

# **NEW BRIGHTON AREA SCHOOL DISTRICT**

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## **FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2018**

**NEW BRIGHTON AREA  
SCHOOL DISTRICT**  
BEAVER COUNTY, PENNSYLVANIA

FINANCIAL STATEMENTS

AND

OTHER INFORMATION REQUIRED BY  
GOVERNMENT AUDITING STANDARDS  
AND UNIFORM GUIDANCE

WITH REPORTS OF

CERTIFIED PUBLIC ACCOUNTANT

**FOR THE YEAR ENDED  
JUNE 30, 2018**

**NEW BRIGHTON AREA SCHOOL DISTRICT**  
**BEAVER COUNTY, PENNSYLVANIA**  
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**NEW BRIGHTON AREA SCHOOL DISTRICT**  
**BEAVER COUNTY, PENNSYLVANIA**  
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**To the Management and Board of Education  
New Brighton Area School District**

## **Independent Auditor's Report**

### **Report on Financial Statements**

I have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the New Brighton Area School District as of and for the year ended June 30, 2018, 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**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 New Brighton Area School District'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 New Brighton Area School District's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

## **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the New Brighton Area School District as of June 30, 2018 and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle**

As discussed in Note 1 to the financial statements, the District adopted new accounting guidance GASB Statement No. 75, *“Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”*. My opinions are not modified with respect to this matter.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages iv-xi and other required supplementary information on pages 44-48, 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I 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.

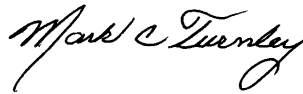
### ***Other Information***

My audit was conducted for the purpose of forming an opinion 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 Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also 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 my 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*, I have also issued my report dated February 4, 2019 on my consideration of the New Brighton Area School District's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the New Brighton Area School District's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Mark C. Turnley". The signature is written in a cursive, flowing style.

Mark C. Turnley, CPA

February 4, 2019  
New Brighton, Pennsylvania

**NEW BRIGHTON AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Required Supplementary Information (RSI)  
June 30, 2018**

The discussion and analysis of New Brighton Area School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the transmittal letter, basic financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

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

### **FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2017-2018 fiscal year are as follows:

- The District's total governmental and business-type activities liabilities and deferred inflows of resources exceeded total assets and deferred outflows of resources as of June 30, 2018 by \$19,682,048 (net position – deficit). This increase in the deficit was mainly the result of the District's required implementation of GASB 75, '*Accounting and Financial Reporting for Postemployment Benefits other than Pensions*' which started with the June 30, 2018 fiscal year, and GASB 68 '*Accounting and Financial Reporting for Pensions*' which was originally implemented at June 30, 2015. The District is now required to recognize a liability for their post-employment healthcare plan, to recognize a liability for their proportionate share of the Pennsylvania School Employees Retirement System (PSERS) overall net healthcare obligation, and to recognize their proportionate share of the PSERS overall net pension obligation. For the New Brighton Area School District, these liabilities stand at \$1,220,308, \$1,502,000, and \$36,399,000, respectively for governmental activities as of June 30, 2018.
- Total revenues were \$24,503,866 and total expenditures were \$23,820,592 for the General Fund.
- At the end of the current fiscal year, the fund balance of the General Fund was \$4,712,810, an increase of \$683,724 from the June 30, 2017 financial statements. Of this amount, \$800,000 was assigned for projected PSERS rate increases and \$860,018 was assigned for appropriations toward the 2018-2019 fiscal year. The non-spendable amount of fund balance was \$490 for prepaid expenses. The remaining amount of unassigned fund balance totaling \$2,768,444 represents approximately 11.2% of the 2018-2019 budgeted expenditures of the District.

### **USING THE FINANCIAL STATEMENTS**

This Annual Financial Report consists of the Management 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 statements then proceed to provide an increasingly detailed look at specific financial activities.

**NEW BRIGHTON AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Required Supplementary Information (RSI)  
June 30, 2018**

**USING THE FINANCIAL STATEMENTS (Continued)**

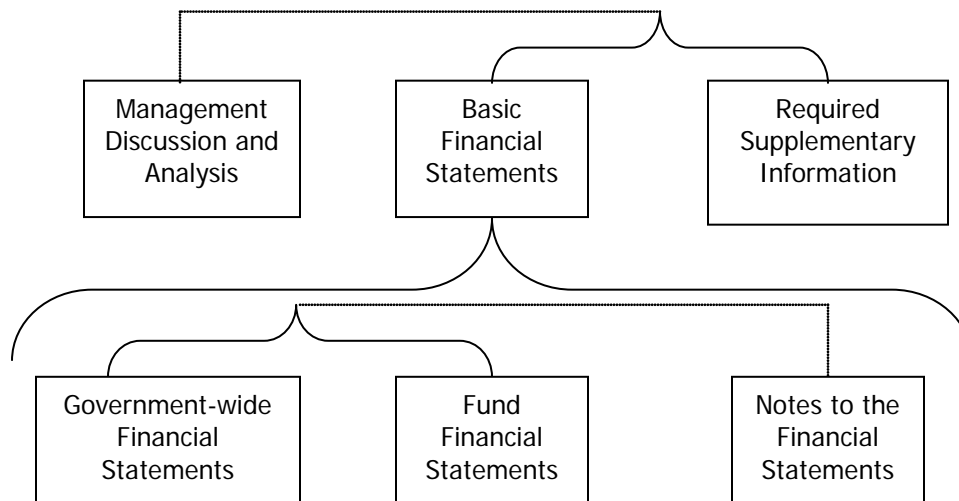
The first two statements are government-wide financial statements – the Statement of Net Position and the Statement of Activities. These provide both long-term and short-term information about the District's overall financial status.

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

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



**NEW BRIGHTON AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Required Supplementary Information (RSI)  
June 30, 2018**

**The School District as a Whole**

**Government-Wide Financial Statements**

The Government-Wide Financial Statements consist of two statements; *The Statement of Net Position and the Statement of Activities*. These statements are provided to inform the reader of how the School District performed financially, during the 2017-2018 fiscal year. These statements include all assets and liabilities of the District using the accrual basis of accounting, similar to the accounting used by most private-sector businesses. This method includes all of the current year's revenues and expenses regardless of when cash is received or paid.

These statements report the School District's net position and changes in net position. This change in net position tells the reader, for the District as a Whole, whether its financial position has improved or deteriorated. These changes can be caused by financial or non-financial factors. Non-financial factors include the School District's property tax base, student enrollment, facility conditions, required educational programs and other factors.

These statements divide the district's activities into two categories:

- **Governmental Activities** – Most of the School District's programs and services are reported here including, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.
- **Business-Type Activities** – These services are provided on a charge for goods or services basis to recover the expenses of the goods or services provided. The School District Food Service is reported as business-type activities.
- The Government-Wide Financial Statements can be found on pages 1 and 2 of this report.

**Fund Financial Statements**

The District's Fund Financial Statements provide detailed information about the most significant funds – not the District as a whole. Some funds are required by state law and by bond requirements.

**Governmental Funds** – The majority of the 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. These funds are reported using an accounting method called modified accrual accounting, which measures revenues and expenditures for which cash is received or paid during or soon after the year-end. The governmental fund statements provide a detailed short-term view of the School District's operations and the services it provides. Governmental fund information helps the reader to determine how much financial resources are available to finance future educational programs. The differences between the governmental activities statements and governmental fund statements are reconciled on page 4 and page 6, respectively.

**NEW BRIGHTON AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Required Supplementary Information (RSI)  
June 30, 2018**

**Proprietary Funds** – These funds are used to account for the 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 District charges customers for services it provides-whether to outside customers or to other units in the District-these services are generally reported in proprietary funds. The Food Service Fund is the District's proprietary fund and is the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows.

**Fiduciary funds-** The District is the trustee, or fiduciary, for some scholarship and activity funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Net Position on pages 11 and 12. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations.

**Financial Analysis of the District as a Whole**

A comparative breakdown of assets, liabilities and net position of the District for the past two years is as follows:

**Table A-1  
Fiscal Year Ended June 30, 2018 and 2017  
Net Position**

|                                                       | -----June 30, 2018-----    |                             |                        | June 30, 2017          |
|-------------------------------------------------------|----------------------------|-----------------------------|------------------------|------------------------|
|                                                       | Governmental<br>Activities | Business-Type<br>Activities | Total                  | Total                  |
| Current Assets                                        | \$ 10,320,862              | \$ 255,156                  | \$ 10,576,018          | \$ 10,341,373          |
| Noncurrent Assets                                     | 11,780,959                 | 18,015                      | 11,798,974             | 12,046,665             |
| Deferred Outflows of Resources                        | 6,473,751                  | -                           | 6,473,751              | 6,788,314              |
| Total Assets and Deferred<br>Outflow of Resources     | <u>\$ 28,575,572</u>       | <u>\$ 273,171</u>           | <u>\$ 28,848,743</u>   | <u>\$ 29,176,352</u>   |
| Current Liabilities                                   | \$ 5,062,735               | \$ 43,298                   | \$ 5,106,033           | \$ 8,616,971           |
| Noncurrent Liabilities                                | 42,913,338                 | -                           | 42,913,338             | 39,079,622             |
| Deferred Inflows of Resources                         | 511,420                    | -                           | 511,420                | 507,000                |
| Total Liabilities and Deferred<br>Inflow of Resources | <u>\$ 48,487,493</u>       | <u>\$ 43,298</u>            | <u>\$ 48,530,791</u>   | <u>\$ 48,203,593</u>   |
| Net Investment in<br>Capital Assets                   | \$ 8,080,720               | \$ 18,015                   | \$ 8,098,735           | \$ 5,485,373           |
| Restricted                                            | -                          | -                           | -                      | 1,375,168              |
| Unrestricted                                          | (27,992,641)               | 211,858                     | (27,780,783)           | (25,887,782)           |
| Total Net Position                                    | <u>\$ (19,911,921)</u>     | <u>\$ 229,873</u>           | <u>\$ (19,682,048)</u> | <u>\$ (19,027,241)</u> |

The increase in noncurrent liabilities along with the decrease in the District's net position is attributed to the aforementioned implementation at June 30, 2018 of GASB 75 which required the District to recognize a liability for postemployment healthcare benefits and for the PSERS plan for postemployment healthcare benefits, which for the New Brighton Area School District totals \$2,722,308 for its governmental activities June 30, 2018.

**NEW BRIGHTON AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Required Supplementary Information (RSI)  
June 30, 2018**

The results of this year's operations as a whole are reported in the Statement of Activities on **Page 2**. 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 District's activities that are supported by other general revenues. The two largest general revenues are the Basic Education Subsidy provided by the State of Pennsylvania, and the local taxes assessed to community taxpayers.

Table A-2 takes the information from the Statement of Activities, rearranges it slightly, so you can see our total revenues, expenses, and changes to the net position for the past two fiscal years.

**Table A-2  
Fiscal Year Ended June 30, 2018 and June 30, 2017  
Change in Net Position**

|                                      | -----June 30, 2018-----            |                                     |                      | June 30, 2017        |
|--------------------------------------|------------------------------------|-------------------------------------|----------------------|----------------------|
|                                      | <b>Governmental<br/>Activities</b> | <b>Business-Type<br/>Activities</b> | <b>Total</b>         | <b>Total</b>         |
| <b>Revenues</b>                      |                                    |                                     |                      |                      |
| Program Revenues                     |                                    |                                     |                      |                      |
| Charges for Services                 | \$ 157,386                         | \$ 209,116                          | \$ 366,502           | \$ 377,297           |
| Operating Grants and Contributions   | 6,158,108                          | 831,780                             | 6,989,888            | 7,216,104            |
| Capital Grants and Contributions     | -                                  | -                                   | -                    | -                    |
| General Revenues                     |                                    |                                     |                      |                      |
| Property Taxes                       | 5,407,992                          | -                                   | 5,407,992            | 5,239,283            |
| Other Taxes                          | 1,229,633                          | -                                   | 1,229,633            | 1,195,319            |
| Unrestricted Subsidies               | 11,243,862                         | -                                   | 11,243,862           | 10,554,954           |
| Other                                | 368,195                            | -                                   | 368,195              | 24,288               |
| <b>Total Revenues</b>                | <b>\$ 24,565,176</b>               | <b>\$ 1,040,896</b>                 | <b>\$ 25,606,072</b> | <b>\$ 24,607,245</b> |
| <b>Expenses</b>                      |                                    |                                     |                      |                      |
| Instruction                          | \$ 14,977,193                      | \$ -                                | \$ 14,977,193        | \$ 14,705,567        |
| Instructional Student Support        | 1,590,725                          | -                                   | 1,590,725            | 1,702,678            |
| Administrative and Financial Support | 2,216,144                          | -                                   | 2,216,144            | 2,172,950            |
| Operation and Maintenance of Plant   | 2,346,691                          | -                                   | 2,346,691            | 2,230,773            |
| Pupil Transportation                 | 1,058,346                          | -                                   | 1,058,346            | 1,018,763            |
| Student Activities                   | 502,861                            | -                                   | 502,861              | 485,836              |
| Community Services                   | 175,239                            | -                                   | 175,239              | 179,095              |
| Interest on Long-Term Debt/Refunds   | 93,064                             | -                                   | 93,064               | 151,645              |
| Unallocated Depreciation Expense     | -                                  | -                                   | -                    | 425,357              |
| Food Services                        | -                                  | 960,933                             | 960,933              | 905,131              |
| <b>Total Expenses</b>                | <b>\$ 22,960,263</b>               | <b>\$ 960,933</b>                   | <b>\$ 23,921,196</b> | <b>\$ 23,977,795</b> |

**NEW BRIGHTON AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Required Supplementary Information (RSI)  
June 30, 2018**

Table A-3 shows the District's largest functions - instruction, instructional student support, administrative, operation and maintenance of plant, pupil transportation, student activities, and community services, 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.

**Table A-3  
Fiscal Year Ended June 30, 2018 and June 30, 2017  
Governmental Activities**

| <b>Functions/Programs</b>                                  | <b>June 30, 2018</b>             |                             | <b>June 30, 2017</b>             |                             |
|------------------------------------------------------------|----------------------------------|-----------------------------|----------------------------------|-----------------------------|
|                                                            | <b>Total Cost<br/>of Service</b> | <b>Net Cost<br/>Service</b> | <b>Total Cost<br/>of Service</b> | <b>Net Cost<br/>Service</b> |
| Instruction                                                | \$ 14,977,193                    | \$ 10,276,575               | \$ 14,705,567                    | \$ 9,676,961                |
| Instructional Student Support                              | 1,590,725                        | 1,309,972                   | 1,702,678                        | 1,470,170                   |
| Administrative                                             | 2,216,144                        | 1,921,262                   | 1,735,122                        | 1,522,883                   |
| Operations and Maintenance                                 | 2,346,691                        | 2,138,567                   | 2,230,773                        | 2,069,351                   |
| Pupil Transportation                                       | 1,058,346                        | 407,569                     | 1,018,763                        | 415,876                     |
| Other Support Services                                     | -                                | -                           | 437,828                          | 416,551                     |
| Student Activities                                         | 502,861                          | 429,007                     | 485,836                          | 414,881                     |
| Community Services                                         | 175,239                          | 68,753                      | 179,095                          | 86,925                      |
| Interest on Long-Term Debt/Refunds                         | 93,064                           | 93,064                      | 151,645                          | 9,544                       |
| Unallocated Depreciation Expense                           | -                                | -                           | 425,357                          | 425,357                     |
| <b>Total Governmental Activities</b>                       | <b>\$ 22,960,263</b>             | <b>\$ 16,644,769</b>        | <b>\$ 23,072,664</b>             | <b>\$ 16,508,499</b>        |
| Less:                                                      |                                  |                             |                                  |                             |
| Unrestricted Grants, Subsidies                             |                                  | 11,243,862                  |                                  | 10,554,954                  |
| <b>Total Needs From Local Taxes<br/>and Other Revenues</b> |                                  | <b>\$ 5,400,907</b>         |                                  | <b>\$ 5,953,545</b>         |

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

**Table A-4  
Fiscal Year Ended June 30, 2018 and June 30, 2017  
Business-Type Activities**

| <b>Functions/Programs</b>                           | <b>June 30, 2018</b>              |                                 | <b>June 30, 2017</b>              |                                 |
|-----------------------------------------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
|                                                     | <b>Total Cost<br/>of Services</b> | <b>Net Cost<br/>of Services</b> | <b>Total Cost<br/>of Services</b> | <b>Net Cost<br/>of Services</b> |
| Food Services                                       | \$ 960,933                        | \$ 79,963                       | \$ 905,131                        | \$ 124,105                      |
| Less:                                               |                                   |                                 |                                   |                                 |
| Investment Earnings                                 |                                   | -                               |                                   | -                               |
| <b>Change in Net Position - Increase (Decrease)</b> |                                   | <b>\$ 79,963</b>                |                                   | <b>\$ 124,105</b>               |

**NEW BRIGHTON AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Required Supplementary Information (RSI)  
June 30, 2018**

**Governmental Activities**

Local taxes (including Property Relief Tax subsidy), represent approximately 29.8% of the School District's total governmental revenues. Remaining revenues are comprised of the Basic Education Subsidy (43%) and other local, state and federal subsidies of approximately 27.2%. These percentages remained fairly constant from the fiscal year 2016-2017. The School District relies almost equally on state and federal grants as it does on local taxes and other local sources of income. A decrease in state and federal levels of support would have a direct impact on the local revenues needed to support the programs, as they exist.

