

PRELIMINARY OFFICIAL STATEMENT DATED MAY 2, 2016

New Issue

BOOK-ENTRY ONLY

Underlying Rating (based on School District): Moody's Investors Service "A1"
(See "BOND RATING" herein.)

In the opinion of Bond Counsel, interest on the Bonds will be excluded from gross income for federal income tax purposes under existing statutes, regulations, rulings and court decisions, subject to the conditions described in "TAX MATTERS" herein. In addition, interest on the Bonds will not be treated as an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended (the "Code"), for purposes of the individual and corporate alternative minimum taxes, but will be taken into account for purposes of computing adjusted current earnings under Section 56(g) of the Code when calculating corporate alternative minimum taxable income. Under the existing laws of the Commonwealth of Pennsylvania, interest on the Bonds will be excluded from Pennsylvania personal income taxation and Pennsylvania corporate net income taxation but such exemption does not extend to gift, estate, succession or inheritance taxes or any other taxes not levied or assessed directly on the Bonds or the interest thereon. For a more complete discussion, see "TAX MATTERS" herein.

\$41,925,000*

NORRISTOWN AREA SCHOOL DISTRICT (Montgomery County, Pennsylvania) GENERAL OBLIGATION BONDS, SERIES OF 2016

INITIALLY DATED: Date of Delivery
PRINCIPAL DUE: September 1, as shown herein
FORM: Book-Entry Only

INTEREST PAYABLE: March 1 and September 1
FIRST INTEREST PAYMENT DATE: September 1, 2016
DENOMINATION: Integral multiples of \$5,000

PAYMENT OF PRINCIPAL AND INTEREST: The General Obligation Bonds, Series of 2016, in the principal amount of \$41,925,000* (the "Bonds") of Norristown Area School District, Montgomery County, Pennsylvania (the "School District"), are issuable only in fully registered form, without coupons and when issued, will be registered in the name of CEDE & CO., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial ownership interests in the Bonds will be recorded in book-entry only form in denominations of \$5,000, or any integral multiple thereof. Principal of and interest on the Bonds are payable directly to CEDE & CO. for redistribution to DTC Participants and in turn to Beneficial Owners as described herein. Interest on the Bonds will be payable on March 1 and September 1 of each year that the Bonds are outstanding, commencing on September 1, 2016. Purchasers will not receive physical delivery of certificates representing their ownership interests in the Bonds purchased. For so long as any purchaser is the Beneficial Owner of a Bond, such purchaser must maintain an account with a broker or dealer who is, or acts through, a DTC Participant to receive payment of the principal of and interest on such Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein.

USE OF FUNDS: The proceeds to be derived by the School District from the issuance and sale of the Bonds will be used to provide the School District with the funds required (1) to refund, on a current refunding basis, the School District's General Obligation Refunding Bonds, Series of 2006; and (2) to pay all costs and expenses incurred by the School District in connection with the issuance and sale of the Bonds.

REDEMPTION: The Bonds are subject to optional and mandatory redemption prior to their stated maturity dates, as provided herein.

SECURITY FOR THE BONDS: The Bonds are general obligations of the School District, payable from its taxes and other available revenues which presently include ad valorem taxes which may be levied on all taxable real property within the School District for the payment when due of the principal of and the interest on the Bonds, within the limits prescribed by law. (See "INTRODUCTORY STATEMENT" and "LEGISLATION AFFECTING LOCAL TAXING POWERS AND AUTHORIZED DEBT LIMITS OF SCHOOL DISTRICTS - The Taxpayer Relief Act (Act 1) as Amended" herein.) The School District has covenanted that it will provide in its budget in each year, and will duly and punctually pay or cause to be paid from the sinking fund established under the Resolution (as defined below) of the School District pursuant to which the Bonds are issued, or from any other of its available revenues or funds, the principal of and the interest on every Bond on the dates and at the place and in the manner stated in the Bonds. For such budgeting, appropriation and payment, the School District irrevocably has pledged its full faith, credit and taxing power.

The Bonds may or may not be issued with bond insurance and the decision whether to use bond insurance on all or a portion of the Bonds will be subject to market conditions at the time of pricing of the Bonds.

AUTHORIZATION FOR ISSUANCE: The Bonds are being issued in accordance with the Local Government Unit Debt Act, 53 Pa.C.S. §§8001 *et seq* (the "Act") of the Commonwealth of Pennsylvania, as codified by the Act of December 19, 1996, P.L. 1158, No. 177, as amended, with the approval of the Pennsylvania Department of Community and Economic Development and pursuant to a Resolution duly adopted by the Board of School Directors of the School District on April 25, 2016 (the "Resolution").

CONTINUING DISCLOSURE UNDERTAKING: *The School District has agreed to provide, or cause to be provided, in a timely manner, certain information in accordance with the requirements of Rule 15c2-12, as promulgated under the Securities Exchange Act of 1934, as amended and interpreted (the "Rule"). (See "CONTINUING DISCLOSURE UNDERTAKING" herein.)*

LEGAL APPROVALS: *The Bonds are offered when, as and if issued by the School District and received by the Underwriter, subject to prior sale and subject to the receipt of the approving legal opinion to be issued by Obermayer Rebmann Maxwell & Hoppel LLP, Philadelphia, Pennsylvania, Bond Counsel. Certain additional matters will be passed upon for the School District by its Counsel, Rudolph Clarke, LLC, Trevose, Pennsylvania. Certain additional matters will be passed upon for the Underwriter by Cozen O'Connor, Philadelphia, Pennsylvania. The Bonds are expected to be available for delivery on _____, 2016 in New York, New York.*

REGISTRATION OF THE BONDS: *Information concerning the Bonds has been furnished to The Depository Trust Company, New York, New York ("DTC"). It is expected that the Bonds will initially be registered in the name of DTC's nominee, CEDE & Co., New York, New York. (See "Book-Entry Only System" herein.)*



The date of this Official Statement is _____, 2016.

* Preliminary, subject to change.

\$41,925,000*
NORRISTOWN AREA SCHOOL DISTRICT
(Montgomery County, Pennsylvania)
GENERAL OBLIGATION BONDS, SERIES OF 2016

INITIALLY DATED: Date of Delivery
PRINCIPAL DUE: September 1, as shown below
FORM: Book-Entry Only

INTEREST PAYABLE: March 1 and September 1
FIRST INTEREST PAYMENT DATE: September 1, 2016
DENOMINATION: Integral multiples of \$5,000

MATURITY SCHEDULE*

<u>Year</u> <u>(September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u> ⁽¹⁾	<u>CUSIPs</u> ⁽²⁾
2016	\$	%	%	%	
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					

(1) Based on expected settlement date of _____, 2016.

(2) The above CUSIP® numbers have been assigned by an organization not affiliated with the School District or the Underwriter, and such parties are not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors, including, but not limited to, the refunding or defeasance of such securities.

* Preliminary, subject to change.

SUMMARY STATEMENT

This Summary Statement is subject in all respects to more complete information contained in this Official Statement. No person is authorized to detach this **SUMMARY STATEMENT** from this Official Statement or otherwise use it without the entire Official Statement.

Issuer	Norristown Area School District, Montgomery County, Pennsylvania.
The Bonds	\$41,925,000* principal amount, General Obligation Bonds, Series of 2016 (the “Bonds”). The Bonds are initially dated as of the date of delivery, and will mature as shown in the BOND MATURITY SCHEDULE shown on the inside of the Cover Page of this Official Statement. Interest on the Bonds will begin to accrue on the date of delivery and is payable each March 1 and September 1 thereafter, commencing September 1, 2016. (See “ THE BONDS ” herein.)
Redemption Provisions	The Bonds are subject to optional and mandatory redemption prior to their stated maturity dates, as provided herein. (See “ REDEMPTION OF BONDS ” herein.)
Form of Bonds	Book-Entry-Only.
Use of Funds	The proceeds to be derived by the School District from the issuance and sale of the Bonds will be used to provide the School District with the funds required (1) to refund, on a current refunding basis, the School District’s General Obligation Refunding Bonds, Series of 2006; and (2) to pay all costs and expenses incurred by the School District in connection with the issuance and sale of the Bonds. (See “ PURPOSE OF THE BOND ISSUE ,” “ SOURCES AND USES OF FUNDS ,” “ DEBT LIMITS AND REMAINING BORROWING CAPACITY OF THE SCHOOL DISTRICT - Future Financing ,” and “ SCHEDULE OF DIRECT AND OVERLAPPING DEBT AND DEBT RATIOS ”, herein.)
Security for the Bonds	The Bonds are general obligations of the School District, for the payment of which the School District has irrevocably pledged its full faith, credit and available taxing power. (See “ INTRODUCTORY STATEMENT ” and “ LEGISLATION AFFECTING LOCAL TAXING POWERS AND AUTHORIZED DEBT LIMITS OF SCHOOL DISTRICTS - The Taxpayer Relief Act (Act 1) as Amended ” herein.)
Credit Enhancement	The Bonds may or may not be issued with bond insurance and the decision whether to use bond insurance on all or a portion of the Bonds will be subject to market conditions at the time of pricing of the Bonds.
Bond Rating	The Bonds have received an underlying credit rating of “A1” from Moody’s Investors Service, New York, New York (“Moody’s”).
Continuing Disclosure Undertaking	The School District has agreed to provide, or cause to be provided, certain information pursuant to a continuing disclosure undertaking delivered in accordance with the requirements of Rule 15c2-12, as promulgated under the Securities Exchange Act of 1934, as amended and interpreted (the “Rule”). (See “ CONTINUING DISCLOSURE UNDERTAKING ” herein.)

* Preliminary, subject to change.

NORRISTOWN AREA SCHOOL DISTRICT

(Montgomery County, Pennsylvania)

401 North Whitehall Road

Norristown, PA 19403

Telephone: 610-630-5006

BOARD OF SCHOOL DIRECTORS

<u>Name</u>	<u>Board Position</u>	<u>Term Expiration Date</u>
Turea Hutson	President	2017
Pamela Assenmacher	Vice President	2017
Tiffany Hendley	Member	2019
George Kennedy	Member	2019
Louis Mason	Member	2019
Janice Pearce	Member	2019
Matthew Rivera	Member	2017
E. Pearl Smith	Member	2017
Sandra White	Member	2017

SCHOOL ADMINISTRATION

Janet C. Samuels, Ph.D.

Superintendent

Anne Rohricht

Chief Financial Officer

SOLICITOR

Rudolph Clarke, LLC

Trevose, Pennsylvania

BOND COUNSEL

Obermayer Rebmann Maxwell & Hippel LLP

Philadelphia, Pennsylvania

PAYING AGENT, TRANSFER AGENT, BOND REGISTRAR, AND SINKING FUND DEPOSITORY

TD Bank, N.A.

Philadelphia, Pennsylvania

UNDERWRITER

PNC Capital Markets LLC

Lancaster, Pennsylvania

UNDERWRITER'S COUNSEL

Cozen O'Connor

Philadelphia, Pennsylvania

No dealer, broker or any other person has been authorized by the School District to give any information or make any representation, other than those contained in this Official Statement, and if given or made, such other information and representation must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. The information set forth herein has been obtained from the School District and from other sources which are believed to be reliable, but the School District does not guarantee the accuracy or completeness of information from sources other than the School District. PNC Capital Markets LLC, Lancaster, Pennsylvania as the Underwriter (the "Underwriter"), has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with and as part of its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guaranty the accuracy or completeness of such information, which has been obtained from either the School District or from sources other than the School District. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement, nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in any of the information set forth herein since the date hereof.

The quotations from and summaries and explanation of provisions of laws and documents contained herein, including the cover page and Appendices attached hereto, do not purport to be complete. Reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds shall under any circumstances create any implication that there has been no change in the affairs of the School District since the date of this Official Statement.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES HERETO AND INFORMATION INCORPORATED HEREIN BY REFERENCE, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES HERETO AND INFORMATION INCORPORATED HEREIN BY REFERENCE, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

If and when included in this Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," "assumes," and analogous expressions are intended to identify forward-looking statements, and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected.

The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trust(s)) and others at prices lower than the public offering prices stated on the inside front cover hereof.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE RESOLUTION BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION OR OTHER SECURITIES REGULATOR. NEITHER THE SECURITIES AND EXCHANGE COMMISSION, NOR ANY STATE SECURITIES COMMISSION OR ANY OTHER SECURITIES REGULATOR HAS PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

The School District deems this Preliminary Official Statement to be final for the purpose of SEC Rule 15c2-12(b)(1).

This Table of Contents is for convenience of reference only and does not list all of the subjects in this Official Statement. In all instances, references should be made of the complete Official Statement to determine the subjects discussed in it. The order and placement of material in this Official Statement, including the Appendices, are not to be deemed a determination of relevance, materiality or importance, and this Official Statement, including the Appendices, must be considered in its entirety.

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OFFICIAL STATEMENT

\$41,925,000*

NORRISTOWN AREA SCHOOL DISTRICT

(Montgomery County, Pennsylvania)

GENERAL OBLIGATION BONDS, SERIES OF 2016

INTRODUCTORY STATEMENT

This Official Statement, including the Cover Page and Inside Cover Page hereof and the Appendices hereto, is furnished in connection with the offering by the Norristown Area School District (the "School District") of \$41,925,000* principal amount, of its General Obligation Bonds, Series of 2016 (the "Bonds"). The Bonds are authorized to be issued pursuant to the provisions of the Pennsylvania Local Government Unit Debt Act, 53 Pa.C.S. §§8001 *et seq.* (the "Act"), and are described in, and are being issued pursuant to the provisions of a Resolution of the Board of School Directors of the School District duly adopted on April 25, 2016 (the "Resolution").

The approval of the Department of Community and Economic Development of the Commonwealth of Pennsylvania (the "Commonwealth") for the School District to issue and deliver the Bonds will have been duly given pursuant to the Act; all acts, conditions and things required by the laws of the Commonwealth to exist, to have happened or to have been performed precedent to or in the issuance of the Bonds or in the creation of the debt of which any Bond is evidence, exist, will have happened, and will have been performed in regular and due form and manner as required by law; the Bonds, together with all other indebtedness of the School District, will be within every debt and other limit prescribed by the Constitution and the statutes of the Commonwealth; and the School District will have established with TD Bank, N.A., Philadelphia, Pennsylvania, or its designee, as the paying agent, transfer agent, bond registrar, and sinking fund depository for the Bonds, a Sinking Fund for the Bonds, as defined herein, and shall deposit therein amounts sufficient to pay the principal of and interest on the Bonds as the same shall become due and payable. (See **"THE BONDS - Paying Agent, Transfer Agent, Bond Registrar, and Sinking Fund Depository"** and **"THE PAYING AGENT"** herein.)

The Bonds, as general obligation bonds of the School District, are secured, for the prompt payment when due of the principal of, redemption premium, if any, and the interest on the Bonds, by a pledge of the full faith, credit, and taxing power of the School District. (See **"SECURITY FOR THE BONDS"** and **"LEGISLATION AFFECTING LOCAL TAXING POWERS AND AUTHORIZED DEBT LIMITS OF SCHOOL DISTRICTS"** herein.) The Pennsylvania Public School Code of 1949, as amended (the "School Code"), presently provides for withholding and direct application of subsidies from the Commonwealth to a school district in the event of a failure by the school district to pay when due the principal of and the interest on its bonded indebtedness. (See **"SECURITY FOR THE BONDS - Commonwealth Aid to School Districts"** herein.)

PURPOSE OF THE BOND ISSUE

The proceeds to be derived by the School District from the issuance and sale of the Bonds will be used to provide the School District with the funds required (1) to refund, on a current refunding basis, the School District's outstanding General Obligation Refunding Bonds, Series of 2006 (the "2006 Bonds"); and (2) to pay all costs and expenses incurred by the School District in connection with the issuance and sale of the Bonds.

The Refunding Program

The School District has determined that it is economically beneficial to refund, on a current refunding basis, its 2006 Bonds. A portion of the net proceeds from the Bonds will be deposited in an irrevocable account held by TD Bank, N.A. (the "Escrow Agent") and used to purchase certain direct obligations of the United States of America (the "Government Obligations"). The maturing principal of said Government Obligations, together with the interest earned thereon and any uninvested cash, will provide the School District with sufficient moneys (1) to pay the principal and interest on the 2006 Bonds stated to mature on September 1, 2016 and (2) to pay and redeem the outstanding callable 2006 Bonds at 100% of the principal amount thereof on September 1, 2016, together with accrued interest thereon.

Mathematical Verification

Financial S&Lutions LLC will deliver to the School District, on or before the date of delivery of the Bonds, its verification report indicating that it has examined (a) the mathematical accuracy of the computations of the adequacy of the cash and Government Obligations to pay the maturing principal of, redemption price of and interest on the 2006 Bonds; and (b) the yield on the Bonds and the yield on the Government Obligations. Such verification will be used by Bond Counsel in their determination that the interest on the Bonds is not included in gross income for federal income tax purposes, as a condition of the delivery of the Bonds.

* Preliminary, subject to change.

SOURCES AND USES OF FUNDS

The proceeds from the sale of the Bonds shall be applied substantially in the following manner:

Sources of Funds

Par Amount of Bonds	\$
Less/Plus: Net Original Issue Discount/Premium	
<u>TOTAL SOURCES</u>	<u>\$</u>

Uses of Funds

2006 Bonds Escrow Fund Deposit	\$
Costs of Issuance and Miscellaneous ⁽¹⁾	
<u>TOTAL USES</u>	<u>\$</u>

-
- (1) Consisting of legal, paying agent, escrow agent, verification, printing, rating fee, CUSIP, bond discount and miscellaneous expenses.

THE BONDS

The Bonds will be issued as fully registered bonds without coupons in denominations of \$5,000 or any integral multiple thereof. The Bonds will be initially dated as of the date of delivery and will bear interest on the unpaid principal at the rates and mature in the amounts and on the dates set forth on the inside cover page of this Official Statement. When issued, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York. While the Bonds are in the Book-Entry-Only System, references to the "Owner" or the "Registered Bond Owner" as described herein are to Cede & Co. Each beneficial owner of a Bond may desire to make arrangements with a DTC Participant to receive notices or communications with respect to matters described herein. (See "**Book-Entry-Only System**" herein.)

Interest on the Bonds shall be computed on the basis of a 30-day month and 360-day year and shall be payable semiannually on March 1 and September 1 of each year, commencing on September 1, 2016 (the "Interest Payment Dates"). If an Interest Payment Date occurs on a day which is not a Business Day (a "Business Day" is any day other than a Saturday, Sunday, legal holiday or a day on which financial institutions in the Commonwealth of Pennsylvania are authorized by law to be closed) the interest on and principal of the Bonds coming due on such Interest Payment Date shall be payable on the next succeeding Business Day without any additional accrual of interest.

Each Bond will be dated as of its date of authentication and will bear interest from the immediately preceding Interest Payment Date to which interest has been paid, unless: (i) such bond is authenticated on an Interest Payment Date to which interest has been paid, in which case it shall bear interest from such Interest Payment Date; or (ii) such Bond is authenticated on or prior to the first Regular Record Date (hereinafter defined) after the issue date, in which event it shall bear interest from the dated date; or (iii) such Bond is authenticated after a Regular Record Date and before the next succeeding Interest Payment Date on which interest is in fact paid, in which case such Bond will bear interest from such next succeeding Interest Payment Date.

So long as the Bonds or any portion thereof are registered in the name of DTC or its nominee, payments thereon shall be made to DTC or its nominee. (See "**Book-Entry-Only System**" herein.) At all other times, the principal of and interest on the Bonds shall be payable at the designated corporate trust office of TD Bank, N.A., as Paying Agent (the "Paying Agent"), in such coin or currency of the United States of America as at the time and place of payment is legal tender for public and private debts, provided that interest may be paid by check drawn upon the Paying Agent and mailed to the persons in whose names the Bonds are registered at the close of business on the fifteenth day of the calendar month (whether or not a day on which the Paying Agent is open for business) next preceding the relevant Interest Payment Date (the "Regular Record Date") at the addresses shown on the registration records for the Bonds (the "Bond Register") kept by the Paying Agent. Persons designated in the Bond Register as owning Bonds are hereinafter referred to as "Registered Bond Owners".

Notwithstanding the foregoing, if and to the extent there shall be a default in the payment of interest due on an Interest Payment Date, such defaulted interest shall be paid on a special payment date to the Registered Bond Owners in whose names the Bonds are registered at the close of business on a special record date (the "Special Record Date" and together with the Regular Record Date, the "Record Date") established by notice mailed to the Registered Bond Owners not less than ten (10) days preceding the Special Record Date, but not more than thirty (30) days prior to the payment of such defaulted interest. Such notice shall be mailed to the person in whose name the Bond is registered at the close of business on the fifth (5th) day preceding the date of the mailing.

Registration, Transfer and Exchange of Bonds

The Paying Agent is responsible for maintaining the books of the School District pertaining to the registration of ownership of each Bond. The ownership of Bonds may be transferred upon the registration books upon delivery to the Paying Agent or its designee, of a written instrument or instruments of transfer in form and with guaranty of signature satisfactory to the Paying Agent or its designee, duly executed by the registered holder of the Bonds to be transferred or his duly authorized attorney-in-fact or legal representative, subject to such reasonable regulations as the School District or the Paying Agent or its designee may prescribe, and upon payment of any taxes or other governmental charges incident to such transfer. No transfer of any Bond will be effective until entered on the registration books.

Neither the School District nor the Paying Agent or its designee shall be required to register the transfer of or to exchange any Bond (a) during the period beginning at the opening of business on any record date for interest payments and ending on the close of business on such interest payment date, (b) then considered for redemption, during a period beginning at the opening of business on the fifteenth day next preceding any date of selection of Bonds to be redeemed and ending at the close of business on the day on which the applicable notice of redemption is mailed, (c) during the period beginning at the opening of business on the first business day next succeeding the business day the Paying Agent determines the registered owners of the Bonds to receive notice of any Special Record Date and the close of business on the Special Record Date, or (d) after it has been selected or called for redemption, in whole or in part.

Book-Entry-Only System

The information set forth below concerning The Depository Trust Company (“DTC”) and the book-entry only system has been extracted from materials provided by DTC for such purpose. No representation is made by the School District or the Underwriter as to the accuracy of such information provided by DTC or as to the absence of material adverse changes in such information subsequent to the date hereof.

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds set forth on the inside front cover page of this Official Statement, each in the aggregate principal amount of such maturity and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC participants (“*Direct Participants*”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“*Indirect Participants*”). DTC has a Standard & Poor’s rating of: AA+. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about the DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“*Beneficial Owner*”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry only system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds. DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity of the Bonds are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the School District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts such bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and payments of principal of and interest on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the School District or Paying Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent or the School District, subject to any statutory or regulatory requirements as may be in effect from time to time. Redemption proceeds and payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the School District or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC and disbursement of such payments to the Beneficial Owners will be the responsibility of the Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the School District or the Paying Agent. Under such circumstances, in the event that a successor depository is either not required under the Resolution or not obtained, Bond certificates are required to be printed and delivered in accordance with the Resolution.

The School District may decide to discontinue use of the system of book-entry-only transfers through DTC (or successor securities depository). In that event Bond certificates will be printed and delivered to DTC.

The above information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the School District believes to be reliable but the School District takes no responsibility for the accuracy thereof.

NEITHER THE SCHOOL DISTRICT NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, BENEFICIAL OWNERS OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS FOR (1) SENDING TRANSACTION STATEMENTS; (2) MAINTAINING, SUPERVISING OR REVIEWING, OR THE ACCURACY OF, ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS; (3) PAYMENT OR THE TIMELINESS OF PAYMENT BY DTC TO ANY PARTICIPANT, OR BY ANY PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNER, OF ANY AMOUNT DUE IN RESPECT OF THE PRINCIPAL OF OR REDEMPTION PREMIUM, IF ANY, OR INTEREST ON BOOK-ENTRY BONDS; (4) DELIVERY OR TIMELY DELIVERY BY DTC TO ANY PARTICIPANT, OR BY ANY PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNERS, OF ANY NOTICE (INCLUDING NOTICE OF REDEMPTION) OR OTHER COMMUNICATION WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN HOLDERS OR OWNERS OF BOOK-ENTRY BONDS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF BOOK-ENTRY BONDS; OR (6) ANY ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF BOOK-ENTRY BONDS.

Discontinuance of Book-Entry-Only System

The book-entry system for registration of the ownership of the Bonds may be discontinued at any time if: (i) DTC determines to resign as securities depository for the Bonds; or (ii) the School District determines that continuation of the system of book-entry transfers through DTC (or through a successor securities depository) is not in the best interests of the Beneficial Owners. In either such event (unless the School District appoints a successor securities depository), Bonds will then be delivered in registered certificate form to such persons, and in such maturities and principal amounts, as may be designated by DTC, but without any liability on the part of the School District, or the Paying Agent for the accuracy of such designation. Whenever DTC requests the School District or the Paying Agent to do so, the School District or the Paying Agent shall cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of certificates evidencing the Bonds.

Paying Agent, Transfer Agent, Bond Registrar and Sinking Fund Depository

The obligations and duties of the Paying Agent are described in the Resolution and the Act, and the Paying Agent has undertaken only those obligations and duties which are expressly set out in the Resolution or required by the Act. The Paying Agent has not independently passed upon the validity of the Bonds, the security therefor, the adequacy of the provisions for payment thereof, or the tax-exempt status of the interest on the Bonds. The Paying Agent is not required to take notice or be deemed to have notice of any default under the Resolution, except for failure by the School District to make or cause to be made any of the payments required to be made for the principal of the Bonds when due at maturity or earlier redemption, or the interest thereon (See "**THE PAYING AGENT**" herein.) The Paying Agent may designate an agent for purposes of exercising the duties and functions described herein and in the Resolution.

