PENNSBURY SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2015

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Certified Public Accountants and Business Consultants

INTRODUCTORY SECTION

FINANCIAL SECTION

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Independent Auditors' Report

To the Board of Directors
Pennsbury School District
Bucks County, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Pennsbury School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Pennsbury School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Pennsbury School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Certified Public Accountants and Business Consultants

To the Board of Directors
Pennsbury School District
Bucks County, Pennsylvania

Emphasis of Matter

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12, budgetary comparison information on pages 51 and 52, schedule of the school district's proportionate share of the net pension liability on page 53, schedule of school district contributions on page 54 and postemployment benefits other than pension funding progress on page 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pennsbury School District's basic financial statements. The schedule of expenditures of federal and certain state awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal and certain state awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and certain state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2015, on our consideration of the Pennsbury School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pennsbury School District's internal control over financial reporting and compliance.

Maillie LLP

Oaks, Pennsylvania
December 3, 2015

PURPOSE

This section of the Pennsbury School District's (the "District") basic financial statements is intended to provide an overview and an objective analysis of the Pennsbury School District's financial activities for the year ended June 30, 2015. This analysis is based on currently known facts, decisions and conditions.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's discussion and analysis introduces the District's basic financial statements. The basic financial statements include three kinds of reports. The first part contains District-wide financial statements. The second part contains fund financial statements. The third contains notes to the basic financial statements. The District also includes additional information to supplement the basic financial statements, such as this discussion and analysis.

The title and a brief description of each of the basic financial statements follow. Page number references for respective statements are also shown.

The Statement of Net Position reports assets, liabilities and net position for the District, including governmental activities and business-type activities (page 13).

The Statement of Activities reports the District's expenses, revenues, depreciation and other changes in net position during the year. This report focuses on the net cost of individual functions with reconciliation between the beginning net position and the ending net position (page 14).

The Balance Sheet, Governmental Funds, reports assets, liabilities and fund balance for the General Fund and Capital Projects Fund (page 15).

The Reconciliation of Total Governmental Funds Balances to Net Position of Governmental Activities explains the differences in Governmental Funds balances reported on the Balance Sheet, Governmental Funds, and the total net position reported on the Statement of Net Position and Statement of Activities (page 16).

The Statement of Revenues, Expenditures and Changes in Fund Balances, Governmental Funds, reports the revenues, expenditures and changes in fund balances for the General Fund and Capital Projects Fund (page 17).

The Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities provides a reconciliation of the changes in fund balances reported on the Statement of Revenues, Expenditures and Changes in Fund Balances to the changes in net position as reported on the Statement of Activities (pages 18 and 19).

The Statement of Net Position, Proprietary Funds, reports assets, liabilities and net position for Proprietary Funds (page 20).

The Statement of Revenues, Expenses and Changes in Net Position, Proprietary Funds, reports the revenues, expenditures and changes in net position for the Food Service Fund, Community Service Fund and the Aquatics Fund (page 21).

CONDENSED FINANCIAL INFORMATION

A few financial statistics are addressed below to provide a snapshot overview of the District's finances for the year ended June 30, 2015. Prior year data and changes are included in order to provide some perspective on the current year data.

Assets

Assets are items of value owned by the District. Examples of these would include cash, investments, equipment and real property.

	June 30, 2015	June 30, 2014	Difference
ASSETS			
Capital	$ 105,105,026	$ 108,557,183	$ (3,452,157)
Other	54,067,828	51,008,827	3,059,001
TOTAL ASSETS	$ 159,172,854	$ 159,566,010	$ (393,156)

Capital assets are reported at acquisition cost less accumulated depreciation in the District-wide financial statements. The accumulated depreciation and resulting asset value do not, in most cases, reflect the current market economic value of capital assets. Asset values are often higher, especially in the case of real property like school buildings and major equipment like school buses.

The decrease in capital assets is attributed primarily to depreciation in the current year exceeding capital cost.

The increase in other assets is attributed primarily to an increase in cash and cash equivalents and payments due from other governments for grants and other funding.

Deferred Outflows of Resources

	June 30, 2015	June 30, 2014	Difference
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	$ 4,190,002	$ 4,429,578	$ (239,576)
Deferred outflows of resources, pension activity	18,601,000	-	18,601,000
	$ 22,791,002	$ 4,429,578	$ 18,361,424

A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition prices. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Liabilities

Liabilities are the financial obligations of the District. Examples of liabilities are accounts payable, accrued salaries and benefits, long-term debt and accrued compensated absences.

	June 30, 2015	June 30, 2014	Difference
LIABILITIES			
Long-term	$ 439,145,767	$ 158,734,741	$ 280,411,026
Other	31,913,520	33,904,054	(1,990,534)
TOTAL LIABILITIES	$ 471,059,287	$ 192,638,795	$ 278,420,492

The increase in long-term debt is attributed primarily to the issuance of new debt and $276,748,000 in net pension liability required by GASB 68.

The increase in other liabilities is primarily due to increased accounts payable and accrued salaries and benefits at year-end.

Deferred Inflows of Resources

	June 30, 2015	June 30, 2014	Difference
DEFERRED INFLOWS OF RESOURCES			
Pension activity	$ 21,038,000	$ -	$ 21,038,000

Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Net Position

The difference between total assets and total liabilities results in a number which is the total net position in the District-wide statement of net position.

	June 30, 2015	June 30, 2014	Difference
NET POSITION	$ (310,133,431)	$ (28,643,207)	$ (281,490,224)

A few points should be kept in mind when considering the value of net position.

First, the accumulated depreciation of fixed assets, mostly school buildings, amounts to $160,689,187, up from $151,772,789 in the previous year. This number reflects the fact that some of the District's older school buildings are fully depreciated. While all Pennsbury schools are serviceable and safe, capital investment is necessary to extend the useful lives of some schools. The School Board has embarked upon a program to do just that. Renovations have been completed at Quarry Hill Elementary School, Penn Valley Elementary School, Manor Elementary School, Walt Disney Elementary School, Oxford Valley Elementary School, Makefield Elementary School, Eleanor Roosevelt Elementary School and Pennsbury High School West. Also, renovations are being considered for Pennwood Middle School and Charles Boehm Middle School.

Second, almost all capital assets are funded by the proceeds of a bond issue or a short-term note. Bond issues are normally amortized over a 20-year period. Short-term notes are generally amortized over a five- to ten-year period. When capital assets are acquired, they are depreciated over the estimated useful life of the asset using the straight-line method of depreciation. The years of depreciation vary depending on the classification of the asset. Land improvements, buildings and building improvements are depreciated over 20 years.

Furniture, fixtures and equipment are depreciated between 5 and 20 years, depending on the estimated useful life of the assets. Vehicles are depreciated over eight years using a salvage value of zero. The depreciation time period of capital assets typically matches the amortization period of the borrowed capital used for their purchase. This is done to prevent the obligation of paying for assets after they have been fully depreciated. In some cases, however, our fixed assets are depreciating quicker than the repayment of principal. This is occurring for most of the fixed assets purchased with the proceeds from the 2004 Bond Issue and the 2004A Emmaus Variable Rate Issue. The bulk of the principal payments on these two issues is scheduled to be paid in future years, beginning in 2022. This debt structure was implemented in order to maintain overall level debt service for the District. We anticipate that assets purchased with these proceeds will continue to depreciate quicker than the repayment of debt principal until after the large principal payments are made.

Third, assets in the form of cash and cash equivalents amount to $42,015,014. This must be viewed in light of intended uses of this cash, such as payment of salaries, contracted services and construction. This cash should not be confused with unassigned fund balance.

Fourth, although net position is reported as a deficit of $(310,133,431), Pennsbury remains in good financial condition. The year-end General Fund unassigned fund balance of $7,398,809 is considered ample to guard against revenue shortfalls and the need for emergency expenditures. The District has also committed an additional $7,474,751 for contingencies for PSERS, Capital Projects and Self Insurance. Another indication of the District's financial health is this year's Moody's rating of Aa2. This rating reflects the District's very strong wealth and income indicators, good well-embedded management policies and moderate debt levels.

Total Program Revenue

General Fund revenue is categorized as being from three major sources. Specifically, these categories are local, state, federal and other. A summary of these revenue sources follows.

