

BROWNSVILLE AREA SCHOOL DISTRICT

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

**BROWNSVILLE AREA SCHOOL DISTRICT
FINANCIAL STATEMENTS**

YEAR ENDED JUNE 30, 2014

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Zelenkofske Axelrod LLC

Independent Auditor's Report

Members of the Board
Brownsville Area School District
Brownsville, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the BROWNSVILLE AREA SCHOOL DISTRICT as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the BROWNSVILLE AREA SCHOOL DISTRICT's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Members of the Board
Brownsville Area School District
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Opinions

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information for the BROWNSVILLE AREA SCHOOL DISTRICT as of June 30, 2014, and the respective changes in the financial position and cash flows, where applicable, thereof for the year ended in conformity with the accounting principles generally accepted in the United States of America.

Adoption of GASB Statements

As described in Note 1 to the financial statements, in 2013 the BROWNSVILLE AREA SCHOOL DISTRICT adopted new guidance, GASB Statement No. 65 *"Items Previously Reported as Assets and Liabilities"*, GASB Statement No. 66 *"Technical Corrections – 2013 An Amendment of GASB Statements No. 10 and No. 62"*, GASB Statement No. 67 *"Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25"* and GASB Statement No. 70 *"Accounting and Financial Reporting for Nonexchange Financial Guarantees."* Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress, and budgetary comparison information on pages 4 through 10 and 50 through 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Zelenkofske Axelrod LLC

Members of the Board
Brownsville Area School District
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Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the BROWNSVILLE AREA SCHOOL DISTRICT's financial statements as a whole. The nonmajor fund financial statements on pages 53 through 54 are presented for purposes of additional analysis and are not a required part of the financial statements.

The nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2014 on our consideration of the BROWNSVILLE AREA SCHOOL DISTRICT's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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* and should be considered in assessing the results of our audit.

Zelenkofske Axelrod LLC

ZELENKOFKSKE AXELROD LLC

December 12, 2014
Pittsburgh, Pennsylvania

Brownsville Area School District
Management's Discussion and Analysis
June 30, 2014

The discussion and analysis of the Brownsville Area School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended **June 30, 2014**. The intent of this discussion and analysis is to review the School District's financial performance as a whole. Readers should also review the notes to the basic financial statements to help their understanding of the School District's financial position.

FINANCIAL HIGHLIGHTS

The trends indicated that for the fiscal year 2013-2014 the School District would experience continued increases in pension, health care, special education and transportation costs. There are required increases in the Public School Employees' Retirement System (PSERS) rate as the system continues to carry a large unfunded liability. The anticipated increase in the employer portion of the retirement rate, which is shared between the state and the school district, are projected to increase from the current rate of 16.93% to 32.08% over the next six years. The district will continue to actively monitor and control its costs.

The School District reached agreement with the teachers union in January 2013 which expires on August 31, 2015. The School District also reached agreement with the Support staff union in November 2013 with this agreement expiring on June 30, 2018.

OVERVIEW OF FINANCIAL STATEMENTS

Government-Wide Financial Statements

The government-wide financial statements report information about the School District generally using accounting methods similar to those used by private sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide financial statements report the School District's net position and how they have changed. Net position, the School District's assets less the School District's liabilities, are one way to measure the School District's financial position.

Over time, increases or decreases in the School District's net position are an indication of whether its financial position is improving or deteriorating.

To assess the overall health of the School District, you need to consider additional non-financial factors, such as changes in the School District's population, change in the tax base, and performance of students.

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

1. Governmental activities – All of the School District's basic services are included here, such as instruction, support services, and community services. Property taxes and state and federal subsidies and grants finance most of these activities.
2. Business-type activities – The School District operates a food service and charges fees to staff, students, and visitors to help cover costs of the food services operation.

Fund Financial Statements

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

Brownsville Area School District
Management's Discussion and Analysis (Continued)
June 30, 2014

Governmental Funds – Most of the School District's activities are reported in governmental funds, which focus on the determination of financial position and/or change in financial position, not on income determination. They are reported on a modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. 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 reviewer determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the financial statements.

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

Fiduciary Fund – The School District is trustee, or fiduciary, for certain student activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net position. These activities are excluded from the School District's other financial statements because the School District cannot use these assets to finance the School District's operations.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT

The School District's total net position was a deficit of **\$6,354,459** at June 30, 2014.

Condensed Statement of Net Position Fiscal Years Ended June 30,

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>2014 Total</u>	<u>2013 Total</u>
Current and other assets	\$ 21,561,740	\$ 112,523	\$ 21,674,263	\$ 14,239,934
Capital assets	<u>16,732,966</u>	<u>33,538</u>	<u>16,766,504</u>	<u>16,742,397</u>
Total Assets	<u>\$ 38,294,706</u>	<u>\$ 146,061</u>	<u>\$ 38,440,767</u>	<u>\$ 30,982,331</u>
Current and other liabilities	\$ 3,239,270	\$ 134,516	\$ 3,373,786	\$ 2,932,749
Long-term liabilities	<u>41,421,440</u>	<u>-</u>	<u>41,421,440</u>	<u>31,976,322</u>
Total liabilities	<u>44,660,710</u>	<u>134,516</u>	<u>44,795,226</u>	<u>34,909,071</u>
Net Position:				
Net Investment in Capital Assets	(21,811,569)	33,538	(21,778,031)	(11,779,525)
Restricted for Program purposes	16,151,857	-	16,151,857	7,983,369
Unrestricted	<u>(706,292)</u>	<u>(21,993)</u>	<u>(728,285)</u>	<u>(164,252)</u>
Total Net Position	<u>\$ (6,366,004)</u>	<u>\$ 11,545</u>	<u>\$ (6,354,459)</u>	<u>\$ (3,960,408)</u>

Brownsville Area School District
Management's Discussion and Analysis (Continued)
June 30, 2014

Most of the School District's net position are invested in capital assets (buildings, land, and equipment). The remaining unrestricted net position are a combination of designated and undesignated amounts. The designated balances are amounts set aside to fund future purchases or capital projects as planned by the School District.

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

The next table takes the information from that Statement, rearranges it slightly, so you can see our total revenues for the year.

Changes in Net Position
Fiscal Years Ended June 30, 2014

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>2014 Total</u>	<u>2013 Total</u>
Revenues:				
Charges for Services	\$ 80,778	\$ 261,141	\$ 341,919	\$ 370,292
Operating grants and contributions	6,691,628	836,180	7,527,808	7,522,408
General revenues:				
Taxes	5,899,972	-	5,899,972	5,897,553
Unrestricted grants, subsidies, and contributions	11,773,910	-	11,773,910	11,618,273
Investment earnings	13,744	1	13,745	80,460
Sale of Asset	1,262	-	1,262	672
Transfer In (Out)	(602,609)	602,609	-	
Miscellaneous	<u>64,216</u>	<u>-</u>	<u>64,216</u>	<u>84,965</u>
Total Revenues	<u>23,922,901</u>	<u>1,699,931</u>	<u>25,622,832</u>	<u>25,574,623</u>
Expenses:				
Instruction	15,056,325	-	15,056,325	13,946,299
Support	8,436,826	-	8,436,826	6,956,438
Noninstructional services	878,469	-	878,469	612,552
Miscellaneous	-	-	-	44,050
Interest on long-term debt	2,187,503	-	2,187,503	1,467,125
Contributions to Fayette County Vocational School	-	-	-	519,400
Food services	<u>-</u>	<u>1,162,678</u>	<u>1,162,678</u>	<u>1,197,406</u>
Total expenses	<u>26,559,123</u>	<u>1,162,678</u>	<u>27,721,801</u>	<u>24,743,270</u>
Change in Net Position	<u>\$ (2,636,222)</u>	<u>\$ 537,253</u>	<u>\$ (2,098,969)</u>	<u>\$ 831,353</u>

Brownsville Area School District
 Management's Discussion and Analysis (Continued)
 June 30, 2014

GENERAL FUND BUDGET

For the 2013-2014 fiscal year, the administration did not authorize revisions to the original budget. A schedule showing the School District's budget amounts compared with amounts actually paid and received is provided on Page 50 in the required supplemental information.

CAPTIAL ASSET AND DEBT ACTIVITY

At June 30, 2014, the School District's governmental activities were invested in a broad range of capital assets, including land, site improvement, building, and furniture/equipment.

Capital Assets (Net of Depreciation)	Land	Building and Improvements	Vehicles/ Equipment	June 30, 2014 Total	June 30, 2013 Total
Governmental Activities	\$ 701,440	\$ 15,451,080	\$ 580,446	\$ 16,732,966	\$ 17,410,570
Business-Type Activities	-	-	\$ 33,538	\$ 33,538	\$ 33,269

See financial statement Note 3E.