Instructional costs represent the District's largest expense. During the 2017-2018, instruction costs were 65.2% of overall District expenses as compared to 63.7% in the prior fiscal year.

**Business-Type Activities**

The business-type activities of the District consist entirely of the Food Service program. This program had revenue of \$1,040,896, and expenses of \$960,933. The net position of the Food Service Program increased from 149,910 in 2016-2017 to \$229,873 in 2017-2018. Without Federal and State funding, this program would require significant support from local sources.

**School District's Funds**

The fund financial statements of the School District funds begin on page 3. These funds use the modified accrual basis of accounting. The General Fund had total revenues and other financing sources of \$24,503,866 and expenditures and other financing uses of \$23,820,592. This created a net increase in fund balance of \$683,274, from \$4,029,536 in 2016-2017 to \$4,712,810 in 2017-2018, as a result of revenues exceeding expenditures.

**Capital Assets and Debt Administration**

**Capital Assets**

As of June 30, 2018, the School District had \$11,798,974 (governmental and business-type activities), invested in land, buildings and equipment, net of accumulated depreciation. This represents a net decrease of \$247,691 over the past fiscal year, mainly as a result of depreciation expense exceeding the capital purchases for the current fiscal year.

**Debt Administration**

At July 1, 2017 the School District had total outstanding debt principal of \$6,622,783 on its General Obligation Bonds Series of 2016 and Equipment Lease Purchase Agreement. Total principal payments on existing debt totaling \$1,541,616 resulted in ending outstanding debt as of June 30, 2018 of \$5,081,167. The District is scheduled to make principal and interest payments on this debt totaling \$1,732,029 during the 2018-2019 fiscal year.

Other long-term obligations include accrued vacation, personal and sick leave for specific employees of the District, as well as retirement incentive and retiree health insurance obligations. More detailed information about our long-term liabilities is included in Notes 9, 10, and 11 to the financial statements.

**NEW BRIGHTON AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Required Supplementary Information (RSI)  
June 30, 2018**

**Economic Factors and Next Year's Budget and Rates**

The School District must rely on State support to continue funding educational programs. The local economy only provided 29.8% of total revenue for the fiscal year ending June 30, 2018. 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 33.43% for the year 2018-2019. The rate for the 2017-2018 year was 32.57%.

**Budget Comparison**

The revenue budget for the 2018-2019 year is \$337,906 more than the original budget for 2017-2018. This represents a 1.44% increase in budgeted revenues which is due, for the most part, to increases in School District's state and federal subsidies. The expenditure budget for the 2018-2019 year is \$154,996 more than the original budget for 2017-2018, or a .63% increase.

Table A-5 shows the comparison of revenue and expenditure categories.

**Table A-5  
BUDGETED REVENUE- PERCENTAGE OF TOTAL  
2018-2019 FISCAL YEAR VS. 2017-2018 FISCAL YEAR**

|         | <u>2018-2019</u> | <u>2017-2018</u> |
|---------|------------------|------------------|
| Local   | 30.39%           | 29.87%           |
| State   | 67.54%           | 67.88%           |
| Federal | 2.07%            | 2.25%            |

**BUDGETED EXPENDITURES- PERCENTAGE OF TOTAL  
2018-2019 FISCAL YEAR VS. 2017-2018 FISCAL YEAR**

|                           | <u>2018-2019</u> | <u>2017-2018</u> |
|---------------------------|------------------|------------------|
| Instruction               | 60.13%           | 60.86%           |
| Support Services          | 30.17%           | 30.02%           |
| Noninstructional Services | 2.21%            | 2.19%            |
| Debt Service/Transfers    | 7.49%            | 6.93%            |

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Marydenise Feroce, Business Manager at New Brighton Area School District, 3225 43<sup>rd</sup> Street New Brighton, PA 15066.

**NEW BRIGHTON AREA SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

**EXHIBIT A**

|                                                                           | Governmental<br>Activities | Business-Type<br>Activities | Total                  |
|---------------------------------------------------------------------------|----------------------------|-----------------------------|------------------------|
| <b>ASSETS</b>                                                             |                            |                             |                        |
| <b>Current Assets:</b>                                                    |                            |                             |                        |
| Cash and Cash Equivalents                                                 | \$ 839,636                 | \$ 195,145                  | \$ 1,034,781           |
| Investments                                                               | 6,230,181                  | -                           | 6,230,181              |
| Taxes Receivable, net                                                     | 1,179,641                  | -                           | 1,179,641              |
| Due From Other Governmental Units                                         | 1,928,681                  | 85,207                      | 2,013,888              |
| Internal Balances                                                         | 46,230                     | (46,230)                    | -                      |
| Other Receivables                                                         | 96,003                     | 5,824                       | 101,827                |
| Prepaid Expenses                                                          | 490                        | -                           | 490                    |
| Inventories                                                               | -                          | 15,210                      | 15,210                 |
| <b>Total Current Assets</b>                                               | <b>\$ 10,320,862</b>       | <b>\$ 255,156</b>           | <b>\$ 10,576,018</b>   |
| <b>Noncurrent Assets:</b>                                                 |                            |                             |                        |
| Land                                                                      | \$ 9,500                   | \$ -                        | \$ 9,500               |
| Site Improvements (net)                                                   | 408,394                    | -                           | 408,394                |
| Building & Building Improvements (net)                                    | 10,895,130                 | -                           | 10,895,130             |
| Furniture & Equipment (net)                                               | 467,935                    | 18,015                      | 485,950                |
| <b>Total Noncurrent Assets</b>                                            | <b>\$ 11,780,959</b>       | <b>\$ 18,015</b>            | <b>\$ 11,798,974</b>   |
| <b>TOTAL ASSETS</b>                                                       | <b>\$ 22,101,821</b>       | <b>\$ 273,171</b>           | <b>\$ 22,374,992</b>   |
| <b>DEFERRED OUTFLOWS OF RESOURCES:</b>                                    |                            |                             |                        |
| Deferred Outflows Related Pensions                                        | \$ 5,763,581               | \$ -                        | \$ 5,763,581           |
| Deferred Outflows Related OPEB                                            | 710,170                    | -                           | 710,170                |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>                               | <b>\$ 6,473,751</b>        | <b>\$ -</b>                 | <b>\$ 6,473,751</b>    |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>                    | <b>\$ 28,575,572</b>       | <b>\$ 273,171</b>           | <b>\$ 28,848,743</b>   |
| <b>LIABILITIES</b>                                                        |                            |                             |                        |
| <b>Current Liabilities:</b>                                               |                            |                             |                        |
| Due to Other Governmental Units                                           | \$ 104,778                 | \$ 40,177                   | \$ 144,955             |
| Accounts Payable                                                          | 526,462                    | -                           | 526,462                |
| Accrued Salaries and Benefits                                             | 2,596,059                  | -                           | 2,596,059              |
| Payroll Deductions and Withholdings                                       | 186,736                    | -                           | 186,736                |
| Notes Payable - Current Portion                                           | 1,494,000                  | -                           | 1,494,000              |
| Lease Purchase Agreement Payable - Current Portion                        | 142,080                    | -                           | 142,080                |
| Accrued Interest                                                          | 11,125                     | -                           | 11,125                 |
| Unearned Revenues                                                         | 1,495                      | 3,121                       | 4,616                  |
| <b>Total Current Liabilities</b>                                          | <b>\$ 5,062,735</b>        | <b>\$ 43,298</b>            | <b>\$ 5,106,033</b>    |
| <b>Noncurrent Liabilities:</b>                                            |                            |                             |                        |
| Notes Payable - Long Term Portion                                         | \$ 1,357,000               | \$ -                        | \$ 1,357,000           |
| Lease Purchase Agreement Payable - Long Term Portion                      | 2,088,087                  | -                           | 2,088,087              |
| Net OPEB Liability                                                        | 2,722,308                  | -                           | 2,722,308              |
| Net Pension Liability                                                     | 36,399,000                 | -                           | 36,399,000             |
| Compensated Absences                                                      | 163,993                    | -                           | 163,993                |
| Retiree Incentives                                                        | 182,950                    | -                           | 182,950                |
| <b>Total Noncurrent Liabilities</b>                                       | <b>\$ 42,913,338</b>       | <b>\$ -</b>                 | <b>\$ 42,913,338</b>   |
| <b>TOTAL LIABILITIES</b>                                                  | <b>\$ 47,976,073</b>       | <b>\$ 43,298</b>            | <b>\$ 48,019,371</b>   |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>                                     |                            |                             |                        |
| Deferred Inflows Related to Pensions                                      | \$ 356,000                 | \$ -                        | \$ 356,000             |
| Deferred Inflows Related to OPEB                                          | 155,420                    | -                           | 155,420                |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>                                | <b>\$ 511,420</b>          | <b>\$ -</b>                 | <b>\$ 511,420</b>      |
| <b>NET POSITION</b>                                                       |                            |                             |                        |
| Net Investment in Capital Assets                                          | \$ 8,080,720               | \$ 18,015                   | \$ 8,098,735           |
| Unrestricted (Deficit)                                                    | (27,992,641)               | 211,858                     | (27,780,783)           |
| <b>TOTAL NET POSITION (Deficit)</b>                                       | <b>\$ (19,911,921)</b>     | <b>\$ 229,873</b>           | <b>\$ (19,682,048)</b> |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b> | <b>\$ 28,575,572</b>       | <b>\$ 273,171</b>           | <b>\$ 28,848,743</b>   |

The accompanying notes are an integral part of these financial statements

**NEW BRIGHTON AREA SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**EXHIBIT B**

| Functions/Programs                                | Expenses             | Program Revenues        |                                          |                                        | Net (Expense) Revenue and<br>Changes in Net Position |                             |                        |
|---------------------------------------------------|----------------------|-------------------------|------------------------------------------|----------------------------------------|------------------------------------------------------|-----------------------------|------------------------|
|                                                   |                      | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities                           | Business-Type<br>Activities | Total                  |
| <b>Governmental Activities:</b>                   |                      |                         |                                          |                                        |                                                      |                             |                        |
| Instruction                                       | \$ 14,977,193        | \$ 52,398               | \$ 4,648,220                             | \$ -                                   | \$ (10,276,575)                                      |                             | \$ (10,276,575)        |
| Instructional Student Support                     | 1,590,725            | -                       | 280,753                                  | -                                      | (1,309,972)                                          |                             | (1,309,972)            |
| Administrative and Financial Support Services     | 2,216,144            | -                       | 294,882                                  | -                                      | (1,921,262)                                          |                             | (1,921,262)            |
| Operation and Maintenance of Plant Services       | 2,346,691            | 6,000                   | 202,124                                  | -                                      | (2,138,567)                                          |                             | (2,138,567)            |
| Pupil Transportation                              | 1,058,346            | -                       | 650,777                                  | -                                      | (407,569)                                            |                             | (407,569)              |
| Student Activities                                | 502,861              | 16,612                  | 57,242                                   | -                                      | (429,007)                                            |                             | (429,007)              |
| Community Services                                | 175,239              | 82,376                  | 24,110                                   | -                                      | (68,753)                                             |                             | (68,753)               |
| Interest on Long-Term Debt/Refunds Prior Year     | 93,064               | -                       | -                                        | -                                      | (93,064)                                             |                             | (93,064)               |
| <b>Total Governmental Activities</b>              | <b>\$ 22,960,263</b> | <b>\$ 157,386</b>       | <b>\$ 6,158,108</b>                      | <b>\$ -</b>                            | <b>\$ (16,644,769)</b>                               |                             | <b>\$ (16,644,769)</b> |
| <b>Business-Type activities:</b>                  |                      |                         |                                          |                                        |                                                      |                             |                        |
| Food Service                                      | \$ 960,933           | \$ 209,116              | \$ 831,780                               | \$ -                                   | \$ -                                                 | \$ 79,963                   | \$ 79,963              |
| <b>Total Business-Type Activities</b>             | <b>\$ 960,933</b>    | <b>\$ 209,116</b>       | <b>\$ 831,780</b>                        | <b>\$ -</b>                            | <b>\$ -</b>                                          | <b>\$ 79,963</b>            | <b>\$ 79,963</b>       |
| <b>Total Primary Government</b>                   | <b>\$ 23,921,196</b> | <b>\$ 366,502</b>       | <b>\$ 6,989,888</b>                      | <b>\$ -</b>                            | <b>\$ (16,644,769)</b>                               | <b>\$ 79,963</b>            | <b>\$ (16,564,806)</b> |
| <b>General Revenues:</b>                          |                      |                         |                                          |                                        |                                                      |                             |                        |
| Taxes:                                            |                      |                         |                                          |                                        |                                                      |                             |                        |
| Property Taxes, Levied for General Purposes (net) |                      |                         |                                          |                                        | \$ 5,407,992                                         | \$ -                        | \$ 5,407,992           |
| Other Taxes, Levied for General Purposes          |                      |                         |                                          |                                        | 1,229,633                                            | -                           | 1,229,633              |
| Property Tax Relief Payment                       |                      |                         |                                          |                                        | 671,364                                              | -                           | 671,364                |
| Grants and Contributions - Unrestricted           |                      |                         |                                          |                                        | 10,572,498                                           | -                           | 10,572,498             |
| Investment Earnings                               |                      |                         |                                          |                                        | 82,246                                               | -                           | 82,246                 |
| Miscellaneous Income                              |                      |                         |                                          |                                        | 285,949                                              | -                           | 285,949                |
| <b>Total General Revenues</b>                     |                      |                         |                                          |                                        | <b>\$ 18,249,682</b>                                 | <b>\$ -</b>                 | <b>\$ 18,249,682</b>   |
| <b>Change in Net Position</b>                     |                      |                         |                                          |                                        | <b>\$ 1,604,913</b>                                  | <b>\$ 79,963</b>            | <b>\$ 1,684,876</b>    |
| Net Position (Restated) - July 1, 2017 (Deficit)  |                      |                         |                                          |                                        | (21,516,834)                                         | 149,910                     | (21,366,924)           |
| <b>Net Position — June 30, 2018 (Deficit)</b>     |                      |                         |                                          |                                        | <b>\$ (19,911,921)</b>                               | <b>\$ 229,873</b>           | <b>\$ (19,682,048)</b> |

