

NEW BRIGHTON AREA SCHOOL DISTRICT

NEW BRIGHTON, PENNSYLVANIA

JUNE 30, 2015

AUDIT REPORT

NEW BRIGHTON AREA SCHOOL DISTRICT

NEW BRIGHTON, PENNSYLVANIA

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
New Brighton Area School District
3225 43rd Street
New Brighton, Pennsylvania 15066

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of New Brighton 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 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.

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 2 to the financial statements, for the period ending June 30, 2015 the entity adopted new accounting guidance GASB 68, Accounting and Financial Reporting for Pensions. The adoption of the new guidance resulted in a prior period adjustment to the beginning net position. Our opinion is not modified with respect to this matter.

Emphasis of Matter - Change in Accounting Estimate

As discussed in Note 13 to the financial statements, for the period ending June 30, 2015 the entity obtained a new valuation of its fixed assets. The adoption of the new guidance resulted in a prior period adjustment to the beginning net position. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, postemployment benefits other than pension benefits(OPEB) information, schedule of the District's proportionate share of the net pension liability, and schedule of District contributions on pages i-xi, 43, 44, 45, and 46, respectively, 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 New Brighton Area School District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic

financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 18, 2015, on our consideration of the New Brighton 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 New Brighton Area School District's internal control over financial reporting and compliance.

Cottrill, Arbutina and Assoc.

Beaver, PA 15009
December 18, 2015

NEW BRIGHTON AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

JUNE 30, 2015

Required Supplementary Information (RSI)

The Management's Discussion and Analysis (MD&A) of New Brighton Area School District ("School District")'s financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

The Management's Discussion and Analysis is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments issued June 1999. Certain comparative information between the current fiscal year and the prior fiscal year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

The School District's total net position was \$(20,901,875). Net position was \$(20,832,382) and \$(69,493) for governmental activities and business-type activities, respectively.

The School District increased the general fund balance by \$677,838 in 2015 compared to the three previous years:

Year Ending June 30, 2014	\$(257,933)
Year Ending June 30, 2013	\$ (34,637)
Year Ending June 30, 2012	\$ 362,754

The general fund balance for the year ending June 30, 2015 is \$4,296,789.

The trends of prior years' indicated that during the fiscal year 2014-2015, the New Brighton Area School District would experience another year of significant increases in the costs for special education instruction, charter school tuition, and health benefits for our employees. In the budgeting process, the Board of School Directors increased the real estate property tax rate from 54.6 mills for 2013-2014 to 57.1457 mills in the 2014-2015 school year.

USING THE ANNUAL FINANCIAL AUDIT REPORT

The School District's basic financial statements contain three components:

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

This report also contains other supplementary information in addition to the basic financial statements. Management's Discussion and Analysis provides a comparative analysis of the School District's financial position.

The first two statements are government-wide financial statements - the statement of net position and the statement of activities. These provide both long-term and short-term information about the School District's overall financial status.

NEW BRIGHTON AREA SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)

JUNE 30, 2015

The remaining statements are fund financial statements that focus on individual parts of the School District’s operations in more detail than the government-wide statements. The governmental fund statements tell how general School District services were financed in the short term as well as what remains for future spending. Proprietary fund statements offer financial information about the activities that the School District operates like a business. For this School District, this is our Food Service Fund. Fiduciary fund statements provide information about financial relationships where the School District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong. For our School District, this is our Student Activity Fund.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Figure A-1 shows how the required parts of the financial section are arranged and relate to one another.

Figure A-1
Required Components of
New Brighton Area School District’s
Financial Report

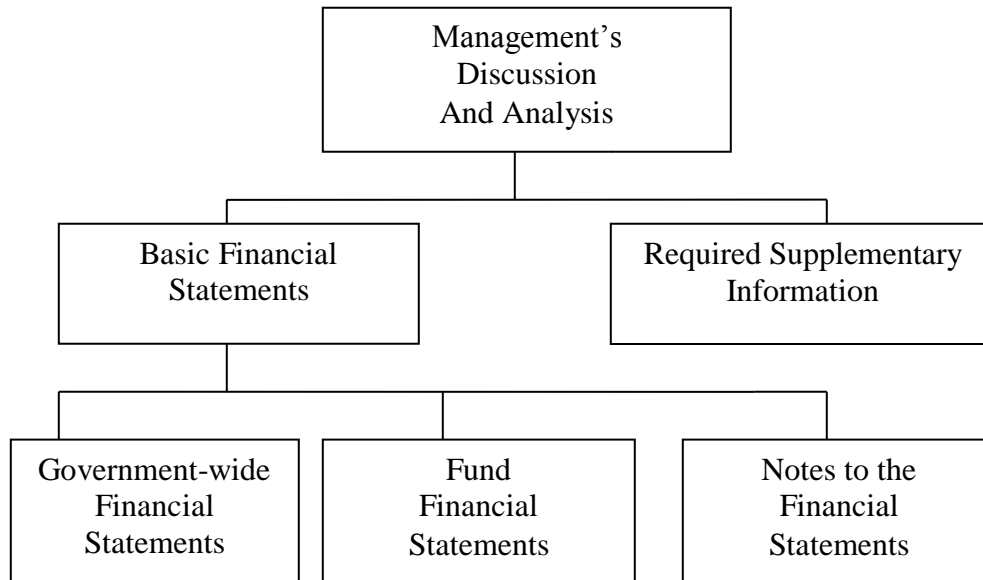


Figure A-2 summarizes the major features of the School District’s financial statements, including the portion of the School District they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

NEW BRIGHTON AREA SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)

JUNE 30, 2015

Figure A-2 Major Features of New Brighton Area School District’s Government-Wide and Fund Financial Statements				
		Fund Statements		
	Government-Wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School District (except fiduciary funds)	The activities of the School District that are not proprietary or fiduciary, such as education, administration, and community services	Activities the School District operates similar to private business – Food Services	Instances in which the School District is the trustee or agent to someone else’s resources – Activity Funds
Required financial statements	Statement of net position Statement of activities	Balance Sheet Statement of revenues, expenditures, and changes in fund balances	Statement of net position Statement of revenues, expenses and changes in fund net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow-outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

NEW BRIGHTON AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

JUNE 30, 2015

OVERVIEW OF FINANCIAL STATEMENTS

Government-Wide Statements

The government-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies.

The statement of net position presents information on all the School District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The difference between the assets plus deferred outflows of resources less liabilities and deferred inflows of resources is reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The statement of activities presents information showing how the School 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 compensation absences).

To assess the overall health of the School District, non-financial factors must be considered. These factors include changes in the School District's property tax base and the performance of students.

The government-wide financial statements of the School District are divided into two categories:

- Governmental activities – The School District's basic services include instruction, support services, operation and maintenance of plant, pupil transportation services, and administrative services. Property and earned income taxes, state and federal subsidies, and grants finance most of these activities.
- Business-type activities – The School District operates a food service operation. Fees charged to staff and students as well as state and federal funding are used to cover the costs related to the food service operations.

Fund Financial Statements

The School District's fund financial statements, which begin on page 6, provide detailed information about the most significant funds—not the School District as a whole. Some funds are required by state law and by bond requirements.

Governmental funds – Most of the School District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using a modified accrual accounting method. This method measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the School District's operations and the services the School District provides. Governmental fund information helps the reader determine whether there are more or less financial resources that can be spent in the near future to finance the School District's instructional programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds are reflected in the reconciliations on pages 7 and 9.

NEW BRIGHTON AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

JUNE 30, 2015

Proprietary funds – These funds are used to account for the School District activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the School District charges customers for services it provides—whether to outside customers or to other units in the School District—these services are generally reported in proprietary funds. The food service fund is the School District's proprietary fund and is the same as the business-type activities we report in the government-wide statements, but provides more detail and additional information, such as cash flows.

Fiduciary funds – The School District is the trustee, or fiduciary, for activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net position on page 13. These activities are excluded from the School District's other financial statements due to the fact that the School District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The School District's total net position was \$(20,901,875) at June 30, 2015. This is a decrease of \$30,539,919 from the prior year. The adoption of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, resulted in a net pension liability of \$28,014,000 not reflected in prior years.

Table A-1
Fiscal Year ended June 30, 2015 and 2014
Net Position

	2015			2014		
	Governmental Activities	Business-type Activities	Totals	Governmental Activities	Business-type Activities	Totals
Current and Other Assets	\$ 7,776,263	\$ 91,594	\$ 7,867,857	\$ 9,556,765	\$ 40,547	\$ 9,597,312
Capital Asset	13,148,964	28,604	13,177,568	15,642,284	24,637	15,666,921
Total Assets	\$ 20,925,227	\$ 120,198	\$ 21,045,425	\$ 25,199,049	\$ 65,184	\$ 25,264,233
Deferred Outflows	\$ 2,441,184	\$ 0	\$ 2,441,184	\$ 0	\$ 0	\$ 0
Current and Other Liabilities	\$ 6,402,937	\$ 189,691	\$ 6,592,628	\$ 5,125,423	\$ 187,445	\$ 5,312,868
Long-Term Liabilities	35,721,856	0	35,721,856	10,313,321	0	10,313,321
Total Liabilities	\$ 42,124,793	\$ 189,691	\$ 42,314,484	\$ 15,438,744	\$ 187,445	\$ 15,626,189
Deferred Inflows	\$ 2,074,000	\$ 0	\$ 2,074,000	\$ 0	\$ 0	\$ 0
Net Position						
Invested in Capital Assets, Net of Related Debt	\$ 3,577,116	\$ 28,604	\$ 3,605,720	\$ 6,309,773	\$ 24,637	\$ 6,334,410
Restricted	1,372,099	0	1,372,099	2,962,580	0	2,962,580
Unrestricted	(25,781,597)	(98,097)	(25,879,694)	487,952	(146,898)	341,054
Total Net Position	\$ (20,832,382)	\$ (69,493)	\$ (20,901,875)	\$ 9,760,305	\$ (122,261)	\$ 9,638,044

NEW BRIGHTON AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

JUNE 30, 2015

Due to the implementation of GASB Statement No. 68, beginning in 2014-2015, the School District was required to recognize its portion of pension liability. As a direct result of this net pension liability, the District's Deferred Outflows of Resources increased by \$2.4 million, Deferred Inflows of Resources increased by \$2.1 million and their net pension liabilities increased by \$29.0 million.

Current and other assets include cash and cash equivalents (money in banks and liquid investments), net taxes receivable (fund accounting includes only property and earned income taxes anticipated to be received within 60 days of the close of the fiscal year, June 30), subsidies still to be received from state and federal government, and inventories.

Buildings, land, and equipment make up most of the School District's net position in the net investment in capital assets. The above display shows the capital assets of the School District at cost less depreciation and does not reflect market values. The remaining net position is restricted and unrestricted amounts. Restricted net position is the amounts set aside to fund future purchases or capital projects as planned by the School District.

The results of this year's operations as a whole are reported in the Statement of Activities on page 5. All expenses are reported in the first column. Specific charges, grants, revenues, and subsidies that directly relate to specific expense categories are represented to determine the final amount of the School District's activities that are supported by other general revenues. The two largest general revenues are the basic education subsidy provided by the Commonwealth of Pennsylvania and local taxes assessed to the community taxpayers of the School District.

Table A-2 takes the information from the statement of activities and rearranges it slightly so one can see our total revenues, expenses, and change to the net position for the year. Prior year information is also provided for a comparative analysis of government-wide data.

