

**BROWNSVILLE AREA
SCHOOL DISTRICT**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

**BROWNSVILLE AREA SCHOOL DISTRICT
FINANCIAL STATEMENTS**

YEAR ENDED JUNE 30, 2018

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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, 2018, 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, 2018, 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 2018 the BROWNSVILLE AREA SCHOOL DISTRICT adopted new guidance, Governmental Accounting Standards Board's Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", Statement No. 81, "Irrevocable Split-Interest Agreements", Statement No. 85, "Omnibus 2017", and Statement No. 86, "Certain Debt Extinguishment Issues." 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, schedules of OPEB contributions, schedules of changes in the OPEB liability, schedule of proportionate share of net OPEB liability- PSERS plan, budgetary comparison, schedule of the District's proportionate share of the net pension liability – last 10 years and the schedule of the District's contributions – last 10 years information on pages 4 through 10 and 58 through 65 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.



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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 65 through 66 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 March 23, 2019 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 Axlerod LLC

ZELENKOFKSKE AXELROD LLC

March 23, 2019
Pittsburgh, Pennsylvania

**Brownsville Area School District
Management's Discussion and Analysis
June 30, 2018**

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, 2018. 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 of prior year's financial results have been addressed locally; however, state and federal subsidies remaining flat must be addressed at a higher level. Affordable labor agreements must prevail to provide stability for the future and mandates from other governmental components regarding operational and educational functions relaxed to ensure providing a quality education at a reasonable cost.

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.

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

Brownsville Area School District
Management's Discussion and Analysis (Continued)
June 30, 2018

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 \$ **(42,601,366)** at June 30, 2018. Due to the implementation of GASB 68 & 75 the District recognized a deferred outflow of resources in the amount of \$6,294,718 along with a deferred outflow related to the refunding of debt of \$1,612,944 and a deferred inflow of resources in the amount of \$ (1,071,038). See note 4F for more details on pension.

Condensed Statement of Net Position Fiscal Years Ended June 30, 2018

	Governmental Activities	Business-Type Activities	2018 Total	2017 Total
Current and other assets	\$ 6,539,414	\$ 345,735	\$ 6,885,149	\$ 6,652,620
Capital assets	32,246,818	35,818	32,282,636	33,317,030
Total Assets	<u>\$ 38,786,232</u>	<u>\$ 381,553</u>	<u>\$ 39,167,785</u>	<u>\$ 39,969,650</u>
Deferred Outflows of Resources	<u>\$ 7,907,662</u>	<u>\$ -</u>	<u>\$ 7,907,662</u>	<u>\$ 8,297,487</u>
Current and other liabilities	\$ 3,521,247	\$ 145,534	\$ 3,666,781	\$ 3,583,448
Long-term liabilities	84,938,994	-	84,938,994	79,758,919
Total liabilities	<u>88,460,241</u>	<u>145,534</u>	<u>88,605,775</u>	<u>83,342,367</u>
Deferred Inflows of Resources	<u>\$ 1,071,038</u>	<u>\$ -</u>	<u>\$ 1,071,038</u>	<u>\$ 1,898,637</u>
Net Position:				
Net Investment in Capital Assets	(4,653,733)	35,818	(4,617,915)	(3,111,971)
Restricted for Program purposes	21,783	-	21,783	41,517
Unrestricted	<u>(38,205,435)</u>	<u>200,201</u>	<u>(38,005,234)</u>	<u>(33,903,413)</u>
Total Net Position	<u>\$ (42,837,385)</u>	<u>\$ 236,019</u>	<u>\$ (42,601,366)</u>	<u>\$ (36,973,867)</u>

Brownsville Area School District
Management's Discussion and Analysis (Continued)
June 30, 2018

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, 2018

	Governmental Activities	Business-Type Activities	2018 Total	2017 Total
Revenues:				
Charges for Services	\$ 52,703	\$ 93,249	\$ 145,952	\$ 157,573
Operating grants and contributions	8,561,134	1,331,174	9,892,308	9,414,461
General revenues:				
Taxes	6,449,280	-	6,449,280	6,368,266
Unrestricted grants, subsidies, and contributions	12,782,912	-	12,782,912	12,650,720
Investment earnings	51,838	645	52,483	28,604
Sale of Asset	25,000	-	25,000	(170,067)
Miscellaneous	122,140	-	122,140	113,133
Total Revenues	<u>28,045,007</u>	<u>1,425,068</u>	<u>29,470,075</u>	<u>28,562,690</u>
Expenses:				
Instruction	17,941,715	-	17,941,715	17,144,109
Support	8,314,606	-	8,314,606	8,828,606
Noninstructional services	1,935,322	-	1,935,322	3,666,069
Interest on long-term debt	1,581,672	-	1,581,672	1,199,750
Food services	-	1,241,866	1,241,866	1,297,832
Total expenses	<u>29,773,315</u>	<u>1,241,866</u>	<u>31,015,181</u>	<u>32,136,366</u>
Change in Net Position	<u>\$ (1,728,308)</u>	<u>\$ 183,202</u>	<u>\$ (1,545,106)</u>	<u>\$ (3,573,676)</u>

**Brownsville Area School District
Management's Discussion and Analysis (Continued)
June 30, 2018**

GENERAL FUND BUDGET

For the 2017-2018 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 58 in the required supplemental information.

CAPTIAL ASSET AND DEBT ACTIVITY

At June 30, 2018, 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, 2018 Total	June 30, 2017 Total
Governmental Activities	\$ 11,320	\$ 30,861,178	\$ 1,374,320	\$ 32,246,818	\$ 33,291,517
Business-Type Activities	-	-	\$ 35,818	\$ 35,818	\$ 25,513

See financial statement Note 3D.

**Brownsville Area School District
Management's Discussion and Analysis (Continued)
June 30, 2018**

DEBT ACTIVITY

As of July 1, 2018, the District had total outstanding principal of \$40,752,340. During the 2017-2018 school year the District issued \$10,405,000 of new debt and retired \$10,311,216. Debt service payments are approximately \$813,000 for 2018-2019.