Mutilated, Lost, Stolen, or Destroyed Bonds

If any Bond is mutilated, lost, stolen, or destroyed, the School District may execute, and the Paying Agent or its designee may authenticate, subject to the provisions of the Act, a new Bond of the same date, maturity, denomination, and interest rate. In connection with replacing mutilated, lost, stolen, or destroyed Bonds, the School District and the Paying Agent or its designee may require satisfactory indemnification and may charge the owners of such Bonds reasonable fees and expenses.

REDEMPTION OF BONDS

Notice of Redemption

As provided more fully in the Resolution and in the form of the Bonds, notice of redemption of Bonds shall be given by mailing a copy of the redemption notice by first class mail, postage prepaid, no less than 30 nor more than 45 days prior to the redemption date to the Registered Owners of Bonds to be redeemed at the addresses which appear in the Bond Register. Neither failure to mail such notice nor any defect in the notice so mailed or in the mailing thereof with respect to any one Bond will affect the validity of the proceedings for the redemption of any other Bond. If the School District shall have duly given notice of redemption and shall have deposited with the Paying Agent funds for the payment of the redemption price of the Bonds so called for redemption with accrued interest thereon to the date fixed for redemption, interest on such Bonds will cease to accrue after such redemption date.

Manner of Redemption

Portions of any Bond of a denomination larger than \$5,000 may be redeemed, but only in the principal amount of \$5,000 or any integral multiple thereof. For the purpose of redemption, each Bond shall be treated as representing the number of Bonds that is equal to the principal amount thereof divided by \$5,000, each \$5,000 portion of such Bond being subject to redemption. Upon surrender of any Bond for redemption of a portion only, the Paying Agent shall authenticate and deliver to the owner thereof a new Bond or Bonds of the same series, maturity date and interest rate, in authorized denominations in an aggregate principal amount equal to the unredeemed portion of the Bond surrendered.

Mandatory Redemption

The Bonds stated to mature on September 1, _____ and on September 1, _____ are subject to mandatory redemption, in part, prior to maturity, by lot within a maturity, at a redemption price equal to 100% of the principal amount thereof, together with accrued interest thereon, to the dates fixed for redemption, on September 1 of the years and in the amounts set forth below:

The Bonds Stated to Mature on September 1, _____	
<u>Year</u>	<u>Principal Amount</u>
	\$
	(1)

The Bonds Stated to Mature on September 1, _____	
<u>Year</u>	<u>Principal Amount</u>
	\$
	(1)

(1) At maturity.

Optional Redemption

The Bonds stated to mature on or after September 1, ____ are subject to redemption prior to maturity at the option of the School District in any order of maturities either as a whole, or in part, at any time on or after _____, and, if in part, by lot within a maturity, at a redemption price equal to 100% of the principal amount thereof, together with accrued interest to the date fixed for redemption.

SECURITY FOR THE BONDS

General

The Bonds are general obligations of the School District, payable from its taxes and other available revenues which presently include ad valorem taxes which may be levied on all taxable real property within the School District for the payment when due of the principal of and the interest on the Bonds. (See **“INTRODUCTORY STATEMENT”** and **“LEGISLATION AFFECTING LOCAL TAXING POWERS AND AUTHORIZED DEBT LIMITS OF SCHOOL DISTRICTS - The Taxpayer Relief Act (Act 1), as Amended”** herein). The School District has covenanted that it will provide in its budget for each year, and will appropriate from its revenues in each such year, the amount of the debt service on the Bonds for such year, and will duly and punctually pay or cause to be paid from its Sinking Fund, or any other of its available revenues or funds, the principal of, and the interest on the Bonds, as and when due, at the dates and places and in the manner stated on the Bonds. For such budgeting, appropriation, and payment, the School District has irrevocably pledged its full faith, credit and taxing power. Such pledge is specifically enforceable but is subject to the limitations of bankruptcy, insolvency, and other laws or equitable principles affecting creditor rights generally as well as the limitations provided in Act 1 (as hereinafter defined) (See **“LEGISLATION AFFECTING LOCAL TAXING POWERS AND AUTHORIZED DEBT LIMITS OF SCHOOL DISTRICTS - The Taxpayer Relief Act (Act 1), as Amended”** herein.) Additionally, the School Code presently provides for withholding and direct application of Commonwealth subsidies in the event of the failure of a school district to pay debt service on its bonded indebtedness. (See **“Commonwealth Aid to School Districts”** herein.)

No recourse shall be had for the payment of the principal of or the interest on any Bond, or for any claim based thereon or in the Resolution against any member of the Board of School Directors, or any officer or employee of the School District, past, present, or future or of any successor body, as such, either directly or through the School District or any such successor body, under any constitutional provision, statute or rule of law, or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise, and all such liability of such members of the Board of School Directors, officers, or employees is released as a condition of and as consideration for the issuance of the Bonds.

Sinking Fund

The Resolution provides for the creation of a Sinking Fund for the Bonds (the “Sinking Fund”) which will be held by the Paying Agent as a separate fund segregated from all other funds of the School District. The School District shall deposit into such Sinking Fund not later than the date when interest or principal is to become due on the Bonds, amounts sufficient to pay the principal and interest then due on such Bonds.

Money held in the Sinking Fund shall be maintained by the Paying Agent or its designee and may be invested in securities or deposits as authorized by law, upon direction of the School District. Such deposits and securities shall be in the name of the School District and shall be subject to withdrawal or collection by the Paying Agent or its designee only to pay debt service on the Bonds, and such deposits and securities, together with the interest earned thereon, shall be part of such Sinking Fund.

The Paying Agent, as sinking fund depository, is authorized without further order from the School District to pay from the Sinking Fund the principal of and interest on the Bonds, as and when due and payable.

Bondholder Rights and Remedies

The remedies available to holders of the Bonds upon any failure to pay the principal of, and the interest on the Bonds, when due, include those prescribed by the Act. If such failure should continue for a period of time in excess of thirty days, any holder of the Bonds will, subject to certain priorities, have the right to bring suit for the amount due in the Court of Common Pleas of Montgomery County, Pennsylvania. The Act provides that, if the School District defaults in the payment of the principal of, and the interest on the Bonds, and such default continues for a period of time in excess of thirty days, or if the School District fails to comply with any provision of either the Bonds or the Resolution, then the holders of 25% in aggregate principal amount of the Bonds may appoint a trustee to represent the holders of the Bonds.

Such trustee may, and upon written request of the holders of 25% in aggregate principal amount of the Bonds and being furnished with satisfactory indemnity, must take one or more of the following actions, which will preclude similar action by individual holders: (i) bring suit to enforce all rights of the holders, (ii) bring suit on the Bonds, (iii) petition the Court to levy the amount due plus estimated costs of collection as an assessment upon all taxable real estate and other property subject to ad valorem taxation in the School District (any such assessment will have the same priority and preference as to other liens or security interests as a lien for unpaid taxes), and (iv) by suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the holders, all as set forth more fully in the Act.

Enforcement of a claim for payment of the principal of, premium, if any or the interest on the Bonds may be subject to the provisions of the federal bankruptcy laws and to the provisions of other statutory laws enacted by the Congress or the General Assembly of the Commonwealth, or common law developed by competent courts having jurisdiction extending the time for payment or imposing other constraints upon enforcement insofar as such laws may be constitutionally applied.

The School Code presently provides that school districts (other than a school district of the first class) may not file a municipal debt adjustment action under the United States Bankruptcy Code. The School Code also provides that school districts which are in financial recovery status under Article VI-A of the School Code may become subject to receivership under certain circumstances. Although the School District is not in financial recovery status under the School Code, no assurances can be provided that the School District may not become subject to such status in the future.

The School Code provides that the Commonwealth’s Secretary of Education (the “Secretary”) shall, after proper investigation, issue a declaration that a school district is in financial recovery status when, subject to certain conditions, such school district (a “financial recovery school district”) has received an advance of its basic education subsidy at any time. The Secretary will appoint a chief recovery officer for the financial recovery school district to develop and implement a financial recovery plan for the financial recovery school district. The school board of a financial recovery school district is required to comply with all directives of the chief recovery officer related to implementation of the recovery plan and may take no action that is inconsistent with the plan, not specifically identified in the recovery plan or not directed by the chief recovery officer as necessary to implement the plan. If the school board of a financial recovery school district fails to comply with the foregoing, the financial recovery school district shall be subject to the appointment of a receiver pursuant to the School Code.

A receiver shall assume all powers and duties of the chief recovery officer and the board of school directors except the power to levy and raise taxes. Section 672-(A)(c)(3) of Article VI-A of the School Code provides that nothing in the financial recovery provisions of such article or a financial recovery plan shall be construed to authorize a receiver to “Unilaterally impair or modify existing bonds, notes, school district securities or other lawful contractual or legal obligations of the school district, except as otherwise ordered by a court of competent jurisdiction or as provided in section 642-A(a)(3)” of Article VI-A of the School Code which authorizes a receiver to, “Cancel or renegotiate any contract to which the board of school directors or the school district is a party, if the cancellation or renegotiation of contract will effect needed economies in the operation of the district’s schools.” Collective bargaining agreements are specifically exempted from such clause.

Commonwealth Aid To School Districts

School districts in the Commonwealth receive annual financial assistance from the Pennsylvania Department of Education. Broadly speaking, the amount of such assistance is based upon (i) per pupil market value of assessable real estate in the school district, (ii) per pupil income earned in the applicable school district and (iii) such school district's tax effort, all as compared with such figures on a state-wide basis.

The two major programs that constitute such State aid for the School District are the instructional subsidy and the special educational subsidy.

The instructional subsidy received by a school district is based, in part; upon the school district's Market Value/Income Aid Ratio (the "MVAR") as such term is defined in the School Code. The MVAR is a function of both the ratio of the per pupil market value of real estate in the school district to such per pupil market value in the Commonwealth and the ratio of the per pupil income of the school district to the per pupil personal income in the Commonwealth. The School District's MVAR for Fiscal Year 2016 is 0.4119.

Rental and sinking fund reimbursement from the Commonwealth for school projects is determined by the "Reimbursable Percentage" assigned to the school building project and by the school district's MVAR or Capital Account's Reimbursable Fraction (the "CARF"), whichever is higher. Most school building projects in the Commonwealth are eligible for state reimbursement. Certain school building projects, such as school administration buildings, swimming pools and tracks are ineligible for reimbursement. A reimbursement percentage, based upon the rated pupil capacity of the new or renovated structure and certain other costs, is assigned to the building project. This reimbursement percentage multiplied by the school district MVAR or CARF, whichever is higher, determines the state share of the annual lease rental or debt service for that school year.

The difference between the State share and 100% yields the local share of debt service or lease rental payments. As the School District's MVAR may change each year, so will the State share of such reimbursement.

The amount of Commonwealth aid to the School District in the future may change in the event amendments are made to State aid formulas or if changes occur in local conditions which may affect the level of State aid under current formulas.

Section 633 of the School Code, as amended, presently provides that in all cases where the board of school directors of any school district fails to pay or to provide for the payment of any indebtedness at date of maturity or date of mandatory redemption, or on any sinking fund deposit date, or any interest due on such indebtedness on any interest payment date, or on any sinking fund deposit date, in accordance with the schedule under which the bonds are issued, the Secretary of Education shall notify such board of school directors of its obligation and shall withhold out of any Commonwealth appropriation due such school district an amount equal to the sum of the principal amount maturing or subject to mandatory redemption and interest owing by such school district, or sinking fund deposit due by such school district, and shall pay over the amount so withheld to the bank or other person acting as sinking fund depository for such bond issue ("Pennsylvania Act 150 School District Intercept Program"). These withholding provisions are not part of any contract with the holders of the Bonds, and may be amended or repealed by future legislation.

There can be no assurance that any payments made pursuant to this withholding provision will be made by the date on which such payments are due to Bondholders, and the effectiveness of the withholding provisions of the Pennsylvania Act 150 School District Intercept Program may be limited by the application of other withholding provisions contained in the School Code. These provisions may apply to withholding and paying over appropriations for payment of unpaid teachers' salaries and for payments which a school district fails to make to charter schools. Enforcement may also be limited by bankruptcy, insolvency, receivership or other laws or equitable principles affecting the enforcement of rights of creditors.

For information regarding certain limitations placed on the taxing power of school districts in the Commonwealth of Pennsylvania, see **"LEGISLATION AFFECTING LOCAL TAXING POWERS AND AUTHORIZED DEBT LIMITS OF SCHOOL DISTRICTS"** herein.

Commonwealth of Pennsylvania Budget

On December 29, 2015, the Commonwealth of Pennsylvania passed a partial annual budget for the 2016 fiscal year, which began July 1, 2015, which provided limited basic education funding as a component. The School District's adopted budget for the school year ending June 30, 2016 assumed the receipt of \$30,975,000 in funding from state sources. On December 29, 2015, Governor Tom Wolf directed the budgeted limited basic education amounts to Pennsylvania's school districts as emergency funding. On January 5, 2016, the School District received \$11,750,000 in emergency funds, representing approximately 38% of its total anticipated amount. On March 28, 2016, the Commonwealth enacted a final budget for the 2016 fiscal year after Governor Tom Wolf allowed a budget supplement to lapse into law without signature which had been passed by each of the Pennsylvania Senate and House of Representatives on March 16, 2016. The School District has received monthly payments from the Commonwealth during calendar year 2016 with respect to education aid funding for the fiscal year ending June 30, 2016. Through March 31, 2016, the School District had received approximately \$19.5 million, representing approximately 57% of its total anticipated amount, of state education aid from the Commonwealth.

On April 13, 2016 each of the Pennsylvania Senate and House of Representatives approved House Bill 1589 ("HB 1589") which provides for amendments to the Pennsylvania Fiscal Code to finalize implementation of the Commonwealth's budget for its fiscal year ending June 30, 2016. On April 22, 2016, Governor Tom Wolf stated that he would allow HB 1589 to become law without his signature, and it has subsequently lapsed into law ("Act 25"). Act 25 includes the final allocation formula for basic education funding for the Commonwealth's current 2016 fiscal year. The School District's management does not believe that Act 25 will materially impact its budgeted state revenues

for the School District's fiscal year ending June 30, 2016 which are now expected to total approximately \$34,100,000. Act 25 also authorizes the Commonwealth Financing Authority to establish a program to issue appropriation-backed bonds ("PlanCon Funding Bonds") for the purpose of providing reimbursements to Pennsylvania school districts related to debt service for certain construction projects under the Commonwealth's PlanCon program. The School District is owed approximately \$300,000 in reimbursements through its current fiscal year under the PlanCon program. No assurances can be provided as to whether PlanCon Funding Bonds will be issued, the timing of their issuance or the actual level of reimbursement, if any that may be made available to the School District in any fiscal year.

The School District expects to receive approximately \$14,600,000 in remaining funding from state sources by June 30, 2016. With the receipt of the final funds and based upon internal cash flow projections, the School District is expected to have sufficient cash balances and revenues other than from state sources to support school operations for the remainder of the 2015-16 fiscal year and through the beginning of the 2016-2017 fiscal year. This will allow the School District to operate until real estate tax bills for the 2016-2017 fiscal year are issued on July 1, 2016 and collections are processed. No assurances can be made with respect to payments of Commonwealth appropriations for state aid to Pennsylvania school districts.

In response to the delays in the enactment of the Commonwealth's budget for its current fiscal year ending June 30, 2016, the School District took various steps to manage its cash flow. The School District's management considers these actions to have allowed it to avoid the need to undertake interim cash-flow borrowing in the School District's current fiscal year ending June 30, 2016. Through the second quarter of the current fiscal year and continuing until its receipt of state education aid in January 2016, the School District delayed vendor payments, deferred certain purchases and projects and delayed making payments to charter schools. The School District also temporarily suspended certain non-mandated programs such as adult-learning and after-school programs. Upon receiving state education aid in January 2016, the School District released payments to charter schools and vendors. The School District has subsequently restored suspended programs and is currently estimating that it will end the current fiscal year with a modest General Fund surplus and ending balance in excess of \$5 million.

Delays in the Commonwealth budget process in future years may impact the School District's cash flow with potentially related materially adverse effects upon the School District's finances and operations. Moreover, there is no assurance that once enacted, the Commonwealth budget in any fiscal year will appropriate amounts equal to those estimated in the School District's budget for the related year.

BOND INSURANCE

The Bonds may or may not be issued with bond insurance and the decision whether to use bond insurance on all or a portion of the Bonds will be subject to market conditions at the time of pricing of the Bonds.

BOND INSURANCE RISK FACTORS

The School District has applied for a bond insurance policy (the "Policy") to guarantee the scheduled payment of principal and interest on the Bonds. The School District has yet to determine whether a Policy will be purchased with the Bonds. If a Policy is purchased, the following are risk factors relating to bond insurance.

In the event of a default in the payment of principal or interest with respect to the Bonds when any such payment becomes due, any owner of the Bonds will have a claim under the Policy for such payment. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or resulting from any default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, any payments to be made pursuant to the Policy will be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. In addition, the Policy does not insure the payment of any redemption premium. To the extent that any payment of principal and interest by the School District in connection with a mandatory or optional prepayment of the Bonds is recovered by the School District from any owner of the Bonds as a voidable preference under applicable bankruptcy law, such payments are covered by the Policy. However, such payments will be made by the bond insurer at such times and in such amounts as such payments would have been due had there been no such prepayment by the School District, unless the bond insurer chooses to pay such amounts at an earlier date.

Under most circumstances, any default in the payment of principal and interest does not accelerate the obligations of the bond insurer without its consent. The bond insurer may direct, and must consent to, any remedies that the Paying Agent exercises following such a default and the bond insurer's consent may be required in connection with amendments to the Resolution in those circumstances.

In the event that the bond insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The insured long-term ratings on the Bonds are dependent on the financial strength of the bond insurer and its claims paying ability. The bond insurer's financial strength and claims paying ability are predicated upon a number of factors that could change over time. No assurance is given that the long-term ratings of the bond insurer and, therefore, the ratings on the Bonds insured will not be subject to downgrade, and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See "**BOND RATINGS**" herein.

The obligations of the bond insurer under the Policy are general obligations of the bond insurer and, upon an event of default by the bond insurer, the remedies available to the Paying Agent may be limited by applicable bankruptcy law or other similar laws related to the insolvency of entities like the bond insurer.

Neither the School District nor the Underwriter has made an independent investigation into the claims paying ability of the bond insurer and no assurance or representation regarding the financial strength or projected financial strength of the bond insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the School District to pay principal of and interest on the Bonds and the claims paying ability of the bond insurer, particularly over the life of their investment. See “**BOND INSURANCE**” herein for further information provided by the bond insurer with respect to itself and the Policy, which includes further instructions for obtaining current financial information concerning the bond insurer.

NORRISTOWN AREA SCHOOL DISTRICT (Montgomery County, Pennsylvania)

Description

Norristown Area School District encompasses several communities in central Montgomery County and covers an area of approximately 15.3 square miles. The School District’s boundaries are coterminous with those of the Municipality of Norristown and the Townships of East Norriton and West Norriton. The Municipality of Norristown, located in the geographic center of the School District and county seat of Montgomery County, is approximately 15 miles north of metropolitan Philadelphia and 2 miles east of King of Prussia and Valley Forge. Many unincorporated communities are located within the School District and these include: Trooper and Jeffersonville in West Norriton Township and Penn Square in East Norriton Township.

Organization and Central Administration

The School District is a second class school district (school districts within the Commonwealth are classified as first, first A, second, third and fourth class according to population) and operates under and pursuant to the School Code, as amended and supplemented. The School District is governed by a nine-member Board of School Directors (the “School Board”), comprised of residents of the School District who are elected on a staggered basis for four-year terms of office. The daily operations and management of the School District are performed by a central administrative staff which is led by the Superintendent and the Chief Financial Officer, who are appointed by the School Board.

School Building Facilities

The following table depicts the component element of the existing physical plant of the School District.

	<u>Original Construction</u>	<u>Most Recent Renovation</u>	<u>Grades Housed</u>	<u>Pupil Capacity</u>	<u>Current Enrollment ⁽¹⁾</u>
<u>Elementary:</u>					
Cole Manor	1956	2006	K-4	486	469
Paul V. Fly	1970	2016	K-4	746	564
Joseph K. Gotwals	1967	2011	K-4	484	419
W. S. Hancock	1962	2006	K-4	576	390
Marshall Street	1957	2006	Pre-K-4	738	695
Whitehall	1992	2012	K-4	678	543
Musselman Learning Center	1956	2014	K	324	279
Total Elementary				4,032	3,359
<u>Secondary:</u>					
East Norriton Middle	1961	2006	5-8	976	928
T. J. Stewart Middle	1925	2013	5-8	814	550
A. D. Eisenhower	1937	2013	5-8	832	571
Norristown Area High School	1973	2011	9-12	2,266	1,710
Roosevelt Campus of Norristown Area High School	1914	2015	9-12	454	108
Total Secondary				5,342	3,867
Total School District				9,374	7,226 ⁽²⁾

SOURCE: School District Administrative Officials

(1) As of October 31, 2015.

(2) Enrollment numbers do not include special education pupils enrolled in outside programs or students enrolled in charter schools.

Enrollment Trends

The following tables show the historical and projected enrollment trends for the School District.

Actual Enrollments

<u>School Year Ending June 30,</u>	<u>Total</u>
2012	6,967
2013	7,064
2014	7,102
2015	7,078
2016 ⁽¹⁾	7,226

Projected Enrollments

<u>School Year Ending June 30,</u>	<u>Total</u>
2017	7,374
2018	7,487
2019	7,620
2020	7,704
2021	7,803

SOURCE: School District Officials.

(1) As of October 31, 2015.

Charter Schools

There are no charter schools currently located within the School District. However, one brick and mortar charter school is located within a neighboring school district which serves as an option for residents of the School District. In total, the School District is responsible for approximately 475 students enrolled in this charter school and cyber charters. The annual cost including tuition and transportation is approximately \$7 million. The School District does not anticipate a significant increase in charter school enrollment or expenses for the 2016-2017 fiscal year.

Student Transportation

The School District operates a very small in-house fleet (15 vehicles) for student transportation. The majority of the School District's student transportation is provided by one national contracted carrier (71 vehicles). The School District also contracts with several smaller contractors for some very specialized student transportation needs (wheelchair vehicles, etc.).

SOURCE: School District Administrative Officials.

Employment and Employee Relations

The teachers, nurses and guidance counselors of the School District are represented by the Education Association of Norristown ("EANA") which is part of the Pennsylvania State Education Association. The EANA currently represents approximately 575 full time professionals. The present contract expired on August 31, 2015; negotiations remain on-going and the School District expects a new contract should be reached in the near future.

The maintenance, drivers, clerical personnel and aides are all represented by EANA under a separate support contract. The current support contract expires on June 30, 2016. Negotiations are currently underway.

The School District characterizes its labor relations as amicable and there is no history of work stoppages.

SOURCE: School District Administrative Officials.

Pension Program

Currently, all Pennsylvania school districts and intermediate units participate in a pension program administrated by the Commonwealth. The program is formally known as the Public School Employees' Retirement System ("PSERS"), and a percentage of each eligible employee's salary is contributed by the employee, the School District and the Commonwealth. All full-time employees, part-time employees salaried over eighty days per year and hourly employees with over five hundred hours per year participate in the program.

Previously, the amount of salary contributions was fixed for the employee at 5.25% if hired prior to July 22, 1983; the rate for employees hired on or after July 22, 1983, was fixed at the rate of 6.25%. With the passage of Act 9 of 2001, these contribution rates were raised to 6.5% and 7.5%, respectively, unless an employee chose not to change his/her benefit class, up to June 30, 2011. Employees who joined PSERS after July 1, 2011 may choose between two classes of membership in PSERS and, therefore, two different base contribution rates. The base rate for members selecting class T-E is 7.5% and the base rate for selecting class T-F is 10.3%. For the fiscal year ended June 30, 2015, the School District contributed 21.40% (25.84% for the fiscal year ending June 30, 2016) of the wages and salaries of all employees to the Public School Employees' Retirement System; the Commonwealth will, in turn, reimburse the School District at the rate of 50% of its total contributions with respect to all employees who were hired prior to July 1, 1994. With respect to employees hired after July 1, 1994, and who were not previously employed by another public school system in the Commonwealth, the School District will be reimbursed by the Commonwealth at the rate of the higher of 50% of contributions made by the School District or the current Market Value Aid Ratio (currently 41.19%). The School District will be reimbursed on a quarterly basis by the Commonwealth.

Recent approximate School District payments have been as follows (prior to Commonwealth reimbursement):

2010-11	\$3,419,549
2011-12	5,060,899
2012-13	7,239,476
2013-14	10,551,465
2014-15	12,825,000
2015-16	16,500,000 (est.)
2016-17	19,300,000 (est.)

SOURCE: School District Audited Financial Statements.

The School District is current in all payments.

For fiscal year ending June 30, 2015, the School District implemented Governmental Accounting Standards Board Statement No. 68 which requires the School District to report its proportionate share of approximately \$195,647,000 of the net pension liability of PSERS. 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 PSERS 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 School District'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 0.4943%, which was an increase of 0.0318% from its proportion measured as of June 30, 2013.