Table A-2
Fiscal Year ended June 30, 2015 & 2014
Changes in Net Position

	2015			2014		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues						
<u>Program revenues:</u>						
Charges for services	\$ 105,387	\$ 311,456	\$ 416,843	\$ 91,883	\$ 260,854	\$ 352,737
Operating grants and contributions	5,942,729	548,126	6,490,855	5,386,212	535,636	5,921,848
Capital grants and contributions	0	0	0	0	0	0
<u>General revenues:</u>						
Property taxes	4,725,838	0	4,725,838	4,518,413	0	4,518,413
Other taxes	1,191,736	0	1,191,736	1,235,730	0	1,235,730
Grants, subsidies and contributions, unrestricted	10,197,843	0	10,197,843	10,197,861	0	10,197,861
Investment earnings	6,009	0	6,009	9,741	0	9,741
Refunds of prior year receipts	(7)	0	(7)	(6,202)	0	(6,202)
Transfers	(45,635)	45,635	0	0	0	0
Total revenues	\$ 22,123,900	\$ 905,217	\$ 23,029,117	\$ 21,433,638	\$ 796,490	\$ 22,230,128

NEW BRIGHTON AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

JUNE 30, 2015

Table A-2 - Continued

	2015			2014		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Expenses						
Instruction (incl. Capital outlay)	\$ 13,262,460	\$ 0	\$ 13,262,460	\$ 13,010,820	\$ 0	\$ 13,010,820
Instructional student support	1,544,384	0	1,544,384	1,487,521	0	1,487,521
Administrative & financial support	1,559,771	0	1,559,771	1,569,585	0	1,569,585
Operation & maintenance of plant	1,981,836	0	1,981,836	2,039,360	0	2,039,360
Pupil transportation services	1,079,423	0	1,079,423	1,122,643	0	1,122,643
Other support services	354,206	0	354,206	431,875	0	431,875
Student activities	516,338	0	516,338	479,048	0	479,048
Community services	155,887	0	155,887	167,900	0	167,900
Interest on long-term debt	273,514	0	273,514	243,620	0	243,620
Unallocated depreciation expense	453,391	0	453,391	645,447	0	645,447
Food services	0	876,803	876,803	0	847,293	847,293
Total expenses	\$ 21,181,210	\$ 876,803	\$ 22,058,013	\$ 21,197,819	\$ 847,293	\$ 22,045,112
Increase (decrease) in net position	\$ 942,690	\$ 28,414	\$ 971,104	\$ 235,819	\$ (50,803)	\$ 185,016
Net Position - Beginning	\$ 9,760,305	(122,261)	\$ 9,638,044	\$ 9,524,486	(71,458)	\$ 9,453,028
Prior Period Adjustment	(31,535,377)	24,354	(31,511,023)	0	0	0
Net Position - Beginning Restated	\$ (21,775,072)	\$ (97,907)	\$ (21,872,979)	\$ 9,524,486	\$ (71,458)	\$ 9,453,028
Net Position - Ending	\$ (20,832,382)	\$ (69,493)	\$ (20,901,875)	\$ 9,760,305	\$ (122,261)	\$ 9,638,044

Table A-3 shows the School District's largest functions: instruction, instructional student support, administrative, operation and maintenance of plant, pupil transportation services, central and other support services, student activities, community services, interest on long-term debt, and unallocated depreciation expense, as well as each program's net cost (total cost less revenues generated by the activities). This table also shows the net costs offset by the other unrestricted grants, subsidies and contributions to show the remaining financial needs supported by local taxes and other miscellaneous revenues. Prior year information is again provided to allow for a comparative analysis.

Table A-3

Fiscal Year Ended June 30, 2015 - Governmental Activities

<u>Functions/Programs</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$ 13,262,460	\$ 8,664,641
Instructional student support	1,544,384	1,353,039
Administrative	1,559,771	1,397,578
Operation and Maintenance	1,981,836	1,854,794
Pupil transportation services	1,079,423	438,644
Central and other support services	354,206	332,280
Student activities	516,338	450,874
Community services	155,887	57,219
Interest on long-term debt	273,514	130,634
Unallocated depreciation expense	453,391	453,391
Total governmental activities	\$ 21,181,210	\$ 15,133,094
Less: Unrestricted grants, subsidies		10,197,843
Total needs from local taxes and other revenues		\$ 4,935,251

NEW BRIGHTON AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

JUNE 30, 2015

Table A-3 - Continued
Fiscal Year ended June 30, 2014 - Governmental Activities

<u>Functions/Programs</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$ 13,010,820	\$ 8,825,955
Instructional student support	1,487,521	1,321,099
Administrative	1,569,585	1,428,207
Operation and Maintenance	2,039,360	1,931,311
Pupil transportation services	1,122,643	555,934
Central and other support services	431,875	404,677
Student activities	479,048	422,035
Community services	167,900	84,388
Interest on long-term debt	243,620	100,671
Unallocated depreciation expense	645,447	645,447
Total governmental activities	\$ 21,197,819	\$ 15,719,724
Less: Unrestricted grants, subsidies		10,197,861
Total needs from local taxes and other revenues		\$ 5,521,863

BUSINESS-TYPE ACTIVITY

Table A-4 reflects the activities of the Food Service program, the only Business-type activity of the School District.

Table A-4
Fiscal Year ended June 30, 2015 & 2014
Business-type Activities

<u>FUNCTIONS/PROGRAMS</u>	<u>2015</u>		<u>2014</u>	
	<u>TOTAL COST OF SERVICE</u>	<u>NET COST OF SERVICE</u>	<u>TOTAL COST OF SERVICE</u>	<u>NET COST OF SERVICE</u>
Food Service	\$ 876,803	\$ (17,221)	\$ 847,293	\$ (50,803)
Add:				
Investment Earnings		0		0
Transfers		45,635		0
Total Business - type Activities	\$ 28,414			\$ (50,803)

The statement of revenues, expenses and changes in fund net position for this proprietary fund will further detail the actual results of operations.

SCHOOL DISTRICT FUNDS

The General Fund, which accounts for the School District's operations, represents the School District's most significant major fund. All governmental funds had a fund balance of \$4,358,090 as noted on page 6. The fund balance decreased by \$912,722 during the year.

NEW BRIGHTON AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

JUNE 30, 2015

General Fund Budgeting Highlights

The School District's budget is prepared according to Pennsylvania law. The most significant budgeted fund is the General Fund. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided on page 14.

For the General Fund, final budgeted revenue and other financing sources in the amount of \$21,824,727 increased by \$466,149 from the previous year's final budget. The final budgeted expenditures and other financing uses were \$22,164,589, which was an increase of \$593,169 from the previous year's final budget. Additional revenues and the corresponding expenditures for grants received beyond original budget were recognized.

The general fund's actual results exceeded budgeted estimates by \$1,017,700. This further increased the fund balance, and the total fund balance increase for the year was \$677,838.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the School District's governmental activities had \$13,148,964 invested in a broad range of capital assets, including land, site improvements, buildings, furniture, and equipment. This amount represents a net decrease of \$2,493,320 or 15.94% from last year. The decrease in capital assets is a result of the increased capital spending over depreciation expense for the fiscal year reduced by the fixed asset valuation adjustment of \$3,521,377 as of June 30, 2014.

Table A-5 shows the net value of capital assets of the governmental activities.

Table A-5
Governmental Activities
Capital assets – net of depreciation (if applicable)

	<u>2015</u>	<u>2014</u>
Land	\$ 9,500	\$ 261,630
Site Improvements	399,221	497,196
Buildings & Improvements	12,268,642	13,445,995
Furniture & Equipment	471,601	423,983
Construction in Progress	<u>0</u>	<u>1,013,480</u>
Total	<u>\$ 13,148,964</u>	<u>\$ 15,642,284</u>

Debt Administration

As of June 30, 2015, the School District had total outstanding bond principal of \$9,633,148.

Table A-6 below depicts the School District's total outstanding debt by bond and lease issue.

NEW BRIGHTON AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

JUNE 30, 2015

Table A-6
Outstanding Debt

	<u>2015</u>	<u>2014</u>
General Obligation Notes/Bonds/Lease		
Lease, Capital Improvement 2014	\$ 2,598,148	\$ 2,604,372
Bonds, Series 2011	6,160,000	7,430,000
Bonds, Series A of 2011	<u>875,000</u>	<u>950,000</u>
Total	<u>\$ 9,633,148</u>	<u>\$ 10,984,372</u>

Other obligations include accrued and compensated vacation pay, sick leave pay, and post-employment benefits for qualifying employees who retire from the School District. More detailed information about our long-term liabilities are included in Note 7 and 8 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The School District must rely on State support to continue funding educational programs. The local economy only provided 28.9% of total revenue for the fiscal year ending June 30, 2015. The School District is supported by an aging population and a depressed local economy. One mill of real estate taxes is approximately \$88,000 in revenue.

The Pennsylvania Public School Employees' Retirement System (PSERS) is projecting that the employer contribution rate will increase to 25.84% for the year 2015-2016. The rate for the 2014-2015 year was 21.40%.

Budget Comparison

The revenue budget for the 2015-2016 year is \$981,710 more than the original budget for 2014-2015. This represents a 4.50% increase in budgeted revenues which is due, for the most part, to increases in real estate taxes and the School District's state subsidies. The expenditure budget for the 2015-2016 year is \$868,901 more than the original budget for 2014-2015, or a 3.92% increase.

Table A-7 shows the comparison of revenue and expenditure categories

Table A-7

BUDGETED REVENUE

	<u>2014-2015</u>	<u>2015-2016</u>
Local	29.00%	28.83%
State	68.45%	68.72%
Federal/Other	2.55%	2.45%

BUDGETED EXPENDITURES

	<u>2014-2015</u>	<u>2015-2016</u>
Instruction	59.41%	60.83%
Support Services	30.16%	29.49%
Non-Instruction/Community	2.06%	1.94%
Fund Transfers/Debt	8.37%	7.74%

NEW BRIGHTON AREA SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)

JUNE 30, 2015

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors, and creditors with a general overview of the School District’s finances and to show the School Board of Directors’ accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact Marydenise Feroce, Business Manager, at New Brighton Area School District, 3225 43rd Street, New Brighton, PA 15066, (724) 843-1795 ext. 404.

NEW BRIGHTON AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2015

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 5,651,533	\$ 66,681	\$ 5,718,214
Taxes Receivable, Net			
Property Taxes	826,186	0	826,186
Earned Income Taxes	146,843	0	146,843
Internal Balances	3,718	(3,718)	0
Due From Other Governments	1,028,165	11,011	1,039,176
Prepaid Expenses	17,132	0	17,132
Other Receivables	102,686	4,843	107,529
Inventories	0	12,777	12,777
Total Current Assets	<u>\$ 7,776,263</u>	<u>\$ 91,594</u>	<u>\$ 7,867,857</u>
Noncurrent Assets			
Land	\$ 9,500	\$ 0	\$ 9,500
Site Improvements, Net of Depreciation	399,221	0	399,221
Building & Building Improvements, Net of Depreciation	12,268,642	0	12,268,642
Furniture & Equipment, Net of Depreciation	471,601	28,604	500,205
Total Noncurrent Assets	<u>\$ 13,148,964</u>	<u>\$ 28,604</u>	<u>\$ 13,177,568</u>
TOTAL ASSETS	<u>\$ 20,925,227</u>	<u>\$ 120,198</u>	<u>\$ 21,045,425</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to Pensions	\$ 2,441,184	\$ 0	\$ 2,441,184
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 2,441,184</u>	<u>\$ 0</u>	<u>\$ 2,441,184</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 430,674	\$ 189,691	\$ 620,365
Short-Term Payables	72,000	0	72,000
Current Portion of Other Extended Term Financing	108,807	0	108,807
Accrued Salaries & Benefits	2,273,154	0	2,273,154
Long Term Debt - Current	1,380,000	0	1,380,000
Other Post-Employment Benefits - Current	126,118	0	126,118
Net Pension Liability - Current	2,012,184	0	2,012,184
Total Current Liabilities	<u>\$ 6,402,937</u>	<u>\$ 189,691</u>	<u>\$ 6,592,628</u>
Noncurrent Liabilities			
Bonds Payable - Long Term	\$ 5,655,000	\$ 0	\$ 5,655,000
Unamortized Bond Discount/Premium	58,026	0	58,026
Other Extended Term Financing	2,489,341	0	2,489,341
Other Post-Employment Benefits - Long Term	342,573	0	342,573
Compensated Absences- Long Term	176,100	0	176,100
Net Pension Liability - Long Term	27,000,816	0	27,000,816
Total Noncurrent Liabilities	<u>\$ 35,721,856</u>	<u>\$ 0</u>	<u>\$ 35,721,856</u>
TOTAL LIABILITIES	<u>\$ 42,124,793</u>	<u>\$ 189,691</u>	<u>\$ 42,314,484</u>
DEFERRED INFLOWS OF RESOURCES			
Related to Pensions	\$ 2,074,000	\$ 0	\$ 2,074,000
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 2,074,000</u>	<u>\$ 0</u>	<u>\$ 2,074,000</u>
NET POSITION			
Net Investment in Capital Assets	\$ 3,577,116	\$ 28,604	\$ 3,605,720
Restricted for:			
Capital Projects	61,301	0	61,301
Capital Reserves	1,310,798	0	1,310,798
Unrestricted (Deficit)	<u>(25,781,597)</u>	<u>(98,097)</u>	<u>(25,879,694)</u>
TOTAL NET POSITION	<u>\$ (20,832,382)</u>	<u>\$ (69,493)</u>	<u>\$ (20,901,875)</u>

