North Allegheny School District

Single Audit

June 30, 2015

MaherDuessel
Certified Public Accountants

Pittsburgh | Harrisburg | Butler

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NORTH ALLEGHENY SCHOOL DISTRICT

YEAR ENDED JUNE 30, 2015

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NORTH ALLEGHENY SCHOOL DISTRICT

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Independent Auditor's Report

Board of Directors
North Allegheny School District

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 North Allegheny School District (School District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the School District as of June 30, 2015, and the respective changes in its financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *"Accounting and Financial Reporting for Pensions,"* and GASB Statement No. 71, *"Pension Transition for Contributions Made Subsequent to the Measurement Date,"* which requires the School District to record its proportionate share of the Public School Employees' Retirement System (PSERS) net pension liability and related items on the government-wide financial statements. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, other postemployment benefits, and pension information on pages i through ix and 54 through 59, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 supplementary information as listed in the table of contents and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2015 on our consideration of the 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* in considering the School District's internal control over financial reporting and compliance.

Maher Duessel

Pittsburgh, Pennsylvania
December 16, 2015

NORTH ALLEGHENY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Required Supplementary Information

June 30, 2015

Our Management's Discussion and Analysis of North Allegheny School District's (School District) financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2015. Please review in conjunction with the School District's financial statements that begin on page 1.

The Management's Discussion and Analysis is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *"Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments."* The intent of this Management's Discussion and Analysis is to look at the School District's financial performance as a whole.

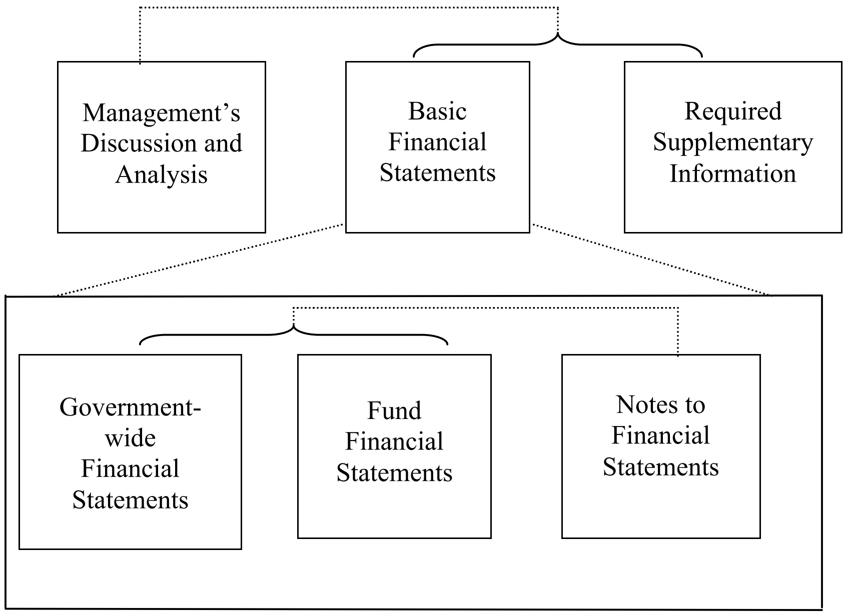
Though the intent of GASB Statement No. 34 is to produce documentation that mirrors for-profit institutions, the fact remains that the School District is not a for-profit institution. The School District is not in business to make a profit. The mission of the School District is to educate children. The reader should be aware of differences in financial statement reporting between a for-profit company and an institution such as the School District.

USING THE FINANCIAL STATEMENT REPORT

This Financial Statement Report consists of the Management's Discussion and Analysis (this section), the Basic Financial Statements, the Required Supplementary Information, and Supplementary Information. The Basic Financial Statements include the Government-Wide Financial Statements, Fund Financial Statements, and Notes to Financial Statements. The Statement of Net Position and Statement of Activities, on pages 1-2, provide information about the activities of the School District as a whole and present a longer-term view of the School District's finances. Fund Financial Statements, which start on page 3, provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term, as well as what remains for future spending. The Fund Financial Statements also look at the School District's most significant funds with all other governmental funds presented in total in one column. For the School District, the General Fund is the most significant major fund. Lastly, the financial statements include notes that explain some of the information in the financial statements and provide more detailed data.