Brownsville Area School District
Management's Discussion and Analysis (Continued)
June 30, 2014

DEBT ACTIVITY

As of July 1, 2013, the School District had total outstanding principal of **\$32,769,230**. During the 2013-14 school year the district elected to construct a new elementary school building rather than refurbish two aging structures. The new building will be constructed on land already owned by the district, which will be located on the same campus as the current high/middle school. In order to accomplish its construction goals the school district refinanced the following bond debt issues during the 2013-14 school year: GOB Series 2009; GOB Series 2008; GOB Series 2007(partial); GOB Series 2006; GOB Series 2005 and GOB Series 2003 and issued new debt as listed in the table below. The district also issued new debt totaling **\$9,650,000** during the year. The School District made payments against principal of **\$884,200**, refinanced **22,420,000** and had additions of **\$32,020,000** resulting in ending outstanding debt as of June 30, 2014, of **\$41,485,030**. Future debt service payment, including principal and interest, will remain at approximately **\$2.5 million per year**.

Outstanding Debt
June 30, 2014

	Beginning Balance	Additions	Retirements	Ending Balance	Amounts Due Within One Year
Series 2003	\$ 1,825,000	\$ -	\$ (1,825,000)	\$ -	\$ -
Series 2005	8,890,000	-	(8,890,000)	-	-
Series 2006	8,780,000	-	(8,780,000)	-	-
Series 2007	8,390,000	-	(2,465,000)	5,925,000	-
Series 2008	370,500	-	(143,000)	227,500	142,000
Series 2009	780,000	-	(780,000)	-	-
Series A of 2009	3,235,000	-	(400,000)	2,835,000	420,000
Series A of 2013	-	945,000	-	945,000	-
Series B of 2013	-	1,535,000	-	1,535,000	380,000
Series C of 2013	-	7,520,000	-	7,520,000	-
Series D of 2013	-	2,555,000	-	2,555,000	-
Series E of 2013	-	710,000	-	710,000	-
Series A of 2014	-	9,105,000	-	9,105,000	-
Series B of 2014	-	895,000	-	895,000	-
Series C of 2014	-	8,755,000	-	8,755,000	-
Fayette County Vocational School					
Revenue Bonds, Series 2012	498,730	-	(21,200)	477,530	21,730
Total	<u>\$ 32,769,230</u>	<u>\$ 32,020,000</u>	<u>\$ (23,304,200)</u>	<u>\$ 41,485,030</u>	<u>\$ 963,730</u>

Other obligations include accrued vacation pay and sick leave for specific employees of the School District. See financial statement note 3F.

Brownsville Area School District
Management's Discussion and Analysis (Continued)
June 30, 2014

GOVERNMENTAL FUND REVENUES

Governmental fund revenues by source at June 30, 2014 and 2013 were as follows:

	<u>2014</u>	<u>2013</u>
Revenues:		
Local sources	\$ 6,374,011	\$ 6,390,567
State revenue sources	16,739,788	16,216,195
Federal revenue sources	1,463,012	1,783,870
Issuance of new debt	32,020,000	519,400
Transfers In	24,275,813	-
Sale of Fixed Asset	1,262	672
	<u>1,262</u>	<u>672</u>
Total revenues	<u>\$80,873,886</u>	<u>\$24,910,704</u>

There are several factors relating to increases/decreases in revenues from 2014 to 2013. Tax revenue increased from increases in assessed values and new properties coming into the tax rolls. The issuance of new debt increased revenues for 2014. Grant revenues fluctuated due to ending of the federal stimulus program and an increase in the basic education subsidy from the state.

GOVERNMENTAL FUND EXPENDITURES

Governmental fund expenditures by function at June 30, 2014 and 2013 were as follows:

	<u>2014</u>	<u>2013</u>
Expenditures:		
Instruction	\$15,041,521	\$13,493,771
Support services	7,801,065	7,266,975
Noninstructional services	892,990	601,181
Debt Service		
Principle	604,200	1,175,170
Interest	1,456,376	1,351,048
Payments to escrow agent	22,695,000	-
Miscellaneous	-	-
Discounts on Bonds	542,445	44,050
Transfer Out	24,878,422	-
Contribution to Fayette County		
Vocational School	-	519,400
	<u>-</u>	<u>519,400</u>
Total expenditures	<u>\$73,912,019</u>	<u>\$24,451,595</u>

The increase in expenditures was mostly due to the contribution to the Fayette County Vocational School.

Brownsville Area School District
Management's Discussion and Analysis (Continued)
June 30, 2014

GOVERNMENTAL FUND BALANCES AND PROPRIETARY FUND NET POSITION

Ending balances for governmental funds and net position for proprietary funds at June 30, 2014 and 2013 were as follows:

<u>Fund</u>	<u>2014 Governmental Funds</u>	<u>2013 Governmental Funds</u>	<u>2014 Proprietary Funds</u>	<u>2013 Proprietary Funds</u>
General Fund	\$ 1,542,670	\$ 2,749,291	\$ -	\$ -
Construction Fund	16,086,769	7,913,343	-	-
Other Governmental Funds	65,088	70,026	-	-
Cafeteria Fund	-	-	11,545	(525,708)
Total	\$ 17,694,527	\$ 10,732,660	\$ 11,545	\$ (525,708)

The increase in the Cafeteria Fund and the decrease to the General Fund is due to a write off of debt that was owed to the General Fund in the amount of \$602,609. The Construction Fund increased due to the debt proceeds received.

ECONOMIC FACTORS AND NEW YEAR'S BUDGET

The School District expects enrollment to remain level in the near future.

As a result of the ongoing sluggish economy it is anticipated that there will be a continuation of flat state funding available for school districts in the future. Coupled with anticipated increases in retirement contributions, special education and transportation the district is still struggling to control expenditures. As a result of flat state funding the district was once again faced with tough decisions at budget time. The district continued to reduce expenditures by reducing the work force through attrition and cutting supplies and services to necessities in order to achieve its goal of no increase in local revenue in order to balance the budget. The other reductions were accomplished without affecting our education programs.

The budget for the 2013-2014 was \$25,106,642, an increase of \$687,322 from the previous year. The board chose to use the fund balance to balance the budget and because of the ACT 1 limits on tax increases it did not include a tax increase for Fayette County. However, the millage rate increased for Washington County as a result of the Multi-County Rebalancing calculation which is based on Market Value. The millage for 2013-2014 was 16.57 mills for Fayette County and 91.23 mills for Washington County, an increase of 4.76 mills for Washington County.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

The financial report is designed to provide a general overview of the School District's finances, comply with finance related laws and regulations, and demonstrate the School District's commitment to public accountability. If you have any questions about this report or would like additional information, contact the School District's Business Office at the Brownsville Area School District, 5 Falcon Drive, Brownsville, Pennsylvania, 15417.

BROWNSVILLE AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Cash and Cash Equivalents	\$ 2,703,605	\$ 70,762	\$ 2,774,367
Investments	16,096,248	-	16,096,248
Accounts Receivable	353,284	-	353,284
Taxes Receivable	1,244,161	-	1,244,161
Due From Other Governments	493,431	28,563	521,994
Prepaid Assets	128,566	-	128,566
Bond Discount	542,445	-	542,445
Inventory	-	13,198	13,198
Capital Assets: (Net)			
Depreciable	16,031,526	33,538	16,065,064
Non-depreciable	701,440	-	701,440
Total Assets	\$ 38,294,706	\$ 146,061	\$ 38,440,767
<u>Liabilities</u>			
Current Liabilities:			
Accounts Payable	\$ 586,842	\$ 9,468	\$ 596,310
Accrued Expenses	1,593,765	-	1,593,765
Internal Balances	(100,000)	100,000	-
Accrued Interest Payable on Debt	194,933	-	194,933
Unearned Revenues	-	25,048	25,048
Current Portions of Long-Term Liabilities:			
Loans and Notes Payable	963,730	-	963,730
Non-Current Portions of Long-Term Liabilities:			
Loans and Notes Payable	40,521,300	-	40,521,300
Unfunded other postemployment benefits	658,123	-	658,123
Compensated Absences	242,017	-	242,017
Total Liabilities	44,660,710	134,516	44,795,226
<u>Net Position</u>			
Net Investment in Capital Assets	(21,811,569)	33,538	(21,778,031)
Restricted Net Position			
Program Purposes	16,151,857	-	16,151,857
Unrestricted	(706,292)	(21,993)	(728,285)
Total Net Position	\$ (6,366,004)	\$ 11,545	\$ (6,354,459)

The accompanying notes are an integral part of the financial statements.