**Outstanding Debt
June 30, 2018**

	Beginning Balance	Additions	Retirements	Ending Balance	Amounts Due Within One Year
Fayette County Vocational School Series A of 2009	\$ 1,515,000	\$ -	\$ (480,000)	\$ 1,035,000	\$ 505,000
Revenue Bonds Series 2012	412,340		(21,216)	391,124	23,320
Series B of 2013	1,155,000	-	-	1,155,000	-
Series D of 2013	1,765,000	-	(1,765,000)	-	-
Series E of 2013	485,000	-	(100,000)	385,000	105,000
Series A of 2014	9,095,000	-	(5,000)	9,090,000	5,000
Series B of 2014	895,000	-	-	895,000	-
Series C of 2014	8,725,000	-	(7,725,000)	1,000,000	15,000
Series 2015	5,985,000	-	(40,000)	5,945,000	40,000
Series A of 2015	1,060,000	-	(30,000)	1,030,000	35,000
Series of 2016	9,660,000	-	(5,000)	9,655,000	5,000
Series of 2017A	-	8,495,000	-	8,495,000	-
Series of 2017B	-	1,910,000	(140,000)	1,770,000	80,000
Total	\$ 40,752,340	\$ 10,405,000	\$ (10,311,216)	\$ 40,846,124	\$ 813,320

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, 2018

GOVERNMENTAL FUND REVENUES

Governmental fund revenues by source at June 30, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Revenues:		
Local sources	\$ 7,205,827	\$ 6,835,612
State revenue sources	19,952,407	19,276,374
Federal revenue sources	910,039	1,212,746
Sale of fixed assets	25,000	353,435
Issuance of debt	<u>10,405,000</u>	<u>9,511,195</u>
	<u>\$ 38,498,273</u>	<u>\$ 37,189,362</u>

There was debt issued in the current year to refund old debt, which increased revenues for the proceeds of the refunding debt. There was also an increase in state subsidies and an increase in special education funding that lead to an increase in state and federal revenues. The District also sold an unused school during the current year which offset the reduction in local revenue sources.

GOVERNMENTAL FUND EXPENDITURES

Governmental fund expenditures by function at June 30, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Expenditures		
Instruction	\$ 17,205,744	\$ 16,437,201
Support services	8,023,339	7,806,017
Noninstructional services	1,261,306	2,922,357
Debt Service		
Principal	10,311,216	9,597,260
Bond Discount	173,683	-
Interest	<u>1,797,753</u>	<u>2,160,293</u>
	<u>\$ 38,773,041</u>	<u>\$ 38,923,128</u>

Expenditures were similar in total from 2017 to 2018, but there were large differences on individual line items. Noninstructional services was much higher in 2017 due to the refunding of the 2013 Series C bonds.

**Brownsville Area School District
Management's Discussion and Analysis (Continued)
June 30, 2018**

GOVERNMENTAL FUND BALANCES AND PROPRIETARY FUND NET POSITION

Ending balances for governmental funds and net position for proprietary funds at June 30, 2018 and 2017 were as follows:

Fund	2018 <u>Governmental</u>	2017 <u>Governmental</u>	2018 <u>Proprietary</u>	2017 <u>Proprietary</u>
General Fund	\$ 1,393,523	\$ 1,186,477	\$ -	\$ -
Construction Fund	834,645	1,296,724	-	-
Other Governmental Funds	21,783	41,518	-	-
Cafeteria Fund	<u>-</u>	<u>-</u>	<u>236,019</u>	<u>52,817</u>
	<u>\$ 2,249,951</u>	<u>\$ 2,524,719</u>	<u>\$ 236,019</u>	<u>\$ 52,817</u>

General Fund increased due to a bond refinancing and the receipt of back Plancon reimbursements. The construction fund decreased due to the bond proceeds being spent on the new school and other capital projects. The cafeteria fund increased from a decrease in expenses and increased participation in the Community Eligibility Program.

ECONOMIC FACTORS AND NEW YEAR'S BUDGET

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

The continuing increases in retirement contributions, special and alternative education expenditures and charter school tuition have made it difficult to control expenditures. The state and federal subsidies are not increasing and have resulted in utilizing existing financial reserves to meet the shortfall. The District has reduced staffing and eliminated non-educational programs in order to continue to provide mandatory educational programs at effective levels.

The 2018-2019 budget was crafted to minimize expenditure increases and deficits were offset using fund reserves. The balancing of revenues and expenditures was done internally by increasing real estate tax rates and offering an early retirement incentive to provide attrition and replacement of top-step teachers. All other expenditures were scrutinized to reverse the negative financial trends as well.

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, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Cash and Cash Equivalents	\$ 2,612,252	\$ 293,967	\$ 2,906,219
Restricted Cash and Cash Equivalents	866,498	-	866,498
Accounts Receivable	55,695	15,362	71,057
Taxes Receivable	1,503,989	-	1,503,989
Due From Other Governments	1,037,996	8,764	1,046,760
Bond Discount	462,984	-	462,984
Inventory	-	27,642	27,642
Capital Assets: (Net)			
Depreciable	32,235,498	35,818	32,271,316
Non-depreciable	11,320	-	11,320
Total Assets	\$ 38,786,232	\$ 381,553	\$ 39,167,785
<u>Deferred Outflows of Resources</u>			
Deferred Loss on Debt Refunding	\$ 1,612,944	-	\$ 1,612,944
Deferred Outflows Related to Pensions	6,169,615	-	6,169,615
Deferred Outflows Related to OPEB	125,103	-	125,103
Total Deferred Outflows of Resources	\$ 7,907,662	-	\$ 7,907,662
<u>Liabilities</u>			
Current Liabilities:			
Accounts Payable	\$ 842,929	\$ 16,876	\$ 859,805
Accrued Expenses	1,782,112	-	1,782,112
Internal Balances	(113,294)	113,294	-
Accrued Interest Payable on Debt	196,180	-	196,180
Unearned Revenues	-	15,364	15,364
Current Portions of Long-Term Liabilities:			
Loans and Notes Payable	813,320	-	813,320
Non-Current Portions of Long-Term Liabilities:			
Loans and Notes Payable	40,032,804	-	40,032,804
Unfunded Other Postemployment Benefits	4,413,271	-	4,413,271
Compensated Absences	241,369	-	241,369
Pension Liability	40,251,550	-	40,251,550
Total Liabilities	88,460,241	145,534	88,605,775
<u>Deferred Inflows of Resources</u>			
Deferred Inflows Related to Pensions	882,009	-	882,009
Deferred Inflows Related to OPEB	189,029	-	189,029
Total Deferred Inflows of Resources	1,071,038	-	1,071,038
<u>Net Position</u>			
Net Investment in Capital Assets	(4,653,733)	35,818	(4,617,915)
Restricted Net Position			
Program Purposes	21,783	-	21,783
Unrestricted	(38,205,435)	200,201	(38,005,234)
Total Net Position (Deficit)	\$ (42,837,385)	\$ 236,019	\$ (42,601,366)