The accompanying notes are an integral part of these financial statements

**NEW BRIGHTON AREA SCHOOL DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2018**

**EXHIBIT C**

|                                                                                | <b>GENERAL<br/>FUND</b> | <b>CAPITAL<br/>RESERVE<br/>FUND</b> | <b>CAPITAL<br/>PROJECTS<br/>FUND</b> | <b>TOTAL<br/>GOVERNMENTAL<br/>FUNDS</b> |
|--------------------------------------------------------------------------------|-------------------------|-------------------------------------|--------------------------------------|-----------------------------------------|
| <b>ASSETS:</b>                                                                 |                         |                                     |                                      |                                         |
| Cash and Cash Equivalents                                                      | \$ 839,636              | \$ -                                | \$ -                                 | \$ 839,636                              |
| Investments                                                                    | 5,711,909               | 456,018                             | 62,254                               | 6,230,181                               |
| Taxes Receivable, net                                                          | 1,179,641               | -                                   | -                                    | 1,179,641                               |
| Due from Other Funds                                                           | 46,230                  | 862,396                             | 260                                  | 908,886                                 |
| Due from Other Governmental Units                                              | 1,928,681               | -                                   | -                                    | 1,928,681                               |
| Other Receivables                                                              | 96,003                  | -                                   | -                                    | 96,003                                  |
| Prepaid Expenses                                                               | 490                     | -                                   | -                                    | 490                                     |
| <b>TOTAL ASSETS</b>                                                            | <b>\$ 9,802,590</b>     | <b>\$ 1,318,414</b>                 | <b>\$ 62,514</b>                     | <b>\$ 11,183,518</b>                    |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>           |                         |                                     |                                      |                                         |
| <b>LIABILITIES:</b>                                                            |                         |                                     |                                      |                                         |
| Due To Other Funds                                                             | \$ 862,656              | \$ -                                | \$ -                                 | \$ 862,656                              |
| Due to Other Governmental Units                                                | 104,778                 | -                                   | -                                    | 104,778                                 |
| Accounts Payable                                                               | 526,462                 | -                                   | -                                    | 526,462                                 |
| Accrued Salaries and Benefits                                                  | 2,596,059               | -                                   | -                                    | 2,596,059                               |
| Payroll Deductions and Withholdings                                            | 186,736                 | -                                   | -                                    | 186,736                                 |
| Unearned Revenues - Grants                                                     | 1,495                   | -                                   | -                                    | 1,495                                   |
| <b>TOTAL LIABILITIES</b>                                                       | <b>\$ 4,278,186</b>     | <b>\$ -</b>                         | <b>\$ -</b>                          | <b>\$ 4,278,186</b>                     |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>                                          |                         |                                     |                                      |                                         |
| Delinquent Real Estate Taxes                                                   | \$ 811,594              | \$ -                                | \$ -                                 | \$ 811,594                              |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>                                     | <b>\$ 811,594</b>       | <b>\$ -</b>                         | <b>\$ -</b>                          | <b>\$ 811,594</b>                       |
| <b>FUND BALANCES:</b>                                                          |                         |                                     |                                      |                                         |
| Nonspendable                                                                   | \$ 490                  | \$ -                                | \$ -                                 | \$ 490                                  |
| Restricted                                                                     | -                       | 1,318,414                           | -                                    | 1,318,414                               |
| Assigned                                                                       | 1,660,018               | -                                   | 62,514                               | 1,722,532                               |
| Unassigned                                                                     | 3,052,302               | -                                   | -                                    | 3,052,302                               |
| <b>TOTAL FUND BALANCES</b>                                                     | <b>\$ 4,712,810</b>     | <b>\$ 1,318,414</b>                 | <b>\$ 62,514</b>                     | <b>\$ 6,093,738</b>                     |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES, AND FUND BALANCES</b> | <b>\$ 9,802,590</b>     | <b>\$ 1,318,414</b>                 | <b>\$ 62,514</b>                     | <b>\$ 11,183,518</b>                    |

The accompanying notes are an integral part of these financial statements

**NEW BRIGHTON AREA SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

**Total Fund Balances - Governmental Funds** \$ 6,093,738

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources, and therefore, are not reported as assets in governmental funds. The cost of assets is \$33,832,125, and the accumulated depreciation is \$22,051,166. 11,780,959

Property and wage taxes receivable in the statement of net position, which will not be available soon enough to pay for the current period's expenditures, are deferred and not recognized as revenue in governmental funds. 811,594

Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.

|                                                    |           |  |
|----------------------------------------------------|-----------|--|
| Deferred outflows of resources related to pensions | 5,763,581 |  |
| Deferred outflows of resources related to OPEB     | 710,170   |  |
| Deferred inflows of resources related to pensions  | (356,000) |  |
| Deferred inflows of resources related to OPEB      | (155,420) |  |

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

|                                  |              |              |
|----------------------------------|--------------|--------------|
| Notes Payable                    | \$ 2,851,000 |              |
| Lease Purchase Agreement Payable | 2,230,167    |              |
| Accrued Interest                 | 11,125       |              |
| Net OPEB Liability               | 2,722,308    |              |
| Net Pension Liability            | 36,399,000   |              |
| Compensated Absences             | 163,993      |              |
| Retiree Incentives               | 182,950      |              |
|                                  |              | (44,560,543) |

**TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES (Deficit)** **\$ (19,911,921)**

The accompanying notes are an integral part of these financial statements

**NEW BRIGHTON AREA SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

|                                                              | <b>GENERAL FUND</b>  | <b>CAPITAL<br/>RESERVE<br/>FUND</b> | <b>CAPITAL<br/>PROJECTS<br/>FUND</b> | <b>TOTAL<br/>GOVERNMENTAL<br/>FUNDS</b> |
|--------------------------------------------------------------|----------------------|-------------------------------------|--------------------------------------|-----------------------------------------|
| <b><u>REVENUES</u></b>                                       |                      |                                     |                                      |                                         |
| Local Sources                                                | \$ 7,289,325         | \$ 4,996                            | \$ 764                               | \$ 7,295,085                            |
| State Sources                                                | 16,449,946           | -                                   | -                                    | 16,449,946                              |
| Federal Sources                                              | 764,595              | -                                   | -                                    | 764,595                                 |
| <b>Total Revenue</b>                                         | <b>\$ 24,503,866</b> | <b>\$ 4,996</b>                     | <b>\$ 764</b>                        | <b>\$ 24,509,626</b>                    |
| <b><u>EXPENDITURES</u></b>                                   |                      |                                     |                                      |                                         |
| Instruction                                                  | \$ 14,265,380        | \$ -                                | \$ -                                 | \$ 14,265,380                           |
| Support Services                                             | 7,243,601            | -                                   | -                                    | 7,243,601                               |
| Noninstructional Services                                    | 652,663              | -                                   | -                                    | 652,663                                 |
| Debt Service                                                 | 1,658,121            | -                                   | -                                    | 1,658,121                               |
| <b>Total Expenditures</b>                                    | <b>\$ 23,819,765</b> | <b>\$ -</b>                         | <b>\$ -</b>                          | <b>\$ 23,819,765</b>                    |
| <b>Excess ( Deficiency) of Revenue<br/>over Expenditures</b> | <b>\$ 684,101</b>    | <b>\$ 4,996</b>                     | <b>\$ 764</b>                        | <b>\$ 689,861</b>                       |
| <b><u>OTHER FINANCING SOURCES (USES)</u></b>                 |                      |                                     |                                      |                                         |
| Refund of Prior Year Revenues                                | \$ (827)             | \$ -                                | \$ -                                 | \$ (827)                                |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>\$ (827)</b>      | <b>\$ -</b>                         | <b>\$ -</b>                          | <b>\$ (827)</b>                         |
| <b>NET CHANGE IN FUND BALANCES</b>                           | <b>\$ 683,274</b>    | <b>\$ 4,996</b>                     | <b>\$ 764</b>                        | <b>\$ 689,034</b>                       |
| FUND BALANCE - JULY 1, 2017                                  | 4,029,536            | 1,313,418                           | 61,750                               | 5,404,704                               |
| <b>FUND BALANCE - JUNE 30, 2018</b>                          | <b>\$ 4,712,810</b>  | <b>\$ 1,318,414</b>                 | <b>\$ 62,514</b>                     | <b>\$ 6,093,738</b>                     |

The accompanying notes are an integral part of these 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, 2018**

|                                                               |                   |
|---------------------------------------------------------------|-------------------|
| <b>TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS</b> | <b>\$ 689,034</b> |
|---------------------------------------------------------------|-------------------|

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 depreciation expense (\$514,959) exceeded capital outlays (\$265,851) during the fiscal year. | (249,108) |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|

|                                                                                                                                                                                                                      |           |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| 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. | (947,733) |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|

|                                                                                                                                                                      |           |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| Repayment of note and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. | 1,541,616 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|

|                                                                                                                                                                  |        |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|
| In the statement of activities, interest is accrued on outstanding bonds and notes, whereas in governmental funds, an interest expenditure is reported when due. | 22,417 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|

|                                                                                                                                                                                                                                                                                                                                                                                |         |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|
| In the statement of activities, certain operating expenses - compensated absences and retiree 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 (paid). This amount represents benefits paid in excess of the amounts earned for 2017-18. | 563,614 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|

|                                                                                                                                             |          |
|---------------------------------------------------------------------------------------------------------------------------------------------|----------|
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds. | (14,927) |
|---------------------------------------------------------------------------------------------------------------------------------------------|----------|

|                                                          |                            |
|----------------------------------------------------------|----------------------------|
| <b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b> | <b><u>\$ 1,604,913</u></b> |
|----------------------------------------------------------|----------------------------|

**NEW BRIGHTON AREA SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES, BUDGET AND ACTUAL**  
**GOVERNMENTAL FUNDS-GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018**

|                                                               | Budgeted Amounts      |                       | Actual               | Variance with<br>Final Budget<br>Positive<br>Negative |
|---------------------------------------------------------------|-----------------------|-----------------------|----------------------|-------------------------------------------------------|
|                                                               | Original              | Final                 | (Budgetary Basis)    | (Negative)                                            |
| <b><u>REVENUES</u></b>                                        |                       |                       |                      |                                                       |
| Local Sources                                                 | \$ 7,008,041          | \$ 7,008,041          | \$ 7,289,325         | \$ 281,284                                            |
| State Sources                                                 | 15,926,379            | 15,926,379            | 16,449,946           | 523,567                                               |
| Federal Sources                                               | 528,724               | 528,724               | 764,595              | 235,871                                               |
| <b>Total Revenues</b>                                         | <b>\$ 23,463,144</b>  | <b>\$ 23,463,144</b>  | <b>\$ 24,503,866</b> | <b>\$ 1,040,722</b>                                   |
| <b><u>EXPENDITURES</u></b>                                    |                       |                       |                      |                                                       |
| Regular Programs                                              | \$ 10,593,043         | \$ 10,593,043         | \$ 10,044,503        | \$ 548,540                                            |
| Special Programs                                              | 2,988,588             | 2,988,588             | 2,864,807            | 123,781                                               |
| Vocational Programs                                           | 1,165,880             | 1,165,880             | 1,178,465            | (12,585)                                              |
| Other Instructional Programs                                  | 166,154               | 166,154               | 166,794              | (640)                                                 |
| Non-Public School Programs                                    | -                     | -                     | 10,811               | (10,811)                                              |
| Pupil Personnel Services                                      | 869,780               | 869,780               | 807,237              | 62,543                                                |
| Instructional Staff Services                                  | 534,338               | 534,338               | 467,128              | 67,210                                                |
| Administrative Services                                       | 1,447,111             | 1,447,111             | 1,398,692            | 48,419                                                |
| Pupil Health                                                  | 284,951               | 284,951               | 240,422              | 44,529                                                |
| Business Services                                             | 324,650               | 324,650               | 304,220              | 20,430                                                |
| Operation & Maintenance of Plant Services                     | 2,265,164             | 2,265,164             | 2,344,260            | (79,096)                                              |
| Student Transportation Services                               | 1,238,630             | 1,238,630             | 1,058,346            | 180,284                                               |
| Support Services Central                                      | 386,760               | 386,760               | 616,883              | (230,123)                                             |
| Other Support Services                                        | 6,300                 | 6,300                 | 6,413                | (113)                                                 |
| Student Activities                                            | 363,958               | 363,958               | 484,853              | (120,895)                                             |
| Community Services                                            | 172,168               | 172,168               | 167,810              | 4,358                                                 |
| Debt Service (Principal & Interest)                           | 1,520,728             | 1,520,728             | 1,658,121            | (137,393)                                             |
| <b>Total Expenditures</b>                                     | <b>\$ 24,328,203</b>  | <b>\$ 24,328,203</b>  | <b>\$ 23,819,765</b> | <b>\$ 508,438</b>                                     |
| <b>Excess ( Deficiency) of Revenues<br/>over Expenditures</b> | <b>\$ (865,059)</b>   | <b>\$ (865,059)</b>   | <b>\$ 684,101</b>    | <b>\$ 1,549,160</b>                                   |
| <b><u>OTHER FINANCING SOURCES (USES)</u></b>                  |                       |                       |                      |                                                       |
| Interfund Transfers (Out)                                     | \$ (177,855)          | \$ (177,855)          | \$ -                 | \$ 177,855                                            |
| Refund of Prior Year Receipts                                 | -                     | -                     | (827)                | (827)                                                 |
| <b>Total Other Financing Sources (Uses)</b>                   | <b>\$ (177,855)</b>   | <b>\$ (177,855)</b>   | <b>\$ (827)</b>      | <b>\$ 177,028</b>                                     |
| <b>NET CHANGE IN FUND BALANCES</b>                            | <b>\$ (1,042,914)</b> | <b>\$ (1,042,914)</b> | <b>\$ 683,274</b>    | <b>\$ 1,726,188</b>                                   |
| FUND BALANCE - JULY 1, 2017                                   | 3,471,959             | 3,471,959             | 4,029,536            | 557,577                                               |
| <b>FUND BALANCE - JUNE 30, 2018</b>                           | <b>\$ 2,429,045</b>   | <b>\$ 2,429,045</b>   | <b>\$ 4,712,810</b>  | <b>\$ 2,283,765</b>                                   |

The accompanying notes are an integral part of these financial statements

**NEW BRIGHTON AREA SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2018**

|                                           | <b><u>FOOD<br/>SERVICES</u></b> |
|-------------------------------------------|---------------------------------|
| <b>ASSETS</b>                             |                                 |
| <b>Current Assets:</b>                    |                                 |
| Cash and Cash Equivalents                 | \$ 195,145                      |
| Due from Other Governmental Units         | 85,207                          |
| Other Accounts Receivable                 | 5,824                           |
| Inventories                               | 15,210                          |
| <b>TOTAL CURRENT ASSETS</b>               | <b><u>\$ 301,386</u></b>        |
| <b>Noncurrent Assets:</b>                 |                                 |
| Furniture and Equipment (Net)             | \$ 18,015                       |
| <b>TOTAL NONCURRENT ASSETS</b>            | <b><u>\$ 18,015</u></b>         |
| <b>TOTAL ASSETS</b>                       | <b><u>\$ 319,401</u></b>        |
| <b>LIABILITIES</b>                        |                                 |
| <b>Current Liabilities:</b>               |                                 |
| Due to Other Funds                        | \$ 46,230                       |
| Accounts Payable                          | 40,177                          |
| Unearned Revenues                         | 3,121                           |
| <b>TOTAL CURRENT LIABILITIES</b>          | <b><u>\$ 89,528</u></b>         |
| <b>TOTAL LIABILITIES</b>                  | <b><u>\$ 89,528</u></b>         |
| <b>NET POSITION</b>                       |                                 |
| Net Investment in Capital Assets          | \$ 18,015                       |
| Unrestricted                              | 211,858                         |
| <b>TOTAL NET POSITION</b>                 | <b><u>\$ 229,873</u></b>        |
| <b>TOTAL LIABILITIES AND NET POSITION</b> | <b><u>\$ 319,401</u></b>        |

