

**NEW HOPE-SOLEBURY SCHOOL DISTRICT**

**FINANCIAL STATEMENTS**

Year Ended June 30, 2016

**NEW HOPE-SOLEBURY SCHOOL DISTRICT**

Year Ended June 30, 2016

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## INDEPENDENT AUDITORS' REPORT

To the Board of School Directors of  
**New Hope-Solebury School District**

### ***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 New Hope-Solebury School District as of and for the year ended June 30, 2016, and the related notes to basic financial statements, which collectively comprise New Hope-Solebury School District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 opinion.



### ***Opinion***

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 New Hope-Solebury School District as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters - Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule for the General Fund, Schedule of the School District's Proportionate Share of the Net Pension Liability, and Schedule of the School District Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Mayer Hoffman McCann P.C.*

Plymouth Meeting, Pennsylvania  
November 2, 2016

**NEW HOPE-SOLEBURY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

**INTRODUCTION**

This discussion and analysis of the New Hope-Solebury School District's ("School District") financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2016. The purpose of this analysis is to review the financial performance as a whole.

**FINANCIAL HIGHLIGHTS**

The liabilities of the School District exceeded assets by \$23,315,338 (net position) on the basic financial statements. The prior year liabilities exceeded assets by \$20,689,505. This significant negative net position continues to be driven by the implementation of Governmental Accounting Standards Board ("GASB") Statement No. 68, "Accounting and Financial Reporting for Pensions," and Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date," requiring all employers to report their respective portion of the Public School Employees' Retirement System ("PSERS") liability. The amount applicable to New Hope-Solebury was \$58,905,738 as reported in the Statement of Net Position below.

The unassigned fund balance in the General Fund on June 30, 2016, was \$4,272,022 or approximately 11% of expenditures. This represents a decrease of \$799,918 from the previous fiscal year. This balance is used for emergencies, capital expenditures or to offset local tax increases. The balance is also used to make bond issue payments that are due in the beginning of the fiscal year before most of the tax revenue starts to be received. In addition to this, \$700,000 has been designated as a committed fund balance for an anticipated increase in rates for the employer share of retirement contributions and \$60,000 has been restricted for a specific future expenditure from an anonymous donor. The 2015-2016 budget was approved with a utilization of fund balance of \$2,630,235 and \$1,299,918 was actually used so the School District closed the year \$1,330,317 better than planned. Closing the year better than planned resulted from savings across many areas of the budget through a spending freeze and only approving expenditures which were an absolute necessity to maintain the educational programs for New Hope-Solebury students.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The statement of net position presents information on all of the School District's assets and liabilities, with the difference between the two reported as net positions, which is basically the same as retained earnings in private industry.

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).

Both of the government-wide financial statements distinguish functions of the School District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the School District include the general operations of public education.

**NEW HOPE-SOLEBURY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

**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. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Each of the funds of the School District can be divided into three categories:

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 and outflows of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating 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 balances provide a reconciliation to facilitate this comparison between Governmental Funds and governmental activities.

The School District maintains three individual Governmental Funds. These funds are the General, Capital Projects, and Debt Service. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The Debt Service Fund was used to record the entries for refunding old debt and adding new debt, as well as recording the cost of the bond refinancing.

The School District adopts an annual appropriated budget for its General Fund and Capital Projects Funds. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. This comparison shows the original budget that was enacted as well as the current budget, after transfers that were made during the year.

Proprietary Fund - The School District maintains one Proprietary Fund which is Food Service. Proprietary or enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements

Proprietary Fund provides the same type of information in the government-wide financial statements, only in more detail. The Proprietary Fund financial statements provide separate information for the Food Service function.

Fiduciary Funds - Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. The accounting used for Fiduciary Funds is much like that used for the Proprietary Fund. The two funds held by the School District are the Memorial and Student Activity Funds.

**NEW HOPE-SOLEBURY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The liabilities exceeded assets by \$23,315,338 as of June 30, 2016. Net position decreased by \$2,625,833 from June 30, 2015. The prior year liabilities exceeded assets by \$20,689,505. This significant negative net position continues to be due to the implementation of the new GASB 68 reporting item that requires all employers to report their respective portion of the PSERS liability. The amount applicable to New Hope-Solebury was \$58,905,738 as reported in the Statement of Net Position below. Current assets have increased primarily due to bond proceeds that were received in December 2015 and only a portion of these proceeds have been spent as of June 30, 2016.

**STATEMENT OF NET POSITION**

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total Government</i>	
	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Current and Other Assets	\$ 18,003,216	\$ 10,646,524	\$ (25,055)	\$ (30,828)	\$ 17,978,161	\$ 10,615,696
Capital Assets	42,406,624	42,808,111	9,202	-	42,415,826	42,808,111
<b>Total Assets</b>	<b>60,409,840</b>	<b>53,454,635</b>	<b>(15,853)</b>	<b>(30,828)</b>	<b>60,393,987</b>	<b>53,423,807</b>
Deferred Outflows of Resources	7,192,319	4,412,460	92,568	57,665	7,284,887	4,470,125
<b>Total Assets and Deferred Outflows</b>	<b>67,602,159</b>	<b>57,867,095</b>	<b>76,715</b>	<b>26,837</b>	<b>67,678,874</b>	<b>57,893,932</b>
Current Liabilities	4,509,292	5,472,416	27,163	25,686	4,536,455	5,498,102
Long-term Liabilities	27,299,140	18,705,651	-	-	27,299,140	18,705,651
Net Pension Liability	58,149,580	50,788,945	756,158	663,739	58,905,738	51,452,684
<b>Total Liabilities</b>	<b>89,958,012</b>	<b>74,967,012</b>	<b>783,321</b>	<b>689,425</b>	<b>90,741,333</b>	<b>75,656,437</b>
Deferred Inflows of Resources	248,279	2,889,241	4,600	37,759	252,879	2,927,000
<b>Total Liabilities and Deferred Inflows</b>	<b>90,206,291</b>	<b>77,856,253</b>	<b>787,921</b>	<b>727,184</b>	<b>90,994,212</b>	<b>78,583,437</b>
<b>Net Position</b>	<b><u>\$(22,604,132)</u></b>	<b><u>\$(19,989,158)</u></b>	<b><u>\$ (711,206)</u></b>	<b><u>\$ (700,347)</u></b>	<b><u>\$(23,315,338)</u></b>	<b><u>\$(20,689,505)</u></b>

**STATEMENT OF ACTIVITIES**

The Statement of Activities shows what portion of School District expenditures are directly offset by School District revenue. Revenues that do not directly offset expenditures are referred to as General Revenues. In the School District those revenues include local taxes and interest earnings.

Of \$39,805,166 in expenses \$4,655,014 was offset by related income. The balance, \$35,150,152 was offset by \$32,524,319 of General Revenues. For this statement, principal on debt service is not considered an expense while depreciation is considered an expense.

The Statement of Activities is the School District's prepared statement that summarizes the changes from the net position at June 30, 2015 to June 30, 2016. This statement differs from the Statement of Revenues, Expenditures, and Changes in Fund Balances in that it contains long-term asset and liability data, including pension liability, not included on that statement.

**NEW HOPE-SOLEBURY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

**STATEMENT OF ACTIVITIES (continued)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Government</u>	
	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
<b>Revenues</b>						
Charges for Services	\$ 52,208	\$ 52,949	\$ 444,107	\$ 496,257	\$ 496,315	\$ 549,206
Operating Grants	4,066,187	3,618,073	92,512	86,658	4,158,699	3,704,731
Property Taxes	26,173,847	25,480,778	-	-	26,173,847	25,480,778
Transfers	(16,373)	(9,500)	-	-	(16,373)	(9,500)
Grants not Restricted	1,161,646	1,136,958	-	-	1,161,646	1,136,958
Earned Income Taxes	3,749,681	3,749,239	-	-	3,749,681	3,749,239
Real Estate Transfer Taxes	943,076	739,476	-	-	943,076	739,476
Property Tax Relief Subsidy	790,868	853,791	-	-	790,868	853,791
Miscellaneous/Donation	169,314	103,051	-	-	169,314	103,051
Loss on disposal of capital assets	(504,008)	-	-	-	(504,008)	-
Public Utility Realty Tax	35,404	36,442	-	-	35,404	36,442
Investment Earnings	20,797	14,641	67	31	20,864	14,672
<b>Total Revenues</b>	<b><u>36,642,647</u></b>	<b><u>35,775,898</u></b>	<b><u>536,686</u></b>	<b><u>582,946</u></b>	<b><u>37,179,333</u></b>	<b><u>36,358,844</u></b>
<b>Expenditures</b>						
Instruction	22,669,409	20,092,253	-	-	22,669,409	20,092,253
Support Services	15,059,133	13,425,181	-	-	15,059,133	13,425,181
Noninstructional Services	899,533	849,203	547,545	553,845	1,447,078	1,403,048
Debt Service	629,546	813,945	-	-	629,546	813,945
<b>Total Expenditures</b>	<b><u>39,257,621</u></b>	<b><u>35,180,582</u></b>	<b><u>547,545</u></b>	<b><u>553,845</u></b>	<b><u>39,805,166</u></b>	<b><u>35,734,427</u></b>
Revenues Less Expenses	(2,614,974)	595,316	(10,859)	29,101	(2,625,833)	624,417
Net Position Beginning of Year	<u>(19,989,158)</u>	<u>(20,584,474)</u>	<u>(700,347)</u>	<u>(729,448)</u>	<u>(20,689,505)</u>	<u>(21,313,922)</u>
Net Position End of Year	<b><u>\$(22,604,132)</u></b>	<b><u>\$(19,989,158)</u></b>	<b><u>\$ (711,206)</u></b>	<b><u>\$ (700,347)</u></b>	<b><u>\$(23,315,338)</u></b>	<b><u>\$(20,689,505)</u></b>

The main driver of the \$2,625,833 decrease in net position from June 30, 2015 are accrued payroll expenses for retirement incentives and a resignation agreement, increases in pension costs and net pension liability and increased depreciation costs due to fully depreciating a number of assets that could not be traced back to capital asset records.