See Accompanying Notes to Financial Statements

NEW BRIGHTON AREA SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instruction:							
Regular Instruction	\$ 9,565,968	\$ 0	\$ 2,662,167	\$ 0	\$ (6,903,801)	\$ 0	\$ (6,903,801)
Special Instruction	2,649,534	0	1,831,386	0	(818,148)	0	(818,148)
Vocational Instruction	754,941	0	81,070	0	(673,871)	0	(673,871)
Other Instructional Programs	292,017	0	23,196	0	(268,821)	0	(268,821)
Total Instructional Services	\$ 13,262,460	\$ 0	\$ 4,597,819	\$ 0	\$ (8,664,641)	\$ 0	\$ (8,664,641)
Support Services:							
Pupil Personnel	\$ 741,390	\$ 0	\$ 79,847	\$ 0	\$ (661,543)	\$ 0	\$ (661,543)
Instructional Staff	534,285	0	53,800	0	(480,485)	0	(480,485)
Administration	1,291,466	0	132,618	0	(1,158,848)	0	(1,158,848)
Pupil Health	268,709	0	57,698	0	(211,011)	0	(211,011)
Business Services	268,305	0	29,575	0	(238,730)	0	(238,730)
Operation of Plant and Maintenance Services	1,981,836	0	127,042	0	(1,854,794)	0	(1,854,794)
Student Transportation Services	1,079,423	0	640,779	0	(438,644)	0	(438,644)
Central and Other Support Services	354,206	0	21,926	0	(332,280)	0	(332,280)
Total Support Services	\$ 6,519,620	\$ 0	\$ 1,143,285	\$ 0	\$ (5,376,335)	\$ 0	\$ (5,376,335)
Non-Instructional Services:							
Student Activities	\$ 516,338	\$ 16,750	\$ 48,714	\$ 0	\$ (450,874)	\$ 0	\$ (450,874)
Community Services	155,887	88,637	10,031	0	(57,219)	0	(57,219)
Interest on Long-Term Debt	273,514	0	142,880	0	(130,634)	0	(130,634)
Capital Outlay (Not Subject to Capitalization)	0	0	0	0	0	0	0
Unallocated Depreciation Expense	453,391	0	0	0	(453,391)	0	(453,391)
Total Non-Instructional Services	\$ 1,399,130	\$ 105,387	\$ 201,625	\$ 0	\$ (1,092,118)	\$ 0	\$ (1,092,118)
Total Governmental Activities	\$ 21,181,210	\$ 105,387	\$ 5,942,729	\$ 0	\$ (15,133,094)	\$ 0	\$ (15,133,094)
Business-type Activities:							
Food Services	876,803	311,456	548,126	0	0	(17,221)	(17,221)
Total Primary Government	\$ 22,058,013	\$ 416,843	\$ 6,490,855	\$ 0	\$ (15,133,094)	\$ (17,221)	\$ (15,150,315)
General Revenues:							
Property taxes, Levied for General Purposes, Net					\$ 4,725,838	\$ 0	\$ 4,725,838
Other Taxes Levied for General Purposes, Net					1,191,736	0	1,191,736
Grants, Subsidies & Contributions Not Restricted					10,197,843	0	10,197,843
Interest Earnings					6,009	0	6,009
Refunds of Prior Year Receipts					(7)	0	(7)
Transfers					(45,635)	45,635	0
Total General Revenues and Transfers					\$ 16,075,784	\$ 45,635	\$ 16,121,419
Change in Net Position					\$ 942,690	\$ 28,414	\$ 971,104
Net Position - Beginning of Year					\$ 9,760,305	\$ (122,261)	\$ 9,638,044
Prior Period Adjustment - Change in Accounting Estimate (Note 13)					(3,521,377)	24,354	(3,497,023)
Prior Period Adjustment - Change in Accounting Principle (Note 13)					(28,014,000)	0	(28,014,000)
Net Position - Beginning of Year - Restated					\$ (21,775,072)	\$ (97,907)	\$ (21,872,979)
Net Position - End of Year					\$ (20,832,382)	\$ (69,493)	\$ (20,901,875)

See Accompanying Notes to Financial Statements

NEW BRIGHTON AREA SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS

AS OF JUNE 30, 2015

	General	Capital Project	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 5,568,081	\$ 83,452	\$ 5,651,533
Taxes Receivable:			
Property Taxes	826,186	0	826,186
Earned Income Taxes	146,843	0	146,843
Interfund Receivables	866,114	0	866,114
Intergovernmental Receivables	1,028,165	0	1,028,165
Other Receivables	102,686	0	102,686
Prepaid Expenditures	17,132	0	17,132
TOTAL ASSETS	<u>\$ 8,555,207</u>	<u>\$ 83,452</u>	<u>\$ 8,638,659</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 408,523	\$ 0	\$ 408,523
Contracts Payable (Including Retainage)	0	22,151	22,151
Interfund Payables	862,396	0	862,396
Accrued Salaries & Benefits	2,273,154	0	2,273,154
TOTAL LIABILITIES	<u>\$ 3,544,073</u>	<u>\$ 22,151</u>	<u>\$ 3,566,224</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	\$ 714,345	\$ 0	\$ 714,345
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 714,345</u>	<u>\$ 0</u>	<u>\$ 714,345</u>
FUND BALANCES			
Non-Spendable:			
Prepaid Expenditures	\$ 17,132	\$ 0	\$ 17,132
Restricted for:			
Capital Project	0	61,301	61,301
Committed for:			
Capital Project	250,000	0	250,000
Capital Reserves	1,310,798	0	1,310,798
Assigned for:			
PSERS	700,000	0	700,000
Next Year's Appropriation	227,053	0	227,053
Unassigned	1,791,806	0	1,791,806
TOTAL FUND BALANCES	<u>\$ 4,296,789</u>	<u>\$ 61,301</u>	<u>\$ 4,358,090</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 8,555,207</u>	<u>\$ 83,452</u>	<u>\$ 8,638,659</u>

See Accompanying Notes to Financial Statements

NEW BRIGHTON AREA SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AS OF JUNE 30, 2015

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 4,358,090

Amounts reported for **governmental activities** in the Statement of Net Position are different because:

Capital assets used in governmental activities that are not financial and therefore are not reported as assets in governmental funds.

Add: Capital Assets	33,291,981
Deduct: Accumulated Depreciation	(20,143,017)

Certain tax revenues are recognized in the period for which levied than when "available." A portion of the certain deferred tax revenues are not available.

Add: Property Taxes	714,345
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Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in governmental funds

Deduct: Net Pension Liability	(29,013,000)
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Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in governmental funds

Add: Deferred Outflows of Resources Related to Pensions	\$ 2,441,184	
Deduct: Deferred Inflows of Resources Related to Pensions	<u>(2,074,000)</u>	
		367,184

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:

Deduct: Bonds Payable	\$ (7,035,000)	
Deduct: Unamortized Bond Discount/Premium	(58,026)	
Deduct: Other Extended Term Financing	(2,598,148)	
Deduct: Accrued Interest on Debt	(72,000)	
Deduct: Compensated Absences and Other Post-Employment Benefit	<u>(644,791)</u>	
		<u>(10,407,965)</u>

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES **\$ (20,832,382)**

NEW BRIGHTON AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2015

	General	Capital Project	Total Governmental Funds
REVENUES			
Local Sources	\$ 6,406,316	\$ 332	\$ 6,406,648
State Sources	14,992,124	0	14,992,124
Federal Sources	808,509	0	808,509
TOTAL REVENUES	\$ 22,206,949	\$ 332	\$ 22,207,281
EXPENDITURES			
Instruction	\$ 12,701,452	\$ 0	\$ 12,701,452
Support Services	6,288,476	0	6,288,476
Non-Instructional Services	659,273	0	659,273
Capital Outlay	175,694	1,590,892	1,766,586
Debt Services	1,658,574	0	1,658,574
TOTAL EXPENDITURES	\$ 21,483,469	\$ 1,590,892	\$ 23,074,361
Excess (Deficiency) of Revenues Over Expenditures	\$ 723,480	\$ (1,590,560)	\$ (867,080)
OTHER FINANCING SOURCES (USES)			
Refund of Prior Year Receipts	\$ (7)	\$ 0	\$ (7)
Interfund Transfers	(45,635)	0	(45,635)
TOTAL OTHER FINANCING SOURCES (USES)	\$ (45,642)	\$ 0	\$ (45,642)
NET CHANGE IN FUND BALANCES	\$ 677,838	\$ (1,590,560)	\$ (912,722)
FUND BALANCES - BEGINNING OF YEAR	3,618,951	1,651,861	5,270,812
FUND BALANCES - END OF YEAR	\$ 4,296,789	\$ 61,301	\$ 4,358,090

NEW BRIGHTON AREA SCHOOL DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2015

NET CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (912,722)

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 as depreciation expense.
This is the amount by which capital outlay exceeds depreciation
in the period.