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

BROWNSVILLE AREA SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Primary Government:						
Governmental Activities:						
Instruction	\$ 17,941,715	\$ -	6,210,819	\$ (11,730,896)	\$ -	\$ (11,730,896)
Support Services	8,314,606	-	1,234,262	(7,080,344)	-	(7,080,344)
Noninstructional Services	1,935,322	52,703	-	(1,882,619)	-	(1,882,619)
Interest on Long-Term Debt	1,581,672	-	1,116,053	(465,619)	-	(465,619)
Total Governmental Activities	29,773,315	52,703	8,561,134	(21,159,478)	-	(21,159,478)
Business-Type Activities:						
Food Service	1,241,866	93,249	1,331,174	-	182,557	182,557
Total Business-Type Activities	1,241,866	93,249	1,331,174	-	182,557	182,557
Total Primary Government	\$ 31,015,181	\$ 145,952	\$ 9,892,308	\$ (21,159,478)	\$ 182,557	\$ (20,976,921)
General Revenues:						
Taxes				6,449,280	-	6,449,280
Grants, subsidies, and contributions not restricted				12,782,912	-	12,782,912
Investment Earnings				51,838	645	52,483
Miscellaneous				122,140	-	122,140
Sale of Fixed Asset				25,000	-	25,000
Total General Revenues				19,431,170	645	19,431,815
Change in Net Position				(1,728,308)	183,202	(1,545,106)
Net Position (Deficit) - Beginning (as restated, Note 7)				(41,109,077)	52,817	(41,056,260)
Net Position (Deficit) - Ending				\$ (42,837,385)	\$ 236,019	\$ (42,601,366)

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

BROWNSVILLE AREA SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Construction	Total Nonmajor Governmental Funds	Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 2,590,459	\$ -	\$ 21,793	\$ 2,612,252
Restricted cash and cash equivalents	-	866,498	-	866,498
Receivables:				
Taxes	1,503,989	-	-	1,503,989
Other governmental grants	1,037,996	-	-	1,037,996
Other	55,695	-	-	55,695
Due from other funds	113,304	-	-	113,304
Total assets	\$ 5,301,443	\$ 866,498	\$ 21,793	\$ 6,189,734
<u>Liabilities</u>				
Accounts payable	\$ 811,076	\$ 31,853	\$ -	\$ 842,929
Accrued liabilities	1,782,112	-	-	1,782,112
Due to other funds	-	-	10	10
Total liabilities	2,593,188	31,853	10	2,625,051
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - property taxes	1,314,732	-	-	1,314,732
Total Deferred Inflows of Resources	1,314,732	-	-	1,314,732
<u>Fund Balances</u>				
Restricted	-	834,645	21,783	856,428
Unassigned	1,393,523	-	-	1,393,523
Total fund balances	1,393,523	834,645	21,783	2,249,951
Total liabilities and fund balances	\$ 5,301,443	\$ 866,498	\$ 21,793	\$ 6,189,734

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

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

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

Total fund balances of governmental funds	\$ 2,249,951
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$49,382,234 and the accumulated depreciation is \$17,135,416.	32,246,818
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.	1,314,732
Bond Discount is 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.	462,984
Long-term liabilities such as Debt, Accrued Interest, Compensated Absences, and Pension Obligations 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	\$ (40,846,124)
Accrued interest	(196,180)
Deferred loss on debt refunding	1,612,944
Other Post Employment Benefits	(4,413,271)
Deferred Outflows related to Pension and OPEB	6,294,718
Deferred Inflows related to Pension and OPEB	(1,071,038)
Net pension liability	(40,251,550)
Compensated absences	(241,369)
	<u>(79,111,870)</u>
Total net position (deficit) of governmental activities	<u>\$ (42,837,385)</u>

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

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

	General Fund	Construction	Total Nonmajor Governmental Funds	Governmental Funds
Revenues				
Local Revenue Sources	\$ 7,191,827	\$ 13,707	\$ 293	\$ 7,205,827
State Revenue Sources	19,952,407	-	-	19,952,407
Federal Revenue Sources	910,039	-	-	910,039
Total Revenues	<u>28,054,273</u>	<u>13,707</u>	<u>293</u>	<u>28,068,273</u>
Expenditures				
Current operating:				
Instruction	17,205,744	-	-	17,205,744
Support Services	8,003,339	-	20,000	8,023,339
Noninstructional Services	785,492	475,786	28	1,261,306
Debt service				
Principal	841,216	-	-	841,216
Interest	1,797,753	-	-	1,797,753
Total Expenditures	<u>28,633,544</u>	<u>475,786</u>	<u>20,028</u>	<u>29,129,358</u>
Excess (deficiency) of revenues over expenditures	<u>(579,271)</u>	<u>(462,079)</u>	<u>(19,735)</u>	<u>(1,061,085)</u>
Other financing sources (uses)				
Proceeds from long term debt	10,405,000	-	-	10,405,000
Discount on bonds	(173,683)	-	-	(173,683)
Payment to Escrow Agent	(9,470,000)	-	-	(9,470,000)
Sale of Fixed Assets	25,000	-	-	25,000
Total other financing sources (uses)	<u>786,317</u>	<u>-</u>	<u>-</u>	<u>786,317</u>
Net change in fund balance	207,046	(462,079)	(19,735)	(274,768)
Fund balance, beginning of year	<u>1,186,477</u>	<u>1,296,724</u>	<u>41,518</u>	<u>2,524,719</u>
Fund balance, end of year	<u>\$ 1,393,523</u>	<u>\$ 834,645</u>	<u>\$ 21,783</u>	<u>\$ 2,249,951</u>

The accompanying notes are an integral part of these 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, 2018

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

Net Change in fund balances - total governmental funds \$ (274,768)

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.

Capital outlays	424,576	
Depreciation expense	<u>(1,469,275)</u>	(1,044,699)

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.

Debt principal repayments	841,216	
New debt issued during current year	(10,405,000)	
Change in accrued interest	(41,352)	
Deferred loss on debt refunding	546,119	
Amortization of loss on previous debt refundings	(76,218)	
Payments to escrow agents	9,470,000	
Current year bond discounts	173,683	
Amortization of previous bond discounts	<u>(212,468)</u>	295,980

Governmental funds do not report the changes in compensated absences: 8,904

Governmental Funds do not report the change in Other postemployment benefit liability and related deferred inflows and outflows of resources. 107,292

Governmental Funds do not report the changes in the Pension liability and and related deferred inflows and outflows of resources. (772,751)

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.