**BALANCE SHEET**

The Balance Sheet summarizes the current assets, liabilities, and fund balance accounts of the School District. The fund balances are the excess of current assets over current liabilities. The fund balance for the General Fund at June 30, 2016, was \$5,032,022. The fund balance is in three parts; unassigned, committed, and restricted. Of the total fund balance amount, the School District has committed \$700,000 for anticipated increased retirement costs and \$60,000 is donor-restricted. The unassigned portion is \$4,272,022 and can be used for other items. The combined fund balances for all Governmental Funds were \$14,987,035. Of this amount, \$9,956,504 is in the Capital Projects Fund.



**NEW HOPE-SOLEBURY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

**BALANCE SHEET (continued)**

	June 30, 2016		
	General Fund	Nonmajor Capital Projects Funds	Totals
<b>ASSETS</b>			
Cash and Investments	\$ 6,067,901	\$ 9,956,504	\$ 16,024,405
Receivables, Due From Other Governments/Other Funds, and Prepaid Expenses	1,963,751	-	1,963,751
<b>TOTAL ASSETS</b>	<b>\$ 8,031,652</b>	<b>\$ 9,956,504</b>	<b>\$ 17,988,156</b>
<b>LIABILITIES</b>			
Accounts Payables and Accrued Expenses	\$ 2,530,612	\$ 1,491	\$ 2,532,103
Deferred Revenue, Due To Other Funds, and Other Liabilities	469,018	-	469,018
<b>TOTAL LIABILITIES</b>	2,999,630	1,491	3,001,121
<b>FUND BALANCES</b>			
Unassigned, Assigned, Committed, and Restricted	5,032,022	9,955,013	14,987,035
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 8,031,652</b>	<b>\$ 9,956,504</b>	<b>\$ 17,988,156</b>

**RECONCILIATION OF FUND BALANCE TO NET POSITION**

GASB Statement No. 34 requires the School District to report activity in current form (fund balance) and long-term (net position). The reconciliation statement points out the differences between these two figures; a summary follows:

Total Governmental Fund Balances		\$ 14,987,035
Add:	Capital Assets	42,406,624
	Other Assets and Deferrals	484,078
Less:	Accrued interest	(168,056)
	Bonds payable	(27,411,611)
	Bond premiums, net of accumulated amortization	(764,140)
	Other postemployment benefits	(59,412)
	Accumulated compensated absences	(365,928)
	Net pension liability	(58,149,580)
	Accrued retirement incentive	(507,182)
Add:	Deferred outflows of resources related to pension	7,192,319
Less:	Deferred inflows of resources related to pension	(248,279)
Net Position of Governmental Activities		<u>\$ (22,604,132)</u>

**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**

This statement shows the activity for the year and the change in fund balances. In the General Fund, expenditures exceeded revenues by \$1,299,918. The nonmajor fund is the Debt Service Fund, which includes activity from a new bond issue completed in December 2015.

**NEW HOPE-SOLEBURY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds (Continued)**

	Year Ended June 30, 2016			
	General Fund	Nonmajor Capital Projects Funds	Nonmajor Debt Service Fund	Totals
<b>REVENUES AND OTHER FINANCING SOURCES</b>				
Revenues	\$ 37,074,985	\$ 6,129	\$ -	\$ 37,081,114
Other Financing Sources	14,186	9,755,235	3,609,544	13,378,965
TOTAL REVENUES AND OTHER FINANCING SOURCES	37,089,171	9,761,364	3,609,544	50,460,079
<b>EXPENDITURES AND OTHER FINANCING USES</b>				
Expenditures	38,372,716	1,572,670	85,141	40,030,527
Other Financing Uses	16,373	-	3,524,403	3,540,776
TOTAL EXPENDITURES AND OTHER FINANCING USES	38,389,089	1,572,670	3,609,544	43,571,303
<b>CHANGES IN FUND BALANCES</b>				
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(1,299,918)	8,188,694	-	6,888,776
FUND BALANCES-July 1, 2015	6,331,940	1,766,319	-	8,098,259
FUND BALANCES-June 30, 2016	\$ 5,032,022	\$ 9,955,013	\$ -	\$ 14,987,035

**PROPRIETARY FUND**

The Proprietary Fund of the School District shows the financial activity of the cafeteria operations. The primary sources of revenue for the Proprietary Fund are the sales of food and state/federal subsidies. The primary expenditures include costs of staff and food. The Proprietary Fund ended the year with a total deficit of net position of \$43,016 which was a decrease of \$13,498 from the prior year.

**FIDUCIARY FUNDS**

The School District operates two Fiduciary Funds for groups. This money is held for a specific use and may not be used towards School District operations. These groups are Student Activities and Memorial Funds set up for scholarship awards.

**GENERAL FUND BUDGET**

The General Fund budget for the 2015/2016 fiscal year was enacted on June 22, 2015. During the year, revisions to the budget were approved by the School Board of Directors as recommended by the Superintendent and Business Administrator throughout the year. Transfers followed School District policies and procedures.

The School District spent significantly less than the revised budget. The School District recognized that while the budget was approved utilizing over \$2.6 million to balance the budget, the appropriate measures needed to be taken during the year to curtail spending to close that gap. This was accomplished across all areas of the budget primarily nonsalary and benefits expenditures through a spending freeze which was enacted in October 2015. From October through June the only expenditures that were approved were essential products and services required for our staff and students. A schedule of the budget compared to actual is included on page 46. The School District has already taken significant measures in the creation of the 2016-2017 budget to continue to bring expenditures back in line with revenues.

**NEW HOPE-SOLEBURY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

The School District as of June 30, 2016 owned four buildings: 1-High School, 1-Middle School and 2-Elementary Schools. The School District is in the preliminary stages of a major renovation of its high school and middle school buildings. During the year, there was one bond refunding that occurred (issue 2016) and issue 2015 was the second of four planned borrowings of new money for the renovation. More information about this is included in Note 6 of the Financial Statements. The total planned borrowing for the project is \$28,500,000.

**Governmental Activities**  
**Capital Assets-Net of Depreciation**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>Land and Land Improvements</b>	\$ 5,442,410	\$ 7,592,810	\$ 7,592,810	\$ 7,594,310
<b>Buildings and Building Improvements</b>	52,247,542	52,247,542	52,247,542	52,247,542
<b>Furniture and Equipment</b>	2,891,019	2,900,213	2,749,228	2,767,852
<b>Construction-in-Progress</b>	<u>1,960,381</u>	<u>527,624</u>	<u>-</u>	<u>-</u>
<b>Total</b>	62,541,352	63,268,189	62,589,580	62,609,704
<b>Accumulated Depreciation</b>	<u>(20,125,526)</u>	<u>(20,460,078)</u>	<u>(19,132,768)</u>	<u>(17,901,406)</u>
<b>Total Net of Depreciation</b>	<u>\$ 42,415,826</u>	<u>\$ 42,808,111</u>	<u>\$ 43,456,812</u>	<u>\$ 44,708,298</u>

**Outstanding Bond Debt**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>General Obligation Notes</b>				
<b>1999 Issue</b>	\$ 226,611	\$ 226,611	\$ 226,611	\$ 226,611
<b>2009 Issue</b>	-	-	3,885,000	5,760,000
<b>2009A Issue</b>	-	-	5,970,000	6,415,000
<b>2010 Issue</b>	-	-	8,010,000	8,565,000
<b>2011 Issue</b>	-	3,800,000	4,115,000	4,415,000
<b>2014 A Issue</b>	5,165,000	7,285,000	-	-
<b>2014 B Issue</b>	2,255,000	2,255,000	-	-
<b>2015 Issue</b>	6,640,000	7,350,000	-	-
<b>2015 A Issue</b>	9,660,000	-	-	-
<b>2016 Issue</b>	<u>3,465,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL</b>	<u>\$ 27,411,611</u>	<u>\$ 20,916,611</u>	<u>\$ 22,206,611</u>	<u>\$ 25,381,611</u>

**LABOR RELATIONS**

The professional staff of the School District is represented by the New Hope-Solebury Education Association (NHSEA), an affiliation of the Pennsylvania State Education Association. The current agreement covers the period from July 1, 2013 through June 30, 2017.

The support staff of the School District is represented by New Hope-Solebury School District Local 180, an affiliation of the Pennsylvania State Education Association. The current agreement which was approved and ratified at the October 20, 2014 regularly scheduled School Board meeting, covers the period from July 1, 2014 through June 30, 2018.

The Administrative staff contract under Act 93 covers the period from July 1, 2014 through June 30, 2018.

All contracts can be found on the School District web page under the business office.

## NEW HOPE-SOLEBURY SCHOOL DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

#### FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE

**Public School Employees' Retirement System (PSERS)** - All full-time and eligible part-time employees are covered by PSERS. The PSERS employer retirement contribution rate for the year ended June 30, 2016, was 25.84%. The PSERS employer retirement contribution rate for the year ended June 30, 2015, was 21.40%. The employer retirement contribution rate for 2016/2017 is increasing to 30.03% and will increase approximately 1% per year until plateauing at approximately 34% in 2019/2020 unless legislative relief is mandated by the Commonwealth of Pennsylvania.

**State Property Tax Reform** - The current state legislature continues to discuss property tax reform measures. As approximately 70% of the District's revenue is generated from property taxes, any change in methodology around how this tax is collected and distributed to school districts across the state has the potential to adversely affect the School District.

**Bond Debt** - In December 2015, the School District issued general obligation bonds, Series A of 2015, were sold. The aggregate principal amount of the issue was \$9,660,000. The proceeds of the bonds will be used to: (1) fund the design, acquisition and construction of capital improvements throughout the School District and (2) pay the costs of issuing the Bonds.

#### CLOSING

The financial report is designed to provide citizens, taxpayers, parents, students, investors, and creditors with a general overview of the School District's finances to show the School Board's accountability for the money it receives. If you have any questions about this report or wish to request additional financial information, please contact Mr. Andrew Lechman, Business Administrator/School Board Secretary, New Hope-Solebury School District, 180 West Bridge Street, New Hope, PA 18938; (215) 862-5372 or email at [alechman@nhsd.org](mailto:alechman@nhsd.org).