	June 30, 2015	June 30, 2014	Difference
Local	$ 137,647,623	$ 133,783,989	$ 3,863,634
State	41,741,608	38,888,637	2,852,971
Federal	1,521,501	1,687,187	(165,686)

The primary source of revenue for the year ended June 30, 2015, remains local, which was 76.1% of the total revenue budget. The largest single source of revenue is Real Estate Taxes, which is about 93.5% of the total local revenue budget.

The state share of revenue amounted to 23.1% of the revenue budget for the year ended June 30, 2015, and the federal share of revenue was 1.0%.

The District's capital projects and capital equipment needs are supported primarily by debt capital and interest on invested cash.

Proprietary Fund revenue is generated primarily from the sale of meals and services.

Program Expenditures

General Fund expenditures can be categorized in terms of major programs, that is, the general purposes of the expenditures. The two major examples are instruction and support services. A summary of General Fund major program expenditures follows.

	June 30, 2015	June 30, 2014	Difference
Instruction	$ 116,901,173	$ 113,989,021	$ 2,912,152
Support services	49,643,487	48,132,174	1,511,313
Non-instructional services	1,271,025	1,259,727	11,298
Facilities acquisition and improvement	-	-	-
Debt service	11,615,031	11,433,974	181,057
Debt issuance cost	146,498	122,082	24,416
Other	151,637	54,999	96,638

The primary purpose of expenditures was for instruction at 65.1%. Most of the instructional expenditures were for the salary and benefits of instructional staff, about 54% of total expenditures.

Expenditures for capital projects were provided almost entirely from the Capital Projects Fund, primarily the 2011 and 2013 bond issues.

Fund Balance

Fund balance in the balance sheet (Governmental Funds) is the difference between revenue and expenditures at the end of the year, combined with the fund balance from the beginning of the year. In other words, fund balance is the accumulated savings in a fund. Nonspendable fund balance reflects funds that are legally earmarked for a specific future use and are not available for appropriation. Restricted fund balance reflects funds that are earmarked for a specific purpose because of state or federal laws or externally imposed conditions by a grantor or creditor and are not available for appropriation. Committed fund balance reflects funds that the Board has taken formal action to earmark for a specific purpose and are not available for appropriation. Assigned fund balance reflects amounts that the Board or Administration has informally earmarked for a specific purpose. Although committed fund balance and assigned fund balance represent planned needs or actions, they are not legally or contractually required and can be changed by the Board if the need arises. Unassigned fund balance represents funds that have not been included in Nonspendable, Restricted, Committed, or Assigned Fund Balance and is available for appropriation. A more detailed reporting of the General Fund - Fund Balance is noted below.

	June 30, 2015	June 30, 2014
Nonspendable	$ 103,825	$ 308,546
Committed	8,874,451	6,874,451
Unassigned	5,398,809	5,833,429
TOTAL FUND BALANCE	$ 14,377,085	$ 13,016,426

For the year ended June 30, 2015, the fund balance decreased $1,360,659 compared to the prior year. Expressed as a percentage of the 2014-2015 budget, total fund balance was 7.9%, and unassigned fund balance was 3.0%. The District has developed a financial strategy for fund balance and attempts to maintain a reasonable fund balance to protect against revenue receipt shortfalls and/or emergency expenditure needs.

Significant Events and Risks

During the upcoming fiscal years, there are several events and risks, which may have a significant financial impact on the District.

The Taxpayer Relief Act (Act 1) enacted in June 2006 is still in effect. In accordance with Act 1, property tax increases are limited to an inflationary index that is determined and reported by the Pennsylvania Department of Education (PDE) in September of each year. The District cannot increase the tax rate beyond the index unless either the increase is approved by the voters in the school district at a public referendum or allowable exceptions outlined in the Act are approved by the PDE or Court of Common Pleas. The District does not currently levy an earned or personal income tax, but under the law, may consider placing a referendum question on the general election ballot in November of each odd-numbered year seeking approval to levy such tax for the purpose of funding homestead and farmstead exclusions as allowable under the law. For the last several years of Act 1, the District's tax rate increase has been below the index even though approved exceptions under the Act would have allowed tax rate increases above the index. Last year the District did not apply for exceptions and increased real estate taxes approximately 2.9%.

The real estate tax installment payments required under Act 1 have had virtually no effect on the District's cash flow. This is due primarily to the low participation in installment payments, low interest rates and the forfeit of the 2% discount if the installment plan is selected.

The District insures employee health care on a self-funded basis. Costs associated with this arrangement have been significantly lower than a premium-based plan, and the District has had good claims experience the past few years including the 2014-2015 fiscal year. There still is, however, an increased expenditure risk associated with high cost cases. In other words, if there is an unusually high number of such cases, the District will have unusually high medical benefits costs as was the case in 2013-2014. While stop loss insurance provides some protection, the risk still remains.

Energy costs have been very volatile over the past few years and have been a budgetary challenge. In addition, deregulation of electricity began January 1, 2011, in Pennsylvania. In an attempt to manage future energy costs, the District has contracted with an energy consultant to advise and assist the District with locking-in future energy prices. This action, coupled with energy conservation and joint purchasing of diesel fuel, gasoline and heating oil through the Bucks County Intermediate Unit enable the District to better manage this expenditure.

The Public School Employees Retirement System (PSERS) is a defined benefit pension plan for Pennsylvania school employees. The employers' share of retirement contributions has traditionally been funded half by the Commonwealth and half by the District. PSERS projections indicate that if the established process for funding retirement contributions continues, significant increases in the employers' contribution rates will be needed in the future.

The following table shows recent year employer's contribution rates and amounts and the projection for the upcoming year.

Fiscal Year	Rate*	Amount
2011-2012	8.65%	$ 7,945,117 (actual)
2012-2013	12.36%	11,167,798 (actual)
2013-2014	16.93%	15,188,624 (actual)
2014-2015	21.40%	19,556,055 (actual)
2015-2016	25.84% (budgeted)	23,850,381 (budgeted)

*Percent of PSERS qualified salaries and wages.

Interest rate risk remains a consideration because the District depends on interest earnings on invested cash. Interest rates over the last year have made the projection of this revenue riskier than in years past. Due to the fact that interest rates have remained at a low level for an extended period of time, we have again reduced the upcoming year's budget for this revenue item. It is our hope that the investment rates will improve and investment earnings will increase in the future.

The Keystone Opportunity Improvement Zone (KOIZ) that was established at the former U.S. Steel Fairless Works site, now known as the Keystone Industrial Port Complex (KIPC), was designated as an eco-industrial park by the Environmental Protection Agency. This designation brought together a wide variety of manufacturing and service-oriented businesses, all of which are looking to enhance their environmental and economic performances by collaborating with each other and KIPC on the management of waste, energy, water and raw materials. We anticipate a strong, vital tax base when these properties become taxable in the 2019-2020 school year.

We are beginning to see development of the MATRIX property in Lower Makefield Township. A bank and a pharmacy have been constructed and both opened in 2010. The first phase of an age restricted development consisting of approximately 300 homes has been completed and additional phases are expected to follow.

There is a significant risk of increased expenditures to support unfunded federal and state mandates. The No Child Left Behind Act has created requirements for remedial instruction, new instructional programs and increased assessments of students. These programs and their costs are likely to increase. Additionally, the Individuals with Disabilities Education Improvement Act has created increased demands on the District's Special Education expenditure budget.

The District is typically faced with the challenge of complying with mandated cost increases and generating adequate revenue to cover those costs. This challenge has become increasingly more difficult in light of all the uncertainties in today's economy. Nevertheless, the District is committed to improving the efficiency of school operations where they are administratively feasible and educationally prudent.

Finally, the District's School Board, administration and staff remain strongly committed to the District's long traditions of high quality education and sound financial management.