BROWNSVILLE AREA SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-Type Activities	
Primary Government:						
Governmental Activities:						
Instruction	\$ 15,056,325	\$ 26,568	\$ 3,275,375	\$ (11,754,382)	\$ -	\$ (11,754,382)
Support Services	8,436,826	26,471	2,657,894	(5,752,461)	-	(5,752,461)
Noninstructional Services	878,469	27,739	362,734	(487,996)	-	(487,996)
Interest on Long-Term Debt	2,187,503	-	395,625	(1,791,878)	-	(1,791,878)
Total Governmental Activities	26,559,123	80,778	6,691,628	(19,786,717)	-	(19,786,717)
Business-Type Activities:						
Food Service	1,162,678	261,141	836,180	-	(65,357)	(65,357)
Total Business-Type Activities	1,162,678	261,141	836,180	-	(65,357)	(65,357)
Total Primary Government	\$ 27,721,801	\$ 341,919	\$ 7,527,808	\$ (19,786,717)	\$ (65,357)	\$ (19,852,074)
General Revenues:						
Taxes				5,899,972	-	5,899,972
Grants, subsidies, and contributions not restricted				11,773,910	-	11,773,910
Investment Earnings				13,744	1	13,745
Miscellaneous				64,216	-	64,216
Transfers				(602,609)	602,609	-
Sale of Fixed Asset				1,262	-	1,262
Total General Revenues and Transfers				17,150,495	602,610	17,753,105
Change in Net Position				(2,636,222)	537,253	(2,098,969)
Net Position (Deficit) - Beginning, as restated (Note 6)				(3,729,782)	(525,708)	(4,255,490)
Net Position (Deficit) - Ending				\$ (6,366,004)	\$ 11,545	\$ (6,354,459)

The accompanying notes are an integral part of the financial statements.

BROWNSVILLE AREA SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	Construction	Total Nonmajor Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 2,621,596	\$ 21	\$ 81,988	\$ 2,703,605
Investments	-	16,096,248	-	16,096,248
Receivables:				
Taxes	1,244,161	-	-	1,244,161
Other governmental grants	493,431	-	-	493,431
Other	353,284	-	-	353,284
Due from other funds	100,000	-	-	100,000
Prepaid assets	128,566	-	-	128,566
Total assets	<u>4,941,038</u>	<u>16,096,269</u>	<u>81,988</u>	<u>21,119,295</u>
<u>Liabilities</u>				
Accounts Payable	560,442	9,500	16,900	586,842
Accrued liabilities	1,593,765	-	-	1,593,765
Total liabilities	<u>2,154,207</u>	<u>9,500</u>	<u>16,900</u>	<u>2,180,607</u>
<u>Deferred Inflows of Resources</u>				
Unavailable Revenue - Property Taxes	1,244,161	-	-	1,244,161
Total Deferred Inflows of Resources	<u>1,244,161</u>	<u>-</u>	<u>-</u>	<u>1,244,161</u>
<u>Fund Balances</u>				
Nonspendable	128,566	-	-	128,566
Restricted	-	16,086,769	65,088	16,151,857
Unassigned	1,414,104	-	-	1,414,104
Total fund balances	<u>1,542,670</u>	<u>16,086,769</u>	<u>65,088</u>	<u>17,694,527</u>
Total liabilities and fund balances	<u>\$ 4,941,038</u>	<u>\$ 16,096,269</u>	<u>\$ 81,988</u>	<u>\$ 21,119,295</u>

The accompanying notes are in integral part of the financial statements.

BROWNSVILLE AREA SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

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

Total fund balances of governmental funds	\$	17,694,527
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$33,135,951 and the accumulated depreciation is \$16,402,985.		16,732,966
Property taxes receivable will be collected, but are not available soon enough to pay for current year's expenditures, and therefore are deferred in the Governmental Funds.		1,244,161
Bond Discount are deferred and amortized in the Statement of Activities. These costs were reported in full in the Funds when the debt was first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		542,445
Unfunded other postemployment benefits are not reported in the Governmental Funds.		(658,123)
Long-term liabilities such as Debt, Accrued Interest, and Compensated Absences are not due and payable in the current period and accordingly are not reported as fund liabilities. Both current and long-term liabilities are reported in the Statement of Net Position.		
Long-term Debt	\$ (41,485,030)	
Accrued interest	(194,933)	
Compensated absences	<u>(242,017)</u>	<u>(41,921,980)</u>
Total net position of governmental activities	\$	<u><u>(6,366,004)</u></u>

The accompanying notes are an integral part of the financial statements.

BROWNSVILLE AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>General Fund</u>	<u>Construction</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Local Revenue Sources	\$ 6,352,100	\$ 14,865	\$ 7,046	\$ 6,374,011
State Revenue Sources	16,739,788	-	-	16,739,788
Federal Revenue Sources	<u>1,463,012</u>	<u>-</u>	<u>-</u>	<u>1,463,012</u>
Total Revenues	<u>24,554,900</u>	<u>14,865</u>	<u>7,046</u>	<u>24,576,811</u>
Expenditures				
Current operating:				
Instruction	15,041,521	-	-	15,041,521
Support Services	7,789,112	-	11,953	7,801,065
Noninstructional Services	384,345	508,614	31	892,990
Debt service				
Principal	604,200	-	-	604,200
Interest	<u>1,456,376</u>	<u>-</u>	<u>-</u>	<u>1,456,376</u>
Total Expenditures	<u>25,275,554</u>	<u>508,614</u>	<u>11,984</u>	<u>25,796,152</u>
Excess (deficiency) of revenues over expenditures	<u>(720,654)</u>	<u>(493,749)</u>	<u>(4,938)</u>	<u>(1,219,341)</u>
Other financing sources (uses)				
Proceeds from long term debt	32,020,000	-	-	32,020,000
Discount on bonds	(542,445)	-	-	(542,445)
Payment to Escrow Agent	(22,695,000)	-	-	(22,695,000)
Sale of Fixed Assets	1,262	-	-	1,262
Transfers In	7,804,319	16,471,494	-	24,275,813
Transfers Out	<u>(17,074,103)</u>	<u>(7,804,319)</u>	<u>-</u>	<u>(24,878,422)</u>
Total other financing sources (uses)	<u>(485,967)</u>	<u>8,667,175</u>	<u>-</u>	<u>8,181,208</u>
Net change in fund balance	(1,206,621)	8,173,426	(4,938)	6,961,867
Fund balance, beginning of year	<u>2,749,291</u>	<u>7,913,343</u>	<u>70,026</u>	<u>10,732,660</u>
Fund balance, end of year	<u>\$ 1,542,670</u>	<u>\$ 16,086,769</u>	<u>\$ 65,088</u>	<u>\$ 17,694,527</u>

The accompanying notes are in integral part of the financial statements.

BROWNSVILLE AREA SCHOOL DISTRICT
 RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2014

Amounts reported for governmental activities in the Statement of Activities are different because:

Net Change in fund balances - total governmental funds	\$	6,961,867
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.</p>		
Capital outlays	62,137	
Depreciation expense	<u>(739,741)</u>	(677,604)
<p>Payments of long-term debt and certain expenditures of debt issuance are expensed when paid in the Governmental Funds, but are amortized or recorded as a reduction of long term liabilities in the Statement of Net Position.</p>		
Debt principal repayments	604,200	
New debt issued during current year	(32,020,000)	
Change in accrued interest	(20,121)	
Amortization of loss on previous debt refundings	(525,408)	
Payments to escrow agents	22,695,000	
Current year bond discounts	542,445	
Amortization of previous bond discount	<u>(185,598)</u>	(8,909,482)
Governmental funds do not report the changes in compensated absences:		68,248
Governmental Funds do not report the change in Other postemployment benefit liability.		(26,688)
<p>Real estate taxes reported in the funds include receipt of prior year delinquent taxes and do not include revenue attributable to the current year's delinquent tax receivable. This amount is the net effect of these differences.</p>		
Current year	1,244,161	
Prior year	<u>(1,296,724)</u>	<u>(52,563)</u>
Changes in net position of governmental activities	\$	<u>(2,636,222)</u>

The accompanying notes are an integral part of the financial statements.