**NEW HOPE-SOLEBURY SCHOOL DISTRICT**

**STATEMENT OF NET POSITION**

June 30, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
<b><u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Cash and cash equivalents	\$ 4,178,952	\$ 98,723	\$ 4,277,675
Restricted cash	60,000	-	60,000
Investments	11,785,453	-	11,785,453
Taxes receivable, net	484,078	-	484,078
Due from other governments	1,344,251	2,777	1,347,028
Internal balances	141,130	(141,130)	-
Other receivables	9,352	-	9,352
Inventories	-	14,575	14,575
Land and land improvements	5,442,410	-	5,442,410
Buildings and building improvements	52,247,542	-	52,247,542
Furniture, vehicles, equipment, and library books	2,644,569	246,450	2,891,019
Construction-in-progress	1,960,381	-	1,960,381
Accumulated depreciation	<u>(19,888,278)</u>	<u>(237,248)</u>	<u>(20,125,526)</u>
TOTAL ASSETS	60,409,840	(15,853)	60,393,987
Deferred outflows of resources related to pension, net of accumulated amortization of \$941,247	<u>7,192,319</u>	<u>92,568</u>	<u>7,284,887</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 67,602,159</u>	<u>\$ 76,715</u>	<u>\$ 67,678,874</u>
<b><u>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</u></b>			
Accounts payable	\$ 153,640	\$ -	\$ 153,640
Accrued salaries and benefits	2,885,645	-	2,885,645
Accrued interest	168,056	-	168,056
Other current liabilities	-	27,163	27,163
Net other postemployment benefit obligation	59,412	-	59,412
Portion due or payable within one year			
Bonds payable in future years	876,611	-	876,611
Portion due or payable after one year			
Bonds payable in future years	26,535,000	-	26,535,000
Bond premiums, net			
of accumulated amortization of \$93,688	764,140	-	764,140
Accumulated compensated absences	365,928	-	365,928
Net pension liability	<u>58,149,580</u>	<u>756,158</u>	<u>58,905,738</u>
TOTAL LIABILITIES	89,958,012	783,321	90,741,333
Deferred inflows of resources related to pension, net of accumulated amortization of \$1,218,566	<u>248,279</u>	<u>4,600</u>	<u>252,879</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>90,206,291</u>	<u>787,921</u>	<u>90,994,212</u>
<b><u>NET POSITION</u></b>			
Restricted	60,000	-	60,000
Invested in capital assets, net of related debt	14,230,873	9,202	14,240,075
Unrestricted	<u>(36,895,005)</u>	<u>(720,408)</u>	<u>(37,615,413)</u>
TOTAL NET POSITION	<u>(22,604,132)</u>	<u>(711,206)</u>	<u>(23,315,338)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 67,602,159</u>	<u>\$ 76,715</u>	<u>\$ 67,678,874</u>

See Notes to Basic Financial Statements

**NEW HOPE-SOLEBURY SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES**

Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		Net Revenues (Expenses) and Changes in Net Position		Totals
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
<b>GOVERNMENTAL ACTIVITIES</b>						
Instruction						
Regular programs	\$ 16,614,333	\$ 5,254	\$ 1,534,266	\$ (15,074,813)	\$ -	\$ (15,074,813)
Special programs	5,383,811	-	1,009,163	(4,374,648)	-	(4,374,648)
Vocational education programs	667,321	-	50,487	(616,834)	-	(616,834)
Other instructional programs	3,944	-	365,616	361,672	-	361,672
Support services						
Student personnel services	2,493,378	-	196,637	(2,296,741)	-	(2,296,741)
Instructional staff services	2,597,409	-	176,801	(2,420,608)	-	(2,420,608)
Administration services	2,568,770	-	204,668	(2,364,102)	-	(2,364,102)
Student health	348,136	-	65,366	(282,770)	-	(282,770)
Business services	722,495	-	46,568	(675,927)	-	(675,927)
Operation and maintenance of plant services	4,328,500	46,954	198,479	(4,083,067)	-	(4,083,067)
Student transportation services	1,553,585	-	122,651	(1,430,934)	-	(1,430,934)
Central and other support services	446,860	-	28,596	(418,264)	-	(418,264)
Operation of noninstructional services						
Student activities	899,533	-	66,889	(832,644)	-	(832,644)
Interest on long-term debt	629,546	-	-	(629,546)	-	(629,546)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>39,257,621</b>	<b>52,208</b>	<b>4,066,187</b>	<b>(35,139,226)</b>	<b>-</b>	<b>(35,139,226)</b>
<b>BUSINESS-TYPE ACTIVITIES</b>						
Food service	547,545	444,107	92,512	-	(10,926)	(10,926)
	<b>\$ 39,805,166</b>	<b>\$ 496,315</b>	<b>\$ 4,158,699</b>	<b>(35,139,226)</b>	<b>(10,926)</b>	<b>(35,150,152)</b>
<b>GENERAL REVENUES</b>						
Property taxes, levied for general purposes				26,173,847	-	26,173,847
Transfers				(16,373)	-	(16,373)
Grants and entitlements not restricted to specific programs				1,161,646	-	1,161,646
Earned income taxes				3,749,681	-	3,749,681
Real estate transfer taxes				943,076	-	943,076
Homestead/Farmstead exemption				790,868	-	790,868
Miscellaneous				102,283	-	102,283
Loss on disposal of capital assets				(504,008)	-	(504,008)
Donation				67,031	-	67,031
Public utility taxes				35,404	-	35,404
Investment earnings				20,797	67	20,864
<b>TOTAL GENERAL REVENUES</b>				<b>32,524,252</b>	<b>67</b>	<b>32,524,319</b>
CHANGES IN NET POSITION				(2,614,974)	(10,859)	(2,625,833)
NET POSITION, BEGINNING OF YEAR				(19,989,158)	(700,347)	(20,689,505)
NET POSITION, END OF YEAR				<b>\$ (22,604,132)</b>	<b>\$ (711,206)</b>	<b>\$ (23,315,338)</b>

See Notes to Basic Financial Statements

**NEW HOPE-SOLEBURY SCHOOL DISTRICT**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

June 30, 2016

	<u>General Fund</u>	<u>Nonmajor Capital Projects Funds</u>	<u>Nonmajor Debt Service</u>	<u>Totals</u>
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 2,907,901	\$ 1,271,051	\$ -	\$ 4,178,952
Restricted cash	60,000	-	-	60,000
Investments	3,100,000	8,685,453	-	11,785,453
Taxes receivable, net	469,018	-	-	469,018
Due from other governments	1,344,251	-	-	1,344,251
Due from other funds	141,130	-	-	141,130
Other receivables	9,352	-	-	9,352
<b>TOTAL ASSETS</b>	<b>\$ 8,031,652</b>	<b>\$ 9,956,504</b>	<b>\$ -</b>	<b>\$ 17,988,156</b>
<b><u>LIABILITIES</u></b>				
Accounts payable	\$ 152,149	\$ 1,491	\$ -	\$ 153,640
Accrued salaries and benefits	2,378,463	-	-	2,378,463
Deferred revenue	469,018	-	-	469,018
<b>TOTAL LIABILITIES</b>	<b>2,999,630</b>	<b>1,491</b>	<b>-</b>	<b>3,001,121</b>
<b><u>FUND BALANCES</u></b>				
Restricted	60,000	-	-	60,000
Committed	700,000	9,949,182	-	10,649,182
Assigned	-	5,831	-	5,831
Unassigned	4,272,022	-	-	4,272,022
<b>TOTAL FUND BALANCES</b>	<b>5,032,022</b>	<b>9,955,013</b>	<b>-</b>	<b>14,987,035</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 8,031,652</b>	<b>\$ 9,956,504</b>	<b>\$ -</b>	<b>\$ 17,988,156</b>

See Notes to Basic Financial Statements

**NEW HOPE-SOLEBURY SCHOOL DISTRICT**

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

June 30, 2016

TOTAL GOVERNMENTAL FUND BALANCES	\$ 14,987,035
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	42,406,624
Some of the School District's revenues will be collected after the year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds	484,078
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:	
Accrued interest	(168,056)
Bonds payable	(27,411,611)
Bond premiums, net of accumulated amortization	(764,140)
Other postemployment benefits	(59,412)
Accumulated compensated absences	(365,928)
Net pension liability	(58,149,580)
Accrued retirement incentive	(507,182)
Deferred outflows and inflows or resources related to pension are applicable to future period and, therefore, are not reported in the funds	
Deferred outflows of resources related to pension	7,192,319
Deferred inflows of resources related to pension	<u>(248,279)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (22,604,132)</u>

See Notes to Basic Financial Statements



**NEW HOPE-SOLEBURY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**

Year Ended June 30, 2016

	General Fund	Nonmajor Capital Projects Funds	Nonmajor Debt Service	Totals
<b>REVENUES</b>				
Local sources	\$ 31,283,862	\$ 6,129	\$ -	\$ 31,289,991
State sources	5,702,805	-	-	5,702,805
Federal sources	88,318	-	-	88,318
<b>TOTAL REVENUES</b>	<b>37,074,985</b>	<b>6,129</b>	<b>-</b>	<b>37,081,114</b>
<b>EXPENDITURES</b>				
Instruction	20,762,720	-	-	20,762,720
Support services	13,015,613	-	-	13,015,613
Noninstructional services	851,978	-	-	851,978
Capital outlay	-	1,572,670	-	1,572,670
Debt service	3,742,405	-	85,141	3,827,546
<b>TOTAL EXPENDITURES</b>	<b>38,372,716</b>	<b>1,572,670</b>	<b>85,141</b>	<b>40,030,527</b>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<b>(1,297,731)</b>	<b>(1,566,541)</b>	<b>(85,141)</b>	<b>(2,949,413)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond proceeds	-	9,659,379	3,465,000	13,124,379
Bond premiums	-	95,856	144,544	240,400
Refunding debt proceeds	-	-	(3,524,403)	(3,524,403)
Prior year refunds	14,186	-	-	14,186
Operating transfers out	(16,373)	-	-	(16,373)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(2,187)</b>	<b>9,755,235</b>	<b>85,141</b>	<b>9,838,189</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(1,299,918)</b>	<b>8,188,694</b>	<b>-</b>	<b>6,888,776</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>6,331,940</b>	<b>1,766,319</b>	<b>-</b>	<b>8,098,259</b>
<b>TOTAL FUND BALANCES</b>	<b>\$ 5,032,022</b>	<b>\$ 9,955,013</b>	<b>\$ -</b>	<b>\$ 14,987,035</b>

