

NEW BRIGHTON AREA SCHOOL DISTRICT

NEW BRIGHTON, PENNSYLVANIA

JUNE 30, 2016

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, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, 2016, 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.

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, and Public School Employees' Retirement System information on pages i-xi, 42-43, and 44-45, 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 Title 2 U.S. *Code of Federal Regulation* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards 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 28, 2016, 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 28, 2016

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

JUNE 30, 2016

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, 2016. 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 Government Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for the 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 \$(19,656,691). Net position was \$(19,682,496) and \$25,805 for governmental activities and business-type activities, respectively.

The School District increased the general fund balance by \$507,472 in 2016 compared to the three previous years:

Year Ending June 30, 2015	\$ 677,838
Year Ending June 30, 2014	\$(257,933)
Year Ending June 30, 2013	\$(34,637)

The general fund balance for the year ending June 30, 2016 is \$4,804,261.

The trends of prior years' indicated that during the fiscal year 2015-2016, 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 57.1457 mills for 2014-2015 to 60.3003 mills in the 2015-2016 school year.

USING THE ANNUAL FINANCIAL AUDIT REPORT

The annual financial audit report consists of the Management's Discussion and Analysis (this section) and a series of financial statements and notes to those statements. These statements are organized so that the reader can understand New Brighton Area School District as an entire operating entity.

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.

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

NEW BRIGHTON AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

JUNE 30, 2016

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**

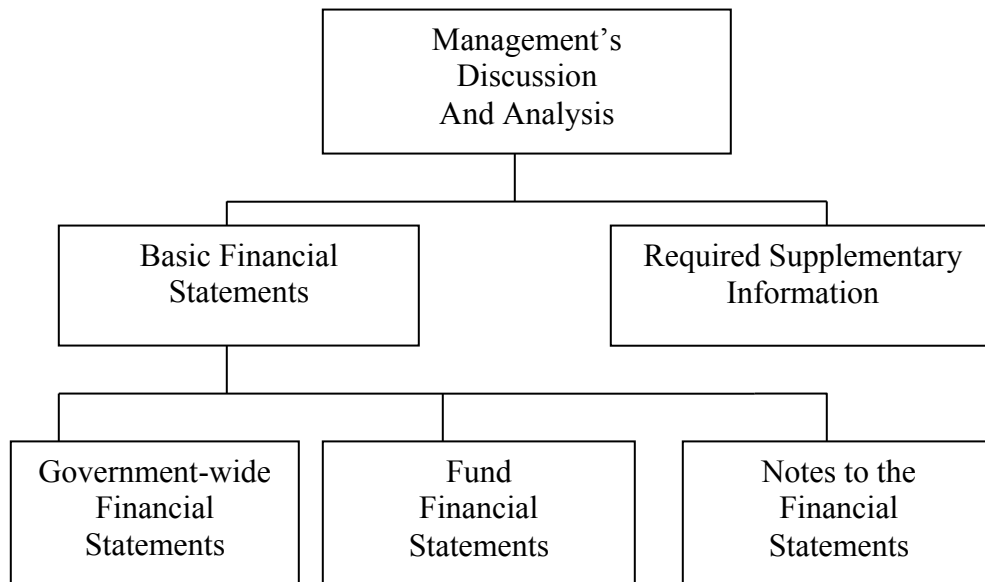


Figure A-2 summarizes the major features of the School District's financial statements, including the portion of the School District they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents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

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

JUNE 30, 2016

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 – Student Activities 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 spent	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 spent	All revenues and expenses during year, regardless of when cash is received or spent

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

JUNE 30, 2016

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 local 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, 2016

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 \$(19,656,691) at June 30, 2016. This is an increase of \$1,245,184 from the prior year.

Table A-1
Fiscal Year ended June 30, 2016 and 2015
Net Position

	2016			2015		
	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Totals</u>	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Totals</u>
Current and Other Assets	\$ 8,440,177	\$ 38,123	\$ 8,478,300	\$ 7,776,263	\$ 91,594	\$ 7,867,857
Capital Asset	12,688,828	22,603	12,711,431	13,148,964	28,604	13,177,568
Total Assets	<u>\$ 21,129,005</u>	<u>\$ 60,726</u>	<u>\$ 21,189,731</u>	<u>\$ 20,925,227</u>	<u>\$ 120,198</u>	<u>\$ 21,045,425</u>
Deferred Outflows	\$ 2,785,299	\$ 0	\$ 2,785,299	\$ 2,441,184	\$ 0	\$ 2,441,184
Current and Other Liabilities	\$ 6,950,688	\$ 34,921	\$ 6,985,609	\$ 6,402,937	\$ 189,691	\$ 6,592,628
Long-Term Liabilities	36,181,112	0	36,181,112	35,721,856	0	35,721,856
Total Liabilities	<u>\$ 43,131,800</u>	<u>\$ 34,921</u>	<u>\$ 43,166,721</u>	<u>\$ 42,124,793</u>	<u>\$ 189,691</u>	<u>\$ 42,314,484</u>
Deferred Inflows	\$ 465,000	\$ 0	\$ 465,000	\$ 2,074,000	\$ 0	\$ 2,074,000
Net Position						
Invested in Capital Assets,						
Net of Related Debt	\$ 4,615,833	\$ 22,603	\$ 4,638,436	\$ 3,577,116	\$ 28,604	\$ 3,605,720
Restricted	1,372,952	0	1,372,952	1,372,099	0	1,372,099
Unrestricted	(25,671,281)	3,202	(25,668,079)	(25,781,597)	(98,097)	(25,879,694)
Total Net Position	<u>\$ (19,682,496)</u>	<u>\$ 25,805</u>	<u>\$ (19,656,691)</u>	<u>\$ (20,832,382)</u>	<u>\$ (69,493)</u>	<u>\$ (20,901,875)</u>

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

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

JUNE 30, 2016

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. Table A-1 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, 2016 & 2015
Changes in Net Position

	2016			2015		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues						
<u>Program revenues:</u>						
Charges for services	\$ 97,861	\$ 314,762	\$ 412,623	\$ 105,387	\$ 311,456	\$ 416,843
Operating grants and contributions	6,015,469	619,428	6,634,897	5,942,729	548,126	6,490,855
Capital grants and contributions	0	0	0	0	0	0
<u>General revenues:</u>						
Property taxes	5,042,757	0	5,042,757	4,725,838	0	4,725,838
Other taxes	1,217,002	0	1,217,002	1,191,736	0	1,191,736
Grants, subsidies and contributions, unrestricted	10,347,802	0	10,347,802	10,197,843	0	10,197,843
Investment earnings	9,798	0	9,798	6,009	0	6,009
Refunds of prior year receipts	(14)	0	(14)	(7)	0	(7)
Transfers	0	0	0	(45,635)	45,635	0
Total revenues	\$ 22,730,675	\$ 934,190	\$ 23,664,865	\$ 22,123,900	\$ 905,217	\$ 23,029,117