The Pennsylvania Department of Education uses its actuarial valuations to project future increases in pension obligations – as a percentage of payroll, for school districts including the School District. Below is the current percentage as well as the percentages for the past two fiscal years, and a projection for the following three fiscal years.

<u>Fiscal Year</u>	<u>Percentage of Payroll</u>
2014	16.93%
2015	21.40%
2016	25.84%
2017	29.69%
2018	30.62%
2019	31.56%

As of June 30, 2014, the PSERS plan was 62.0% funded on an actuarial basis (approximately 57.4% on a market basis of plan assets), with an unfunded actuarial accrued liability of approximately \$35,121,200,000. For more information, visit the PSERS website at <http://www.psers.state.pa.us>, which is not incorporated by specific reference into this Official Statement.

SOURCE: School District Administrative Officials, PSERS – Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2015.

Legislative Events Regarding School District Pension Contributions

On November 23, 2010, the Governor of Pennsylvania signed H.B. 2497 into law. The bill is known as Act 120 of 2010 or the Pension Reform Bill ("Act 120"). Among other things, Act 120 uses pension rate collars to moderate the rise of annual employer pension contribution rates. The final year that the collars are effective is fiscal year 2015-2016. For example, the percentage of payroll, based on the June 30, 2012 actuarial valuation that should have been payable by all employers for fiscal year 2013-2014 was 24.75%. However, Act 120 limited the contribution to 16.93% for fiscal year 2014, which has had the effect of further eroding the funded ratio of the PSERS plan.

Act 120 includes a series of actuarial and funding changes to PSERS and benefit reductions for individuals who became new members of PSERS on or after July 1, 2011. Act 120 will NOT impact the pension benefits of employees hired prior to July 1, 2011 or retired PSERS members. On and after July 1, 2011, there are two new classes of PSERS Members: Class T-E and T-F. The benefit multiplier for Class T-E is 2% per year of credited service; for Class T-F it is 2.5%. All new members will automatically become Class T-E members. New members however, will have a one-time opportunity to elect Class T-F. Once the election is made either by action or inaction, the election is permanent. The employee contribution base rate for Class T-E is 7.5% (base rate) with "shared risk" contribution levels between

7.5% and 9.5%; for Class T-F, the employee contribution base rate is 10.3% (base rate) with “shared risk” contribution levels between 10.3% and 12.3%.

“Shared risk” means the employer and any employee hired after July 1, 2011 are jointly responsible for any investment losses in the future. There would be no increase to the employee contribution rate where there has not been an equivalent increase in the employer contribution rate. Likewise there would be no increase to the employee contribution rate if the system is funded at 100% or more. The member contribution rate will stay within the specified range allotted for Class T-E or T-F, but could increase or decrease every three years starting July 1, 2015, depending on the investment performance of PSERS. Beginning with the annual actuarial valuation performed for the period ending June 30, 2014 and every three years thereafter, a comparison of the actual investment rate of return to the assumed rate of return for the previous 10-year period will be made. If the actual rate of return is less than the assumed rate (for PSERS, the assumed rate of return is 8% annually) by 1% or more, the employee contribution rate will increase by ½% per year, up to a maximum increase of 2%. If the actual rate is equal to or more than the assumed rate, the total membership contribution rate will decrease by ½%. New hires will contribute at the rate in effect when they are hired. Act 120 prohibits the use of pension obligation bonds by the Commonwealth.

New members’ benefits have been reduced as follows: employees cannot withdraw contributions and interest in a lump sum when retiring (the lump sum option currently permits retiring employees to withdraw all of their contributions upon retirement, and still receive a monthly benefit for the remainder of their life); the vesting period is increased from 5 to 10 years; for normal retirement, employees must work until age 65 with a minimum of 3 years of service, or attain a total combination of age and service that is equal to or greater than 92, with a minimum of 35 years of service; the pension benefit cannot exceed the employee’s final average salary; the cost to purchase most types of nonschool or nonstate service credit (other than intervening military service) will be the full actuarial cost of the service.

Please refer to the PSERS website, www.psers.state.pa.us, for additional information, which is not incorporated by specific reference into this Official Statement.

SOURCE: School District Administrative Officials and PSERS – Financial Highlights and www.pa.gov.

Other Post-Employment Benefits (“OPEB”)

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

The School District currently contributes enough money to the plan to satisfy obligations on a pay-as-you-go basis.

The School District’s annual OPEB cost 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 the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a closed period not to exceed 30 years. The annual required contribution at June 30, 2015 was \$994,713. The School District contributed \$1,185,436 for current premiums during fiscal year 2015. The remaining net OPEB obligation at the end of fiscal year 2015 was \$200,542. The annual required contribution at June 30, 2016 is \$994,713. The School District will have contributed \$680,296 by the end of fiscal year 2016. The remaining net OPEB obligation at the end of fiscal year 2016 is expected to be \$498,639.

The Actuarial Accrued Liability (“AAL”) for the district at July 1, 2014, the date of the last actuarial valuation, was \$5,613,085. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Healthcare cost trend assumptions are based on recent experience and anticipated future cost increases under the School District’s medical plans. Amounts determined regarding the funded status 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.

SOURCE: School District Audited Financial Statements.

FINANCIAL SUMMARIES

Annual Budget Development Process of Pennsylvania School Districts Under Act 1

In General

School districts budget and expend funds according to procedures mandated by the Pennsylvania Department of Education (“PDE”). An annual operating budget is prepared by school district administrative officials on a uniform form furnished by such Department and submitted to the board of school directors for approval prior to the beginning of the fiscal year on July 1.

Procedures for Adoption of the Annual Budget

Under Act 1, as hereinafter defined, all school districts of the first class A, second class, third class and fourth class (except as described below) must adopt a preliminary budget proposal (which must include estimated revenues and expenditures and proposed tax rates) no later than 90 days prior to the date of the election immediately preceding the fiscal year. The preliminary budget proposal must be printed and made available for public inspection at least 20 days prior to its adoption; the board of school directors may hold a public hearing on the budget; and the board must give at least 10 days’ public notice of its intent to adopt the final budget.

If the adopted preliminary budget includes an increase in the rate of any tax levy, the preliminary budget must be submitted to the PDE no later than 85 days prior to the date of the election immediately preceding the fiscal year. PDE is to compare the proposed percentage increase in the rate of any tax with the school district’s Index (as defined herein) and within 10 days, but not later than 75 days prior to the upcoming election, inform the School District whether the proposed percentage increase is less than or equal to the Index. If PDE determines that a proposed tax increase will exceed the Index, the school district must reduce the proposed tax increase, seek voter approval for the tax increase at the upcoming election, or seek approval to utilize one of the referendum exceptions authorized under the Taxpayer Relief Act (as defined herein).

With the respect to the utilization of any of the Taxpayer Relief Act referendum exceptions for which PDE approval is required (see “**The Taxpayer Relief Act (Act 1) as Amended**” herein), the school district must publish notice of its intent to seek PDE approval not less than one week before submitting its request for approval to PDE and, if PDE determines to schedule a public hearing on the request, a notice of the date, time and place of such hearing. PDE is required by the Taxpayer Relief Act to rule on the school district’s request and inform the school district of its decision no later than 55 days prior to the upcoming election so that, if PDE denies the school district’s request, the school district may submit a referendum question to the local election officials at least 50 days before the upcoming election, if it so chooses.

If a school district seeks voter approval to increase taxes at a rate higher than the applicable Index, whether or not it first seeks approval to utilize one of the referendum exceptions available under the Taxpayer Relief Act, and the referendum question is not approved by a majority of the voters voting on the question, the board of school directors may not approve an increase in the tax rate greater than the applicable Index.

Simplified Procedures in Certain Cases

The above budgetary procedures will not apply to a school district if the board of school directors adopts a resolution no later than 110 days prior to the election immediately preceding the upcoming fiscal year declaring that it will not increase any tax at a rate that exceeds the Index and that a tax increase at or below the rate of the Index will be sufficient to balance its budget. In that case, the Taxpayer Relief Act requires only that the proposed annual budget be prepared at least 30 days, and made available for public inspection at least 20 days, prior to its adoption, and that at least ten (10) days’ public notice be given of the school board’s intent to adopt the annual budget. No referendum exceptions are available to a school district adopting such a resolution.

Basis of Presentation - Fund Accounting

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

The major fund types and the specific funds which are included within each of these major fund types are as follows: Governmental (General, Capital Projects and Special Revenue Fund); Proprietary (Food Service Fund); and Fiduciary (Agency Funds). In addition to the major fund types, two Account Groups are maintained for the purpose of measuring financial position and are **not** involved with the measurement of results of operations. These two Account Groups include General Fixed Assets and General Long-Term Debt.

Basis of Accounting

The modified accrual basis of accounting is used by all governmental fund types, expendable trust funds and agency funds of the School District. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. The Proprietary Fund is accounted for using the accrual basis of accounting. Its revenues are recognized when they are earned and expenses are recognized when they are incurred.

The firm of Maillie LLP of Oaks, Pennsylvania, currently serves as the School District's auditor and has not undertaken any requested procedures in connection with the offering of the Bonds and this Official Statement.

Investment Policy

The School Code authorizes the School District to invest in U.S. Treasury bills, short-term obligations of the U.S. Government or its agencies or instrumentalities, deposits in savings accounts, or time deposits or share accounts of institutions insured by the FDIC; obligations of the United States or any of its agencies or instrumentalities backed by the full faith and credit of the United States and the Commonwealth of Pennsylvania.

Summary of Revenues and Expenditures

Approximately 73% of the total revenues received by the School District in the 2014-2015 school year were derived from local revenue sources, which consist primarily of property taxes and other local taxes. The state sources of revenue account for approximately 22% of total revenues while federal sources account for approximately 5%.

NORRISTOWN AREA SCHOOL DISTRICT SUMMARY OF GENERAL FUND REVENUES AND EXPENDITURES For Fiscal Years Ending June 30

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Revenue					
Local Sources	\$86,450,074	\$87,748,293	\$91,407,629	\$98,942,037	\$97,982,347
State Sources	25,267,795	24,823,353	26,241,828	27,910,931	29,841,329
Federal Sources	11,686,153	9,214,031	7,865,720	6,738,055	6,987,899
Other	<u>1,412,257</u>	<u>2,141,673</u>	<u>--</u>	<u>--</u>	<u>--</u>
TOTAL REVENUE	<u>\$124,816,279</u>	<u>\$123,927,350</u>	<u>\$125,515,177</u>	<u>\$133,591,023</u>	<u>\$134,811,575</u>
Expenditures					
Instruction	\$78,023,212	\$79,250,624	\$77,799,543	\$82,823,747	\$87,221,128
Support Services	36,784,948	37,310,589	38,903,110	44,528,519	43,049,316
Noninstructional Services	1,832,129	1,680,258	1,577,645	1,516,921	1,676,275
Debt Service, principal, interest and Costs ⁽¹⁾	5,124,635	5,560,817	5,623,873	6,306,289	6,526,238
TOTAL EXPENDITURES	<u>\$121,764,924</u>	<u>\$123,802,588</u>	<u>\$123,904,171</u>	<u>\$135,175,476</u>	<u>\$138,472,957</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,051,355</u>	<u>124,762</u>	<u>1,611,006</u>	<u>(1,584,453)</u>	<u>(3,661,382)</u>
Other Financing Sources and (Uses):					
Interfund Transfers	--	--	--	--	<u>(50,000)</u>
TOTAL OTHER FINANCING SOURCES AND (USES)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(50,000)</u>
Net Change in Fund Balance	3,051,355	124,762	1,611,006	(1,584,453)	(3,711,382)
Fund Balance – Beginning of Year	<u>5,761,610</u>	<u>8,812,965</u>	<u>8,937,727</u>	<u>10,548,733</u>	<u>8,964,280</u>
Fund Balance – End of Year	<u>\$8,812,965</u>	<u>\$8,937,727</u>	<u>\$10,548,733</u>	<u>\$8,964,280</u>	<u>\$5,252,898</u>

SOURCE: School District Annual Financial Reports, Pennsylvania Department of Education Form 2057 and School District Officials.

(1) Excludes payments relating to the 2012 COPS and 2015 Lease (hereinafter defined) for which payments are paid from an operating line item. These payments are reflected above in the "Support Services" expense category.

General Fund Operating Deficit

The School District's General Fund has operated under a deficit for fiscal years 2013-2014 and 2014-2015. In fiscal year 2013-2014, the School District attributes the drawdown of fund balance to renovation projects at the Musselman Learning Center facility. This project was funded with operating dollars and was expected to impact spending in multiple fiscal years with project expenses spread out over such period of time. However, the project construction schedule was accelerated and thus more expenses were incurred in fiscal year 2013-2014 than were originally anticipated. The deficit for fiscal year 2014-2015 was a planned drawdown by the School Board through the approval of the 2014-2015 School District Budget. The School District does not anticipate a decline in General Fund balance to continue given current projections for fiscal year 2015-2016 and beyond.

**NORRISTOWN AREA SCHOOL DISTRICT
SUMMARY OF GENERAL FUND BUDGET
For Fiscal Year Ending June 30,**

	<u>2016</u>
Revenue	
Local Sources	\$99,772,197
State Sources	30,974,672
Federal Sources	<u>6,598,000</u>
TOTAL REVENUE	<u>\$137,344,869</u>
Expenditures	
Current:	
Instruction	\$89,561,500
Support Services	44,343,000
Noninstructional Services	1,909,850
Debt Service	<u>6,556,000</u>
TOTAL EXPENDITURES	<u>\$142,370,350</u>

SOURCE: School District Annual Budget Report

The School District's adopted fiscal year 2015-2016 General Fund Budget included use of fund balance. However, current projections indicate a slight surplus is anticipated at June 30, 2016 due to a larger than expected increase in State funding revenue sources. Please refer to **"SECURITY FOR THE BONDS – Commonwealth of Pennsylvania Budget"** herein.

SCHOOL DISTRICT INDEBTEDNESS⁽¹⁾

Schedule of Direct and Overlapping Debt and Debt Ratios

Shown below is a summary of the School District's outstanding debt (including issuance of the Bonds, and the planned refunding of the 2006 Bonds):

	<u>Gross</u>	<u>Market Value Aid Ratio⁽²⁾</u>	<u>Project Reimburs.⁽³⁾</u>	<u>Local Share</u>
Nonelectoral Debt				
General Obligation Bonds, Series 2016	\$41,925,000*	.4119	.1656	\$39,065,269*
General Obligation Note, Series 2014	2,061,158	.4119	0.00	2,061,158
General Obligation Note, Series 2010 ⁽⁴⁾	13,371,429	.4119	0.00	13,371,429
General Obligation Bonds, Series 2004	<u>3,215,000</u>	.4119	0.00	<u>3,215,000</u>
TOTAL DIRECT DEBT	\$60,572,587			\$57,712,856
Overlapping Debt ⁽⁵⁾				
Municipality of Norristown ⁽⁶⁾	\$16,255,822			\$16,255,822
East Norriton Township ⁽⁶⁾	1,990,625			1,990,625
West Norriton Township ⁽⁶⁾	12,624,031			12,624,031
Montgomery County ⁽⁷⁾	<u>21,055,673</u>			<u>21,055,673</u>
TOTAL OVERLAPPING DEBT	<u>\$51,926,151</u>			<u>\$51,926,151</u>
TOTAL DIRECT AND OVERLAPPING DEBT	\$112,498,738			\$109,639,007

(1) Discussion of the School District's indebtedness does not include its 2012 COPs or the 2015 Lease (both as defined herein) which do not constitute debt of the School District under the Act. See "Other Obligations of the School District" herein.

(2) Please refer to **"SECURITY FOR THE BONDS – Commonwealth Aid to School Districts"** herein for a more detailed explanation of Market Value Aid Ratio.

(3) The School District is presently owed approximately \$300,000 in PlanCon reimbursement by the Commonwealth of Pennsylvania through the end of the School District's fiscal year ending June 30, 2016.

(4) Related to the State Public School Building Authority's Federally Taxable Revenue Bonds, Series A of 2010 (Qualified School Construction Bonds – Direct Subsidy).

(5) SOURCE: Pennsylvania Department of Community and Economic Development.

(6) 100% Overlapping. As of April 1, 2016.

(7) 4.71% overlapping. Pro-rata share of the total outstanding debt of Montgomery County as of April 1, 2016, determined by dividing the assessed value of the School District by the assessed value of the County and multiplying that ratio by the total outstanding debt of the County.

* Preliminary, subject to change

Debt Ratio Calculations (including issuance of the Bonds and the planned refunding of the 2006 Bonds)

	<u>Gross Outstanding *</u>	<u>Local Share *</u>
Net Direct Debt Per Capita	\$953	\$908
Net Direct Debt to Market Value	1.48%	1.41%
Net Direct and Overlapping Debt Per Capita	\$1,769	\$1,725
Net Direct and Overlapping Debt to Market Value	2.74%	2.67%
Population (2010 census)	63,577	
Current Market Value (2014-15)	\$4,105,033,952	

* Preliminary, subject to change.

Other Obligations of the School District

The School District's Tax-Exempt Installment Purchase Certificates of Participation Series of 2012 (the "2012 COPs") and 2015 capital lease (the "2015 Lease") are currently outstanding in the principal amounts shown in the table below. The School District is under no obligation to appropriate funds to pay debt service on the 2012 COPs and the 2015 Lease and has not pledged its full faith, credit and taxing power to such obligations. **The 2012 COPs and the 2015 Lease do not constitute indebtedness of the School District under the Act.**

Other Obligations of the School District	Gross Outstanding	Market Value Aid Ratio	Project Reimburs.	Local Share
Tax-Exempt Installment Purchase Certificates of Participation Series of 2012	\$21,605,000	.4119	0.00	\$21,605,000
2015 Capital Lease	<u>9,148,710</u>	.4119	0.00	<u>9,148,710</u>
TOTAL OTHER OBLIGATIONS OF THE SCHOOL DISTRICT	\$30,753,710			\$30,753,710

Future Financing

The School District does not currently anticipate the issuance of new long-term debt for new capital projects within the next five years (or the issuance of additional certificates of participation). The School District will consider refunding current issues if market conditions are appropriate.

Tax Anticipation Borrowing

The School District has not issued Tax and Revenue Anticipation Notes in any of the current or past five fiscal years and does not anticipate doing so for fiscal year 2016-17.

DEBT LIMITS AND REMAINING BORROWING CAPACITY OF THE SCHOOL DISTRICT⁽¹⁾

Borrowing Capacity

The borrowing capacity of the School District is calculated in accordance with provisions of the Act, which describes the applicable debt limits for local government units, including school districts and municipalities. Under the Act, the School District may incur electoral debt, which is debt approved by a majority of the School District's voters at either a general or special election, in an unlimited amount. Combined net nonelectoral debt and net lease rental debt (debt represented by capital leases and other forms of agreement evidencing the acquisition of a capital asset) incurred on behalf of the School District may not exceed 225% of the School District's "Borrowing Base". The Borrowing Base is calculated as the annual arithmetic average of Total Revenues (as defined in the Act), less any deductions or exceptions (as specified in the Act), for the three full fiscal years next preceding the date of incurring debt.

The current Borrowing Base of the School District is shown herein, and the current schedule of existing electoral, nonelectoral and lease rental debt is shown herein under the heading **"SCHOOL DISTRICT INDEBTEDNESS – Direct and Overlapping Debt and Debt Ratios"**. The section "Debt Limits and Remaining Borrowing Capacity of the School District" reflects the resulting maximum levels of nonelectoral and lease rental debt which the School District will be permitted to incur after the issuance and sale of the Bonds and the planned refunding of the 2006 Bonds.

(1) Discussion of the School District's indebtedness does not include its 2012 COPs or the 2015 Lease (both as defined herein) which do not constitute debt of the School District under the Act. See "Other Obligations of the School District" herein.

	Fiscal Year Ended June 30		
	<u>2013</u>	<u>2014</u>	<u>2015</u>
Gross Revenues	\$125,515,177	\$133,591,023	\$134,811,575
Less: Statutory Deductions			
a. Subsidy Rental and Sinking Fund Payments	0	0	0
b. Revenues Pledged for Self-Liquidating Debt	0	0	0
c. Interest on Sinking Funds	0	0	0
d. Grants and Gifts for Special Federally Funded Projects	0	0	0
e. Disposition of Assets and Nonrecurring Items	<u>0</u>	<u>0</u>	<u>0</u>
Total Deductions	0	0	0
Total Revenues	\$125,515,177	\$133,591,023	\$134,811,575
Total Revenues for Three Years			\$393,917,775
Borrowing Base-Average Total Revenues for Three Year Period			\$131,305,925

Remaining Borrowing Capacity (Under the Local Government Unit Debt Act – see “**SCHEDULE OF DIRECT AND OVERLAPPING DEBT AND DEBT RATIOS**” herein)

Debt Limit – 225% of Borrowing Base	\$295,438,331
Less: Outstanding Net Lease Rental Debt and Net Non-Electoral Debt	<u>\$60,527,587^{(1)*}</u>
Remaining Borrowing Capacity	\$234,910,744

(1) Discussion of the School District’s indebtedness does not include its 2012 COPs or the 2015 Lease (both as defined herein) which do not constitute debt of the School District under the Act. See “Other Obligations of the School District” herein. Including the issuance of the Bonds and the planned refunding of the 2006 Bonds.

*Preliminary, subject to change.

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SCHOOL DISTRICT DEBT SERVICE REQUIREMENTS*

The following table presents the debt service requirements on the School District's outstanding general obligation indebtedness and Other Obligations of the School District including debt service on the Bonds.

Year	Outstanding General Obligation Debt ⁽¹⁾	Series of 2016			Total General Obligation Requirements	Other Obligations ⁽²⁾	Total Requirements
		Principal	Interest	Subtotal			
2016-17	\$3,303,626	\$	\$	\$	\$	\$2,685,854	\$
2017-18	3,303,353					2,679,042	
2018-19	2,177,978					2,688,842	
2019-20	1,065,853					2,689,967	
2020-21	1,065,853					2,692,142	
2021-22	1,065,853					2,690,092	
2022-23	1,065,853					2,694,054	
2023-24	1,065,853					2,688,367	
2024-25	1,065,853					2,690,317	
2025-26	1,065,853					2,689,567	
2026-27	1,065,853					2,691,117	
2027-28	1,052,593					2,692,742	
2028-29	0					2,695,242	
2029-30	0					2,693,742	
2030-31	0					1,929,625	
2031-32	0					1,930,000	
2032-33	0					0	
2033-34	0					0	
TOTAL	\$18,364,378	\$	\$	\$	\$	\$41,520,709	\$

*Preliminary, subject to change. Totals may not add due to rounding.

(1) Net of estimated Federal Subsidy related to the State Public School Building Authority's Federally Taxable Revenue Bonds, Series A of 2010 (Qualified School Construction Bonds – Direct Subsidy). Does not include debt service on the 2006 Bonds.

(2) Includes the 2012 COPs and 2015 Lease which do not constitute debt of the School District under the Act. See "Other Obligations of the School District" herein.

Coverage of Future Debt Service Requirements by State Appropriations

2015-16 Budgeted Commonwealth Appropriations	\$30,974,672
2015-16 Estimated Debt Service Requirements ⁽¹⁾	\$5,334,644
Maximum Future Annual Estimated Debt Service Requirements ⁽¹⁾⁽²⁾	\$5,261,528*
Coverage Ratio (2015-16)	5.8X
Coverage Ratio (Maximum Future Annual)	5.9X*

(1) Excludes the 2012 COPs and 2015 Lease not deemed to be debt under the Act and in accordance with PDE accounting guidelines.

(2) Excludes debt service on the 2006 Bonds. Includes estimated debt service on the Bonds.

* Preliminary, subject to change.

TAXES AND TAXING POWERS OF THE SCHOOL DISTRICT

General

The School District is empowered to impose the following taxes under the School Code:

1. An annual tax on all taxable real estate, not to exceed 25 mills on each dollar of assessed valuation, to be used for general school purposes.

2. An annual tax on all taxable real estate without limit to provide for the payment of:

- (a) Salaries and increments of the teaching and supervisory staff;
- (b) Rentals due any municipal authority, non-profit corporation or the State Public School Building Authority;
- (c) Interest and Principal on any indebtedness incurred under the Act or any prior or subsequent act governing the incurrence of indebtedness of the School District (see "LEGISLATION AFFECTING LOCAL TAXING POWERS AND AUTHORIZED DEBT LIMITS OF SCHOOL DISTRICTS – The Taxpayer Relief Act (Act 1), as Amended" with respect to limitations on this power); and
- (d) The amortization of a bond issue which financed the construction of school facilities if issued prior to the first Monday of July, 1959.

3. An annual per capita tax on each resident over eighteen years of age of not more than \$5.00.

The School District may also levy under The Local Tax Enabling Act, Act No. 511, approved December 31, 1965, as amended (the "Tax Enabling Act"), an additional per capita tax, wage taxes, and other taxes as provided for therein; provided, however, that the aggregate amount of taxes imposed under the Tax Enabling Act may not exceed 1.25% of the market valuation of the real estate in the School District as determined by the State Tax Equalization Board, and subject to certain other limitations.

These taxes are also subject to apportionment between overlapping municipalities and the School District where such municipalities exercise the right of such apportionment.

The foregoing is subject to Act 1 as described herein.

Tax Levy Trends

The following table shows the recent trend of tax rates levied by the School District.