The accompanying notes are an integral part of these financial statements

**NEW BRIGHTON AREA SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

|                                                |                                 |
|------------------------------------------------|---------------------------------|
|                                                | <b><u>FOOD SERVICES</u></b>     |
| <b><u>OPERATING REVENUES</u></b>               |                                 |
| Food Services Revenue                          | \$ 209,116                      |
| <b>Total Operating Revenues</b>                | <b><u>\$ 209,116</u></b>        |
| <b><u>OPERATING EXPENSES</u></b>               |                                 |
| Other Purchased Service                        | \$ 868,991                      |
| Supplies                                       | 84,825                          |
| Depreciation                                   | 6,578                           |
| Other Objects                                  | 539                             |
| <b>Total Operating Expenses</b>                | <b><u>\$ 960,933</u></b>        |
| <b>OPERATING INCOME/(LOSS)</b>                 | <b><u>\$ (751,817)</u></b>      |
| <b><u>NONOPERATING REVENUES (EXPENSES)</u></b> |                                 |
| State Sources                                  | \$ 35,195                       |
| Federal Sources                                | 796,585                         |
| <b>Total Nonoperating Revenues (Expenses)</b>  | <b><u>\$ 831,780</u></b>        |
| <b>CHANGE IN NET POSITION</b>                  | <b><u>\$ 79,963</u></b>         |
| NET POSITION - JULY 1, 2017                    | <u>149,910</u>                  |
| <b>NET POSITION - JUNE 30, 2018</b>            | <b><u><u>\$ 229,873</u></u></b> |

The accompanying notes are an integral part of these financial statements

**NEW BRIGHTON AREA SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

|                                                                                                                  | <b><u>FOOD<br/>SERVICES</u></b> |
|------------------------------------------------------------------------------------------------------------------|---------------------------------|
| <b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>                                                               |                                 |
| Cash Received from Users                                                                                         | \$ 223,209                      |
| Cash Payments to Suppliers for Goods and Services                                                                | (890,667)                       |
| <b>Net Cash Provided (Used) by Operating Activities</b>                                                          | <b><u>\$ (667,458)</u></b>      |
| <b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>                                           |                                 |
| Equipment Purchases                                                                                              | \$ (7,995)                      |
| <b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>                                              | <b><u>\$ (7,995)</u></b>        |
| <b><u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u></b>                                                   |                                 |
| State Sources                                                                                                    | \$ 38,023                       |
| Federal Sources                                                                                                  | 797,874                         |
| <b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>                                              | <b><u>\$ 835,897</u></b>        |
| <b>NET INCREASE &lt;DECREASE&gt; IN CASH AND CASH EQUIVALENTS</b>                                                | <b>\$ 160,444</b>               |
| CASH AND CASH EQUIVALENTS - JULY 1, 2017                                                                         | <u>34,701</u>                   |
| <b>CASH AND CASH EQUIVALENTS - JUNE 30, 2018</b>                                                                 | <b><u>\$ 195,145</u></b>        |
| <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH<br/>PROVIDED (USED) BY OPERATING ACTIVITIES:</b>        |                                 |
| Operating Income (Loss)                                                                                          | \$ (751,817)                    |
| <b>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS)<br/>TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b> |                                 |
| Depreciation                                                                                                     | \$ 6,578                        |
| Donated Commodities                                                                                              | 61,459                          |
| (Increase) Decrease in Accounts Receivable                                                                       | 16,350                          |
| (Increase) Decrease in Advances to/from Other Funds                                                              | 74,496                          |
| (Increase) Decrease in Inventory                                                                                 | (10,435)                        |
| Increase (Decrease) in Accounts Payable                                                                          | (61,832)                        |
| Increase (Decrease) in Unearned Revenue                                                                          | (2,257)                         |
| <b>Total Adjustments</b>                                                                                         | <b><u>\$ 84,359</u></b>         |
| <b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>                                                          | <b><u>\$ (667,458)</u></b>      |
| <b>NONCASH NONCAPITAL FINANCING ACTIVITIES:</b>                                                                  |                                 |
| During the year, the District received \$61,459 of food commodities from the U.S. Department of Agriculture      |                                 |

The accompanying notes are an integral part of these financial statements

**NEW BRIGHTON AREA SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUND**  
**JUNE 30, 2018**

|                           | <b><u>ACTIVITY<br/>FUND</u></b> |
|---------------------------|---------------------------------|
| <b>ASSETS</b>             |                                 |
| Cash and Cash Equivalents | \$     83,340                   |
| Accounts Receivable       | 56                              |
| <b>TOTAL ASSETS</b>       | <b><u>\$     83,396</u></b>     |
| <b>LIABILITIES</b>        |                                 |
| Other Current Liabilities | \$     83,396                   |
| <b>TOTAL LIABILITIES</b>  | <b><u>\$     83,396</u></b>     |

The accompanying notes are an integral part of these financial statements

**NEW BRIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The New Brighton Area School District was established under the authority of an act of the state legislature that designated a school board as the governing body. This district serves the surrounding municipalities that include the Borough of New Brighton and the Townships of Daugherty, Fallston, and Pulaski. The School District operates under a locally-elected nine-member Board form of government and provides educational services as mandated by the Commonwealth of Pennsylvania and selected federal agencies. The Board of Education has complete authority over the operations and administration of the school district's activities.

The financial statements of the New Brighton Area School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The most significant of the School District's accounting policies are as follows:

**REPORTING ENTITY**

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the New Brighton Area School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. As defined by GASB Statement No. 14, component units are legally separate entities that are included in the School District's reporting entity because of the significance of their operating or financial relationships with the School District. Based on the application of these criteria, the New Brighton Area School District has no component units.

The School District is associated with two jointly governed organizations (Note 12) and one public entity risk pool (Note 13). These organizations are:

- Jointly Governed Organizations:
  - Beaver County Career and Technology Center
  - Beaver Valley Intermediate Unit
- Public Entity Risk Pool:
  - Beaver County Health Care Insurance Consortium

**BASIS OF PRESENTATION**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS** – The statement of net position (Exhibit A) and the statement of activities (Exhibit B) 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 considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. That is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations (Exhibit D and F) with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**NEW BRIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BASIS OF PRESENTATION (Continued)**

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

**FUND FINANCIAL STATEMENTS** – Fund financial statements report detailed information about the School District. Under GASB Statement No. 34, the focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Major funds represent the District's most important funds and are determined based on percentages of assets, liabilities, revenues, and expenditures/expenses. For the New Brighton Area School District, the General Fund is always considered a major fund. Each major fund is presented in a separate column. Non-major funds, if any, would be segregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

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

Fiduciary funds are reported using the economic resources measurement focus.

**FUND ACCOUNTING**

The School District uses funds to report on its financial position and the results of its operations during the year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary and fiduciary. Fund categories are defined as follows:

**NEW BRIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**FUND ACCOUNTING (Continued)**

**Governmental Funds** – Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major and non-major governmental funds:

**MAJOR GOVERNMENTAL FUNDS:**

**GENERAL FUND** - The general fund is used to account for all financial resources not required to be accounted for in some other fund. The general fund balance is available for any purpose provided it is expended according to the Commonwealth of Pennsylvania Public School Code.

**CAPITAL RESERVE FUND** - The capital reserve fund accounts for financial resources used for the acquisition of capital assets and capital improvements, as deemed necessary by the Board of Education. This fund was established as a capital reserve fund under Pennsylvania Municipal Code Section 1431.

**CAPITAL PROJECTS FUND** - 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 students within the District.

**Proprietary Funds** - used to account for activities similar to those found in the private sector, where the determination of net income is necessary and useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies within the school district (internal service funds). The School District's major and sole enterprise fund is its Food Service Fund that accounts for the financial transactions related to the food service operations of the District.

**Fiduciary Funds** – Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature and do not involve measuring income or any other results from operations. The District's Agency Fund is comprised of the various student organization activity accounts administered by the District on behalf of the various student organizations.

**BASIS OF ACCOUNTING AND MEASUREMENT FOCUS**

The basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Government funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting.

**NEW BRIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BASIS OF ACCOUNTING AND MEASUREMENT FOCUS (Continued)**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year-end.

Revenue resulting from non-exchange transactions, in which the School District receives value without directly giving equal value in return, includes property taxes, grants and contributions. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants and contributions are recognized in the fiscal year in which all eligibility requirements have been satisfied. On a modified accrual basis, revenue from non-exchange transactions must also be 'available' before it can be recognized.

The management of the New Brighton Area School District has determined that the revenues most susceptible to accrual (measurable and available) at June 30, 2018 under the modified accrual basis are **1)** delinquent property taxes held with the Beaver County Tax Claim Bureau, **2)** deed transfer taxes for the month of June, **3)** earned income taxes and other act 511 taxes collected by the district within 60 days following the close of the fiscal year, **4)** federal and state subsidies earned in the fiscal year 2017-2018, and **5)** other miscellaneous revenues earned in fiscal year 2017-2018 but received subsequent to June 30, 2018. On the governmental fund financial statements, delinquent real estate taxes receivable that will not be collected within the 'available' period have been reported as 'deferred inflows of resources'.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. The primary expenditures deemed susceptible to accrual at June 30, 2018 are those for which the Board of Education's intention was to expense these items as budgeted for the 2017-2018 official budget, and for which the District has incurred an obligation, but has not paid as of June 30, 2018.

Allocations of cost such as depreciation, are not recognized in governmental funds but are included as part of expenses in the government-wide statement of activities.

**BUDGETS**

On June 26, 2017, the New Brighton Area School District adopted its fiscal year June 30, 2018 annual budget for the General Fund totaling \$24,506,058 in accordance with the provisions of the Pennsylvania School Code. The budget is prepared utilizing the modified accrual method of accounting. Budgetary transfers among various expenditure line items can be performed by the district, as approved by the Board of Education, only during the last nine months of the fiscal year. The original and adjusted budgetary amounts are reflected in these financial statements (Exhibit G). All annual appropriations of the General Fund lapse at fiscal year-end.

**NEW BRIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**CASH AND CASH EQUIVALENTS**

For the purpose of these basic financial statements, cash and cash equivalents include amounts in demand deposit accounts, and any other highly liquid, short-term investments, with original maturity terms of less than three months.

**INVESTMENTS**

Under Section 440.1 of the Pennsylvania Public School Code of 1949, as amended, and PA Act 10 of 2016, New Brighton Area School District is permitted to invest funds consistent with sound business practices in the following types of investments:

- I. Obligations of (a) 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, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth of Pennsylvania, or (c) of any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.
- II. Deposits in savings accounts, time deposits and share accounts of institutions insured by the Federal Deposit Insurance Corporation (FDIC) to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral, as provided by law, is pledged by the depository.
- III. U.S. government obligations, short-term commercial paper issued by a public corporation, and banker's acceptances.

Investments of the New Brighton Area School District include deposits pooled for investment purposes with the Pennsylvania School District Liquid Asset Fund (PSDLAF), and the Pennsylvania Local Government Investment Trust (PLGIT). Investments are reported at fair value.

**SHORT-TERM INTERFUND RECEIVABLES/PAYABLES**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as 'due from/to other funds' on the governmental funds balance sheet. For the purposes of the government-wide statement of net position, governmental interfund receivables and payables have been eliminated. Amounts due between governmental activities and business-type activities, if any, are presented as off-setting internal balances on the statement of net position.

**INVENTORIES**

Inventories on the government-wide statement of net position (Exhibit A) and the proprietary fund statement of net position (Exhibit H) are recorded at fair value on a first-in first-out basis. This inventory consists of donated commodities from the U.S. Department of Agriculture as part of the food service program. The School District does not inventory the cost of such items as books and supplies, but rather records these items as an expenditure in the governmental funds and an expense in the government-wide statement of activities at the time of purchase.

**NEW BRIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**CAPITAL ASSETS AND DEPRECIATION**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets are reported in the governmental-activities column of the government-wide statement of net position. Capital assets used by the proprietary fund are reported in both the business-type activity column of the government-wide statement of net position and on the proprietary fund statement of net position.

All capital assets are recorded at cost (or estimated historical cost). Donated fixed assets are recorded at fair value at the time of receipt. The School District maintains a capitalization threshold of \$1,500. The cost of infrastructure is included as part of site improvements in the government-wide statement of net position. Routine repair and maintenance costs that do not add to the value of the asset or extend its useful life are charged as an expense in the government-wide statement of activities.

All reported capital assets, except land and construction in progress, are depreciated using the straight-line method over the following useful lives:

| <b><u>CATEGORY</u></b>     | <b><u>GOVERNMENTAL<br/>ACTIVITIES</u></b> | <b><u>BUSINESS-TYPE<br/>ACTIVITIES</u></b> |
|----------------------------|-------------------------------------------|--------------------------------------------|
| Site Improvements          | 15-20 years                               | N/A                                        |
| Buildings and Improvements | 20-50 years                               | N/A                                        |
| Furniture and Equipment    | 3-20 years                                | 10-15 years                                |

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets purchased by governmental funds are recorded as expenditures in the fund financial statements (Exhibit E). The results of capitalizing fixed assets net of depreciation on the government-wide statement of net position and statement of activities, as opposed to recording these same assets as an expenditure in the fund financial statements (Exhibit E), is reflected in the required reconciliations of fund balance to net position (Exhibit D) and the changes in fund balances to the changes in net position (Exhibit F).

**LONG-TERM DEBT FINANCING COSTS**

Bond and note issue costs are recorded as expenditures in the governmental fund financial statements in the year paid. The School District did not incur bond or note issuance costs during 2017-2018.

**COMPENSATED ABSENCES**

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, 'Accounting for Compensated Absences'. Participants of the New Brighton Area Education Association are entitled to accumulated unused sick and personal day reimbursement at the rate of \$100 for each year of service with the District. Participants of the New Brighton Area Educational Support Professionals are entitled to accumulated unused sick and personal day reimbursement at the rate of \$150 for each year of service with the District. The entire compensated absences liability of 163,993 is shown as a non-current liability in the government-wide statement of net position. For governmental fund financial statements, compensated absences are recorded as expenditures when paid rather than accrued when earned as the likelihood of payment in the immediate fiscal year with available expendable resources is not assured.

**NEW BRIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**PENSIONS**

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS), and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investment assets are reported at fair value. More information on pension activity is included in Note 10.

**OTHER POSTEMPLOYMENT BENEFITS**

For the purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS), and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investment assets are reported at fair value. More information on other postemployment benefits activity is included in Note 11.

**ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. For the business-type activities, these obligations and all similar obligations are reported again on the proprietary fund statement of net position (Exhibit H).

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the non-current portion of compensated absences and retiree health benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, liabilities that mature or come due for payment during the fiscal year are considered to have been paid with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements when due. The District's General Fund is typically used to liquidate long-term liability obligations.

The results of recognizing these long-term obligations as liabilities on the government-wide statement of net position and statement of activities, as opposed to recording these same obligations as an expenditure in the fund financial statements (Exhibit E) only when paid, is reflected in the required reconciliations of fund to net position (Exhibit D) and the changes in fund balances to the changes in net position (Exhibit F).

**UNEARNED REVENUE**

Unearned Revenue arises when the District receives resources before it has legal claim to them. This occurs when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent balance periods, when both revenue recognition criteria are met, or when the School District has a legal claim to the resources, the unearned revenue liability is removed and revenue is recognized.

**NEW BRIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES**

In addition to assets and liabilities, the statement of net position and/or the balance sheet will sometimes report a separate section for deferred outflows and/or inflows of resources. These separate financial statement elements represent a decrease and/or increase in net position that applies to a future period and will not be recognized as an outflow and/or inflow of resources (expense/expenditure or income/revenue) in the current period.

**NET POSITION**

Net position is classified into three categories according to external donor or legal restrictions or availability of assets to satisfy District obligations. Net position is classified as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets net of accumulated depreciation, and reduced by the outstanding balances of debt that is attributable to the acquisition, construction and improvement of the capital assets, plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted Net Position – This component of net position consists of restricted assets reduced by liabilities and deferred inflows related to those assets.
- Unrestricted – Consists of net position that does not meet the definition of ‘restricted’ or ‘net investment in capital assets’.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the School District’s policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

**FUND EQUITY**

In the Balance Sheet – Governmental Funds (Exhibit C), fund balances are reported in specific categories to make the nature and extent of the constraints placed on any entity’s fund balance more transparent in accordance with GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact. The non-spendable fund balance of \$490 represents expenses applicable to 2018-2019 fiscal year paid in June of 2018.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and high levels of government), through constitutional provisions, or by enabling legislation. The fund balance of the Capital Reserve Fund is restricted in accordance with Section 1431 of the Municipal Code.
- Committed fund balance – amounts constrained to specific purposes by the School District itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the School District takes the same highest-level action to remove or change the constraint.