Current year	1,314,732	
Prior year	<u>(1,362,998)</u>	<u>(48,266)</u>

Change in net position of governmental activities \$ (1,728,308)

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

BROWNSVILLE AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2018

	Business-Type Activities - Enterprise Fund Cafeteria Fund
<hr/>	
Assets	
<hr/>	
Current Assets:	
Cash and cash equivalents	\$ 293,967
Due from other governments	8,764
Accounts receivable	15,362
Inventories	27,642
	<hr/>
Total current assets	345,735
	<hr/>
Noncurrent assets:	
Capital Assets (net of accumulated depreciation of \$142,409)	35,818
	<hr/>
Total noncurrent assets	35,818
	<hr/>
Total assets	\$ 381,553
	<hr/>
<hr/>	
Liabilities	
<hr/>	
Accounts payable	\$ 16,876
Unearned revenues	15,364
Due to other funds	113,294
	<hr/>
Total liabilities	145,534
	<hr/>
<hr/>	
Net Position	
<hr/>	
Net Investment in Capital Assets	35,818
Unrestricted	200,201
	<hr/>
Total net position (deficit)	236,019
	<hr/>
Total liabilities and net position (deficit)	\$ 381,553
	<hr/>

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

BROWNSVILLE AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Business-Type Activities - Enterprise Fund <u>Cafeteria Fund</u>
Operating Revenues	
Receipts from Providing Services	\$ 93,249
Total Operating Revenues	<u>93,249</u>
Operating Expenses	
Food Service	1,237,400
Depreciation and amortization	<u>4,466</u>
Total Operating Expenses	<u>1,241,866</u>
Operating Loss	(1,148,617)
Nonoperating Revenues (Expenses)	
Interest Income	645
Grants	<u>1,331,174</u>
Total Nonoperating Revenues (Expenses)	<u>1,331,819</u>
Change in Net Position	183,202
Net Position - Beginning of Year	<u>52,817</u>
Net Position - End of Year	<u>\$ 236,019</u>

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

BROWNSVILLE AREA SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Business-Type Activities - Enterprise Fund <u>Cafeteria Fund</u>
Cash flows from operating activities	
Cash received from customers	\$ 78,084
Cash paid to employees	(694,177)
Cash paid to suppliers	<u>(500,349)</u>
Net cash used in operating activities	<u>(1,116,442)</u>
Cash flows from capital and related financing activities	
Acquisition of fixed assets	<u>(14,771)</u>
Net cash provided by investing activities	<u>(14,771)</u>
Cash flows from non-capital financing activities	
Grant payments received	<u>1,329,829</u>
Net cash provided by non-capital financing activities	<u>1,329,829</u>
Cash flows from investing activities	
Interest earned	<u>645</u>
Net cash provided by investing activities	<u>645</u>
Net increase in cash and cash equivalents	199,261
Beginning cash and cash equivalents	<u>94,706</u>
Ending cash and cash equivalents	<u><u>\$ 293,967</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating loss	\$ (1,148,617)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation and amortization	4,466
(Increase) decrease in assets	
Account receivable	(15,165)
Inventories	(1,813)
Increase (decrease) in liabilities	
Accounts payable	(16,678)
Due to General Fund	<u>61,365</u>
Net cash used in operating activities	<u><u>\$ (1,116,442)</u></u>

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

BROWNSVILLE AREA SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	<u>Other Agency Funds</u>
<u>Assets</u>	
Cash and Cash Equivalents	\$ 10,540
Total Assets	<u>\$ 10,540</u>
<u>Liabilities</u>	
Liabilities:	
Funds Held in Fiduciary Capacity	\$ 10,540
Total Liabilities	<u>\$ 10,540</u>

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

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018

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 principals (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 principals. 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, 2018

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, 2018

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.

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.

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

B. FUND ACCOUNTING (CONTINUED):

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.

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.

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

C. MEASUREMENT FOCUS (CONTINUED):

2. Fund Financial Statements (Continued):

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:

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.

a. 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.

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 measureable 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.

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

D. BASIS OF ACCOUNTING (CONTINUED):

2. Fund Financial Statements:

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.

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.

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

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

a. 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.

b. Investments:

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

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 2018 was 18.35 mills (\$18.35 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 10.45 mills (\$10.45 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.

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

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

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.

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. 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, 2018

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

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

a. 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.

b. Unearned Revenues:

The Enterprise fund reports 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.) The Enterprise fund will 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, 2018

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

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

8. 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 \$100 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 \$50 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.

Compensated absences had a balance of \$241,369 as of June 30, 2018.

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

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

9. 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.

10. 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.

11. 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 did not have any nonspendable resources as of June 30, 2018.

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

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

11. 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 \$856,428 as of June 30, 2018, which were restricted for capital projects and scholarships.

- *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, 2018.

- *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, 2018.

- *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 \$1,393,523 of unassigned resources in the General Fund as of June 30, 2018.

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, 2018

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

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

12. 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.

13. Deferred Outflows/Inflows of Resources

The Statements of Net Position report separate sections for deferred outflows and deferred inflows of resources. These separate financial statement elements represent a consumption or acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow or inflow of resources (expense/revenue) until then. The District has two items that qualify for reporting in these categories: deferred outflows and inflows related to pensions, OPEB, and unavailable tax revenue.

Deferred outflows and inflows of resources related to pensions and OPEB are described further in Notes 4B and 4E. The components of deferred outflows of resources and deferred inflows of resources, other than the difference between the projected and actual investment earnings on investments, are amortized into pension expense over a 5 year closed period, which reflects the weighted average remaining service life of all PSERS members beginning the year in which the deferred amount occurs (current year). The annual difference between the projected and actual earnings on PSERS investments is amortized over a five-year closed period beginning the year in which the difference occurs (current year). Unavailable tax revenue, which arises under the modified accrual basis of accounting, 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.

14. Adoption of Governmental Accounting Standards Board Statements

The School District adopted the provisions of GASB Statement No. 75, *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"*. The adoption of this Statement resulted in a restatement of the District's OPEB liability and additional note disclosures.

The School District adopted the provisions of GASB Statement No. 81, *"Irrevocable Split-Interest Agreements"*. The adoption of this Statement had no effect on previously reported amounts.

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

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

14. Adoption of Governmental Accounting Standards Board Statements (Continued)

The School District adopted the provisions of GASB Statement No. 85, "*Omnibus 2017*". The adoption of this Statement had no effect on previously reported amounts.

The School District adopted the provisions of GASB Statement No. 86, "*Certain Debt Extinguishment Issues*". The adoption of this Statement had no effect on previously reported amounts.

15. Pending Changes in Accounting Principals

In November 2016, the GASB issued Statement No. 83, "*Certain Asset Retirement Obligations*". The School District is required to adopt Statement No. 83 for its fiscal year 2019 financial statements.

In January 2017, the GASB issued Statement No. 84, "*Fiduciary Activities*". The School District is required to adopt Statement No. 84 for its fiscal year 2020 financial statements.

In June 2017, the GASB issued Statement No. 87, "*Leases*". The School District is required to adopt Statement No. 87 for its fiscal year 2019 financial statements.

In April 2018, the GASB issued Statement No. 88, "*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*". The School District is required to adopt Statement No. 88 for its fiscal year 2019 financial statements.

In June 2018, the GASB issued Statement No. 89, "*Accounting for Interest Cost Incurred before the End of a Construction Period*". The School District is required to adopt No. 89 for its fiscal year 2020 financial statements.