<u>Year</u>	<u>Real Estate Tax (mills)</u>	<u>Per Capita</u>	<u>Earned Income (%)</u>	<u>Real Estate Transfer (%)</u>
2010-11	29.637	\$5.00	0.500	0.500
2011-12	30.288	\$5.00	0.500	0.500
2012-13	30.912	\$5.00	0.500	0.500
2013-14	31.744	\$5.00	0.500	0.500
2014-15	32.572	\$5.00	0.500	0.500
2015-16	33.179	\$5.00	0.500	0.500

The School District anticipates an approximate 3% increase in Real Estate Tax for fiscal year 2016-2017. Other taxes levied by the School District are expected to remain unchanged.

SOURCE: School District Officials.

Current Tax Structure – Fiscal Year 2015-16

	Real Estate (mills)	Mercantile/ Business Privilege (mills)	Real Estate Transfer (%)	Local Services Tax (\$)⁽¹⁾	Per Capita (\$)	Earned Income (%)	Amusement Tax (%)
School District	33.179	0.000	0.500	0.00	5.00	0.500	0.000
Municipality of Norristown ⁽¹⁾	12.700	1.000	0.500	52.00	5.00	1.600	0.000
East Norriton Township	2.727	1.500 ⁽²⁾	0.500	52.00	0.00	0.500	10.00
West Norriton Township ⁽³⁾	4.475	0.000	0.500	52.00	5.00	0.500	0.000
Montgomery County	3.459	--	--	--	--	--	--

SOURCE: Pennsylvania Department of Community and Economic Development

- (1) Previously levied as Emergency and Municipal Services Tax.
- (2) Municipality of Norristown Mechanical Devices Tax of \$100 not shown.
- (3) 1.5 mills of retail sales; 1 mill for wholesale sales.
- (4) West Norriton Township Mechanical Devices Tax of \$225 not shown.

Real Estate Tax Collection Data

<u>Year</u>	<u>Assessed Valuation</u>	<u>Millage</u>	<u>Current Levy</u>	<u>Current Collections</u>	<u>Current Collections as a % of Levy</u>	<u>Total Collections</u>	<u>Total Collections as a % of Levy</u>
2010-11	2,698,836,136	29.637	79,850,349	75,313,309	94.32%	79,752,608	99.88%
2011-12	2,705,995,064	30.288	81,926,747	76,702,457	93.62%	81,767,000	99.81%
2012-13	2,716,565,780	30.912	83,605,839	78,346,857	93.71%	83,335,064	99.68%
2013-14	2,729,041,770	31.744	86,578,851	82,244,396	94.99%	85,519,544	98.78%
2014-15	2,724,437,055	32.572	88,740,363	84,235,315	94.92%	85,935,421	96.84%
2015-16 ⁽¹⁾	2,822,646,094	33.179	93,652,575	89,619,383	95.69%	In Collection	In Collection

SOURCE: School District Officials.

(1) Unaudited. As of April 6, 2016

Tax Revenues

Of the School District's total general fund receipts (excluding other financing sources) for the fiscal year ended June 30, 2015, approximately 73% were derived from current and delinquent tax collections, consisting of real estate, income and other taxes detailed above. Current real estate tax collections account for approximately 62% of total general fund receipts (excluding other financing sources) for the fiscal year ended June 30, 2015.

Ten Largest Real Property Taxpayers

The ten largest real property taxpayers, together with their current assessed values, are shown below:

<u>Taxpayer</u>	<u>Type of Property</u>	<u>Assessed Value (2015)</u>
Riverview Landing LLC	Commercial/Apartments	\$27,312,500
Riverview Residential Partners II	Commercial/Apartments	27,237,600
SPUS7 Regatta LP	Commercial/Apartments	15,413,920
Timberlake Apartment Association LP	Commercial/Apartments	15,017,100
DelVal Properties Associates	Commercial/Apartments	13,792,320
SHDC Dekalb Investors LP	Commercial/Apartments	12,727,990
Noricom Associates	Commercial/Apartments	12,539,010
BT Curren Terrace LP ⁽¹⁾	Commercial/Apartments	11,924,850
Quest Diagnostics	Commercial/Office Space	11,340,000
Dekalb Apartments LP	Commercial/Apartments	11,107,800
Total		\$158,413,090

The assessed value of the top ten real estate taxpayers is equal to 5.61% of the total 2015 assessed value of taxable property within the School District.

SOURCE: School District Officials

(1) Property appeal settled in February 2016. Assessed Value shown reflects appeal settlement result.

Real Estate Tax Collection Procedures

The School District mails tax notices to taxpayers on or about June 1 of each year. The tax collection process of the School District allows taxpayers remitting in full prior to August 31 each year a 2% discount on their tax obligations. Remittances between September 1 and October 31 are paid at par and taxpayers remitting between November 1 and December 31 pay a 10% penalty. After December 31, all unpaid real estate taxes are turned over to the Montgomery County Tax Claim Bureau for collection and delinquent collections are remitted monthly to the School District.

SOURCE: School District Annual Financial Reports.

LEGISLATION AFFECTING LOCAL TAXING POWERS AND AUTHORIZED DEBT LIMITS OF SCHOOL DISTRICTS

The Taxpayer Relief Act (Act 1), as Amended

Pennsylvania Act No. 1 of the Special Session of 2006 ("Act 1" or the "Taxpayer Relief Act") is intended to provide property tax relief to Pennsylvania homeowners by limiting the taxation of real property by Pennsylvania school districts. Act 1 restricts Pennsylvania school districts from increasing the rate of any tax for school purposes above an index (the "Index") determined by the Department of Education of the Commonwealth (the "Department") unless the school district first obtains voter approval or the school district tax falls

within one of the exceptions set forth in Act 1. On June 30, 2011, Act 1 was amended so that beginning on January 1, 2012, seven (7) of the original eleven (11) exceptions were eliminated. Under the amended version of Act 1, the four (4) categories in which school districts can raise property taxes above the Index without triggering a referendum are as follows; provided that the use of any exception is approved by the Department:

- (1) costs to pay interest and principal on indebtedness incurred prior to September 4, 2004 for Pennsylvania Act 72 of 2004 ("Act 72") schools and the refinancing of such debt, and prior to June 27, 2006 for non-Act 72 schools and the refinancing of such debt;
- (2) costs to pay interest and principal on electoral debt;
- (3) special education expenses; and
- (4) state pension payments.

The increase in the rate of any tax pursuant to the above exceptions must be approved by the Department and must not produce revenue in excess of the anticipated dollar amount of the expenditure for which the exception is allowed. If the Department disapproves the school district's petition or request to increase taxes pursuant to one or more of the allowable exceptions, the school district may submit a referendum question to the voters at the election immediately preceding the start of the school district fiscal year in which the proposed tax increase would take effect. If the referendum is not approved, however, the board of school directors may not approve an increase in the tax rate of more than the Index.

Payments of debt service on the Bonds described in this Official Statement are eligible for exceptions under item (1). Therefore, the debt service on the Bonds is NOT presently subject to the tax rate limitations of Act 1, as amended.

Act 1, as amended, does not affect the School District's covenant under the Act to budget, appropriate and pay debt service on the Bonds and all other outstanding debt of the School District.

THE SUMMARY OF ACT 1, AS AMENDED, IS NOT INTENDED TO BE AN EXHAUSTIVE DISCUSSION OR A LEGAL REPRESENTATION THEREOF, AND A PROSPECTIVE PURCHASER OF THE BONDS SHOULD REVIEW THE FULL TEXT OF ACT 1, AS AMENDED, AS PART OF ANY DECISION TO PURCHASE THE BONDS.

State Law Authorizing Replacement of the School District's Occupation Tax with an Increase in the Local Earned Income Tax

Act 24 of 2001 of the Commonwealth of Pennsylvania, which became law on June 22, 2001, authorizes a Board of School Directors to schedule a public hearing and conduct a ballot referendum on replacing the school district's occupation tax with an increase in the local earned income tax. Currently, school districts in Pennsylvania share a 1.0% tax on the annual amount of residents' wages and other earned income (which excludes unearned or investment income), with the resident municipality. Under Act 24, this tax could be increased by the percentage necessary to generate revenue equal to what was collected during the preceding year on the occupation tax. The occupation tax is a flat amount for all employed individuals, or assessed by various trade, occupation and professional titles, regardless of income. The restructured tax is designed to be revenue neutral to the school district.

The School District has taken no action to implement Act 24.

Legislation Limiting Unreserved Fund Balances

Pennsylvania Act No. 2003-48 (enacted December 23, 2003) prohibits a school district from increasing real property taxes for the school year 2005-2006 or any subsequent school year, unless the school district has adopted a budget for such school year that includes an estimated ending unreserved undesignated fund balance which is not more than a specified percentage of the total budgeted expenditures, as set forth in the following table:

<u>Total Budgeted Expenditures</u>	<u>Estimated Ending Unreserved Undesignated Fund Balance as a Percentage of Total Budgeted Expenditures</u>
Less than or equal to \$11,999,999	12.0%
Between \$12,000,000 and \$12,999,999	11.5%
Between \$13,000,000 and \$13,999,999	11.0%
Between \$14,000,000 and \$14,999,999	10.5%
Between \$15,000,000 and \$15,999,999	10.0%
Between \$16,000,000 and \$16,999,999	9.5%
Between \$17,000,000 and \$17,999,999	9.2%
Between \$18,000,000 and \$18,999,999	8.5%
Greater than or equal to \$19,000,000	8.0%

Act 130 of 2008

Act 130 of 2008 of the Commonwealth amended the Local Tax Enabling Act so as to authorize school districts levying an occupation tax to replace that occupation tax with an increased earned income tax or, if the school district has implemented a personal income tax in accordance with the Taxpayer Relief Act, an increased personal income tax, in a revenue neutral manner. To so replace an occupation tax, the board of school directors must first hold at least one public hearing on the matter and then place binding referendum question on the ballot at a general or municipal election for approval by the voters.

SET FORTH ABOVE IS A SUMMARY OF PORTIONS OF ACT 130 OF 2008. THIS SUMMARY IS NOT INTENDED TO BE AN EXHAUSTIVE DISCUSSION OF THE PROVISIONS OF ACT 130 OF 2008 NOR A LEGAL INTERPRETATION OF ANY PROVISIONS OF ACT 130 OF 2008. A PROSPECTIVE PURCHASER OF THE BONDS SHOULD REVIEW THE FULL TEXT OF ACT 130 OF 2008 AS A PART OF ANY DECISION TO PURCHASE THE BONDS.

THE PAYING AGENT

Pursuant to the provisions of the Resolution, as paying agent and sinking fund depository, the Paying Agent has the limited duty of receiving payments from the School District, depositing such payments in a sinking fund and making payments to the owners of the Bonds of the principal of, interest on, and premium, if any, on the Bonds when due, but only to the extent such moneys have been received. As registrar and transfer agent, the Paying Agent has the limited duty of handling the registration and transfer of the Bonds. Accordingly, the Paying Agent performs ministerial duties not involving the exercise of discretion and assumes no fiduciary relationship with respect to the owners of the Bonds.

The Paying Agent may now or in the future have banking relationships with the School District which involve making loans to the School District; these loans may have a security feature which is different from that of the security feature associated with the Bonds. The Paying Agent may also serve as trustee or paying agent and sinking fund depository on other obligations issued by or on behalf of the School District.

CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirements of Rule 15c2-12 (the “Rule”), promulgated by the Securities and Exchange Commission (the “SEC”) and the Resolution, the School District (being an “obligated person” with respect to the Bonds, within the meaning of the Rule), will execute and deliver a written continuing disclosure certificate with respect to the Bonds. See the form of Continuing Disclosure Certificate (the “Continuing Disclosure Undertaking”) in Appendix D of this Official Statement.

Under the terms of the Continuing Disclosure Undertaking, and as reflected in Appendix D, the School District will undertake to file with the Municipal Securities Rulemaking Board (the “MSRB”), via the EMMA system (described below) financial and other information concerning the School District. The School District’s obligations with respect to continuing disclosure relative to the Bonds shall terminate upon the prior redemption or payment in full of all of the Bonds.

With respect to the filing of annual financial and operating information, the School District reserves the right to modify from time to time specific types of information provided or the format of the presentation of such information to the extent necessary or appropriate as a result of a change in legal requirements or a change in the nature of the School District or its operations or financial reporting, but the School District will agree that any such modification will be done in a manner consistent with the Rule.

The School District acknowledges that its undertaking pursuant to the Rule described herein is intended to be for the benefit of the holders and beneficial owners of the Bonds and shall be enforceable by the holders and beneficial owners of the Bonds, but the right of the holders and beneficial owners of the Bonds to enforce the provisions of the School District’s continuing disclosure undertaking shall be limited to a right to obtain specific enforcement, and any failure by the School District to comply with the provisions of the undertaking shall not be an event of default with respect to the Bonds.

The MSRB has been designated by the SEC to be the central and sole repository for continuing disclosure information filed by issuers of municipal securities since July 1, 2009. Information and notices filed by municipal issuers (and other “obligated persons” with respect to municipal securities issues) are made available through the MSRB’s Electronic Municipal Market Access (EMMA) System, which may be accessed on the internet at <http://www.emma.msrb.org>.

The School District has entered into prior undertakings to provide certain annual information, as defined in the continuing disclosure agreements or certificates associated with each issue listed below, and audited financial statements. The following table provides information regarding the undertakings, annual filing deadlines and history of filing for School District bond and other securities issues outstanding at any time during the last five years. Bold dates indicate late filings.

Bond Issues Subject to Continuing Disclosure	Annual Filing Deadline	Dates of Actual Filings – Audited Financial Statements (Last 5 years)	Date of Actual Filings – annual information (Last 5 Years)
General Obligation Bonds, Series of 2004	December 31 following fiscal year end of June 30	Fiscal Year 2011: December 20, 2011 Fiscal Year 2012: January 3, 2013 Fiscal Year 2013: December 20, 2013 Fiscal Year 2014: December 2, 2014 Fiscal Year 2015: December 8, 2015	Fiscal Year 2011: December 20, 2011 Fiscal Year 2012: January 3, 2013 Fiscal Year 2013: April 29, 2016 Fiscal Year 2014: December 8, 2014 Fiscal Year 2015: April 29, 2016
General Obligation Refunding Bonds, Series of 2006	December 31 following fiscal year end of June 30	Fiscal Year 2011: December 20, 2011 Fiscal Year 2012: January 3, 2013 Fiscal Year 2013: December 20, 2013 Fiscal Year 2014: December 2, 2014 Fiscal Year 2015: December 8, 2015	Fiscal Year 2011: December 20, 2011 Fiscal Year 2012: January 3, 2013 Fiscal Year 2013: April 29, 2016 Fiscal Year 2014: December 8, 2014 Fiscal Year 2015: April 29, 2016
State Public School Building Authority, Federally Taxable Revenue Bonds, Series A of 2010 (Qualified School Construction Bonds – Direct Subsidy)	December 31 following fiscal year end of June 30	Fiscal Year 2011: January 4, 2012 Fiscal Year 2012: January 3, 2013 Fiscal Year 2013: December 23, 2013 Fiscal Year 2014: January 2, 2015 Fiscal Year 2015: December 8, 2015	Fiscal Year 2011: January 4, 2012 Fiscal Year 2012: January 3, 2013 Fiscal Year 2013: April 29, 2016 Fiscal Year 2014: April 29, 2016 Fiscal Year 2015: April 29, 2016
Tax-Exempt Installment Purchase Certificates of Participation, Series of 2012	240 days after the fiscal year end of June 30	Fiscal Year 2012: January 3, 2013 Fiscal Year 2013: December 20, 2013 Fiscal Year 2014: December 2, 2014 Fiscal Year 2015: December 8, 2015	Fiscal Year 2012: January 3, 2013 Fiscal Year 2013: April 29, 2016 Fiscal Year 2014: December 8, 2014 Fiscal Year 2015: April 29, 2016

The School District has filed a separate notice with EMMA (the “Notice”) setting forth (i) the School District’s failure to timely file the updated operating information for the School District as noted herein; and (ii) the School District’s failure to timely file audited financial statements as noted herein. This Notice was filed later than required pursuant to the School District’s prior continuing disclosure undertakings.

Certain of the School District’s bond issues have been insured by various bond insurance companies that have received rating downgrades and upgrades by both S&P and Moody’s Investors Service (the “Rating Agencies”). The rating actions by the Rating Agencies were widely disseminated at the time of each action and part of public information readily available from other sources. The Notice also sets forth the School District’s failure to timely file such bond insurer rating actions.

The School District also failed to file in a timely manner certain enhanced rating changes, relating to the Pennsylvania School District intercept program rating, within the time periods required by the Rule. The Notice also sets forth the School District’s failure to timely file such enhanced rating actions.

At the time of issuance of the Bonds and in accordance with authorization pursuant to the Resolution, the School District expects to have procedures in place to ensure ongoing timely filings of its continuing disclosure requirements.

LEGAL MATTERS

Negotiability of the Bonds

Under the Act, the Bonds have all the qualities of negotiable instruments under the Uniform Commercial Code of the Commonwealth of Pennsylvania relating to negotiable instruments.

Regarding the Obligation for the Bonds

Neither the credit nor the taxing power of the Commonwealth of Pennsylvania or of any political subdivision thereof, other than the School District, is pledged for the interest thereon or the principal payable on any of the Bonds.

Legality

All legal matters incident to the authorization, issuance and sale of the Bonds will be approved by Obermayer Rebmann Maxwell & Hippel LLP, Philadelphia, Pennsylvania, Bond Counsel. Certain additional matters will be passed upon for the School District by its Counsel, Rudolph Clarke, LLC, Solicitor to the School District. Certain additional matters will be passed upon for the Underwriter by Cozen O’Connor, Philadelphia, Pennsylvania.

PENDING LEGAL PROCEEDINGS

There is no litigation of any nature pending or threatened against the School District at the date of this Official Statement which, if decided adversely to the School District, would have a material adverse effect on the financial condition of the School District, or which seeks to restrain or enjoin the issuance, sale, execution, or delivery of the Bonds, or in any way contests or affects the validity of the Bonds or any proceedings of the School District taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or the security provided for the payment of the Bonds, or the existence or powers of the School District. Upon delivery of the Bonds, the School District shall furnish a certificate, in form and substance satisfactory to Bond Counsel and the Underwriter, to the effect that, among other things, there is no litigation pending, or to the best knowledge of the School District, threatened, in any court to restrain or enjoin the issuance or delivery of the Bonds, or the proceedings of the School District taken in connection therewith, or the application of monies provided for their payment, or contesting the powers of the School District with respect to the foregoing or the consummation of the transactions contemplated in this Official Statement.

TAX MATTERS

Federal Tax Treatment

The Internal Revenue Code of 1986, as amended (the "Code") contains provisions relating to the tax-exempt status of interest on obligations issued by governmental entities which apply to the Bonds. These provisions include, but are not limited to, requirements relating to the use and investment of the proceeds of the Bonds and the rebate of certain investment earnings derived from such proceeds to the United States Treasury Department on a periodic basis. These and other requirements of the Code must be met by the School District subsequent to the issuance and delivery of the Bonds in order for interest thereon to be and remain excludable from gross income for purposes of federal income taxation. The School District has covenanted to comply with such requirements.

In the opinion of Bond Counsel, interest on the Bonds will be excluded from gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions. Interest on the Bonds is not treated as an item of tax preference under Section 57 of the Code for purposes of the individual and corporate alternative minimum taxes, but is taken into account for purposes of computing adjusted current earnings under Section 56(g) of the Code when calculating corporate alternative minimum taxable income. The opinion of Bond Counsel is subject to the condition that the School District complies with all applicable federal income tax law requirements that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon continues to be excluded from gross income. Failure to comply with certain of such requirements could cause the interest on the Bonds to be includable in gross income retroactive to the date of issuance of the Bonds. The School District has covenanted to comply with all such requirements.

In addition to the matters addressed above, prospective purchasers of the Bonds should be aware that ownership of the Bonds may result in collateral tax consequences to certain taxpayers, including, but not limited to, foreign corporations, certain S corporations, recipients of social security and railroad retirement benefits and property or casualty insurance companies. Bond Counsel expresses no opinion regarding any other federal tax consequences relating to the Bonds or the receipt of interest thereon.

State Tax Exemption of the Bonds

In the opinion of Bond Counsel, under the existing laws of the Commonwealth, the interest on the Bonds is exempt from Pennsylvania personal income taxation and Pennsylvania corporate net income taxation, but such exemption does not extend to gift, estate, succession or inheritance taxes or any other taxes not levied or assessed directly on the Bonds or the interest thereon. Profits, gains or income derived from the sale, exchange or other disposition of the Bonds are subject to state and local taxation within the Commonwealth.

This summary is based on laws, regulations, rulings and decisions now in effect, all of which may change. Any change could apply retroactively and could affect the continued validity of this summary. **Prospective purchasers should consult their tax advisors about the consequences of purchasing or holding the Bonds.**

Change in Law; Adverse Determinations

From time to time, certain legislative proposals may be introduced, or are pending, in the Congress of the United States, including some that carry retroactive effective dates, that, if, enacted, could alter or amend the federal tax matters described above or affect the market value of the Bonds. No prediction can be made whether or in what form any such proposal or proposals might be enacted into law or whether, if enacted, the same would apply to bonds issued prior to enactment. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the "Service") regularly audits tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. No prediction can be made whether or not the Service will commence an audit of the Bonds. If an audit is commenced, under current procedures, the Service may treat the School District as a taxpayer and the Bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until such time as the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of tax-exempt obligations such as the Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Bondholder who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or to any Bondholder who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns.

THE FOREGOING IS NOT INTENDED AS AN EXHAUSTIVE LIST OF THE PROVISIONS OF FEDERAL TAX LAW WHICH MAY HAVE AN EFFECT ON INDIVIDUALS AND CORPORATIONS HOLDING THE BONDS OR RECEIVING INTEREST THEREON. PROSPECTIVE PURCHASERS SHOULD CONSULT WITH THEIR TAX ADVISORS REGARDING THE EFFECT OF HOLDING THE BONDS OR RECEIVING INTEREST THEREON ON THEIR AFFAIRS, INCLUDING, BUT NOT LIMITED TO, THE EFFECT OF STATE AND LOCAL TAX LAWS.

RELATED PARTIES

PNC Capital Markets LLC and PNC Bank, National Association are both wholly-owned subsidiaries of the PNC Financial Service Group, Inc. PNC Capital Markets LLC is not a bank, and is a distinct legal entity from PNC Bank, National Association. PNC Bank, National Association has banking and financial relationships with the School District.

BOND RATING

Moody's Investors Service, New York, New York ("Moody's") has assigned its underlying credit rating of "A1" to the Bonds, based on the financial condition of the School District. Such rating reflects only the view of such organization furnishing such ratings. Any desired explanation of the significance of such rating should be obtained from the rating agencies furnishing the same, at the following address: Moody's Investors Service, 7 World Trade Center, 250 Greenwich Street, New York, NY 10007. There is no assurance that this credit rating will be maintained for any given period of time, or that the rating may not be lowered or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any such downward change in or withdrawal of such credit rating may have an adverse effect on the market price of the Bonds.

UNDERWRITING

The Bonds have been purchased by PNC Capital Markets LLC, as the Underwriter. The Underwriter has agreed to purchase the Bonds at an aggregate purchase price of \$_____ (which is the par amount of bonds less underwriting discount of \$_____ plus/minus the net original issue premium/discount of \$_____). The Bond Purchase Agreement between the School District and the Underwriter, dated as of April 25, 2016, as supplemented by the Addendum to the Bond Purchase Agreement for the Bonds dated _____, 2016 (collectively, the "Bond Purchase Agreement") provides that the Underwriter will purchase all the Bonds, if any are purchased, in accordance with the terms of the Bond Purchase Agreement, and requires that the School District certify to the Underwriter that this Official Statement does not contain any untrue statement of a material fact or omit any statement of material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The initial public offering prices and yields of the Bonds, set forth in the **BOND MATURITY SCHEDULE** shown on the inside of the Cover Page of this Official Statement, may be changed by the Underwriter from time to time without any requirement of prior notice. The Underwriter reserves the right to join with other dealers in offering the Bonds to the public; and said Bonds offered to other dealers may be at prices lower than those offered to the public.

MISCELLANEOUS MATTERS

All summaries of the provisions of the Act, the School Code, Act 1, the Bonds, the Resolution, the Continuing Disclosure Undertaking and other laws and documents hereinabove and hereinafter set forth are made subject to all detailed provisions thereof, to which reference is hereby made for further information, and do not purport to be complete statements of any or all such provisions.

All estimates and assumptions herein are believed to be reliable by the School District's management, but no representations whatsoever are made that such estimates or assumptions are correct or will be realized. So far as any statements herein involve matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

The Appendices A, B, C and D attached hereto, are expressly incorporated herein as a part hereof.

The execution and delivery of this Official Statement has been duly authorized by the School District. Concurrently with the delivery of the Bonds, the School District will furnish a certificate to the effect that nothing has come to the School District's attention that would lead the School District to believe that the Official Statement contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. Certain information contained in this Official Statement has been obtained from sources other than the School District. All of the summaries and references of the provisions of the Bonds contained in this Official Statement, and all other summaries and references to the Act and to other materials not purporting to be quoted in full, are only brief outlines of certain provisions thereof, and do not constitute complete statements

Use of the words "shall," "will," or must, or words of similar import or meaning in summaries of documents or law in this Official Statement to describe future events or continuing obligations is not intended as a representation that such event will occur or such obligations will be fulfilled, but only that the document or law contemplates or requires such event to occur or such obligations to be fulfilled.