**NEW BRIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**FUND EQUITY (Continued)**

- Assigned fund balance – amounts the School District intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. The Board of Education has assigned \$1,660,018 of its General Fund balance for 1) PSERS rate increases totaling \$800,000 and 2) \$860,018 appropriations toward the 2018-2019 fiscal year. In addition, the Board has assigned \$62,514 for District related capital projects
- Unassigned fund balance – amounts that are available for any purpose

Act 48 of 2003 prohibits school districts from increasing real property taxes for the school year 2006-2007 or any subsequent school year, unless the school district has adopted a budget for such school year that includes an estimated ending unassigned fund balance which is not more than a specified percentage of the district's total budgeted expenditures. For the New Brighton Area School District, estimated ending unassigned fund balance must not exceed 8% of total budgeted expenditures.

The School District establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. The Board of Education has authority to assign fund balance.

When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general policy to spend the committed resources first, followed by assigned amounts and then unassigned amounts.

**ESTIMATES**

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

**OPERATING REVENUES AND EXPENSES**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the New Brighton Area School District, these revenues are food service charges for lunch and breakfast service. Operating expenses are the necessary costs incurred to provide the aforementioned food service. Non-operating revenues of the District's food service proprietary fund are state and federal subsidies, including donated commodities, received from the U.S. Department of Agriculture. The District did not have non-operating expenses during the fiscal year.

**ADOPTION OF GASB PRONOUNCEMENTS**

The requirements of the following GASB Statements were adopted for the School District's 2017-2018 financial statements. Except where noted, the adoption of these pronouncements did not have a significant impact on the School District's financial statements.

**NEW BRIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**ADOPTION OF GASB PRONOUNCEMENTS (Continued)**

GASB issued Statement No. 75, *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"*. The primary objective of this Statement is to address reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. This Statement replaces the requirements of Statement No. 45. The effect of this statement resulted in a restatement of net position as more detailed in Note 14.

GASB issued Statement No. 81, *"Irrevocable Split-Interest Agreement"*. The primary 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.

GASB issued Statement No. 85, *'Omnibus 2017'*. The primary objective of this Statement is to improve consistency in accounting and financial reporting by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

GASB issued Statement No. 86, *'Certain Debt Extinguishment Issues'*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for certain debt extinguishments and to enhance the decision-usefulness of that information.

**PENDING GASB PRONOUNCEMENTS**

In November of 2016, the GASB issued Statement No. 83, *'Certain Asset Retirement Obligations'*. The primary objective of this Statement is to provide financial statement users with information about 'asset retirement obligations (ARO) that were not addressed in GASB Standards by establishing uniform accounting and financial reporting requirements for these obligations. The provisions of this Statement are effective for the School District's June 30, 2019 financial statements.

In January of 2017, the GASB issued Statement No. 84, *'Fiduciary Activities'*. The primary objective of this Statement is to enhance the consistency and comparability of fiduciary activity reporting by state and local governments. This Statement also is intended to improve the usefulness of fiduciary activity information primarily for assessing the accountability of governments in their roles as fiduciaries. The provisions of this Statement are effective for the School District's June 30, 2020 financial statements.

In June of 2017, the GASB issued Statement No. 87, *'Leases'*. The primary objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases; enhancing the comparability of financial statements between governments; and also enhancing the relevance, reliability (representational faithfulness), and consistency of information about the leasing activities of governments. The provisions of this Statement are effective for the School District's June 30, 2021 financial statements.

In March 9 of 2018, the GASB issued Statement No. 88, *'Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements'*. The primary objective of this Statement is to improve consistency in the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, and to provide financial statement users with additional essential information about debt. The provisions of this Statement are effective for the School District's June 30, 2019 financial statements.

**NEW BRIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**PENDING GASB PRONOUNCEMENTS (Continued)**

In June of 2018, the GASB issued Statement No. 89, '*Accounting for Interest Cost Incurred before the end of a Construction Period*'. The primary objectives of this Statement are (a) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and, (b) to simplify accounting for certain interest costs. The provisions of this Statement are effective for the School District's June 30, 2021 financial statements.

In August of 2018, the GASB issued Statement No. 90, '*Majority Equity Interests (an amendment of GASB Statements No. 14 and No. 61)*'. The primary objectives of this Statement are to improve consistency in the measurement and comparability of the financial statement presentation of majority equity interests in legally separate organizations and to improve the relevance of financial statement information for certain component units. The provisions of this Statement are effective for the School District's June 30, 2020 financial statements.

The effects of implementing the aforementioned GASB Statements on the School District's financial statements have not yet been determined.

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS**

**CASH DEPOSITS:**

The following represents the bank balance and carrying value for the New Brighton Area School District's cash and cash equivalents at June 30, 2018:

|                  | <b><u>Bank<br/>Balance</u></b> | <b><u>Carrying<br/>Value</u></b> |
|------------------|--------------------------------|----------------------------------|
| General Fund     | \$ 1,395,530                   | \$ 839,636                       |
| Proprietary Fund | 195,258                        | 195,145                          |
| Fiduciary Fund   | 83,340                         | 83,340                           |
| <b>Totals</b>    | <b><u>\$ 1,674,128</u></b>     | <b><u>\$ 1,118,121</u></b>       |

The difference between the bank balance and carrying value represents year-end reconciling items such as deposits in transit and outstanding checks, and petty cash. The Federal Deposit Insurance Corporation (FDIC) coverage threshold for government accounts is \$250,000 per official custodian. This coverage includes checking and savings accounts, money market deposits accounts, and certificates of deposit.

**Custodial Credit Risk:**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy is to invest funds consistent with sound business practices evaluating each investment opportunity in terms of risk, yield, liquidity, and legal restrictions as allowable by law or regulations. As of June 30, 2018, \$1,222,993 of the District's overall bank balance total is exposed to custodial credit risk as this amount represents uninsured deposits collateralized with securities held by the pledging financial institution or by its trust department or agent, but not in the District's name. In accordance with Act Number 72-1971 Session of the Commonwealth of Pennsylvania, the aforementioned deposits, in excess of \$250,000, are collateralized by securities pledged to a pooled public funds account with the Federal Reserve System.

**NEW BRIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS (Continued)**

**INVESTMENTS:**

The fair value and maturity term of the District's investments as of June 30, 2018 are as follows:

|        | <b>Value<br/>at 6/30/18</b> | <b>No Stated<br/>Maturity</b> | <b>Maturity<br/>0-1 Year</b> |
|--------|-----------------------------|-------------------------------|------------------------------|
| PSDLAF | \$ 5,694,852                | \$ 1,694,852                  | \$ 4,000,000                 |
| PLGIT  | 535,329                     | 535,329                       | -                            |
|        | <b>\$ 6,230,181</b>         | <b>\$ 2,230,181</b>           | <b>\$ 4,000,000</b>          |

The purpose of the Pennsylvania Local Government Investment Trust (PLGIT), and the Pennsylvania School District Liquid Asset Fund (PSDLAF) is to enable governmental units to pool their available funds for investments authorized under the Intergovernmental Cooperation Act of 1972. 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. These funds maintain net asset values of \$1 per share. Accordingly, the fair value of the position in these funds is the same as the value of these shares.

**Custodial Credit Risk:**

For an investment, custodial credit risk is the risk that in the event 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 District's investments in PLGIT and PSDLAF are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

**Fair Value Measurements:**

The New Brighton Area School District's investments are reported at fair value within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No 72, *Fair Value Measurement and Application*, provides a framework for measuring fair value which establishes a three-level fair value hierarchy that prioritizes the inputs to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable (level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets such as stock quotes
- Level 2 – Includes inputs other than level 1 inputs that are directly or indirectly observable in the marketplace such as yield curves or other market data
- Level 3 – Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk such as bid/ask spreads and liquidity discounts.

Investments held in external investment pools such as PSDLAF, and PLGIT are not subject to the provisions of fair value measurements as they are recorded at amortized cost.

**NEW BRIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 3 - PROPERTY TAXES**

The New Brighton Area School District levies property taxes July 1st of each fiscal year. The tax millage assessment for the 2017-2018 fiscal year was 64.7817 mills, which represents \$64.7817 of revenue for every \$1,000 of assessed property value. Taxpayers are entitled to a 2% discount if taxes are paid prior to August 31st. Collections beginning November 1st are assessed a 5% penalty. Tax collectors are required under Act 169 of the Commonwealth of Pennsylvania to submit a reconciliation of their tax duplicate to the District by January 15<sup>th</sup> of the year following levy. Unpaid taxes are submitted to the Beaver County Tax Claim Bureau in April of the year following tax levy. The final tax collector reconciliations reflected \$463,968 in unpaid 2017 property taxes, which represents 8.4% of the total assessed property taxes (\$5,513,915) for the current fiscal year.

Taxes receivable as shown in the government-wide statement of net position includes delinquent property taxes of \$811,594. For purposes of the governmental fund financial statements, the above property taxes receivable, although measurable, does not meet the available criteria to finance current fiscal year operations. Accordingly, this amount is equally off-set as a credit to deferred inflows of resources in the fund financial statements.

The effect of recognizing property tax revenue when taxes are levied, as opposed to when they are received using the 'measurable and available' criteria under the modified accrual basis of accounting, is reflected in the required reconciliations of fund balance to net position (Exhibit D) and the changes in fund balances to the changes in net position (Exhibit F). Taxes receivable are comprised of the following at June 30, 2018:

|                                     |                     |
|-------------------------------------|---------------------|
| Delinquent Property Taxes           | \$ 811,594          |
| Delinquent Property Taxes (60 Days) | 161,843             |
| Earned Income Tax                   | 183,178             |
| Business Privilege Tax              | 17,169              |
| Deed Transfer Taxes                 | 5,437               |
| Per Capita/Local Service Tax        | 420                 |
|                                     | <u>\$ 1,179,641</u> |

**NOTE 4 – DUE FROM OTHER GOVERNMENTAL UNITS**

The amount of 'due from other governmental units', as reflected on the government-wide statement of net position, the governmental funds balance sheet, and the proprietary fund net position, is comprised of the following:

|                                  | <b><u>GOVERNMENTAL<br/>ACTIVITIES</u></b> | <b><u>BUSINESS-TYPE<br/>ACTIVITIES</u></b> |
|----------------------------------|-------------------------------------------|--------------------------------------------|
| Commonwealth of Pennsylvania:    |                                           |                                            |
| State Subsidies                  | \$ 1,058,786                              | \$ 3,834                                   |
| Federal Pass-Through Grants      | 866,899                                   | 81,373                                     |
| IDEA 619 Funds Passed through IU | 2,996                                     | -                                          |
|                                  | <u>\$ 1,928,681</u>                       | <u>\$ 85,207</u>                           |

**NEW BRIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 5 – OTHER RECEIVABLES**

The amount of 'other receivables', as reflected on the statement of net position, represents reimbursements to the District's General Fund for costs incurred during the 2017-2018 fiscal year totaling \$96,003 as well as, \$5,824 due the District's Food Service Fund for special function billings.

**NOTE 6 – UNEARNED REVENUES**

The amount of 'unearned revenues', as reflected on the government-wide statement of net position, the governmental funds balance sheet, and the proprietary fund statement of net position, is comprised of the following:

|                                    | <b><u>GOVERNMENTAL<br/>ACTIVITIES</u></b> | <b><u>BUSINESS-TYPE<br/>ACTIVITIES</u></b> |
|------------------------------------|-------------------------------------------|--------------------------------------------|
| Federal Grants - Title II/Title IV | \$ 1,495                                  | \$ -                                       |
| Student Account Balances           | -                                         | 3,121                                      |
|                                    | <u>\$ 1,495</u>                           | <u>\$ 3,121</u>                            |

**NOTE 7 – INTER-FUND RECEIVABLES/PAYABLES**

Inter-fund receivables and payables as reflected on the governmental and proprietary funds balance sheets (Exhibits C and H) are as follows:

|                       | <b><u>RECEIVABLE</u></b> | <b><u>PAYABLE</u></b> |
|-----------------------|--------------------------|-----------------------|
| General Fund          | \$ 46,230                | \$ 862,656            |
| Capital Reserve Fund  | 862,396                  | -                     |
| Capital Projects Fund | 260                      | -                     |
| Food Service Fund     | -                        | 46,230                |
|                       | <u>\$ 908,886</u>        | <u>\$ 908,886</u>     |

These inter-fund obligations represent reimbursements due for routine operating costs paid by each respective fund on behalf of the other funds. These obligations have been eliminated in the government-wide statement of net position.

**NEW BRIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 8 - CAPITAL ASSETS**

A summary of the governmental fixed asset activity for the 2017-2018 fiscal year was as follows:

|                                       | <b><u>Balance</u></b><br><b><u>7/1/2017</u></b> | <b><u>Additions</u></b>    | <b><u>Deductions</u></b> | <b><u>Balance</u></b><br><b><u>6/30/2018</u></b> |
|---------------------------------------|-------------------------------------------------|----------------------------|--------------------------|--------------------------------------------------|
| <b>Governmental Activities</b>        |                                                 |                            |                          |                                                  |
| Land                                  | \$ 9,500                                        | \$ -                       | \$ -                     | \$ 9,500                                         |
| Site Improvements                     | 2,129,371                                       | 3,650                      | -                        | 2,133,021                                        |
| Building and Improvements             | 28,382,000                                      | -                          | -                        | 28,382,000                                       |
| Furniture and Equipment               | 3,045,403                                       | 262,201                    | -                        | 3,307,604                                        |
|                                       | <u>\$ 33,566,274</u>                            | <u>\$ 265,851</u>          | <u>\$ -</u>              | <u>\$ 33,832,125</u>                             |
| <b>Less: Accumulated depreciation</b> |                                                 |                            |                          |                                                  |
| Site Improvements                     | \$ (1,652,602)                                  | \$ (72,056)                | \$ -                     | \$ (1,724,658)                                   |
| Building and Improvements             | (17,095,845)                                    | (391,025)                  | -                        | (17,486,870)                                     |
| Furniture and Equipment               | (2,787,760)                                     | (51,878)                   | -                        | (2,839,638)                                      |
|                                       | <u>\$ (21,536,207)</u>                          | <u>\$ (514,959)</u>        | <u>\$ -</u>              | <u>\$ (22,051,166)</u>                           |
| <b>Governmental Activities</b>        |                                                 |                            |                          |                                                  |
| <b>Capital Assets, Net</b>            | <u><u>\$ 12,030,067</u></u>                     | <u><u>\$ (249,108)</u></u> | <u><u>\$ -</u></u>       | <u><u>\$ 11,780,959</u></u>                      |
| <br><b>Business-Type Activities</b>   |                                                 |                            |                          |                                                  |
| Furniture and Equipment               | \$ 534,685                                      | \$ -                       | \$ -                     | \$ 534,685                                       |
| Less: Accumulated Depreciation        | (510,092)                                       | (6,578)                    | -                        | (516,670)                                        |
| <b>Business-Type Activities</b>       |                                                 |                            |                          |                                                  |
| <b>Capital Assets, Net</b>            | <u><u>\$ 24,593</u></u>                         | <u><u>\$ (6,578)</u></u>   | <u><u>\$ -</u></u>       | <u><u>\$ 18,015</u></u>                          |

Depreciation expense was charged to governmental functions as follows:

|                                               |                          |
|-----------------------------------------------|--------------------------|
| Instruction                                   | \$ 367,334               |
| Instructional Student Support                 | 43,494                   |
| Administrative and Financial Support Services | 53,138                   |
| Operation and Maintenance of Plant Services   | 36,423                   |
| Student Activities                            | 10,315                   |
| Community Services                            | 4,255                    |
|                                               | <u><u>\$ 514,959</u></u> |

**NEW BRIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 9 - LONG-TERM LIABILITIES**

**GENERAL OBLIGATION NOTE - SERIES OF 2016**

On August 6, 2016, the New Brighton Area School District issued General Obligation Note, Series of 2016 in the amount of \$4,270,000 to **1)** currently refund the outstanding balances due on the District's General Obligation Bonds, Series of 2011 and 2011 A, and **2)** pay the costs of issuing the Note. Interest is payable on August 15 and February 15 each year through maturity with a rate of 1.41%. The note is scheduled to mature on August 15, 2019.

