sources	102,356
Federal sources	379,440
TOTAL NONOPERATING REVENUES	<u>482,666</u>
CHANGE IN NET POSITION	<u>(70,418)</u>
NET POSITION AT BEGINNING OF YEAR	<u>(1,038,568)</u>
NET POSITION AT END OF YEAR	<u><u>\$ (1,108,986)</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, 2017

	Enterprise Fund
	<u>Food Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 734,165
Payments to suppliers	(456,542)
Payments to employees	<u>(662,021)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(384,398)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Net transfer from other funds	(33,402)
State sources	100,137
Federal sources	<u>339,628</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>406,363</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on investments	<u>870</u>
NET DECREASE IN CASH	22,835
CASH AT BEGINNING OF YEAR	<u>153,569</u>
CASH AT END OF YEAR	<u><u>\$ 176,404</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (553,084)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	3,871
(Increase) decrease in assets:	
Receivables	(6,375)
Inventory	6,433
Increase (decrease) in liabilities:	
Accounts payable	96,284
Net pension liability	<u>68,473</u>
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (384,398)</u></u>
Schedule of noncash noncapital financing activities	
Donated commodities received	70,086
Donated commodities used	74,086

See accompanying notes to the basic financial statements

MARPLE NEWTOWN SCHOOL DISTRICT

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS**

JUNE 30, 2017

	<u>Scholarship Trust Fund</u>	<u>Agency Fund</u>
ASSETS		
Cash and cash equivalents	\$ 155,922	\$ 120,165
TOTAL ASSETS	<u>155,922</u>	<u>120,165</u>
LIABILITIES		
Due to student organizations	<u> </u>	<u>120,165</u>
TOTAL LIABILITIES	<u>-</u>	<u>120,165</u>
NET POSITION		
Reserved for scholarships	<u>155,922</u>	<u> </u>
TOTAL NET POSITION	<u><u>\$ 155,922</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, 2017

	<u>Scholarship Trust Fund</u>
ADDITIONS	
Local contributions	\$ 17,625
Interest earnings	607
TOTAL ADDITIONS	<u>18,232</u>
DEDUCTIONS	
Fees paid and scholarships awarded	<u>35,851</u>
TOTAL DEDUCTIONS	35,851
CHANGE IN NET POSITION	(17,619)
NET POSITION AT BEGINNING OF YEAR	<u>173,541</u>
NET POSITION AT END OF YEAR	<u><u>\$ 155,922</u></u>

See accompanying notes to the basic financial statements

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

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, as amended by GASB 72, 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, 2017. 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, 2017, \$19,562,577 of the District's bank balance of \$19,812,577 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.

Accounting principles generally accepted in the United States of America establish a fair value hierarchy that is based on the valuation inputs used in the fair value measurements. Measurements using quoted prices in active markets for identical assets and liabilities fall within Level 1 of the hierarchy; measurements using significant other observable inputs fall within Level 2, and measurements using significant unobservable inputs fall within Level 3. All of the District's investments are Level 1.

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS, continued

Investments, continued

As of June 30, 2017, the District had the following investments:

<u>Investment</u>	<u>Fair Value</u>
PA Local Government Investment Trust	<u>\$7,666,455</u>

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

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, 2017, the District’s investments in PA Local Government Investment Trust was rated AA+ by Standard & Poor’s

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 2017. 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, 2016 levy was assessed at \$3,512,077,610 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 \$26,290 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, 2017

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 2,330	\$ 82,893
Proprietary Fund, Food Service Fund	<u>82,893</u>	<u>2,330</u>
	<u>\$ 85,223</u>	<u>\$ 85,223</u>

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

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

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, 2017, was as follows:

Governmental Activities:

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Capital assets not being depreciated				
Land	\$ 142,627	\$	\$	\$ 142,627
Construction in progress	474,080	298,821	474,080	298,821
Total Capital assets not being depreciated	616,707	298,821	474,080	441,448
Capital assets being depreciated				
Site improvements	1,932,692	639,400		2,572,092
Buildings and improvements	131,984,877	2,293,613		134,278,490
Machinery and equipment	7,032,701	485,998	37,400	7,481,299
Total capital assets being depreciated at historical cost	140,950,270	3,419,011	37,400	144,331,881
Less accumulated depreciation for				
Site improvements	(1,524,120)	(111,754)		(1,635,874)
Buildings and improvements	(35,198,583)	(4,300,341)		(39,498,924)
Machinery & Equipment	(5,807,243)	(474,062)	(37,400)	(6,243,905)
Total accumulated depreciation	(42,529,946)	(4,886,157)	(37,400)	(47,378,703)
Total capital assets being depreciated, net	98,420,324	(1,467,146)	-	96,953,178
Governmental Activities capital assets, net	\$ 99,037,031	\$ (1,168,325)	\$ 474,080	\$ 97,394,626

Business-type Activities:

Capital assets being depreciated				
Machinery and equipment	\$ 582,725	\$	\$	\$ 582,725
Less accumulated depreciation	(564,688)	(3,872)		(568,560)
Business-type activities capital assets, net	\$ 18,037	\$ (3,872)	\$ -	\$ 14,165

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

5. CAPITAL ASSETS, continued

Depreciation expense for Governmental Activities was charged as direct expense government as follows:

Instruction	\$ 87,686
Instructional Student Support	58,472
Administrative Support Services	68,644
Pupil Transportation	59,893
Operation and Maintenance of Plant Services	109,665
Student Activities	<u>79,032</u>
Total Depreciation charged as direct expense	463,392
Unallocated depreciation	<u>4,422,765</u>
Total Governmental Activities depreciation expense	<u><u>\$ 4,886,157</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, 2017:

Type	Principal Outstanding July 1, 2016	Additions	Repayments	Principal Outstanding June 30, 2017	Due within One Year
General Obligation Bond - 2006	\$ 17,185,000	\$	17,185,000	\$ -	\$ -
General Obligation Bond - 2009	61,660,000		56,805,000	4,855,000	2,375,000
General Obligation Bond - 2010	2,835,000		2,835,000	-	-
General Obligation Bond - 2016	-	66,480,000	1,920,000	64,560,000	1,460,000
	81,680,000	66,480,000	78,745,000	69,415,000	3,835,000
Net Discount/Premium	<u>625,974</u>	<u>15,713,557</u>	<u>1,428,157</u>	<u>14,911,374</u>	
	81,054,026	50,766,443	77,316,843	54,503,626	3,835,000
Compensated Absences	1,347,937		11,180	1,336,757	187,146
Other Post-employment Benefits	<u>875,585</u>	<u>249,682</u>		<u>1,125,267</u>	-
Total	<u><u>\$ 83,277,548</u></u>	<u><u>\$ 51,016,125</u></u>	<u><u>\$ 77,328,023</u></u>	<u><u>\$ 56,965,650</u></u>	<u><u>\$ 4,022,146</u></u>

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

6. LONG-TERM LIABILITIES, continued

Bonds and Notes payable at June 30, 2017 consisted of:

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. \$ 4,855,000

General Obligation Bond Series 2016. Original principal amount of \$66,480,000 maturing June 1, 2031, bearing interest from 3.00% to 5.00%. Interest is paid semi-annually on June 1 and December 1. 64,560,000

\$ 69,415,000

The District issued General Obligation Bond (GOB) Series 2016 to advance refund a portion of the GOB Series 2009, currently refund GOB Series 2006, and currently refund GOB Series 2010 to obtain an economic gain (difference between the present values of the debt service payment of the old and new debt) of approximately \$9,861,105.

The District defeased certain general obligation bonds by placing the proceeds of the new bonds in irrevocable escrow accounts with a trust agent to provide for all future debt service payments on the defeased bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. The balance of defeased debt is \$54,540,000 at June 30, 2017.