See Notes to Basic Financial Statements

**NEW HOPE-SOLEBURY SCHOOL DISTRICT**

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

Year Ended June 30, 2016

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 6,888,776
Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those outlays is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the current period.	(401,487)
Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in Governmental Funds.	(496,490)
Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position.	
Issuance of bond	(13,125,000)
Repayment of bond principal	6,630,000
Compensated absences do not require the use of current financial resources, therefore, are not reported as expenditures in Governmental Funds.	(16,623)
Postemployment healthcare benefit obligation does not require the use of current financial resources, therefore, is not reported as an expenditure in Governmental Funds.	2,808
Interest is reported as an expenditure when due in the Governmental Funds, but is accrued on outstanding debt on the statement of activities.	7,262
Bond premiums, net of accumulated amortization does not require the use of current financial resources, therefore, is not reported as expenditures in Governmental Funds.	(164,405)
Governmental Funds report the School District pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.	
District pension contributions	(5,656,973)
Cost of benefits earned, net of employee contributions	3,717,158
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (2,614,974)</u>

See Notes to Basic Financial Statements

NEW HOPE-SOLEBURY SCHOOL DISTRICT

STATEMENT OF NET POSITION  
PROPRIETARY FUND (FOOD SERVICE)

June 30, 2016

**ASSETS**

CURRENT ASSETS

Cash and cash equivalents	\$ 98,723
Other accounts receivable	2,777
Inventories	14,575
TOTAL CURRENT ASSETS	<u>116,075</u>

EQUIPMENT, net

9,202

TOTAL ASSETS

\$ 125,277

**LIABILITIES AND NET POSITION**

CURRENT LIABILITIES

Due to other funds	\$ 141,130
Other current liabilities	27,163
TOTAL CURRENT LIABILITIES	<u>168,293</u>

NET POSITION

Unrestricted

(43,016)

TOTAL LIABILITIES AND NET POSITION

\$ 125,277

See Notes to Basic Financial Statements

NEW HOPE-SOLEBURY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUND (FOOD SERVICE)

Year Ended June 30, 2016

OPERATING REVENUE	
Food service revenue	<u>\$ 444,107</u>
OPERATING EXPENSES	
Salaries	234,966
Employee benefits	97,513
Other purchased service	2,794
Food and supplies	187,374
Depreciation	541
TOTAL OPERATING EXPENSES	<u>523,188</u>
OPERATING LOSS	<u>(79,081)</u>
NONOPERATING REVENUES	
Earnings on investments	67
State sources	43,207
Federal sources	49,305
TOTAL NONOPERATING REVENUES	<u>92,579</u>
CHANGE IN NET POSITION	13,498
NET POSITION, BEGINNING OF YEAR	<u>(56,514)</u>
TOTAL NET POSITION	<u><u>\$ (43,016)</u></u>

See Notes to Basic Financial Statements

**NEW HOPE-SOLEBURY SCHOOL DISTRICT**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUND (FOOD SERVICE)**

Year Ended June 30, 2016

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 461,541
Payments to suppliers	(185,597)
Payments to employees	(332,479)
NET CASH FLOWS FROM OPERATING ACTIVITIES (SEE BELOW)	<u>(56,535)</u>
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Increase in due to other funds	(108,742)
State grants	43,207
Federal grants	49,305
NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	<u>(16,230)</u>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of property and equipment	<u>(9,743)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest earnings	<u>67</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(82,441)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>181,164</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 98,723</u></u>
 <b>RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Operating loss	\$ (79,081)
Adjustments to reconcile operating loss to net cash flows from operating activities	
Depreciation	541
Decrease in other accounts receivable	17,434
Decrease in inventories	3,094
Decrease in accounts payable	(483)
Increase in other liabilities	1,960
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u><u>\$ (56,535)</u></u>

See Notes to Basic Financial Statements

**NEW HOPE-SOLEBURY SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**

June 30, 2016

	<b>Expendable Trust Fund (Memorial Scholarship Fund)</b>	<b>Agency Fund (Student Activities)</b>
	<u>                    </u>	<u>                    </u>
<b><u>ASSETS</u></b>		
CASH AND CASH EQUIVALENTS	\$ 20,992	\$ 73,349
INVESTMENTS	19,109	35,981
TOTAL ASSETS	<u>\$ 40,101</u>	<u>\$ 109,330</u>
<b><u>LIABILITIES AND NET POSITION</u></b>		
STUDENT ACTIVITY FUNDS	<u>\$ -</u>	<u>\$ 109,330</u>
TOTAL LIABILITIES	-	109,330
RESERVED FOR SCHOLARSHIPS	<u>40,101</u>	<u>-</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 40,101</u>	<u>\$ 109,330</u>

See Notes to Basic Financial Statements

**NEW HOPE-SOLEBURY SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**

Year Ended June 30, 2016

	<u>Expendable Trust Fund (Memorial Scholarship Fund)</u>
ADDITIONS	
Interest earnings	\$ 49
DEDUCTIONS	
Scholarships	<u>1,000</u>
CHANGE IN NET POSITION	(951)
NET POSITION, BEGINNING OF YEAR	<u>41,052</u>
TOTAL NET POSITION	<u><u>\$ 40,101</u></u>

See Notes to Basic Financial Statements

**NEW HOPE-SOLEBURY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**(1) Summary of significant accounting policies**

The New Hope-Solebury School District (the "School District") operates two elementary schools, one middle school, and one high school in New Hope Borough and Solebury Township, Pennsylvania. The School District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provisions of the School Laws of Pennsylvania. The School District is governed by a locally elected nine member Board form of government.

The basic financial statements of the School District have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies are as follows:

**Reporting entity** - GASB Statement No. 14, "The Financial Reporting Entity," established the criteria for determining the activities, organizations, and functions of government to be included in the basic financial statements of the reporting entity. In evaluating the School District as a reporting entity, management has addressed all potential component units which may or may not fall within the School District's financial accountability. The criteria used to evaluate component units for possible inclusion as part of the School District's reporting entity are financial accountability and the nature and significance of the relationship. The School District does not have any component units.

This report includes all of the funds of the New Hope-Solebury School District based on the above criteria.

The Middle Bucks Area Vocational - Technical School Authority ("VoTech Authority") is a separate legal entity which is not a component unit of the School District and is not included in the School District's reporting entity. The School District is a member of the VoTech Authority. In 1998, the VoTech Authority entered into an agreement with the member school districts and the VoTech Authority Board to provide for the acquisition and/or to construct alterations, renovations, additions, and improvements to the VoTech School and grounds.

**Fund accounting** - The accounts of the School District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent.

The School District classified funds into three categories: governmental, proprietary, and fiduciary.

Governmental Funds - include the following:

General Fund - (major fund) The principal operating fund of the School District used to account for all financial resources except those required to be in another fund.

Capital Projects Funds - (nonmajor fund) used to account for the financial resources to be used for the acquisition and construction of capital equipment and improvements in accordance with the applicable general obligation bond agreements.

Special Revenue Funds - used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.



**NEW HOPE-SOLEBURY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**(1) Summary of significant accounting policies (continued)**

Debt Service Fund - (nonmajor fund) used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Proprietary Fund - This is the fund that accounts for the operations of the School District that are financed and operated in a manner similar to those often found in the private sector. The fund included in this category is:

Food Service - used to account for the operation of the cafeterias.

Fiduciary Funds - These are the funds that account for the assets held by the School District as a trustee or agent for individuals, private organizations, and/or governmental units and are, therefore, not available to support the School District's own programs. The funds included in this category are:

Expendable Trust Fund - used to account for assets held by the School District in a trustee capacity. This fund accounts for various scholarship programs for students.

Agency Fund - used to account for assets held by the School District as custodial in nature and does not present results of operations or have a measurement focus. This fund accounts for various student activities.

**Fund equity**

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

- Nonspendable fund balance - amounts that are not in nonspendable form or are required to be maintained intact.
- Restricted fund balance - amounts constrained to specific purposes by their providers, through constitutional provisions, or by enabling legislation.
- Committed fund balance - amounts constrained to specific purposes by the School District itself, using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the School District takes the same highest level action to remove or change the constraint.
- Assigned fund balance - amounts the School District intends to use for a specific purpose. Intent can be expressed by the Board of School Directors or by an official to whom the Board of School Directors delegates authority.
- Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

**NEW HOPE-SOLEBURY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**(1) Summary of significant accounting policies (continued)**

**Basis of presentation**

Government-wide financial statements - The statement of net position and the statement of activities report information on all of the nonfiduciary activities of the School District. As a general rule, the effect of interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or activity is offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function or activity. Program revenues include charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity. In addition, program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items, not included among program revenues, are reported instead as general revenues.

Fund financial statements - are also provided in the report for all of the Governmental Funds, Proprietary Fund, and the Fiduciary Funds of the School District. The School District's major individual Governmental Fund and its Proprietary Fund are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column. Fiduciary Funds are reported by fund type.

The Proprietary Fund distinguishes operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with the Proprietary Fund's principal ongoing operations. The principal operating revenue of the School District's Proprietary Fund is food service charges. Operating expenses for the School District's Proprietary Fund include food production costs, supplies, administrative costs, and depreciation on capital assets. All revenues not meeting this definition are reported as nonoperating revenues.

The School District reports the following major Governmental Fund:

The General Fund is the School District's primary operating fund. It accounts for all financial resources, except those required to be in another fund.