In August 2018, the GASB issued Statement No. 90, "*Majority Equity Interests (an Amendment of GASB Statements No. 14 and No. 61)*". The School District is required to adopt statement No. 90 for its fiscal year 2019 financial statements.

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

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

G. USE OF ESTIMATES:

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

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, 2018, \$3,685,774 of the School District's bank balance of \$3,954,707 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, 2018

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

B. 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, 2018, the following amounts were due from other governmental units:

<u>Due From</u>	<u>General Fund</u>	<u>Enterprise Fund</u>
Federal	\$ 109,437	\$ 8,417
State	928,559	347
Total	<u>\$ 1,037,996</u>	<u>\$ 8,764</u>

C. INTERFUND TRANSACTIONS:

The following is a summary of Interfund Receivables and Payables at June 30, 2018:

	<u>Due to</u>	<u>Due From</u>
General Fund	\$ -	\$ 113,304
Due to other Non Major Funds	10	-
Enterprise Fund	113,294	-
Total	<u>\$ 113,304</u>	<u>\$ 113,304</u>

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

D. CAPITAL ASSETS:

Capital asset activity of the School District's governmental activities for the fiscal year ended June 30, 2018, is listed below.

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	\$11,320	\$ -	\$ -	\$11,320
Total Capital Assets, Not Being Depreciated	11,320	-	-	11,320
Capital Assets, Being Depreciated:				
Buildings and Improvements	44,733,998	300,021	-	45,034,019
Equipment and Vehicles	4,212,340	124,555	-	4,336,895
Total Capital Assets, Being Depreciated	48,946,338	424,576	-	49,370,914
Less Accumulated Depreciation For:				
Buildings and Improvements	(13,126,400)	(1,046,441)	-	(14,172,841)
Equipment and Vehicles	(2,539,741)	(422,834)	-	(2,962,575)
Total Accumulated Depreciation	(15,666,141)	(1,469,275)	-	(17,135,416)
Total Capital Assets Being Depreciated, Net	33,280,197	(1,044,699)	-	32,235,498
Governmental Activities Capital Assets, Net	\$33,291,517	\$ (1,044,699)	\$ -	\$32,246,818

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 70,512
Non Instructional Services	300,171
Support Services	1,098,592
Total	<u>\$ 1,469,275</u>

Business Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Being Depreciated:				
Equipment	\$163,456	\$ 14,771	\$ -	\$178,227
Total Capital Assets, Being Depreciated	163,456	14,771	-	178,227
Less Accumulated Depreciation	(137,943)	(4,466)	-	(142,409)
Total Capital Assets, Being Depreciated, Net	25,513	10,305	-	35,818
Business Type Activities Capital Assets, Net	\$25,513	\$10,305	\$ -	\$35,818

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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 2018 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<u>Governmental Activities</u>					
Bonds and Notes Payable:					
General Obligation Bonds	\$ 40,752,340	\$10,405,000	\$(10,311,216)	\$40,846,124	\$ 813,320
Discount on bonds	(501,769)	(173,683)	212,468	(462,984)	28,000
Total Bonds and Notes Payable	<u>40,250,571</u>	<u>10,231,317</u>	<u>(10,098,748)</u>	<u>40,383,140</u>	<u>841,320</u>
Other Liabilities:					
OPEB	4,082,393	749,587	(418,709)	4,413,271	-
Net Pension Liability	39,447,000	804,550	-	40,251,550	-
Compensated Absences	250,273	-	(8,904)	241,369	-
Total Other Liabilities	<u>43,779,666</u>	<u>1,554,137</u>	<u>(427,613)</u>	<u>44,906,190</u>	<u>-</u>
Governmental Activities Long-Term Liabilities	<u>\$ 84,030,237</u>	<u>\$11,785,454</u>	<u>\$(10,526,361)</u>	<u>\$85,289,330</u>	<u>\$ 841,320</u>

<u>Governmental Activities</u>			
Year Ended June 30	Principal Requirements	Interest Requirements	Total Debt Service Requirements
2019	\$ 813,320	\$ 1,506,213	\$ 2,319,533
2020	1,123,850	1,487,480	2,611,330
2021	1,444,380	1,468,764	2,913,144
2022	1,554,910	1,450,716	3,005,626
2023	1,740,440	1,426,669	3,167,109
2024-2028	9,479,920	6,504,259	15,984,179
2029-2033	10,309,304	4,619,108	14,928,412
2034-2038	10,280,000	1,576,195	11,856,195
2039-2040	4,100,000	138,338	4,238,338
	<u>\$ 40,846,124</u>	<u>\$ 20,177,742</u>	<u>\$ 61,023,866</u>

Long-term obligations have historically been liquidated with resources from the General Fund.

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

G. 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 principal 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.

H. GENERAL OBLIGATION NOTES, SERIES OF 2013

In December 2012 the School District issued General Obligation Bonds 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 issuance cost was amortized in the prior 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.

I. GENERAL OBLIGATION NOTES, SERIES OF 2014

In February 2014, the School District issued General Obligation Bonds Series of 2015, 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 issuance cost was expensed in the prior fiscal year.

J. GENERAL OBLIGATION NOTES, SERIES OF 2015

In March 2015, the School District issued General Obligation Bonds Series of 2016, with interest rates ranging from .50% to 3.50%. The proceeds of the bond will be used for refunding the Series 2008 Bonds, constructing and equipping a new elementary school and other capital improvements within the School District and to pay for the costs and expenses incurred by the School District in connection with the issuance and sale of the bonds. The School District recognized a bond discount of \$28,892 as a result of the issuance of the new debt. The bond issuance cost was expensed in the current fiscal year.

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 3: DETAILED NOTES ON ALL FUNDS (CONTINUED)

K. GENERAL OBLIGATION NOTES, SERIES OF 2016

In October of 2016, the School District issued General Obligation Bonds Series of 2016, with interest rates ranging from .50% to 3.50%. The proceeds of the bond will be used for the advance refunding of the Series 2013 A and 2013 C Bonds, and to pay for the costs and expenses incurred by the School District in connection with the issuance and sale of the bonds. The refunding resulted in a difference between the cash flow required to service the old debt and that required to service the new debt of \$1,495,821. The refunding also resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$400,140. The School District recognized a bond discount of \$148,805 as a result of the issuance of the new debt. The bond issuance cost was expensed in the current fiscal year.