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

Year Ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 3,835,000	\$ 3,476,688	\$ 7,311,688
2019	4,035,000	3,239,000	7,274,000
2020	4,225,000	3,077,250	7,302,250
2021	4,440,000	2,866,000	7,306,000
2022	4,660,000	2,644,000	7,304,000
2023-2027	27,045,000	9,482,250	36,527,250
2028-2031	<u>21,175,000</u>	<u>2,298,500</u>	<u>23,473,500</u>
	<u>\$ 69,415,000</u>	<u>\$ 27,083,688</u>	<u>\$ 96,498,688</u>

Interest expense for the year ended June 30, 2017 was \$3,130,188. 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.pa.gov.

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, 2017 was 29.20% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$9,961,371 for the year ended June 30, 2017.

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

At June 30, 2017, the District reported a liability of \$123,892,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2015 to June 30, 2016. 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, 2017, the District's proportion was .2500 percent, which was a decrease of .0019 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$15,315,410. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in proportions	\$ 417,300	\$
Changes in assumptions	3,354,000	
Net difference between projected and actual investment earnings	5,744,900	
Difference between actual and expected experience		747,599
Difference between employer contributions and proportionate share of total contributions	166,644	
Contributions subsequent to the measurement date	9,961,371	
	<u>\$ 19,644,215</u>	<u>\$ 747,599</u>

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

7. PENSION PLAN, continued

\$9,961,371 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, 2017. 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:

2018	\$	2,422,298
2019		4,057,298
2020		2,455,649

Changes in Actuarial assumptions

The total pension liability as of June 30, 2016 was determined by rolling forward the System’s total pension liability as of the June 30, 2015 actuarial valuation to June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Changes in assumptions used in measurement of the Total Pension Liability beginning June 30, 2016:

- The Investment Rate of Return was adjusted from 7.5% to 7.25%
- The inflation assumption was decreased from 3.0% to 2.75%
- Salary growth changed from an effective average of 5.5%, which was comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50%, to an effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS’ experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. 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 to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS’ experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

The actuarial assumptions used in the June 30, 2016 valuation were based on the experience study that was performed for the five-year period ending June 30, 2015. The recommended assumption changes based on this experience study were adopted by the Board at its June 10, 2016 Board meeting, and were effective beginning with the June 30, 2016 actuarial valuation.

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

7. PENSION PLAN, continued

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

The 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>
Global public equity	22.5%	5.3%
Fixed Income	28.5%	2.1%
Commodities	8.0%	2.5%
Absolute return	10.0%	3.3%
Risk parity	10.0%	3.9%
Infrastructure/MLPs	5.0%	4.8%
Real estate	12.0%	4.0%
Alternative investments	15.0%	6.6%
Cash	3.0%	0.2%
Financing (LIBOR)	-14.0%	0.5%
	<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, 2016.

Discount rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the 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 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	\$ 151,553,000	\$ 123,892,000	\$ 100,648,000

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.pa.gov.

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. As of the most recent actuarial valuation, there are 25 retired participants. 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 \$137,193 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
6/30/2015	\$ 377,728	62%	\$ 721,519
6/30/2016	375,388	59%	875,585
6/30/2017	386,875	35%	1,125,267

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

Description	
Normal cost (service cost for one year)	\$ 211,593
Interest on Normal Cost	9,522
Amortization of Unfunded Actuarial Accrued Liability	180,112
Annual Required Contribution (ARC)	401,227
Interest on net OPEB Obligation	39,401
Adjustment to Annual Required Contribution	(53,753)
Annual OPEB Cost (expense)	386,875
Contributions toward the OPEB Cost	(137,193)
Increase in Net OPEB Obligation	249,682
Net OPEB Obligation, Beginning of Year	875,585
Net OPEB Obligation, End of Year	\$ 1,125,267

MARPLE NEWTOWN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

8. POST-EMPLOYMENT HEALTHCARE BENEFITS, continued

Funded Status and Funding Progress: As of July 1, 2016, the date of the latest actuarial valuation, the actuarial accrued liability for benefits was \$2,933,830, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$2,933,830. The covered payroll (annual payroll of active participating employees) was \$28,883,107, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 10.16 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 July 1, 2016, used the entry age normal actuarial cost method to estimate both the unfunded liability as of June 30, 2017 and to estimate the District's 2016-17 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% in 2016, reduced by .5% per year to an ultimate rate of 5.5% in 2018. 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, 2017 is 21 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 2016-2017 was \$381,053.