The School District reports the following nonmajor Governmental Funds:

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

The Debt Service Fund accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

**NEW HOPE-SOLEBURY SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**(1) Summary of significant accounting policies (continued)**

**Basis of presentation (continued)** - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the Proprietary Fund and the Fiduciary Funds' financial statements. Revenues are recognized when earned and expenses are recognized 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. Net position (total assets less total liabilities) is used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net position. Depreciation is charged as an expense against current operations and accumulated depreciation is reported on the statement of net position.

The Governmental Funds' financial statements are reported 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 government considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenue from federal, state, and other grants designated for payment of specific School District expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as deferred revenue until earned. Expenditures generally are recognized 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 recognized only when payment is due. This approach differs from the manner in which governmental activities of the government-wide financial statements are prepared. Government fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements and the statements for Governmental Funds.

**Adoption of new accounting standards** - On March 2, 2015, the GASB released Statement No. 72, "Fair Value Measurement and Application," which requires state and local governments to measure investments at fair value. GASB's goal is to enhance comparability of governmental financial statements by requiring fair value measurement for certain assets and liabilities using a consistent definition and accepted valuation techniques. This standard expands fair value disclosures to provide comprehensive information for financial statement users about the impact of fair value measurements on a government's financial position. The requirements are effective for financial statements for periods beginning after June 15, 2015.

**Revenues - nonexchange transactions** - Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**NEW HOPE-SOLEBURY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**(1) Summary of significant accounting policies (continued)**

**Budgets and budgetary accounting** - An operating budget is adopted prior to the beginning of each year for the General Fund on a modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required.

The Pennsylvania School Code dictates specific procedures relative to adoption of the School District's budget and reporting of its financial statements, specifically:

The School District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.

The School District is required to publish notice by advertisement, at least once in two newspapers of general circulation in the municipality in which it is located, and within fifteen days of final action, that the proposed budget has been prepared and is available for public inspection at the administrative office of the School District.

Notice that public hearings will be held on the proposed operating budget must be included in the advertisement; such hearings are required to be scheduled at least ten days prior to when final action on adoption is taken by the Board.

Legal budgetary control is maintained at the subfunction/major object level. The Board of School Directors may make transfers of funds appropriated to any particular item of expenditure by legislative action in accordance with the Pennsylvania School Code. Management may amend the budget at the subfunction/subobject level without Board approval. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments. The Board of School Directors made several supplemental budgetary reclassifications between line items that had no impact on the total General Fund budget.

In order to preserve a portion of an appropriation for which expenditure has been committed by a purchase order, contract or other form of commitment, an encumbrance is recorded. Encumbrances outstanding at year-end, if any, are reported in the fund financial statements as reservations of fund balances.

Included in the General Fund budget are program budgets as prescribed by the federal and state agencies funding the program. These budgets are approved on a program by program basis by the federal and state funding agencies.

**Fair value measurements** - The School District categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. GASB Statement No. 72, "*Fair Value Measurement and Application*," provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs-other than quoted prices included within Level 1 - that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

**NEW HOPE-SOLEBURY SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**(1) Summary of significant accounting policies (continued)**

**Fair Value Measurements (continued)** - The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

**Receivables and payables** - Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable Governmental Funds to indicate that they are not available for appropriation and are not available spendable resources.

**Inventories** - In the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis, and are expensed when used.

Inventories in Governmental Funds are stated at cost by the first-in, first-out method. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, an estimated value of inventories is reported as an asset in the General Fund. The inventories in the General Fund are equally offset by a fund balance reserve which indicates they do not constitute available spendable resources even though they are a component of net current assets. There are no Governmental Funds that have material inventory balances as of June 30, 2016.

A physical inventory of the Food Service's food and supplies was taken as of June 30, 2016. The inventory consisted of purchased commodities and supplies, both valued at cost using the first-in, first-out (FIFO) method.

**Prepaid expenses** - In both the government-wide and fund financial statements, prepaid expenses, if any, are reported as assets in the specific Governmental Funds in which future benefits will be derived.

**Capital assets** - Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of more than \$1,500 and an estimated useful life in excess of one year. Management has elected to include certain homogeneous asset categories with individual assets less than \$1,500 as composite groups for financial reporting purposes. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Such assets are reported at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are reported at their estimated fair value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

**NEW HOPE-SOLEBURY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**(1) Summary of significant accounting policies (continued)**

**Capital assets (continued)** - All reported capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	15-30
Buildings	45
Building improvements	10-20
Furniture	10-25
Vehicles	10
Equipment	5-25
Library books	20-50

Proprietary Fund equipment is depreciated on the straight-line basis over 5-20 years.

**Collections** - Collections of art and historical treasures meet the definition of a capital asset and normally should be reported in the financial statements. However, the requirement for capitalization is waived for collections that meet certain criteria. The School District has collections of art that are not capitalized as they meet all of the waiver requirements which are: (1) the collections are held solely for public exhibition, (2) the collections are protected, preserved, and cared for, and (3) the items may not be sold. The School District's paintings are displayed on public property in the Administration building.

**Long-term obligations** - In the government-wide financial statements and Proprietary Fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or Proprietary Fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. All amounts are amortized using the straight-line method.

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

**Estimates** - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Proprietary Fund Financial Accounting Standards Board usage** - Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed for governmental and business-type activities to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and Proprietary Fund, subject to this same limitation. The School District has elected not to follow subsequent private-sector guidance.

**NEW HOPE-SOLEBURY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**(1) Summary of significant accounting policies (continued)**

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

**Subsequent events** - The School District has evaluated subsequent events through November 2, 2016, which is the date the financial statements were available to be issued and noted the following items for disclosure:

In October 2016, the School District's Board of School Directors approved a resolution authorizing the incurring of nonelectoral debt for the purpose of funding capital projects and paying the costs of issuance, by the issuance of general obligation bonds, in an aggregate principal amount not to exceed \$12,000,000, but anticipated to be approximately \$9,850,000.

In September 2016, New Jersey ended its reciprocal tax agreement with Pennsylvania. This change could have an impact on the earned income tax revenue of the School District. At this time the potential impact is not known.

**(2) Cash, cash equivalents, and investments**

Under Section 440.1 of the Pennsylvania Public School Code of 1949, as amended, the School District is permitted to invest its monies as follows:

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

Deposits in accounts with institutions insured by the Federal Deposit Insurance Corporation, to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral, as provided by law, is pledged by the depository.

The deposit and investment policy of the School District adheres to state statutes and prudent business practices. Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and include investments with original maturities of three months or less.

**NEW HOPE-SOLEBURY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**(2) Cash, cash equivalents, and investments (continued)**

The School District invests in the Pennsylvania School District Liquid Asset Fund (“PSDLAF”), the Pennsylvania Local Government Investment Trust (“PLGIT”), and the Pennsylvania Treasury’s INVEST Program for Local Governments and Nonprofits (“PA INVEST”), as authorized by the Board. PSDLAF was established to enable school districts to pool funds for investments in instruments authorized by Section 440.1 of the Pennsylvania Public School Code of 1949, as amended. PA INVEST is a program for local governments that utilizes the funds of a local government investment pool which is authorized by 53 P.S. § 481 et. seq. (commonly referred to as the “intergovernmental cooperation law”). PLGIT ensures that it will not place deposits with any single issuing institution if the largest participant’s pro rata share of such deposits exceeds \$250,000, unless such deposits are collateralized as prescribed by Act 72 of the Commonwealth of Pennsylvania. These funds have the characteristics of open-end mutual funds and are not subject to credit risk classification.

Cash and cash equivalents consist of demand deposits at various financial institutions and money market funds which are AAA rated. The market value of deposits is equal to the cost of the deposits. A portion of the cash is classified as restricted to be used for new science, technology, engineering, arts, and mathematics and environment education opportunities with the gifted program.

As of June 30, 2015, the School District had the following investments:

Certificates of deposit	\$ 6,413,090
U.S. treasury bills	2,427,453
Fixed income mutual funds	3,000,000
	\$ 11,840,543

Certificates of deposit (“CDs”) are bond-type investments issued by a bank when deposits are made in a certain amount of money for a determined amount of time. Interest is paid to the holder of the CD at an agreed upon rate. Money removed before maturity is subject to a penalty. The School District invests in CDs through the PLGIT-CD Purchase Program which enables the School District to purchase CDs directly, which are fully insured by the Federal Deposit Insurance Corporation. Investments in the PLGIT-CD Purchase Program are direct investments of the School District, not assets of PLGIT or under control of the Board of Trustees of PLGIT. Certificates of deposit held at June 30, 2016, consist of investments with original maturity dates greater than three months, but less than one year. The fair value is determined using the estimated cash flows based on terms such as the fixed rate of return as compared to the benchmark interest rates, which are market observable. The School District’s investments are in fixed rate CDs that are FDIC-insured and are valued at the issuance price, which approximates fair value, and are classified as Level 2.

U.S. treasury bills are debt obligations of the U.S. government (lending money to the federal government for a specified period of time). These debt obligations are backed by the “full faith and credit” of the government, and thus by its ability to raise tax revenues and print currency, U.S. Treasury securities are considered the safest of all investments. The School District invests in U.S. Treasury Bills through the PLGIT/Separate Account Management Program that enables the School District to invest in fixed-rate and longer-term investments selected in a manner consistent with applicable municipal code(s) and the School District investment policy. Investments in a PLGIT/Separate Account Management Program are direct investments of the School District, not assets of PLGIT or under control of the Board of Trustees of PLGIT. U.S. Treasury Bills mature through May 2017, and are AA+ rated. U.S. treasury bills are valued using proprietary valuation models incorporating live data from active market makers and interdealer brokers as reported on electronic communication networks. The valuation models incorporate benchmark yields, reported trades, broker/dealer quotes, bids, offers, and other data. These valuations are considered Level 2.