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

JUNE 30, 2016

Table A-2 - Continued

	2016			2015		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Expenses						
Instruction (incl. Capital outlay)	\$ 13,695,471	\$ 0	\$ 13,695,471	\$ 13,262,460	\$ 0	\$ 13,262,460
Instructional student support	1,565,523	0	1,565,523	1,544,384	0	1,544,384
Administrative & financial support	1,607,924	0	1,607,924	1,559,771	0	1,559,771
Operation & maintenance of plant	1,959,730	0	1,959,730	1,981,836	0	1,981,836
Pupil transportation services	1,095,675	0	1,095,675	1,079,423	0	1,079,423
Other support services	363,645	0	363,645	354,206	0	354,206
Student activities	474,128	0	474,128	516,338	0	516,338
Community services	161,414	0	161,414	155,887	0	155,887
Interest on long-term debt	227,341	0	227,341	273,514	0	273,514
Unallocated depreciation expense	429,938	0	429,938	453,391	0	453,391
Food services	0	838,892	838,892	0	876,803	876,803
Total expenses	\$ 21,580,789	\$ 838,892	\$ 22,419,681	\$ 21,181,210	\$ 876,803	\$ 22,058,013
Increase (decrease) in net position	\$ 1,149,886	\$ 95,298	\$ 1,245,184	\$ 942,690	\$ 28,414	\$ 971,104
Net Position - Beginning	\$ (20,832,382)	\$ (69,493)	\$ (20,901,875)	\$ 9,760,305	\$ (122,261)	\$ 9,638,044
Prior Period Adjustment	0	0	0	(31,535,377)	24,354	(31,511,023)
Net Position - Beginning Restated	\$ (20,832,382)	\$ (69,493)	\$ (20,901,875)	\$ (21,775,072)	\$ (97,907)	\$ (21,872,979)
Net Position - Ending	\$ (19,682,496)	\$ 25,805	\$ (19,656,691)	\$ (20,832,382)	\$ (69,493)	\$ (20,901,875)

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, 2016 - Governmental Activities

<u>Functions/Programs</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction (incl. Capital outlay)	\$ 13,695,471	\$ 8,872,323
Instructional student support	1,565,523	1,350,894
Administrative	1,607,924	1,417,887
Operation and Maintenance	1,959,730	1,816,069
Pupil transportation services	1,095,675	537,707
Central and other support services	363,645	344,485
Student activities	474,128	404,999
Community services	161,414	65,816
Interest on long-term debt	227,341	227,341
Unallocated depreciation expense	429,938	429,938
Total governmental activities	\$ 21,580,789	\$ 15,467,459
Less: Grants and subsidies not restricted		10,347,802
Total needs from local taxes and other revenues		\$ 5,119,657

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

JUNE 30, 2016

Table A-3 - Continued
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 (incl. Capital outlay)	\$ 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: Grants and subsidies not restricted		10,197,843
Total needs from local taxes and other revenues		\$ 4,935,251

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, 2016 & 2015
Business-type Activities

	<u>2016</u>		<u>2015</u>	
<u>FUNCTIONS/PROGRAMS</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	\$ 838,892	\$ 95,298	\$ 876,803	\$ (17,221)
Add:				
Investment Earnings		0		0
Transfers		0		45,635
Total Business - type Activities		\$ 95,298		\$ 28,414

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 \$4,865,694 as noted on page 6. The fund balance increased by \$507,604 during the year.

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

JUNE 30, 2016

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 \$22,806,437 increased by \$981,710 from the previous year's final budget. The final budgeted expenditures and other financing uses were \$23,033,490, which was an increase of \$868,901 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 \$734,525. This further increased the fund balance, and the total fund balance increase for the year was \$507,472.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the School District's governmental activities had \$12,688,828 invested in a broad range of capital assets, including land, site improvements, buildings, furniture, and equipment. This amount represents a net decrease of \$460,136 or 3.50% from last year. The decrease in capital assets is a result of \$ 700,326 depreciation expense being more than the \$ 240,190 capital spending for the June 30, 2016 fiscal year.

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>2016</u>	<u>2015</u>
Land	\$ 9,500	\$ 9,500
Site Improvements	553,224	399,221
Buildings & Improvements	11,810,804	12,268,642
Furniture & Equipment	315,300	471,601
Construction in Progress	<u>0</u>	<u>0</u>
Total	<u>\$ 12,688,828</u>	<u>\$ 13,148,964</u>

Debt Administration

As of June 30, 2016, the School District had total outstanding bond principal and capital improvements of \$8,134,168.

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

JUNE 30, 2016

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

Table A-6		
Outstanding Debt		
	<u>2016</u>	<u>2015</u>
General Obligation Notes/Bonds/Lease		
Lease, Capital Improvement 2014	\$ 2,479,168	\$ 2,598,148
Bonds, Series 2011	4,855,000	6,160,000
Bonds, Series A of 2011	<u>800,000</u>	<u>875,000</u>
Total	<u>\$ 8,134,168</u>	<u>\$ 9,633,148</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 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 29.7% of total revenue for the fiscal year ending June 30, 2016. 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 30.03% for the year 2016-2017. The rate for the 2015-2016 year was 25.84%.

Budget Comparison

The revenue budget for the 2016-2017 year is \$294,621 more than the original budget for 2015-2016. This represents a 1.29% 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 2016-2017 year is \$840,366 more than the original budget for 2015-2016, or a 3.65% increase.

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

JUNE 30, 2016

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

Table A-7		
BUDGETED REVENUE		
	<u>2015-2016</u>	<u>2016-2017</u>
Local	28.83%	29.44%
State	68.72%	68.27%
Federal/Other	2.45%	2.29%
 BUDGETED EXPENDITURES		
	<u>2015-2016</u>	<u>2016-2017</u>
Instruction	60.83%	60.97%
Support Services	29.49%	29.63%
Non-Instruction/Community	1.94%	2.02%
Fund Transfers/Debt	7.74%	7.38%