BROWNSVILLE AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2014

	Business-Type Activities - Enterprise Fund
Assets	Cafeteria Fund
Current Assets:	
Cash and cash equivalents	\$ 70,762
Due from other governments	28,563
Inventories	12,471
Other current assets	727
Total current assets	112,523
Noncurrent assets:	
Capital Assets (net of accumulated depreciation of \$125,034)	33,538
Total noncurrent assets	33,538
Total assets	\$ 146,061
<hr style="border: 0.5px solid black;"/>	
Liabilities	
Current liabilities:	
Accounts payable	\$ 9,468
Unearned revenue	25,048
Due to other funds	100,000
Total current liabilities	134,516
Total liabilities	134,516
<hr style="border: 0.5px solid black;"/>	
Net Position	
Net Investment in Capital Assets	33,538
Unrestricted	(21,993)
Total net position (deficit)	11,545
Total liabilities and net position	\$ 146,061

The accompanying notes are an integral part of the financial statements.

BROWNSVILLE AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Business-Type Activities - Enterprise Fund	Cafeteria Fund
Operating Revenues		
Receipts from Providing Services	\$ 261,141	
Total Operating Revenues		261,141
Operating Expenses		
Food Service	1,158,699	
Depreciation and amortization	3,979	
Total Operating Expenses		1,162,678
Operating Loss		(901,537)
Nonoperating Revenues (Expenses)		
Interest Income	1	
Grants	836,180	
Total Nonoperating Revenues (Expenses)		836,181
Deficiency of revenues over expenditures		(65,356)
Transfers from other funds		602,609
Total other financing sources (uses)		602,609
Change in Net Position		537,253
Net Position - Beginning of Year		(525,708)
Net Position - End of Year	\$	11,545

The accompanying notes are an integral part of the financial statements.

BROWNSVILLE AREA SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2014

	Business-Type Activities - <u>Enterprise Fund</u> <u>Cafeteria Fund</u>
Cash flows from operating activities	
Cash received from customers	\$ 260,753
Cash paid to employees	(703,172)
Cash paid to suppliers	<u>(912,913)</u>
Net cash used in operating activities	<u>(1,355,332)</u>
Cash flows from investing activities	
Interest income	<u>1</u>
Net cash provided by investing activities	<u>1</u>
Cash flows from non-capital financing activities	
Grant payments received	816,777
Transfers from other funds	<u>602,609</u>
Net cash provided by non-capital financing activities	<u>1,419,386</u>
Cash flows from capital and related financing activities	
Purchase of capital assets	<u>(4,248)</u>
Net cash used in capital and related financing activities	<u>(4,248)</u>
Net decrease in cash and cash equivalents	59,807
Beginning cash and cash equivalents	<u>10,955</u>
Ending cash and cash equivalents	<u>\$ 70,762</u>
RECONCILIATION OF OPERATING Loss TO NET CASH USED IN OPERATING ACTIVITIES	
Operating loss	\$ (901,537)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation and amortization	3,979
Donated goods	65,668
(Increase) decrease in assets	
Inventories	23,861
Other current assets	(388)
Increase (decrease) in liabilities	
Accounts payable	<u>(546,915)</u>
Net cash used in operating activities	<u>\$ (1,355,332)</u>

The accompanying notes are an integral part of the financial statements.

BROWNSVILLE AREA SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	<u>Other Agency Funds</u>
<u>Assets</u>	
Cash and Cash Equivalents	\$ <u>53,521</u>
Total Assets	\$ <u><u>53,521</u></u>
<u>Liabilities</u>	
Liabilities	
Funds Held in Fiduciary Capacity	\$ <u>53,521</u>
Total Liabilities	\$ <u><u>53,521</u></u>

The accompanying notes are an integral part of the financial statements.

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1: ORGANIZATION

The Brownsville Area School District (the School District) is a Third Class school district located mostly in Fayette County, Pennsylvania. It encompasses an area of approximately 56 square miles and includes Brownsville Borough, Brownsville Township, Luzerne Township, Redstone Township, and West Brownsville Borough. West Brownsville Borough is in Washington County. Additionally, a portion of West Brownsville Borough is in the California Area School District.

The School District provides basic educational services to approximately 2,000 students in two elementary buildings and one middle school/senior high school building. All buildings are publicly owned.

A. REPORTING ENTITY:

The Board of School Directors has governance responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the School District. The School District receives funding from local, state, and federal government sources and must comply with the concomitant requirements of these funding source entities. However, the School District is not included in any governmental "reporting entity" since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters.

The School District has investigated the existence of agencies that should be evaluated for possible inclusion in the financial statements of the School District in accordance with GASB Statement No. 61, "*The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34.*" The School District has determined through this investigation that there are no agencies to be evaluated. Thus, the School District's financial statements do not include any other agency as part of the reporting entity.

B. JOINTLY GOVERNED ORGANIZATIONS:

Intermediate Unit I:

The School District is a participating member of the Intermediate Unit I (IU I). The IU I is run by a joint committee consisting of members from each participating district. No participating district appoints a majority of the joint committee. The Board of Directors of each participating district must approve the IU I's annual operating budget. The IU I is a self-sustaining organization that provides services for fees to participating districts. As such, the School District has no on-going financial interest or financial responsibility in the IU I. The IU I contracts with participating districts to supply special education services and acts as a conduit for certain federal programs.

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

NOTE 1: ORGANIZATION (CONTINUED)

B. JOINTLY GOVERNED ORGANIZATIONS (CONTINUED):

Fayette County Area Vocational Technical School:

The School District is one of four member school districts of the Fayette County Area Vocational Technical School (FCAVTS). The FCAVTS's Joint Operating Committee is made up of three school board members from each of the four member districts. These board members are appointed to this position by their Board of Directors. This committee makes business-related decisions pertaining to the FCAVTS. No member of this committee exercises specific control over the fiscal policies or operations of FCAVTS. The FCAVTS provides vocational-technical training and education to participating students of the member districts. The School District's share of annual operating costs for FCAVTS fluctuates based on the number of participating students from the School District each year.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the School District have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District follows accounting practices prescribed by the *Manual of Accounting and Financial Reporting for Pennsylvania Public Schools*, issued by the Pennsylvania Department of Education, which are in conformity with the above -mentioned GAAP. Following are the more significant of the School District's accounting policies.

A. BASIS OF PRESENTATION:

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

1. Government-Wide Financial Statements:

The government-wide financial statements include the statement of net position and the statement of activities and display information about the School District as a whole. These statements include the financial activities of the School District, except for fiduciary funds. The statements distinguish governmental activities that are supported by taxes and other intergovernmental revenues from business-type activities that are financed in whole or in part with fees charged for services.

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

A. BASIS OF PRESENTATION (CONTINUED):

1. Government-Wide Financial Statements (Continued):

The statement of net position presents the financial condition of the governmental and business-type activities of the School District at fiscal year end. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (a) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Intergovernmental payments and other items not properly included among program revenues are reported as general revenues.

2. Fund Financial Statements:

Fund financial statements, which include governmental, proprietary, and fiduciary funds, are designed to present financial information of the School District at a more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. FUND ACCOUNTING:

1. Governmental Fund Types:

During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts which comprise its assets, liabilities, fund balances/net position, and revenues and expenditures or expenses, as appropriate. There are three categories of funds: governmental, proprietary, and fiduciary. The School District maintains the following funds:

a. General Fund:

The general fund is used to account for all financial resources, except those required to be accounted for in another fund. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Pennsylvania.

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

B. FUND ACCOUNTING (CONTINUED):

1. Governmental Fund Types (Continued):

b. Special Revenue Funds:

Special revenue funds are used to account for financial resources that are legally restricted to expenditures for specified purposes.

c. Capital Project Funds:

Capital project funds are used to account for financial resources related to general fixed asset acquisitions, construction, and improvements. The School District accounts for its Capital Projects and Construction Funds as Capital Projects Funds.

The Construction Fund is funded by bond proceeds and will be used for capital projects for the School District that are allowed under the bond indenture.

The Capital Projects Fund is used to account for financial resources designated for major improvements and repairs to existing structures.

d. Permanent Funds:

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the School District's programs. The School District accounts for its scholarship funds as a permanent fund.

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

B. FUND ACCOUNTING (CONTINUED):

2. Proprietary Fund Types:

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The following is the School District's proprietary type fund:

a. Enterprise Fund:

The enterprise fund may be used to account for any activity for which a fee is charged to external users for goods or services. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business or where the Board of School Directors has decided that the revenues earned, costs incurred, and net income are necessary to management accountability. The School District accounts for food service as an enterprise fund.

3. Fiduciary Fund Types:

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 not available to support the School District's own programs. The School District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District maintains one agency fund, the activity fund, which is used to account for the assets which belong to various student groups.

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

C. MEASUREMENT FOCUS:

Measurement focus is commonly used to describe the types of transactions and events that are reported in the operating statements.