**NEW HOPE-SOLEBURY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**(2) Cash, cash equivalents, and investments (continued)**

Fixed income mutual funds are funds that primarily invest in government and corporate debt. The primary objective of these funds is to provide a steady cash flow to investors. The School District is invested in the PSDLAF Full Flex Investment Pool. The fund invests in fixed term instruments, including obligations of the United States government or its agencies and federally insured or collateralized deposits in savings accounts, time deposits, or share accounts of institutions insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund to the extent that such accounts are so insured, and, for any amounts above the insured maximum, provided that approved collateral therefore is pledged by the depository in accordance with the requirements of Section 440.1 of the School Code. The fund may also include obligations of the Commonwealth of Pennsylvania or any of its agencies, instrumentalities, or political subdivisions backed by the full faith and credit of the Commonwealth or the applicable subdivision if in the judgment of the fund adviser, favorable circumstances exist for such an investment.

All investments in the fund are intended to be deposited for the full term of the particular fixed term series. No investment made in a fixed term series may be withdrawn prior to the maturity date of such series with the exception of investments in a fixed term series that has been designated on its inception date as a "Full Flex Investment Pool." The School District's fixed term series investments have been designated as Full Flex, therefore early redemptions with no penalty is permitted. The PSDLAF Full Flex Investment Pool is unrated and there is no formal external regulatory oversight for the external investment pool. PSDLAF issues audited financial statements that are available to the public. The fair value of the School District's position in the external investment pool is equivalent to the value of the pool shares. Under GASB Statement No. 72, this investment is exempt from fair value measurements.

**Custodial risk - deposits:** Is the risk that, in the event of a financial institution failure, the School District's deposits may not be returned to the School District. The School District's carrying value for demand deposits and certificates of deposit were \$11,153,821 as of June 30, 2016, and the bank's balance was \$11,360,240 of which was all fully insured.

**Custodial risk - cash equivalents:** Is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

**Interest rate risk:** As a means of limiting its exposure to fair value losses arising from increasing interest rates, the School District's investment policy limits the investment maturities to remain sufficiently liquid to meet all operating requirements that are reasonably anticipated as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The School District's investment policy minimizes credit risk by limiting investments to the safest type of securities.

**Concentration of credit risk:** Is the risk of loss attributed to the magnitude of the School District's investment in a single issuer. Based on the nature of the School District's deposits and investments held as of June 30, 2016, none are subject to credit risk classification.

**NEW HOPE-SOLEBURY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**(2) Cash, cash equivalents, and investments (continued)**

The School District's cash and cash equivalents, restricted cash, and investments are reported in the financial statements as follows:

	<u>Total</u>	<u>Cash and Cash</u>	<u>Restricted</u>	<u>Investments</u>
		<u>Equivalents</u>	<u>Cash</u>	
Per statement of net position	\$ 16,123,128	\$ 4,277,675	\$ 60,000	\$ 11,785,453
Per statement of fiduciary net position				
Expendable Trust Fund	40,101	20,992	-	19,109
Agency Fund	109,330	73,349	-	35,981
	<u>\$ 16,272,559</u>	<u>\$ 4,372,016</u>	<u>\$ 60,000</u>	<u>\$ 11,840,543</u>

**(3) Real estate taxes and deferred revenue**

Based upon assessments provided by the County, the School District has two independently elected tax collectors who bill and collect the School District's property taxes. The School District's tax rate for the year ended June 30, 2016, was 89.64 mills (\$89.64 per \$1,000 of assessed valuation) as levied by the Board of School Directors. The schedule for real estate and per capita 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 payment period
November 1 - December 30	- 10% Penalty period
December 31	- Lien date

The School District, in accordance with U.S. GAAP, recognized the delinquent and unpaid taxes receivable, reduced by an allowance for uncollectible taxes, 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. All taxes, net of uncollectible amounts, are recognized in the period for which they are levied in the government-wide financial statements, regardless of when they are collected.

The balances as of June 30, 2016, are as follows:

	<u>Governmental Funds</u>				
	<u>Gross Taxes Receivable</u>	<u>Allowance for Uncollectible Taxes</u>	<u>Net Estimated to be Collectible</u>	<u>Tax Revenue Recognized</u>	<u>Deferred Revenue</u>
Real estate	<u>\$ 469,018</u>	<u>\$ -</u>	<u>\$ 469,018</u>	<u>\$ -</u>	<u>\$ 469,018</u>

**NEW HOPE-SOLEBURY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**(4) Due from other governments**

Amounts due from other governments represent receivables for revenues earned by the School District. As of June 30, 2016, the following amounts are due from other governmental units:

	<b>General Fund</b>
State	\$ 266,470
Local	1,076,559
Federal	1,222
	<u>\$ 1,344,251</u>

**(5) Changes in capital assets**

Capital asset activity for the year ended June 30, 2016, was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land	\$ 1,710,672	\$ -	\$ -	\$ 1,710,672
Construction-in-progress	527,624	1,432,757	-	1,960,381
Total capital assets not being depreciated	2,238,296	1,432,757	-	3,671,053
Capital assets being depreciated				
Land improvements	5,882,138	-	(2,150,400)	3,731,738
Buildings and building improvements	52,247,542	-	-	52,247,542
Furniture	115,103	-	-	115,103
Vehicles	185,414	-	-	185,414
Equipment	1,738,740	26,819	(32,597)	1,732,962
Library books	860,956	-	(249,866)	611,090
Total capital assets being depreciated	61,029,893	26,819	(2,432,863)	58,623,849
Less accumulated depreciation for:				
Land improvements	3,250,008	213,239	(1,736,640)	1,726,607
Buildings and building improvements	15,008,551	1,019,532	-	16,028,083
Furniture	108,507	2,979	-	111,486
Vehicles	161,239	2,581	-	163,820
Equipment	1,558,162	79,949	(32,051)	1,606,060
Library books	373,611	38,776	(160,165)	252,222
Total accumulated depreciation	20,460,078	1,357,056	(1,928,856)	19,888,278
Total capital assets, being depreciated, net	40,569,815	(1,330,237)	(504,007)	38,735,571
Governmental activities, capital assets, net	\$ 42,808,111	\$ 102,520	\$ (504,007)	\$ 42,406,624

**NEW HOPE-SOLEBURY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**(5) Changes in capital assets (continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Business-type activities</u>				
Capital assets being depreciated				
Furniture and equipment	\$ 246,707	\$ 9,743	\$ (10,000)	\$ 246,450
Total capital assets being depreciated	<u>246,707</u>	<u>9,743</u>	<u>(10,000)</u>	<u>246,450</u>
Less accumulated depreciation for:				
Furniture and equipment	246,707	541	(10,000)	237,248
Total accumulated depreciation	<u>246,707</u>	<u>541</u>	<u>(10,000)</u>	<u>237,248</u>
Total business-type activities capital assets being depreciated, net	<u>\$ -</u>	<u>\$ 9,202</u>	<u>\$ -</u>	<u>\$ 9,202</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities

Instruction	
Regular	\$ 167,440
Support services	
Administration	485
Operation and maintenance of plant	1,187,543
Operation of noninstructional services	
Student activities	1,588
Total depreciation expense - governmental activities	<u>\$ 1,357,056</u>

Business-type activities

Food service	\$ 541
Total depreciation expense - business-type activities	<u>\$ 541</u>

**(6) Long-term liabilities**

During the fiscal year ended June 30, 2016, the School District's long-term liabilities changed as follows:

	<u>Bonds Payable</u>	<u>Compensated Absences</u>	<u>Total Long-term Liabilities</u>
Beginning of year	\$ 20,916,611	\$ 349,305	\$ 21,265,916
Issues or additions	13,125,000	-	13,125,000
Principal repayments	(6,630,000)	-	(6,630,000)
Changes in compensated absences	-	16,623	16,623
End of year	<u>\$ 27,411,611</u>	<u>\$ 365,928</u>	<u>\$ 27,777,539</u>
Amount due within one year	<u>\$ 876,611</u>	<u>\$ -</u>	<u>\$ 876,611</u>

The payments of general, long-term liabilities are to be funded by the General Fund and Debt Service Fund.

**NEW HOPE-SOLEBURY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**(6) Long-term liabilities (continued)**

The future annual payments required to amortize all outstanding debt and obligations, except for the compensated absences, as of June 30, 2016, including total interest payments are as follows:

Years Ending June 30,	<b>General Obligation Bonds</b>		
	<b>Interest</b>	<b>Principal</b>	<b>Total</b>
2017	\$ 2,483,742	\$ 876,611	\$ 3,360,353
2018	722,543	1,945,000	2,667,543
2019	678,168	1,975,000	2,653,168
2020	620,418	2,020,000	2,640,418
2021	550,343	2,090,000	2,640,343
2022-2036	3,463,676	18,505,000	21,968,676
	<u>\$ 8,518,890</u>	<u>\$ 27,411,611</u>	<u>\$ 35,930,501</u>

On April 13, 1999, General Obligation Bonds, Series of 1999, were sold. The sale price included accrued interest from April 1, 1999. The aggregate principal amount of this issue was \$9,416,611. \$8,890,000 of this series was advance refunded in May 2004. The bonds bear interest rates ranging from 3.45% to 4.65%. Interest will be paid to the registered owners of the bonds semiannually on February 15 and August 15 of each year. The proceeds of the bonds were used to advance refund a portion of the School District's outstanding General Obligation Bonds, Series of 1996. The balance outstanding as of June 30, 2016, was \$226,611.

On June 2, 2011, General Obligation Bonds, Series of 2011, were sold. The aggregate principal amount of this issue was \$4,875,000. The bonds bear interest rates ranging from 0.85% to 4.0%. Interest will be paid to the registered owners of the bonds semiannually on March 15 and September 15 of each year. The proceeds of the bonds were used to pay the costs of: (a) the refunding of the balance of the Series of 2006, General Obligation Bonds, and (b) paying the costs and expenses incurred by the School District in connection with the issuance of the bonds. The bonds were refunded on June, 10, 2016.

On December 30, 2014, General Obligation Notes, Series A of 2014, were sold. The aggregate principal amount of this issue was \$7,360,000. The bonds bear interest rates ranging from 1% to 3%. Interest will be paid to the registered owners of the bonds semiannually on March 1 and September 1 of each year. The proceeds of the bonds were used to pay the costs of: (a) the refunding of the balance of the Series of 2009 and 2009A, General Obligation Bonds, and (b) paying the costs and expenses incurred by the School District in connection with the issuance of the bonds. The balance outstanding as of June 30, 2016, was \$5,165,000.