PENNSBURY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and cash equivalents	$ 41,929,323	$ 85,691	$ 42,015,014
Taxes receivable	3,222,503	-	3,222,503
Internal balances	611,993	(611,993)	-
Due from other governments	6,415,246	167,845	6,583,091
Other receivables	527,855	336,014	863,869
Inventories	43,807	69,130	112,937
Other assets	921,979	348,435	1,270,414
Capital assets			
Land and site improvements	10,254,087	-	10,254,087
Buildings and building improvements	195,839,895	-	195,839,895
Furniture and equipment	57,086,234	2,613,997	59,700,231
Accumulated depreciation	(158,534,081)	(2,155,106)	(160,689,187)
TOTAL ASSETS	158,318,841	854,013	159,172,854
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	4,190,002	-	4,190,002
Deferred outflows of resources, pension activity	18,601,000	-	18,601,000
TOTAL DEFERRED OUTFLOWS OF RESOURCES	22,791,002	-	22,791,002
LIABILITIES			
Accounts payable	2,614,101	85,663	2,699,764
Accrued salaries and benefits	23,607,271	-	23,607,271
Unearned revenue	490,190	32,112	522,302
Other current liabilities	2,816,712	-	2,816,712
Accrued interest	2,267,471	-	2,267,471
Long-term liabilities			
Portion due or payable within one year			
Bonds payable	6,570,000	-	6,570,000
Compensated absences	223,137	-	223,137
Lease purchase obligations	187,234	-	187,234
Portion due or payable after one year			
Bonds payable	125,100,000	-	125,100,000
Bond premiums and discounts, net	5,466,393	-	5,466,393
Notes payable	20,000,000	-	20,000,000
Compensated absences	2,421,802	-	2,421,802
Lease purchase obligations	581,204	-	581,204
Net pension liability	276,748,000	-	276,748,000
Net OPEB obligation	1,847,997	-	1,847,997
TOTAL LIABILITIES	470,941,512	117,775	471,059,287
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resouces, pension activity	21,038,000	-	21,038,000
NET POSITION			
Net investment in capital assets	(49,068,694)	458,891	(48,609,803)
Unrestricted	(261,800,975)	277,347	(261,523,628)
TOTAL NET POSITION	$ (310,869,669)	$ 736,238	$ (310,133,431)

See accompanying notes to the basic financial statements.

PENNSBURY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
Instruction				
Regular programs	$ 79,425,185	$ 366,816	$ 9,013,665	$ -
Special programs	33,709,762	-	9,555,700	-
Vocational education	7,011,324	-	181,826	-
Other instructional programs	1,495,108	-	95,315	-
Support services				
Pupil personnel services	7,203,999	-	636,103	-
Instructional staff services	4,353,085	-	260,793	-
Administration services	9,635,754	-	780,096	-
Pupil health services	2,853,562	-	413,979	-
Business services	2,143,423	-	152,579	-
Operation and maintenance of plant services	14,290,193	405,127	932,010	-
Student transportation services	8,301,946	-	2,483,217	-
Central services	2,418,667	-	183,256	-
Other services	120,542	-	-	-
Operation of non-instructional services				
Student activities	1,164,075	77,449	82,384	-
Community services	178,835	-	-	-
Facilities acquisition, construction and improvement services	9,284,349	-	-	-
Debt service	5,155,692	-	-	896,911
TOTAL GOVERNMENTAL ACTIVITIES	188,745,501	849,392	24,770,923	896,911
BUSINESS-TYPE ACTIVITIES				
Food service	3,438,963	2,378,969	1,192,117	-
Community services	112,799	127,133	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	3,551,762	2,506,102	1,192,117	-
TOTAL DISTRICT ACTIVITIES	$ 192,297,263	$ 3,355,494	$ 25,963,040	$ 896,911

GENERAL REVENUES
Taxes
Property taxes, levied for general purposes
Public utility taxes
Grants and contributions not restricted to specific programs
Investment earnings
Loss on sale of capital assets
Miscellaneous
TRANSFERS
TOTAL GENERAL REVENUES AND TRANSFERS

CHANGE IN NET POSITION

NET POSITION AT BEGINNING OF YEAR, restated

NET POSITION AT END OF YEAR

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Totals
$ (70,044,704)	$ -	$ (70,044,704)
(24,154,062)	-	(24,154,062)
(6,829,498)	-	(6,829,498)
(1,399,793)	-	(1,399,793)
(6,567,896)	-	(6,567,896)
(4,092,292)	-	(4,092,292)
(8,855,658)	-	(8,855,658)
(2,439,583)	-	(2,439,583)
(1,990,844)	-	(1,990,844)
(12,953,056)	-	(12,953,056)
(5,818,729)	-	(5,818,729)
(2,235,411)	-	(2,235,411)
(120,542)	-	(120,542)
(1,004,242)	-	(1,004,242)
(178,835)	-	(178,835)
(9,284,349)	-	(9,284,349)
(4,258,781)	-	(4,258,781)
(162,228,275)	-	(162,228,275)
-	132,123	132,123
-	14,334	14,334
-	146,457	146,457
(162,228,275)	146,457	(162,081,818)
133,770,820	-	133,770,820
165,022	-	165,022
19,550,234	-	19,550,234
110,344	9	110,353
(58,224)	-	(58,224)
481,389	-	481,389
(49,068)	49,068	-
153,970,517	49,077	154,019,594
(8,257,758)	195,534	(8,062,224)
(302,611,911)	540,704	(302,071,207)
$ (310,869,669)	$ 736,238	$ (310,133,431)

PENNSBURY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund	Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 33,687,289	$ 8,242,034	$ 41,929,323
Taxes receivable	3,222,503	-	3,222,503
Due from other funds	842,666	-	842,666
Due from other governments	6,415,246	-	6,415,246
Other receivables	518,723	9,132	527,855
Inventories	43,807	-	43,807
Other assets	921,979	-	921,979
TOTAL ASSETS	$ 45,652,213	$ 8,251,166	$ 53,903,379
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 2,110,785	$ 503,316	$ 2,614,101
Due to other funds	-	230,673	230,673
Unearned revenue	67,879	-	67,879
Accrued salaries and benefits	23,607,271	-	23,607,271
Other payables	2,816,712	-	2,816,712
TOTAL LIABILITIES	28,602,647	733,989	29,336,636
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues, property taxes	2,672,481	-	2,672,481
FUND BALANCES			
Nonspendable			
Inventories	43,807	-	43,807
Prepaid expenses	60,018	-	60,018
Committed to			
PSERS contingency	3,474,451	-	3,474,451
Self-insurance contingency	2,000,000	-	2,000,000
Capital projects	2,000,000	-	2,000,000
Fund balance appropriation	1,400,000	-	1,400,000
Unassigned	5,398,809	7,517,177	12,915,986
TOTAL FUND BALANCES	14,377,085	7,517,177	21,894,262
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 45,652,213	$ 8,251,166	$ 53,903,379

See accompanying notes to the basic financial statements.

PENNSBURY SCHOOL DISTRICT

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

TOTAL GOVERNMENTAL FUNDS BALANCES	$ 21,894,262
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. These assets consist of:	
Land and site improvements	10,254,087
Buildings and building improvements	195,839,895
Furniture and equipment	57,086,234
Accumulated depreciation	(158,534,081)
Deferred amount on refunding	4,190,002
Deferred inflows and outflows of resources related to pension activities are not financial resources and therefore not reported in the governmental funds.	(2,437,000)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
Accrued interest	(2,267,471)
Bonds payable	(131,670,000)
Bond premiums and discounts	(5,466,393)
Notes payable	(20,000,000)
Compensated absences	(2,644,939)
Lease purchase obligations	(768,438)
Net pension liability	(276,748,000)
Net OPEB obligation	(1,847,997)
Some of the District’s revenues will be collected after year-end but are not available soon enough to pay for the current period’s expenditures and therefore are deferred in the funds.	2,250,170
NET POSITION OF GOVERNMENTAL ACTIVITIES	$ (310,869,669)

See accompanying notes to the basic financial statements.

PENNSBURY SCHOOL DISTRICT

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

	General Fund	Capital Projects Fund	Total Governmental Funds
REVENUES			
Local sources	$ 137,647,623	$ 11,509	$ 137,659,132
State sources	41,741,608	-	41,741,608
Federal sources	1,521,501	-	1,521,501
TOTAL REVENUES	180,910,732	11,509	180,922,241
EXPENDITURES			
Current			
Instruction	116,901,173	-	116,901,173
Support services	49,643,487	3,140,927	52,784,414
Operation of non-instructional services	1,271,025	-	1,271,025
Capital			
Facilities acquisition, construction and improvement services	-	2,822,522	2,822,522
Debt service			
Principal	6,379,076	-	6,379,076
Interest	5,235,955	-	5,235,955
Debt issuance cost	146,498	148,831	295,329
Refund of prior year revenues	151,637	-	151,637
TOTAL EXPENDITURES	179,728,851	6,112,280	185,841,131
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,181,881	(6,100,771)	(4,918,890)
OTHER FINANCING SOURCES (USES)			
Bond issue proceeds	-	9,600,000	9,600,000
Refunding bonds issued	9,875,000	-	9,875,000
Premium on refunding bonds issued	122,435	-	122,435
Payment to refunded bond escrow agent	(9,850,937)	-	(9,850,937)
Bond premium	-	266,236	266,236
Transfers in	32,280	-	32,280
Transfers out	-	(81,348)	(81,348)
TOTAL OTHER FINANCING SOURCES (USES)	178,778	9,784,888	9,963,666
NET CHANGE IN FUND BALANCES	1,360,659	3,684,117	5,044,776
FUND BALANCES AT BEGINNING OF YEAR	13,016,426	3,833,060	16,849,486
FUND BALANCES AT END OF YEAR	$ 14,377,085	$ 7,517,177	$ 21,894,262

See accompanying notes to the basic financial statements.