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
JUNE 30, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 5,993,947	\$ 92,135	\$ 6,086,082
Taxes Receivable, Net			
Property Taxes	863,323	0	863,323
Earned Income Taxes	163,837	0	163,837
Internal Balances	131,406	(131,406)	0
Due From Other Governments	1,178,678	62,867	1,241,545
Prepaid Expenses	6,800	0	6,800
Other Receivables	102,186	3,503	105,689
Inventories	0	11,024	11,024
Total Current Assets	<u>\$ 8,440,177</u>	<u>\$ 38,123</u>	<u>\$ 8,478,300</u>
Noncurrent Assets			
Land	\$ 9,500	\$ 0	\$ 9,500
Site Improvements, Net of Depreciation	553,224	0	553,224
Building & Building Improvements, Net of Depreciation	11,810,804	0	11,810,804
Furniture & Equipment, Net of Depreciation	315,300	22,603	337,903
Total Noncurrent Assets	<u>\$ 12,688,828</u>	<u>\$ 22,603</u>	<u>\$ 12,711,431</u>
TOTAL ASSETS	<u>\$ 21,129,005</u>	<u>\$ 60,726</u>	<u>\$ 21,189,731</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to Pensions	<u>\$ 2,785,299</u>	<u>\$ 0</u>	<u>\$ 2,785,299</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 2,785,299</u>	<u>\$ 0</u>	<u>\$ 2,785,299</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 383,842	\$ 29,341	\$ 413,183
Short-Term Payables	56,467	0	56,467
Current Portion of Other Extended Term Financing	126,385	0	126,385
Accrued Salaries & Benefits	2,458,416	0	2,458,416
Other Current Liabilities	0	5,580	5,580
Long Term Debt - Current	1,415,000	0	1,415,000
Other Post-Employment Benefits - Current	51,279	0	51,279
Net Pension Liability - Current	2,459,299	0	2,459,299
Total Current Liabilities	<u>\$ 6,950,688</u>	<u>\$ 34,921</u>	<u>\$ 6,985,609</u>
Noncurrent Liabilities			
Bonds Payable - Long Term	\$ 4,240,000	\$ 0	\$ 4,240,000
Unamortized Bond Discount/Premium	43,933	0	43,933
Other Extended Term Financing	2,352,783	0	2,352,783
Other Post-Employment Benefits - Long Term	323,560	0	323,560
Compensated Absences- Long Term	277,135	0	277,135
Net Pension Liability - Long Term	28,943,701	0	28,943,701
Total Noncurrent Liabilities	<u>\$ 36,181,112</u>	<u>\$ 0</u>	<u>\$ 36,181,112</u>
TOTAL LIABILITIES	<u>\$ 43,131,800</u>	<u>\$ 34,921</u>	<u>\$ 43,166,721</u>
DEFERRED INFLOWS OF RESOURCES			
Related to Pensions	<u>\$ 465,000</u>	<u>\$ 0</u>	<u>\$ 465,000</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 465,000</u>	<u>\$ 0</u>	<u>\$ 465,000</u>
NET POSITION			
Net Investment in Capital Assets	\$ 4,615,833	\$ 22,603	\$ 4,638,436
Restricted for:			
Capital Projects	61,433	0	61,433
Capital Reserves	1,311,519	0	1,311,519
Unrestricted (Deficit)	(25,671,281)	3,202	(25,668,079)
TOTAL NET POSITION	<u>\$ (19,682,496)</u>	<u>\$ 25,805</u>	<u>\$ (19,656,691)</u>

See Accompanying Notes to Financial Statements

NEW BRIGHTON AREA SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

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	\$ 9,915,657	\$ 0	\$ 2,833,144	\$ 0	\$ (7,082,513)	\$ 0	\$ (7,082,513)
Special Instruction	2,605,651	0	1,878,100	0	(727,551)	0	(727,551)
Vocational Instruction	1,048,196	0	94,004	0	(954,192)	0	(954,192)
Other Instructional Programs	117,042	0	17,900	0	(99,142)	0	(99,142)
Total Instructional Services	<u>\$ 13,686,546</u>	<u>\$ 0</u>	<u>\$ 4,823,148</u>	<u>\$ 0</u>	<u>\$ (8,863,398)</u>	<u>\$ 0</u>	<u>\$ (8,863,398)</u>
Support Services:							
Pupil Personnel	\$ 770,327	\$ 0	\$ 89,771	\$ 0	\$ (680,556)	\$ 0	\$ (680,556)
Instructional Staff	521,109	0	63,093	0	(458,016)	0	(458,016)
Administration	1,318,228	0	155,127	0	(1,163,101)	0	(1,163,101)
Pupil Health	274,087	0	61,765	0	(212,322)	0	(212,322)
Business Services	289,696	0	34,910	0	(254,786)	0	(254,786)
Operation of Plant and Maintenance Services	1,959,730	0	143,661	0	(1,816,069)	0	(1,816,069)
Student Transportation Services	1,095,675	0	557,968	0	(537,707)	0	(537,707)
Central and Other Support Services	363,645	0	19,160	0	(344,485)	0	(344,485)
Total Support Services	<u>\$ 6,592,497</u>	<u>\$ 0</u>	<u>\$ 1,125,455</u>	<u>\$ 0</u>	<u>\$ (5,467,042)</u>	<u>\$ 0</u>	<u>\$ (5,467,042)</u>
Non-Instructional Services:							
Student Activities	\$ 474,128	\$ 15,334	\$ 53,795	\$ 0	\$ (404,999)	\$ 0	\$ (404,999)
Community Services	161,414	82,527	13,071	0	(65,816)	0	(65,816)
Interest on Long-Term Debt	227,341	0	0	0	(227,341)	0	(227,341)
Capital Outlay (Not Subject to Capitalization)	8,925	0	0	0	(8,925)	0	(8,925)
Unallocated Depreciation Expense	429,938	0	0	0	(429,938)	0	(429,938)
Total Non-Instructional Services	<u>\$ 1,301,746</u>	<u>\$ 97,861</u>	<u>\$ 66,866</u>	<u>\$ 0</u>	<u>\$ (1,137,019)</u>	<u>\$ 0</u>	<u>\$ (1,137,019)</u>
Total Governmental Activities	\$ 21,580,789	\$ 97,861	\$ 6,015,469	\$ 0	\$ (15,467,459)	\$ 0	\$ (15,467,459)
Business-type Activities:							
Food Services	838,892	314,762	619,428	0	0	95,298	95,298
Total Primary Government	<u>\$ 22,419,681</u>	<u>\$ 412,623</u>	<u>\$ 6,634,897</u>	<u>\$ 0</u>	<u>\$ (15,467,459)</u>	<u>\$ 95,298</u>	<u>\$ (15,372,161)</u>
General Revenues:							
Property taxes, Levied for General Purposes, Net					\$ 5,042,757	\$ 0	\$ 5,042,757
Other Taxes Levied for General Purposes, Net					1,217,002	0	1,217,002
Grants, Subsidies & Contributions Not Restricted					10,347,802	0	10,347,802
Interest Earnings					9,798	0	9,798
Refunds of Prior Year Receipts					(14)	0	(14)
Transfers					0	0	0
Total General Revenues and Transfers					<u>\$ 16,617,345</u>	<u>\$ 0</u>	<u>\$ 16,617,345</u>
Change in Net Position					\$ 1,149,886	\$ 95,298	\$ 1,245,184
Net Position - Beginning of Year					<u>(20,832,382)</u>	<u>(69,493)</u>	<u>(20,901,875)</u>
Net Position - End of Year					\$ (19,682,496)	\$ 25,805	\$ (19,656,691)