A summary of the New Brighton Area School District's general obligation note outstanding at June 30, 2018 is as follows:

| <b>YEAR END<br/>JUNE 30,</b> | <b>PRINCIPAL</b>           | <b>INTEREST</b>         | <b>TOTAL</b>               |
|------------------------------|----------------------------|-------------------------|----------------------------|
| 2019                         | \$ 1,494,000               | \$ 29,666               | \$ 1,523,666               |
| 2020                         | 1,357,000                  | 9,567                   | 1,366,567                  |
|                              | <b><u>\$ 2,851,000</u></b> | <b><u>\$ 39,233</u></b> | <b><u>\$ 2,890,233</u></b> |

**LEASE PURCHASE AGREEMENT**

On March 6, 2014, the New Brighton Area School District entered into a Master Equipment Lease-Purchase Agreement with PNC Equipment Finance, LLC, in the amount of \$2,604,372 to be used for various capital improvements which will help to reduce utility costs in future years. The terms of the lease call for 180 monthly principal and interest payments ranging from \$16,238 to \$24,032. The lease is scheduled to mature on December 6, 2029.

A summary of the New Brighton Area School District's lease purchase agreement outstanding at June 30, 2018 is as follows:

| <b>YEAR END<br/>JUNE 30,</b> | <b>PRINCIPAL</b>           | <b>INTEREST</b>          | <b>TOTAL</b>               |
|------------------------------|----------------------------|--------------------------|----------------------------|
| 2019                         | \$ 142,080                 | \$ 66,282                | \$ 208,362                 |
| 2020                         | 150,751                    | 61,805                   | 212,556                    |
| 2021                         | 158,726                    | 57,082                   | 215,808                    |
| 2022                         | 166,100                    | 52,114                   | 218,214                    |
| 2023                         | 172,908                    | 46,938                   | 219,846                    |
| 2024-2028                    | 1,026,166                  | 148,466                  | 1,174,632                  |
| 2029-2030                    | 413,436                    | 10,224                   | 423,660                    |
|                              | <b><u>\$ 2,230,167</u></b> | <b><u>\$ 442,911</u></b> | <b><u>\$ 2,673,078</u></b> |

**NEW BRIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 9 - LONG-TERM LIABILITIES (Continued)**

The following represents the changes in the District's long-term liabilities during the 2017-2018 fiscal year:

|                          | <b>Balance<br/>7/1/2017</b> | <b>Additions</b>    | <b>Reductions</b>   | <b>Balance<br/>6/30/2018</b> | <b>Due Within<br/>One Year</b> |
|--------------------------|-----------------------------|---------------------|---------------------|------------------------------|--------------------------------|
| General Obligation Note  | \$ 4,270,000                | \$ -                | \$ 1,419,000        | \$ 2,851,000                 | \$ 1,494,000                   |
| Lease Purchase Agreement | 2,352,783                   | -                   | 122,616             | 2,230,167                    | 142,080                        |
| Compensated Absences     | 95,565                      | 68,428              | -                   | 163,993                      | -                              |
| Retiree Incentives       | 180,900                     | 2,050               | -                   | 182,950                      | -                              |
| Net Pension Liability    | 36,325,000                  | 74,000              | -                   | 36,399,000                   | -                              |
| Net OPEB Liability       | 391,490                     | 2,330,818           | -                   | 2,722,308                    | -                              |
|                          | <u>\$ 43,615,738</u>        | <u>\$ 2,475,296</u> | <u>\$ 1,541,616</u> | <u>\$ 44,549,418</u>         | <u>\$ 1,636,080</u>            |

**NOTE 10 – PENSION PLAN**

The New Brighton Area School District participates in the Public School Employees' Retirement System (PSERS). PSERS is a component unit of the Commonwealth of Pennsylvania. A brief description of the plan, and summary of the plan's provisions, are as follows:

**Plan Description**

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

**Benefits Provided**

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with a 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 three years of service or attain a total combination of age and service that is equal to or greater than ninety-two with a minimum of thirty-five years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

**NEW BRIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 10 – PENSION PLAN (Continued)**

**Benefits Provided (Continued)**

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

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

**Contribution Rates**

**Member Contributions** - Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class TC) or at 6.5% (Membership Class TD) 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 6.25% (Membership Class TC) or at 7.5% (Membership Class TD) of the members qualifying compensation. Members who joined the System after June 30, 2001 and before June 1, 2011, contribute at 7.5% (automatic Membership Class TD). 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 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.30% (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 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 10.3% and 12.30%.

**Employer Contributions** - Contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 30, 2018, the rate of employer's contribution was 31.74% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Per the PSERS Retirement Code, the Commonwealth is required to contribute 50% of the above stated contribution rate directly to PSERS on behalf of the employer. Contributions to the pension plan from the employer were \$3,078,581 for the year ended June 30, 2018.

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

At June 30, 2018, the School District reported a liability of \$36,399,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016 to June 30, 2017. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2017, the School District's proportion was .0737% which was an increase of .0004% from its proportion measured as of June 30, 2016.

**NEW BRIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 10 – PENSION PLAN (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

For the year ended June 30, 2018, the School District recognized pension expense of \$3,959,628. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|                                                                                          | <b><u>Deferred Outflows<br/>of Resources</u></b> | <b><u>Deferred Inflows<br/>of Resources</u></b> |
|------------------------------------------------------------------------------------------|--------------------------------------------------|-------------------------------------------------|
| Difference between expected and actual experience                                        | \$ 380,000                                       | \$ 220,000                                      |
| Changes in assumptions                                                                   | 989,000                                          | -                                               |
| Net difference between projected and actual investment earnings                          | 843,000                                          | -                                               |
| Changes in proportions                                                                   | 473,000                                          | 136,000                                         |
| Difference between employer contributions and proportionate share of total contributions | -                                                | -                                               |
| Contributions subsequent to the measurement date                                         | 3,078,581                                        | -                                               |
|                                                                                          | <b><u>\$ 5,763,581</u></b>                       | <b><u>\$ 356,000</u></b>                        |

The \$3,078,581 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the measurement year ended June 30, 2018.

Other amounts reported as deferred inflows/outflows of resources related to pensions will be recognized in pension expense as follows:

| <b><u>Measurement<br/>Date<br/>Year ended<br/>June 30,</u></b> | <b><u>Reporting<br/>Date<br/>Year ended<br/>June 30,</u></b> | <b><u>Amount</u></b> |
|----------------------------------------------------------------|--------------------------------------------------------------|----------------------|
| 2018                                                           | 2019                                                         | \$ 611,000           |
| 2019                                                           | 2020                                                         | 1,045,000            |
| 2020                                                           | 2021                                                         | 755,000              |
| 2021                                                           | 2022                                                         | (82,000)             |

**NEW BRIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 10 – PENSION PLAN (Continued)**

**Changes in Actuarial Assumptions**

The total pension liability as of June 30, 2017 was determined by rolling forward the System's total pension liability as of the June 30, 2016 to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 7.25%, includes inflation at 2.75%
- Salary growth – Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale

**Investment Asset Allocation**

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

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

| <u>Asset Class</u>      | <u>Target<br/>Allocation</u> | <u>Long-Term<br/>Expected Real<br/>Rate of Return</u> |
|-------------------------|------------------------------|-------------------------------------------------------|
| Global public equity    | 20.0%                        | 5.10%                                                 |
| Fixed Income            | 36.0%                        | 2.60%                                                 |
| Commodities             | 8.0%                         | 3.00%                                                 |
| Absolute return         | 10.0%                        | 3.40%                                                 |
| Risk parity             | 10.0%                        | 3.80%                                                 |
| Infrastructure/MLP's    | 8.0%                         | 4.80%                                                 |
| Real estate             | 10.0%                        | 3.60%                                                 |
| Alternative investments | 15.0%                        | 6.20%                                                 |
| Cash                    | 3.0%                         | 0.60%                                                 |
| Financing (LIBOR)       | -20.0%                       | 1.10%                                                 |
|                         | <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, 2017.

**NEW BRIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 10 – PENSION PLAN (Continued)**

**Discount Rate**

The discount rate used to measure the total pension liability was 7.25%. 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's proportionate share of the net pension liability to changes in the discount rate**

The following presents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

|                                                                       | <b>1%<br/>Decrease<br/>6.25%</b> | <b>Current<br/>Discount<br/>Rate<br/>7.25%</b> | <b>1%<br/>Increase<br/>8.25%</b> |
|-----------------------------------------------------------------------|----------------------------------|------------------------------------------------|----------------------------------|
| School District's proportionate share of<br>the net pension liability | <u><u>\$ 44,804,000</u></u>      | <u><u>\$ 36,399,000</u></u>                    | <u><u>\$ 29,303,000</u></u>      |

**Pension plan fiduciary net position**

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

**NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION**

**PSERS – HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM**

**General Information about the Health Insurance Premium Assistance Program**

PSERS provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. This Premium Assistance program became effective January 1, 2002 under the provisions of Act 9 of 2001.

**NEW BRIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**PSERS – HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM (Continued)**

**Premium Assistance Eligibility Criteria**

Retirees of the System (PSERS) can participate in the Premium Assistance program if they satisfy the following criteria:

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program

**Plan Description**

New Brighton Area School District employees participate in the PSERS – Health Insurance Premium Assistance program, which is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. The members eligible to participate in the System include all full-time public-school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at [www.psers.state.pa.us](http://www.psers.state.pa.us).

**Benefits Provided**

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance eligible retirees must obtain their health insurance coverage through either their school employer or PSER's Health Option Program. As of June 30, 2017, there were no assumed future benefit increases to participating eligible retirees.

**Contributions**

The District's contractually required contribution for the fiscal year ended June 30, 2018 was 0.83% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance any unfunded accrued liability. During the 2017-2018 fiscal year, the New Brighton Area School District contributed \$80,505 to the premium assistance program.

**OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2018, the District reported a liability of \$1,502,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2016 to June 30, 2017. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2017, the district's proportion was 0.0737%, which is an increase of .0004% from its proportion measured as of June 30, 2016.

**NEW BRIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**PSERS – HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM (Continued)**

**OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

For the year ended June 30, 2018, New Brighton Area School District recognized OPEB expense of \$63,827. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|                                                             | <b><u>Deferred Outflows<br/>of Resources</u></b> | <b><u>Deferred Inflows<br/>of Resources</u></b> |
|-------------------------------------------------------------|--------------------------------------------------|-------------------------------------------------|
| Difference between projected and actual investment earnings | \$ 2,000                                         | \$ -                                            |
| Changes in proportions                                      | 7,000                                            | -                                               |
| Contributions subsequent to the measurement date            | 80,505                                           | -                                               |
| Changes in assumptions                                      | -                                                | 70,000                                          |
|                                                             | <b><u>\$ 89,505</u></b>                          | <b><u>\$ 70,000</u></b>                         |

The \$80,505 reported as deferred outflows of resources related to OPEB resulted from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the measurement year ended June 30, 2018.

Other amounts reported as deferred inflows/outflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <b><u>Date<br/>Year ended<br/>June 30,</u></b> | <b><u>Date<br/>Year ended<br/>June 30,</u></b> | <b><u>Amortization<br/>Amount</u></b> |
|------------------------------------------------|------------------------------------------------|---------------------------------------|
| 2018                                           | 2019                                           | \$ (10,000)                           |
| 2019                                           | 2020                                           | (10,000)                              |
| 2020                                           | 2021                                           | (10,000)                              |
| 2021                                           | 2022                                           | (10,000)                              |
| 2022                                           | 2023                                           | (10,000)                              |
| Thereafter                                     | Thereafter                                     | (11,000)                              |

**NEW BRIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**PSERS – HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM (Continued)**

**Actuarial assumptions**

The Total OPEB liability as of June 30, 2017, was determined by rolling forward the System's Total OPEB Liability as of June 30, 2016 to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial Cost Method – Entry Age Normal – level % of pay
- Investment Return – 3.13% based on the S&P 20 Year Municipal Bond Rate.
- Salary Increases – Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Participation rate – Eligible retirees will elect to participate Pre-age 65 at 50% and Post Age 65 at 70%
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2015 determined the employer contribution rate for fiscal year 2017.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset Valuation method: Market Value
- Participate Rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

**Investment Asset Allocation**

Investments consist primarily of short-term assets designed to protect the principal of plan assets. The expected rate of return on OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code, employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

**NEW BRIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**PSERS – HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM (Continued)**

**Investment Asset Allocation (Continued)**

| <u>Asset Class</u> | <u>Target<br/>Allocation</u> | <u>Long-Term<br/>Expected Real<br/>Rate of Return</u> |
|--------------------|------------------------------|-------------------------------------------------------|
| Cash               | 76.4%                        | 0.60%                                                 |
| Fixed Income       | 23.6%                        | 1.50%                                                 |
|                    | <u>100%</u>                  |                                                       |

For the year ended June 30, 2017, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 0.90%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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, 2017.

**Discount Rate**

The discount rate used to measure the Total OPEB Liability was 3.13%. Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 3.13% which represents the S&P 20-year Municipal Bond Rate at June 30, 2017, was applied to all projected benefit payments to measure the total OPEB liability.

**Sensitivity of the Net OPEB liability to changes in the Discount Rate**

The following presents the net OPEB liability, calculated using the discount rate of 3.13%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.13%) or 1-percentage-point higher (4.13%) than the current rate:

|                    | <b>1%<br/>Decrease<br/>2.13%</b> | <b>Current Discount<br/>Rate<br/>3.13%</b> | <b>1%<br/>Increase<br/>4.13%</b> |
|--------------------|----------------------------------|--------------------------------------------|----------------------------------|
| Net OPEB Liability | <u>\$ 1,707,000</u>              | <u>\$ 1,502,000</u>                        | <u>\$ 1,331,000</u>              |

**NEW BRIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**PSERS – HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM (Continued)**

**Sensitivity of the Net OPEB liability to changes in the Healthcare Cost Trend Rates**

The following presents the net OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage-point higher than the current healthcare cost trend rate:

|                    | <b><u>1%</u></b>       | <b><u>Current</u></b> | <b><u>1%</u></b>       |
|--------------------|------------------------|-----------------------|------------------------|
|                    | <b><u>Decrease</u></b> | <b><u>Trend</u></b>   | <b><u>Increase</u></b> |
|                    | <b><u>Rates</u></b>    | <b><u>Rates</u></b>   | <b><u>Rates</u></b>    |
| Net OPEB Liability | <u>\$ 1,501,000</u>    | <u>\$ 1,502,000</u>   | <u>\$ 1,502,000</u>    |

**OPEB plan fiduciary net position**

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

**DISTRICT – POST-RETIREMENT HEALTHCARE BENEFIT PLAN**

**Plan Description**

The New Brighton Area School District provides for post-employment health care benefits to all eligible employees per the terms of the District's collective bargaining agreements. Teachers or Act 93 administrators must have completed at least 20 years of service. Support staff employees must have completed at least 15 years of service. Benefits must be taken on or before the year in which they become superannuated. Post-retirement benefits are provided until the retiree turns 65. Benefits for spouses terminate when the retiree or spouse turns 65, whichever occurs first. Should the medical benefit for a spouse terminate, the spouse can elect COBRA for an 18-month period, provided they pay the full premium rate.

**Funding Policy**

The contribution requirements of plan members and the School District are established and may be amended by the New Brighton Area Board of Directors. The plan is funded on a pay-as-you-go basis, i.e. premiums are paid to fund the health care benefits provided to eligible participants. All current retirees with medical coverage are required to contribute 100% of the premium rate in order to maintain coverage.