On December 30, 2014, General Obligation Bonds, Series B of 2014, were sold. The aggregate principal amount of this issue was \$2,255,000. The bonds bear an interest rate at 3%. Interest will be paid to the registered owners of the bonds semiannually on March 1 and September 1 of each year. The proceeds of the bonds were used to pay the costs of: (a) fund the design, acquisition and construction of capital improvements and (b) paying the costs and expenses incurred by the School District in connection with the issuance of the bonds. The balance outstanding as of June 30, 2016, was \$2,255,000.

**NEW HOPE-SOLEBURY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**(6) Long-term liabilities (continued)**

On March 25, 2015, General Obligation Notes, Series 2015, were sold. The aggregate principal amount of this issue was \$8,015,000. The bonds bear interest rates ranging from 2.0% to 4.0%. Interest will be paid to the registered owners of the bonds semiannually on May 15 and November 15 of each year. The proceeds of the bonds were used to pay the costs of: (a) the refunding of the balance of the Series of 2010, General Obligation Bonds, and (b) paying the costs and expenses incurred by the School District in connection with the issuance of the bonds. The balance outstanding as of June 30, 2016, was \$6,640,000.

On December 4, 2015, General Obligation Notes, Series 2015A, were sold. The aggregate principal amount of this issue was \$9,660,000. The bonds bear interest rates ranging from 2.0% to 3.5%. Interest will be paid to the registered owners of the bonds semiannually August 15 and February 15 of each year. The proceeds of the bonds were used to pay the costs of: (a) funding the design, acquisition and construction of capital improvements and (b) paying the costs and expenses incurred by the School District in connection with the issuance of the bonds. The balance outstanding as of June 30, 2016, was \$9,660,000.

On June 10, 2016, General Obligation Notes, Series 2016, were sold. The aggregate principal amount of this issue was \$3,465,000. The bonds bear interest rates ranging from .5% to 3.0%. Interest will be paid to the registered owners of the bonds semiannually on September 15 and March 15 of each year. The proceeds of the bonds were used to pay the costs of: (a) the refunding of the balance of the Series of 2011, General Obligation Bonds, and (b) paying the costs and expenses incurred by the School District in connection with the issuance of the bonds. The balance outstanding as of June 30, 2016, was \$3,465,000.

**Defeased debt** - In prior years, the School District has also defeased a portion of its General Obligation Bonds, Series of 1996, 1997, 1999, 2001, 2002, 2003, 2004, and 2006 by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. Government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and, therefore, removed as a liability from the School District's financial statements. As of June 30, 2016, the amount of total defeased debt outstanding but removed from the liabilities amounted to \$26,135,000.

**Compensated absences** - School District policies applicable to vacation and sick pay for employees are as follows:

Sick pay - Sick pay is earned at a rate of twelve days per year. There is no limit on the number of days that may be accumulated. Unused time does not vest except for a payment of \$40 per day for the first one-hundred twenty days and \$60 per day for the next one-hundred twenty days to retiring employees with a maximum payment of \$12,000 per employee. The accrued cost for sick pay as of June 30, 2016, was \$365,928 and is included in accumulated compensated absences.

Vacation pay - For administrative employees, any vacation days not used by year-end must be taken prior to Labor Day of the following year (September 5, 2016). For eligible support staff employees, any vacation days not used by year-end must be taken prior to September 30<sup>th</sup> of the following year (September 30, 2016). Unused time as of June 30, 2016, does not vest or accumulate beyond the aforementioned dates. The accrued cost for vacation pay as of June 30, 2016, is \$97,165 and is included in accrued salaries and benefits.

## NEW HOPE-SOLEBURY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS

#### (7) Pension plan

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

**Benefits provided** - PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching: (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 ("Act 120") preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E ("Class T-E") and Membership Class T-F ("Class T-F"). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service.

Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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 that have reached normal retirement age may apply for disability benefits.

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

#### **Contributions**

Member contributions:

Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class TC) 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.

**NEW HOPE-SOLEBURY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**(7) Pension plan (continued)**

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

Employer contributions:

The School Districts' contractually required contribution rate for fiscal year ended June 30, 2016, was 25.84% (25.00% for the pension plan and .84% for healthcare insurance premium assistance) 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 School District were \$4,647,780, \$3,738,125, and \$2,842,316 for the years ended June 30, 2016, 2015 and 2014, respectively.

**Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions** - At June 30, 2016, the School District reported a liability of approximately \$58,905,000 which includes \$58,778,000 for its proportionate share of the net pension liability and employer specific pension liability related to contributions made in excess of the proportionate share. The proportionate share of the net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2014 to June 30, 2015. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2015, the School District's proportion was 0.1357 percent, which was an increase of 0.0051 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the School District recognized pension expense of \$5,728,000. At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual investment earnings, net of accumulated amortization of \$1,218,566	-	(252,879)
Changes in proportions, net of accumulated amortization of \$798,296	2,305,617	-
Difference between employer contributions and proportionate share, net of accumulated amortization of \$142,951	331,490	-
Contributions subsequent to the measurement date	4,647,780	-
	<b>\$ 7,284,887</b>	<b>\$ (252,879)</b>



**NEW HOPE-SOLEBURY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**(7) Pension plan (continued)**

\$4,647,780 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the 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:

Years Ended June 30,

2017	\$	416,000
2018	\$	416,000
2019	\$	416,000
2020	\$	1,137,000

**Actuarial assumptions** - The total pension liability, as of June 30, 2015, was determined by rolling forward the System's total pension liability as of the June 30, 2014 actuarial valuation to June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal-level % of pay
- Investment return - 7.50%, includes inflation at 3.00%
- Salary increases - Effective average of 5.50%, which reflects an allowance for inflation of 3.00%, real wage growth of 1%, and merit or seniority increases of 1.50%
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females. For disabled annuitants the RP- 2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females.

The 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.

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

**NEW HOPE-SOLEBURY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**(7) Pension plan (continued)**

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public markets global	23%	4.8%
Private markets (equity)	15%	6.6%
Private real estate	12%	4.5%
Global fixed income	7%	2.4%
U.S. long treasuries	3%	1.4%
TIPS	12%	1.1%
High yield bonds	6%	3.3%
Cash	3%	0.7%
Absolute return	10%	4.9%
Risk parity	10%	3.7%
MLPs/infrastructure	5%	5.2%
Commodities	8%	3.1%
Financing (LIBOR)	-14%	1.1%
	<u>100%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2015.

**Sensitivity of the School District's proportionate share of the net pension liability to changes in the discount rate** - The following presents the net pension liability, excluding employer specific pension liability related to contributions made in excess the proportionate share, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	<u>1% Decrease 6.50%</u>	<u>Current Discount Rate 7.50%</u>	<u>1% Increase 8.50%</u>
School District's proportionate share of the net pension liability	\$ 72,451,000	\$ 58,778,000	\$ 47,288,000

**Pension plan fiduciary net position** - Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at [www.psers.state.pa.us](http://www.psers.state.pa.us).

**NEW HOPE-SOLEBURY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**(8) Operating leases**

On March 6, 1998, four public school districts in Bucks County signed lease agreements with the Middle Bucks Area Vocational - Technical School Authority. The VoTech Authority issued \$3,980,000 of bonds that year and each school district agreed to make payments of their prorated share of the VoTech Authority's debt service. Each school district's prorated share is calculated annually based on assessed market value. On June 1, 2003, the above bonds were refinanced with the VoTech Authority issuing \$3,525,000 of bonds. On April 1, 2006, four public school districts in the County signed lease agreements with the VoTech Authority. The VoTech Authority issued \$16,500,000 of bonds that year and each school district agreed to make payments of their prorated share of the VoTech Authority's debt service. Each school district's prorated share is calculated annually based on assessed market value. The VoTech Authority prepares financial statements which can be obtained from the Middle Bucks Area Vocational - Technical School Authority, Administrative Office, 2740 Old York Road, Jamison, PA 18929.

During the year ended June 30, 2016, the School District paid \$124,444 in operating lease payments for its prorated share of the VoTech Authority's debt service.

The future annual lease payments for the School District's prorated share are as follows:

Years Ending June 30,

2017	\$ 119,205
2018	119,079
2019	119,227
2020	119,138
2021	118,875
2022-2029	1,071,777
	<u>\$ 1,667,301</u>

**(9) Commitments**

In 2015, the School District entered into five leases for copier and computer equipment and related services with the last lease expiring July 2020. In 2016, the School District entered into computer equipment lease expiring October 2017. The annual minimum lease payments related to these leases are included in the future annual minimum obligation under the above service contract and leases below.

Future annual minimum obligations under the above service contract and leases are as follows:

Years Ending June 30,

2017	\$ 445,657
2018	187,507
2019	152,217
2020	12,709
	<u>\$ 798,090</u>

The total service contract and lease expense for the year ended June 30, 2016, was \$414,120.

**NEW HOPE-SOLEBURY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**(10) Contingent liabilities**

**Grant programs** - Intergovernmental grants received by the School District are subject to audit and adjustment by the funding agencies or their representatives. If grant revenues are received for expenditures, which are subsequently disallowed, the School District may be required to repay the revenues to the funding agency. In the opinion of management, liabilities resulting from such disallowed expenditures, if any, will not be material to the accompanying financial statements as of June 30, 2016.

**(11) Other postemployment benefits**

**Plan description** - The School District provides postretirement medical and prescription drug coverage to pre-65 year old retirees and their eligible dependents through a fully insured medical plan. Eligibility and coverage varies based on time of retirement, employee type, and length of service.

**Funding policy** - The School District is financing the postemployment benefits on a pay-as-you-go basis. For fiscal year 2016, 15 retirees received healthcare benefits. The School District provided required contributions of \$93,750 toward the annual other postemployment benefit ("OPEB") costs for the year ended June 30, 2016. Retiree contributions totaled \$40,112.