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS FORWARD	$ 5,044,776
Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense ($9,365,201) exceeded capital outlays ($5,809,815) in the current period.	(3,555,385)
Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the Governmental Funds. Deferred tax revenues decreased by this amount this year.	(175,569)
Repayment of bond and capital lease principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position.	15,845,000
Bond and capital lease proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the statement of net position. This is the amount of bond and capital lease proceeds received in the current period.	(19,475,000)
Bond premiums provide current financial resources to Governmental Funds, while discounts and costs of issuance are uses of current financial resources in Governmental Funds. In the statement of net position, bond premiums and costs of issuance are deferred and amortized.	(107,219)
In the statement of activities, certain operating expenses--compensated absences (vacations and sick leave), special termination benefits (early retirement) and other postemployment benefits--are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts paid).	185,005
Interest on long-term debt in the statement of activities differs from the amount reported in the Governmental Funds because interest is recognized as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	146,246
SUBTOTAL ADJUSTMENTS FORWARD	$ (7,136,922)

PENNSBURY SCHOOL DISTRICT

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

YEAR ENDED JUNE 30, 2015

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS FORWARDED	$ 5,044,776
SUBTOTAL ADJUSTMENTS FORWARDED	(7,136,922)
The net effect of various transactions involving capital assets (i.e., sales, gains on dispositions) is to decrease net position.	(58,224)
Repayment of capital lease principal is an expenditure in Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position.	184,076
Pension plan expense is reported in the government-wide statements but not in the Governmental Funds statements.	(5,757,000)
The net change in the asset for the net OPEB obligation is reported in the government-wide statements but not in the Governmental Funds statements.	(534,464)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$ (8,257,758)

See accompanying notes to the basic financial statements.

PENNSBURY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Enterprise Funds		
	Food Service Fund	Other Enterprise Funds	Total Proprietary Funds
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 60,266	$ 25,425	$ 85,691
Due from other governments	167,845	-	167,845
Other receivables	336,014	-	336,014
Inventories	69,130	-	69,130
Prepaid expenses	348,435	-	348,435
TOTAL CURRENT ASSETS	981,690	25,425	1,007,115
CAPITAL ASSETS			
Furniture and equipment	2,613,997	-	2,613,997
Accumulated depreciation	(2,155,106)	-	(2,155,106)
TOTAL CAPITAL ASSETS	458,891	-	458,891
TOTAL ASSETS	$ 1,440,581	$ 25,425	$ 1,466,006
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Due to other funds	$ 609,304	$ 2,689	$ 611,993
Unearned revenue	32,112	-	32,112
Other current liabilities	85,663	-	85,663
TOTAL CURRENT LIABILITIES	727,079	2,689	729,768
NET POSITION			
Net investment in capital assets	458,891	-	458,891
Unrestricted	254,611	22,736	277,347
TOTAL NET POSITION	713,502	22,736	736,238
TOTAL LIABILITIES AND NET POSITION	$ 1,440,581	$ 25,425	$ 1,466,006

See accompanying notes to the basic financial statements.

PENNSBURY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	Enterprise Funds		
	Food Service Fund	Other Enterprise Funds	Total Proprietary Funds
OPERATING REVENUES			
Charges for services	$ 2,378,969	$ 127,133	$ 2,506,102
OPERATING EXPENSES			
Salaries	1,216,780	80,808	1,297,588
Employee benefits	310,336	7,936	318,272
Purchased professional and technical service	-	7,289	7,289
Purchased property service	75,528	-	75,528
Other purchased service	225,531	10,258	235,789
Supplies	1,546,722	6,508	1,553,230
Depreciation	53,443	-	53,443
Other operating expenses	10,623	-	10,623
TOTAL OPERATING EXPENSES	3,438,963	112,799	3,551,762
OPERATING INCOME (LOSS)	(1,059,994)	14,334	(1,045,660)
NONOPERATING REVENUES			
Interest and investment revenue	-	9	9
Federal sources	1,109,525	-	1,109,525
State sources	82,592	-	82,592
TOTAL NONOPERATING REVENUES	1,192,117	9	1,192,126
INCOME BEFORE TRANSFERS	132,123	14,343	146,466
TRANSFERS IN	81,348	-	81,348
TRANSFERS OUT	-	(32,280)	(32,280)
CHANGE IN NET POSITION	213,471	(17,937)	195,534
NET POSITION AT BEGINNING OF YEAR	500,031	40,673	540,704
NET POSITION AT END OF YEAR	$ 713,502	$ 22,736	$ 736,238

See accompanying notes to the basic financial statements.

PENNSBURY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	Enterprise Funds		
	Food Service Fund	Other Enterprise Funds	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	$ 2,011,466	$ 127,133	$ 2,138,599
Payments to employees	(1,507,466)	-	(1,507,466)
Payments to suppliers	(1,383,368)	(296,900)	(1,680,268)
NET CASH USED BY OPERATING ACTIVITIES	(879,368)	(169,767)	(1,049,135)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	-	(32,280)	(32,280)
Transfers from other funds	81,348	-	81,348
Federal sources	941,226	-	941,226
State sources	82,592	-	82,592
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	1,105,166	(32,280)	1,072,886
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition, construction and improvements of capital assets	(214,895)	-	(214,895)
CASH FLOWS FROM INVESTING ACTIVITIES			
Earnings on investments	-	9	9
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	10,903	(202,038)	(191,135)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	49,363	227,463	276,826
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 60,266	$ 25,425	$ 85,691

PENNSBURY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	Enterprise Funds		
	Food Service Fund	Other Enterprise Funds	Total Proprietary Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES			
Operating income (loss)	$ (1,059,994)	$ 14,334	$ (1,045,660)
Adjustments to reconcile operating income (loss) to net cash used by operating activities			
Depreciation	53,443	-	53,443
Donated foods	168,299	-	168,299
(Increase) decrease in			
Due from other governments	17,816	-	17,816
Other receivables	(317,468)	-	(317,468)
Inventories	59,367	-	59,367
Prepaid expenses	(348,435)	-	(348,435)
Increase (decrease) in			
Due to other funds	577,989	(184,101)	393,888
Unearned revenue	(50,035)	-	(50,035)
Other current liabilities	19,650	-	19,650
NET CASH USED BY OPERATING ACTIVITIES	$ (879,368)	$ (169,767)	$ (1,049,135)
SUPPLEMENTAL DISCLOSURES			
Noncash activities			
Donated foods	$ 168,299	$ -	$ 168,299

See accompanying notes to the basic financial statements.

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

	Trust Fund	Agency Fund
ASSETS		
Cash and cash equivalents	$ 31,839	$ 1,133,393
LIABILITIES		
Accounts payable	-	10,374
Due to student groups	-	1,123,019
TOTAL LIABILITIES		$ 1,133,393
NET POSITION		
Held in trust for benefits and other purposes	$ 31,839	

See accompanying notes to the basic financial statements.

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

	Trust Fund
ADDITIONS	
Contributions	$ 19,372
Investment earnings	3
TOTAL ADDITIONS	19,375
DEDUCTIONS	
Scholarships awarded	17,000
CHANGE IN NET POSITION	2,375
NET POSITION AT BEGINNING OF YEAR	29,464
NET POSITION AT END OF YEAR	$ 31,839

See accompanying notes to the basic financial statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Pennsbury School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Reporting Entity

The accompanying basic financial statements comply with the provisions of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, in that the financial statements include all organizations, activities and functions for which the District is financially accountable. Financial accountability is defined as the appointment of a voting majority of a component unit's board and either (1) the District's ability to impose its will over a component unit or (2) the possibility that the component unit will provide a financial benefit or impose a financial burden on the District. In addition, component units can be other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading. This report presents the activities of the Pennsbury School District. The District is not a component unit of another reporting entity nor does it have any component units.