1. Government-Wide Financial Statements:

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net position. As a general rule, the effect of inter-fund activity has been eliminated from government-wide financial statements.

2. Fund Financial Statements:

The governmental funds are accounted for using a flow of current financial resources measurement focus. Accordingly, only current assets and current liabilities are included on the governmental fund balance sheets, and the fund balances reflect spendable or appropriable resources. The statement of revenues, expenditures, and changes in fund balances reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

The proprietary funds are accounted for using a flow of economic resources measurement focus, as in the government-wide financial statements. All assets and liabilities (current and noncurrent) associated with the operation of the funds are included on the statement of net position. The statement of changes in revenues, expenses, and changes in net position present increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows reflects how the School District finances and meets the cash flow needs of its proprietary funds. Depreciation of proprietary fund equipment is charged as expense against current operations using the straight-line method. Accumulated depreciation is reported on the proprietary fund statement on net position.

The fiduciary fund is also accounted for using a flow of economic resources measurement focus, as in the government-wide financial statements.

The School District Reports the following major governmental funds:

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

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

C. MEASUREMENT FOCUS (CONTINUED)

2. Fund Financial Statements (Continued):

The Construction Fund is used by the School District for major capital projects and is funded by general obligation bonds.

D. BASIS OF ACCOUNTING:

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

1. Government-Wide Financial Statements:

Government-wide financial statements are reported using the accrual basis of accounting whereby revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the cash flows.

2. Fund Financial Statements:

In the fund financial statements, governmental funds are reported using the modified accrual basis of accounting and the proprietary funds are reported using the accrual basis of accounting. With the modified accrual basis, revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. For this purpose, the School District generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Major revenue sources susceptible to accrual include: property taxes, income taxes, intergovernmental revenues, investment income, rent, and certain miscellaneous revenues. In general, other revenues are recognized when cash is received. In applying the susceptible to accrual concept to intergovernmental revenues, there are essentially two types of revenues. In one, monies must be expended on the specific purpose or project before any amounts will be earned by the School District; therefore, revenues are recognized based upon the expenditures incurred. In the other, monies are virtually unrestricted and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

E. BUDGETS AND BUDGETARY ACCOUNTING:

An operating budget is adopted each year for the general fund on a modified accrual basis of accounting.

The Pennsylvania School Code dictates specific procedures relative to adoption of the School District's budget and reporting of its financial statements, specifically:

The School District is required to prepare an operating budget for the succeeding fiscal year.

The Board of School Directors may make transfers of funds appropriated to any particular item of expenditure by legislative action. The budget data reflected in the combined financial statements include the original budgeted amounts filed with the Pennsylvania Department of Education and the final appropriation amounts passed by the Board of School Directors during the fiscal year.

Fund balances in budgetary funds may be appropriated based on resolutions passed by the Board of Education, which authorizes the School District to make expenditures. Appropriations lapse at the end of the fiscal period.

Included with the general fund budget are program budgets as prescribed by the state and federal agencies funding the program. These budgets are approved on a program-by-program basis by the state or federal funding agency.

Budgets for enterprise and agency funds are not adopted.

F. ASSETS, LIABILITIES, AND NET POSITION OR FUND BALANCE:

1. Cash and Equivalents:

For purposes of the statement of cash flows, the School District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents are carried at cost plus accrued interest, if any, which approximates fair value.

2. Investments:

Investments are stated at fair value based on quoted market prices.

BROWNSVILLE AREA SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

F. ASSETS, LIABILITIES, AND NET POSITION OR FUND BALANCE (CONTINUED):

3. Real Estate Taxes:

Real estate taxes are collected from property owners within the five municipalities comprising the School District. The tax on real estate for public school purposes for fiscal year 2014 was 16.32 mills (\$16.32 per \$1,000.00 of assessed valuation) as levied by the Board of School Directors. The real estate tax rate for West Brownsville Borough in Washington County was 98.27 mills (\$98.27 per \$1,000.00 of assessed valuation). Assessed valuations of property are determined by Fayette County and Washington County, respectively; and the elected tax collectors are responsible for collection.

August 1	-	Levy date
August-September	-	2% discount period
October – November	-	Face payment period
After November 30	-	5% penalty period
December 31	-	Returned to County

The School District, in accordance with GAAP, recognized the delinquent and unpaid taxes receivable reduced by an allowance for uncollectible taxes as determined by the administration. A portion of the net amount estimated to be collectible which was measurable and available within 60 days was recognized as revenue and the balance is reported as deferred inflows of resources in the fund financial statements.

4. Inventory:

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

Inventories in governmental funds are stated at cost by the first-in, first-out method. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased. Inventories in the general fund are equally offset by a fund balance reserve which indicates they do not constitute "available spendable resources" even though they are a component of net current assets. Currently, the general fund does not have an inventory balance.

BROWNSVILLE AREA SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

F. ASSETS, LIABILITIES, AND NET POSITION OR FUND BALANCE (CONTINUED):

4. Inventory (Continued):

Food service inventory includes government donated commodities which are valued at estimated fair market value. An annual physical inventory of food and supplies is taken by food service and reported in the enterprise fund.

5. Prepaid Items:

Payments made to vendors for services that will benefit periods beyond the current fiscal year are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and expenditure/expense is reported in the year which services are consumed.

6. Capital Assets:

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

All capital assets should be capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets should be recorded at their fair market value on the date donated. The School District maintains a capitalization threshold of \$1,500.

All capital assets, except land and construction in progress, are depreciated. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purposes by the Board of School Directors, no salvage value is taken into consideration for depreciation purposes. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and building improvements	15 – 50 years
Vehicles	7 – 10 years
Equipment	5 – 10 years

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

F. ASSETS, LIABILITIES, AND NET POSITION OR FUND BALANCE
(CONTINUED):

7. Accrued Liabilities and Long-Term Obligations:

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the proprietary funds are reported on the proprietary fund financial statements. Contractually required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year.

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position.

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

8. Unearned Revenues:

Governmental funds report unearned revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period (i.e., receivables for delinquent taxes which were levied in the current and prior years but will not be available to pay liabilities of the current period. They will be recognized as revenues in the year collected.) Governmental funds also recognize unearned revenues in connection with resources that have been received but not yet earned (i.e., advance payments received by the School District under grants for specific programs. These advance payments will be recognized as revenues when the related expenditures are incurred).

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

F. ASSETS, LIABILITIES, AND NET POSITION OR FUND BALANCE
(CONTINUED):

9. Compensated Absences:

It is the School District's policy to permit employees to accumulate unused sick leave and, upon termination, pay employees based upon an amount per unused sick day. Liabilities for accumulated leaves and termination compensation are recognized in the year that the rights to such benefits are earned. The liability to present employees is based upon current contract arrangements. The entire compensated absence liability is reported on the government-wide financial statements. On governmental fund financial statements, compensated absences are recognized as expenditures to the extent payments come due each period as a result of employee resignations and retirements. Following is a summary of the School District's compensated absence policies:

a. Vacation:

School District employees who are required to work on a twelve-month schedule are credited with vacation rates which vary with length of service or job classification. Unused vacation days for administrators and secretaries are added to sick days. Vacation days of other twelve-month employees are noncumulative.

b. Sick Leave:

Teachers and twelve-month employees are credited with ten to twelve days of sick leave annually, as set forth in their contracts, to an unlimited maximum. Upon retirement, administrators (Act 93 employees) are paid \$150 per day up to a maximum of 200 days for unused sick days. Upon retirement, teachers are paid \$80 for each accumulated, unused sick day up to a maximum of 200 days. School District administrative office secretaries are paid \$30 for each accumulated, unused sick day up to a maximum of 200 days. Service Employees International Union (SEIU) employees are paid \$20 for each accumulated, unused sick day up to a maximum of 200 days.

c. Personal Days:

In addition to vacation and sick leave, School District employees are entitled to three to five personal days, varying according to job classification, which may be added to sick days if not used. Teachers also have the option to receive payment for unused personal days at the rate of \$42 per unused day.

Compensated absences had a balance of \$242,017 as of June 30, 2014.

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

F. ASSETS, LIABILITIES, AND NET POSITION OR FUND BALANCE
(CONTINUED):

10. Interfund Transactions:

Interfund balances between governmental and business-type activities on the government-wide statements are reported as "internal balances." On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables/Payables." Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net position.

Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in the enterprise fund. Interfund transfers within governmental activities and within business-type activities are eliminated on the government-wide statement of activities.