Capital Outlays	\$ 1,766,585	
Less: Depreciation Expense	<u>(738,529)</u>	
		1,028,056

Because some property and earned income taxes will not be collected for
several months after the District's fiscal year ends, they are not
considered as "available" revenues in the governmental funds. Deferred
tax revenues decreased by this amount this year. (37,737)

Governmental funds report district pension contributions as expenditures.
However in the Statement of Activities, the cost of pension benefits earned
net of employee contributions is reported as pension expense

District Pension Contributions	\$ 2,012,184	
Less: Cost of Benefits Earned Net of Employee Contributions	<u>(2,644,000)</u>	
		(631,816)

The governmental funds report proceeds from debt as an other financing
source, while the repayment of debt principal is reported as an expenditure.
Also, governmental funds report the effect of issuance costs and premiums
when debt is first issued, whereas these amounts are deferred and amortized
in the Statement of Activities. Interest is recognized as an expenditure in the
governmental funds when it is due. In the Statement of Activities, interest
expense is recognized as it accrues, regardless of when it is due. The net
effect of these differences in the treatment of bonds and leases is as follows:

Repayment of Bond Principal	\$ 1,345,001	
Other Extended Term Financing	6,224	
Interest Expense	33,836	
Amortization of Bond Discount/Premium	<u>14,054</u>	
		1,399,115

In the Statement of Activities, certain operating expenses-compensated
absences and other post-employment benefits-are measured by the amounts
earned during the year. In the governmental funds, however, expenditures
for these items are measured by the amount of financial resources used
(essentially, the amounts actually paid). During this year, the total amount
of the liability decreased by this amount. 97,794

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES **\$ 942,690**

NEW BRIGHTON AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND TYPES
AS OF JUNE 30, 2015

	<u>Food Service</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 66,681
Intergovernmental Receivables	11,011
Other Accounts Receivable	4,843
Inventories	<u>12,777</u>
Total Current Assets	<u>\$ 95,312</u>
Noncurrent Assets:	
Machinery & Equipment, Net of Depreciation	<u>\$ 28,604</u>
Total Noncurrent Assets	<u>\$ 28,604</u>
TOTAL ASSETS	<u>\$ 123,916</u>
LIABILITIES	
Current Liabilities:	
Due to Other Funds	\$ 3,718
Accounts Payable	<u>189,691</u>
Total Current Liabilities	<u>\$ 193,409</u>
Noncurrent Liabilities:	
Compensated Absences Payable	<u>\$ 0</u>
Total Noncurrent Liabilities	<u>\$ 0</u>
TOTAL LIABILITIES	<u>\$ 193,409</u>
NET POSITION	
Net Investment in Capital Assets	\$ 28,604
Unrestricted	<u>(98,097)</u>
TOTAL NET POSITION	<u><u>\$ (69,493)</u></u>

See Accompanying Notes to Financial Statements

NEW BRIGHTON AREA SCHOOL DISTRICT

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

PROPRIETARY FUND TYPES

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Food Service</u>
OPERATING REVENUES:	
Food Service Revenue	\$ 311,456
TOTAL OPERATING REVENUES	<u>\$ 311,456</u>
OPERATING EXPENSES:	
Purchased Professional and Technical Service	\$ 798,349
Supplies	56,150
Depreciation	20,387
Equipment	1,000
Other Operating Expenses	917
TOTAL OPERATING EXPENSES	<u>\$ 876,803</u>
OPERATING INCOME (LOSS)	<u>\$ (565,347)</u>
NON-OPERATING REVENUES (EXPENSES):	
State Sources	\$ 28,092
Federal Sources	520,034
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>\$ 548,126</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	\$ (17,221)
Operating Transfers In (Out)	45,635
CHANGE IN NET POSITION	<u>\$ 28,414</u>
TOTAL NET POSITION - BEGINNING OF YEAR	\$ (122,261)
PRIOR PERIOD ADJUSTMENT - CHANGE IN ACCOUNTING ESTIMATE (NOTE 13)	<u>24,354</u>
TOTAL NET POSITION - BEGINNING OF YEAR - RESTATED	<u>\$ (97,907)</u>
TOTAL NET POSITION - END OF YEAR	<u>\$ (69,493)</u>

NEW BRIGHTON AREA SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

	<u>Food Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Users	\$ 308,582
Cash Payments for Purchased Professional and Technical Services	(796,103)
Cash Payments to Suppliers for Goods and Services	(48,369)
Cash Payments for Other Operating Expenses	(917)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (536,807)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State Sources	\$ 31,573
Transfers Received	45,635
Federal Sources	501,514
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	<u>\$ 578,722</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of Capital Assets	\$ 0
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>\$ 0</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 41,915
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>24,766</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 66,681</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>	
Operating Income (Loss)	<u>\$ (565,347)</u>
Depreciation	\$ 20,387
Change in Assets and Liabilities	
(Increase) Decrease in Accounts Receivable	(2,874)
(Increase) Decrease in Inventories	8,781
Increase (Decrease) in Accounts Payable	2,246
Total Adjustments	<u>\$ 28,540</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (536,807)</u>

See Accompanying Notes to Financial Statements

NEW BRIGHTON AREA SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

AS OF JUNE 30, 2015

	<u>Student Activities Fund</u>
ASSETS	
Cash and Cash Equivalents	<u>\$ 78,020</u>
TOTAL ASSETS	<u>\$ 78,020</u>
 LIABILITIES	
Due to Student Groups	<u>\$ 78,020</u>
TOTAL LIABILITIES	<u>\$ 78,020</u>
TOTAL NET POSITION	<u><u>\$ 0</u></u>

See Accompanying Notes to Financial Statements

NEW BRIGHTON AREA SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive	Budget to GAAP	Actual Amounts
	Original	Final	(Budgetary Basis)	(Negative)	Difference	GAAP Basis
REVENUES						
Local Revenues	\$ 6,330,091	\$ 6,330,091	\$ 6,406,316	\$ 76,225	\$ 0	\$ 6,406,316
State Program Revenues	14,938,106	14,938,106	14,992,124	54,018	0	14,992,124
Federal Program Revenues	556,530	556,530	808,509	251,979	0	808,509
TOTAL REVENUES	\$ 21,824,727	\$ 21,824,727	\$ 22,206,949	\$ 382,222	\$ 0	\$ 22,206,949
EXPENDITURES						
Regular Programs	\$ 9,279,007	\$ 9,279,007	\$ 9,142,520	\$ 136,487	\$ 0	\$ 9,142,520
Special Programs	2,559,756	2,559,756	2,572,605	(12,849)	0	2,572,605
Vocational Programs	1,050,414	1,050,414	699,870	350,544	0	699,870
Other Instructional Programs	278,557	278,557	286,457	(7,900)	0	286,457
Pupil Personnel Services	745,591	745,591	710,662	34,929	0	710,662
Instructional Staff Services	505,902	505,902	489,657	16,245	0	489,657
Administrative Services	1,284,411	1,284,411	1,244,937	39,474	0	1,244,937
Pupil Health	248,545	248,545	255,558	(7,013)	0	255,558
Business Services	274,191	274,191	255,247	18,944	0	255,247
Operation & Maintenance of Plant Services	2,064,133	2,064,133	1,928,034	136,099	0	1,928,034
Student Transportation Services	1,160,403	1,160,403	1,079,423	80,980	0	1,079,423
Central & Other Support Services	401,069	401,069	324,958	76,111	0	324,958
Student Activities	338,323	338,323	506,545	(168,222)	0	506,545
Community Services	118,509	118,509	152,728	(34,219)	0	152,728
Facilities Acquisition and Construction	0	0	175,694	(175,694)	0	175,694
Debt Services	1,545,265	1,545,265	1,658,574	(113,309)	0	1,658,574
TOTAL EXPENDITURES	\$ 21,854,076	\$ 21,854,076	\$ 21,483,469	\$ 370,607	\$ 0	\$ 21,483,469
Excess (Deficiency) of Revenues Over Expenditures	\$ (29,349)	\$ (29,349)	\$ 723,480	\$ 752,829	\$ 0	\$ 723,480
OTHER FINANCING SOURCES (USES)						
Refund of Prior Year Receipts	\$ 0	\$ 0	\$ (7)	\$ (7)	\$ 0	\$ (7)
Budgetary Reserve	(60,126)	(60,126)	0	60,126	0	0
Interfund Transfers	(250,387)	(250,387)	(45,635)	204,752	0	(45,635)
TOTAL OTHER FINANCING SOURCES (USES)	\$ (310,513)	\$ (310,513)	\$ (45,642)	\$ 264,871	\$ 0	\$ (45,642)
Net Change in Fund Balances	\$ (339,862)	\$ (339,862)	\$ 677,838	\$ 1,017,700	\$ 0	\$ 677,838
FUND BALANCES - BEGINNING OF YEAR	2,099,255	2,099,255	3,618,951	1,519,696	0	3,618,951
FUND BALANCES - END OF YEAR	\$ 1,759,393	\$ 1,759,393	\$ 4,296,789	\$ 2,537,396	\$ 0	\$ 4,296,789

See Accompanying Notes to Financial Statements

NEW BRIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2015

NOTE 1 - REPORTING ENTITY

The New Brighton Area School District ("School District") is organized under Title 24 of the Pennsylvania Statutes. The School District provides educational services as authorized by state statute and/or federal guidelines.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the New Brighton Area School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The New Brighton Area School District does not have any component units.

The Beaver Valley Intermediate Unit and Beaver County Career and Technology Center were considered as possible component units, but were excluded based on the above criteria.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the New Brighton Area School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989 to its governmental and business-type activities and to its proprietary funds, provided they do not conflict with or contradict GASB pronouncements. The more significant accounting policies of the School District are described below.

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities and fund financial statements, which provide a more detailed level of financial information.

Government-wide financial statements—The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish

NEW BRIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

between those activities of the School District that are governmental and those that are considered business-type activities. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The statement of net position presents the financial condition of the governmental and business-type activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues that are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business activity or governmental function is self-financing or draws from the general revenues of the School District.

Fund financial statements—During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds, if applicable, are aggregated and presented in a single column. The fiduciary funds are reported by type.

B. Measurement Focus/Basis of Accounting

Fund Accounting

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, early retirement, arbitrage rebates, and post-employment healthcare benefits, are recorded only when payment is due. Property taxes and interest associated with past and current fiscal periods are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period if they are collected within 60 days of the end of the current fiscal period. All other property taxes

NEW BRIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

associated with past and current fiscal periods are deferred in the Governmental fund financial statements.

The School District reports the following major governmental funds:

The General Fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund.

The School District reports the following non-major governmental fund because it does not meet the major fund criteria:

The Capital Projects Fund accounts for resources accumulated and payments made for the acquisition and improvement of sites, construction and remodel of facilities, and procurement of equipment necessary for providing educational programs for all students within the School District.

Proprietary funds may be used to account for any activity for which a fee is charged to external users for goods or services. Proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses, and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. The statement of cash flows provides information about how the School District finances and meets cash flow needs of its proprietary activities. All proprietary funds are shown on the government-wide statements as business type activities.

The School District reports the following major proprietary funds:

Food Service Fund accounts for the financial transactions related to the food service operations.

Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, or other governments. These include agency funds. Agency funds are purely custodial and thus do not involve measurement of results of operations. Accordingly, the School District presents only a statement of fiduciary net position and does not present a statement of changes in fiduciary net position for the agency fund.

The School District reports the following Fiduciary Funds, which are not subject to major fund reporting:

Student Activities Funds are agency funds that are used to account for net position held in a purely custodial capacity for specific other persons or organizations or governments.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements.

NEW BRIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

C. Budgetary Process

The School District passed an appropriated budget for the fiscal year ending June 30, 2015 with revenues totaling \$21,824,727 and expenditures totaling \$22,164,589. The budget was balanced with the prior year fund balance.

The School District is required by state law to adopt an annual budget for the General Fund only. The budget is presented on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles ("GAAP"). The state does not require any other funds to have an annual budget adopted; therefore, no budgetary comparisons schedules are shown except for the General Fund.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

Preliminary Budget: The preliminary budget for each year must be adopted (via Board vote) 90 days prior to the Primary Election, unless the School District adopts a Resolution indicating that it will not raise the rate of any tax by more than its index. The Resolution must be adopted 110 days prior to the Primary Election and the School District must adopt a Resolution that follows traditional budget guidelines.

A proposed version must be prepared at least 20 days before adoption; this work-in-progress budget, defined as the proposed preliminary budget, must be made available for public inspection no later than 110 days prior to the Primary Election. Public notice of the intent to adopt the preliminary budget must be published no later than 10 days before adoption of the preliminary budget (100 days before Primary Election).

Final Budget: The final budget for each year must be adopted (via Board vote) by June 30 of the preceding school fiscal year.

A proposed version must be prepared and adopted (via Board vote) no later than May 30 of the preceding school fiscal year (at least 30 days before adoption); this work-in-progress budget, defined as the proposed final budget, must be made available for public inspection no later than June 10 of the preceding school fiscal year (20 days before adoption on June 30). Public notice of the intent to adopt the final budget must be published no later than June 20 of the preceding school fiscal year (10 days before adoption on June 30).

Note: For the adopted preliminary budget to become the proposed final budget, the school board must take action.

Once the budget is approved, it can be amended at the Function and Fund level only by approval of a majority of the members of the Board of Directors. Amendments are presented to the Board at

NEW BRIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

their regular meetings. Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board of Directors. All budget appropriations lapse at year-end, unless the School District chooses to utilize encumbrance accounting. Encumbrances (e.g., purchase orders and contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

D. Cash, Cash Equivalents, and Investments

The School 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, including investments in the Pennsylvania Local Government Investment Trust (PLGIT) and Pennsylvania School District Liquid Asset Fund (PSDLAF).