Figure A shows how the required parts of the Financial Section are arranged and relate to one another:

Figure A
Required Components of
North Allegheny School District's
Financial Report



OVERVIEW OF FINANCIAL STATEMENTS

Government-Wide Financial Statements

The Government-Wide Financial Statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. Statement of Net Position includes all of the School District's assets, deferred outflows of resources, liabilities, and net position. 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 School District implemented GASB Statements No. 68 and 71 during fiscal year 2015. These Statements required a restatement of $188,948,000 to net position as of July 1, 2014 to record the School District's portion of the Public School Employees' Retirement System (PSERS) unfunded liability. As of June 30, 2015, the School District's portion of the unfunded liability is $192,916,000.

The Government-Wide Financial Statements report the School District's net position and how it has changed. Net position, the difference between the School District's assets, deferred outflows of resources, and liabilities, is one way to measure the School District's "book value" position.

Over time, increases or decreases in the School District's net position are an indication of whether its "book value" is increasing or decreasing.

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 property tax base and the performance of the students.
In the Statement of Net Position and the Statement of Activities, the School District is divided into two distinct kinds of activities:

- Governmental Activities – Most of the School District's basic services are included here, such as instructional services, support services, operation of plant and maintenance services, student transportation services, and administration. Property taxes, state and federal subsidies, and grants finance most of these activities.
- Business-Type Activities – The School District operates a food service operation and charges fees to staff, students, and visitors to help it cover the costs of the food service operation.

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Fund Financial Statements, which begin on page 3, provide detailed information about the most significant funds – not the School District as a whole. Some funds are required by state law and by bond requirements.

- Governmental Funds – Most of the School District's activities are reported in Governmental Funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The Governmental Funds Financial Statements provide a detailed short-term view of the School District's operations and the services it provides. The Governmental Funds information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and Governmental Funds is reflected in reconciliations on pages 4 and 6.

- Proprietary Fund – This Proprietary Fund is used to account for the School District's activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. The Food Service Fund is the School District's only Proprietary Fund and uses the same basis of accounting as Business-Type Activities; therefore, these statements will essentially match.

FINANCIAL HIGHLIGHTS

Each year the building of the School District's budget in the fall begins a challenging process for the Administration and the Board of Directors. As in previous years, the realization that there would be significant increases in several expenditure groups, as well as decreases in several revenue streams made the balancing of academic needs and fiscal responsibility a difficult process. Measures to utilize every efficiency and economy that would not diminish programs for students was identified and implemented.

Actual results for the fiscal year were more favorable than projected due to a number of factors. The General Fund Balance was reduced by approximately $(1.72M) which includes a provision for a $3.2M fund balance allocation offset by a net operating positive variance in revenue and expenditure line items. Overall, revenues and expenditures yielded a positive operating variance in the amount of $1.5M. A portion of the variance in the amount of $.525K is attributable to the fact that athletic fund revenues and expenditures are required by the PDE to be reported within the General Fund for financial reporting, but for budgeting and management purposes are budgeted and tracked separately from the General Fund. Earned income taxes were under budget by $1.5M, offset by several positive variances, including: Interim Real Estate Taxes of $530K, Deed Transfer Taxes of $516K, PA Accountability Block Grant of $282K, Transportation Subsidy of $174K, and ACCESS funding of $106K. The expenditure variances include savings in several expenditure line items, most notably in salaries of $507K, and medical insurance of $767K, and professional services of $276K. In addition, financial management controls (increased scrutiny of purchase orders) has enabled the School District to decrease expenditures in certain line items. The School District ended with a General Fund fund balance of approximately $15.7M.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Statements of Net Position

The School District's total net position was approximately negative $170M at June 30, 2015. It should be noted that the 2014 amounts presented below are not restated for the impact of the adoption of GASB Statements No. 68 and 71, as discussed earlier.