11. Net Position:

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

12. Fund Balance Reserves:

Fund Balance Classification: The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the School District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- *Nonspendable:* This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The School District had \$128,566 of nonspendable resources in the General Fund as of June 30, 2014.

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

G. ASSETS, LIABILITIES, AND NET POSITION OR FUND BALANCE
(CONTINUED):

12. Fund Balance Reserves (Continued):

• *Restricted*: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The School District had restricted resources of \$16,151,857 as of June 30, 2014.

• *Committed*: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The School District did not have any committed resources as of June 30, 2014.

• *Assigned*: This classification includes amounts that are constrained by the School District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Directors or through the Board of Directors delegating this responsibility to the School District's management. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The School District did not have any assigned resources as of June 30, 2014.

• *Unassigned*: This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts. The School District had \$1,414,104 of unassigned resources in the General Fund as of June 30, 2014.

The School District would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

F. ASSETS, LIABILITIES, AND NET POSITION OR FUND BALANCE
(CONTINUED):

13. Operating Revenues and Expenses:

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the School District, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

14. Deferred Inflows of Resources:

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government only has one type of item, which arises under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

15. Adoption of Governmental Accounting Standards Board Statements

In March 2013, the GASB issued Statement No. 65, *“Items Previously Reported as Assets and Liabilities”*. The adoption of this statement had no effect on the financial reporting information of the School District.

In March 2013, the GASB issued Statement No. 66, *“Technical Corrections – 2013 An Amendment of GASB Statements No. 10 and No. 62”*. The adoption of this statement had no effect on the financial reporting information of the School District.

In June of 2013, the GASB issued Statement No. 67 *“Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25”*. The adoption of this statement had no effect on the financial reporting information of the School District.

In April of 2013, the GASB issued Statement No. 70 *“Accounting and Financial Reporting for Nonexchange Financial Guarantes.”* The adoption of this statement had no effect on the financial reporting information of the School District.

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

F. ASSETS, LIABILITIES, AND NET POSITION OR FUND BALANCE
(CONTINUED):

15. Pending Changes in Accounting Principles (Continued)

In June of 2013, The GASB issued Statement No. 68 "*Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*". The School District is required to adopt statement No. 68 for its fiscal year 2014/2015 financial statements.

In January 2013, The GASB issued Statement No. 69 "*Government Combinations and Disposals of Government Operations*". The School District is required to adopt statement No. 69 for its calendar year 2014/2015 financial statements.

In November 2013, the GASB issued Statement No. 71, "*Pension Transition for the Contributions made subsequent to the measurement date—an amendment of GASB Statement No. 68*." The School District is required to adopt statement No. 71 for its fiscal year 2014/2015 financial statements.

The School District has not yet completed the various analysis required to estimate the financial statement impact of these new pronouncements.

G. USE OF ESTIMATES:

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

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

NOTE 3: DETAILED NOTES ON ALL FUNDS:

A. CASH AND INVESTMENTS:

Under Section 440.1 of the Public School Code of 1949, as amended, the School District is permitted to invest funds in the following types of investments:

1. U.S. treasury bills; short-term securities (have a maturity of less than 13 months) of the U.S. Government, its agencies, or its instrumentalities; and 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 of and credit of the Commonwealth, or (c) 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.
2. Shares of investment companies, provided they meet certain stringent requirements and that the underlying investments held by the companies are limited to the categories of securities listed above.
3. Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation 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.

The deposit and investment policy of the School District adheres to state statutes. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the School District.

1. Deposits:

a. Custodial Credit Risk:

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of June 30, 2014, \$19,198,225 of the School District's bank balance of \$19,448,225 was exposed to custodial credit risk as uninsured and collateral was held by the pledging bank's trust department and not in the School District's name.

BROWNSVILLE AREA SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

NOTE 3: DETAILED NOTES ON ALL FUNDS (CONTINUED):

A. CASH AND INVESTMENTS (CONTINUED):

2. Investments:

a. Interest Rate Risk:

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

b. Credit Risk/Concentration of Credit Risk:

The School District's policy does not limit its investment choices to certain credit rating, nor does it place a limit on the amount that may be invested in any one issuer.

Investment Type	Market Value
PLGIT ARM	\$4,346,523
PLGIT CD Program	11,749,725
Total	\$16,096,248

B. TAXES RECEIVABLE AND DEFERRED REVENUES:

The balances at June 30, 2014, were as follows:

	Gross Taxes Receivable	Tax Revenues Recognized	Unavailable Revenue Property Taxes
Real Estate Taxes	\$1,244,161	\$ -	\$1,244,161

C. DUE FROM OTHER GOVERNMENTS:

Amounts due from other governments represent receivables for revenues earned by the School District or collections made by other governmental units on behalf of the School District. At June 30, 2014, the following amounts were due from other governmental units:

Due From	General Fund	Enterprise Fund
Federal	\$79,882	\$27,413
State	413,549	1,150
Total	\$493,431	\$28,563

BROWNSVILLE AREA SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

NOTE 3: DETAILED NOTES ON ALL FUNDS (CONTINUED):

D. INTERFUND TRANSACTIONS:

The following is a summary of Interfund Receivables and Payables at June 30, 2014:

	<u>Due to</u>	<u>Due From</u>
General Fund	\$ -	\$ 100,000
Construction Fund	-	-
Enterprise Fund	<u>100,000</u>	<u>-</u>
Total	\$ 100,000	\$ 100,000

Interfund balance between the General Fund and the Enterprise Fund represents debt owed to the General Fund that the Enterprise Fund is unable to repay.

The interfund operating transfers are as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 7,804,319	\$ 17,074,103
Construction Fund	16,471,494	7,804,319
Enterprise Fund	<u>602,609</u>	<u>-</u>
Total	<u>\$ 24,878,422</u>	<u>\$ 24,878,422</u>

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

NOTE 3: DETAILED NOTES ON ALL FUNDS (CONTINUED):

E. CAPTITAL ASSETS:

Capital asset activity of the School District's governmental activities for the fiscal year ended June 30, 2014, is listed below.

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	\$701,440	\$ -	\$ -	\$701,440
Total Capital Assets, Not Being Depreciated	<u>701,440</u>	<u>-</u>	<u>-</u>	<u>701,440</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	28,246,799	-	-	28,246,799
Equipment and Vehicles	4,125,575	62,137	-	4,187,712
Total Capital Assets, Being Depreciated	<u>32,372,374</u>	<u>62,137</u>	<u>-</u>	<u>32,434,511</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	(12,196,803)	(598,916)		(12,795,719)
Equipment and Vehicles	(3,466,441)	(140,825)		(3,607,266)
Total Accumulated Depreciation	<u>(15,663,244)</u>	<u>(739,741)</u>	<u>-</u>	<u>(16,402,985)</u>
Total Capital Assets Being Depreciated, Net	<u>16,709,130</u>	<u>(677,604)</u>	<u>-</u>	<u>16,031,526</u>
Governmental Activities Capital Assets, Net	<u>\$17,410,570</u>	<u>\$ (677,604)</u>	<u>\$ -</u>	<u>\$16,732,966</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 44,146
Instructional student support	647,979
Student activities	47,616
Total	<u>\$ 739,741</u>

Business Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Being Depreciated:				
Equipment	\$154,324	\$4,248	\$ -	\$158,572
Total Capital Assets, Being Depreciated	<u>154,324</u>	<u>4,248</u>	<u>-</u>	<u>158,572</u>
Less Accumulated Depreciation	<u>(121,055)</u>	<u>(3,979)</u>	<u>-</u>	<u>(125,034)</u>
Total Capital Assets, Being Depreciated, Net	<u>33,269</u>	<u>(3,979)</u>	<u>-</u>	<u>33,538</u>
Business Type Activities Capital Assets, Net	<u>\$33,269</u>	<u>\$(3,979)</u>	<u>\$ -</u>	<u>\$33,538</u>

BROWNSVILLE AREA SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

NOTE 3: DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. GENERAL LONG-TERM DEBT:

Changes in the School District's long-term debt during fiscal year 2014 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Amounts Due Within One Year
Series 2003	\$ 1,825,000	\$ -	\$ (1,825,000)	\$ -	\$ -
Series 2005	8,890,000	-	(8,890,000)	-	-
Series 2006	8,780,000	-	(8,780,000)	-	-
Series 2007	8,390,000	-	(2,465,000)	5,925,000	-
Series 2008	370,500	-	(143,000)	227,500	142,000
Series 2009	780,000	-	(780,000)	-	-
Series A of 2009	3,235,000	-	(400,000)	2,835,000	420,000
Series A of 2013	-	945,000	-	945,000	-
Series B of 2013	-	1,535,000	-	1,535,000	380,000
Series C of 2013	-	7,520,000	-	7,520,000	-
Series D of 2013	-	2,555,000	-	2,555,000	-
Series E of 2013	-	710,000	-	710,000	-
Series A of 2014	-	9,105,000	-	9,105,000	-
Series B of 2014	-	895,000	-	895,000	-
Series C of 2014	-	8,755,000	-	8,755,000	-
Vocational School Funds, Series 2012	498,730	-	(21,200)	477,530	21,730
Total	<u>\$ 32,769,230</u>	<u>\$ 32,020,000</u>	<u>\$ (23,304,200)</u>	<u>\$ 41,485,030</u>	<u>\$ 963,730</u>

Governmental Activities

Year Ended June 30	Principal Requirements	Interest Requirements	Total Debt Service Requirements
2015	\$ 963,730	\$ 1,569,446	\$ 2,533,176
2016	1,022,230	1,545,759	2,567,989
2017	1,062,260	1,518,822	2,581,082
2018	1,117,790	1,487,040	2,604,830
2019	1,153,320	1,449,594	2,602,914
2020-2024	7,324,550	6,527,619	13,852,169
2025-2029	8,884,160	5,045,596	13,929,756
2030-2034	9,181,990	3,276,614	12,458,604
2035-2040	10,775,000	1,401,174	12,176,174
	<u>\$ 41,485,030</u>	<u>\$ 23,821,664</u>	<u>\$ 65,306,694</u>

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

NOTE 3: DETAILED NOTES ON ALL FUNDS (CONTINUED):

G. GENERAL OBLIGATION BONDS, SERIES OF 2007

The General Obligation Bonds, Series of 2007, in the aggregate principal amount of \$8,580,000, are dated April 1, 2007. Interest, at rates ranging from 3.550% to 4.000%, is payable May 15 and November 15 with the first interest payable on May 15, 2007. The Bonds are subject to optional redemption on and after November 15, 2014, at 100% of the principal amount.

The Series of 2007 Bonds were issued to (a) prepay a portion (\$7,940,00) of the School District's General Obligation Bond, Series of 2003, on an advance refunding basis, which note was issued to secure the State Public School Building Authority's School Revenue Bonds, Series of 2003 and (b) paying the cost of issuing these bonds.

Under terms of agreement with the purchaser of the Bonds, a Sinking Fund with U.S. Bank, National Association located in Pittsburgh, Pennsylvania, was established into which funds from general revenues of the School District are to be deposited in amounts sufficient for the payment of interest and principal.

H. GENERAL OBLIGATION NOTES, SERIES OF 2008

The General Obligation Notes, Series of 2008, in the aggregate principal amount of \$825,600, are dated November 1, 2008. Interest at 4.10% is payable May 1 and November 1 with principle payments on November 1 and the first interest payable on May 1, 2009.

The Series of 2008 Notes were issued to (a) repay the outstanding portion (\$815,000) of the Series of 1997 Bonds and (b) to pay the cost of issuing these bonds.

I. GENERAL OBLIGATION NOTES, SERIES OF 2009

In December of 2009 the School District issued General Obligation Notes, Series of A of 2009, with a tax exempt portion of \$980,000 and a federally taxable portion of \$4,000,000. The notes are dated December 1, 2009 and mature on November 15, 2009, with interest only payments on May 15th and interest and principle payments on November 15th of each year. The notes have interest rates varying from 1.81% to 5%. The proceeds are to be used to refund a portion of the Series of 2003 and Series of 2005 Bonds, to pay the various costs of issuance of the bonds, and to fund unfunded debt incurred as a result of a shortfall of budgeted revenues and insufficient cash reserves.

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

NOTE 3: DETAILED NOTES ON ALL FUNDS (CONTINUED)

J. GENERAL OBLIGATION NOTES, SERIES OF 2013

In December 2013 the School District issued General Obligation Notes Series of 2013, with interest rates ranging from .40% to 4.5%. The purpose of the issue was to refund 2003, 2005, and to advance refund part of the 2007 Series and all of 2009 Series general obligation debt of the School District as well as issue new debt. The School District recognized a bond discount of \$224,100 as a result of the advance refunding and the issuance of new debt. The bond discount was expensed in the current fiscal year. The refunding resulted in a difference between cash flow required to service the old debt and that required to service the new debt of \$200,000. As a result of the advance refunding the present value of the debt service savings to the School District was \$484,315

K. GENERAL OBLIGATION NOTES, SERIES OF 2014

In February 2014, the School District issued General Obligation Notes Series of 2014, with interest rates ranging from .50% to 4.375%. The purpose of the issue was to current refund 2006 Series General Obligation Debt of the School District as well as issue new debt. The School recognized a bond discount of \$318,345 as a result of the refunding and the issuance of new debt. The bond discount was expensed in the current fiscal year.

L. REFUNDED BONDS

The School District has defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the School District's financial statements. At June 30, 2014, \$3,265,000 of bonds outstanding are considered defeased.

M. Fayette County Vocational Technical School Lease Revenue Bonds, Series 2012

The School District entered into a lease rental indebtedness agreement with the Fayette County Vocational Technical School Authority in aggregate principal amount of \$519,400 to provide a portion of the funds required to finance (a) roof replacements, electrical infrastructure and lighting, heating and cooling and other similar utility and energy controls, retrofits and equipment installations at the Fayette County Career and Technical Institute school building; and (b) the cost and expenses of issuing and insuring the 2012 bonds. Interest, at rates ranging from 0.60% to 3.40%, is payable March 1 and September 1 with the first interest payable on September 1, 2012.

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

NOTE 4: OTHER INFORMATION:

A. CONTINGENT LIABILITIES:

1. Grant Programs:

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

2. Litigation:

In the normal course of operations, the School District may be involved in various civil disputes. Management is unaware of any such litigation that could result in a material adverse effect on the School District's financial position as of June 30, 2014.

B. POST RETIREMENT HEALTHCARE BENEFITS:

Upon retirement, most employees may continue to belong to the Blue Cross/ Blue Shield Health Care Insurance until age 65. Effective September 1, 1997, Bargaining Unit employees who retired and have not yet reached the age of 65 may retain Blue Cross/ Blue Shield benefits until age 65 by continuing to pay the group rate to the School District. For prior retirees, the School District pays varying amounts toward their Blue Cross/ Blue Shield coverage depending on the contract in effect when they retired. For the year ended June 30, 2014 the cost to the School District was \$284,551.

Annual OPEB Cost and Net OPEB Obligation

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

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

NOTE 4: OTHER INFORMATION (CONTINUED)

B. POST RETIREMENT HEALTHCARE BENEFITS:

	Governmental <u>Activities</u>
Annual Required Contribution	\$ 328,483
Interest on Net OPEB Obligation	25,257
ARC Adjustment	<u>(42,501)</u>
Annual OPEB Cost	311,239
Contributions made	<u>284,551</u>
Net Decrease in Net OPEB Obligation	26,688
Net OPEB Obligation, beginning of year	<u>631,435</u>
Net OPEB Obligation, end of year	<u>\$ 658,123</u>

The School District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 is as follows:

Fiscal Year <u>Ended</u>	Annual <u>OPEB Cost</u>	Percentage of Annual OPEB Cost <u>Contributed</u>	Net OPEB <u>Obligation</u>
6/30/2012	\$ 437,524	76%	\$ 646,149
6/30/2013	311,950	105%	631,435
6/30/2014	311,239	91%	658,123

Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$3,627,362 and there were no assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,627,362, which is 37.68% of the covered payroll of \$9,627,530 as of June 30, 2012.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

NOTE 4: OTHER INFORMATION (CONTINUED):

B. POST RETIREMENT HEALTHCARE BENEFITS (CONTINUED):

Actuarial Methods and Assumptions

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

In the July 1, 2012 actuarial valuation, the Entry Age Normal cost method expressed as a level dollar was used. The actuarial assumptions included a 4% investment rate of return, which is the expected long-term investment yield on investments that are expected to be used to finance the payments of benefits. The UAAL is being amortized using the level dollar method over a period of 30 years on a closed basis.

C. ON-BEHALF OF PAYMENTS FOR FRINGE BENEFITS:

In accordance with GASB Statement No. 24, the School District recognizes as revenues and expenditures funds received from the Commonwealth of Pennsylvania for the payment of fringe benefits.

During the year ended June 30, 2014, the School District recognized as revenues and expenditures \$493,229 of Social Security/Medicare and expense of \$1,155,420 of pension contributions received from the Commonwealth of Pennsylvania.