The School District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists, which guarantees a higher value. The term "short-term" refers to investments, which have a remaining term of one year or less at the time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes.

E. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are offset against each other in the governmental and business-type activities columns of the statement of net position, except for amounts due to/from other funds, which are not presented in the statement of net position.

F. Inventories

On government-wide statements, inventories are stated at cost using the purchase method. The purchase method means that food products, materials, and supplies are charged as expenditures when acquired. Inventory on hand at the end of the year is then recorded as an asset by offsetting the appropriate expense account. Inventory for governmental activities is not reported as of June 30, 2015 due to its immaterial balance. The inventory for business-type activities at June 30, 2015 is \$12,777.

NEW BRIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

On fund financial statements, inventories are stated at cost using the purchase method for proprietary funds. Inventories are not maintained in governmental funds for fund financial statement reporting.

G. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$1,500. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight line method over the following useful lives:

<u>Description</u>	<u>Governmental</u>	<u>Business-Type</u>
	<u>Activities</u>	<u>Activities</u>
	<u>Estimated Lives</u>	<u>Estimated Lives</u>
Site Improvements	15-20 years	N/A
Buildings and Improvements	20-50 years	N/A
Furniture and Equipment	3-20 years	10-15 years

New Brighton Area School District has elected not to capitalize the portion of the building used by the cafeteria on the proprietary fund. The entire building cost is shown under Governmental Activities on the statement of net position.

H. Compensated Absences/Retirement Incentives

According to School District employee contracts, the School District has agreed to pay \$100 for each year of service with the School District. This incentive is available to anyone who has accumulated a minimum of fifteen years of service. The liability, amounting to \$176,100, an increase of \$3,200, is recorded in the Governmental Activities statement of net position and is based on the accumulated years of service of eligible employees as of June 30, 2015.

NEW BRIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The School District has agreed to pay hospitalization insurance premiums and/or a cash bonus for certain individuals who have previously accepted early retirement. The School District has chosen to measure and recognize an "other post-employment benefit" (OPEB) liability in the amount of \$468,691 and has done so in accordance with provisions of Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions. This statement provides guidance on accounting and financial reporting for "other post-employment benefits" accounted for in financial statements of plan sponsors and employers. OPEB refers to non-pension benefits provided after the termination of employment. One example of this type of benefit is healthcare insurance premiums paid by employers on behalf of former employees. Governmental entities have traditionally accounted for OPEB on a pay-as-you-go basis. The guidance in this statement rests on the assumption that OPEB should be accrued as service is provided by employees. More information on these liabilities is included later in these notes.

The liabilities for the above items are reported on the government-wide financial statements. For governmental funds, the current portion of the liabilities is the amount that is normally expected to be paid using expendable financial resources. In proprietary funds, if applicable, the entire amount of the liabilities is reported as a fund liability.

I. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements; and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Bonds and capital leases are recognized as a liability on the governmental fund financial statements when due.

J. Net Position

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

NEW BRIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

K. Fund Balance

The GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54), is effective for reporting periods after June 15, 2010. The intention of the GASB Statement is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the School District's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

GASB 54 provides for two major types of fund balances: non-spendable and spendable. Non-spendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items and inventories.

In addition to the non-spendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

Restricted – Fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.

Committed – Fund balances that contain self-imposed constraints of the government from its highest level of decision making authority, the Board of Directors, through board action to commit funds.

Assigned – Fund balances that contain self-imposed constraints of the government to be used for a particular purpose. The Board of Directors has given the business manager authorization to assign portions of the fund balance.

Unassigned – Fund balance of the general fund that is not constrained for any particular purpose.

The School District considers the use of funds in the order of the most restrictive to the least restrictive based on the fund balance hierarchy.

According to the School District policy, the School District will strive to maintain an unassigned general fund balance of not less than six percent and not more than eight percent of the budgeted expenditures for the fiscal year.

L. Use of Estimates

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

NEW BRIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

M. Bond Discount and Premium

Bond discounts and premiums are deferred and accreted over the term of the bonds. Bond discounts and premiums are presented as a reduction or addition to the face amount of the bonds.

N. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet includes 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 reported \$2,441,184 in the Governmental Activities as deferred outflows of resources related to pension.

In addition to liabilities, the statement of net position and/or the balance sheet 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 reported \$2,074,000 in the Governmental Activities as deferred inflows of resources related to pension. The School District also had \$714,345 of deferred inflow of resources from unavailable property tax revenue reported on the balance sheet as of June 30, 2015.

O. 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 benefit terms. Investments are reported at fair value.

P. Impact of Recently Issued Accounting Principles

Recently Issued and Adopted Accounting Pronouncements

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements in which:

- Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.

NEW BRIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

NOTE 3 - CASH /INVESTMENTS

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of June 30, 2015, \$132,319 of the School District's bank balance of \$833,393 was exposed to custodial credit risk as:

Uninsured and uncollateralized	\$	0
Collateralized with securities held by the pledging financial institution	\$	0
Uninsured and collateral held by the pledging bank's trust department not in the School District's name	\$	132,319

Other Deposits

As of June 30, 2015, the School District had the following other deposits in the Pennsylvania School District Liquid Asset Fund (PSDLAF) and the Pennsylvania Local Government Investment Trust (PLGIT), which were established as common law trusts, organized under laws of the Commonwealth of Pennsylvania. Shares of the funds are offered to certain Pennsylvania school districts, intermediate units, area vocational-technical schools and municipalities. The purpose of the funds is to enable such governmental units to pool their available funds for investments authorized by Section 440.1 of the Pennsylvania Public School Code of 1949 as amended. These funds have the characteristics of open-end mutual funds and are not subject to credit risk classification. PSDLAF and PLGIT are governed by an elected board of trustees who are responsible for the overall management of them. The trustees are elected from the several classes of local governments participating in them. Each fund is audited annually by independent auditors. The Funds operate in a manner consistent with the SEC's Rule 2(a)7 of the Investment Company Act of 1940. The funds use amortized cost to report Net Position to compute share prices. The Funds maintain a net asset value of \$1 per share. Accordingly, the fair value of the position in PSDLAF and PLGIT is the same as the value of PSDLAF and PLGIT shares. The value of the funds as of June 30, 2015 is as follows:

<u>Type</u>	<u>Fair Value</u>
PA Local Government Investment Trust	\$ 529,446
PA School District Liquid Asset Fund	<u>4,578,867</u>
Total	<u>\$ 5,108,313</u>

NEW BRIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2015

NOTE 3 - CASH /INVESTMENTS - CONTINUED

Reconciliation to Financial Statements

Uncollateralized Amount Above	\$ 132,319
Collateralized Amount Above	701,074
Other Deposits (Above)	<u>5,108,313</u>
Carrying Amount - Bank Balances	\$ 5,941,706
Add: Petty Cash	250
Less: Outstanding Items	(145,722)
Less: Fiduciary Funds	<u>(78,020)</u>
Total	<u>\$ 5,718,214</u>

Credit Risk

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

Type	Standard & Poor's
PA Local Government Investment Trust	AAAm
PA School District Liquid Asset Fund	AAAm

Interest Rate Risk

The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk

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

Statutory Authority

School Districts are to adopt local investment policies. The local investment policy must be written; primarily emphasize the safety of principal and liquidity; and address investment diversification, yield, maturity, and the quality and capability of investment management. Each School District should customize its policies to meet board and administrative objectives as defined. School Districts should review their investment policies and investment strategies annually.

Section 440.1(c) of the Pennsylvania School Code authorizes the types of investments school districts may have:

- United States Treasury bills
- Short-term obligations of the United States Government or its agencies or instrumentalities. (Short-term obligations usually refer to investments of less than 13 months)

NEW BRIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2015

NOTE 3 - CASH /INVESTMENTS - CONTINUED

- Deposits in savings accounts or time deposits or share accounts of institutions insured by:
 - The Federal Deposit Insurance Corporation (FDIC); or
 - The Federal Savings and Loan Insurance Corporation; or
 - The National Credit Union Share Insurance Fund to the extent that such accounts are so insured, and for any amounts above maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository
- Obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities. Full faith and credit means the obligation is backed by the government's ability to levy taxes to repay debt. These investments include any bonds issued by the Commonwealth of Pennsylvania or any municipality or school district carrying the backing of the taxation powers of the governmental unit issuing the debt. Some investments of the Federal government do not have full faith and credit backing. Fannie-Mae (FNMA) and Freddy-Mach (FNMC) bonds do not. Ginnie-Mae (GNMA) bonds do have full faith and credit backing
- Shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933, provided that the following are met:
 - Only investments of that company are in the authorized investments for school district funds listed in the categories above, and repurchase agreements fully collateralized by such investments
 - The investment company is managed so as to maintain its shares as a constant net asset value in accordance with 17 CFR 270 2a-7 (relating to money market funds)
 - The investment company is rated in the highest category by a nationally recognized rating agency. This classification includes pooled investments such as the Pennsylvania School District Liquid Asset Fund, Pennsylvania Local Government Investment Trust, and the Pennsylvania State Treasurer's Invest Program

NOTE 4 - TAXES

Property Taxes

Based upon assessed valuations provided by the County, the municipal tax collector bills and collects property taxes on behalf of the School District.

The schedule for property taxes levied for 2014-2015 is as follows:

July 1, 2014	- tax levy date
Through August 31, 2014	- 2% discount period
Through October 31, 2014	- face payment period
Beginning November 1, 2014	- 5% penalty period
3 rd Monday in April, 2015	- lien date

The School District tax rate for all purposes in 2014-2015 was 57.1457 mills (\$57.1457 per \$1,000 assessed valuation). Collections for the 2014-2015 year were \$4,331,583.

NEW BRIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2015

NOTE 4 - TAXES - CONTINUED

As of June 30, 2015, property taxes receivable by the School District includes uncollected taxes assessed as of July 1, 2014 or earlier. It is estimated that 90% of all assessed taxes (including delinquencies plus accrued interest and penalties) will be collected; therefore, property taxes receivable reflect this estimate. Delinquent property tax receivable is recognized as revenue in the government-wide financial statements. Only the portion of property taxes receivable that meets the revenue recognition criteria is reported as revenue in the fund financial statements.

Income Taxes

The School District levies a voted continuing tax of 0.5% for general operations on the income of residents. Taxpayers are required to file an annual return. The collector makes periodic contributions to the School District after withholding amounts for administrative fees. Income tax receipts are credited to the general fund.