APPENDIX A

REGIONAL AND ECONOMIC DATA OF NORRISTOWN AREA SCHOOL DISTRICT (Montgomery County, Pennsylvania)

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**REGIONAL AND ECONOMIC DATA OF
NORRISTOWN SCHOOL DISTRICT
(Montgomery County, Pennsylvania)**

Introduction

Norristown Area School District encompasses several communities in central Montgomery County and covers an area of approximately 15.3 square miles. The School District's boundaries are coterminous with those of the Municipality of Norristown and the Townships of East Norriton and West Norriton. The Municipality of Norristown, located in the geographic center of the School District and county seat of Montgomery County, is approximately 15 miles north of metropolitan Philadelphia and 2 miles east of King of Prussia and Valley Forge. Many unincorporated communities are located within the School District and these include: Trooper and Jeffersonville in West Norriton Township and Penn Square in East Norriton Township.

Major Employers

Major employers located within or near the School District are listed below:

<u>Employer</u>	<u>Type of Business</u>	<u>Approximate Employment</u>
Albert Einstein Medical Center	Healthcare	1,856
Montgomery County	Government	1,711
Commonwealth of Pennsylvania	Government	1,497
Norristown Area School District	Education	1,043
Mercy Health Systems of SE PA	Healthcare	714
Walmart	Retail	558
Montgomery Count Intermediate Unit	Education	419
USM Inc	Facilities Services	386
Quest Diagnostics	Healthcare	306
Strategic Alliance	Staffing Solutions	302

SOURCE: School District Administrative Officials.

Transportation

The School District's economic position is complemented by a network of Federal and State highways. The School District is served by more than 50 motor freight companies. U.S. 202 passes through the School District in a north-south direction connecting the area with Valley Forge to the south and North Penn area to the north. U.S. 422 crosses the area in an east-west direction connecting the area with Reading via Pottstown to the west and Philadelphia to the east. The Pennsylvania Turnpike's Norristown Exchange is approximately three miles east of the Municipality of Norristown, and approximately seven miles from U.S. 476 (the "Blue Route") which directly connects the Pennsylvania Turnpike, the Schuylkill Expressway and Interstate 95.

Passenger railroad services are provided by Southeastern Pennsylvania Transportation Authority ("SEPTA"). Freight service is provided by Conrail. Bus service to Philadelphia is provided by SEPTA. Light plane service is available at Wings Field Airport in Blue Bell, Pennsylvania, which has single and multiple engine aircraft available for charter flights with licensed pilots and student flight training.

Utility Service

Residents of the School District are provided with sewer service by either various municipal authorities or the municipality. Some of the less developed portions of these areas are served by on-site systems. Private water companies supply water service to developed portions of the School District. Exelon Corp. provides both electricity and natural gas to users within the School District.

Higher Education

Located within ten miles of Norristown are the campuses of the following colleges and universities:

Bryn Mawr College	Holy Family College
Cabrini College	Montgomery County Community College
Chestnut Hill College	Rosemont College
Eastern University	Temple University (Ambler Campus)
Harcum College	Ursinus College
Haverford College	Villanova University

Medical Facilities

Einstein Medical Group constructed Einstein Medical Center Montgomery, a state-of-the-art hospital in the School District in 2012 and is the primary medical care facility that serves the greater Norristown community.

Mercy Suburban Hospital, also located within the School District, was recently purchased by Prime Healthcare Foundation and is in the process of being rebranded as Suburban Community Hospital. Capital improvements are scheduled for this facility in the near future.

These hospitals both provide complete professional medical and surgical treatment to the central and eastern portions of Montgomery County.

Population Composition – 2000, 2010 and 2014 Estimates

	<u>2000</u>	<u>2010</u>	<u>2000-2010 % Change</u>	<u>2014 Estimates</u>
Municipality of Norristown	31,282	34,324	9.7%	34,454
East Norriton Township	13,211	13,590	2.9%	13,941
West Norriton Township	14,901	15,663	5.1%	15,751
School District	59,394	63,577	7.0%	64,146
Montgomery County	750,097	799,874	6.6%	816,857
Pennsylvania	12,281,054	12,702,379	3.4%	12,758,729

SOURCE: United States Census Bureau and American Community Survey, 5 Year Estimates, 2006 – 2010 and 2010 - 2014.

Per Capita Income – 2000, 2010 and 2014 Estimates

	<u>2000</u>	<u>2010</u>	<u>2000-2010 % Change</u>	<u>2014 Estimates</u>
Municipality of Norristown	\$17,977	\$20,123	11.94%	21,369
East Norriton Township	28,749	36,839	28.14%	39,834
West Norriton Township	28,497	37,838	32.78%	36,336
Montgomery County	\$30,898	\$40,076	29.70%	\$41,699
Pennsylvania	\$20,880	\$27,049	29.55%	\$28,912

SOURCE: United States Census Bureau and American Community Survey, 5 Year Estimates, 2006 – 2010 and 2010 - 2014.

Household Income – 2010 and 2014 Estimates

	<u>Household Income Median</u>		<u>Family Income Median</u>	
	<u>2010</u>	<u>2014</u>	<u>2010</u>	<u>2014</u>
Municipality of Norristown	\$43,551	\$42,296	\$51,390	\$48,765
East Norriton Township	69,425	79,620	80,463	98,443
West Norriton Township	70,254	63,745	83,602	79,694
Montgomery County	\$76,380	\$79,926	\$90,128	\$99,683
Pennsylvania	\$50,398	\$53,115	\$61,989	\$71,829

SOURCE: United States Census Bureau, American Community Survey, 5 Year Estimates, 2006 – 2010 and 2010 - 2014.

Housing Units – 2014 Estimates

	<u>Number</u>	<u>Owner Occupied Median Value</u>	<u>Renter Occupied Median Rent</u>
Municipality of Norristown	14,652	\$153,300	\$990
East Norriton Township	6,081	270,900	1,325
West Norriton Township	7,909	224,300	1,308
Montgomery County	326,528	\$290,800	\$1,146
Pennsylvania	5,578,393	164,900	832

SOURCE: United States Census Bureau, American Community Survey, 5 Year Estimates, 2010 – 2014.

Unemployment Rates (%)

The following table shows recent trends in labor force, employment and unemployment for Montgomery County and the Commonwealth of Pennsylvania.

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016⁽¹⁾</u>
Montgomery County							
Civilian Labor Force (000)	430.4	430.5	435.8	435.6	434.4	441.0	448.7
Employment (000)	400.5	402.3	407.8	409.8	414.4	427.6	431.9
Unemployment (000)	29.9	28.2	28.0	25.7	20.1	13.4	16.8
Unemployment Rate	6.9%	6.5%	6.4%	5.9%	4.6%	3.0%	3.7%
Pennsylvania							
Civilian Labor Force (000)	6,340.0	6,386.0	6,487.0	6,460.0	6,378.0	6,424.0	6,471.0
Employment (000)	5,791.0	5,879.0	5,973.0	5,982.0	6,009.0	6,094.0	6,171.0
Unemployment (000)	549.0	507.0	513.0	478.0	370.0	330.0	300.0
Unemployment Rate	8.7%	7.9%	7.9%	7.4%	5.8%	5.1%	4.6%

(1) As of February, 2016.

Source: Pennsylvania Department of Labor and Industry, Bureau of Research and Statistics.

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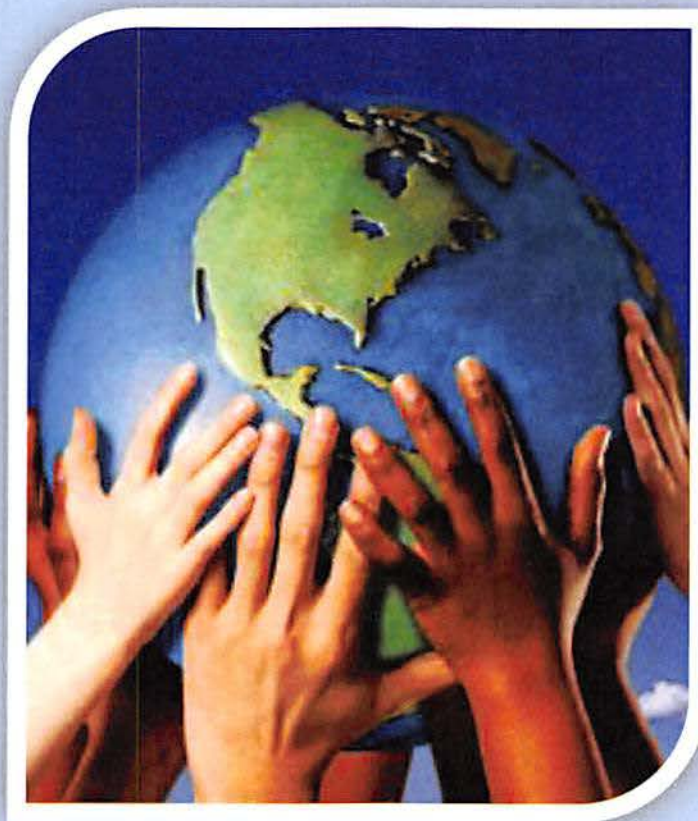
APPENDIX B

**SCHOOL DISTRICT AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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Norristown Area School District

Annual Financial Report
Year Ended June 30, 2015



Norristown Area School District
401 N. Whitehall Road
Norristown, PA 19403

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INTRODUCTORY SECTION

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NORRISTOWN AREA SCHOOL DISTRICT

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NORRISTOWN AREA SCHOOL DISTRICT

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FINANCIAL SECTION

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Independent Auditors' Report

To the Board of School Directors
Norristown Area School District
Norristown, 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 Norristown Area School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Norristown Area 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 Norristown Area School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of School Directors
Norristown Area School District
Norristown, Pennsylvania

Emphasis of Matter

As discussed in Note R to the financial statements, for the year ended June 30, 2015, the Norristown Area 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 14, schedule of the school district's proportionate share of the net pension liability on page 56, schedule of the school district contributions on page 57 and postemployment benefits other than pension funding progress on page 58 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 Norristown Area School District's basic financial statements. The supplementary information listed in the table of contents and the schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2015, on our consideration of the Norristown Area 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 Norristown Area School District's internal control over financial reporting and compliance.



Oaks, Pennsylvania
November 3, 2015

NORRISTOWN AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED JUNE 30, 2015

As management of the Norristown Area School District, we offer readers of the Norristown Area School District's financial statements this narrative overview and analysis of the financial activities of the Norristown Area School District for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the accompanying financial statements and related footnotes.

FINANCIAL HIGHLIGHTS

- Governmental Funds reported combined ending fund balances of \$14,454,996 and \$9,097,099 at June 30, 2015 and 2014, respectively.
- In September 2014, the Norristown Area School District opened the Ray S. Musselman Learning Center. The Ray S. Musselman Learning Center is a full-day kindergarten center; housing about 300 students. This center was a former Army Reserve Center that the District was able to secure from the Federal government for free after a lengthy process. The facility was renovated during 2013-14 and is being used to alleviate overcrowding at our Elementary schools.
- In May 2015, the District launched the second phase of our energy conservation initiative. Through this \$ 9.1 million investment, additional energy efficient upgrades will be made to some of our mechanical systems and, more importantly, a significant renovation/improvement project will take place at the Roosevelt campus of the Norristown Area High School.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Norristown Area School District's basic financial statements. The Norristown Area School District's basic financial statements have three components:

1. Government-wide financial statements,
2. Fund financial statements and
3. Notes to the basic financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Norristown Area School District's finances in a manner similar to a private-sector business. There are two government-wide statements presented in this report:

- The *statement of net position* presents information on all of the Norristown Area School District's assets and liabilities, with the difference between the two reported as *net position*.

NORRISTOWN AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED JUNE 30, 2015

- Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Norristown Area School District is improving or deteriorating. To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.
- The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

In the government-wide financial statements, the District's activities are divided into two categories:

- **Governmental Activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.
- **Business-Type Activities:** The District charges fees to cover the costs of certain services it provides, such as the food service program.

The government-wide financial statements can be found on pages 15 and 16 of this report.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Norristown Area School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Norristown Area School District can be divided into three categories: Governmental Funds, the Proprietary Fund and Fiduciary Funds.

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

NORRISTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2015

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

The Norristown Area School District maintains three individual Governmental Funds. Information is presented separately on the Governmental Funds balance sheet and on the Governmental Funds statement of revenues, expenditures and changes in fund balances for the General Fund, the Capital Reserve Funds and the Capital Projects Fund, all of which are considered to be major funds.

The Norristown Area School District adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the budget.

The basic Governmental Funds financial statements can be found on pages 17 through 21 of this report.

Proprietary Fund - The Norristown Area School District maintains one type of Proprietary Fund; the Food Service Fund. This fund is an Enterprise Fund. The *Enterprise Fund* is used to report the same functions presented as *business-type activities* in the government-wide financial statements. This fund accounts for the financial transactions related to the food service operation of the District.

The basic Proprietary Fund financial statements can be found on pages 23 through 26 of this report.

Fiduciary Funds - The District is the trustee, or fiduciary, for assets that belong to others, such as Scholarship Funds or Student Activity Funds. The District is responsible for ensuring that the assets reported in these funds are used to account for their intended purposes and by those to whom the assets belong. Fiduciary Funds are used for resources held for the benefit of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Norristown Area School District's own programs.

The basic Fiduciary Funds financial statements can be found on pages 27 and 28 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 29 through 55 of this report.

NORRISTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Norristown Area School District, liabilities exceeded assets by \$201,042,971 at the close of the most recent fiscal year. The table below summarizes the net position of the District at June 30, 2015.

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
ASSETS						
Current assets	\$ 36,661,617	\$ 30,313,465	\$ 382,759	\$ 510,153	\$ 37,044,376	\$ 30,823,618
Capital and other assets	95,551,077	75,407,413	642,981	20,421	96,194,058	75,427,834
TOTAL ASSETS	132,212,694	105,720,878	1,025,740	530,574	133,238,434	106,251,452
LIABILITIES						
Long-term liabilities	292,243,656	97,470,587	4,500,000	-	296,743,656	97,470,587
Other liabilities	37,165,591	21,580,404	372,158	127,062	37,537,749	21,707,466
TOTAL LIABILITIES	329,409,247	119,050,991	4,872,158	127,062	334,281,405	119,178,053
NET POSITION						
Net investment in capital assets	(17,587,012)	(18,427,930)	158,981	20,421	(17,428,031)	(18,407,509)
Unrestricted, restated (2015)	(179,609,541)	5,097,817	(4,005,399)	383,091	(183,614,940)	5,480,908
TOTAL NET POSITION	\$ (197,196,553)	\$ (13,330,113)	\$ (3,846,418)	\$ 403,512	\$ (201,042,971)	\$ (12,926,601)

The Districts' financial position is a product of many factors; one of which is changes in reporting requirements. As you can see above, at the end of the 2014-15 fiscal year, our District had a significant increase in long-term liabilities in both the governmental and business-type activities. This increased liability is the result of our implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB 68 required us to record our share of the Public School Employees' Retirement System (PSERS) unfunded liability. This action adversely affected our financial position as shown above. Please refer to "Note R" in our Annual Financial Report for additional information about this reporting requirement.

Management of the District is aggressively implementing cost-cutting and revenue-generating strategies to manage and improve its financial position, but challenges such as increasing pension contributions, state-mandated programs, and negotiated contracts have the potential to offset any gains in future years.

In the governmental activities, the District's tax base drives the majority of the revenue generated. The District consists of three municipalities: East Norriton Township, West Norriton Township and the Municipality of Norristown. The local real estate market, in all three municipalities, is currently experiencing a moderate level of both residential and commercial growth.

NORRISTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2015

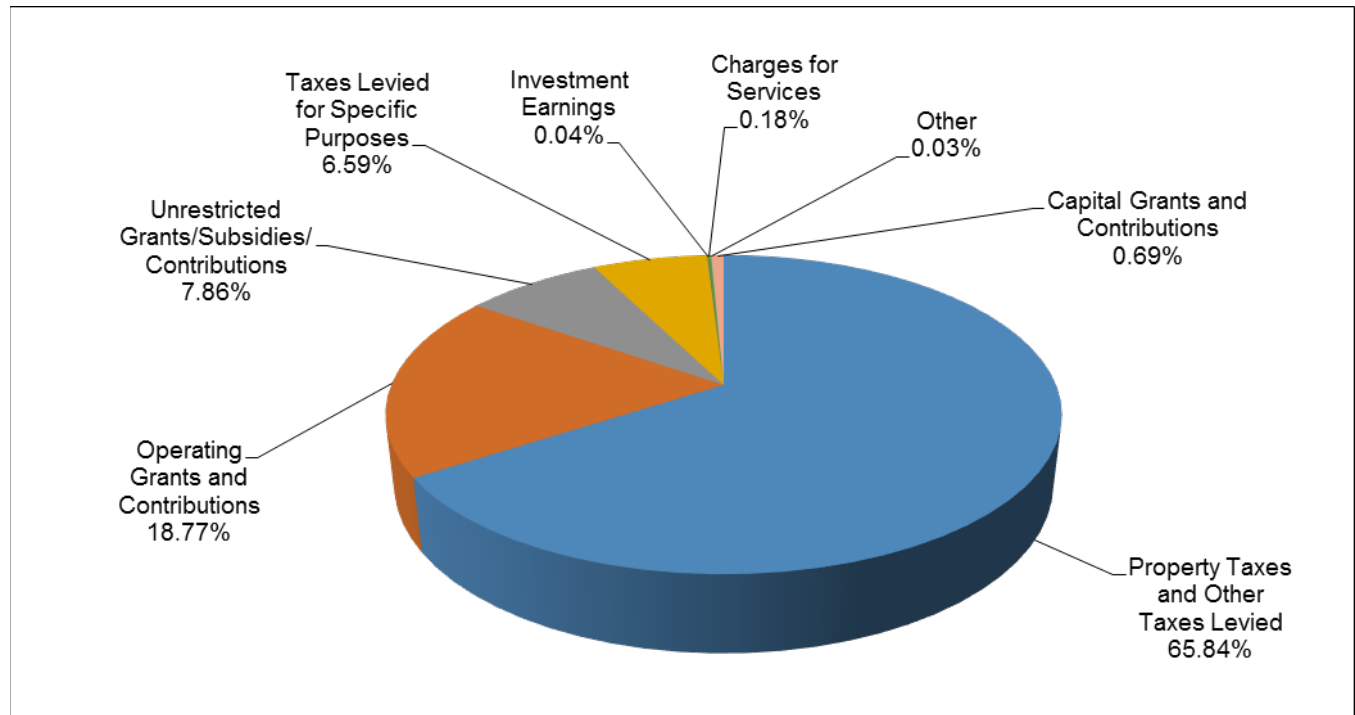
In the business-type activities (Food Services), the operation continues to be very efficiently run due to the streamlining of menus and meal processing. We have also seen growth in the participation of the National School Breakfast and Lunch program which generates additional revenues for this program.

Changes in the Net Position of the District are highlighted in the following table:

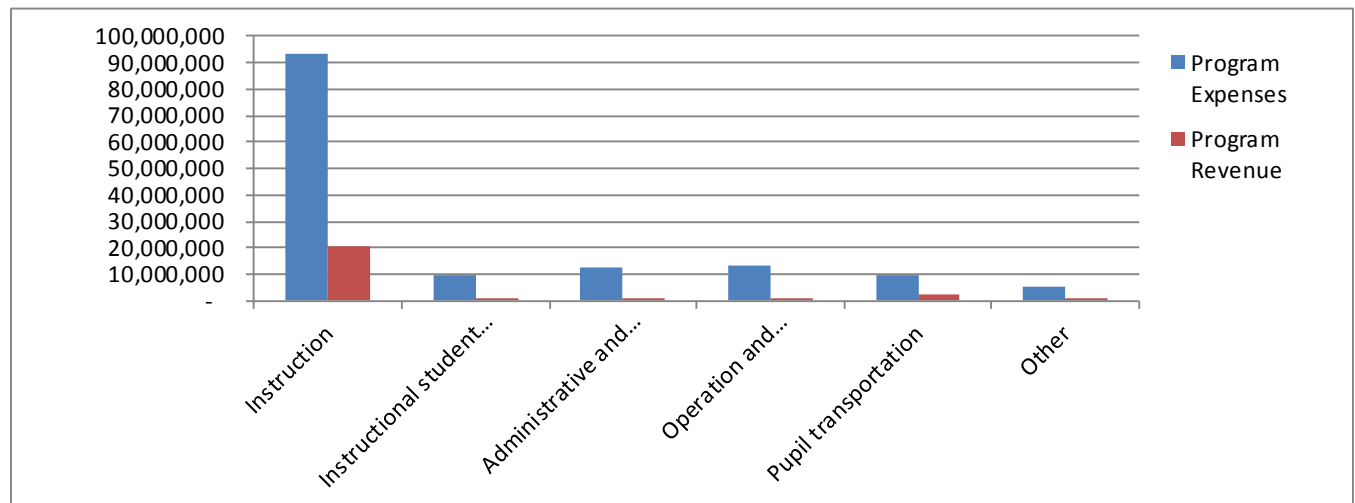
	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
REVENUES						
Charges for services	\$ 240,721	\$ 233,770	\$ 593,019	\$ 685,391	\$ 833,740	\$ 919,161
Operating grants and contributions	25,302,504	22,831,376	3,729,699	3,515,962	29,032,203	26,347,338
Capital grants and contributions	935,119	7,115,362	-	-	935,119	7,115,362
Property taxes and other taxes levied for general purposes	88,784,684	87,523,214	-	-	88,784,684	87,523,214
Taxes levied for specific purposes	8,881,825	8,376,410	-	-	8,881,825	8,376,410
Unrestricted grants/subsidies/contributions	10,591,605	10,756,901	-	-	10,591,605	10,756,901
Investment earnings	49,446	36,668	247	187	49,693	36,855
Other	37,929	1,704,809	-	-	37,929	1,704,809
TOTAL REVENUES	134,823,833	138,578,510	4,322,965	4,201,540	139,146,798	142,780,050
EXPENSES						
Instruction	93,393,787	84,758,203	-	-	93,393,787	84,758,203
Instructional student support	9,568,501	8,919,870	-	-	9,568,501	8,919,870
Administrative and financial support services	12,307,464	11,023,592	-	-	12,307,464	11,023,592
Operation and maintenance of plant services	12,994,593	12,377,025	-	-	12,994,593	12,377,025
Pupil transportation	9,852,397	9,127,971	-	-	9,852,397	9,127,971
Other	5,340,531	4,962,739	4,447,895	4,181,953	9,788,426	9,144,692
TOTAL EXPENSES	143,457,273	131,169,400	4,447,895	4,181,953	147,905,168	135,351,353
CHANGE IN NET POSITION	(8,633,440)	7,409,110	(124,930)	19,587	(8,758,370)	7,428,697
NET POSITION AT BEGINNING OF YEAR, restated (2015)	(188,563,113)	(20,739,223)	(3,721,488)	383,925	(192,284,601)	(20,355,298)
NET POSITION AT END OF YEAR	\$ (197,196,553)	\$ (13,330,113)	\$ (3,846,418)	\$ 403,512	\$ (201,042,971)	\$ (12,926,601)

NORRISTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2015

Revenues by Source - Governmental Activities 2015



Expenses and Program Revenues - Governmental Activities 2015



NORRISTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2015

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

Governmental Funds

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

As of the end of the current fiscal year, the Norristown Area School District's Governmental Funds reported combined ending fund balances of \$14,454,996. The majority of the fund balance, or about \$5.2 million is *assigned* to indicate that it is committed for a variety of specific purposes.

The General Fund is the primary operating fund of the Norristown Area School District. At the end of the current fiscal year, total fund balance decreased to \$5,252,898. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Total fund balance represents approximately 3.8% of total General Fund expenditures.

The distribution or breakdown of Fund Balance of the District's General Fund at June 30, 2015, is as follows:

GENERAL FUND

Nonspendable fund balance, inventories	\$ 2,506
Assigned fund balance	
Budgetary reserve	5,250,392
Unassigned fund balance	<u>-</u>
TOTAL FUND BALANCE	\$ <u>5,252,898</u>

As you can see, in the General Fund, all of the fund balance, \$5,252,898, has been *assigned* or set aside for very specific purposes. The purpose mainly includes the restriction of approximately \$5 million for use during the 2015-16 school year.

The fund balance of the District decreased by approximately \$3.7 million from 2013-14. This reduction is attributed primarily to the use of a portion of our Fund Balance as a non-recurring revenue source in 2014-15.

NORRISTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2015

Proprietary Fund

The Norristown Area School District's Proprietary Fund provides the same type of information found in the government-wide financial statements but in more detail.

The net position of the Food Service Fund amounted to \$(3,846,418) at June 30, 2015.

General Fund Budgetary Highlights

The 2014-15 General Fund budget included an increase in total revenues and an increase in total expenditures to that of the prior year. For 2014-15, there were no modifications to the original and final budget.