Table 1
Condensed Statements of Net Postion
Fiscal Years Ended June 30,

	2015			2014		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current assets	$ 39,775,466	$ 1,063,938	$ 40,839,404	$ 46,206,214	$ 1,199,738	$ 47,405,952
Other assets	5,363,096	31,327	5,394,423	5,985,216	26,047	6,011,263
Capital assets	128,757,290	534,639	129,291,929	129,038,578	467,049	129,505,627
Total Assets	173,895,852	1,629,904	175,525,756	181,230,008	1,692,834	182,922,842
Deferred Outflows of Resources	15,828,700	-	15,828,700	1,822,377	-	1,822,377
Current liabilities	18,713,991	297,356	19,011,347	20,014,988	470,094	20,485,082
Long-term liabilities:						
Due within one year	9,980,832	-	9,980,832	9,980,832	-	9,980,832
Due after one year	318,737,099	-	318,737,099	134,309,474	-	134,309,474
Total Liabilities	347,431,922	297,356	347,729,278	164,305,294	470,094	164,775,388
Deferred Inflows of Resources	13,857,000	-	13,857,000	-	-	-
Net investment in capital assets	20,080,521	534,639	20,615,160	15,808,593	467,049	16,275,642
Unrestricted	(191,644,891)	797,909	(190,846,982)	2,938,498	755,691	3,694,189
Total Net Position	$ (171,564,370)	$ 1,332,548	$ (170,231,822)	$ 18,747,091	$ 1,222,740	$ 19,969,831

The majority of current assets (approximately 71%) as of June 30, 2015 are made up of unrestricted and restricted cash and cash equivalents of approximately $28.9M and $73K, respectively.

Approximately $20M of the School District's net position is invested in capital assets (buildings, land, and equipment). The School District's buildings include seven (7) elementary schools; three (3) middle schools; an intermediate school which houses 9th and 10th graders; and the senior high school which houses 11th and 12th graders. In addition, the School District has a center for student and community use and a transportation building which houses the employees of the facilities and transportation departments. In total, the School District has fourteen buildings situated on approximately 349 acres of real estate.

The majority of current liabilities are from accounts payable and other current liabilities, accrued salaries, and benefits.

Non-current liabilities consist of the following basic components: long-term debt associated with renovations of the School District's buildings, the compensated absence liability, and liabilities related to the swap transactions discussed in Note 12 to the financial statements. For June 30, 2015, it also includes the School District's portion of the Public School Employees' Retirement System (PSERS) unfunded liability.

Statement of Activities

The results of this year's operations as a whole are reported in the Statement of Activities on page 2. All expenses are reported in the first column. Specific charges, grants, revenues, and subsidies that directly relate to specific expense categories are represented to determine the final amount of the School District's activities that are supported by other general revenues.

These financial statements offer a view of the financial condition of the School District on a consolidated basis. For example, investment earnings (Statement of Activities, page 2) not only include interest earnings in the General Fund, but also interest earnings in capital related funds as well.

Table 2 takes the information from the Statement of Activities and rearranges it slightly so an individual can review total revenues for the year. The School District has prepared financial statements with a comparative analysis of government-wide data to fiscal year 2014. As on the prior page, it should be noted that the 2014 amounts presented below are not restated for the impact of the adoption of GASB Statement No. 68 and 71. The impact of these statements was to significantly increase pension expense reported during 2015 as compared to the prior period.