**NEW BRIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**DISTRICT- POST-RETIREMENT HEALTHCARE BENEFIT PLAN (Continued)**

**Participant Data**

Employees covered by benefit terms as of the July 1, 2017 actuarial valuation were as follows:

|           | <b><u>PARTICIPANT<br/>DATA</u></b> |
|-----------|------------------------------------|
| Actives   | 143                                |
| Inactives | 13                                 |
| Total     | <u>156</u>                         |

**OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

The District's total OPEB liability of \$1,220,308 was measured as of July 1, 2017, and was determined by an actuarial valuation performed as of July 1, 2017. As the District's OPEB Plan is unfunded, the total OPEB liability is equal to the net OPEB liability. The July 1, 2017 valuation reflected the following change in total OPEB liability:

|                                                    |                            |
|----------------------------------------------------|----------------------------|
| Balance at July 1, 2017                            | \$ 1,233,744               |
| Changes for the year:                              |                            |
| Service cost                                       | 65,515                     |
| Interest                                           | 35,162                     |
| Changes of benefit terms                           | -                          |
| Differences between expected and actual experience | -                          |
| Changes in assumptions or other inputs *           | (40,661)                   |
| Benefit payments                                   | <u>(73,452)</u>            |
| Net Changes                                        | (13,436)                   |
| Balance at June 30, 2018                           | <u><u>\$ 1,220,308</u></u> |

For the year ended June 30, 2018, New Brighton Area School District recognized OPEB expense of a negative \$548,681. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|                                                    | <b><u>Deferred Outflows<br/>of Resources</u></b> | <b><u>Deferred Inflows<br/>of Resources</u></b> |
|----------------------------------------------------|--------------------------------------------------|-------------------------------------------------|
| Differences between expected and actual experience | \$ 554,871                                       | \$ -                                            |
| Changes of assumptions or other inputs             | -                                                | 85,420                                          |
| Benefit payments                                   | <u>65,794</u>                                    | <u>-</u>                                        |
|                                                    | <u><u>\$ 620,665</u></u>                         | <u><u>\$ 85,420</u></u>                         |

**NEW BRIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**DISTRICT- POST-RETIREMENT HEALTHCARE BENEFIT PLAN (Continued)**

**OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

The \$65,794 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the measurement year ended June 30, 2018.

Other amounts reported as deferred inflows/outflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Measurement<br>Date<br>Year ended<br>June 30, | Reporting<br>Date<br>Year ended<br>June 30, | Amortization<br>Amount |
|-----------------------------------------------|---------------------------------------------|------------------------|
| 2018                                          | 2019                                        | \$ 36,319              |
| 2019                                          | 2020                                        | 36,319                 |
| 2020                                          | 2021                                        | 36,319                 |
| 2021                                          | 2022                                        | 36,319                 |
| 2022                                          | 2023                                        | 36,319                 |
| Thereafter                                    | Thereafter                                  | 287,856                |

**Actuarial Assumptions and Other Inputs to Calculate the Total OPEB Liability**

- Cost Method – Entry Age Normal as a Level Percentage of Pay
- Mortality – RPH-2014 Total Dataset Mortality Table projected using Scale MP-2017
- Discount rate – 3.58% based on the Bond Buyers 20-Bond Index
- Inflation Rate – 3.00%
- Investment Return – Investment return was not utilized in this valuation since there are no assets
- Salary Increases – 2.50%
- Health Care Cost Trend Rate – 7.00% in 18-19, 6.75% in 19-20, 6.50% in 20-21, 6.25% in 21-22, 6.00% in 22-23, 5.05% in 23-24, 5.00% in 24-25, and 4.50% in 2025-2026 and later
- Percent Married – Actual spousal information was utilized for current retirees. For the active population, it was assumed that 35% of retirees will elect to cover a spouse at retirement. Females are assumed to be three years younger than males
- Participation – It is assumed that 75% of eligible retirees will participate in the retiree medical program
- Aging Factors – Aging factors used for developing costs are from “Health Care Costs – From Birth to Death,” by Dale H. Yamamoto (Chart 5 – Unisex)
- Withdrawal Rates – Rates vary by attained age
- Retirement Rates – Rates vary retirement age
- Disability – None assumed

**NEW BRIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**DISTRICT- POST-RETIREMENT HEALTHCARE BENEFIT PLAN (Continued)**

**Sensitivity of the total OPEB liability to changes in the Discount Rate**

The following presents the net OPEB liability, calculated using the discount rate of 3.58%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.58%) or 1-percentage-point higher (4.58%) than the current rate:

|                      | <b>1%<br/>Decrease<br/>2.58%</b> | <b>Current<br/>Discount<br/>Rate<br/>3.58%</b> | <b>1%<br/>Increase<br/>4.58%</b> |
|----------------------|----------------------------------|------------------------------------------------|----------------------------------|
| Total OPEB Liability | <u>\$ 1,241,269</u>              | <u>\$ 1,220,308</u>                            | <u>\$ 1,163,325</u>              |

**Sensitivity of the total OPEB liability to changes in the Healthcare Cost Trend Rates**

The following presents the net OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage-point higher than the current healthcare cost trend rate:

|                      | <b>1%<br/>Decrease</b> | <b>Current<br/>Trend<br/>Rates</b> | <b>1%<br/>Increase</b> |
|----------------------|------------------------|------------------------------------|------------------------|
| Total OPEB Liability | <u>\$ 1,101,565</u>    | <u>\$ 1,220,308</u>                | <u>\$ 1,357,344</u>    |

The plan is unfunded and does not issue a publicly available financial report. These benefits are accounted for in accordance with GASB Statement No. 75, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions.

**EARLY RETIREMENT INCENTIVE**

In order for New Brighton Area School District faculty members to take advantage of the retirement incentive benefit, he/she must retire on or before the first year that they are qualified to retire under the guidelines of The Pennsylvania Employee Retirement System (superannuation) beginning July 1, 2007. This incentive includes a \$5,000 base buy-out provision in addition to each individual receiving \$110 for each unused sick day accumulated to their official retirement date. The retiree must have a minimum of twenty (20) years of service with the New Brighton Area School District. These payments will be made by the District into the retiree's 403(b) account. The employee's individual total will be paid in four (4) equal installments beginning on June 30<sup>th</sup> of the year of retirement and continuing for three (3) successive years. To receive this retirement incentive the professional employee must notify the District by March 1<sup>st</sup> of that school year as outlined in Section XII Sub Section C. The government-wide statement of net position includes an accrued liability of \$182,950 for the District's retiree incentive obligations.

**NEW BRIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 12 – JOINTLY GOVERNED ORGANIZATIONS**

**BEAVER COUNTY CAREER AND TECHNOLOGY CENTER**

The New Brighton Area School District, in conjunction with fourteen other School Districts, funds the operating and capital budget of the Beaver County Career and Technology Center. The Technology Center is designed to teach students trade related professions. Each district's share of tuition is based on its proportionate share of enrollment. The School District paid \$389,135 to the Career and Technology Center during the 2017-2018 fiscal year. One representative from each District's school board sit on the board of the Technology Center. Financial information can be obtained by contacting the Technology Center's administrative offices.

**BEAVER VALLEY INTERMEDIATE UNIT**

The New Brighton Area School District participates with 14 other School Districts located in the County of Beaver in the Beaver Valley Intermediate Unit (BVIU). The BVIU was established in 1970 by Act 102 of the Commonwealth of Pennsylvania to function as a regional educational service agency for 15 school districts, as well as nonpublic schools and other institutions, located within the aforementioned counties. The BVIU provides services relative to curriculum development, continuing education, educational planning, instructional materials, pupil personnel, state and federal agency liaison and managerial oversight. The Beaver Valley Intermediate Unit is governed by a fifteen (15) member board appointed by the 15 participating school districts on a rotating basis. The School District contributed \$13,572 for operating contributions, transportation recovery, and the institutionalized children's program to the BVIU through state subsidy withholdings for the year-ended June 30, 2018. Beaver Valley Intermediate Unit issues separate financial statements annually which can be obtained by contacting the BVIU directly.

**NOTE 13 - RISK MANAGEMENT**

**GENERAL INSURANCE**

The New Brighton Area School District is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

**HEALTH INSURANCE**

The New Brighton Area School District is a member of the Beaver County Health Care Insurance Consortium (BCHCIC), a cooperative joint venture of Beaver County School Districts formed for the purpose of purchasing health care for all participating members at favorable rates. The Consortium is a public entity risk pool designed to administer health and medical insurance risks on a pooled risk basis. The Consortium elected to finance these health care benefits using a self-insured approach known as an Administrative Service Contract (ASC) arrangement. Under this arrangement, the consortium contracts for an insurer (Highmark Blue Cross/Blue Shield) to settle the payment for benefits at their provider discounted contract amounts plus a fee for administration rather than paying for benefits at non-discounted claims rates. On July 1, 2003, the District entered into a Consortium consisting of New Brighton Area School District and sixteen other area educational institutions.

**NEW BRIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 13 - RISK MANAGEMENT**

**HEALTH INSURANCE (Continued)**

As of June 30, 2018, the Consortium showed a net asset balance of \$5,965,753 which will be used to fund future benefits. However, member districts who withdraw from the Consortium in accordance with the provisions of the Articles of Agreement (Section 17) are entitled to their respective share of the Consortium's net position 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 all member district contributions over that same time period. The distribution is required to be paid within one year of the date of withdrawal. The New Brighton Area School District's share of the net asset balance was \$359,735 (6.03%) and the District contributed \$1,988,034 to the consortium in 2017-2018.

**NOTE 14 – RESTATEMENT OF NET POSITION**

For the fiscal year ended June 30, 2018 the District implemented GASB 75, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions*. The implementation of Statement No. 75 resulted in the reporting of a deferred post-employment outflow of resources, post-employment liability and deferred post-employment inflow of resources related to the District's other post-employment benefit plans.

Accordingly, the School District's net position as of July 1, 2017 was restated as follows:

|                                                                                           | ~~~~~GOVERNMENTAL ACTIVITIES~~~~~ |                       |                        |
|-------------------------------------------------------------------------------------------|-----------------------------------|-----------------------|------------------------|
|                                                                                           | DISTRICT OPEB                     | PSERS OPEB            | TOTAL                  |
| NET POSITION AS PREVIOUSLY REPORTED - 6/30/17                                             | \$ -                              | \$ -                  | \$ (19,177,151)        |
| Net OPEB Liability Adjustment                                                             | (842,254)                         | (1,579,000)           | (2,421,254)            |
| Deferred Inflows/Outflows - District's contributions<br>made during fiscal year 2016-2017 | -                                 | 81,571                | 81,571                 |
| NET POSTION AS RESTATED 7/1/2017                                                          | <u>\$ (842,254)</u>               | <u>\$ (1,497,429)</u> | <u>\$ (21,516,834)</u> |

**NOTE 15 – CONTINGENCIES**

**STATE AND FEDERAL SUBSIDIES**

The New Brighton Area School District state and federally funded programs are subject to audit by various governmental agencies. The district is potentially liable for any expenditure disallowed by the results of these audits. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

**NEW BRIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 16 – SUBSEQUENT EVENTS**

On December 4, 2018 the New Brighton Area School District issued General Obligation Bonds, Series of 2018 in the amount of \$2,405,000 for the purpose of **1)** funding certain capital projects, including roof rehabilitations and replacements, heating ventilation and air conditioning rehabilitations, and other improvements and rehabilitations to District facilities under an Act 39 Guaranteed Energy Savings Program, and **2)** funding capitalized interest and paying the costs of the issuance of the bonds. The bonds were issued in denominations of \$5,000 with interest payable on August 15 and February 15 each year through maturity. Interest rates range between 2.15% and 4.00% with the bonds maturing on August 15, 2034. The bonds provide for early redemption options for the School District as detailed in the official statement of issue.

Management has determined that there are no additional events subsequent to June 30, 2018 through the February 4, 2019 date of the 'Independent Auditor's Report' date, which is the date the financial statements were available to be issued, that require additional disclosure in the financial statements.

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

**NEW BRIGHTON AREA SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF SCHOOL DISTRICT'S CONTRACTUALLY REQUIRED CONTRIBUTIONS**  
**DEFINED BENEFIT PENSION PLAN**  
**JUNE 30, 2018**

|                                                                        | <u>2018</u>        | <u>2017</u>        | <u>2016</u>        | <u>2015</u>        |
|------------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
| Contractually Required Contributions                                   | \$ 3,078,581       | \$ 2,951,314       | \$ 2,459,299       | \$ 2,012,183       |
| Contribution in relation to the contractually<br>required contribution | <u>(3,078,581)</u> | <u>(2,951,314)</u> | <u>(2,459,299)</u> | <u>(2,012,183)</u> |
| Contribution deficiency (excess)                                       | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        |
| District's covered payroll                                             | 9,793,470          | 9,817,833          | 9,490,138          | 9,322,609          |
| Contributions as a percentage of<br>covered-employee payroll           | 31.44%             | 30.06%             | 25.91%             | 21.58%             |

This schedule is intended to illustrate information for a ten (10) year period. Information for that ten year period will be presented as information becomes available.

Note: Beginning in 2018 with the implementation of GASB 75, contributions as reported above reflect the pension portion of the contribution only. The premium assistance (OPEB) portion of the contribution is reflected on a separate RSI schedule. Prior year contributions reflect both the pension and premium assistance amounts combined.

**NEW BRIGHTON AREA SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**DEFINED BENEFIT PENSION PLAN**  
**JUNE 30, 2018**

| <b>As of the measurement date of June 30,</b>                                                                  | <b><u>2017</u></b> | <b><u>2016</u></b> | <b><u>2015</u></b> | <b><u>2014</u></b> |
|----------------------------------------------------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
| District's proportion of the net pension liability                                                             | 0.0737%            | .0733%             | .0725%             | .0733%             |
| District's proportionate share of the net pension liability                                                    | \$ 36,399,000      | \$ 36,325,000      | \$ 31,403,000      | \$ 29,013,000      |
| District's covered-employee payroll                                                                            | \$ 9,817,833       | \$ 9,490,138       | \$ 9,322,609       | \$ 9,352,273       |
| District's proportionate share of the net pension liability<br>as a percentage of its covered-employee payroll | 370.74%            | 382.77%            | 336.85%            | 310.22%            |
| Plan fiduciary net position as a percentage of<br>the total pension liability                                  | 51.84%             | 50.14%             | 54.36%             | 57.24%             |

The amounts presented for each fiscal year were determined as of the measurement date, which is June 30 of the preceding fiscal year. This schedule is intended to illustrate information for a ten (10) year period. Information for that ten year period will be presented as information becomes available.

**NEW BRIGHTON AREA SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF SCHOOL DISTRICT'S CONTRACTUALLY REQUIRED OPEB CONTRIBUTIONS**  
**PSERS PLAN**  
**JUNE 30, 2018**

|                                                                        | <u>2018</u>     | <u>2017</u>     |
|------------------------------------------------------------------------|-----------------|-----------------|
| Contractually Required Contributions                                   | \$ 80,505       | \$ 81,571       |
| Contribution in relation to the contractually<br>required contribution | <u>(80,505)</u> | <u>(81,571)</u> |
| Contribution deficiency (excess)                                       | <u>\$ -</u>     | <u>\$ -</u>     |
| <br>District's covered payroll                                         | <br>9,793,470   | <br>9,817,833   |
| Contributions as a percentage of<br>covered-employee payroll           | 0.82%           | 0.83%           |

This schedule is intended to illustrate information for a ten (10) year period. Information for that ten year period will be presented as information becomes available.

**NEW BRIGHTON AREA SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**  
**PSERS PLAN**  
**JUNE 30, 2018**

| <b>As of the measurement date of June 30,</b>                                                               | <b><u>2017</u></b> |
|-------------------------------------------------------------------------------------------------------------|--------------------|
| District's proportion of the net OPEB liability                                                             | 0.0737%            |
| District's proportionate share of the net OPEB liability                                                    | \$ 1,502,000       |
| District's covered-employee payroll                                                                         | 9,817,833          |
| District's proportionate share of the net OPEB liability<br>as a percentage of its covered-employee payroll | 15.30%             |
| Plan fiduciary net position as a percentage of<br>the total OPEB liability                                  | 5.73%              |

The amounts presented for each fiscal year were determined as of the measurement date, which is June 30 of the preceding fiscal year. This schedule is intended to illustrate information for a ten (10) year period. Information for that ten year period will be presented as information becomes available.