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, 2017 year is \$1,475,081. The lease payments for future years are as follows:

<u>Year End</u>	<u>Amount</u>
6/30/2018	\$ 1,357,597
6/30/2019	1,305,641
6/30/2020	817,078
6/30/2021	229,772
6/30/2022	163,772
	<u>\$ 3,873,860</u>

12. COMMITMENTS

The District has various commitments under long-term construction contracts totaling approximately \$1,726,697 as of June 30, 2017.

REQUIRED

SUPPLEMENTARY INFORMATION

MARPLE NEWTOWN SCHOOL DISTRICT

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

JUNE 30, 2017

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)
7/1/2016	\$ 0	\$ 2,933,830	\$ 2,933,830	0%	\$ 28,883,107	10.16%
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%

MARPLE NEWTOWN SCHOOL DISTRICT

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

Last 10 Fiscal Years*

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
District's proportion of the net pension liability	0.2500%	0.2519%	0.2476%	0.2456%
District's proportionate share of the net pension liability	\$ 123,892,000	\$ 109,111,000	\$ 98,002,000	\$ 100,540,000
District's covered-employee payroll	\$ 32,379,855	\$ 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	382.62%	336.68%	310.18%	319.00%
Plan fiduciary net position as a percentage of the total pension liability	50.14%	54.36%	57.24%	54.49%

Amounts were determined as of the cost-sharing plan's June 30, 2016 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, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Contractually required contribution	\$ 9,961,371	\$ 7,993,610	\$ 6,521,195	\$ 4,957,139
Contributions in relation to the contractually required contribution	<u>(9,961,371)</u>	<u>(7,993,610)</u>	<u>(6,521,195)</u>	<u>(4,957,139)</u>
Contribution deficiency (excess)	-	-	-	-
District's covered-employee payroll	\$ 34,114,284	\$ 31,974,440	\$ 31,810,707	\$ 31,595,541
Contributions as a percentage of covered-employee payroll	29.20%	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, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES				
Revenues:				
Local sources	\$ 64,227,584	\$ 64,280,382	\$ 67,075,409	\$ 2,795,027
State sources	13,624,416	13,624,416	13,493,691	(130,725)
Federal sources	698,000	739,687	673,863	(65,824)
TOTAL REVENUES	<u>78,550,000</u>	<u>78,644,485</u>	<u>81,242,963</u>	<u>2,598,478</u>
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Instruction				
Regular programs	26,305,955	26,321,440	25,499,070	822,370
Special programs	14,985,137	14,971,193	13,903,655	1,067,538
Vocational programs	400,000	400,000	381,053	18,947
Other instructional and nonpublic programs	102,792	105,279	105,331	(52)
Total Instruction	<u>41,793,884</u>	<u>41,797,912</u>	<u>39,889,109</u>	<u>1,908,803</u>
Support Services				
Pupil personnel services	3,163,560	3,142,610	2,985,446	157,164
Instructional staff services	3,453,864	3,389,737	3,371,740	17,997
Administration services	3,840,861	3,839,612	3,610,978	228,634
Pupil health	1,282,110	1,347,601	1,310,914	36,687
Business services	873,283	878,675	859,663	19,012
Operation and maintenance of plant services	6,586,846	6,638,354	6,159,002	479,352
Student transportation	5,643,636	5,643,636	5,422,850	220,786
Central services	1,681,107	1,818,418	1,845,785	(27,367)
Other support services	156,294	156,294	129,309	26,985
Total Support Services	<u>26,681,561</u>	<u>26,854,937</u>	<u>25,695,687</u>	<u>1,159,250</u>
Operation of Non-instructional Services				
Student activities	1,220,402	1,271,824	1,289,338	(17,514)
Community services	50,102	46,886	47,174	(288)
Total Operation of Non-instructional Services	<u>1,270,504</u>	<u>1,318,710</u>	<u>1,336,512</u>	<u>(17,802)</u>
Other Financing Uses				
Debt service	8,104,051	8,104,051	7,315,188	788,863
Refund of prior year	-	-	696,423	(696,423)
Transfers out	-	-	3,250,000	(3,250,000)
Budgetary reserve	700,000	568,875		568,875
Total Other Financing Uses	<u>8,804,051</u>	<u>8,672,926</u>	<u>11,261,611</u>	<u>(2,588,685)</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>78,550,000</u>	<u>78,644,485</u>	<u>78,182,919</u>	<u>461,566</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-	-	3,060,044	3,060,044
FUND BALANCE AT BEGINNING OF YEAR	<u>9,972,479</u>	<u>9,972,479</u>	<u>9,972,479</u>	-
FUND BALANCE AT END OF YEAR	<u>\$ 9,972,479</u>	<u>\$ 9,972,479</u>	<u>\$ 13,032,523</u>	<u>\$ 3,060,044</u>