Major budgetary variances are comprised of the following:

- Instructional expenditures were below the annual budgeted amount by about \$600,000 in 2014-15. Targeted program changes and staff realignment contributed to these savings.
- Support Services expenditures, in total, were below the annual budgeted amount by almost \$1.2 million in 2014-15 due to program changes, staff realignment and staff turnover.
- Non-Instructional Service expenses were under budget, by approximately \$230,000, due to programming changes and staff turnover.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Norristown Area School District's investment in capital assets for its governmental and business-type activities as of June 30, 2015, amounts to \$72,778,058 (net of accumulated depreciation). The following table shows the breakdown of this figure:

	2015			2014
	Governmental Activities	Business-Type Activities	Totals	Totals
Land	\$ 411,561	\$ -	\$ 411,561	\$ 411,561
Construction in progress	-	-	-	26,863,091
Land improvements	529,470	-	529,470	529,470
Buildings	84,516,296	-	84,516,296	84,516,296
Furniture and equipment	10,045,622	-	10,045,622	10,003,863
Machinery and equipment	2,279,598	798,764	3,078,362	2,591,437
Infrastructure	36,556,923	-	36,556,923	8,980,639
Accumulated depreciation	(61,720,393)	(639,783)	(62,360,176)	(58,468,523)
	<u>\$ 72,619,077</u>	<u>\$ 158,981</u>	<u>\$ 72,778,058</u>	<u>\$ 75,427,834</u>

NORRISTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2015

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

- As shared earlier, in the Spring of 2015, the District launched the second phase of our energy conservation initiative. Much of the 2014-15 school year was used to design, plan, and secure funding for this initiative. The majority of the improvements will be implemented through construction in 2015-16.

Additional information on the Norristown Area School District's capital assets can be found in Note E on page 38 of this report.

Long-Term Debt

At the end of the current fiscal year, the Norristown Area School District had total bonded debt outstanding of \$68,755,481. This figure represents the outstanding principal due on these obligations.

Norristown Area School District's outstanding debt at June 30, 2015, is as follows:

<u>General Obligation Bonds and Note</u>	
G.O.B. 2004 Issue	\$ 3,215,000
G.O.B. 2006 Issue	48,000,000
QSCB 2010 Issue	13,511,334
G.O.N. 2014 Issue	<u>4,029,147</u>
	<u>\$ 68,755,481</u>

State statutes limit the amount of general obligation debt a governmental entity may issue up to 10% of its total assessed valuation. The current debt limitation for the Norristown Area School District is \$226,683,000, which is significantly in excess of the Norristown Area School District's outstanding general obligation debt.

Additional information on the Norristown Area School District's long-term debt can be found in Note G on pages 40 through 43 of this report.

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The Pennsylvania School Employees Retirement System (PSERS) trustees set the percentage of payroll that all school districts must pay in 2015-16 at 25.84% up from 21.4% in 2014-15 and 16.93% in 2013-14. Investment losses and actuarial analysis indicate that this contribution rate is expected to continue to increase drastically over the next few years. PSERS analysts indicate that the fund will need to assess significant increases in employer contribution rates in the upcoming decade to keep the fund solvent. Rates are projected to jump to 29.69% in 2016-17; 30.62% in 2017-18; and as high as 32.23% in 2019-20.

NORRISTOWN AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED JUNE 30, 2015

- The District remains concerned as it continues to prepare for the future impacts of the Affordable Care Act (ACA). Several years ago, the District joined the Bucks & Montgomery County Schools Health Care Consortium, a joint Labor/Management Health Care Trust, to manage and control rising health care costs. The Consortium is committed to maintaining high quality coverage for its members, but is also committed to containing the medical plan costs so that members can avoid the Excise Tax being imposed under the ACA. To contain costs, several medical plan design changes were made for the 2015-16 school year, and additional design changes are being discussed for implementation in 2016-17.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Norristown Area School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Norristown Area School District, 401 North Whitehall Road, Norristown, PA 19403-2745.

NORRISTOWN AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2015

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 24,644,195	\$ 397,578	\$ 25,041,773
Taxes receivable, net	5,838,721	-	5,838,721
Internal balances	283,924	(283,924)	-
Due from other governments	5,716,798	216,512	5,933,310
Other receivables	175,473	-	175,473
Inventories	2,506	52,593	55,099
Land	411,561	-	411,561
Capital assets, net	72,207,516	158,981	72,366,497
TOTAL ASSETS	109,280,694	541,740	109,822,434
DEFERRED OUTFLOW OF RESOURCES			
Deferred outflows of resources, pension activity	22,932,000	484,000	23,416,000
LIABILITIES			
Accounts payable	7,254,182	115,999	7,370,181
Accrued interest	780,970	-	780,970
Accrued salaries and benefits	9,609,914	10,968	9,620,882
Payroll deductions and withholdings	420,055	-	420,055
Unearned revenue	-	4,191	4,191
Other current liabilities	247,772	-	247,772
Long-term liabilities			
Portion due or payable within one year			
Bonds payable	1,094,333	-	1,094,333
Notes payable	1,967,990	-	1,967,990
Compensated absences	279,210	-	279,210
Termination benefits	45,651	-	45,651
Certificates of participation	940,000	-	940,000
Capital lease	758,617	-	758,617
Portion due or payable after one year			
Bonds payable	62,924,945	-	62,924,945
Notes payable	2,061,157	-	2,061,157
Compensated absences	6,066,465	-	6,066,465
Termination benefits	276,185	-	276,185
Certificates of participation	21,177,269	-	21,177,269
Capital lease	8,390,093	-	8,390,093
Other postemployment benefits	200,542	-	200,542
Net pension liability	191,147,000	4,500,000	195,647,000
TOTAL LIABILITIES	315,642,350	4,631,158	320,273,508
DEFERRED INFLOWS OF RESOURCES			
Deferred amount on refunding, net	20,897	-	20,897
Deferred inflows of resources, pension activity	13,746,000	241,000	13,987,000
TOTAL INFLOWS OF RESOURCES	13,766,897	241,000	14,007,897
NET POSITION			
Net investment in capital assets	(17,587,012)	158,981	(17,428,031)
Unrestricted	(179,609,541)	(4,005,399)	(183,614,940)
TOTAL NET POSITION	\$ (197,196,553)	\$ (3,846,418)	\$ (201,042,971)

See accompanying notes to the basic financial statements.

NORRISTOWN AREA SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
Instruction	\$ 93,393,787	\$ 129,099	\$ 20,695,862	\$ -
Instructional student support	9,568,501	-	1,047,752	-
Administrative and financial support services	12,307,464	-	868,330	-
Operation and maintenance of plant services	12,994,593	95,823	622,729	-
Pupil transportation	9,852,397	-	2,067,831	-
Student activities	1,253,014	15,799	-	-
Community services	505,544	-	-	-
Interest on long-term debt	3,581,973	-	-	935,119
TOTAL GOVERNMENTAL ACTIVITIES	143,457,273	240,721	25,302,504	935,119
BUSINESS-TYPE ACTIVITIES				
Food service	4,447,895	593,019	3,729,699	-
TOTAL DISTRICT ACTIVITIES	\$ 147,905,168	\$ 833,740	\$ 29,032,203	\$ 935,119

GENERAL REVENUES

Property taxes, levied for general purposes, net
Taxes, levied for specific purposes
Grants, subsidies and contributions not restricted
Investment earnings
Miscellaneous income

TOTAL GENERAL REVENUES

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
\$ (72,568,826)	\$ -	\$ (72,568,826)
(8,520,749)	-	(8,520,749)
(11,439,134)	-	(11,439,134)
(12,276,041)	-	(12,276,041)
(7,784,566)	-	(7,784,566)
(1,237,215)	-	(1,237,215)
(505,544)	-	(505,544)
(2,646,854)	-	(2,646,854)
(116,978,929)	-	(116,978,929)
-	(125,177)	(125,177)
(116,978,929)	(125,177)	(117,104,106)
88,784,684	-	88,784,684
8,881,825	-	8,881,825
10,591,605	-	10,591,605
49,446	247	49,693
37,929	-	37,929
108,345,489	247	108,345,736
(8,633,440)	(124,930)	(8,758,370)
(188,563,113)	(3,721,488)	(192,284,601)
\$ (197,196,553)	\$ (3,846,418)	\$ (201,042,971)

NORRISTOWN AREA SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2015

	General Fund	Capital Reserve Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 15,442,097	\$ 50,000	\$ 9,152,098	\$ 24,644,195
Taxes receivable, net	5,838,721	-	-	5,838,721
Due from other funds	283,924	-	-	283,924
Due from other governments	5,716,798	-	-	5,716,798
Other receivables	175,473	-	-	175,473
Inventories	2,506	-	-	2,506
TOTAL ASSETS	\$ 27,459,519	\$ 50,000	\$ 9,152,098	\$ 36,661,617
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 7,254,182	\$ -	\$ -	\$ 7,254,182
Accrued salaries and benefits	9,609,914	-	-	9,609,914
Payroll deductions and withholdings	420,055	-	-	420,055
Other current liabilities	247,772	-	-	247,772
TOTAL LIABILITIES	17,531,923	-	-	17,531,923
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue, property taxes	4,674,698	-	-	4,674,698
FUND BALANCES				
Nonspendable, inventories	2,506	-	-	2,506
Restricted to capital projects	-	-	9,152,098	9,152,098
Assigned				
Budgetary reserve	5,250,392	-	-	5,250,392
Capital projects	-	50,000	-	50,000
TOTAL FUND BALANCES	5,252,898	50,000	9,152,098	14,454,996
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 27,459,519	\$ 50,000	\$ 9,152,098	\$ 36,661,617

See accompanying notes to the basic financial statements.

NORRISTOWN AREA SCHOOL DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2015

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 14,454,996
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Capital assets	134,339,470
Accumulated depreciation	(61,720,393)
	<u>72,619,077</u>

Deferred charges used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Deferred amount on refunding	(30,114)
Accumulated amortization	9,217
	<u>(20,897)</u>

Deferred inflows and outflows of resources related to pension activities are not financial resources and therefore not reported in the governmental funds.

<u>9,186,000</u>

Property taxes receivable will be collected this year but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.

<u>4,674,698</u>

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bonds payable	(64,019,278)
Notes payable	(4,029,147)
Accrued interest	(780,970)
Compensated absences	(6,345,675)
Termination benefits	(321,836)
Certificates of participation	(22,117,269)
Other postemployment benefits	(200,542)
Capital lease	(9,148,710)
Net pension liability	(191,147,000)
	<u>(298,110,427)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>(197,196,553)</u>
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See accompanying notes to the basic financial statements.

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

	General Fund	Capital Reserve Fund	Capital Projects Fund	Total Governmental Funds
REVENUES				
Local sources	\$ 97,982,347	\$ -	\$ 32	\$ 97,982,379
State sources	29,841,329	-	-	29,841,329
Federal sources	6,987,899	-	-	6,987,899
TOTAL REVENUES	134,811,575	-	32	134,811,607
EXPENDITURES				
Instruction	87,221,128	-	-	87,221,128
Support services	43,049,316	-	129,463	43,178,779
Operation of non-instructional services	1,676,275	-	-	1,676,275
Debt service, principal, interest and costs	6,526,238	-	15,800	6,542,038
TOTAL EXPENDITURES	138,472,957	-	145,263	138,618,220
DEFICIENCY OF REVENUES OVER EXPENDITURES	(3,661,382)	-	(145,231)	(3,806,613)
OTHER FINANCING SOURCES (USES)				
Interfund transfers	(50,000)	50,000	-	-
Proceeds from issuance of refunding note	-	-	4,029,147	4,029,147
Payments to escrow agent	-	-	(4,013,347)	(4,013,347)
Capital lease proceeds	-	-	9,148,710	9,148,710
TOTAL OTHER FINANCING SOURCES (USES)	(50,000)	50,000	9,164,510	9,164,510
NET CHANGE IN FUND BALANCES	(3,711,382)	50,000	9,019,279	5,357,897
FUND BALANCES AT BEGINNING OF YEAR	8,964,280	-	132,819	9,097,099
FUND BALANCES AT END OF YEAR	\$ 5,252,898	\$ 50,000	\$ 9,152,098	\$ 14,454,996

See accompanying notes to the basic financial statements.

NORRISTOWN AREA 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	\$ 5,357,897
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Amounts reported for governmental activities in the statement of activities are different because:

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 and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation in the current period.

Capital outlays	1,085,360
Depreciation	(3,873,696)
	<u>(2,788,336)</u>

In the statement of activities, certain operating expenses--compensated absences (vacation and sick leave) are measured by the amounts earned during the year. In the Governmental Funds, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).

231,157

In the statement of activities, certain operating expenses--termination and other postemployment benefits--are measured by the amounts earned during the year. In the Governmental Funds, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).

591,061

Some revenues reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as revenues in Governmental Funds.

12,226

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to Governmental Funds, while the repayment of the principal of long-term debt consumes the current financial resources of Governmental Funds. Neither transaction, however, has any effect on net position. Also, Governmental Funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Issuance of general obligation note	(4,029,147)
Issuance of capital lease	(9,148,710)
Repayment of bond principal	6,964,333
Amortization of bond discounts and premiums	(32,422)
Repayment of certificates of participation	895,000
Amortization of bond discounts and premiums	(25,410)
Amortization of deferred amount on refunding	9,217
	<u>(5,367,139)</u>

SUBTOTAL FORWARD

(1,963,134)

NORRISTOWN AREA SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES (Continued) YEAR ENDED JUNE 30, 2015

SUBTOTAL FORWARDED	\$ <u>(1,963,134)</u>
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Some expenses reported in the statement of activities do not require the
use of current financial resources and are not reported as expenditures in
Governmental Funds:

Pension plan expense	(6,728,000)
Accrued interest	<u>57,694</u>
	<u>(6,670,306)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u><u>(8,633,440)</u></u>
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See accompanying notes to the basic financial statements.

NORRISTOWN AREA SCHOOL DISTRICT
BUDGETARY COMPARISON STATEMENT
GENERAL FUND
YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance With
	Original	Final	(GAAP Basis)	Final Budget Positive (Negative)
REVENUES				
Local sources	\$ 97,566,217	\$ 97,566,217	\$ 97,982,347	\$ 416,130
State sources	28,967,350	28,967,350	29,841,329	873,979
Federal sources	6,129,200	6,129,200	6,987,899	858,699
TOTAL REVENUES	132,662,767	132,662,767	134,811,575	2,148,808
EXPENDITURES				
Instruction				
Regular programs	57,538,000	57,538,000	57,881,014	(343,014)
Special programs	24,934,000	24,934,000	24,500,370	433,630
Vocational programs	4,035,400	4,035,400	3,671,897	363,503
Other instructional programs	1,170,000	1,170,000	1,011,797	158,203
Other services	40,000	40,000	30,011	9,989
Adult education programs	108,500	108,500	126,039	(17,539)
TOTAL INSTRUCTION	87,825,900	87,825,900	87,221,128	604,772
Support services				
Pupil personnel services	5,583,000	5,583,000	5,386,629	196,371
Instructional staff services	2,072,500	2,072,500	1,487,591	584,909
Administrative services	9,080,000	9,080,000	8,791,147	288,853
Pupil health	1,929,500	1,929,500	1,975,892	(46,392)
Business services	811,000	811,000	855,019	(44,019)
Operation and maintenance of plant services	14,164,000	14,164,000	13,182,884	981,116
Student transportation services	8,728,000	8,728,000	9,474,719	(746,719)
Central and other support services	1,889,200	1,889,200	1,895,435	(6,235)
TOTAL SUPPORT SERVICES	44,257,200	44,257,200	43,049,316	1,207,884
Operation of non-instructional services				
Student activities	1,328,500	1,328,500	1,201,835	126,665
Community services	577,350	577,350	474,440	102,910
TOTAL OPERATION OF NON-INSTRUCTIONAL SERVICES	1,905,850	1,905,850	1,676,275	229,575
Debt service	6,619,000	6,619,000	6,526,238	92,762
TOTAL EXPENDITURES	140,607,950	140,607,950	138,472,957	2,134,993
OTHER FINANCING SOURCES (USES)				
Transfer to capital reserve fund	(50,000)	(50,000)	(50,000)	-
NET CHANGE IN FUND BALANCE	(7,995,183)	(7,995,183)	(3,711,382)	4,283,801
FUND BALANCE AT BEGINNING OF YEAR	8,964,280	8,964,280	8,964,280	-
FUND BALANCE AT END OF YEAR	\$ 969,097	\$ 969,097	\$ 5,252,898	\$ 4,283,801

See accompanying notes to the basic financial statements.

NORRISTOWN AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUND

JUNE 30, 2015

	<u>Food Service Fund</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 397,578
Due from other governments	216,512
Inventories	<u>52,593</u>
TOTAL CURRENT ASSETS	666,683
MACHINERY AND EQUIPMENT, net	<u>158,981</u>
TOTAL ASSETS	<u>825,664</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources, pension activity	<u>484,000</u>
LIABILITIES	
CURRENT LIABILITIES	
Due to other funds	283,924
Accounts payable	115,999
Accrued salaries and benefits	10,968
Unearned revenue	<u>4,191</u>
TOTAL CURRENT LIABILITIES	<u>415,082</u>
LONG-TERM LIABILITIES	
Net pension liability	<u>4,500,000</u>
TOTAL LIABILITIES	<u>4,915,082</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources, pension activity	<u>241,000</u>
NET POSITION	
Net investment in capital assets	158,981
Unrestricted	<u>(4,005,399)</u>
TOTAL NET POSITION	<u>\$ (3,846,418)</u>

See accompanying notes to the basic financial statements.

NORRISTOWN AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2015

	<u>Food Service Fund</u>
OPERATING REVENUES	
Food service revenue	\$ <u>593,019</u>
OPERATING EXPENSES	
Salaries	1,472,052
Employee benefits	765,413
Purchased property service	95,910
Other purchased service	517
Supplies	2,090,741
Depreciation	17,957
Other operating expenses	<u>5,305</u>
TOTAL OPERATING EXPENSES	<u>4,447,895</u>
OPERATING LOSS	<u>(3,854,876)</u>
NONOPERATING REVENUES	
Earnings on investments	247
State sources	357,862
Federal sources	<u>3,371,837</u>
TOTAL NONOPERATING REVENUES	<u>3,729,946</u>
CHANGE IN NET POSITION	(124,930)
NET POSITION AT BEGINNING OF YEAR, restated	<u>(3,721,488)</u>
NET POSITION AT END OF YEAR	\$ <u><u>(3,846,418)</u></u>

See accompanying notes to the basic financial statements.

NORRISTOWN AREA SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

YEAR ENDED JUNE 30, 2015

	<u>Food Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from users	\$ 927,140
Cash payments to employees for services	(2,071,201)
Cash payments to suppliers for goods and services	(1,891,665)
Cash payments for other operating expenses	<u>(5,305)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(3,041,031)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State sources	357,862
Federal sources	<u>3,099,169</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>3,457,031</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	<u>(156,517)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on investments	<u>247</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	259,730
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>137,848</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 397,578</u>

NORRISTOWN AREA SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

YEAR ENDED JUNE 30, 2015

Food
Service Fund

RECONCILIATION OF OPERATING LOSS TO NET

CASH USED BY OPERATING ACTIVITIES

Operating loss	\$ (3,854,876)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	17,957
Pension expense	132,000
Donated foods	272,668
(Increase) decrease in	
Other receivables	343,917
Inventories	(1,869)
Increase (decrease) in	
Due to other funds	45,076
Accounts payable	24,704
Accrued salaries and benefits	(10,812)
Unearned revenue	<u>(9,796)</u>

NET CASH USED BY OPERATING
ACTIVITIES

\$ (3,041,031)

SUPPLEMENTAL DISCLOSURES

Noncash activities	
Donated foods	\$ 272,668

See accompanying notes to the basic financial statements.

NORRISTOWN AREA SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2015

	Private- Purpose Trust Fund	Agency Fund Student Activity Fund
ASSETS		
Cash and cash equivalents	\$ 444,708	\$ <u>102,605</u>
LIABILITIES		
Other current liabilities	<u>-</u>	\$ <u>102,605</u>
NET POSITION		
Held in trust for other purposes	\$ <u>444,708</u>	

See accompanying notes to the basic financial statements.

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

	<u>Private- Purpose Trust Fund</u>
ADDITIONS	
Gifts and contributions	\$ 110,292
Investment income	<u>75</u>
TOTAL ADDITIONS	110,367
DEDUCTIONS	
Scholarships awarded	<u>125,579</u>
CHANGE IN NET POSITION	(15,212)
NET POSITION AT BEGINNING OF YEAR	<u>459,920</u>
NET POSITION AT END OF YEAR	<u>\$ 444,708</u>

See accompanying notes to the basic financial statements.

NORRISTOWN AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Norristown Area School District (the "District") complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

Reporting Entity

The District was established under the laws of the Commonwealth of Pennsylvania as a School District of the Second Class. The District exists to provide education and related services to the residents who reside in Norristown and East and West Norriton Townships, Pennsylvania.

In evaluating the District as a reporting entity, management has addressed all potential component units which may or may not fall within the District's financial accountability. The criteria used to evaluate component units for possible inclusion as part of the District's reporting entity are financial accountability and the nature and significance of the relationship. This report presents the activities of the Norristown Area School District. The District is not a component unit of another reporting entity nor does it have any component units.

Basis of Presentation

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. These statements exclude fiduciary activities.

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

The government-wide statement of activities presents a comparison between expenses and program revenues for each different identifiable activity of the business-type activities of the District and for each governmental program. Expenses are those that are specifically associated with a service or program and are therefore clearly identifiable to a particular function.

NORRISTOWN AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Program revenues include charges paid by the recipients of the goods or services offered by the programs 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. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the District.

Internal activity is limited to interfund transfers, which are eliminated to avoid "doubling-up" revenues and expenses. Services provided and used are not eliminated.

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

Governmental Funds - All Governmental Funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. The District reports the following major Governmental Funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Capital Reserve Fund* is used to account for the acquisition, construction and renovation of major capital facilities.

The *Capital Projects Fund* is used to account for the acquisition, construction and renovation of major capital facilities.

Revenue Recognition - In applying the susceptible to accrual concept under the modified accrual basis, certain revenue sources are deemed both measurable and available (i.e., collectible within the current year or within 60 days from year-end and available to pay obligations of the current period). This includes property taxes, interest earnings, real estate transfer taxes, earned income taxes and certain fees for services. Revenues for state and federally funded projects are recognized at the time the expenditures are made or when received in advance.

NORRISTOWN AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other revenues, including certain other charges for services and miscellaneous revenues, are recorded as revenue when received in cash because they are generally not measurable until actually received.

Expenditure Recognition - The measurement focus of Governmental Funds accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt which has not matured, as well as expenditures related to compensated absences, are recognized when payment is due. Allocations of costs, such as depreciation and amortization, are not recognized in the Governmental Funds.

Proprietary Fund - The Proprietary Fund is accounted for using the accrual basis of accounting. This fund accounts for operations that are primarily financed by user charges. The economic resource measurement focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Allocations of certain costs, such as depreciation, are recorded in the Proprietary Fund. The District does not attempt to allocate all "building-wide costs" to the Enterprise Fund. Thus, General Fund expenditures which partially benefit the Enterprise Fund (utilities, janitorial services, insurance, etc.) are not proportionately recognized with the Enterprise Fund. Similarly, the Enterprise Fund does not recognize a cost for the building space it occupies.

The District's only Proprietary Fund is the Food Service Fund, which is a major Enterprise Fund. This fund accounts for the revenues and costs of feeding students; it distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. The principal operating revenues of this fund are food service charges. Operating expenses for this fund include food production costs, supplies and administrative costs. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are followed in both the entity-wide and Proprietary Fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and Enterprise Funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

Fiduciary Funds - Fiduciary Funds are restricted to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and other funds.

NORRISTOWN AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District has one Private-Purpose Trust Fund that accounts for activities in various scholarship funds, the sole purpose of which is to provide annual scholarships to particular students as prescribed by donor stipulations. In addition, the District has one Agency Fund, which accounts for funds held on behalf of students of the District. The Agency Fund is unlike all other types of funds, reporting only assets and liabilities. Therefore, this fund cannot be said to have a measurement focus. It does, however, use the accrual basis of accounting to recognize receivables and payables.

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.

Investments

Investments consist of government investment pools, certificates of deposit and U.S. Government securities. Investments are recorded at fair value.

Property Taxes

Property taxes are assessed against individual properties based on property ownership as of July 1. Taxes are levied on July 1 and payable in the following periods:

July 1 to August 31.....	Discount period, 2% of gross levy
September 1 to October 31	Face period
November 1 to collection.....	Penalty period, 10% of gross levy
February 28.....	Lien date

The tax on real estate for public school purposes for fiscal 2014-2015 was 32.572 mills (\$32.572 for \$1,000 of assessed valuation) for the entire District.

Inventories

All inventories are valued at cost. The costs for inventories of governmental activities are recorded as expenditures at the time individual inventory items are purchased.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental and business-type activities columns in the government-wide financial statements and in the Proprietary Fund financial statements. Capital assets are defined by the District as those assets costing more than \$2,500. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

NORRISTOWN AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Major outlays for capital assets and improvements are capitalized as projects are constructed, inclusive of ancillary costs.