See Accompanying Notes to Financial Statements

NEW BRIGHTON AREA SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2016

	General	Capital Project	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 5,932,774	\$ 61,173	\$ 5,993,947
Taxes Receivable:			
Property Taxes	863,323	0	863,323
Earned Income Taxes	163,837	0	163,837
Interfund Receivables	993,802	260	994,062
Intergovernmental Receivables	1,178,678	0	1,178,678
Other Receivables	102,186	0	102,186
Prepaid Expenditures	6,800	0	6,800
TOTAL ASSETS	<u>\$ 9,241,400</u>	<u>\$ 61,433</u>	<u>\$ 9,302,833</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 383,842	\$ 0	\$ 383,842
Interfund Payables	862,656	0	862,656
Accrued Salaries & Benefits	2,458,416	0	2,458,416
TOTAL LIABILITIES	<u>\$ 3,704,914</u>	<u>\$ 0</u>	<u>\$ 3,704,914</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	\$ 732,225	\$ 0	\$ 732,225
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 732,225</u>	<u>\$ 0</u>	<u>\$ 732,225</u>
FUND BALANCES			
Non-Spendable:			
Prepaid Expenditures	\$ 6,800	\$ 0	\$ 6,800
Restricted for:			
Capital Project	0	61,433	61,433
Committed for:			
Capital Project	250,000	0	250,000
Capital Reserves	1,311,519	0	1,311,519
Assigned for:			
PSERS	700,000	0	700,000
Next Year's Appropriation	772,798	0	772,798
Unassigned	1,763,144	0	1,763,144
TOTAL FUND BALANCES	<u>\$ 4,804,261</u>	<u>\$ 61,433</u>	<u>\$ 4,865,694</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 9,241,400</u>	<u>\$ 61,433</u>	<u>\$ 9,302,833</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
JUNE 30, 2016

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS **\$ 4,865,694**

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	33,532,171
Deduct: Accumulated Depreciation	(20,843,343)

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	732,225
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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	(31,403,000)
-------------------------------	--------------

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	\$ 2,785,299	
Deduct: Deferred Inflows of Resources Related to Pensions	<u>(465,000)</u>	
		2,320,299

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	\$ (5,655,000)	
Deduct: Unamortized Bond Discount/Premium	(43,933)	
Deduct: Other Extended Term Financing	(2,479,168)	
Deduct: Accrued Interest on Debt	(56,467)	
Deduct: Compensated Absences and Other Post-Employment Benefits	<u>(651,974)</u>	
		<u>(8,886,542)</u>

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES **\$ (19,682,496)**

NEW BRIGHTON AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2016

	General	Capital Project	Total Governmental Funds
REVENUES			
Local Sources	\$ 6,739,501	\$ 132	\$ 6,739,633
State Sources	15,293,339	0	15,293,339
Federal Sources	679,836	0	679,836
TOTAL REVENUES	\$ 22,712,676	\$ 132	\$ 22,712,808
EXPENDITURES			
Instruction	\$ 13,168,948	\$ 0	\$ 13,168,948
Support Services	6,419,748	0	6,419,748
Non-Instructional Services	625,525	0	625,525
Capital Outlay	249,115	0	249,115
Debt Services	1,741,854	0	1,741,854
TOTAL EXPENDITURES	\$ 22,205,190	\$ 0	\$ 22,205,190
Excess (Deficiency) of Revenues Over Expenditures	\$ 507,486	\$ 132	\$ 507,618
OTHER FINANCING SOURCES (USES)			
Refund of Prior Year Receipts	\$ (14)	\$ 0	\$ (14)
Interfund Transfers	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	\$ (14)	\$ 0	\$ (14)
NET CHANGE IN FUND BALANCES	\$ 507,472	\$ 132	\$ 507,604
FUND BALANCES - BEGINNING OF YEAR	4,296,789	61,301	4,358,090
FUND BALANCES - END OF YEAR	\$ 4,804,261	\$ 61,433	\$ 4,865,694

See Accompanying Notes to Financial Statements

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, 2016

NET CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ 507,604**

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.

Add: Capital Outlays	\$ 240,190	
Less: Depreciation Expense	<u>(700,326)</u>	
		(460,136)

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 increased by this amount this year.

17,881

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

Add: District Pension Contributions	\$ 2,459,299	
Less: Cost of Benefits Earned Net of Employee Contributions	<u>(2,896,184)</u>	
		(436,885)

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	\$ 1,380,000	
Other Extended Term Financing	118,980	
Interest Expense	15,533	
Amortization of Bond Discount/Premium	<u>14,093</u>	
		1,528,606

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 increased by this amount.

(7,184)

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES **\$ 1,149,886**

NEW BRIGHTON AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND TYPES
JUNE 30, 2016

	<u>Food Service</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 92,135
Intergovernmental Receivables	62,867
Other Accounts Receivable	3,503
Inventories	<u>11,024</u>
Total Current Assets	<u>\$ 169,529</u>
Noncurrent Assets:	
Machinery & Equipment, Net of Depreciation	<u>\$ 22,603</u>
Total Noncurrent Assets	<u>\$ 22,603</u>
TOTAL ASSETS	<u>\$ 192,132</u>
LIABILITIES	
Current Liabilities:	
Due to Other Funds	\$ 131,406
Accounts Payable	29,341
Other Current Liabilities	<u>5,580</u>
Total Current Liabilities	<u>\$ 166,327</u>
Noncurrent Liabilities:	
Compensated Absences Payable	<u>\$ 0</u>
Total Noncurrent Liabilities	<u>\$ 0</u>
TOTAL LIABILITIES	<u>\$ 166,327</u>
NET POSITION	
Net Investment in Capital Assets	\$ 22,603
Unrestricted	<u>3,202</u>
TOTAL NET POSITION	<u><u>\$ 25,805</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, 2016

	<u>Food Service</u>
OPERATING REVENUES:	
Food Service Revenue	\$ 314,762
TOTAL OPERATING REVENUES	<u>\$ 314,762</u>
OPERATING EXPENSES:	
Purchased Professional and Technical Service	\$ 766,794
Supplies	53,961
Depreciation	6,001
Equipment	11,399
Other Operating Expenses	<u>737</u>
TOTAL OPERATING EXPENSES	<u>\$ 838,892</u>
OPERATING INCOME (LOSS)	<u>\$ (524,130)</u>
NON-OPERATING REVENUES (EXPENSES):	
State Sources	\$ 29,441
Federal Sources	<u>589,987</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>\$ 619,428</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	\$ 95,298
Operating Transfers In (Out)	<u>0</u>
CHANGE IN NET POSITION	\$ 95,298
TOTAL NET POSITION - BEGINNING OF YEAR	<u>(69,493)</u>
TOTAL NET POSITION - END OF YEAR	<u>\$ 25,805</u>

NEW BRIGHTON AREA SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Food Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Users	\$ 321,682
Cash Payments for Purchased Professional and Technical Services	(927,144)
Cash Payments to Suppliers for Goods and Services	(63,607)
Cash Payments for Other Operating Expenses	<u>(737)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (669,806)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State Sources	\$ 26,551
Federal Sources	<u>668,709</u>
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	<u>\$ 695,260</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of Capital Assets	<u>\$ 0</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>\$ 0</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 25,454
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>66,681</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 92,135</u></u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>	
Operating Income (Loss)	<u>\$ (524,130)</u>
Depreciation	\$ 6,001
Change in Assets and Liabilities	
(Increase) Decrease in Accounts Receivable	7,510
(Increase) Decrease in Inventories	1,753
Increase (Decrease) in Accounts Payable	(160,350)
Increase (Decrease) in Other Current Liabilities	<u>(590)</u>
Total Adjustments	<u>\$ (145,676)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (669,806)</u></u>