Table 2
Changes in Net Position
Fiscal Years Ended June 30,

	2015			2014		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues						
Program revenues:						
Charges for services	$ 822,528	$ 2,343,863	$ 3,166,391	$ 850,209	$ 2,381,875	$ 3,232,084
Operating grants and contributions	20,095,171	534,618	20,629,789	17,225,794	501,366	17,727,160
General revenues:						
Property taxes	89,620,236	-	89,620,236	87,463,454	-	87,463,454
Other taxes	15,526,392	-	15,526,392	15,539,687	-	15,539,687
Grants, subsidies and contributions, unrestricted	10,992,085	-	10,992,085	10,993,396	-	10,993,396
Investment earnings	20,642	129	20,771	24,583	148	24,731
Net gain (loss) on disposal of assets	-	-	-	(45,524)	-	(45,524)
Investment gain (loss) on derivatives	343,886	-	343,886	(696,510)	-	(696,510)
Total Revenues	137,420,940	2,878,610	140,299,550	131,355,089	2,883,389	134,238,478
Expenses						
Instructional services	82,179,717	-	82,179,717	74,110,771	-	74,110,771
Support services	45,890,672	-	45,890,672	39,203,155	-	39,203,155
Non-instructional services	895,367	-	895,367	3,232,674	-	3,232,674
Facilities	332,573	-	332,573	281,092	-	281,092
Unallocated depreciation expense	5,817,023	-	5,817,023	4,488,337	-	4,488,337
Interest on long-term debt	3,669,049	-	3,669,049	3,930,948	-	3,930,948
Food services	-	2,768,802	2,768,802	-	2,742,310	2,742,310
Total Expenses	138,784,401	2,768,802	141,553,203	125,246,977	2,742,310	127,989,287
Change in Net Position	$ (1,363,461)	$ 109,808	$ (1,253,653)	$ 6,108,112	$ 141,079	$ 6,249,191

Governmental Activities

Table 3 shows the School District's functions/programs, as well as each program's net cost (total cost less revenues generated by the activities). This table also shows the net costs offset by the other unrestricted grants, subsidies, and contributions to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

Table 3
Governmental Activities
Fiscal Years Ended June 30,

	2015		2014	
Functions/Programs	**Total Cost of Services**	**Net Cost of Services**	**Total Cost of Services**	**Net Cost of Services**
Instructional services	$ 82,179,717	$ 68,835,659	$ 74,110,771	$ 62,995,168
Support services	45,890,672	40,693,017	39,203,155	34,533,601
Non-instructional services	895,367	(59,529)	3,232,674	3,102,039
Facilities	332,573	332,573	281,092	(542,942)
Unallocated expenses - excluding direct expenses reported as a function above:				
Depreciation expense	5,817,023	5,817,023	4,488,337	4,488,337
Interest on long-term debt	3,669,049	2,247,959	3,930,948	2,594,771
Total Governmental Activities	$ 138,784,401	117,866,702	$ 125,246,977	107,170,974
Less:				
Unrestricted grants, subsidies, and contributions		10,992,085		10,993,396
Total Needs from Local Taxes and Other Revenues		$ 106,874,617		$ 96,177,578

The dependence upon tax revenues for governmental activities is apparent and consistent with School District funding in the Commonwealth of Pennsylvania. The community, as a whole, is the primary support for the School District's students.

Business-Type Activity

The only Business-Type Activity of the School District is the food service operations. This program had revenues of $2.9M and $2.8M for the fiscal years 2015 and 2014, respectively. Food service expenses were $2.8M and $2.7M for the fiscal years 2015 and 2014, respectively. The contracted food service vendor guarantees a profit from their services. A profit of approximately $110K and $141K was realized for the fiscal years 2015 and 2014, respectively. Without depreciation, the food service operations would have had a profit of approximately $162K and $193K for fiscal years 2015 and 2014, respectively. The Statement of Revenues, Expenses, and Changes in Fund Net Position on page 8 for this Proprietary Fund will further detail the actual results of operations.