L. 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.

M. In September of 2017, the School District issued General Obligation Bonds Series of 2017. The 2017A Bonds have interest rates ranging from 1.3% to 3.5% and will be used to (1) advance refund a portion of the School District's outstanding General Obligation Notes, Series C of 2014 and (2) pay the costs of issuing the 2017A Bonds. The 2017B Bonds have interest rates ranging from 2.0% to 4.45% and will be used to (1) advance refund all of the School District's outstanding Taxable General Obligation Notes, Series D of 2013, and (2) pay the costs of issuing the 2017B Bonds. The refunding resulted in a difference between the cash flow required to service the old debt and that required to service the new debt of \$(196,617). The refunding also resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$82,826. The School District recognized a bond discount of \$173,683 as a result of the issuance of the new debt. The bond issuance cost was expensed in the current fiscal year.

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 4: OTHER INFORMATION (CONTINUED):

A. CONTINGENT LIABILITIES (CONTINUED):

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, 2018.

B. POST RETIREMENT HEALTHCARE BENEFITS:

Plan Description

The District administers a single-employer defined benefit healthcare plan (the "Retiree Health Plan"). The plan provides healthcare, prescription drug, dental and/or vision insurance, at various costs to the member and the District, for the life of the member or until the member is eligible for Medicare, depending on the terms of the contract when they retire, for eligible retirees and their spouses through the District's health insurance plan. The Retiree Health Plan covers both active and retired members.

Benefit provisions are established and may be amended through negotiation with the District and the unions representing the District's employees. The Retiree Health Plan does not issue a publicly available financial report.

Employees covered by benefit terms. At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	40
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	156
Total	<u>196</u>

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 4: OTHER INFORMATION (CONTINUED):

B. POST RETIREMENT HEALTHCARE BENEFITS (CONTINUED):

Funding Policy. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75. The benefits are expensed when incurred and are financed on a pay-as-you-go basis. Retirees currently pay a portion of the monthly premium. The School District covers the balance of the premium not paid by the retiree. Retiree and dependent coverage, group plans, and costs to the retiree are subject to change. A spouse may be covered as a dependent until the death of the retiree; thereafter, they are eligible to continue coverage by paying 100% of the monthly insurance premium.

Total OPEB Liability. The District's total OPEB liability of \$2,752,780 was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2018.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.60%
Discount rate	3.87%
Healthcare cost trend rates	10% increase in the first year (2017), 7% in the 2nd year, decreasing by 0.5% per year to an ultimate rate of 5%
Mortality	RP-2000 Combined Healthy with Scale BB

The discount rate was based on the Bond Buyer 20 Year Bond GO Index.

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, 2018 the cost to the School District was \$277,585.

Changes in the total OPEB Liability

The District's total OPEB liability has been measured as of June 30, 2018. The total OPEB liability was determined by an actuarial valuation as of July 1, 2017, and by rolling forward the liabilities from the July 1, 2017 actuarial valuation through the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The net OPEB liability is \$2,752,780, all of which is unfunded. As of June 30, 2018, the total OPEB liability of \$2,752,780 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position.

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 4: OTHER INFORMATION (CONTINUED):

B POST RETIREMENT HEALTHCARE BENEFITS

The District's change in its total OPEB liability for the year ended June 30, 2018 was as follows:

	Governmental Activities
Service cost	\$ 106,652
Interest	104,818
Changes of benefit terms	-
Differences between expected and actual experience	(141,124)
Changes of assumptions or other inputs	-
Benefit payments	<u>(277,585)</u>
Net change in total OPEB liability	(207,239)
Total OPEB liability - June 30, 2017	<u>2,960,019</u>
Total OPEB liability - June 30, 2018	<u>\$ 2,752,780</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.

For the year ended June 30, 2018, the District recognized OPEB expense of (\$17,968). At June 30, 2018, the District reported deferred outflows of resources or deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions or other inputs	\$ -	\$ 124,638
	<u>\$ -</u>	<u>\$ 124,638</u>

The amount reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2019	\$ (16,486)
2020	(16,486)
2021	(16,486)
2022	(16,486)
2023	(16,486)
Thereafter	<u>(42,208)</u>
Total	<u>\$ (124,638)</u>

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 4: OTHER INFORMATION (CONTINUED):

B. POST RETIREMENT HEALTHCARE BENEFITS:

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87 percent) or 1 percentage point higher (4.87 percent) than the current discount rate:

	1% Decrease	Current Discount Rate	1% Increase
	2.87%	3.87%	4.87%
School's total OPEB liability	\$ 3,011,134	\$ 2,752,780	\$ 2,522,845

Sensitivity of the total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following shows presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare trend rates that are 1 percentage point higher or 1 percentage point lower than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
	9.00%	10.00%	11.00%
School's total OPEB liability	\$ 2,425,375	\$ 2,752,780	\$ 3,144,722

Health Insurance Premium Assistance Plan

In addition, the Pennsylvania Public School Employees' Retirement System ("PSERS") provides a Health Insurance Premium Assistance Plan ("PSERS Plan"). The PSERS Plan is a governmental cost-sharing multi-employer postretirement benefits plan that provides premium assistance to eligible public school employees of the Commonwealth of Pennsylvania. Under the PSERS Plan, employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of premium assistance benefits for each succeeding year.

The administrative staff of PSERS administers the PSERS Plan. The control and management of PSERS, including the investment of its assets, is vested in the 15 member Board of Trustees (Board). The Commonwealth General Assembly has the authority to amend the benefit terms of the PSERS Plan by passing a bill in the Senate and House of Representatives and sending the bills to the Governor for approval. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 4: OTHER INFORMATION (CONTINUED):

B. POST RETIREMENT HEALTHCARE BENEFITS:

Benefits Provided

Premium Assistance Eligibility Criteria

Retirees of the System can participate in the PSERS Plan if they satisfy the following criteria:

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

Benefits Provided

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

Employer Contributions. The school districts' contractually required contribution rate for fiscal year ended June 30, 2018 was 0.88% of covered payroll, an actuarially determined amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the PSERS Plan from the District were \$94,856 for the year ended June 30, 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows or Resources Related to OPEB:

At June 30, 2018, the District reported a liability of \$1,660,491 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2016 to June 30, 2017. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll of all School Districts in the PSERS Plan. At June 30, 2018, the District's proportion was 0.0815 percent, which was an increase of 0.0019 from its proportion measured as of June 30, 2017.

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 4: OTHER INFORMATION (CONTINUED):

B. POST RETIREMENT HEALTHCARE BENEFITS:

For the year ended June 30, 2018, the District recognized OPEB expense of \$36,116. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	\$ 94,856	\$ -
Changes of assumptions	-	64,391
Net difference between projected and actual investment earnings	1,318	-
Changes in proportion	28,929	-
	<hr/>	<hr/>
Total	<u>\$ 125,103</u>	<u>\$ 64,391</u>

\$94,856 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2019	\$ (6,654)
2020	(6,654)
2021	(6,652)
2022	(7,092)
2023	<u>(7,092)</u>
Total	<u><u>\$(34,144)</u></u>

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 4: OTHER INFORMATION (CONTINUED):

B. POST RETIREMENT HEALTHCARE BENEFITS:

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

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

The following assumptions were used to determine the contribution rate:

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

A recent actuarial experience study was not performed.