D. HEALTH INSURANCE CONSORTIUM:

In an effort to reduce the cost of providing health insurance benefits for its employees, the School District joined in the Intermediate Unit I Health Consortium Trust (the Trust) (a public entity risk pool). The Trust's general objectives are (1) to formulate, develop, and administer on behalf of its subscribers, a program of insurance; (2) to obtain lower costs for the coverage; (3) to reward subscribers for lower usage of the coverage; (4) to establish a continuing voice with the Blue Cross/ Blue Shield; and (5) to manage the Trust's healthcare dollar most effectively. The School District is effectively purchasing a policy through the Trust. The School District has no exposure beyond the amount paid for the policy.

There has been no significant reduction in coverage from the previous three years.

During the year ended June 30, 2014, the School District paid \$2,810,889 into the health consortium for health insurance benefits for its employees, which included administration fees.

BROWNSVILLE AREA SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

NOTE 4: OTHER INFORMATION (CONTINUED):

E. RISK MANAGEMENT:

The School District is exposed to various risks of loss related to limited torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the School District carries commercial insurance. Settled claims have not exceeded coverage in any of the last three years, and there has been no significant reduction in coverage from the prior fiscal year.

F. DEFINED BENEFIT PENSION PLAN:

Plan Description

Name of plan: The Public School Employees Retirement System (the System).

Type of plan: Governmental cost sharing multiple-employer defined benefit plan.

Benefits: Retirements and disability, legislatively mandated *ad hoc* cost-of-living adjustments, health care insurance premium assistance to qualifying annuitants.

Authority: The Public School Employees Retirement Code (Act No. 96 of October 2, 1975, as amended) (24 Pa. C.S. 8101-8535).

Annual Financial Report: The System issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Diane J Wert, Office of Financial Management, Public School Employees' Retirement System, PO Box 125, Harrisburg, Pennsylvania 17108-0125. This publication is also available on the PSERS website at <http://www/psers.state.ps.us/publications/cafr/index.htm>.

Funding Policy

Authority: The contribution policy is established in The Public School Employees Retirement Code and requires contributions by active members, employers, and the Commonwealth.

Contribution Rates

Member Contributions: The average contribution rate payable by the members is 7.37%. Effective January 1, 2002, the employee contribution rate for members who elected to have prior school service and intervening military service converted to Class T-D service increased by 1.25% to 7.50%. Anyone who enrolls after June 30, 2001 and before July 1, 2011 is automatically a member of Class T-D. The average member contribution rate of 7.37% is a pay-weighted average of member rates that vary based on date of hire and based on Class T-D membership. Any employee who becomes a member after June 30, 2011 would become a Class T-E member or, alternatively, elect to become a Class T-F member. The base contribution rate for Class T-E members is 7.50% of compensation. The base contribution rate for Class T-F members is 10.30% of compensation. Class T-E and Class T-F members are subject to a "shared-risk" employee contribution rate.

BROWNSVILLE AREA SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

NOTE 4: OTHER INFORMATION (CONTINUED):

F. DEFINED BENEFIT PENSION PLAN (CONTINUED):

Employer Contributions: Contributions required of employers are based upon an actuarial valuation. For the fiscal year ended June 30, 2014, the rate of employer's contribution was 16.93% percent of covered payroll. The 16.93% percent rate is composed of a pension contribution rate of 11.50 percent for pension benefits and .93 percent for healthcare insurance premium assistance. The Contribution made by the School District for the 2013-2014 fiscal year was \$1,782,979 from the General Fund.

NOTE 5: EXCESS OF APPROPRIATIONS IN GENERAL FUND

The General Fund had an excess of actual expenditures (\$25,275,554) over budget (\$25,106,642) of \$168,912 or (1%) for the year ended June 30, 2014. The excess expenditures over appropriations were funded by the prior year fund balance.

NOTE 6: RESTATEMENT OF NET POSITION

The School District adopted GASB Statement No. 65 "*Items Previously Reported as Assets and Liabilities*," for the fiscal year 2013-2014. As a result, the School District must expense all debt issuance costs in the year the debt was issued. The restatement for these changes is as follows:

	<u>Governmental Activities</u>
Beginning net position, as previously reported	\$ 3,434,700
Deferred issuance costs on bonds-bond issue costs portion	<u>295,082</u>
Beginning net position, as restated	<u>\$ 3,729,782</u>

**REQUIRED
SUPPLEMENTAL
INFORMATION**

BROWNSVILLE AREA SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Local Revenue Sources	\$ 5,995,104	\$ 5,995,104	\$ 6,352,100	\$ 356,996
State Revenue Sources	16,575,011	16,575,011	16,739,788	164,777
Federal Revenue Sources	<u>1,433,464</u>	<u>1,433,464</u>	<u>1,463,012</u>	<u>29,548</u>
Total Revenues	<u>24,003,579</u>	<u>24,003,579</u>	<u>24,554,900</u>	<u>551,321</u>
Expenditures				
Current operating:				
Instruction	14,585,069	14,585,069	15,041,521	(456,452)
Support Services	7,618,345	7,618,345	7,789,112	(170,767)
Noninstructional Services	377,128	377,128	384,345	(7,217)
Debt service				
Principal	604,200	604,200	604,200	-
Interest	<u>1,921,900</u>	<u>1,921,900</u>	<u>1,456,376</u>	<u>465,524</u>
Total Expenditures	<u>25,106,642</u>	<u>25,106,642</u>	<u>25,275,554</u>	<u>(168,912)</u>
Excess (deficiency) of revenues over expenditures	<u>(1,103,063)</u>	<u>(1,103,063)</u>	<u>(720,654)</u>	<u>382,409</u>
Other financing sources (uses)				
Proceeds from long term debt	-	-	32,020,000	32,020,000
Discount on bonds	-	-	(542,445)	(542,445)
Payments to Escrow Agents	-	-	(22,695,000)	(22,695,000)
Sale of Fixed Assets	-	-	1,262	1,262
Transfers in	-	-	7,804,319	7,804,319
Transfers out	<u>-</u>	<u>-</u>	<u>(17,074,103)</u>	<u>(17,074,103)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(485,967)</u>	<u>(485,967)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ (1,103,063)</u>	<u>\$ (1,103,063)</u>	<u>\$ (1,206,621)</u>	<u>\$ (103,558)</u>

BROWNSVILLE AREA SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2014

Schedule of Funding Progress for Post Employment Benefits other than Pensions

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)			
7/1/2008	\$	- \$	6,993,568	\$	6,993,568	0.00%	\$	11,103,763	62.98%
7/1/2010	\$	- \$	5,468,325	\$	5,468,325	0.00%	\$	12,355,332	44.26%
7/1/2012	\$	- \$	3,627,362	\$	3,627,362	0.00%	\$	9,627,530	37.68%

**OTHER
SUPPLEMENTAL
INFORMATION**

BROWNSVILLE AREA SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2014

<u>Assets</u>	<u>Capital Projects Fund</u>	<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Cash and cash equivalents	\$ 62,792	\$ 19,196	\$ 81,988
Total assets	<u>\$ 62,792</u>	<u>\$ 19,196</u>	<u>\$ 81,988</u>
<u>Liabilities</u>			
Accounts payable	\$ 16,900	\$ -	\$ 16,900
Total liabilities	<u>16,900</u>	<u>-</u>	<u>16,900</u>
<u>Fund Balance</u>			
Restricted	<u>45,892</u>	<u>19,196</u>	<u>65,088</u>
Total fund balance	<u>45,892</u>	<u>19,196</u>	<u>65,088</u>
Total liabilities and fund balance	<u>\$ 62,792</u>	<u>\$ 19,196</u>	<u>\$ 81,988</u>

BROWNSVILLE AREA SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2014

	Capital Projects Fund	Permanent Fund	Total Nonmajor Governmental Funds
Revenues			
Local Sources	\$ 6,546	\$ 500	\$ 7,046
Total Revenues	<u>6,546</u>	<u>500</u>	<u>7,046</u>
Expenditures			
Current operating:			
Support services	11,953	-	11,953
Noninstructional services	-	31	31
Total Expenditures	<u>11,953</u>	<u>31</u>	<u>11,984</u>
Excess (deficiency) of revenues over expenditures	<u>(5,407)</u>	<u>469</u>	<u>(4,938)</u>
Other financing sources (uses)			
Transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(5,407)	469	(4,938)
Fund balance, beginning of year	<u>51,299</u>	<u>18,727</u>	<u>70,026</u>
Fund balance, end of year	<u>\$ 45,892</u>	<u>\$ 19,196</u>	<u>\$ 65,088</u>