THE SCHOOL DISTRICT'S FUNDS

The General Fund, which accounts for the School District's operations, represents the School District's most significant major fund. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds on page 5 is summarized in **Table 4.**

Table 4
Summary of Governmental Change in Fund Balance
Fiscal Years ended June 30,

	2015			2014		
	General Fund	Other Governmental Funds	Total Governmental Funds	General Fund	Other Governmental Funds	Total Governmental Funds
Beginning Fund Balance	$ 17,470,299	$ 5,429,552	$ 22,899,851	$ 15,493,750	$ 10,844,027	$ 26,337,777
Net Change in Fund Balance	(1,722,358)	(3,908,982)	(5,631,340)	1,976,549	(5,414,475)	(3,437,926)
Ending Fund Balance	$ 15,747,941	$ 1,520,570	$ 17,268,511	$ 17,470,299	$ 5,429,552	$ 22,899,851

Included in the Other Governmental Funds in the above chart are the NASH/Newman Stadium, BWE/Marshall and CMS/IMS Construction Funds, along with the Capital Reserve Fund, 1999 Technology Fund, and Capital Financing Fund.

For 2014/2015, overall, there was a decrease in fund balance across all of the School District's funds in the amount of $5.6M. This was largely due to facilities acquisition, construction, and improvement services in the BWE/Marshall Construction Fund of approximately $3.4M, and support services in the Capital Reserve Fund of approximately $1.5M, relating to the ongoing project. In addition the General Fund Balance decreased $1.7M due to the budgeted transfer of fund balance in the amount of $3.2M, offset by a positive revenues and expenditure variances of $1.5M.

General Fund Budgeting Highlights

The School District's budget is prepared according to the Commonwealth of Pennsylvania law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. During the fiscal year, the Board of Directors authorized revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the School District. The budgeting systems are designed to tightly control budgets by controllers responsible for their individual areas.

The General Fund fund balance decreased as a result of actual results for 2014/2015. The change in fund balance is due to a large amount of transfers out during the year.

In total, the School District received $243K more revenue than originally budgeted. The School District's revenues from local sources were $175K less than budgeted. This is mainly attributable to a negative variance in Act 511 tax revenues collected in the current fiscal year. The School District realized budget to actual variances for state and federal sources in the amounts of $313K and $105K, respectively. While various state and federal funds were different than the original budget, the majority of this type of funding was to subsidize certain mandated and restricted expenditures.

Expenditures before transfers were budgeted at $133.2M, while actual expenditures were $132.8M. Savings were realized in many line items due to the School District's yearly commitment to decreasing expenses and curtailing spending.

Savings included salaries, benefits, professional fees and services, transportation contracted services, repairs and maintenance and utilities.

Overall, the School District's General Fund actual expenditures and other financing sources and uses (net) were greater than revenues by $1.72M, as displayed on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds, thus decreasing the fund balance of the School District.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The School District is invested in a broad range of capital assets, including land, site improvements, buildings, equipment, and vehicles. During fiscal year 2015, the School District's capital assets decreased by approximately $280K, mainly due to capital additions of $8.35M during the year for a broad range of purposes, offset by depreciation expense of approximately $8.61M.

Table 5
Governmental Activities
Fiscal Years Ended June 30,
Capital Assets - Net of Depreciation (If Applicable)

	2015	2014
Land	$ 429,929	$ 429,929
Site improvements	4,990,147	3,501,341
Buildings and improvements	109,010,785	110,764,588
Machinery, equipment, and furniture	4,445,962	2,677,554
Text and library books	3,647,036	4,072,519
Vehicles	4,047,013	3,723,641
Construction in progress	2,186,418	3,869,006
	$ 128,757,290	$ 129,038,578

Debt Administration

As of June 30, 2015, the School District had total outstanding bond principal of $104.0M, a decrease of $6.9M over bonds principal outstanding of $110.9M at June 30, 2014. Other obligations include accrued vacation pay and sick leave for specific employees of the School District, and amounts recorded as liabilities relating to the swap transactions, and the District's net pension liability. More detailed information about long-term liabilities is included in Notes 5 and 6 to the financial statements.