Bucks County Technical School (the "Technical School") is a joint venture of the District. The Technical School is a separate legal entity that unites six school districts located in Bucks County, Pennsylvania, and is not reported as part of the District's reporting entity. The purpose of the joint venture is to provide job training to students located in the Bucks County area and to share the costs associated with providing such training. Through a contractual arrangement with other participants, the District pays the Technical School for training given to District students. The financial report of the Technical School may be obtained by contacting the Technical School.

Basis of Presentation and Accounting

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

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the Proprietary Funds financial statements but differs from the manner in which Governmental Funds financial statements are prepared. Governmental Funds financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for Governmental Funds.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of Governmental and Proprietary Funds financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Fiduciary Funds are reported by fund type.

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Trust Funds are reported using the economic resources measurement focus.

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

Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental, proprietary and fiduciary.

Governmental Funds

General Fund - This is the general operating fund of the District. All activities of the District are accounted for through this fund except for those required to be accounted for in another fund. This fund is reported as a major fund.

Capital Projects Fund - This fund accounts for financial resources used to acquire or construct major capital projects. The revenue in this fund comes from the sale of bonds/notes or from capital appropriations from the General Fund under the Capital Reserve Fund provisions of the Pennsylvania School Code. This fund is reported as a major fund.

Proprietary Funds

Food Service Fund - This fund is used to account for operations that are financed and operated in a manner similar to private business enterprises. The fund accounts for all revenues, food purchases and costs and expenses for the food service program. This fund is reported as a major fund.

Community Service Fund and Aquatics Fund - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The funds account for all revenues and costs and expenses of the community service program and the aquatics program.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds

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

Cash and Cash Equivalents

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

Short-Term Interfund Receivables/Payables

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

Inventories and Prepaid Items

Inventories of the General Fund, which consist primarily of supplies, are valued at cost on the first-in, first-out basis. Inventories of the Food Service Fund are valued at the lower of cost, determined by the first-in, first-out method, or market except for donated inventories, which are valued at average fair market value.

Prepaid expenses record payments to vendors that benefit future reporting periods and are also reported on the consumption basis. Both inventory and prepaid expenses are similarly reported in government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The District defines a capital asset as an asset with an initial, individual cost equal to or greater than $2,500 or purchased with debt proceeds and must also have an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

	Years
Land improvements, building and building improvements	20
Furniture, fixtures and equipment	5-20
Vehicles	8

Long-Term Obligations

In the government-wide financial statements and the 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, business-type activities, or Proprietary Fund Types statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, Governmental Funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing 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.

Compensated Absences

District employees accumulate sick time in accordance with their applicable contracts. Compensated absences are reported as accrued in the government-wide, Proprietary Funds and Fiduciary Fund financial statements. Governmental Funds report only matured compensated absences payable to currently terminated employees and are included in accrued salaries and benefits.

The District has a contractual agreement whereby unused vacation of administrative staff up to a maximum of seven days is placed into a tax-sheltered annuity account for each employee at the end of each fiscal year. Deposits are calculated by multiplying unused vacation days by the employee’s per diem rate.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has only two items that qualify for reporting in this category. They are the deferred charge on refunding reported in the government-wide statement of net position and the deferred outflow related to pension activity, reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition prices. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflow related to pension activity is the result of changes in the School District's proportionate share of the total plan from year to year, the difference between actual employer contributions and the School District's proportionate share of total contributions, and actual contributions subsequent to the measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has two items that qualify for reporting in this category. The first item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. The second item, deferred inflows related to pension activity, are reported in the government-wide statement of net position. The deferred inflow related to pension activity is the result of differences between projected and actual investment earnings. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

GASB Statement No. 54

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

- ***Nonspendable*** - Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

- ***Restricted*** - Amounts that can be spent only for specific purposes because of state or federal laws or externally imposed conditions by grantors or creditors.

- ***Committed*** - Amounts that can be used only for specific purposes determined by a formal action by the Board of Directors. This includes the budget reserve account.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- ***Assigned*** - Amounts that are intended to be used for a specific purpose, as expressed by the Board of Directors or by an official or body to which the Board of Directors delegates the authority.

- ***Unassigned*** - All amounts not included in other spendable classifications.

The details of the fund balances are included in the Governmental Funds balance sheet (page 15). Restricted funds are used first as appropriate, followed by committed resources and then assigned resources, to the extent that expenditure authority has been budgeted by the Board of Directors. The District does reserve the right to first reduce unassigned fund balance to defer the use of these other classified funds. In the event that unassigned fund balance becomes zero, then assigned and committed fund balances are used in that order.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Use of Estimates

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

NOTE B - CASH

Cash

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The carrying value is $43,180,246. As of June 30, 2015, $43,370,116 of the District's bank balance of $43,678,735 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's trust department not in the District's name; however, these funds are collateralized in accordance with Act 72.	$ 3,297,791
Uninsured funds with Pennsylvania School District Liquid Asset Fund (PSDLAF) and Pennsylvania Local Government Investment Trust (PLGIT). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF and PLGIT act like money market mutual funds in that their objective is to maintain a stable net asset value of $1 per share, they are rated by a nationally recognized statistical rating organization and are subject to an independent annual audit.	$ 40,072,325

Interest Rate Risk - The District's investment policy limits investment maturities in accordance with the Commonwealth of Pennsylvania School Code as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTE C - TAXES - REAL ESTATE AND OTHER

The School Board is authorized by state law to levy property taxes for District operations, capital improvements and debt service. Property taxes are based on assessed valuations of real property within the District.

Taxes are levied on July 1 and payable in the following periods:

Discount period .... July 1 to September 2 - 2% of gross levy
Face period .... September 2 to November 2
Penalty period .... November 3 to collection - 10% of gross levy
Lien date .... January 15

District taxes are billed and collected by the local elected tax collector. Property taxes attach as an enforceable lien on property as of July 1.

NOTE D - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2015, consisted of taxes, interest, other revenue and intergovernmental grants and entitlements. All taxes receivables are considered fully collectible due to the ability to lien property for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds.

A summary of accounts receivable by fund is as follows:

	General Fund	Food Service Fund
Real estate taxes	$ 3,222,503	$ -
Due from other governments	6,415,246	167,845
Other receivables	518,723	336,014
	$ 10,156,472	$ 503,859

NOTE E - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

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

Due to/from Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Food Service Fund	$ 609,304
General Fund	Other Enterprise Funds	2,689
General Fund	Capital Projects Fund	230,673
		$ 842,666

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

Interfund Transfers

Transfer In	Transfer Out	Amount
General Fund	Other Enterprise Funds	$ 32,280
Food Service Fund	Capital Projects Fund	81,348
		$ 113,628

The District typically uses Capital Projects Fund monies to purchase equipment for the Food Service Fund.

NOTE F - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land and site improvements	$ 9,958,816	$ 295,271	$ -	$ 10,254,087
Capital assets being depreciated				
Buildings and building improvements	192,852,144	2,987,751	-	195,839,895
Furniture and equipment	55,119,910	2,526,794	(560,470)	57,086,234
TOTAL CAPITAL ASSETS BEING DEPRECIATED	247,972,054	5,514,545	(560,470)	252,926,129
Accumulated depreciation				
Buildings and building improvements	(87,087,915)	(2,241,835)	-	(89,329,750)
Furniture and equipment	(62,583,211)	(7,123,366)	502,246	(69,204,331)
TOTAL ACCUMULATED DEPRECIATION	(149,671,126)	(9,365,201)	502,246	(158,534,081)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	98,300,928	(3,850,656)	(58,224)	94,392,048
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	108,259,744	(3,555,385)	(58,224)	104,646,135
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Furniture and equipment	2,399,102	214,895	-	2,613,997
Accumulated depreciation	(2,101,663)	(53,443)	-	(2,155,106)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	297,439	161,452	-	458,891
CAPITAL ASSETS, net	$ 108,557,183	$ (3,393,933)	$ (58,224)	$ 105,105,026

NOTE F - CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

INSTRUCTION		
Regular programs	$	118,237
Special programs		7,481
Vocational education		2,128
Other instructional programs		544
SUPPORT SERVICES		
Pupil personnel services		2,576
Instructional staff services		698,220
Library services		4,448
Administration services		6,877
Pupil health services		2,234
Business services		28,328
Operation and maintenance of plant services		475,389
Student transportation services		666,999
Central services		24,474
NON-INSTRUCTIONAL SERVICES		
Athletics		31,690
Site acquisitions		749
Existing site improvements		171,461
Building acquisitions, new		12,553
Building acquisitions, replacement		7,110,813
	$	9,365,201
FOOD SERVICE FUND	$	53,443

NOTE G - LEASES

Capital Leases

The District has entered into a lease agreement as lessee for financing the acquisition of technology equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

Transportation equipment	$ 961,457
Computer equipment	1,149,638
Accumulated depreciation	(1,142,153)
	$ 968,942

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2015, were as follows:

Year Ending June 30,	
2016	$ 200,421
2017	200,422
2018	200,422
2019	200,421
Amount representing interest	(33,248)
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	$ 768,438

NOTE H - LONG-TERM DEBT

General Obligation Bonds and Notes

The District has issued various general obligation serial bonds and notes to finance capital projects and for advance refundings of bonds.