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

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 4: OTHER INFORMATION (CONTINUED):

B. POST RETIREMENT HEALTHCARE BENEFITS:

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the Program, as defined in the retirement code employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. The Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2017 were:

<u>OPEB - Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term</u>
		<u>Expected Real Rate of Return</u>
Cash	76.4%	0.6%
Fixed Income	23.6%	1.5%
	<u>100.0%</u>	

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

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2017, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2016, 91,797 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2016, 1,354 members were receiving less than the maximum amount allowed of \$1200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 4: OTHER INFORMATION (CONTINUED):

B. POST RETIREMENT HEALTHCARE BENEFITS:

The following presents the District's Proportionate Share of the net OPEB liability as well as what the District's Proportionate Share of the net OPEB liability would be if it was calculated using health cost trends that are 1-percentage point lower or 1-percentage higher than the current rate:

	Healthcare Cost		
	1% Decrease	Trend Rate	1% Increase
	<u>Between 4% to 7%</u>	<u>Between 5% to 8%</u>	<u>Between 6% to 9%</u>
System net OPEB liability	\$ 1,660,000	\$ 1,660,491	\$ 1,661,000

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate.

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

	1% Decrease	Current	1% Increase
	<u>2.13%</u>	<u>Discount Rate</u>	<u>4.13%</u>
School's proportionate share of the net OPEB liability	\$ 1,888,000	\$ 1,660,491	\$ 1,472,000

OPEB plan fiduciary net position.

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

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 4: OTHER INFORMATION (CONTINUED):

C. 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, 2018, the School District paid \$2,249,951 into the health consortium for health insurance benefits for its employees, which included administration fees.

D. 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.

E. EMPLOYEE RETIREMENT PLAN

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

General Information about the Pension Plan:

Plan Description. The District contributes to the Commonwealth of Pennsylvania School Employees Retirement System ("PSERS"), a governmental cost-sharing multi-employer defined benefit plan. Benefit provisions of the plan are established under the provisions of the PSERS Code (Act No. 96 of October 2, 1975, as amended) (24 PA C. S. 8101-8535) and may be amended by an act of the Pennsylvania legislature. The plan provides retirement and disability, legislatively mandated ad hoc cost-of-living adjustments and healthcare insurance premium assistance to qualifying plan members and beneficiaries. It also provides for refunds of a member's accumulated contributions upon termination of a member's employment in the public school sector. PSERS 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, PSERS, P.O. Box 125, Harrisburg, PA 17108-0125.

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 4: OTHER INFORMATION (CONTINUED):

E. EMPLOYEE RETIREMENT PLAN (CONTINUED):

General Information about the Pension Plan (Continued):

This publication is also available on the PSERS website at www.psers.state.pa.us/publications/cafr/index.htm.

Benefits provided. PSERS provides retirement, disability, and death benefits. Retirement benefits are determined as 2.5 percent of the employee's final 3-year average compensation times the employee's years of service. Employees with ten years of continuous service are eligible to retirement at age 60. Employees are eligible for service-related disability benefits regardless of length of service. Five years of services is required for nonservice-related disability eligibility. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits equal two times the employee's final full-year salary.

Contributions. The contribution policy is established in the Public School Employee's Retirement Code and requires contributions by active members, employers and the Commonwealth. Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation. Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of member's qualifying compensation. Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D.) For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002. Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member' qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-F contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Employer Contributions. The school districts' contractually required contribution rate for fiscal year ended June 30, 2018 was 30.52% of covered payroll, actuarially determined as an amount that, when combines with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$3,370,297 for the year ended June 30, 2018.

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 4: OTHER INFORMATION (CONTINUED):

E. EMPLOYEE RETIREMENT PLAN (CONTINUED):

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

At June 30, 2018, the District reported a liability of \$40,251,550 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2016 to June 30, 2017. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2017, the District's proportion was 0.0815 percent, which was a increase of 0.0019 from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$1,124,686. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ 789,620	
Changes in proportion	613,800	732,000
Changes in assumption	729,022	
Differences between expected and actual experience	314,941	150,009
Contributions subsequent to the measurement date	<u>3,370,297</u>	<u>-</u>
Total	<u>\$ 5,817,680</u>	<u>\$ 882,009</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

Year Ended June 30

2018	\$ 998,482
2019	524,372
2020	<u>42,520</u>
Total	<u>\$ 1,565,374</u>

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 4: OTHER INFORMATION (CONTINUED):

E. EMPLOYEE RETIREMENT PLAN (CONTINUED):

Actuarial Assumptions. The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry Age Normal – level % of pay
Inflation	2.75 percent
Salary increases	5.00 percent, average, including inflation of 2.75 percent, real wage growth and merit or seniority increases of 2.25 percent.
Investment rate of return expense, including inflation	7.25 percent, net of pension plan investment

Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. For disabled annuitants the RP-2000 Combined Disability Tables (male and female) with age set back 7 years for males and 3 years for females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

The actuarial assumptions used in the June 30, 2017 valuation were based on the experience study that was performed for the five-year period ending June 30, 2015. The recommended assumption changes based on this experience study were adopted by the Board at its June 10, 2016 Board meeting, and were effective beginning with the June 30, 2016 actuarial valuation.

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 4: OTHER INFORMATION (CONTINUED):

E. EMPLOYEE RETIREMENT PLAN (CONTINUED):

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	23%	5.3%
Fixed income	29%	2.1%
Commodities	8%	2.5%
Absolute return	10%	3.3%
Risk parity	10%	3.9%
Infrastructure/MLP's	5%	4.8%
Real estate	12%	4.0%
Alternative invesments	15%	6.6%
Cash	3%	0.2%
Financing (LIBOR)	-14%	0.5%
Total	100%	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2017.

Discount rate. The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from school districts will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50 percent) or 1-percentage point higher (8.50 percent) than the current rate:

	<u>Amounts X \$1,000</u>		
	<u>1% Decrease 6.25%</u>	<u>Current Rate 7.25%</u>	<u>1% Increase 8.25%</u>
District's proportionate share of the net pension liability	\$ 49,546	\$ 40,252	\$ 32,404

BROWNSVILLE AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 4: OTHER INFORMATION (CONTINUED):

E. EMPLOYEE RETIREMENT PLAN (CONTINUED):

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

NOTE 6: EXPENDITURES IN EXCESS OF APPROPRIATIONS

During the year expenditures in the General Fund exceeded appropriations by \$1,691,613. The excess was offset by the additional grant funding.