NOTE 5 - CAPITAL ASSETS

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

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 9,500	\$ 0	\$ 0	\$ 9,500
Construction in Progress	<u>1,013,480</u>	<u>0</u>	<u>(1,013,480)</u>	<u>0</u>
Total Capital assets, not being depreciated	<u>\$ 1,022,980</u>	<u>\$ 0</u>	<u>\$ (1,013,480)</u>	<u>\$ 9,500</u>
Capital assets, being depreciated:				
Site Improvements	\$ 1,785,445	\$ 103,736	\$ 0	\$ 1,889,181
Building and Building Improvements	25,709,468	2,672,532	0	28,382,000
Furniture and Equipment	<u>3,007,503</u>	<u>3,797</u>	<u>0</u>	<u>3,011,300</u>
Total capital assets, being depreciated	<u>\$ 30,502,416</u>	<u>\$ 2,780,065</u>	<u>\$ 0</u>	<u>\$ 33,282,481</u>
Accumulated Depreciation for:				
Site Improvements	\$ (1,436,433)	\$ (53,527)	\$ 0	\$ (1,489,960)
Building and Building Improvements	(15,655,520)	(457,838)	0	(16,113,358)
Furniture and Equipment	<u>(2,312,535)</u>	<u>(227,164)</u>	<u>0</u>	<u>(2,539,699)</u>
Total accumulated depreciation	<u>\$ (19,404,488)</u>	<u>\$ (738,529)</u>	<u>\$ 0</u>	<u>\$ (20,143,017)</u>
Total capital assets, being depreciated, net	<u>\$ 11,097,928</u>	<u>\$ 2,041,536</u>	<u>\$ 0</u>	<u>\$ 13,139,464</u>
Governmental activities capital assets, net:	<u>\$ 12,120,908</u>	<u>\$ 2,041,536</u>	<u>\$ (1,013,480)</u>	<u>\$ 13,148,964</u>

NEW BRIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2015

NOTE 5 - CAPITAL ASSETS - CONTINUED

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, being depreciated:				
Building and Building Improvements	\$ 0	\$ 0	\$ 0	\$ 0
Furniture and Equipment	526,690	0	0	526,690
Total capital assets, being depreciated	<u>\$ 526,690</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 526,690</u>
Accumulated depreciation for:				
Building and Building Improvements	\$ 0	\$ 0	\$ 0	\$ 0
Furniture and Equipment	(477,699)	(20,387)	0	(498,086)
Total accumulated depreciation	<u>\$ (477,699)</u>	<u>\$ (20,387)</u>	<u>\$ 0</u>	<u>\$ (498,086)</u>
Total capital assets, being depreciated, net	<u>\$ 48,991</u>	<u>\$ (20,387)</u>	<u>\$ 0</u>	<u>\$ 28,604</u>
Business-type activities capital assets, net:	<u>\$ 48,991</u>	<u>\$ (20,387)</u>	<u>\$ 0</u>	<u>\$ 28,604</u>
Total Governmental and Business-type activities, net	<u><u>\$ 12,169,899</u></u>	<u><u>\$ 2,021,149</u></u>	<u><u>\$ (1,013,480)</u></u>	<u><u>\$ 13,177,568</u></u>

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

Governmental Activities:

Instruction:

Regular Instruction	\$ 174,566
Special Instruction	5,976
Vocational Instruction	26,513
Other Instructional Programs	0
Adult Education Programs	0

Support Services:

Pupil Personnel	2,549
Instructional Staff	25,547
Administration	14,271
Pupil Health	2,852
Business Services	2,570
Operation of Plant and Maintenance Services	8,817
Student Transportation Services	0
Central	21,477
Other Support Services	0

Non-Instructional Services:

Student Activities	0
Community Services	0
Unallocated Depreciation Expense**	453,391
Total Depreciation expense, Governmental Activities:	<u>\$ 738,529</u>

Business-type Activities:

Food Services	<u>\$ 20,387</u>
Total Depreciation expense, Business-type Activities:	<u>\$ 20,387</u>

Total Depreciation expense, Governmental and Business-type Activities:	<u><u>\$ 758,916</u></u>
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**Unallocated Depreciation Expense represents assets or portions of assets that are not able to be identified with any particular function (eg: building hallways, certain computer labs, etc.)

NEW BRIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2015

NOTE 6 - RISK MANAGEMENT

New Brighton Area School District is a member district to the Beaver County School Health Care Insurance Consortium (the Consortium) which was formed on July 1, 2003. The Consortium is a cooperative joint venture to provide hospitalization, medical and surgical services, professional services, and drug benefits to its member districts on a pooled risk basis. New Brighton Area School District pays an annual premium to the Consortium for its health and medical insurance coverage, and this rate is adjusted annually based on amounts required to fund anticipated benefits and claims as well as other administrative costs.

The formation agreement of the Consortium provides that the Consortium will be self-sustaining through annually determined member premiums and will reinsure through commercial companies for excess claims of amounts as defined in the insurance contract. The agreement permits participating districts to withdraw from the Consortium. If New Brighton Area School District would withdraw, the Articles of Agreement state that the School District would be entitled to their respective share of the Consortium's net position. This is calculated by multiplying net position by the fraction of dividing the withdrawing member's total contributions over the last three years by the total of the all member district contributions over that same time period. The distribution would be required to be paid within one year of the date of withdrawal.

The following chart illustrates the published Consortium net position as well as New Brighton Area School District's Annual Contributions over the past five years.

Fiscal Year Ended June 30,	Total Consortium Net Assets*	New Brighton Area School District Annual Contributions*	Total Consortium Contributions*
2015	\$4,242,114	\$2,090,122	\$31,592,352
2014	\$4,569,005	\$2,077,727	\$32,278,282
2013	\$4,848,700	\$2,209,114	\$33,329,717
2012	\$3,839,671	\$2,115,539	\$34,117,003
2011	\$3,568,209	\$2,007,943	\$33,917,551

* Net assets are recorded on the full accrual basis of accounting. The Consortium's financial statements are on file with the New Brighton Area School District.

NOTE 7 - PENSION PLAN / OTHER POST-EMPLOYMENT BENEFITS

Public School Employees' Retirement System (PSERS)

General Information about the Pension Plan

Plan Description: The Public School Employees' Retirement System (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

NEW BRIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2015

NOTE 7 - PENSION PLAN / OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

Benefits Provided: PSERS provides retirement and disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes; Membership Class T-E (Class T-E) and Members Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, 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 members 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.

Contributions

Member Contributions: Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the 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, but before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

NEW BRIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2015

NOTE 7 - PENSION PLAN / OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.30% (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 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.30% and 12.30%.

Employer Contributions:

The School District's contribution rate for the year ended June 30, 2015 was 21.40% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School District were \$2,012,183 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 \$29,013,000 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 related to the total one-year reported covered payroll. At June 30, 2014, the School District's proportion was 0.0733%, which was an increase of 0.0013% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the School District recognized pension expense of \$2,644,000. At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NEW BRIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2015

NOTE 7 - PENSION PLAN / OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 0	\$ 0
Changes in assumptions	0	0
Net difference between projected and actual investment earnings	0	2,074,000
Changes in proportions	429,000	0
Difference between employer contributions and proportionate share of total contributions	0	0
District contributions subsequent to the measurement date	2,012,184	0
Total	<u>\$ 2,441,184</u>	<u>\$ 2,074,000</u>

The School District reported \$2,441,184 as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date and will be recognized as a reduction of the net 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 expenses as follows:

Year ended June 30:

2016	\$ (415,000)
2017	(415,000)
2018	(415,000)
2019	16,000

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

Actuarial cost method	Entry Age Normal – level % of pay
Inflation	3.00 %
Salary Increases	Effective average of 5.50% (Reflects allowance for inflation, real wage growth of 1.00%, and merit or seniority increases of 1.50%)
Investment Rate of Return	7.50 % including inflation

Mortality rates are based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females. Disabled annuitants rates were based on

NEW BRIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2015

NOTE 7 - PENSION PLAN / OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females.

The actuarial assumptions used in the June 30, 2013 valuation were based on the experience study that was performed for the 5-year period ending June 30, 2010. The recommended assumption changes based on this experience study were adopted by the Board at its March 11, 2011 Board meeting and were effective beginning with the June 30, 2011 actuarial valuation.

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

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

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

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

NEW BRIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2015

NOTE 7 - PENSION PLAN / OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

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

Sensitivity of the School District's proportionate share of the Net Pension Liability: The following presents the School District's proportionate share of the net pension liability, calculated using the discount rate of 7.50%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percentage point higher (8.50%) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1 % Increase 8.50%
School District's proportionate share of net pension liability	\$ 36,189,000	\$ 29,013,000	\$ 22,886,000

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

Other Post-Employment Benefits

Post-Employment Benefits

From an accrual accounting perspective, the cost of post-employment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In adopting the requirements of GASB No. 45, the School District recognizes the cost of post-employment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the School District's future cash flows.

Plan Description

The School District provides post-retirement benefits for certain employees for current and future health, dental, and vision benefit expenses through a single-employer defined benefit plan. A tri-annual actuarial valuation is made to determine whether the contributions are sufficient to meet the plan obligations. The latest actuarial valuation was made July 1, 2014. The post-retirement plan does not issue stand-alone financial reports.

NEW BRIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2015

NOTE 7 - PENSION PLAN / OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

The contribution requirements of plan members and the School District are established and may be amended by the School District. The School District determines the required contribution using the Projected Unit Credit Method.

Membership in the plan consisted of the following at July 1, 2014, the date of the last actuarial valuation:

Retirees and beneficiaries receiving benefits	15
Active plan members	<u>141</u>
Total	<u>156</u>

Annual OPEB Cost and Net OPEB Obligation

For the year ended June 30, 2015, the School District's annual OPEB cost for the Plan was \$69,842. The School District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended June 30, 2015, were as follows:

Annual Required Contribution	\$ 83,131
Interest on Net OPEB Obligation	7,766
Adjustment to Annual Required Contribution	<u>(21,055)</u>
Annual OPEB Cost	\$ 69,842
Estimated Contributions Made	<u>(48,266)</u>
Increase in Net OPEB Obligation	\$ 21,576
Net OPEB Obligation - June 30, 2014	<u>258,899</u>
Net OPEB Obligation - June 30, 2015	<u>\$ 280,475</u>

Trend Information

The School District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligations were as follows:

GASB45 Schedule of Employer Contributions (\$000's)				
Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB		Net OPEB Obligation
		Cost Contributed		
June 30, 2015	\$ 70	69.1%		\$ 280
June 30, 2014	\$ 80	92.0%		\$ 259
June 30, 2013	\$ 80	92.0%		\$ 252
June 30, 2012	\$ 80	92.0%		\$ 246

NEW BRIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2015

NOTE 7 - PENSION PLAN / OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

Funding Status and Funding Progress

The School District's annual other post-employment 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 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 thirty years. The actuarial accrued liability as of June 30, 2014 is estimated to be \$646,629. The School District's contributions represent payments made for premiums for insured individuals.

Schedule of Funding Progress (\$000's)				
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL	Funded Ratio
7/1/2014	\$ 0	\$ 647	\$ 647	0%
7/1/2011	\$ 0	\$ 774	\$ 774	0%

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 included 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.

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

The annual OPEB cost was determined as part of the actuarial valuation. Additional information as of the last actuarial valuations follows

NEW BRIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2015

NOTE 7 - PENSION PLAN / OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

Valuation Date:	July 1, 2014
Actuarial Cost Method:	Projected Unit Credit Method
Asset Valuation Method:	Market Value
Amortization Method:	Closed
Amortization Period:	15 years
Actuarial Assumptions:	
Investment rate of return	3.00%
Health Cost Trend Rates	Medical and pharmacy costs and premium rates are assumed to increase as shown in the following table (selected years shown):

<u>Fiscal Year Ending June 30</u>	<u>Increase in Medical Cost over Prior Year</u>	<u>Increase in Dental Cost over Prior Year</u>
2015-2016	10.00%	5.00%
2017-2018	9.00%	5.00%
2019-2020	8.00%	5.00%
2021-2022	7.00%	5.00%
2023-2024	6.00%	5.00%
2025 and after	5.00%	5.00%

NOTE 8 - LONG-TERM DEBT

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds Payable:					
General obligation bonds/notes	\$ 8,380,000	\$ 0	\$ (1,345,000)	\$ 7,035,000	\$ 1,380,000
Other extended term financing	2,604,372	0	(6,224)	2,598,148	108,807
Deferred amounts for issuance premium/(discount)	72,080	(14,054)	0	58,026	0
Total bonds and notes payable, net	\$ 11,056,452	\$ (14,054)	\$ (1,351,224)	\$ 9,691,174	\$ 1,488,807
Net pension liability	0	29,013,000	0	29,013,000	2,012,184
Compensated absences-incentive	172,900	3,200	0	176,100	0
Other Post Emp Benefit					
Obligation payable	569,686	0	(100,995)	468,691	126,118
Total governmental activity					
long-term liabilities	<u>\$ 11,799,038</u>	<u>\$ 29,002,146</u>	<u>\$ (1,452,219)</u>	<u>\$ 39,348,965</u>	<u>\$ 3,627,109</u>

Payments on general obligation bonds are made by the General Fund.