The District has $131,670,000 of bonds payable at June 30, 2015. During the year, the District made principal payments of $15,845,000 and interest payments of $5,414,348 related to the bond issues outstanding.

NOTE H - LONG-TERM DEBT (Continued)

Current Refunding - November 13, 2014 - The District issued $9,875,000 of general obligation bonds to currently refund a portion of the District's outstanding General Obligation Bonds, Series A of 2009, fund the costs of an arbitrage rebate or yield reduction payment relating to the project financed with the proceeds of the 2009A Bonds and pay the costs of issuing the bonds. This current refunding was undertaken to reduce total debt service payments over the life of the bonds by approximately $1,211,041. The refunding resulted in an economic gain of $418,739 and a cash flow savings of $877,957.

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

Year Ending June 30,	Face Value	Principal	Interest
2016	$ 6,570,000	$ 6,570,000	$ 5,238,659
2017	7,705,000	7,705,000	4,999,671
2018	8,020,000	8,020,000	4,735,434
2019	8,300,000	8,300,000	4,421,050
2020	8,640,000	8,640,000	4,143,244
2021 to 2025	29,490,000	29,490,000	16,015,243
2026 to 2030	42,655,000	42,655,000	8,357,884
Thereafter	20,290,000	20,290,000	1,426,039
	$ 131,670,000	$ 131,670,000	$ 49,337,224

The District has $20,000,000 of notes payable at June 30, 2015.

Annual debt service requirements to maturity for general obligation notes are as follows:

Year Ending June 30,	Principal	Interest
2016	$ -	$ 800,000
2017	-	800,000
2018	-	800,000
2019	-	800,000
2020	-	800,000
2021 to 2024	20,000,000	1,946,667
	$ 20,000,000	$ 5,946,667

NOTE I - CHANGES IN LONG-TERM LIABILITIES

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

	Interest Rate	Maturity Date
GENERAL OBLIGATION BONDS AND NOTES		
Bonds		
Series of 2004	2.625% to 5.250%	08/01/2025
Series of 2006	3.500% to 5.250%	06/30/2022
Series of 2009	2.500% to 5.000%	08/15/2014
Series A of 2009	1.050% to 4.125%	08/01/2029
Series of 2010	.900% to 4.000%	08/01/2030
Series of 2011	.450% to 3.750%	08/01/2031
Series of 2012	.400% to 5.000%	08/01/2026
Series of 2013	.300% to 4.000%	08/01/2033
Series of 2013A	1.000% to 3.100%	08/01/2025
Series of 2014	.300% to 4.000%	08/01/2034
Series A of 2014	.250% to 3.250%	08/01/2029
TOTAL GENERAL OBLIGATION BONDS		
Notes, Series of 2004	Variable	08/01/2023
Deferred amount, bond premium and discounts, net		
TOTAL GENERAL OBLIGATION BONDS AND NOTES		
COMPENSATED ABSENCES		
CAPITAL LEASES		
NET PENSION LIABILITY		
NET OPEB OBLIGATION		
TOTAL LONG-TERM LIABILITIES		

Beginning Balance	Additions	Accreted Discount	Reductions	Ending Balance	Due Within One Year
$ 975,000	$ -	$ -	$ (975,000)	$ -	$ -
38,615,000	-	-	(1,700,000)	36,915,000	4,450,000
2,705,000	-	-	(2,705,000)	-	-
9,980,000	-	-	(9,980,000)	-	-
18,345,000	-	-	(5,000)	18,340,000	5,000
9,925,000	-	-	(40,000)	9,885,000	195,000
31,725,000	-	-	(5,000)	31,720,000	1,075,000
8,465,000	-	-	(100,000)	8,365,000	100,000
7,305,000	-	-	(335,000)	6,970,000	590,000
-	9,600,000	-	-	9,600,000	150,000
-	9,875,000	-	-	9,875,000	5,000
128,040,000	19,475,000	-	(15,845,000)	131,670,000	6,570,000
20,000,000	-	-	-	20,000,000	-
5,598,750	388,671	-	(521,028)	5,466,393	-
153,638,750	19,863,671	-	(16,366,028)	157,136,393	6,570,000
2,829,942	58,382	-	(243,385)	2,644,939	223,137
952,514	-	-	(184,076)	768,438	187,234
287,782,000	-	-	(11,034,000)	276,748,000	-
1,313,533	534,464	-	-	1,847,997	-
$ 446,516,739	$ 20,456,517	$ -	$ (27,827,489)	$ 439,145,767	$ 6,980,371

NOTE J - NONCANCELABLE LEASE OBLIGATION

In November 1995, the Bucks County Technical School Authority (the "Authority") issued school revenue bonds in the aggregate amount of $27,260,000 for a new technical school and renovations on the old technical school. The bonds are secured under a trust indenture between the Authority and Wachovia National Bank by a pledge of, and are payable solely from, lease rentals payable by the Authority's member school districts, which includes the District, under an assignment of the lease. Thus, the District is obligated for a portion of the above amount. Each member school district's portion of the debt is based on a calculation of the apportionment of the lease rental among the member school districts made to create an equal millage impact upon all member school districts, which is effective for five years. This apportionment is then adjusted every five years thereafter until the lease expires or all payments are made. The Authority refinanced the bonds in 2005. The District made rental payments of $863,862 for the year ended June 30, 2014, of which $698,611 represented principal payments.

Shown below are the District's lease payments for the next five years based on the apportionment that is binding through fiscal year 2016:

Year Ending June 30,	Principal	Interest	Administrative Fees	Totals
2016	$ 734,882	$ 123,106	$ 6,308	$ 864,296
2017	762,642	88,707	6,308	857,657
2018	793,962	57,376	6,308	857,646
2019	843,590	753	6,308	850,651
	$ 3,135,076	$ 269,942	$ 25,232	$ 3,430,250

NOTE K - DEFERRED INFLOWS OF RESOURCES

General Fund

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

At June 30, 2015, deferred inflows of resources consisted of delinquent taxes receivable of $2,672,481.

NOTE L - PENSION PLAN

Summary of Significant Accounting Policies

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

General Information About the Pension Plan

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

Benefits Provided - PSERS provides retirement, disability and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum three years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending on membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

NOTE L - PENSION PLAN (Continued)

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

Contributions

Members Contributions

- Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.

- Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.

- Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with services rendered on or after January 1, 2002.

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

Employer Contributions

The School District's contractually required contribution rate for the fiscal year ended June 30, 2015, was 20.50% of covered payroll, actuarially determined as an amount that, when combined with employee contributions is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the plan from the School District were $18,259,000 for the year ended June 30, 2015.

NOTE L - PENSION PLAN (Continued)

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

At June 30, 2015, the School District reported a liability of $276,748,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2013 to June 30, 2014. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2014, the School District's proportion was 0.6992%, which was a decrease of 0.0038% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the School District recognized pension expense of $24,016,000. At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ -
Changes in assumptions	-	-
Net difference between projected and actual investment earnings	-	19,784,000
Changes in proportions	-	1,254,000
Difference between employer contributions and proportionate share of total contributions	342,000	-
Contributions subsequent to the measurement date	18,259,000	-
	$ 18,601,000	$ 21,038,000

NOTE L - PENSION PLAN (Continued)

$18,259,000 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the new pension liability in the year ended June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2016	$ (5,165,000)
2017	(5,165,000)
2018	(5,165,000)
2019	(5,165,000)
2020	(36,000)
	$ (20,696,000)

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

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

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

NOTE L - PENSION PLAN (Continued)

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

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

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

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2014.