**NEW BRIGHTON AREA SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**DISTRICT POST-RETIREMENT HEALTHCARE PLAN**  
**JUNE 30, 2018**

|                                                                  |                            |
|------------------------------------------------------------------|----------------------------|
| Service cost                                                     | \$ 65,515                  |
| Interest                                                         | 35,162                     |
| Changes of benefit terms                                         | -                          |
| Differences between expected and actual                          | -                          |
| Changes of assumptions or other inputs                           | (40,661)                   |
| Benefit payments                                                 | (73,452)                   |
| <b>Net change in total OPEB liability</b>                        | <b>(13,436)</b>            |
| <b>Total OPEB liability - beginning of year</b>                  | <b>1,233,744</b>           |
| <b>Total OPEB liability - end of year</b>                        | <b><u>\$ 1,220,308</u></b> |
|                                                                  |                            |
| Covered-employee payroll                                         | \$ 8,641,231               |
|                                                                  |                            |
| Total OPEB liability as a percentage of covered employee payroll | 14.12%                     |

**Notes to Schedule:**

- GASB 75 was implemented beginning with the fiscal year ended June 30, 2018.
- Benefit Terms Changes:
  - June 30, 2018 – The life insurance premium rates developed by the insurer are separate for retirees, Option G offered as the primary plan, and future retired Administrators are no longer able to continue in the medical plan past age 65.
- Assumption Changes:
  - Discount rate used for fiscal year ending:
 

|      |       |
|------|-------|
| 2018 | 3.58% |
|------|-------|
  - June 30, 2018 – Changes were made to the aging factors, the mortality table, the cost method.

# **NEW BRIGHTON AREA SCHOOL DISTRICT**

## ***INFORMATION REQUIRED BY GOVERNMENT AUDITING STANDARDS AND UNIFORM GUIDANCE***

**Mark C. Turnley**

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Certified Public Accountant

**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 Management and Board of Education  
New Brighton Area School District**

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the New Brighton Area School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the New Brighton Area School District's basic financial statements, and have issued my report thereon dated February 4, 2019.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing my audit of the financial statements, I considered the 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 my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the New Brighton Area School District'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.

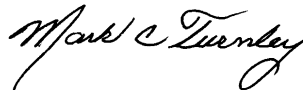
My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify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

**To the Management and Board of Education  
The New Brighton Area School District**

**COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether the New Brighton Area School District's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the New Brighton Area School District'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 New Brighton Area School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Mark C. Turnley  
Certified Public Accountant

February 4, 2019  
New Brighton, Pennsylvania

**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 Education  
New Brighton Area School District**

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM**

I have audited the 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 the New Brighton Area School District's major federal programs for the year ended June 30, 2018. The 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

My responsibility is to express an opinion on compliance for each of the New Brighton Area School District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the New Brighton Area School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination on the New Brighton Area School District's compliance.

**Opinion on Each Major Federal Program**

In my opinion, New Brighton Area School District complied, in all material respects, with the 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, 2018.

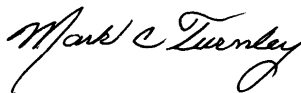
## **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

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 my audit of compliance, I considered the 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 my 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, I do not express an opinion on the effectiveness of the 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.

My 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. I did not identify any deficiencies in internal control over compliance that I 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 my testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Mark C. Turnley  
Certified Public Accountant

February 4, 2019  
New Brighton, Pennsylvania

**NEW BRIGHTON AREA SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

| FEDERAL GRANTOR /<br>PROJECT TITLE                                        | FUNDING<br>SOURCE | FEDERAL<br>CFDA<br>NUMBER | PASS-<br>THROUGH<br>GRANTOR<br>NUMBER | GRANT<br>PERIOD<br>BEGINNING /<br>ENDING DATE | PROGRAM<br>AWARD<br>AMOUNT | 2017-2018<br>AMOUNTS<br>PASSED TO<br>SUB-<br>RECIPIENTS | TOTAL<br>RECEIVED<br>THIS PERIOD | ACCRUED<br>(DEFERRED)<br>REVENUE<br>JULY 1 | REVENUE<br>RECOGNIZED | EXPENDITURES        | ACCRUED<br>(DEFERRED)<br>REVENUE<br>JUNE 30 |
|---------------------------------------------------------------------------|-------------------|---------------------------|---------------------------------------|-----------------------------------------------|----------------------------|---------------------------------------------------------|----------------------------------|--------------------------------------------|-----------------------|---------------------|---------------------------------------------|
| <b>U.S. Department of Education:</b>                                      |                   |                           |                                       |                                               |                            |                                                         |                                  |                                            |                       |                     |                                             |
| <b>Passed through Pa. Dept. of Education:</b>                             |                   |                           |                                       |                                               |                            |                                                         |                                  |                                            |                       |                     |                                             |
| Title I                                                                   | Indirect          | 84.010                    | 013-180279                            | 7/1/17-9/30/18                                | \$ 491,868                 | \$ -                                                    | \$ 329,739                       | \$ -                                       | \$ 457,973            | \$ 457,973          | \$ 128,234                                  |
| Title I                                                                   | Indirect          | 84.010                    | 013-170279                            | 7/1/16-9/30/17                                | 393,137                    | -                                                       | 49,175                           | 49,175                                     | -                     | -                   | -                                           |
| Title IIA Improving Teacher Quality                                       | Indirect          | 84.367                    | 020-180279                            | 7/1/17-9/30/18                                | 76,398                     | -                                                       | 76,398                           | -                                          | 76,286                | 76,286              | (112)                                       |
| Title IV                                                                  | Indirect          | 84.424                    | 114-180279                            | 7/1/17-9/30/18                                | 11,191                     | -                                                       | 10,445                           | -                                          | 9,062                 | 9,062               | (1,383)                                     |
|                                                                           |                   |                           |                                       |                                               |                            | <u>\$ -</u>                                             | <u>\$ 465,757</u>                | <u>\$ 49,175</u>                           | <u>\$ 543,321</u>     | <u>\$ 543,321</u>   | <u>\$ 126,739</u>                           |
| <b>Passed through Beaver Valley Intermediate Unit: (IDEA Cluster)</b>     |                   |                           |                                       |                                               |                            |                                                         |                                  |                                            |                       |                     |                                             |
| IDEA                                                                      | Indirect          | 84.027                    | N/A                                   | 7/1/17-6/30/18                                | \$ 184,434                 | \$ -                                                    | \$ 184,434                       | \$ -                                       | \$ 184,434            | \$ 184,434          | \$ -                                        |
| IDEA - Section 619                                                        | Indirect          | 84.173                    | N/A                                   | 7/1/17-6/30/18                                | 2,996                      | -                                                       | -                                | -                                          | 2,996                 | 2,996               | 2,996                                       |
| IDEA                                                                      | Indirect          | 84.027                    | N/A                                   | 7/1/16-6/30/17                                | 193,033                    | -                                                       | 130,949                          | 130,949                                    | -                     | -                   | -                                           |
| IDEA - Section 619                                                        | Indirect          | 84.173                    | N/A                                   | 7/1/16-6/30/17                                | 4,573                      | -                                                       | 4,573                            | 4,573                                      | -                     | -                   | -                                           |
| Total Special Education (IDEA) Cluster                                    |                   |                           |                                       |                                               |                            | <u>\$ -</u>                                             | <u>\$ 319,956</u>                | <u>\$ 135,522</u>                          | <u>\$ 187,430</u>     | <u>\$ 187,430</u>   | <u>\$ 2,996</u>                             |
| <b>TOTAL DEPARTMENT OF EDUCATION</b>                                      |                   |                           |                                       |                                               |                            | <u>\$ -</u>                                             | <u>\$ 785,713</u>                | <u>\$ 184,697</u>                          | <u>\$ 730,751</u>     | <u>\$ 730,751</u>   | <u>\$ 129,735</u>                           |
| <b>U.S. Department of Health and Human Services:</b>                      |                   |                           |                                       |                                               |                            |                                                         |                                  |                                            |                       |                     |                                             |
| <b>Passed through Pa. Department of Public Welfare</b>                    |                   |                           |                                       |                                               |                            |                                                         |                                  |                                            |                       |                     |                                             |
| Title 19                                                                  |                   | 93.778                    | N/A                                   | 7/1/17-6/30/18                                | N/A                        | \$ -                                                    | \$ 2,969                         | \$ -                                       | \$ 12,904             | \$ 12,904           | \$ 9,935                                    |
| <b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>                 |                   |                           |                                       |                                               |                            | <u>\$ -</u>                                             | <u>\$ 2,969</u>                  | <u>\$ -</u>                                | <u>\$ 12,904</u>      | <u>\$ 12,904</u>    | <u>\$ 9,935</u>                             |
| <b>U.S. Department of Agriculture:</b>                                    |                   |                           |                                       |                                               |                            |                                                         |                                  |                                            |                       |                     |                                             |
| <b>Passed through Pa. Dept. of Education: (Child Nutrition Cluster)</b>   |                   |                           |                                       |                                               |                            |                                                         |                                  |                                            |                       |                     |                                             |
| National School                                                           |                   |                           |                                       |                                               |                            |                                                         |                                  |                                            |                       |                     |                                             |
| Lunch Program                                                             | Indirect          | 10.555                    | N/A                                   | 7/1/17-6/30/18                                | N/A                        | \$ -                                                    | \$ 451,234                       | \$ -                                       | \$ 506,072            | \$ 506,072          | (1) \$ 54,838                               |
| Lunch Program                                                             | Indirect          | 10.555                    | N/A                                   | 7/1/16-6/30/17                                | N/A                        | -                                                       | 94,013                           | 94,013                                     | -                     | -                   | (1) -                                       |
| Breakfast Program                                                         | Indirect          | 10.553                    | N/A                                   | 7/1/17-6/30/18                                | N/A                        | -                                                       | 164,718                          | -                                          | 185,151               | 185,151             | (1) 20,433                                  |
| Breakfast Program                                                         | Indirect          | 10.553                    | N/A                                   | 7/1/16-6/30/17                                | N/A                        | -                                                       | 35,386                           | 35,386                                     | -                     | -                   | (1) -                                       |
|                                                                           |                   |                           |                                       |                                               |                            | <u>\$ -</u>                                             | <u>\$ 745,351</u>                | <u>\$ 129,399</u>                          | <u>\$ 691,223</u>     | <u>\$ 691,223</u>   | <u>\$ 75,271</u>                            |
| <b>Passed through Pa. Dept. of Agriculture: (Child Nutrition Cluster)</b> |                   |                           |                                       |                                               |                            |                                                         |                                  |                                            |                       |                     |                                             |
| National School Lunch Program                                             | Indirect          | 10.555                    | N/A                                   | 7/1/17-6/30/18                                | N/A                        | \$ -                                                    | \$ 61,459 *                      | \$ - **                                    | \$ 61,459             | \$ 61,459           | (1) \$ - ***                                |
| <b>Passed through Pa. Dept. of Education:</b>                             |                   |                           |                                       |                                               |                            |                                                         |                                  |                                            |                       |                     |                                             |
| Fresh Fruit and Vegetable Program                                         | Indirect          | 10.582                    | N/A                                   | 7/1/17-6/30/18                                | N/A                        | -                                                       | 27,030                           | -                                          | 32,550                | 32,550              | 5,520                                       |
| Fresh Fruit and Vegetable Program                                         | Indirect          | 10.582                    | N/A                                   | 7/1/16-6/30/17                                | N/A                        | -                                                       | 14,721                           | 14,721                                     | -                     | -                   | -                                           |
| Child and Adult Care Food Program                                         | Indirect          | 10.558                    | N/A                                   | 7/1/17-6/30/18                                | N/A                        | -                                                       | 10,772                           | -                                          | 11,354                | 11,354              | 582                                         |
| <b>TOTAL DEPARTMENT OF AGRICULTURE</b>                                    |                   |                           |                                       |                                               |                            | <u>\$ -</u>                                             | <u>\$ 859,333</u>                | <u>\$ 144,120</u>                          | <u>\$ 796,586</u>     | <u>\$ 796,586</u>   | <u>\$ 81,373</u>                            |
| <b>TOTAL FEDERAL ASSISTANCE</b>                                           |                   |                           |                                       |                                               |                            | <u>\$ -</u>                                             | <u>\$ 1,648,015</u>              | <u>\$ 328,817</u>                          | <u>\$ 1,540,241</u>   | <u>\$ 1,540,241</u> | <u>\$ 221,043</u>                           |

**# Reconciliation with federal subsidy confirmation:**

|                                         |                     |
|-----------------------------------------|---------------------|
| Per above                               | \$ 1,648,015        |
| IDEA monies                             | (319,956)           |
| School Lunch/Breakfast matching subsidy | 38,023              |
| Title 19 - Admin                        | (2,969)             |
| Donated commodities                     | (61,459)            |
| Per confirmation                        | <u>\$ 1,301,654</u> |

**\* Total USDA Commodity Received**

**\*\*** Represents beginning inventory - 7/1/17

**\*\*\*** Represents ending inventory - 6/30/18

**(1) - Denotes Major Program**

**NEW BRIGHTON AREA SCHOOL DISTRICT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2018**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the 'Schedule') includes the federal grant activity administered by the New Brighton Area School District for the year ended June 30, 2018. 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 Grant Guidance – UGG)*. Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position or changes in net position of the New Brighton Area School District.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**BASIS OF ACCOUNTING**

Expenditures reported on the Schedule are presented using the accrual method of accounting. Under this method, grant revenue is recognized to the extent expenditures are incurred. Expenditures are recognized when the liability for the expenditure is incurred rather than when the disbursement is actually made.

The federal expenditures are recognized, as applicable, under the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or limited to reimbursement.

**NOTE 3 - RELATIONSHIP TO FINANCIAL STATEMENTS**

Federal financial award revenues are included in the financial statements as 'local source' and 'federal source' revenues.

**NOTE 4 – RECEIVABLES AND UNEARNED REVENUE**

Federal grant receivables are included as part of 'due from other governmental units' in Exhibit A and Exhibit C as referenced in Note 4 to the Financial Statements. Unearned federal grant revenue, if any, is included as part of 'unearned revenues' in Exhibit A and Exhibit C, and are referenced in Note 6 to the Financial Statements.

**NOTE 5 - NON-CASH ASSISTANCE**

The New Brighton Area School District received donated commodities from the Department of Agriculture in connection with its food service program. The amount of non-cash assistance expended in the accompanying schedule of expenditures of federal awards reflects the fair market value of the commodities used during the 2017-2018 fiscal year.

**NOTE 6 – INDIRECT COST RATE**

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**NEW BRIGHTON AREA SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**Section I – Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_yes    X no
- Significant deficiency(ies) identified? \_\_\_yes    X no

Noncompliance material to financial statements noted?

\_\_\_yes    X no

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? \_\_\_yes    X no
- Significant deficiency(ies) identified? \_\_\_yes    X no

Type of auditor's report issued on compliance for major programs

Unmodified

Any audit findings disclosed that are required to be reported in  
accordance with 2 CFR 200.516(a)?

\_\_\_yes    X no

Identification of major programs:

CFDA number(s)

Name of Federal Program or Cluster

10.555

National School Lunch Program

10.553

National School Breakfast Program

The dollar threshold for distinguishing type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

\_\_\_yes    X no

**Section II – Financial Statement Findings**

Findings related to the financial statements which are required to be report in accordance with Government Auditing Standards.

None

**Section III – Federal Award Findings and Questioned Costs**

Findings and questioned costs related to Federal Awards which are required to be reported in accordance with the Uniform Guidance 2 CFR 200.516(a):

None

**NEW BRIGHTON AREA SCHOOL DISTRICT**  
**STATUS OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDING JUNE 30, 2018**

The audit report of the New Brighton Area School District for the year ended June 30, 2017 dated January 2, 2018 contained the following audit finding:

• **FINDING 2017-001 – 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 the Business Manager's knowledge of the everyday operations to discover any material changes in the School District's financial position.

**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.

**Current Status:** The School District's system of checks and balances related to the above stated condition appears to mitigate the risks associated with the above stated condition to a level not considered to be a material weakness, therefore this issue is addressed in a separate letter to management.