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

	<u>Years</u>
Site improvements	15-20
School buildings	40-50
Furniture and equipment	5-10
Machinery and equipment	8-10
Infrastructure	15-20

Compensated Absences

The District's policies regarding vacation, personal and sick time permit employees to accumulate earned but unused time. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. The current portion of this debt is estimated based on historical trends. A liability for these amounts is reported in Governmental Funds only if they have matured, for example, as a result of employee resignations and retirements.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The School District has only one item that qualifies for reporting in this category. The item is deferred outflow of resources related to pension activity, which is reported in the government-wide statement of net position and the proprietary fund statement of net position. The deferred outflow of resources 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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has three 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 and the proprietary fund 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. The last item is the School District's deferred amount on refunding, which is reported net of accumulated amortization on the government-wide statement of net position. The deferred amount on refunding is the result of deferred charges on debt refundings. A deferred charge on refunding results from the difference in the carrying value of refunded debt, reacquisition price, and any unamortized premium/discount on the refunded debt. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the government-wide financial statements and in the Proprietary Fund financial statements. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized during the current period.

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

Net Position Flow Assumption - Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and Proprietary Funds financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

NORRISTOWN AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position/Fund Balances - The government-wide and business-type activities financial statements utilize a net position presentation. Net position is categorized as invested in capital assets (net of related debt), restricted and unrestricted.

- **Net Investment in Capital Assets** - This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.
- **Restricted Net Position** - This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** - This category represents net position of the District not restricted for any project or other purpose.

The District has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent.

- **Nonspendable Fund Balance** - Amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.
- **Restricted Fund Balance** - Amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government) through constitutional provisions, or by enabling legislation.
- **Committed Fund Balance** - Amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., School Board Council). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same level of action to remove or change the constraint. This formal action is a Council approved resolution.
- **Assigned Fund Balance** - Amounts the District intends to use for a specific purpose, but are neither restricted nor committed. Assignments of fund balance are created by the Business Administrator pursuant to authorization established by District Council.
- **Unassigned Fund Balance** - Amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

NORRISTOWN AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When an expenditure is incurred for purposes for which 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 for their intended purposes. The District has not established a formal policy for its use of unrestricted fund balance amounts. As such, the District uses committed fund balances first, followed by assigned resources and then unassigned resources, as appropriate opportunities arise.

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 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

An annual budget is adopted for the General Fund on the modified accrual basis of accounting. All annual appropriations lapse at the end of the fiscal year. Project-length financial plans are adopted for the Capital Projects Fund.

NOTE C - CASH AND INVESTMENTS

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The District does not have a policy for custodial credit risk. As of June 30, 2015, \$12,136,289 of the District's bank balance of \$13,151,950 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 2,000
Uninsured and collateralized with securities held by the pledging bank's trust department not in the District's name	<u>12,136,289</u>
	<u>\$ 12,138,289</u>

Reconciliation to Financial Statements

Collateralized amount	\$ 12,138,289
Insured amount	1,015,661
Reconciling items	<u>(378,881)</u>
CARRYING AMOUNT, bank balances	12,775,069
Pooled cash equivalents	<u>12,814,017</u>
	<u>\$ 25,589,086</u>

NORRISTOWN AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE C - CASH AND INVESTMENTS (Continued)

Investments

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

<u>Investments</u>	<u>Fair Value</u>	<u>Less Than One Year</u>
Government investment pools	\$ <u>12,814,017</u>	\$ <u>12,814,017</u>

Interest Rate Risk - The District has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The District's investments in Pennsylvania Local Government Investment Trust (PLGIT) portfolios contain short-term obligations to the U.S. Government or its agencies or instrumentalities with a maturity not greater than 397 days. The District's investments in the Pennsylvania School District Liquid Asset Fund (PSDLAF) portfolios invest in securities such as U.S. Government securities, its agencies and instrumentalities. The pool generally maintains a weighted average of 60 days or less. Although both PLGIT and PSDLAF are not registered with the Securities and Exchange Commission and not subject to regulatory oversight, they are both rated by a nationally recognized statistical rating organization and subject to an independent annual audit. The fair value of the District's position in the pool is the same as the value of the pool share.

Credit Risk - The District has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2015, the District's investments were rated as:

<u>Investments</u>	<u>Standard & Poor's</u>
Government investment pools	AAA

The District places no limit on the amount the District may invest in any one issuer.

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

Reconciliation to Financial Statements

Total investments	\$ 12,814,017
Deposits in government investment pools considered cash equivalents	<u>(12,814,017)</u>
TOTAL INVESTMENTS PER FINANCIAL STATEMENTS	\$ <u>-</u>

NORRISTOWN AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE D - UNEARNED REVENUE

In the statement of net position, governmental activities report unearned revenue for cash collected in advance of revenue recognition. These amounts represent tuition received in advance. Governmental Funds report unearned revenue in connection with receivables for revenues that are considered to be available to liquidate liabilities of the current period. Governmental Funds also defer revenue recognition with resources that have been received but not yet earned.

NOTE E - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 411,561	\$ -	\$ -	\$ 411,561
Construction in progress	26,863,091	-	(26,863,091)	-
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	27,274,652	-	(26,863,091)	411,561
Capital assets being depreciated				
Land improvements	529,470	-	-	529,470
Buildings	84,516,296	-	-	84,516,296
Furniture and equipment	10,003,863	41,759	-	10,045,622
Machinery and equipment	1,949,190	330,408	-	2,279,598
Infrastructure	8,980,639	27,576,284	-	36,556,923
TOTAL CAPITAL ASSETS BEING DEPRECIATED	105,979,458	27,948,451	-	133,927,909
Accumulated depreciation				
Land improvements	(422,184)	(46,233)	-	(468,417)
Buildings	(41,283,595)	(2,396,878)	-	(43,680,473)
Furniture and equipment	(9,685,550)	(123,784)	-	(9,809,334)
Machinery and equipment	(806,851)	(202,717)	-	(1,009,568)
Infrastructure	(5,648,517)	(1,104,084)	-	(6,752,601)
TOTAL ACCUMULATED DEPRECIATION	(57,846,697)	(3,873,696)	-	(61,720,393)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	48,132,761	24,074,755	-	72,207,516
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	\$ 75,407,413	\$ 24,074,755	\$ (26,863,091)	\$ 72,619,077
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Machinery and equipment	\$ 642,247	\$ 156,517	\$ -	\$ 798,764
Accumulated depreciation	(621,826)	(17,957)	-	(639,783)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	\$ 20,421	\$ 138,560	\$ -	\$ 158,981

NORRISTOWN AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE E - CAPITAL ASSETS (Continued)

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

GOVERNMENTAL ACTIVITIES

Instruction	\$ 2,595,062
Instructional student support	262,863
Administrative and financial support services	342,804
Operation and maintenance of plant services	391,553
Pupil transportation	281,414
	<u>3,873,696</u>

BUSINESS-TYPE ACTIVITIES

Food service operations	<u>17,957</u>
	<u>\$ 3,891,653</u>

NOTE F - INTERFUND TRANSACTIONS

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

<u>Receivable By</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
General Fund	\$ <u>283,924</u>	Food Service Fund	\$ <u>283,924</u>

Interfund balances between the General Fund and the other funds represent temporary loans recorded at year-end subsequent to a final allocation of expenses. The balances are generally repaid shortly after year-end.

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

<u>Transfer In</u>	<u>Amount</u>	<u>Transfer Out</u>	<u>Amount</u>
Capital Reserve Fund	\$ <u>50,000</u>	General Fund	\$ <u>50,000</u>

Interfund transfer between the General Fund and the Capital Reserve Fund is for future capital projects.

NORRISTOWN AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE G - GENERAL LONG-TERM DEBT

The following summarizes the changes in general long-term debt for the year ended June 30, 2015:

	Balance July 1, 2014	Additions/ Refundings	Reductions/ Maturities	Balance June 30, 2015	Amount Due Within One Year
GOVERNMENTAL ACTIVITIES					
GENERAL OBLIGATION BONDS					
Bonds payable	\$ 71,690,667	\$ -	\$ (6,964,333)	\$ 64,726,334	\$ 1,094,333
Deferred amounts					
Issuance discount	(768,472)	-	39,920	(728,552)	-
Issuance premium	59,108	79,873	(117,485)	21,496	-
	<u>(709,364)</u>	<u>79,873</u>	<u>(77,565)</u>	<u>(707,056)</u>	<u>-</u>
TOTAL GENERAL OBLIGATION BONDS	<u>70,981,303</u>	<u>79,873</u>	<u>(7,041,898)</u>	<u>64,019,278</u>	<u>1,094,333</u>
GENERAL OBLIGATION NOTES					
Note payable	-	4,029,147	-	4,029,147	1,967,990
CERTIFICATES OF PARTICIPATION					
Deferred amounts	23,440,000	-	(895,000)	22,545,000	940,000
Issuance discount	<u>(453,141)</u>	<u>-</u>	<u>25,410</u>	<u>(427,731)</u>	<u>-</u>
TOTAL CERTIFICATES OF PARTICIPATION	<u>22,986,859</u>	<u>-</u>	<u>(869,590)</u>	<u>22,117,269</u>	<u>940,000</u>
CAPITAL LEASE	-	9,148,710	-	9,148,710	758,617
NET PENSION LIABILITY	<u>175,233,000</u>	<u>15,914,000</u>	<u>-</u>	<u>191,147,000</u>	<u>-</u>
COMPENSATED ABSENCES	<u>6,576,832</u>	<u>1,009,743</u>	<u>(1,240,900)</u>	<u>6,345,675</u>	<u>279,210</u>
OTHER POSTEMPLOYMENT BENEFITS	<u>425,926</u>	<u>-</u>	<u>(225,384)</u>	<u>200,542</u>	<u>-</u>
TERMINATION BENEFITS	<u>687,513</u>	<u>-</u>	<u>(365,677)</u>	<u>321,836</u>	<u>45,651</u>
	<u>\$ 276,891,433</u>	<u>\$ 30,181,473</u>	<u>\$ (9,743,449)</u>	<u>\$ 297,329,457</u>	<u>\$ 5,085,801</u>
BUSINESS-TYPE ACTIVITIES					
NET PENSION LIABILITY	<u>\$ 4,125,000</u>	<u>\$ 375,000</u>	<u>\$ -</u>	<u>\$ 4,500,000</u>	<u>\$ -</u>

Payments of long-term debt from bonds and notes payable are funded by the General Fund, while long-term debt from compensated absences is paid out of the fund from which the liability was incurred, typically the General Fund and Food Service Fund. Some statutes limit the amount of general obligation debt a school district may issue up to 10% of its total assessed valuation. The maximum amount for the year ended June 30, 2015, was \$226,683,000. The federal arbitrage requirements are applicable for the governmental activities, compensated absences, Other Postemployment Benefits, and terminated absences are generally liquidated by the General Fund.

NORRISTOWN AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE G - GENERAL LONG-TERM DEBT (Continued)

General Obligation Bonds/Notes

General Obligation Bond, Series of 2004, maturing on September 1, 2018, bearing interest ranging from 1.75% to 5.00%, interest payable semiannually on March 1 and September 1; proceeds were used to refund the 1998 bonds maturing on September 1, 2019

\$ 3,215,000

General Obligation Bond, Series of 2006, maturing on September 1, 2033, bearing interest ranging from 3.50% to 4.375%, interest payable semiannually on March 1 and September 1; proceeds were used to refund General Obligation Bonds, Series of 2003

48,000,000

General Obligation Bond, Series of 2010, maturing on March 1, 2028, bearing interest at 5.00%, interest payable semiannually on March 1 and September 1; proceeds used for renovation projects at Gotwals Elementary School and Norristown Area High School

13,511,334

General Obligation Note, Series of 2014, maturing on September 1, 2016, bearing an interest rate of 2%, interest payable semiannually on March 1 and September 1, proceeds used to refund a portion of the outstanding General Obligation Bonds, Series 2004, and to pay the costs of issuing the note. The advance refunding was undertaken to reduce total debt payments by \$121,607 and resulted in an economic gain of \$120,287

4,029,147

\$ 68,755,481

NORRISTOWN AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE G - GENERAL LONG-TERM DEBT (Continued)

Presented below is a summary of debt service requirements to maturity by years:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Less Federal Subsidy</u>	<u>Totals</u>
2016	\$ 3,062,323	\$ 3,025,802	\$ (699,229)	\$ 5,388,896
2017	3,150,491	2,993,005	(699,229)	5,444,267
2018	3,219,334	2,921,978	(699,229)	5,442,083
2019	3,229,334	2,818,528	(699,229)	5,348,633
2020	3,334,334	2,723,403	(699,229)	5,358,508
2021 to 2025	18,236,665	12,088,419	(3,496,147)	26,828,937
2026 to 2030	19,138,000	7,071,144	(1,748,074)	24,461,070
2031 to 2034	<u>15,385,000</u>	<u>1,382,609</u>	<u>-</u>	<u>16,767,609</u>
	<u>\$ 68,755,481</u>	<u>\$ 35,024,888</u>	<u>\$ (8,740,366)</u>	<u>\$ 95,040,003</u>

Certificates of Participation

In April 2012, the District issued certificates of participation in the amount of \$24,840,000. The proceeds of the sale will be used to: (1) finance the costs for the acquisition, installation, construction and equipping of certain energy efficiency improvement equipment and other building improvements at various District facilities, (2) pay capitalized interest during the installation period of the improvement and (3) pay the costs of issuance of the certificates.

The ability of the District to pay the certificates and interest due under the agreement depends on the appropriation by the Board of School Directors of the District in the amount sufficient for such purpose.

<u>Year Ending June 30,</u>	
2016	\$ 1,895,738
2017	1,927,237
2018	1,920,425
2019	1,930,225
2020	1,931,350
2021 to 2025	9,661,888
2026 to 2030	9,669,325
2031 to 2032	<u>3,859,625</u>
	<u>32,795,813</u>
Amount representing interest	<u>(10,250,813)</u>
	<u>\$ 22,545,000</u>

NORRISTOWN AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE G - GENERAL LONG-TERM DEBT (Continued)

Capital Leases

In May 2015, the District entered into a lease purchase agreement in the amount of \$9,148,710. The proceeds of the sale will be used to: (1) finance the costs for the acquisition, installation, construction and equipping of certain energy efficiency improvement equipment and other building improvements at various District facilities, (2) pay capitalized interest during the installation period of the improvement and (3) pay the costs of issuance of the lease. As of June 30, 2015, the District has not purchased any assets with the related debt. However, renovation and construction ramped up quickly over the summer months.

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

<u>Year Ending June 30,</u>	
2016	\$ 758,617
2017	758,617
2018	758,617
2019	758,617
2020	758,617
2021 to 2025	3,793,085
2026 to 2030	<u>3,793,085</u>
	11,379,255
Amount representing interest	<u>(2,230,545)</u>
	<u><u>\$ 9,148,710</u></u>

NOTE H - INVESTMENT IN CAPITAL ASSETS

Net investment in capital assets at June 30, 2015, is as follows:

CAPITAL ASSETS	\$ 134,339,470
Accumulated depreciation	<u>(61,720,393)</u>
NET CAPITAL ASSETS	<u>72,619,077</u>
DEFERRED AMOUNT ON REFUNDING	<u>20,897</u>
TOTAL OUTSTANDING DEBT	99,337,290
Principal unspent	<u>(9,152,098)</u>
	<u>90,185,192</u>
NET INVESTMENT IN CAPITAL ASSETS	<u><u>\$ (17,587,012)</u></u>

NORRISTOWN AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE I - OPERATING LEASES

The District is committed under various noncancelable operating leases, primarily for equipment (principally in the General Fund).

Future minimum operating lease commitments are as follows:

<u>Year Ending June 30,</u>	
2016	\$ 203,976
2017	203,976
2018	<u>84,990</u>
	<u>\$ 492,942</u>

Lease expense was \$212,084 for the year ended June 30, 2015.

NOTE J - 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.

NORRISTOWN AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE J - PENSION PLAN (Continued)

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.

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.

NORRISTOWN AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE J - PENSION PLAN (Continued)

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. An additional 0.90% is contributed for healthcare insurance premium assistance. Contributions to the plan from the School District were \$12,825,000 for the year ended June 30, 2015.

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 \$195,647,000 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 0.4943%, which was an increase of 0.0318% from its proportion measured as of June 30, 2013.

NORRISTOWN AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE J - PENSION PLAN (Continued)

For the year ended June 30, 2015, the School District recognized pension expense of \$19,685,000 . At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Governmental Activities:		
Net difference between projected and actual investment earnings	\$ -	\$ 13,746,000
Changes in proportions	10,303,000	-
Difference between employer contributions and proportionate share of total contributions	99,000	-
Contributions subsequent to the measurement date	<u>12,530,000</u>	<u>-</u>
	<u>\$ 22,932,000</u>	<u>\$ 13,746,000</u>
Business-type Activities:		
Net difference between projected and actual investment earnings	\$ -	\$ 241,000
Changes in proportions	187,000	-
Difference between employer contributions and proportionate share of total contributions	2,000	-
Contributions subsequent to the measurement date	<u>295,000</u>	<u>-</u>
	<u>\$ 484,000</u>	<u>\$ 241,000</u>

NORRISTOWN AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE J - PENSION PLAN (Continued)

\$12,825,000 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,

Governmental activities:

2016	\$ (930,000)
2017	(930,000)
2018	(930,000)
2019	(930,000)
2020	<u>376,000</u>
	<u>\$ (3,344,000)</u>

Business-type activities:

2016	\$ (15,000)
2017	(15,000)
2018	(15,000)
2019	(15,000)
2020	<u>8,000</u>
	<u>\$ (52,000)</u>

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.

NORRISTOWN AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE J - PENSION PLAN (Continued)

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.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public markets global equity	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%
	<u>100%</u>	

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

NORRISTOWN AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE J - PENSION PLAN (Continued)

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

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

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
School District's proportionate share of the net pension liability	\$ <u>244,043,000</u>	\$ <u>195,647,000</u>	\$ <u>154,331,000</u>

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

NOTE K - SPECIAL TERMINATION BENEFITS

The District from time to time offers additional retirement incentives known as "early retirement incentive plans" (ERIPs) to senior professional staff and administrators contemplating retirement. There is no contractual requirement for the District to offer ERIP incentives. These special termination benefits are formally approved by School Board action in the year an ERIP is implemented.

In order for an employee to retire and participate in a District-sponsored ERIP, the District must first decide whether or not to offer a special termination plan in the year the employee is retiring; the retiring employee must meet certain age and District service year requirements; a specified minimum number of employees must opt into the ERIP; and the retiring employee must be eligible to receive other pension benefits provided through the PSERS as described in Note J. The District's current ERIP provides for the payment of specific dollars to be applied to the healthcare premiums of the participating retiree and spouse for a limited number of years. During the year, expenditures of \$44,626 were recognized for postretirement health care.

NORRISTOWN AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE K - SPECIAL TERMINATION BENEFITS (Continued)

The number of participants and the present value of those benefits as of June 30, 2015, are summarized below:

<u>ERIP Began</u>	<u>Participants</u>	<u>Healthcare Premium</u>
July 1, 2005	33	\$ <u>231,836</u>

The District instituted a new ERIP during the 2011-12 school year that provides for payments of specific dollars to be paid annually for five years as an employer contribution equally into the retiree's 403(b) retirement account and healthcare reimbursement account. As of June 30, 2015, there were 40 participants, and the amount payable totaled \$62,500.

NOTE L - JOINT VENTURE

The District is a participating member of the Center for Technical Studies (the "Vo-Tech"). The Board of Directors from each member district must approve the Vo-Tech's annual budget. Each member pays an allocated share of operating costs of the Vo-Tech based on the number of students attending from each district. For the fiscal year ended June 30, 2015, the District's share of operating costs was \$2,207,218. The financial statements of the Vo-Tech are available from the Center for Technical Studies located at 821 Plymouth Road, Plymouth Meeting, PA 19462.

The District has entered into a lease agreement with the Vo-Tech to provide rental payments to retire the Vo-Tech's outstanding debt obligations. The lease agreement provides that in the event the Vo-Tech either retires all of its outstanding obligations which were issued to finance school facilities construction or acquisition or accumulates sufficient reserves to cover such obligations prior to the expiration of the applicable schedules, there will be no subsequently scheduled rental payments made.

Future rental payments are as follows:

<u>Year Ending June 30,</u>	
2016	\$ 469,102
2017	471,052
2018	469,822
2019	469,298
2020	469,958
2021 to 2024	<u>1,880,162</u>
	<u>4,229,394</u>
Interest requirements	<u>(659,394)</u>
	<u>\$ 3,570,000</u>

NORRISTOWN AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE M - CONTINGENCIES AND COMMITMENTS

The District participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The District is potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance, which would result in the disallowance of program expenditures.

NOTE N - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs. There were no significant reductions in insurance coverages in the 2014-2015 year. Settlement amounts have not exceeded insurance coverage for the current year or the four prior years.

NOTE O - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Expenditures exceeded appropriations in the following areas of the General Fund:

<u>Function/Program</u>	<u>Amount</u>
Regular programs	\$ 343,014
Adult education programs	17,539
Pupil health	46,392
Business services	44,019
Student transportation services	746,719
Central and other support services	6,235

These excess expenditures were funded by greater than anticipated revenues and fund balance.

NOTE P - OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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 the Board and can be amended by the Board through its personnel manual and union contracts. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a stand-alone financial report. The activity of the plan is reported in the District's General Fund.

NORRISTOWN AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE P - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy

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.

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	\$	273,049
Amortization of unfunded actuarial accrued liability		709,377
Interest		12,287
ANNUAL REQUIRED CONTRIBUTION (ARC)		<u>994,713</u>
Interest on net OPEB obligation		19,167
Adjustment to ARC		<u>(53,828)</u>
ANNUAL OPEB EXPENSE		960,052
Net OPEB contributions during the year		<u>(1,185,436)</u>
DECREASE IN NET OPEB OBLIGATION		<u>(225,384)</u>
Net OPEB obligation at beginning of year		<u>425,926</u>
NET OPEB OBLIGATION AT END OF YEAR	\$	<u><u>200,542</u></u>

Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009-10	\$ 2,288,327	99.0%	\$ 136,429
2010-11	2,861,832	100.1%	134,486
2011-12	2,845,366	90.7%	400,084
2012-13	1,902,639	119.7%	26,182
2013-14	1,958,304	79.6%	425,926
2014-15	960,052	123.5%	200,542

NORRISTOWN AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE P - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$5,613,085 and the actuarial value of assets was \$0. The covered payroll (annual payroll of active employees covered by the plan) was \$61,815,745, and the ratio of the UAAL to the covered payroll was 1.61%.

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 following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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, 2014 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 6.5% initially, reduced by increments of 0.5% per year to 5.5% in 2016. 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 a ten-year open period.

NOTE Q - SELF-INSURANCE

The School District is self-insured for its medical, dental and hospitalization benefits and prescription drug benefits. The monthly premium is revised annually in July for the upcoming fiscal year beginning July 1 and is based upon actual cost plus basis per third-party administrator.

NORRISTOWN AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE R - PRIOR PERIOD ADJUSTMENT

The School 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 School District has treated their proportionate share of beginning of year net pension liability of \$184,975,000 and beginning of year deferred outflows of resources of \$9,742,000 as having been recognized in the period incurred. The School District has adjusted beginning net position for the governmental activities from (\$13,330,113) to (\$188,563,113).

For the proprietary fund food service fund and the government-wide business-type activities, the School District has treated their proportionate share of beginning of year net pension liability of \$4,354,000 and beginning of year deferred outflows of resources of \$229,000 as having been recognized in the period incurred. The School District has adjusted beginning net position for the proprietary fund food service fund and for the business-type activities from \$403,512 to (\$3,721,488).