MARPLE NEWTOWN SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2017

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, 2016 by The Commonwealth of Pennsylvania Public School Employees' Retirement System (the cost-sharing plan). There were no changes in benefit terms. The changes in assumptions are: investment rate of return was adjusted from 7.5% to 7.25%; inflation assumption was decreased from 3% to 2.75%, salary growth changed from an effective average of 5.5% to 5.0%; mortality rates were modified from the RP-2000 combined healthy annuitant tables to the RP-2014 Mortality tables adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

SUPPLEMENTARY INFORMATION

MARPLE NEWTOWN SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANT
FOR THE YEAR ENDED JUNE 30, 2017

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, 2016	Total Received For the Year	Expenditures	Accrued or (Deferred) at June 30, 2017	Revenue Recognized
FEDERAL AWARDS									
U.S. DEPT. OF EDUCATION									
Passed Through the PA Dept. of Education									
Title I - Improving Basic Programs	84.010	013-16-0239	7/1/15 - 9/30/16	\$ 305,608	\$ 17,967	\$ 20,351	\$ 2,384	\$ -	\$ 2,384
Title I - Improving Basic Programs	84.010	013-17-0239	7/1/16 - 9/30/17	351,167	-	242,213	343,059	100,846	343,059
Total CFDA 84.010				<u>656,775</u>	<u>17,967</u>	<u>262,564</u>	<u>345,443</u>	<u>100,846</u>	<u>345,443</u>
Title II - Improving Teacher Quality	84.367	020-16-0239	7/1/15 - 9/30/16	104,052	19,827	20,634	807	-	807
Title II - Improving Teacher Quality	84.367	020-17-0239	7/1/16 - 9/30/17	102,398	-	68,653	96,425	27,772	96,425
Total CFDA 84.367				<u>206,450</u>	<u>19,827</u>	<u>89,287</u>	<u>97,232</u>	<u>27,772</u>	<u>97,232</u>
Title III - Language Inst LEP/Immigrant Students	84.365	010-16-0239	7/1/15 - 9/30/16	25,602	5,129	10,876	5,747	-	5,747
Title III - Language Inst LEP/Immigrant Students	84.365	010-17-0239	7/1/16 - 9/30/17	29,288	-	13,668	24,899	11,231	24,899
Total CFDA 84.365				<u>54,890</u>	<u>5,129</u>	<u>24,544</u>	<u>30,646</u>	<u>11,231</u>	<u>30,646</u>
Passed Through the Delaware County Intermediate Unit #25									
IDEA	84.027		7/1/16 - 6/30/17	594,437	-	594,437	594,437	-	594,437
IDEA - 619	84.173		7/1/16 - 6/30/17	2,435	-	2,435	2,435	-	2,435
Total IDEA Cluster				<u>596,872</u>	<u>-</u>	<u>596,872</u>	<u>596,872</u>	<u>-</u>	<u>596,872</u>
Passed Through Old Dominion University									
Old Dominion University Research Foundation	84.411A	14-104-317101	7/1/13 - 6/30/16	77,475	6,698	6,698	-	-	-
Total CFDA 84.411A				<u>77,475</u>	<u>6,698</u>	<u>6,698</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL U.S. DEPT. OF EDUCATION				<u>1,592,462</u>	<u>49,621</u>	<u>979,965</u>	<u>1,070,193</u>	<u>139,849</u>	<u>1,070,193</u>