NEW BRIGHTON AREA SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2016

	Student Activities Fund
ASSETS	
Cash and Cash Equivalents	<u>\$ 88,117</u>
TOTAL ASSETS	<u>\$ 88,117</u>
 LIABILITIES	
Due to Student Groups	<u>\$ 88,117</u>
TOTAL LIABILITIES	<u>\$ 88,117</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, 2016

	Budgeted Amounts		Actual	Variance with	Budget to	Actual
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)	GAAP Difference	Amounts GAAP Basis
REVENUES						
Local Revenues	\$ 6,575,937	\$ 6,575,937	\$ 6,739,501	\$ 163,564	\$ 0	\$ 6,739,501
State Program Revenues	15,672,970	15,672,970	15,293,339	(379,631)	0	15,293,339
Federal Program Revenues	557,530	557,530	679,836	122,306	0	679,836
TOTAL REVENUES	\$ 22,806,437	\$ 22,806,437	\$ 22,712,676	\$ (93,761)	\$ 0	\$ 22,712,676
EXPENDITURES						
Regular Programs	\$ 9,905,366	\$ 9,905,366	\$ 9,499,662	\$ 405,704	\$ 0	\$ 9,499,662
Special Programs	2,706,418	2,706,418	2,549,781	156,637	0	2,549,781
Vocational Programs	1,105,355	1,105,355	1,003,337	102,018	0	1,003,337
Other Instructional Programs	293,882	293,882	116,168	177,714	0	116,168
Pupil Personnel Services	778,812	778,812	749,093	29,719	0	749,093
Instructional Staff Services	524,393	524,393	483,733	40,660	0	483,733
Administrative Services	1,319,439	1,319,439	1,286,572	32,867	0	1,286,572
Pupil Health	259,999	259,999	264,193	(4,194)	0	264,193
Business Services	265,447	265,447	279,936	(14,489)	0	279,936
Operation & Maintenance of Plant Services	2,070,697	2,070,697	1,921,348	149,349	0	1,921,348
Student Transportation Services	1,180,228	1,180,228	1,095,675	84,553	0	1,095,675
Central & Other Support Services	394,182	394,182	339,198	54,984	0	339,198
Student Activities	296,728	296,728	466,841	(170,113)	0	466,841
Community Services	148,979	148,979	158,684	(9,705)	0	158,684
Facilities Acquisition and Construction	0	0	249,115	(249,115)	0	249,115
Debt Services	1,546,115	1,546,115	1,741,854	(195,739)	0	1,741,854
TOTAL EXPENDITURES	\$ 22,796,040	\$ 22,796,040	\$ 22,205,190	\$ 590,850	\$ 0	\$ 22,205,190
Excess (Deficiency) of Revenues Over Expenditures	\$ 10,397	\$ 10,397	\$ 507,486	\$ 497,089	\$ 0	\$ 507,486
OTHER FINANCING SOURCES (USES)						
Refund of Prior Year Receipts	\$ 0	\$ 0	\$ (14)	\$ (14)	\$ 0	\$ (14)
Interfund Transfers	(237,450)	(237,450)	0	237,450	0	0
TOTAL OTHER FINANCING SOURCES (USES)	\$ (237,450)	\$ (237,450)	\$ (14)	\$ 237,436	\$ 0	\$ (14)
Net Change in Fund Balances	\$ (227,053)	\$ (227,053)	\$ 507,472	\$ 734,525	\$ 0	\$ 507,472
FUND BALANCES - BEGINNING OF YEAR	1,969,232	1,969,232	4,296,789	2,327,557	0	4,296,789
FUND BALANCES - END OF YEAR	\$ 1,742,179	\$ 1,742,179	\$ 4,804,261	\$ 3,062,082	\$ 0	\$ 4,804,261

See Accompanying Notes to Financial Statements

NEW BRIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2016

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 between those activities of the School District that are governmental and those that are

NEW BRIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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, 2016

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 the 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. Major Fund reporting does not apply to Fiduciary Funds. 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:

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, 2016

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, 2016 with revenues totaling \$22,806,437 and expenditures totaling \$23,033,490. 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.

NEW BRIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 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 that 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, 2016 due to its immaterial balance and the inventory for business-type activities at June 30, 2016 is \$11,024.

NEW BRIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

On fund financial statements, inventories are stated at cost using the purchase method for proprietary funds. The inventory for Business-type Activities at June 30, 2016 is \$11,024. 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:

	Governmental Activities	Business-Type Activities
<u>Description</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

Compensated Absences

According to School District employee contracts, the School District has agreed to pay \$100 to teachers and \$150 for support personnel 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 \$277,135, an increase of \$101,035, 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, 2016.

NEW BRIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Retirement Incentives

The School District measured and recognized an “other post-employment benefit” (OPEB) liability 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.

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

NEW BRIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net Investment in Capital Assets - The component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction, or improvement of these capital assets.

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, 2016

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 \$2,785,299 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 \$465,000 in the Governmental Activities as deferred inflows of resources related to pension. The School District also had \$732,225 of deferred inflow of resources from unavailable property tax revenue reported on the balance sheet as of June 30, 2016.

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.

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, 2016, \$679,719 of the School District's bank balance of \$1,380,813 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	\$	679,719

NEW BRIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2016

NOTE 3 - CASH /INVESTMENTS - CONTINUED

Other Deposits

As of June 30, 2016, 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.

Separate financial reports for PSDLAF and PLGIT are prepared in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Copies of these reports can be obtained by contacting PSDLAF or visiting www.psdlaf.com and contacting PLGIT or visiting www.plgit.com.

As of June 30, 2016, the School District had the following other deposits:

<u>Type</u>	<u>Fair Value</u>	<u>Standard & Poor's Rating</u>
PA Local Government Investment Trust	\$ 527,161	AAAm
PA School District Liquid Asset Fund	4,518,404	AAAm
Total	<u>\$ 5,045,565</u>	

Reconciliation to Financial Statements

Uncollateralized Amount Above	\$ 679,719
Collateralized Amount Above	701,094
Other Deposits (Above)	<u>5,045,565</u>
Carrying Amount - Bank Balances	\$ 6,426,378
Add: Petty Cash	250
Less: Outstanding Items	(252,429)
Less: Fiduciary Funds	<u>(88,117)</u>
Total	<u>\$ 6,086,082</u>

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.

NEW BRIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2016

NOTE 3 - CASH /INVESTMENTS - CONTINUED

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)
- Deposits in savings accounts or time deposits or share accounts of institutions insured by:
 - The Federal Deposit Insurance Corporation (FDIC);
 - 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

NEW BRIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2016

NOTE 3 - CASH /INVESTMENTS - CONTINUED

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 2015-2016 is as follows:

July 1, 2015	- tax levy date
Through August 31, 2015	- 2% discount period
Through October 31, 2015	- face payment period
Beginning November 1, 2015	- 5% penalty period
3 rd Monday in April, 2016	- lien date

The School District tax rate for all purposes in 2015-2016 was 60.3003 mills (\$60.3003 per \$1,000 assessed valuation). Collections for the 2015-2016 year were \$4,591,415.