**Annual OPEB cost and net OPEB obligation** - The School District's annual OPEB cost is calculated based on the annual required contribution ("ARC") of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the School District's annual OPEB cost for the years ended June 30, 2016, 2015, and 2014, per the latest actuarial valuation as of March 1, 2014, March 1, 2012, and March 1, 2010, respectively, the estimated amount contributed to the plan, and changes in the School District's net OPEB obligation to the retiree health plan:

	<b>June 30,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
Annual required contribution	\$ 172,208	\$ 172,208	\$ 141,441
Interest on net OPEB obligation	2,800	2,063	4,273
Adjustment to ARC	<u>(7,295)</u>	<u>(5,376)</u>	<u>(5,829)</u>
Annual OPEB cost	167,713	168,895	139,885
Contributions made (estimated)	<u>(170,521)</u>	<u>(152,529)</u>	<u>(188,979)</u>
Estimated increase (decrease) in net OPEB obligation	(2,808)	16,366	(49,094)
Net OPEB obligation - beginning of year	62,220	45,854	94,948
Estimated net OPEB obligation - end of year	<u><u>\$ 59,412</u></u>	<u><u>\$ 62,220</u></u>	<u><u>\$ 45,854</u></u>

**NEW HOPE-SOLEBURY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**(11) Other postemployment benefits (continued)**

**Funded status and funding progress** - The schedule of funding progress of OPEB is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability ("AAL") Entry Age (b)</u>	<u>Unfunded AAL ("UAAL") (b - a)</u>	<u>Funded Ratio (a / b)</u>	<u>Covered Payroll (c)</u>	<u>Unfunded Actuarial Accrued Liability as a % of Payroll</u>
March 1, 2014	\$ -	\$ 1,002,584	\$ 1,002,584	0%	\$ 15,709,517	6.38%
March 1, 2012	\$ -	\$ 1,291,532	\$ 1,291,532	0%	\$ 14,372,448	8.99%
March 1, 2010	\$ -	\$ 1,737,630	\$ 1,737,630	0%	\$ 14,137,869	12.29%

Actuarial valuations 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, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the ARC of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress, presented as required supplementary information following the notes to basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the Plan's March 1, 2014, actuarial valuation, the entry age actuarial cost method was used. Basic assumptions used include a 4.5% investment rate of return (based on the School District's own investment return), a 2.5% inflation assumption, a 1% real wage growth rate, and for teachers and administrators, a merit increase which varies by age from 2.75% to 0.25%. The Plan's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period at March 1, 2014, was 30 years.

The following assumptions were also used:

**Eligibility** - Employees are assumed to receive benefits upon retirement. The eligibility requirements for retirement are as follows: (1) For each teacher retiring after July 1, 2005, but prior to June 30, 2010, they must have 15 years of service with the School District and be eligible for retirement through PSERS or (2) teachers retiring after July 1, 2010, must have 30 years of PSERS service or upon superannuation retirement (age 60 with 30 years of service, age 62 with 1 year of service, or 35 years of service regardless of age). All other employees must have 30 years of PSERS service or superannuation retirement. All participants are assumed to enroll in Medicare upon eligibility and discontinue the Retiree Medical Plan.

**Covered spouses** - Based on census data for the School District's active employees, 20% of males and females are assumed to be married upon retirement and elect to cover their spouses under the medical plan, with husbands two years older than wives.

**NEW HOPE-SOLEBURY SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**(11) Other postemployment benefits (continued)**

**Starting healthcare per capita costs** - The per capita cost of medical and prescription drugs is based on the expected portion of the group's overall cost attributed to individuals in the specified age and gender brackets. Dental and vision costs are assumed to not vary with age or gender.

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

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

**Healthcare cost trend rate** - The expected rate of increase in healthcare insurance premiums provided in the latest actuarial valuation as of March 1, 2014, was based on The Society of Actuaries Long-Term Medical Cost Trend Model. An initial rate of 6.5%, decreasing .50% per year to a rate of 5.5% in 2016 was used. Rates gradually decrease from 5.3% in 2017 to 4.2% in 2089 and later.

**Actuarial value of assets** - Equal to the Market Value of Assets.

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

**Waiving retiree healthcare coverage** - 100% of participants eligible for coverage at 8% of premium and 50% of participants eligible for ACT 110/43 are assumed to elect coverage. It is assumed that a spouse paying the full premium for coverage will stop coverage at Medicare age while participants paying 8% of the premium will continue coverage for the entire duration.

**(12) Due from/to other funds and transfers**

**Due to and due from other funds** - Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. The balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

**Transfers** - Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to move unrestricted revenue collected in the General Fund to finance various programs accounted for in accordance with budgetary authorizations.

**NEW HOPE-SOLEBURY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**(12) Due from/to other funds and transfers (continued)**

Interfund receivable and payable balances are as follows:

	<b>June 30, 2016</b>	
	<b>Due From Other Funds</b>	<b>Due to Other Funds</b>
General Fund	\$ 141,130	\$ -
Capital Project Funds	-	-
Proprietary Fund (Food Service)	-	141,130
Expendable Trust Fund	-	-
Student Activity	-	-
	<b>\$ 141,130</b>	<b>\$ 141,130</b>

Operating transfers:

	<b>Year Ended June 30, 2016</b>	
	<b>Transfers to Other Funds</b>	<b>Transfers From Other Funds</b>
General Fund	\$ 16,373	\$ -
Food Service Fund (Business Activities)	-	6,873
Agency Fund (Student Activities)	-	9,500
	<b>\$ 16,373</b>	<b>\$ 16,373</b>

**(13) Risk management**

The nature of the public school education industry is such that, from time-to-time, claims will be presented against the School District on account of alleged negligence, acts of discrimination, breach of contract, or disagreements arising from the interpretation of laws or regulations. While some of these claims may be for substantial amounts, they are not unusual in the ordinary course of providing public education. In addition, some of these claims may be covered by insurance. The School District's management does not expect that the resolution of any outstanding claims and litigation will have a material adverse effect on the financial statements of the School District.

**REQUIRED SUPPLEMENTARY INFORMATION**



**NEW HOPE-SOLEBURY SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**

Year Ended June 30, 2016

(Unaudited)

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget Positive (Negative)
<b>REVENUES</b>				
Revenues				
Local sources	\$ 31,240,724	\$ 31,240,724	\$ 31,283,862	\$ 43,138
State sources	5,760,496	5,760,496	5,702,805	(57,691)
Federal sources	87,000	87,000	88,318	1,318
<b>TOTAL REVENUES</b>	<b>37,088,220</b>	<b>37,088,220</b>	<b>37,074,985</b>	<b>(13,235)</b>
<b>EXPENDITURES</b>				
Expenditures				
Instruction				
Regular programs	15,169,353	15,177,753	14,707,644	470,109
Special programs	5,476,073	5,561,673	5,383,811	177,862
Vocational programs	589,604	699,654	667,321	32,333
Other instructional programs	110,084	16,084	3,944	12,140
Community college programs	750	750	-	750
	<b>21,345,864</b>	<b>21,455,914</b>	<b>20,762,720</b>	<b>693,194</b>
Support services				
Student personnel services	2,080,481	2,092,381	1,923,050	169,331
Instructional staff services	2,863,166	2,826,201	2,597,409	228,792
Administrative services	2,535,237	2,535,237	2,343,706	191,531
Student health	373,903	373,903	348,136	25,767
Business services	740,223	756,273	722,495	33,778
Operation and maintenance of plant services	3,152,481	3,152,481	3,134,253	18,228
Student transportation services	1,523,240	1,523,240	1,553,585	(30,345)
Central and other support services	374,073	381,123	379,945	1,178
Other services	12,000	12,000	13,034	(1,034)
	<b>13,654,804</b>	<b>13,652,839</b>	<b>13,015,613</b>	<b>637,226</b>
Noninstructional services				
Student activities	851,315	851,315	851,978	(663)
Community services	2,000	2,000	-	2,000
Scholarships and awards	1,500	1,500	-	1,500
	<b>854,815</b>	<b>854,815</b>	<b>851,978</b>	<b>2,837</b>
Debt service	3,853,472	3,745,387	3,742,405	2,982
<b>TOTAL EXPENDITURES</b>	<b>39,708,955</b>	<b>39,708,955</b>	<b>38,372,716</b>	<b>1,336,239</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Prior year refunds	-	-	14,186	14,186
Operating transfers out	(9,500)	(9,500)	(16,373)	(6,873)
<b>OTHER FINANCING SOURCES, NET</b>	<b>(9,500)</b>	<b>(9,500)</b>	<b>(2,187)</b>	<b>7,313</b>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES, NET</b>				
	(2,630,235)	(2,630,235)	(1,299,918)	1,330,317
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>6,331,940</b>	<b>6,331,940</b>	<b>6,331,940</b>	<b>-</b>
<b>TOTAL FUND BALANCES</b>	<b>\$ 3,701,705</b>	<b>\$ 3,701,705</b>	<b>\$ 5,032,022</b>	<b>\$ 1,330,317</b>

**NEW HOPE-SOLEBURY SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE**  
**NET PENSION LIABILITY**

The Public School Employees' Retirement System of Pennsylvania

Last 10 Fiscal Years

(Unaudited)

	<u>2016</u>	<u>2015</u>	<u>2014 Through 2007</u>
School District's proportion of the net pension liability	<u>0.1357%</u>	<u>0.1306%</u>	Information unavailable
School District's proportionate share of the net pension liability	<u>\$ 58,778,000</u>	<u>\$ 51,692,000</u>	
School District's covered-employee payroll	<u>\$ 17,459,471</u>	<u>\$ 16,666,865</u>	
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>336.65%</u>	<u>310.15%</u>	
Plan fiduciary net position as a percentage of the total pension liability	<u>-40%</u>	<u>-40%</u>	

**NEW HOPE-SOLEBURY SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS**

The Public School Employees' Retirement System of Pennsylvania

Last 10 Fiscal Years

(Unaudited)

<u>Date</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2016	\$ 3,738,125	\$ 3,738,125	\$ -	\$ 17,459,471	21.41%
2015	\$ 2,842,316	\$ 2,842,316	\$ -	\$ 16,666,865	17.05%
2014 Through 2007 Information Unavailable					