U.S. DEPT. OF HEALTH AND HUMAN SERVICES									
Passed Through the PA Dept. of Public Welfare									
Medical Assistance Reimbursement - Administration	93.778		7/1/15 - 6/30/16	N/A	10,145	10,145	-	-	-
Medical Assistance Reimbursement - Administration	93.778		7/1/16 - 6/30/17	N/A	-	8,873	14,084	5,211	14,084
Total CFDA 93.778					<u>10,145</u>	<u>19,018</u>	<u>14,084</u>	<u>5,211</u>	<u>14,084</u>
TOTAL U.S. DEPT. OF HEALTH AND HUMAN SERVICES					<u>10,145</u>	<u>19,018</u>	<u>14,084</u>	<u>5,211</u>	<u>14,084</u>
<i>CHILD NUTRITION CLUSTER</i>									
U.S. DEPT. OF AGRICULTURE									
Passed Through the PA Dept. of Education									
National School Lunch Program	10.555		7/1/15 - 6/30/16	N/A	19,094	19,094	-	-	-
National School Lunch Program	10.555		7/1/16 - 6/30/17	N/A	-	250,446	305,354	54,908	305,354
Passed Through the PA Dept. of Agriculture									
National School Lunch Value of USDA Commodities	10.555		7/1/16 - 6/30/17	-	(6,940)	70,086	74,086	(2,940)	74,086
Total Child Nutrition Cluster				<u>-</u>	<u>12,154</u>	<u>339,626</u>	<u>379,440</u>	<u>51,968</u>	<u>379,440</u>
TOTAL U.S. DEPT. OF AGRICULTURE					<u>12,154</u>	<u>339,626</u>	<u>379,440</u>	<u>51,968</u>	<u>379,440</u>
TOTAL FEDERAL AWARDS				<u>1,592,462</u>	<u>71,920</u>	<u>1,338,609</u>	<u>1,463,717</u>	<u>197,028</u>	<u>1,463,717</u>
CERTAIN STATE GRANTS									
<u>STATE GRANTOR/PROGRAM TITLE</u>									
National School Lunch Program	N/A		7/1/15 - 6/30/16	N/A	1,264	1,264	-	-	-
National School Lunch Program	N/A		7/1/16 - 6/30/17	N/A	-	15,980	19,463	3,483	19,463
TOTAL CERTAIN STATE GRANTS					<u>1,264</u>	<u>17,244</u>	<u>19,463</u>	<u>3,483</u>	<u>19,463</u>
TOTAL FEDERAL AWARDS AND CERTAIN STATE GRANTS				<u>\$ 1,592,462</u>	<u>\$ 73,184</u>	<u>\$ 1,355,853</u>	<u>\$ 1,483,180</u>	<u>\$ 200,511</u>	<u>\$ 1,483,180</u>

MARPLE NEWTOWN SCHOOL DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2017

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, 2017. 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, 2017, 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 9, 2017.

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 9, 2017

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, 2017. 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, 2017.

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 9, 2017

MAJOR & MASTRO, LLC
Montgomeryville, Pennsylvania
Certified Public Accountants



MARPLE NEWTOWN SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2017

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:

National School Lunch	10.555
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MARPLE NEWTOWN SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued

FOR THE YEAR ENDED JUNE 30, 2017

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