As of June 30, 2016, property taxes receivable by the School District includes uncollected taxes assessed as of July 1, 2015 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.

NEW BRIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2016

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 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>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Capital assets, not being depreciated	<u>\$ 9,500</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 9,500</u>
Capital assets, being depreciated:				
Site Improvements	\$ 1,889,181	\$ 240,190	\$ 0	\$ 2,129,371
Building and Building Improvements	28,382,000	0	0	28,382,000
Furniture and Equipment	<u>3,011,300</u>	<u>0</u>	<u>0</u>	<u>3,011,300</u>
Total capital assets, being depreciated	<u>\$ 33,282,481</u>	<u>\$ 240,190</u>	<u>\$ 0</u>	<u>\$ 33,522,671</u>
Accumulated Depreciation for:				
Site Improvements	\$ (1,489,960)	\$ (86,187)	\$ 0	\$ (1,576,147)
Building and Building Improvements	(16,113,358)	(457,838)	0	(16,571,196)
Furniture and Equipment	<u>(2,539,699)</u>	<u>(156,301)</u>	<u>0</u>	<u>(2,696,000)</u>
Total accumulated depreciation	<u>\$ (20,143,017)</u>	<u>\$ (700,326)</u>	<u>\$ 0</u>	<u>\$ (20,843,343)</u>
Total capital assets, being depreciated, net	<u>\$ 13,139,464</u>	<u>\$ (460,136)</u>	<u>\$ 0</u>	<u>\$ 12,679,328</u>
Governmental activities capital assets, net:	<u>\$ 13,148,964</u>	<u>\$ (460,136)</u>	<u>\$ 0</u>	<u>\$ 12,688,828</u>
	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Business-type activities:				
Capital assets, being depreciated:				
Building and Building Improvements	\$ 0	\$ 0	\$ 0	\$ 0
Furniture and Equipment	<u>526,690</u>	<u>0</u>	<u>0</u>	<u>526,690</u>
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	<u>(498,086)</u>	<u>(6,001)</u>	<u>0</u>	<u>(504,087)</u>
Total accumulated depreciation	<u>\$ (498,086)</u>	<u>\$ (6,001)</u>	<u>\$ 0</u>	<u>\$ (504,087)</u>
Total capital assets, being depreciated, net	<u>\$ 28,604</u>	<u>\$ (6,001)</u>	<u>\$ 0</u>	<u>\$ 22,603</u>
Business-type activities capital assets, net:	<u>\$ 28,604</u>	<u>\$ (6,001)</u>	<u>\$ 0</u>	<u>\$ 22,603</u>
Total Governmental and Business-type activities, net	<u><u>\$ 13,177,568</u></u>	<u><u>\$ (466,137)</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 12,711,431</u></u>

NEW BRIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2016

NOTE 5 - CAPITAL ASSETS - CONTINUED

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

Governmental Activities:

Instruction:

Regular Instruction	\$ 165,536
Special Instruction	5,667
Vocational Instruction	25,142
Other Instructional Programs	0
Adult Education Programs	0

Support Services:

Pupil Personnel	2,417
Instructional Staff	24,225
Administration	13,532
Pupil Health	2,705
Business Services	2,437
Operation of Plant and Maintenance Services	8,361
Student Transportation Services	0
Central	20,366
Other Support Services	0

Non-Instructional Services:

Student Activities	0
Community Services	0
Unallocated Depreciation Expense**	429,938

Total Depreciation expense, Governmental Activities: \$ 700,326

Business-type Activities:

Food Services	\$ 6,001
Total Depreciation expense, Business-type Activities:	<u>\$ 6,001</u>

Total Depreciation expense, Governmental and Business-type Activities: \$ 706,327

**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.)

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

NEW BRIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2016

NOTE 6 - RISK MANAGEMENT - CONTINUED

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*
2016	\$4,309,125	\$1,910,881	\$32,667,647
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

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

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

NEW BRIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2016

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

credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested, and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

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

Members who joined the System after June 30, 2001, 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.

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 contractually required contribution rate for the year ended June 30, 2016 was 25.00% 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

NEW BRIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2016

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

the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School District were \$2,785,299 for the year ended June 30, 2016.

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

At June 30, 2016, the School District reported a liability of \$31,403,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2014 to June 30, 2015. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it related to the total one-year reported covered payroll. At June 30, 2015, the School District's proportion was 0.0725%, which was a decrease of 0.0008% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the School District recognized pension expense of \$2,896,184. At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 0	\$ 130,000
Changes in assumptions	0	0
Net difference between projected and actual investment earnings	0	64,000
Changes in proportions	326,000	271,000
Difference between employer contributions and proportionate share of total contributions	0	0
District contributions subsequent to the measurement date	2,459,299	0
Total	<u>\$ 2,785,299</u>	<u>\$ 465,000</u>

The School District reported \$2,785,299 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expenses as follows:

NEW BRIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2016

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

Year ended June 30:

2017	\$ (141,000)
2018	(141,000)
2019	284,000

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

Actuarial cost method	Entry Age Normal – level % of pay
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. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females.

The actuarial assumptions used in the June 30, 2014 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.

NEW BRIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2016

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public markets global equity	22.5%	4.8%
Private markets (equity)	15.0%	6.6%
Private real estate	12.0%	4.5%
Global fixed income	7.5%	2.4%
U.S. long treasuries	3.0%	1.4%
TIPS	12.0%	1.1%
High yield bonds	6.0%	3.3%
Cash	3.0%	0.7%
Absolute return	10.0%	4.9%
Risk parity	10.0%	3.7%
MLPs/Infrastructure	5.0%	5.2%
Commodities	8.0%	3.1%
Financing (LIBOR)	-14.0%	1.1%
	<u>100%</u>	

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

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

Sensitivity of the School District's proportionate share of the Net Pension Liability to changes in the discount rate: 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:

	<u>1% Decrease 6.50%</u>	<u>Current Discount Rate 7.50%</u>	<u>1 % Increase 8.50%</u>
School District's proportionate share of net pension liability	\$ 38,708,000	\$ 31,403,000	\$ 25,264,000

NEW BRIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2016

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

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.

Funding

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

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

NEW BRIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2016

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

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, 2015	<u>280,475</u>
Net OPEB Obligation - June 30, 2016	<u>\$ 302,051</u>

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 July 1, 2014 is estimated to be \$646,629. The School District's contributions represent payments made for premiums for insured individuals.

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		
		Cost Contributed	Net OPEB Obligation	
June 30, 2016	\$ 70	69.1%	\$ 302	
June 30, 2015	\$ 70	69.1%	\$ 280	
June 30, 2014	\$ 80	92.0%	\$ 259	
June 30, 2013	\$ 80	92.0%	\$ 252	

Funding Status and Funding Progress

The funded status of the plan as of the actuarial valuation date was as follows:

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2016

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

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.