REQUIRED SUPPLEMENTARY INFORMATION

NORRISTOWN AREA 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)	<u><u>0.4943%</u></u>
School District's proportionate share of the net pension liability (asset)	\$ <u><u>195,647,000</u></u>
School District's covered-employee payroll	\$ <u><u>63,071,268</u></u>
School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	<u><u>310.20%</u></u>
The plan's fiduciary net position as a percentage of the total pension liability	<u><u>57.24%</u></u>

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

Contractually required contribution	\$ 12,825,000
Contributions in relation to the contractually required contribution	<u>12,825,000</u>
CONTRIBUTION EXCESS (DEFICIENCY)	\$ <u><u>-</u></u>
School District's covered-employee payroll	\$ <u><u>64,647,851</u></u>
Contributions as a percentage of covered-employee payroll	<u><u>19.84%</u></u>

NORRISTOWN AREA 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)
2008	\$ -	\$ 16,362,518	\$ 16,362,518	0%	\$ 54,940,189	29.78%
2010	-	13,289,810	13,289,810	0%	57,569,800	23.08%
2012	-	8,732,134	8,732,134	0%	56,804,903	15.37%
2014	-	5,613,085	5,613,085	0%	61,815,745	9.08%

SCHEDULE OF EMPLOYER AND OTHER ENTITY CONTRIBUTIONS

Fiscal Year	Annual OPEB Cost	Contributions	Percentage Contributed	Net OPEB Obligation
2008	\$ 2,296,458	\$ 2,183,917	95.1%	\$ 112,541
2009	2,288,327	2,264,439	99.0%	136,429
2010	2,861,832	2,863,775	100.1%	134,486
2011	2,845,366	2,579,768	90.7%	400,084
2012	1,902,639	2,276,541	119.7%	26,182
2013	1,958,304	1,558,560	79.6%	425,926
2014	960,052	1,185,436	123.5%	200,542

SUPPLEMENTARY INFORMATION SECTION

NORRISTOWN AREA SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2015

	Agency Fund (Student Activity Fund)			
	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
ASSETS				
Cash and cash equivalents	\$ <u>128,740</u>	\$ <u>172,565</u>	\$ <u>(198,700)</u>	\$ <u>102,605</u>
LIABILITIES				
Other current liabilities	\$ <u>128,740</u>	\$ <u>172,565</u>	\$ <u>(198,700)</u>	\$ <u>102,605</u>

NORRISTOWN AREA SCHOOL DISTRICT
SCHEDULE OF REAL ESTATE TAX SETTLEMENTS
2014 TAX DUPLICATE
YEAR ENDED JUNE 30, 2015

	<u>Totals</u>	<u>Norristown</u>	<u>East Norriton</u>	<u>West Norriton</u>
CHARGES AGAINST TAX COLLECTORS				
Original real estate assessment	\$ 2,724,437,055	\$ 841,244,028	\$ 942,733,756	\$ 940,459,271
MILLS LEVIED BY SCHOOL BOARD (32.572 mills)	<u>32.572</u>	<u>32.572</u>	<u>32.572</u>	<u>32.572</u>
TOTAL TAX LEVY	88,740,363	27,401,000	30,706,724	30,632,639
CREDITS TO TAX COLLECTORS				
Adjustments to duplicate (at face)	<u>73,254</u>	<u>22,035</u>	<u>48,632</u>	<u>2,587</u>
TAX LEVY, adjusted	<u>\$ 88,813,617</u>	<u>\$ 27,423,035</u>	<u>\$ 30,755,356</u>	<u>\$ 30,635,226</u>
REAL ESTATE TAX COLLECTED				
Net amount collected at 2% discount	\$ 74,057,050	\$ 21,132,250	\$ 26,801,300	\$ 26,123,500
Amounts collected at face	6,896,062	2,177,519	2,053,532	2,665,011
Amounts collected including 10% penalty	<u>2,001,180</u>	<u>924,860</u>	<u>448,920</u>	<u>627,400</u>
TOTAL COLLECTIONS	82,954,292	24,234,629	29,303,752	29,415,911
Add 2% discount deducted	1,481,141	422,645	536,026	522,470
Less 10% penalty included	<u>(200,118)</u>	<u>(92,486)</u>	<u>(44,892)</u>	<u>(62,740)</u>
FACE AMOUNT OF TAXES COLLECTED	84,235,315	24,564,788	29,794,886	29,875,641
UNCOLLECTED TAXES RETURNED TO PORTNOFF (at face amount)	<u>4,578,302</u>	<u>2,858,247</u>	<u>960,470</u>	<u>759,585</u>
TOTAL TAX LEVY ACCOUNTED FOR	<u>\$ 88,813,617</u>	<u>\$ 27,423,035</u>	<u>\$ 30,755,356</u>	<u>\$ 30,635,226</u>
PERCENT OF TAXES COLLECTED	<u>94.85%</u>	<u>89.58%</u>	<u>96.88%</u>	<u>97.52%</u>

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

To the Board of School Directors
Norristown Area School District
Norristown, 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 Norristown Area School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Norristown Area School District's basic financial statements, and have issued our report thereon dated November 3, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Norristown Area 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 Norristown Area School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Norristown Area School District's internal control.

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

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

To the Board of School Directors
Norristown Area School District
Norristown, Pennsylvania

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Maullie LLP". The signature is written in a cursive, flowing style.

Oaks, Pennsylvania
November 3, 2015

***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 School Directors
Norristown Area School District
Norristown, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited the Norristown Area 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 Norristown Area School District's major federal programs for the year ended June 30, 2015. Norristown Area 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 Norristown Area 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 Norristown Area School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

To the Board of School Directors
Norristown Area School District
Norristown, Pennsylvania

Opinion on Each Major Federal Program

In our opinion, the Norristown Area 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.

Report on Internal Control Over Compliance

Management of the Norristown Area 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 Norristown Area 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 Norristown Area School District's internal control over compliance.

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

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

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



Oaks, Pennsylvania
November 3, 2015

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

NORRISTOWN AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

Federal Grantor/ Pass-Through Grantor/Program Title	Source Code	Federal CFDA Number	Pass- Through Grantor's Number	Grant Period Beginning/ Ending Dates
U.S. DEPARTMENT OF EDUCATION				
Passed through the Pennsylvania Department of Education				
Adult Basic ABE 13-14	I	84.002	041-14-0034	July 1, 2013 to June 30, 2014
Adult Basic ABE 14-15	I	84.002	064-15-0035	July 1, 2014 to June 30, 2015
Title I, Improving Basic Programs 12-13	I	84.010	013-130284	July 1, 2012 to September 30, 2013
Title I, Improving Basic Programs 13-14	I	84.010	013-150284	July 1, 2014 to September 30, 2015
Title I, Improving Basic Programs 13-14	I	84.010	013-140284	July 1, 2013 to September 30, 2014
Title I, Delinquent Program 12-13	I	84.010	107-130284	July 1, 2012 to September 30, 2013
Title I, Delinquent Program 13-14	I	84.010	107-140284	July 1, 2013 to September 30, 2014
Title I, Delinquent Program 14-15	I	84.010	107-150284	July 1, 2014 to September 30, 2015
Title I, Program Improvement Set Aside 11-12	I	84.010	042-120284	July 1, 2011 to September 30, 2012
Title I, Program Improvement Set Aside 12-13	I	84.010	042-130284	July 1, 2012 to September 30, 2013
Title I, Program Improvement Set Aside 13-14	I	84.010	042-140284	July 1, 2013 to September 30, 2014
Title II, Improving Teacher Quality 13-14	I	84.367	020-140284	July 1, 2013 to September 30, 2014
Title II, Improving Teacher Quality 14-15	I	84.367	020-150284	July 1, 2014 to September 30, 2015
Twenty-First Century Community Cohort 6 Center	I	84.287		October 1, 2013 to September 30, 2014
Twenty-First Century Community Cohort 6A Center	I	84.287		October 1, 2013 to September 30, 2014
Twenty-First Century Community Cohort 6A Center	I	84.287		October 1, 2014 to September 30, 2015
Twenty-First Century Community Cohort 7 Center	I	84.287		October 1, 2014 to September 30, 2015
Title III, Language Instruction 13-14	I	84.365	010-140284	July 1, 2013 to September 30, 2014
SUBTOTAL FORWARD				

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2014</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2015</u>
\$ 72,019	\$ 60,016	\$ 12,003	\$ -	\$ -	\$ -
76,817	70,718	-	76,817	76,817	6,099
1,985,746	260,358	260,358	-	-	-
1,787,171	460,947	211,884	249,063	249,063	-
2,045,582	1,412,976	-	1,622,819	1,622,819	209,843
136,605	40,081	(19,701)	59,782	59,782	-
125,832	16,805	(33,405)	38,691	38,691	(11,519)
130,207	37,202	-	-	-	(37,202)
115,308	-	(38,437)	38,437	38,437	-
262,015	122,274	(32,623)	154,897	154,897	-
59,699	21,321	-	22,653	22,653	1,332
279,595	18,032	18,032	-	-	-
280,203	260,492	-	280,203	280,203	19,711
294,000	114,100	58,912	55,188	55,188	-
410,023	276,433	62,594	213,839	213,839	-
405,831	142,920	-	233,703	233,703	90,783
399,000	5,250	-	246,517	246,517	241,267
199,258	<u>26,568</u>	<u>26,568</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,346,493</u>	<u>\$ 526,185</u>	<u>\$ 3,292,609</u>	<u>\$ 3,292,609</u>	<u>\$ 520,314</u>

NORRISTOWN AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

Federal Grantor/ Pass-Through Grantor/Program Title	Source Code	Federal CFDA Number	Pass- Through Grantor's Number	Grant Period Beginning/ Ending Dates
U.S. DEPARTMENT OF EDUCATION				
SUBTOTAL FORWARDED				
Passed through the Pennsylvania Department of Education				
Title III, Language Instruction 14-15	I	84.365	010-150284	July 1, 2014 to September 30, 2015
School Improvement Grant	I	84.377	142-133284	July 1, 2013 to September 30, 2014
Title I, Innovation Grant	I	84.010	077-150284	February 1, 2015 to September 30, 2015
Passed through the Montgomery County Intermediate Unit				
IDEA - Section 619	I	84.027	N/A	July 1, 2014 to June 30, 2015
IDEA 13-14	I	84.027	N/A	July 1, 2013 to June 30, 2014
IDEA 14-15	I	84.027	N/A	July 1, 2014 to June 30, 2015
Race to the Top	I	84.413A	N/A	July 1, 2012 to June 30, 2013
TOTAL FORWARD				
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through the Pennsylvania Department of Public Welfare				
Medical Assistance Program--Indirect Access 14-15	I	93.778	N/A	July 1, 2014 to June 30, 2015
TOTAL FORWARD				
U.S. DEPARTMENT OF AGRICULTURE				
Value of U.S.D.A.	D	10.550	N/A	July 1, 2014 to June 30, 2015
Passed through the Pennsylvania Department of Education				
National School Breakfast Program 13-14	I	10.553	N/A	July 1, 2013 to June 30, 2014
National School Breakfast Program 14-15	I	10.553	N/A	July 1, 2014 to June 30, 2015
National School Lunch Program 13-14	I	10.555	N/A	July 1, 2013 to June 30, 2014
National School Lunch Program 14-15	I	10.555	N/A	July 1, 2014 to June 30, 2015
SUBTOTAL FORWARD				

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2014</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2015</u>
	\$ 3,346,493	\$ 526,185	\$ 3,292,609	\$ 3,292,609	\$ 520,314
\$ 229,542	163,959	-	200,674	200,674	36,715
677,686	193,625	110,323	83,302	83,302	-
100,000	42,857	-	21,870	21,870	(20,987)
9,769	9,769	-	9,769	9,769	-
1,385,564	549,771	549,771	-	-	-
1,485,488	951,075	-	1,485,488	1,485,488	534,413
156,334	<u>67,013</u>	<u>-</u>	<u>120,234</u>	<u>120,234</u>	<u>53,221</u>
	<u>5,324,562</u>	<u>1,186,279</u>	<u>5,213,946</u>	<u>5,213,946</u>	<u>1,123,676</u>
N/A	<u>67,775</u>	<u>-</u>	<u>67,775</u>	<u>67,775</u>	<u>-</u>
	<u>67,775</u>	<u>-</u>	<u>67,775</u>	<u>67,775</u>	<u>-</u>
N/A	262,871	(13,987)	272,668	272,668	(4,190)
N/A	82,550	82,550	-	-	-
N/A	446,526	-	469,965	469,965	23,439
N/A	414,582	414,582	-	-	-
N/A	<u>2,344,028</u>	<u>-</u>	<u>2,471,241</u>	<u>2,471,241</u>	<u>127,213</u>
	<u>\$ 3,550,557</u>	<u>\$ 483,145</u>	<u>\$ 3,213,874</u>	<u>\$ 3,213,874</u>	<u>\$ 146,462</u>

NORRISTOWN AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

<u>Federal Grantor/ Pass-Through Grantor/Program Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Grantor's Number</u>	<u>Grant Period Beginning/ Ending Dates</u>
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				
SUBTOTAL FORWARDED				
Fresh Fruits & Vegetables Program 13-14	I	10.582	N/A	July 1, 2013 to June 30, 2014
Fresh Fruits & Vegetables Program 14-15	I	10.582	N/A	July 1, 2014 to June 30, 2015
TOTAL U.S. DEPARTMENT OF AGRICULTURE				
TOTAL FEDERAL AWARDS				

Source Codes:

D = Direct funding	25% of Federal Expenditures	\$2,163,390
I = Indirect funding	50% of Federal Expenditures	\$4,326,779

See accompanying notes to the schedule of expenditures of federal awards.

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2014</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2015</u>
	\$ <u>5,324,562</u>	\$ <u>1,186,279</u>	\$ <u>5,213,946</u>	\$ <u>5,213,946</u>	\$ <u>1,123,676</u>
	<u>67,775</u>	<u>-</u>	<u>67,775</u>	<u>67,775</u>	<u>-</u>
	3,550,557	483,145	3,213,874	3,213,874	146,462
N/A	29,688	29,688	-	-	-
N/A	<u>99,464</u>	<u>-</u>	<u>157,963</u>	<u>157,963</u>	<u>58,499</u>
	<u>3,679,709</u>	<u>512,833</u>	<u>3,371,837</u>	<u>3,371,837</u>	<u>204,961</u>
	\$ <u><u>9,072,046</u></u>	\$ <u><u>1,699,112</u></u>	\$ <u><u>8,653,558</u></u>	\$ <u><u>8,653,558</u></u>	\$ <u><u>1,328,637</u></u>

NORRISTOWN AREA SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

NOTE A - ORGANIZATION AND SCOPE

The federal programs as listed in the schedule of expenditures of federal awards are accounted for by the District in the General Fund for U.S. Department of Education and U.S. Department of Health and Human Services programs and in the Food Service Fund for U.S. Department of Agriculture programs.

NOTE B - BASIS OF ACCOUNTING

The District uses the modified accrual method of recording transactions. Revenues are recorded when measurable and available. Expenditures are recorded when incurred.

NOTE C - DONATED FOOD

Donated food has been valued according to market value estimates provided by the U.S.D.A.

NORRISTOWN AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of the Norristown Area 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 Norristown Area 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 federal award programs for the Norristown Area 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 included:

Program	CFDA
Child Nutrition Cluster	10.553 & 10.555
8. The threshold for distinguishing Type A major programs was \$300,000.
9. Norristown Area 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.

NORRISTOWN AREA SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2015

None.

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

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[_____], 2016

Norristown Area School District
401 N. Whitehall Road
Norristown, Pennsylvania 19403

Purchasers of the Below-Captioned Bonds

Re: Norristown Area School District
Montgomery County, Pennsylvania
\$[_____] General Obligation Bonds, Series of 2016

Ladies and Gentlemen:

We have served as bond counsel to the Norristown Area School District, Montgomery County, Pennsylvania (the “School District”), a school district of the Commonwealth of Pennsylvania (the “Commonwealth”), in connection with the authorization, issuance and sale by the School District of its General Obligation Bonds, Series of 2016, dated [_____] , 2016, in the aggregate principal amount of \$[_____] (the “Bonds”).

The Board of School Directors of the School District (the “School Board”), by Resolution adopted April 25, 2016 (the “Bond Resolution”), has authorized and directed the issuance of the Bonds pursuant to the Pennsylvania Local Government Unit Debt Act, 53 Pa.C.S. Chs. 80-82 (the “Debt Act”), for the purpose of (1) refunding the School District’s currently outstanding General Obligation Refunding Bonds, Series of 2006; and (2) paying the costs and expenses of issuing the Bonds (the “Project”).

The School District has covenanted in the Bond Resolution to include in each year’s budget, to the fullest extent authorized under law, sums sufficient to meet the requirements of all interest and principal payments due under the Bonds, to appropriate such amounts from its general revenues necessary for the payment of such debt service and to pay the principal and interest due upon the Bonds to the extent of its obligation as and when due, and for such payment, budgeting and appropriation, it has pledged its full faith, credit and taxing power.

In the Bond Resolution, the School District has established a sinking fund for the payment of the Bonds (the “Sinking Fund”), and covenanted to make payments out of the Sinking Fund or out of any other of its revenue or funds, at such times and in such annual amounts, as shall be sufficient for prompt and full payment of all obligations under the Bonds.

As bond counsel to the School District, we have examined and relied upon, among other things: (1) the proceedings of the School District related to the issuance and delivery of the Bonds as filed with and approved by the Pennsylvania Department of Community and Economic Development (the “Department”) pursuant to the Debt Act; (2) an executed counterpart of the Bond Resolution; (3) the form of the Bonds; (4) a General Certificate of the School District; (5) a Tax Compliance Agreement of the School District; and (6) the customary closing affidavits, certificates and documents executed and delivered by the School District in connection with the issuance of the Bonds.

We have assumed that the principal of and interest on the Bonds are payable without deduction of any tax or taxes now levied or assessed thereon under any present law of the Commonwealth, which tax or taxes the School District assumes and agrees to pay; except gift, succession or inheritance taxes or to other taxes not levied or assessed directly on the Bonds or the interest paid thereon.

Based upon the foregoing, and the qualifications stated herein, and assuming continuing compliance by the School District with the Tax Compliance Agreement and applicable provisions of the Internal Revenue Code of 1986, as amended (the “Code”) and the regulations promulgated thereunder, we are of the opinion that:

1. The School District is authorized under applicable laws of the Commonwealth to issue the Bonds as provided in the Bond Resolution.
2. The Bonds are the legal and valid general obligations of the School District enforceable in accordance with their terms.
3. The proceedings of the School District pursuant to which the Bonds have been authorized and issued and the non-electoral debt of the School District evidenced by the Bonds have been conducted and incurred in accordance with applicable law of the Commonwealth. The Bonds are secured by the full faith and credit of the School District, the payment for which the School District is obligated, if necessary, to exercise its ad valorem taxing power upon all taxable property within the School District, subject to the limitations of the Taxpayer Relief Act, Pennsylvania Special Session Act No. 1 of 2006.
4. Interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes, and is not an item of “tax preference” for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining “adjusted current earnings” for the purpose of computing the alternative minimum tax imposed on certain corporations.
5. The Bonds are exempt from personal property taxes in the Commonwealth and interest on the Bonds is exempt from the personal income tax and the corporate net income tax imposed by the Commonwealth.

6. The Bonds, when issued and approved by the Department, will constitute indebtedness of the School District for purposes of Section 6-633 of the Pennsylvania Public School Code of 1949, as amended.

Notwithstanding the general excludability of interest on the Bonds from gross income and the exemption of the Bonds and the interest thereon from certain taxes, ownership of the Bonds may result in other Federal, state, local and/or foreign tax consequences to certain taxpayers, including without limitation, corporations required to include such interest in the calculation and payment of the alternative minimum tax under Section 55 of the Code; certain foreign corporations doing business in the United States that are subject to the Branch Profits Tax imposed by Section 844 of the Code; individuals, or entities required to take such interest into account as market discount; financial institutions; insurance companies required to include such interest in amounts required to reduce the deductions for loss reserves pursuant to Section 832 of the Code; certain "S" Corporations (as defined in Section 1361 of the Code) with accumulated earnings and profits; individual recipients of Social Security, or Railroad Retirement benefits; and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Bonds. We offer no opinion as to any of such other tax consequences.

With respect to the opinion set forth in Paragraph 2 above, we advise you that the rights of the holders of the Bonds and the enforceability of the Bonds will be subject to and may be limited by (i) applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other similar laws of general application or equitable principles relating to or affecting creditors' rights and remedies or debtors' obligations generally; (ii) general principles of equity, whether considered and applied in a court of law or equity, and (iii) the exercise of judicial discretion in appropriate cases.

The opinions set forth above are subject to the condition that the School District comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Code establishes certain requirements relating to the use and expenditures of the Bonds proceeds, restrictions on investments prior to expenditure and the requirement that certain earnings be rebated to the Federal government. Non-compliance with any of these or other applicable requirements of the Code might cause interest on the Bonds to be subject to Federal income taxation either prospectively or retroactively to the date of issuance. The School District has covenanted to comply with such requirements in the Bond Resolution and the Tax Compliance Agreement.

We express no opinion herein as to any matter not expressly set forth herein, including Federal, state, local or foreign tax consequences arising with respect to the Bonds other than as expressly set forth above. Further, we express no opinion herein regarding the accuracy, adequacy, or completeness of the Official Statement relating to the Bonds.

This opinion is given as of the time of closing on the date hereof, and is based on existing law as enacted and construed as of that time. We assume no obligation to update or supplement this opinion to reflect any facts or circumstances which may hereafter come to our attention or any

changes in such laws, regulations, or judicial or administrative decisions, any of which could adversely affect a holder of the Bonds.

Very truly yours,

Obermayer Rebmann Maxwell & Hoppel, LLP

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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NORRISTOWN AREA SCHOOL DISTRICT
Montgomery County, Pennsylvania

\$[_____]
General Obligation Bonds
Series of 2016

CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (this “Certificate”), dated as of [_____], 2016, is given by the Norristown Area School District (the “School District”), a school district of the Commonwealth of Pennsylvania, and a “local government unit” under the Pennsylvania Local Government Unit Debt Act, 53 Pa. C.S. Ch. 80-82 (the “Debt Act”).

This Certificate is given by the School District in connection with the issuance of its General Obligation Bonds, Series of 2016, in an aggregate principal amount of \$[_____] (collectively, the “Bonds”). The Bonds are being issued pursuant to and in accordance with the Debt Act and a Resolution of the School District adopted on April 25, 2016 (the “Bond Resolution”).

This Certificate is being executed and delivered by the School District to provide for the disclosure of certain information concerning the Bonds on an on-going basis as set forth herein for the benefit of Bondholders in accordance with the provisions of Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”). For purposes of this Certificate, Bondholders shall mean any holder of the Bonds and any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including personal holding Bonds through nominees, depositories or other intermediaries).

The School District, intending to be legally bound, hereby covenants and agrees as follows:

1. Disclosure of Information. The School District, in accordance with the Rule, covenants to provide to the Municipal Securities Rulemaking Board (the “MSRB”) the following financial and operating data in accordance with the terms and conditions of this Certificate:

(a) at least annually, the following annual financial information and operating data with respect to the School District for each of its fiscal years, beginning with the fiscal year ending June 30, 2016, by the March 31 following the end of such fiscal year

(i) the financial statements of the School District for the most recent fiscal year, prepared in accordance with generally accepted accounting principles for local government units and audited in accordance with generally accepted auditing standards. In the event that audited financial statements are not submitted as part of the annual filings, the School District shall file with MSRB unaudited financial statements with its annual filing;

(ii) a summary of the budget for the new fiscal year;

(iii) the aggregate assessed value and aggregate market value of all taxable real estate for the new fiscal year;

(iv) the taxes and millage rates imposed for the new fiscal year;

(v) the real property tax collection results for the most recent fiscal year, including (1) the real estate levy imposed (expressed both as a millage rate and an aggregate dollar amount), (2) the dollar amount of real estate taxes collected that represented current collections (expressed both as a percentage of such fiscal year's levy and as an aggregate dollar amount), (3) the amount of real estate taxes collected that represented taxes levied in prior years (expressed as an aggregate dollar amount), and (4) the total amount of real estate taxes collected (expressed both as a percentage of the current year's levy and as an aggregate dollar amount); and;

(vi) a list of the ten (10) largest real estate taxpayers and, for each, the total assessed value of real estate for the new fiscal year.

(b) in a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Bonds (each individually, a "Material Event"): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the School District; (13) the

consummation of a merger, consolidation, or acquisition involving the School District or the sale of all or substantially all of the assets of the School District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(c) in a timely manner, notice of the failure of the School District to provide the information set forth in paragraph (a) above on or before the date specified above.

(d) For purposes of the Material Event identified in clause (b)(12) of this Section, this event is considered to occur when any of the following occur: appointment of a receiver, fiscal agent or similar officer for the School District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the School District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan or reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the School District.

2. Additional Information. The School District may from time to time choose to disseminate other information, using the means of dissemination set forth in this Certificate or any other means of communication, or include other information in any financial statement or notice of occurrence of any other events, in addition to that which is required by this Certificate. If the School District chooses to include any such information in any annual financial statement or notice of occurrence of any other events in addition to that which is specifically required by this Certificate, the School District shall have no obligation under this Certificate to update such information or include it in any future annual financial statement or notice of occurrence of a Material Event.

3. Amendment or Modification. The School District may amend this Certificate and any provision of this Certificate may be waived, if such amendment or waiver is supported by an opinion of nationally recognized bond counsel expert in federal securities laws to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule as well as any change in circumstance.

4. Termination. The School District reserves the right to terminate its obligation to provide annual financial information and notices of material events, as set forth above, if and when the School District no longer remains an “obligated person” with respect to the Bonds within the meaning of the Rule. The School District acknowledges that its undertaking pursuant to the Rule described herein is intended to be for the benefit of the holders or beneficial owners of the Bonds and shall be enforceable by the holders or beneficial owners of such Bonds; provided that the Bondholders’ right to enforce the provisions of this undertaking shall be limited to a right to obtain specific enforcement for the School District’s obligations hereunder and any failure by the School District to comply with the provisions of this undertaking shall not be an event of default with respect to the Bonds.

5. Defaults; Remedies. In the event of a failure of the School District to comply with any provision of this Certificate any Bondholder may take such action as may be necessary and appropriate, including seeking an action in mandamus or specific performance to cause the School District to comply with its obligations under this Certificate. A default under this Certificate shall not constitute a default under the Resolution or on the Bonds and the sole remedy available in any proceeding to enforce this Certificate shall be an action to compel specific performance.

6. Beneficiaries. This Certificate shall inure solely to the benefit of the School District, the original underwriters of the Bonds, Bondholders, or beneficial owners thereof and shall create no rights in any other person or entity.

7. Means of Submitting Information. The School District shall submit information required to be disclosed under this Certificate to the MSRB using the Electronic Municipal Market Access System (“EMMA”). Such information shall be transmitted to EMMA in portable document format (pdf) at www.emma.msrb.org and accompanied by identifying information as prescribed by the MSRB.

8. Additional Disclosure Obligations. The School District acknowledges that other state and federal laws, including but not limited to the Securities Act of 1933, the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, may apply to the School District, and that under some circumstances compliance with this Certificate, without additional disclosures or other action, may not fully discharge all duties and obligations of the School District under such laws.

[Signature Page Follows]

IN WITNESS WHEREOF, the School District has caused its duly authorized representative to execute this Continuing Disclosure Certificate as of the day and year first written above.

NORRISTOWN AREA SCHOOL DISTRICT

By: _____

Turea Hutson
President

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