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

NOTE L - PENSION PLAN (Continued)

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

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
School District's proportionate share of the net pension liability	$ 345,205,000	$ 276,748,000	$ 218,305,000

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

NOTE M - OTHER POSTEMPLOYMENT BENEFITS

<u>Plan Description</u>

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

<u>Funding Policy</u>

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

NOTE M - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation

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

The components of the District's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the District's net OPEB obligation to the plan are as follows:

Normal cost	$ 476,147
Amortization of unfunded actuarial accrued liability	554,582
Interest	21,427
ANNUAL REQUIRED CONTRIBUTION (ARC)	1,052,156
Interest on net OPEB obligation	59,109
Adjustment to ARC	(80,640)
ANNUAL OPEB EXPENSE	1,030,625
Net OPEB contributions during the year	(496,161)
INCREASE IN NET OPEB OBLIGATION	534,464
Net OPEB obligation at beginning of year	1,313,533
NET OPEB OBLIGATION AT END OF YEAR	$ 1,847,997

Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	$ 1,317,874	64%	$ 825,325
2014	1,038,628	53%	1,313,533
2015	1,030,625	48%	1,847,997

Funded Status and Funding Progress

As of July 1, 2013, the actuarial accrued liability for benefits was $9,033,524 and the actuarial value of assets was $0, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $82,412,250, and the ratio of the UAAL to the covered payroll was 10.96%.

NOTE M - OTHER POSTEMPLOYMENT BENEFITS (Continued)

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information on page 55, 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.

Methods and Assumptions

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

In the July 1, 2013 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 7.0% initially, reduced by decrements of .5% to an ultimate rate of 5.5% after five years. Both rates included a 3.0% inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2013, was 14 years.

NOTE N - NONSPENDABLE FUND BALANCE

At June 30, 2015, the District segregated the ending fund balance of the General Fund for standard fund balance reserves as follows:

Inventories	$ 43,807
Prepaid expenses	60,018
	$ 103,825

NOTE O - RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance except for employee health care, which is insured by the District as explained below.

The District insures for employee health care on a cost-plus basis. The District also has commercial insurance for health care claims that exceed $110,000 on any one individual in any one plan year.

Liabilities for health care cost are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The claims liability is calculated based on management’s judgment of reasonable reserves for payment lags and catastrophic events. During 2014-2015, the District moved from a monthly payment process to a weekly payment process. The claims liability is reported as part of other payables in the General Fund.

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

Balance June 30, 2014	Current Year Claims and Changes in Estimates	Claim Payments	Balance June 30, 2015
$ 6,291,840	$ 13,039,060	$ (16,760,718)	$ 2,570,182

Independence Blue Cross is the administrator of the District’s healthcare plan. The District also maintains $861,961 in an escrow account to indemnify Blue Cross in the event that the District terminates the plan or does not pay its claims. This escrow amount is reported as a prepaid asset in the General Fund.

NOTE P - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION

In addition to the pension benefits described in Note L, the District provided early retirement incentives to all professional and administrative employees who met specific age and year of service requirements through June 30, 2003. The benefits were adopted as part of the employment contracts negotiated between the unions and the School Board. The benefits offered are cash bonus payments to be applied to health insurance coverage. For the fiscal year ended June 30, 2015, there were four participants, and the expense related to the benefits totaled approximately $12,092.

NOTE Q - LITIGATION AND OTHER MATTERS

The District is a defendant in several actions related to tax billings, assessment valuations and labor grievances. In the opinion of the District's officials, the ultimate outcome of these actions will not have a material adverse effect on the District's financial statements.

NOTE R - PRIOR PERIOD ADJUSTMENT

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

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

For the government-wide governmental activities, the District has treated their proportionate share of beginning of year net pension liability of $287,782,000 and beginning of year deferred outflows of resources of $14,354,000 as having been recognized in the period incurred. The District has adjusted beginning net position for the governmental activities from $29,183,911 to $302,611,911.

NOTE S - SUBSEQUENT EVENTS

In October 2015, the District approved the issuance of General Obligation Bonds, Series of 2015, in the aggregate amount not to exceed $9,995,000. Bond proceeds are to be used to currently refund a portion of the District's General Obligation Bonds, Series of 2010, currently outstanding in the principal amount of $18,335,000, of which $9,615,000 shall be refunded and to pay the cost of issuing the Bonds.

In October 2015, the District approved the issuance of General Obligation Bonds, Series A of 2015, in the aggregate amount not to exceed $8,985,000. Bond proceeds are to be used to currently refund the District's remaining General Obligation Bonds, Series of 2010, and to pay the costs of issuing the Bonds.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	$ 137,157,255	$ 137,157,255	$ 137,647,623	$ 490,368
State sources	41,801,745	41,801,745	41,741,608	(60,137)
Federal sources	1,590,000	1,590,000	1,521,501	(68,499)
TOTAL REVENUES	180,549,000	180,549,000	180,910,732	361,732
EXPENDITURES				
Instruction	115,400,935	117,578,394	116,901,173	677,221
Support services	49,970,401	50,780,692	49,643,487	1,137,205
Operation of non-instructional services	1,321,760	1,343,262	1,271,025	72,237
Debt service	13,605,904	11,939,651	11,615,031	324,620
Debt issuance cost	-	-	146,498	(146,498)
Refund of prior year revenues	-	-	151,637	(151,637)
TOTAL EXPENDITURES	180,299,000	181,641,999	179,728,851	1,913,148
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	250,000	(1,092,999)	1,181,881	2,274,880
OTHER FINANCING SOURCES (USES)				
Refunding bonds issued	-	-	9,875,000	9,875,000
Premium on refunding bonds issued	-	-	122,435	122,435
Payment to refunded bond escrow agent	-	-	(9,850,937)	(9,850,937)
Transfers in	-	-	32,280	32,280
Transfers out	(400,000)	(57,000)	-	57,000
Proceeds from sale of fixed assets	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(400,000)	(57,000)	178,778	235,778
NET CHANGE IN FUND BALANCE	(150,000)	(1,149,999)	1,360,659	2,510,658
FUND BALANCE AT BEGINNING OF YEAR	13,016,426	13,016,426	13,016,426	-
FUND BALANCE AT END OF YEAR	$ 12,866,426	$ 11,866,427	$ 14,377,085	$ 2,510,658

See accompanying note to the budgetary comparison schedule.

NOTE A - BUDGETARY INFORMATION

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. An annual appropriated budget is adopted for the General Fund. All annual appropriations lapse at fiscal year-end.

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

1. Prior to May 31, the District Board submits a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the General Fund.

2. A public hearing is conducted to obtain taxpayer comments.

3. On or before June 30, the budget is legally enacted through passage of a resolution.

4. Legal budgetary control is maintained by the School Board at the department level. Transfers between departments, whether between funds or within a fund, or revisions that alter total revenues and expenditures of any fund must be approved by the School Board. Budgetary information in the combined operating statements is presented at or below the legal level of budgetary control.

5. Budgetary data are included in the District's management information system and are employed as a management control device during the year.

6. The budget for the General Fund is adopted substantially on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

All budget amounts presented in the accompanying required supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions to the annual budgets during the year).

PENNSBURY SCHOOL DISTRICT

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

School District's proportion of the net pension liability (asset)	0.6992%
School District's proportionate share of the net pension liability (asset)	$ 276,748,000
School District's covered-employee payroll	$ 89,224,414
School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	310.17%
The plan's fiduciary net position as a percentage of the total pension liability	57.24%

PENNSBURY SCHOOL DISTRICT
SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS
YEAR ENDED JUNE 30, 2015

Contractually required contribution	$	18,259,000
Contributions in relation to the contractually required contribution		18,259,000
CONTRIBUTION (EXCESS) DEFICIENCY	$	-
School District's covered-employee payroll	$	89,068,293
Contributions as a percentage of covered-employee payroll		20.50%

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

SCHEDULE OF FUNDING PROGRESS

Valuation Date July 1,	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability (AAL)	(c) Unfunded AAL (UAAL) (b)-(a)	(d) Funded Ratio (a)/(b)	(e) Covered Payroll	(f) UAAL as a Percentage of Covered Payroll (c)/(e)
2009	$ -	$ 11,243,782	$ 11,243,782	0%	$ 84,776,986	13.26%
2011	-	11,674,790	11,674,790	0%	82,935,959	14.08%
2013	-	9,033,524	9,033,524	0%	82,412,250	10.96%

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

To the Board of Directors
Pennsbury School District
Bucks County, Pennsylvania

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Pennsbury School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Pennsbury School District's basic financial statements, and have issued our report thereon dated December 3, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Pennsbury School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pennsbury School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pennsbury School District's internal control.