NOTE 8 - LONG-TERM DEBT

Long-term liability for the year ended June 30, 2016 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds Payable:					
General obligation bonds/notes	\$ 7,035,000	\$ 0	\$ (1,380,000)	\$ 5,655,000	\$ 1,415,000
Other extended term financing	2,598,148	0	(118,980)	2,479,168	126,385
Deferred amounts for issuance premium/(discount)	58,026	(14,093)	0	43,933	0
Total bonds and notes payable, net	\$ 9,691,174	\$ (14,093)	\$ (1,498,980)	\$ 8,178,101	\$ 1,541,385
Net pension liability	29,013,000	2,390,000	0	31,403,000	2,459,299
Compensated absences-incentive	176,099	101,036	0	277,135	0
Other Post Emp Benefit					
Obligation payable	468,691	0	(93,852)	374,839	51,279
Total governmental activity					
long-term liabilities	<u>\$ 39,348,964</u>	<u>\$ 2,476,943</u>	<u>\$ (1,592,832)</u>	<u>\$ 40,233,075</u>	<u>\$ 4,051,963</u>

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

Total interest and debt fees incurred of \$238,971 were charged to expense; no interest costs were capitalized during the period.

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2016, including interest payments, are as follows:

NEW BRIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2016

NOTE 8 - LONG-TERM DEBT - CONTINUED

Year ending				
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
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	<u>1,355,000</u>	<u>20,325</u>	<u>1,375,325</u>	
Total	<u>\$ 5,655,000</u>	<u>\$ 302,313</u>	<u>\$ 5,957,313</u>	

General Obligation Bonds and Notes: General obligation bonds and notes payable at June 30, 2016, 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%	\$ 4,855,000
\$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>800,000</u>
Total	<u>\$ 5,655,000</u>

On March 6, 2014, the School District entered into a Master Equipment Lease-Purchase Agreement for \$2,604,372. The proceeds were 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, 2016, including interest payments are as follows:

Year ending				
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2017	\$ 126,385	\$ 74,114	\$ 200,499	
2018	134,072	70,139	204,211	
2019	142,884	65,919	208,803	
2020	151,394	61,420	212,814	
2021	159,415	56,677	216,092	
2022-2026	902,830	204,449	1,107,279	
2027-2030	<u>862,188</u>	<u>48,758</u>	<u>910,946</u>	
Total	<u>\$ 2,479,168</u>	<u>\$ 581,476</u>	<u>\$ 3,060,644</u>	

NEW BRIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2016

NOTE 9 - INTERFUND BALANCES

Interfund balances at June 30, 2016 consisted of the following fund receivables and payables:

	<u>Receivables</u>	<u>Payables</u>
General Fund: Food Service Fund	\$ 131,406	\$ 0
Food Service Fund: General Fund	<u>0</u>	<u>131,406</u>
Totals	<u>\$ 131,406</u>	<u>\$ 131,406</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.

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, 2016.

NOTE 11 - SUBSEQUENT EVENT

The School District evaluated its June 30, 2016 financial statements for subsequent events through the date of the Independent Auditor's Report, 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 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.

NEW BRIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2016

NOTE 12 - FUTURE GASB PRONOUNCEMENTS - CONTINUED

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 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.

In December 2015, GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement will be effective for fiscal year 2016-2017.

In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement will be effective for fiscal year 2016-2017.

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement will be effective for fiscal year 2016-2017.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement will be effective for fiscal year 2017-2018.

In March 2016, GASB issued Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement will be effective for fiscal year 2017-2018.

NEW BRIGHTON AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDING JUNE 30, 2016

NOTE 12 - FUTURE GASB PRONOUNCEMENTS - CONTINUED

The effects of implementing GASB Statements No. 73 through 75 and No. 77 through 82 on the School District's financial statements have not yet been determined.

REQUIRED SUPPLEMENTARY INFORMATION

NEW BRIGHTON AREA SCHOOL DISTRICT

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

YEAR ENDING JUNE 30, 2016

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, 2016

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>
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, 2016

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>2016</u>	<u>2015</u>
District's Proportion of the Net Pension Liability (Asset)	0.0725%	0.0733%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 31,403,000	\$ 29,013,000
District's Covered-Employee Payroll	\$ 9,322,609	\$ 9,352,273
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	336.85%	310.22%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	54.36%	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, 2016

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

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

	2016	2015
Contractually Required Contribution	\$ 2,459,299	\$ 2,012,183
Contributions in Relation to		
Contractually Required Contribution	(2,459,299)	(2,012,183)
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>
District's Covered Employee Payroll	\$ 9,322,609	\$ 9,706,972
Contribution as a Percentage		
of Covered Employee Payroll	26.38%	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, 2016

NOTE 1 - CHANGES OF BENEFIT TERMS/ASSUMPTIONS

Changes of Benefit Terms

There were no changes of benefit terms for the year ended June 30, 2016.

Changes of Benefit Assumptions

There were no changes of benefit assumptions for the year ended June 30, 2016.

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, 2016

Federal Grantor/Project Title	Source Code	Federal CFDA Number	Pass Through Grantor's Number	Grant Period From - To	Program or Award Amount	Total Received For Year	Accrued (Deferred) Revenue @ 7/1/15	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue @ 6/30/16	Passed Through to Subrecipients
U.S. Department of Education											
Passed through the PA Department of Education:											
Title I Improving Basic Programs	I	84.010	013-150279	07/01/14-09/30/16	\$ 411,556	\$ 164,024	\$ 95,064	\$ 68,960	\$ 68,960	\$ 0	\$ 0
Title I Improving Basic Programs	I	84.010	013-160279	07/01/15-09/30/17	432,747	310,115	0	365,200	365,200	55,085	0
Total Title I						\$ 474,139	\$ 95,064	\$ 434,160	\$ 434,160	\$ 55,085	\$ 0
Title II Improving Teacher Quality	I	84.367	020-160279	07/01/15-09/30/16	\$ 111,703	\$ 111,703	\$ 0	\$ 111,703	\$ 111,703	\$ 0	\$ 0
Total Title II						\$ 111,703	\$ 0	\$ 111,703	\$ 111,703	\$ 0	\$ 0
Total PA Department of Education						\$ 585,842	\$ 95,064	\$ 545,863	\$ 545,863	\$ 55,085	\$ 0
Passed through the Beaver Valley Intermediate Unit #27											
Unit:											
IDEA	I	84.027	N/A	07/01/15-06/30/16	\$ 190,387	\$ 150,615	\$ 0	\$ 190,387	\$ 190,387	* \$ 39,772	\$ 0
IDEA	I	84.027	N/A	07/01/14-06/30/15	197,016	125,354	125,354	0	0	* 0	0
IDEA-ESY	I	84.027	N/A	07/01/15-06/30/16	5,801	5,801	0	5,801	5,801	* 0	0
IDEA-ROAR	I	84.027	N/A	03/01/16-09/30/16	30,000	0	0	12,454	12,454	* 12,454	0
IDEA-619B	I	84.173	N/A	07/01/15-06/30/16	3,006	0	0	3,006	3,006	* 3,006	0
IDEA-619B	I	84.173	N/A	07/01/14-06/30/15	4,465	4,465	4,465	0	0	* 0	0
Total Special Education Cluster (IDEA)						\$ 286,235	\$ 129,819	\$ 211,648	\$ 211,648	\$ 55,232	\$ 0
Total Beaver Valley Intermediate Unit #27						\$ 286,235	\$ 129,819	\$ 211,648	\$ 211,648	\$ 55,232	\$ 0
Total U.S. Department of Education						\$ 872,077	\$ 224,883	\$ 757,511	\$ 757,511	\$ 110,317	\$ 0
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	\$ 5,949	\$ 5,949	\$ 0	\$ 0	* \$ 0	\$ 0
National School Lunch Program	I	10.555	N/A	07/01/15-06/30/16	N/A	346,007	0	390,361	390,361	* 44,354	0
National School Severe Need Breakfast Program	I	10.553	N/A	07/01/14-06/30/15	N/A	1,972	1,972	0	0	* 0	0
National School Severe Need Breakfast Program	I	10.553	N/A	07/01/15-06/30/16	N/A	122,878	0	138,028	138,028	* 15,150	0
Passed through the PA Department of Agriculture:											
National School Lunch Program: Value of Donated Commodities	I	10.555	N/A	07/01/15-06/30/16	N/A	52,079	a 0	b 52,079	52,079	* c 0	d 0
Total Child Nutrition Cluster						\$ 528,885	\$ 7,921	\$ 580,468	\$ 580,468	\$ 59,504	\$ 0
Child and Adult Care Food Program	I	10.558	N/A	07/01/14-06/30/15	N/A	\$ 2,617	\$ 2,617	\$ 0	\$ 0	* \$ 0	\$ 0
Child and Adult Care Food Program	I	10.558	N/A	07/01/15-06/30/16	N/A	9,519	0	9,519	9,519	* 0	0
Total Child and Adult Care Food Program						\$ 12,136	\$ 2,617	\$ 9,519	\$ 9,519	\$ 0	\$ 0
Total U.S. Department of Agriculture						\$ 541,021	\$ 10,538	\$ 589,987	\$ 589,987	\$ 59,504	\$ 0
Total Federal Assistance						\$ 1,413,098	\$ 235,421	\$ 1,347,498	\$ 1,347,498	\$ 169,821	\$ 0