Total interest and debt fees incurred of \$302,707 were charged to expense; no interest costs were capitalized during the period.

NEW BRIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2015

NOTE 8 - LONG-TERM DEBT - CONTINUED

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2015, including interest payments, are as follows:

Year ending				
June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2016	\$ 1,380,000	\$ 161,075	\$ 1,541,075	
2017	1,415,000	126,265	1,541,265	
2018	1,425,000	95,728	1,520,728	
2019	1,460,000	59,995	1,519,995	
2020	1,355,000	20,325	1,375,325	
Total	<u>\$ 7,035,000</u>	<u>\$ 463,388</u>	<u>\$ 7,498,388</u>	

General Obligation Bonds and Notes—General obligation bonds and notes payable at June 30, 2015, with their outstanding balances are as follows:

\$8,895,000 2011 General Obligation Bonds, due in annual installments of \$220,000 to \$1,205,000, beginning September 15, 2011, through August 15, 2019, interest from 2.7 to 6.0%	\$ 6,160,000
\$1,100,000 2011 General Obligation Bond A, due in annual installments of \$75,000 to \$150,000, beginning February 15, 2012, through August 15, 2019, interest from 2.7% to 6.0%.	<u>875,000</u>
Total	<u>\$ 7,035,000</u>

On March 6, 2014, the School District entered into a Master Equipment Lease-Purchase Agreement for \$2,604,372. The proceeds will be used for various capital improvements, which will help reduce utility costs in future years.

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2015, including interest payments are as follows:

Year ending				
June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2016	\$ 108,807	\$ 71,509	\$ 180,316	
2017	125,743	74,435	200,178	
2018	133,431	70,479	203,910	
2019	142,080	66,282	208,362	
2020	150,751	61,805	212,556	
2021-2025	863,171	233,659	1,096,830	
2026-2030	1,074,165	81,164	1,155,329	
Total	<u>\$ 2,598,148</u>	<u>\$ 659,333</u>	<u>\$ 3,257,481</u>	

NEW BRIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2015

NOTE 9 - INTERFUND BALANCES

Interfund balances at June 30, 2015, consisted of the following fund receivables and payables:

	<u>Receivables</u>	<u>Payables</u>
General Fund: Food Service Fund	\$ 3,718	\$ 0
Food Service Fund: General Fund	<u>0</u>	<u>3,718</u>
Totals	<u>\$ 3,718</u>	<u>\$ 3,718</u>

The balances resulted from a time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All the balances above are expected to be collected in the subsequent year.

During the fiscal year, the general fund made transfers to the food service fund of \$45,635.

NOTE 10 - CONTINGENCIES

A. Litigation

The School District is potentially liable for any expenditure that may be disallowed pursuant to the terms of grant programs. Management is not aware of any material items of noncompliance, which would result in the disallowance of program expenditures.

B. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2015.

NOTE 11 - SUBSEQUENT EVENT

The School District evaluated its June 30, 2015 financial statements for subsequent events through December 18, 2015, the date the financial statements were available to be issued. The School District is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

NOTE 12 - FUTURE GASB PRONOUNCEMENTS

In February 2015, GASB issued Statement No. 72, Fair Value Measurement and Application. The primary objectives of this Statement are to address issues regarding the measurement of fair value and the applicability of fair value guidance. This Statement will be effective for fiscal year 2015-2016.

NEW BRIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2015

NOTE 12 - FUTURE GASB PRONOUNCEMENTS - CONTINUED

In June 2015, GASB issued Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets that are not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. The primary objectives of this Statement are to establish requirements for pensions and pension plans not administered through trusts and to amend certain provisions of GASB Statements 67 and 68. This Statement will be effective for fiscal year 2016-2017.

In June 2015, GASB issued Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. The primary objectives of this Statement are to address the financial reports of defined benefit OPEB plans administered through a trust and to address certain disclosure requirements for such plans. This Statement will be effective for fiscal year 2016-2017.

In June 2015, GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The primary objective of this Statement is to address the reporting requirements for OPEB liabilities and the related disclosure requirements. This Statement will be effective for fiscal year 2017-2018.

In June 2015, GASB issued Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The primary objectives of this Statement are to reduce the GAAP hierarchy to two categories of authoritative GAAP, to provide implementation guidance, and to address the use of authoritative and non-authoritative literature. This Statement will be effective for fiscal year 2015-2016.

In August 2015, GASB issued Statement No. 77, Tax Abatement Disclosures. This Statement defines tax abatements and provides disclosure guidance for governments that have granted tax abatements. This Statement will be effective for fiscal year 2016-2017.

The effects of implementing GASB Statements No. 72 through 77 on the School District's financial statements have not yet been determined.

NOTE 13 - PRIOR PERIOD ADJUSTMENTS

During the year ended June 30, 2015, the School District implemented GASB No. 67 Financial Reporting for Pension Plans and GASB No. 68 Accounting and Financial Reporting for Pensions. Reporting under the above GASB standards, which requires new reporting requirements for state and local governments that provide their employees with pension benefits, was not reflected in the Governmental Activities, Business-Type Activities or Food Service Fund for the year ended June 30, 2014.

Also, during the year ended June 30, 2015, the School District received a new fixed assets valuation. This adjustment was made because the fixed assets of the School District were re-appraised as of June 30, 2014 using estimates by an appraiser through computerized reverse-trending techniques applied against the estimate of current replacement cost. The School District has also elected not to prorate portions of buildings utilized by the cafeteria to the Business-Type Activities as of

NEW BRIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2015

NOTE 13 - PRIOR PERIOD ADJUSTMENTS - CONTINUED

June 30, 2014. All buildings are capitalized and included as a Governmental Activity on the Statement of Net Position.

Net positions at July 1, 2014 have been restated to include implementation of GASB No. 67 and 68 and a new fixed asset valuation as follows:

	Governmental Activities	Business-Type Activities (Proprietary Fund)	Total
Net Position at June 30, 2014	\$ 9,760,305	\$ (122,261)	\$ 9,638,044
Change in Accounting Estimate:			
(Less)/Add: Fixed Asset Valuation Adjustment	(3,521,377)	24,354	(3,497,023)
Change in Accounting Principle:			
(Less): Net Pension Liability	(28,014,000)	0	(28,014,000)
Total Prior Period Adjustments	<u>\$ (31,535,377)</u>	<u>\$ 24,354</u>	<u>\$ (31,511,023)</u>
Restated Net Position at July 1, 2014	<u><u>\$ (21,775,072)</u></u>	<u><u>\$ (97,907)</u></u>	<u><u>\$ (21,872,979)</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

NEW BRIGHTON AREA SCHOOL DISTRICT

**POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEBs)
SCHEDULE OF FUNDING PROGRESS**

YEAR ENDING JUNE 30, 2015

The schedule below reports the funding progress made by the School District.

Schedule of Funding Progress (\$000's)				
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL	Funded Ratio
7/1/2014	\$ 0	\$ 647	\$ 647	0%
7/1/2011	\$ 0	\$ 774	\$ 774	0%

NEW BRIGHTON AREA SCHOOL DISTRICT

**POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEBs)
FACTORS AND TRENDS USED IN ACTUARIAL VALUATION**

YEAR ENDING JUNE 30, 2015

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the School District. The actuarial methods and assumptions stated below are from the last actuarial valuation report.

Valuation Date:	July 1, 2014
Actuarial Cost Method:	Projected Unit Credit Method
Asset Valuation Method:	Market Value
Amortization Method:	Closed
Amortization Period:	15 years
Actuarial Assumptions:	
Investment rate of return	3.00%
Health Cost Trend Rates	Medical and pharmacy costs and premium rates are assumed to increase as shown in the following table (selected years shown):

<u>Fiscal Year Ending June 30</u>	<u>Increase in Medical Cost over Prior Year</u>	<u>Increase in Dental Cost over Prior Year</u>
2015-2016	10.00%	5.00%
2017-2018	9.00%	5.00%
2019-2020	8.00%	5.00%
2021-2022	7.00%	5.00%
2023-2024	6.00%	5.00%
2025 and after	5.00%	5.00%

NEW BRIGHTON AREA SCHOOL DISTRICT

**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
OF THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)**

YEAR ENDING JUNE 30, 2015

The schedule below reports the School District's proportionate share of the net pension liability.

The Public School Employees' Retirement System
Last 10 Fiscal Years (As of years ended 6/30)

	<u>2015</u>
District's Proportion of the Net Pension Liability (Asset)	0.0733%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 29,013,000
District's Covered-Employee Payroll	\$ 9,352,273
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	310.22%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	57.24%

The amounts presented for each fiscal year are determined as of the calendar year-end that occurred within the fiscal year. This schedule is presented to illustrate the requirement to disclose information for 10 years; however, until a full 10-year trend is compiled, governments are required to present information for those years for which information is available.

NEW BRIGHTON AREA SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
TO THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)
YEAR ENDING JUNE 30, 2015

The schedule below reports the School District's annual contributions to the Public School Employees' Retirement System as of the June 30 year end.

	<u>2015</u>
Contractually Required Contribution	\$ 2,012,183
Contributions in Relation to	
Contractually Required Contribution	<u>(2,012,183)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>
District's Covered Employee Payroll	\$ 9,706,972
Contribution as a Percentage	
of Covered Employee Payroll	20.73%

This schedule is presented to illustrate the requirement to disclose information for 10 years; however, until a full 10-year trend is compiled, governments are required to present information for those years for which information is available.

NEW BRIGHTON AREA SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDING JUNE 30, 2015

NOTE 1 - CHANGES OF BENEFIT TERMS/ASSUMPTIONS

Changes of Benefit Terms

There were no changes of benefit terms for the year ended June 30, 2015.

Changes of Benefit Assumptions

There were no changes of benefit assumptions for the year ended June 30, 2015.

SINGLE AUDIT SUPPLEMENTARY REPORTS

NEW BRIGHTON AREA SCHOOL DISTRICT

LIST OF REPORT DISTRIBUTION

1 copy	Bureau of Audits Special Audit Services Division Forum Place – 9th Floor 555 Walnut Street Harrisburg, PA 17101 Online Submission
1 copy	Federal Audit Clearinghouse Bureau of Census Online Submission Included Data Collection Form
1 copy	Beaver County Court House Prothonotary 810 Third Street Beaver, PA 15009
25 copies	New Brighton Area School District 3225 43 rd Street New Brighton, Pennsylvania 15066
1 copy	Cottrill, Arbutina & Associates, P.C. 525 Third Street Beaver, PA 15009