NOTE 7: RESTATEMENT OF NET POSITION

The following restatements were necessary to reflect changes required by the District's adoption of GASB Statement No. 75 "*Accounting and Financial Reporting for Post Employment Benefits other than Pensions.*"

Governmental Activities:

Net position, beginning balance of year as previously stated	\$(37,026,684)
Understatement of OPEB Liability	
due to GASB 75 adoption - PSERS	(1,624,470)
Understatement of OPEB Liability	
due to GASB 75 adoption - Retiree Health Plan	<u>(2,457,923)</u>
Net position, beginning balance of year as restated	<u><u>\$(41,109,077)</u></u>

**REQUIRED
SUPPLEMENTAL
INFORMATION**

BROWNSVILLE AREA SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts	Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local Revenue Sources	\$ 6,855,400	\$ 6,855,400	\$ 7,191,827	\$ 336,427
State Revenue Sources	18,671,917	18,671,917	19,952,407	1,280,490
Federal Revenue Sources	953,230	953,230	910,039	(43,191)
Total Revenues	<u>26,480,547</u>	<u>26,480,547</u>	<u>28,054,273</u>	<u>1,573,726</u>
Expenditures				
Current operating:				
Instruction	16,494,771	16,494,771	17,205,744	(710,973)
Support Services	7,772,708	7,772,708	8,003,339	(230,631)
Noninstructional Services	494,782	494,782	785,492	(290,710)
Debt service				
Principal	2,179,670	2,179,670	841,216	1,338,454
Interest	-	-	1,797,753	(1,797,753)
Total Expenditures	<u>26,941,931</u>	<u>26,941,931</u>	<u>28,633,544</u>	<u>(1,691,613)</u>
Excess (deficiency) of revenues over expenditures	<u>(461,384)</u>	<u>(461,384)</u>	<u>(579,271)</u>	<u>(117,887)</u>
Other financing sources (uses)				
Proceeds from long term debt	-	-	10,405,000	10,405,000
Discount on bonds	-	-	(173,683)	(173,683)
Payments to Escrow Agents	-	-	(9,470,000)	(9,470,000)
Sale of Fixed Assets	20,000	-	25,000	25,000
Total other financing sources (uses)	<u>20,000</u>	<u>-</u>	<u>786,317</u>	<u>786,317</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ (441,384)</u>	<u>\$ (461,384)</u>	<u>\$ 207,046</u>	<u>\$ 668,430</u>

BROWNSVILLE AREA SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS - RETIREES' HEALTH PLAN

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 106,652
Interest	104,818
Changes of benefit terms	-
Differences between expected and actual experience	(141,124)
Changes of assumptions or other inputs	-
Benefit payments	<u>(277,585)</u>
Net change in total OPEB liability	(207,239)
Total OPEB liability - beginning	<u>2,960,019</u>
Total OPEB liability - ending	\$ 2,752,780
Covered payroll	\$ 9,019,571
School's total OPEB liability as a percentage of covered payroll	30.52%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively.
This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

BROWNSVILLE AREA SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - PSERS PLAN

	<u>2018</u>
School's proportion of the net OPEB liability	0.0815%
School's proportionate share of the net OPEB liability	\$ 1,660,491
School's covered payroll	\$ 10,844,869
School's proportionate share of the net OPEB liability as a percentage of its covered payroll	15.31%
Plan fiduciary net position as a percentage of the total OPEB liability	5.73%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively.

This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

BROWNSVILLE AREA SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S OPEB CONTRIBUTIONS - PSERS PLAN

	<u>2018</u>	<u>2017</u>
Contractually determined contribution	\$ 94,856	\$ 90,105
Contributions in relation to the contractually determined contribution	<u>94,856</u>	<u>90,105</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 10,844,869	\$ 10,308,059
Contributions as a percentage of covered payroll	0.87%	0.87%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively.
This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

BROWNSVILLE AREA SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
 FOR THE YEAR ENDED JUNE 30, 2018
 NET PENSION LIABILITY
 Teachers Pension Plan
 Last 10 Fiscal Years*
 (Dollar amounts in thousands)

	2015	2016	2017
Districts proportion of the net pension liability	0.0838%	0.0796%	0.0815%
District's proportionate share of the net pension liability	\$ 36,298	\$ 39,447	\$ 40,252
District's covered-employee payroll	\$ 10,780	\$ 10,308	\$ 10,845
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	336.72%	382.68%	371.16%
Plan fiduciary net position as a percentage of the total pension liability	54.36%	50.14%	51.84%

* The amounts presented for each fiscal year were determined as of 06/30

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available

BROWNSVILLE AREA SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
 FOR THE YEAR ENDED JUNE 30, 2018
 Teachers Pension Plan
 Last 10 Fiscal Years*

	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 220,992	\$ 3,163,690	\$ 3,370,297
Contributions in relation to the contractually required contribution	220,992	3,163,690	3,370,297
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 10,780,544	\$ 10,308,059	\$ 10,844,869
Contributions as a percentage of covered-employee payroll	2.05%	30.69%	31.08%

<p>This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available</p>
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**OTHER
SUPPLEMENTAL
INFORMATION**

BROWNSVILLE AREA SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2018

	Capital Projects Fund	Permanent Fund	Total Nonmajor Governmental Funds
<u>Assets</u>			
Cash and cash equivalents	\$ 2,911	\$ 18,882	\$ 21,793
Total assets	<u>\$ 2,911</u>	<u>\$ 18,882</u>	<u>\$ 21,793</u>
<u>Liabilities</u>			
Due to other funds	\$ 10	\$ -	\$ 10
Total liabilities	<u>10</u>	<u>-</u>	<u>10</u>
<u>Fund Balance</u>			
Restricted	<u>2,901</u>	<u>18,882</u>	<u>21,783</u>
Total fund balance	<u>2,901</u>	<u>18,882</u>	<u>21,783</u>
Total liabilities and fund balance	<u>\$ 2,911</u>	<u>\$ 18,882</u>	<u>\$ 21,793</u>

BROWNSVILLE AREA SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	Capital Projects Fund	Permanent Fund	Total Nonmajor Governmental Funds
Revenues			
Local Sources	\$ 170	\$ 123	\$ 293
Total Revenues	<u>170</u>	<u>123</u>	<u>293</u>
Expenditures			
Current operating:			
Support services	20,000	-	20,000
Noninstructional services	28	-	28
Total Expenditures	<u>20,028</u>	<u>-</u>	<u>20,028</u>
Net change in fund balance	(19,858)	123	(19,735)
Fund balance, beginning of year	<u>22,759</u>	<u>18,759</u>	<u>41,518</u>
Fund balance, end of year	<u>\$ 2,901</u>	<u>\$ 18,882</u>	<u>\$ 21,783</u>