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

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

Certified Public Accountants and Business Consultants

To the Board of Directors
Pennsbury School District
Bucks County, Pennsylvania

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Pennsbury School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maillie LLP

Oaks, Pennsylvania
December 3, 2015

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

To the Board of Directors
Pennsbury School District
Bucks County, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited the Pennsbury School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Pennsbury School District's major federal programs for the year ended June 30, 2015. Pennsbury School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Pennsbury School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Pennsbury School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Pennsbury School District's compliance.

Opinion on Each Major Federal Program

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

To the Board of Directors
Pennsbury School District
Bucks County, Pennsylvania

Report on Internal Control Over Compliance

The management of the Pennsbury School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Pennsbury School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Pennsbury School District's internal control over compliance.

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

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

Purpose of this Report

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

Maillie LLP

Oaks, Pennsylvania
December 3, 2015

SUPPLEMENTARY INFORMATION - MAJOR FEDERAL AWARD PROGRAMS AUDIT

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Date
U.S. DEPARTMENT OF EDUCATION				
Passed through the Pennsylvania Department of Education				
Title I	I	84.010	013-140331	July 5, 2013 to September 30, 2014
Title I	I	84.010	013-150331	September 18, 2014 to September 30, 2015
Title II	I	84.367	021-130331	July 11, 2012 to September 30, 2013
Title II	I	84.367	020-140331	July 5, 2013 to September 30, 2014
Title II	I	84.367	020-150331	September 18, 2014 to September 30, 2015
Title III	I	84.365	010-130331	July 11, 2012 to September 30, 2013
Title III	I	84.365	010-140331	July 5, 2013 to September 30, 2014
Title III	I	84.365	010-150331	September 18, 2014 to September 30, 2015
Public Library Improvement Services	I	45.310	LS-00-14-0039-14	January 1, 2015 to August 31, 2015
Project PA	I	10.560	4300426810	July 1, 2014 to June 30, 2015
Passed through the Bucks County Intermediate Unit				
IDEA	I	84.027	062-14-0-022 A	July 1, 2013 to June 30, 2014
IDEA	I	84.027	062-15-0-022	July 1, 2014 to June 30, 2015
Passed through the Bucks County Intermediate Unit				
IDEA - Section 619	I	84.173	131-12-0-022	July 1, 2013 to June 30, 2014
IDEA - Section 619	I	84.173	131-14-0022	July 1, 2014 to June 30, 2015
SUBTOTAL FORWARD				

Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue at July 1, 2014	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue at June 30, 2015
$ 630,478	$ 249,559	$ 96,783	$ 152,776	$ 152,776	$ -
614,117	338,021	-	376,655	376,655	38,634
272,839	36,142	36,142	-	-	-
260,372	51,836	9,876	41,960	41,960	-
259,704	159,972	-	222,421	222,421	62,449
51,306	27,363	27,363	-	-	-
34,916	2,328	(15,757)	18,085	18,085	-
38,495	14,806	-	32,692	32,692	17,886
33,084	29,775	-	-	-	(29,775)
1,200	800	-	800	800	-
1,884,653	1,523,517	1,523,517	-	-	-
2,040,061	1,173,405	-	2,040,061	2,040,061	866,656
7,688	7,688	7,688	-	-	-
5,577	5,577	-	5,577	5,577	-
	$ 3,620,789	$ 1,685,612	$ 2,891,027	$ 2,891,027	$ 955,850

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Date
U.S. DEPARTMENT OF EDUCATION				
SUBTOTAL FORWARDED				
Passed through the County of Bucks: Pennsylvania Commission on Crime & Delinquency				
T.R.A.C.K.	I	16.523		July 1, 2014 to June 30, 2015
TOTAL FORWARD				
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through the Pennsylvania Department of Public Welfare				
Medical Assistance ACCESS	I	93.778	N/A	July 1, 2013 to June 30, 2014
Medical Assistance ACCESS	I	93.778	N/A	July 1, 2014 to June 30, 2015
TOTAL FORWARD				
U.S. DEPARTMENT OF AGRICULTURE				
Passed through the Pennsylvania Department of Education				
Breakfast Program	I	10.553	N/A	July 1, 2013 to June 30, 2014
National School Lunch Program	I	10.555	N/A	July 1, 2013 to June 30, 2014
National School Lunch Program - FFVP	I	10.582	N/A	July 1, 2013 to June 30, 2014
National School Lunch Program	I	N/A	N/A	July 1, 2013 to June 30, 2014
Breakfast Program	I	N/A	N/A	July 1, 2013 to June 30, 2014
Breakfast Program	I	10.553	N/A	July 1, 2014 to June 30, 2015
National School Lunch Program	I	N/A	N/A	July 1, 2014 to June 30, 2015
National School Lunch Program	I	10.555	N/A	July 1, 2014 to June 30, 2015
Breakfast Program	I	N/A	N/A	July 1, 2014 to June 30, 2015
SUBTOTAL FORWARD				

Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue at July 1, 2014	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue at June 30, 2015
	$ 3,620,789	$ 1,685,612	$ 2,891,027	$ 2,891,027	$ 955,850
10,000	10,000	-	10,000	10,000	-
	3,630,789	1,685,612	2,901,027	2,901,027	955,850
100,785	55,324	55,324	-	-	-
43,344	27,777	-	43,344	43,344	15,567
	83,101	55,324	43,344	43,344	15,567
N/A	21,039	21,039	-	-	-
N/A	148,297	148,297	-	-	-
N/A	1,385	1,385	-	-	-
N/A	13,245	13,245	-	-	-
N/A	1,694	1,694	-	-	-
N/A	89,553	-	110,776	110,776	21,223
N/A	62,981	-	74,616	74,616	11,635
N/A	696,985	-	830,450	830,450	133,465
N/A	6,454	-	7,976	7,976	1,522
	$ 1,041,633	$ 185,660	$ 1,023,818	$ 1,023,818	$ 167,845

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

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

Footnotes:

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

Source Codes:

I = Indirect Funding

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

Program or Award Amount	Total Received for the Year		Accrued or (Deferred) Revenue at July 1, 2014		Revenue Recognized		Expenditures	Accrued or (Deferred) Revenue at June 30, 2015	
	$ 3,630,789		$ 1,685,612		$ 2,901,027		$ 2,901,027	$ 955,850	
	83,101		55,324		43,344		43,344	15,567	
	1,041,633		185,660		1,023,818		1,023,818	167,845	
N/A	118,264	(a)	(82,146)	(b)	168,299	(c)	168,299	(32,111)	(d)
	1,159,897		103,514		1,192,117		1,192,117	135,734	
	4,873,787		1,844,450		4,136,488		4,136,488	1,107,151	
	69,435		(14,939)		(82,592)		(82,592)	(13,157)	
	$ 4,943,222		$ 1,829,511		$ 4,053,896		$ 4,053,896	$ 1,093,994	

NOTE A - GENERAL

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

NOTE B - BASIS OF ACCOUNTING

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

NOTE C - RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The following is a reconciliation of revenue per the schedule of expenditures of federal and certain state awards to the basic financial statements:

GENERAL FUND	
Local sources*	$ 2,050,061
Federal sources	894,311
FOOD SERVICE FUND	
Federal sources	1,109,525
TOTAL FEDERAL ASSISTANCE	4,053,897
FOOD SERVICE FUND	
State sources	82,592
TOTAL FEDERAL AND STATE AWARDS	$ 4,136,489

*IDEA, T.R.A.C.K. grants

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of the Pennsbury School District.

2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards.*

3. No instances of noncompliance material to the financial statements of the Pennsbury School District were disclosed during the audit.

4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance with OMB Circular A-133.

5. The auditors' report on compliance for the major award programs for the Pennsbury School District expresses an unmodified opinion.

6. There are no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.

7. The programs tested as major programs include:

Program	CFDA
IDEA	84.027

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

9. Pennsbury School District was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None.

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

None.

PENNSBURY SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2015

None.