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, 2016

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 40% rule:

Federal Programs Tested			
Special Education Cluster (IDEA)	\$	211,648	
Child Nutrition Cluster		580,468	
Child and Adult Care Food Program		<u>9,519</u>	
Total Federal Expenditures Tested	\$	<u>801,635</u>	
 Total Federal Expenditures	 \$	 <u>1,347,498</u>	 <u>59.49%</u> (High risk auditee 40% required)

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 (the "Schedule") includes the federal award activity of New Brighton Area School District under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of New Brighton Area School District, it is not intended to and does not present the financial position or changes in net position of New Brighton Area School District.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and in OMB Circular A-87, *Cost Principles for States, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. New Brighton Area School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 - FEDERAL EXPENDITURES BY FUND

Federal expenditures are reported as revenue in the following funds in the financial statements:

General Fund	\$ 757,511
Cafeteria Fund	<u>589,987</u>
Total Federal Expenditures	<u><u>\$ 1,347,498</u></u>

**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, 2016, 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 28, 2016.

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 2016-1 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 28, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of 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 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, 2016. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2016.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Cottrill, Arbutina and Assoc.

Beaver, PA 15009
December 28, 2016

NEW BRIGHTON AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

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 significant deficiencies in internal control over major federal award programs are 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 2 CFR 200.516(A) are reported in this Schedule.
7. The programs tested as major programs include:

Special Education Cluster (IDEA) – CFDA 84.027 & 84.173
Child Nutrition Cluster – CFDA 10.553 & 10.555
Child and Adult Care Food Program - 10.558
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. New Brighton Area School District was determined to be a high-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

Material Weaknesses

2016-1 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

NEW BRIGHTON AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

2016-1 Limited Staff - Continued

increased because the Board must rely on the Business Manager's 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.

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

Cause: The School District does not have the number of employees necessary in the business office to properly segregate all duties.

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

Recommendation: Ideally, the School District would hire the number of staff necessary to segregate all duties. However, we realize segregation of 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 operation to discover any material changes in the School District's financial position.

Views of Responsible Official and Planned Corrective Action: The School District recognizes the limited staff in the Business Office makes segregating duties virtually impossible. The Board does rely on the Business Manager to keep them updated on the financial state of the School District and, due to financial constraints, does not intend to increase staffing at this time.

Significant Deficiencies

None.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD AUDIT

None.

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

NEW BRIGHTON AREA SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2016

A. PRIOR YEAR 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.

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.

Current Status: Improvements were made during the fiscal year, but this finding continues at the School District.

Significant Deficiencies

None.

B. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD AUDIT

None.

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

In accordance with *Government Auditing Standards*, we are required to report to you internal control matters that arose during our audit that we felt did not arise to the level of a significant deficiency or material weakness as defined in your audit report dated December 28, 2016. You are not required to respond to any of these matters. We are simply communicating these items to you in an effort to assist you in strengthening your internal controls over financial reporting. Please contact us if you need assistance in implementing these items for future audits.

The matters were as follows:

Item: Auditor noted that real estate transfer taxes were recorded at net amounts.

Suggestion: We recommend revenue should be recorded at face amount and the commission should be recorded as an expense.

Item: During our audit testing, we noted that fixed asset policies for useful lives of assets and the \$1,500 threshold for capitalization of assets were never board approved. These verbal policies have been used by the appraisal company to calculate the yearly fixed asset reports.

Suggestion: We recommend that the board revise fixed asset policies to include useful lives of assets and the \$1,500 threshold for capitalization of assets.

Please note that these comments are not part of the audit report. If you have any questions, please feel free to contact us.

Cottrill, Arbutina and Assoc.

Beaver, PA 15009
December 28, 2016

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

We have audited 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 for the year ended June 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 8, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by New Brighton Area School District are described in Note 2 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the 2015-2016 fiscal year. We noted no transactions entered into by New Brighton Area School District unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of delinquent real estate tax receivable is based on a 90% collection estimate. We evaluated the key factors and assumptions used to develop the delinquent real estate tax receivable in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the liability for other post-employment benefits is based on an actuarial valuation report issued by a third party. We evaluated the key factors and assumptions used to develop the liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of cash and investments in Note 3;
The disclosure of capital assets in Note 5;
The disclosure of risk management in Note 6;
The disclosure of retirement plans and other post-employment benefits in Note 7; and
The disclosure of long-term debt in Note 8.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 28, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to New Brighton Area School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as New Brighton Area School District's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis, Postemployment Benefits Other Than Pension Benefits (OPEB) information, and Public School Employees Retirement System (PSERS) information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the schedule of expenditures of federal awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information

is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We also informed the business office on December 28, 2016 of other areas to strengthen their internal controls, but these areas did not rise to the level of a material weakness or significant deficiency.

Restrictions on Use

This information is intended solely for the use of the Board of Directors and management of New Brighton Area School District and is not intended to be and should not be used by anyone other than these specified parties.

Cottrill, Arbutina and Assoc.

Beaver, PA 15009
December 28, 2016