NEW BRIGHTON AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

<u>Federal Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantor's Number</u>	<u>Grant Period From - To</u>	<u>Program or Award Amount</u>	<u>Total Received For Year</u>	<u>Accrued (Deferred) Revenue @ 7/1/14</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue @ 6/30/15</u>
U.S. Department of Education										
Passed through the PA Department of Education:										
Title I Improving Basic Programs	I	84.010	013-150279	07/01/14-09/30/15	\$ 411,556	\$ 247,532	\$ 0	\$ 342,596	\$ 342,596	* \$ 95,064
Title I Improving Basic Programs	I	84.010	013-140279	07/01/13-09/30/15	432,747	230,227	35,700	194,527	194,527	* 0
Program Impro-Set Aside	I	84.010	042-130279	04/26/13-09/30/14	50,403	2,800	(4,121)	6,921	6,921	* 0
Total Title I Cluster						\$ 480,559	\$ 31,579	\$ 544,044	\$ 544,044	\$ 95,064
Title II Improving Teacher Quality	I	84.367	020-150279	07/01/14-09/30/15	\$ 112,359	\$ 112,359	\$ 0	\$ 112,359	\$ 112,359	\$ 0
Title II Improving Teacher Quality	I	84.367	020-140279	07/01/13-09/30/14	112,411	7,443	7,443	0	0	0
Total Title II Cluster						\$ 119,802	\$ 7,443	\$ 112,359	\$ 112,359	\$ 0
Total PA Department of Education						\$ 600,361	\$ 39,022	\$ 656,403	\$ 656,403	\$ 95,064
Passed through the Beaver Valley Intermediate Unit #27										
Unit:										
IDEA	I	84.027	N/A	07/01/13-06/30/14	\$ 209,576	\$ 76,895	\$ 76,895	\$ 0	\$ 0	\$ 0
IDEA	I	84.027	N/A	07/01/14-06/30/15	197,016	71,662	0	197,016	197,016	125,354
IDEA-ESY	I	84.027	N/A	07/01/14-06/30/15	725	725	0	725	725	0
IDEA-619B	I	84.173	N/A	07/01/13-06/30/14	2,183	2,183	2,183	0	0	0
IDEA-619B	I	84.173	N/A	07/01/14-06/30/15	4,465	0	0	4,465	4,465	4,465
Total IDEA Cluster						\$ 151,465	\$ 79,078	\$ 202,206	\$ 202,206	\$ 129,819
Race to the Top	I	84.413A	N/A	07/01/12-06/30/13	\$ 29,829.00	\$ 27,133	\$ 0	\$ 27,133	\$ 27,133	\$ 0
Total Beaver Valley Intermediate Unit #27						\$ 178,598	\$ 79,078	\$ 229,339	\$ 229,339	\$ 129,819
Total U.S. Department of Education						\$ 778,959	\$ 118,100	\$ 885,742	\$ 885,742	\$ 224,883
U.S. Department of Agriculture:										
Passed through the PA Department of Education:										
National School Lunch Program	I	10.555	N/A	07/01/14-06/30/15	N/A	\$ 341,596	\$ 0	\$ 347,545	\$ 347,545	* \$ 5,949
National School Lunch Program	I	10.555	N/A	07/01/13-06/30/14	N/A	47,470	47,470	0	0	* 0
Child and Adult Care Food Program	I	10.558	N/A	07/01/14-06/30/15	N/A	8,727	0	11,344	11,344	* 2,617
National School Severe Need Breakfast Program	I	10.553	N/A	07/01/14-06/30/15	N/A	111,804	0	113,776	113,776	* 1,972
National School Severe Need Breakfast Program	I	10.553	N/A	07/01/13-06/30/14	N/A	14,971	14,971	0	0	* 0
Passed through the PA Department of Agriculture:										
Value of USDA Donated Commodities:	I	10.555	N/A	07/01/14-06/30/15	N/A	47,369	0	47,369	47,369	* 0
Total Child Nutrition Cluster						\$ 571,937	\$ 62,441	\$ 520,034	\$ 520,034	\$ 10,538
Total U.S. Department of Agriculture						\$ 571,937	\$ 62,441	\$ 520,034	\$ 520,034	\$ 10,538
Total Federal Assistance						\$ 1,350,896	\$ 180,541	\$ 1,405,776	\$ 1,405,776	\$ 235,421

See Notes to the Schedule of Expenditures of Federal Awards

NEW BRIGHTON AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Source Codes:
 I=Indirect Funding
 F=Federal Share
 S=State Share

Footnotes:
 a) Total amount of commodities received from Department of Agriculture
 b) Beginning inventory at July 1
 c) Total amount of commodities used
 d) Ending inventory at June 30
 * Selected for testing

Test of 50% rule:

Title I Cluster	\$ 544,044
Cafeteria Cluster	<u>520,034</u>
Total Federal Expenditures Tested	<u>\$ 1,064,078</u>

Total Federal Expenditures	<u>\$ 1,405,776</u>	<u>75.69%</u>	(High risk auditee 50% required)
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See Notes to the Schedule of Expenditures of Federal Awards

NEW BRIGHTON AREA SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF

EXPENDITURES OF FEDERAL AWARDS

NOTE 1 - BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the New Brighton Area School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 - BUDGETARY DATA

The School District passed and had approved by the appropriate agency budgets for the fiscal year ending June 30, 2015 for all federal programs.

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

To the Board of Directors
New Brighton Area School District
3225 43rd Street
New Brighton, Pennsylvania 15066

We have audited, in accordance with the 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 New Brighton Area School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise New Brighton Area School District's basic financial statements and have issued our report thereon dated December 18, 2015.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control that we consider to be a material weakness.

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. We consider item 2015-1 described in the accompanying schedule of findings and questioned costs to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether New Brighton 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 did not disclose instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

New Brighton Area School District's Response to Findings

New Brighton Area School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. New Brighton Area School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Cottrill, Arbutina and Assoc.

Beaver, PA 15009
December 18, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors
New Brighton Area School District
3225 43rd Street
New Brighton, Pennsylvania 15066

Report on Compliance for Each Major Federal Program

We have audited New Brighton Area School District's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of New Brighton Area School District's major federal programs for the year ended June 30, 2015. New Brighton Area School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of New Brighton 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 New Brighton 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 New Brighton Area School District's compliance.

Opinion on Each Major Federal Program

In our opinion, New Brighton 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 New Brighton 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 New Brighton 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 to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 New Brighton 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.

Cottrill, Arbutina and Assoc.

Beaver, PA 15009
December 18, 2015

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

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the New Brighton Area School District.
2. One significant deficiency disclosed during the audit of the financial statements is reported in this schedule. This condition is reported as a material weakness.
3. No instances of noncompliance material to the financial statements of the New Brighton Area School District, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. No significant deficiency in internal control over major federal award programs was disclosed during the audit. No conditions were reported as material weaknesses.
5. The auditor's report on compliance for the major federal award programs for the New Brighton Area School District expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs include:

Title I Cluster – CFDA 84.010
Cafeteria Cluster – 10.553, 10.555 & 10.558
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. New Brighton Area School District was determined to be a high-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

Material Weaknesses

2015-1 Limited Staff

Condition: The School District has a limited staff responsible for or access to:

- | | |
|----------------------------------|------------------------|
| a. receipts | d. fixed asset records |
| b. check writing | e. inventory records |
| c. posting to the general ledger | f. payroll records |

Because of limited staff, we realize segregation of the above duties is not practical, if not impossible. Because of this internal control situation, the responsibility of the Business Manager is greatly increased because the Board must rely on her knowledge of the everyday operations to discover any material changes in the School District's financial position.

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

2015-1 Limited Staff - Continued

Criteria: The small size of the School District's office staff limits the extent of separation of duties. The basic premise in an ideal accounting office is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. Some examples of lack of segregation of duties at the School District are as follows:

General Fund Payroll: One employee enters all payroll information, including pay rate information, prints checks/direct deposit advances, and distributes checks.

General Fund and Activity Fund: One individual creates disbursements, records disbursements, and mails disbursements.

Effect: A lack in separation of duties makes the School District more susceptible to misappropriation of School District assets.

Significant Deficiencies

None.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD AUDIT

None.

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

A. PRIOR YEAR FINDINGS - FINANCIAL STATEMENTS AUDIT

Material Weaknesses

2014-1 Limited Staff

Condition: The School District has a limited staff responsible for or access to:

- | | |
|----------------------------------|------------------------|
| a. check writing | c. fixed asset records |
| b. posting to the general ledger | d. inventory records |

Because of limited staff, we realize segregation of the above duties is not practical, if not impossible. Because of this internal control situation, the responsibility of the Business Manager is greatly increased because the Board must rely on her knowledge of the everyday operations to discover any material changes in the School District's financial position.

Criteria: The small size of the School District's office staff limits the extent of separation of duties. The basic premise in an ideal accounting office is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. Some examples of lack of segregation of duties at the School District are as follows:

General Fund Payroll: One employee enters all payroll information, including pay rate information, prints checks/direct deposit advances, and distributes checks.

Activity Fund: One individual creates disbursements, records disbursements, and mails disbursements.

Fixed Assets: The individual who records and maintains the subsidiary ledger for fixed assets also has access to general ledger, cash, purchasing, payable and capital expenditure authorizing functions. In addition, this individual also is able to make deletions to the fixed assets and is the only individual who reconciles the fixed assets.

Current Status: This finding continues at the School District, but improvements were made during the June 30, 2015 fiscal year.

2014-2 Fixed Assets

Condition: It was difficult to determine the physical presence of assets recorded in the School District's records because the system for determining the location of fixed assets is quite cumbersome. Because the assets are not tagged, it makes it very difficult to determine if the proper asset is being inspected. We also continue to note that the School District still does not list fixed assets in a central data base. Currently, the School District uses separate sets of ledgers to track fixed assets. As a result, the School District spends time manually calculating depreciation values, manually adding fixed assets, and manually subtracting old assets from the ledgers each time a fixed asset report is prepared. We also continue to note that property and equipment acquisitions were not prepared for entry into the various computerized fixed asset subsidiary ledgers until after year-end. We also continue to note that management must communicate with all School District employees

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

2014-2 Fixed Assets – Continued

regarding acquisition, disposing of, and moving fixed assets. This issue has still not been formally addressed in the policy on fixed assets.

Criteria: The School District should begin tagging all assets acquired for inclusion in the master fixed asset listing. We recommend the School District computerize all fixed assets in a central data base designed for proper fixed asset tracking. By doing this, the School District would greatly reduce the time invested in fixed asset calculations and eliminate much of the possibility for human error. We recommend that the Business Manager, at the time she approves purchase orders, indicate on the purchase order which items should be added to the fixed asset subsidiary schedules. When invoices are matched with purchase orders and receiving reports, the accounts payable clerk should enter property and equipment acquisitions into the subsidiary ledger. Monthly comparisons of capital expenditure guideline reports with fixed asset additions will help ensure all capital expenditures are entered into fixed asset detail records. The School District should also formally address all aspects of fixed asset reporting in their policies and procedures manual.

Current Status: This finding was corrected during the June 30, 2015 year since the School District obtained a new fixed asset appraisal report.

2014-3 Service Organization Control Report

Condition: The School District was not able to obtain a Service Organization Control Report from the Beaver County School Health Care Insurance Consortium.

Criteria: The American Institute of CPAs recently released a new series of reporting options, called SERVICE ORGANIZATION CONTROL REPORTSSM (SOC), that enables CPAs to provide assurance on internal controls over subject matter other than financial reporting while filling the marketplace's need to demonstrate reliability and mitigation of risk. We recommend that the Beaver County School Health Care Insurance Consortium should have the necessary procedures performed over their internal controls in order to obtain a SOC report.

Current Status: This finding was corrected during the June 30, 2015 year since the School District obtained an unqualified audit of the Beaver County School Health Care Insurance Consortium.

Significant Deficiencies

None.

B. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD AUDIT

None.

NEW BRIGHTON AREA SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

JUNE 30, 2015

Pennsylvania Department of Education

The New Brighton Area School District respectfully submits the following corrective action plan for the year ended June 30, 2015.

Name and address of independent public accounting firm:

Cottrill, Arbutina & Associates, P.C.
525 Third Street
Beaver, PA 15009

Audit Period: July 1, 2014 through June 30, 2015

A. FINDINGS - FINANCIAL STATEMENTS AUDIT

2015-1 Limited Staff

Recommendation: The small size of the School District's office staff limits the extent of separation of duties. The basic premise in an ideal accounting office is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. Some examples of lack of segregation of duties at the School District are as follows:

General Fund Payroll: One employee enters all payroll information, including pay rate information, prints checks/direct deposit advances, and distributes checks.

General Fund and Activity Fund: One individual creates disbursements, records disbursements, and mails disbursements.

Action Taken: The School District believes that the complete segregation of the Business Office duties is not practical, if not impossible. However, the School District will continue to explore and implement new procedures to alleviate some of the concerns listed.

B. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD AUDIT

None.

If the Pennsylvania Department of Education has questions regarding this plan, please call Marydenise Feroce, Business Manager of the New Brighton Area School District, at 724-843-1795 ext. 404.