Table 6
Long-Term Liabilities
Fiscal Years Ended June 30

	2015	2014
General obligation bonds	$ 103,865,000	$ 110,590,000
Unamortized discounts and premiums, net	119,378	329,139
Swaption borrowing (2004)	5,460,844	6,038,649
Swaption borrowing (2012)	3,146,258	3,655,900
OPEB liability	2,361,711	1,809,281
Net pension liability	192,916,000	188,948,000
Embedded derivative instrument	9,299,458	9,058,259
General Obligation Note, 2008	3,938,216	4,143,382
Capital lease obligations	4,965,459	5,364,996
Accumulated employee benefits	2,645,607	3,300,700
	$ 328,717,931	$ 333,238,306

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The School District has a double ‘A’ (AA) bond rating by Standard & Poor’s (S&P), a New York municipal rating agency. There are only a small number of School Districts in Pennsylvania that hold this rating. To have a double ‘A’ (AA) bond rating will enable the School District to realize savings in insurance costs and debt service payments on any up-coming bond issues. The double ‘A’ (AA) rating reflects the School District's stable outlook, primarily the residential nature of the School District, with easy employment access to the Pittsburgh MSA. S&P cites “….very high wealth levels and a large tax base that has exhibited ongoing healthy growth and no taxpayer concentration.”

The revenue and expenditure budget for the 2015/2016 fiscal year is $4.1M more than the budget for 2014/2015. Revenues included increases for local sources in the amount of $4.1M, increases for state sources in the amount of $3M, increases in federal sources of $156K and a decrease in other financing sources of $3.2M. Included in state related mandates is retirement expense which has been budgeted at an employer contribution rate of 25.84%. While this cost is shared with the Commonwealth of Pennsylvania, retirement expense accounts for approximately 12.1% of the budget. The School District is required to contribute, by state law, to the employee retirement program. Health insurance costs continue to increase for every employer. Based on premiums and claims, the School District anticipates only a small increase in these costs during 2015/2016. Over the past ten fiscal years, costs have increased substantially. This is a fiscal reality that has affected every business and organization in western Pennsylvania.

The School District has committed itself to financial excellence for many years. The School District ranks the 8th lowest millage in Allegheny County (excluding the City of Pittsburgh). In addition, the School District's system of financial planning, budgeting, and internal financial controls are well regarded as represented in an “unqualified opinion” from the School District’s auditors in the past several years. The School District plans to continue its sound fiscal management to meet the challenges of the future.

CONTACTING THE SCHOOL DISTRICT FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors, and creditors with a general overview of the School District's finances and to show the Board of Directors accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact Michael T. Hopkins, Treasurer, at North Allegheny School District, 200 Hillvue Lane, Pittsburgh, PA 15237.

NORTH ALLEGHENY SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2015

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	$ 27,931,972	$ 957,269	$ 28,889,241
Restricted cash, cash equivalents, and investments for capital additions	72,662	-	72,662
Property taxes receivable, net of allowance for uncollectibles	2,211,932	-	2,211,932
Earned income taxes receivable	2,559,250	-	2,559,250
Intergovernmental receivable	6,138,299	106,669	6,244,968
Other receivables	841,248	-	841,248
Prepaid expense	20,103	-	20,103
Inventory	211,495	31,327	242,822
Net investment in joint venture	3,938,216	-	3,938,216
Derivative investment - basis swap	1,213,385	-	1,213,385
Capital assets, net of accumulated depreciation:			
Non-depreciable	2,616,347	-	2,616,347
Depreciable	126,140,943	534,639	126,675,582
Total Assets	173,895,852	1,629,904	175,525,756
Deferred Outflows of Resources			
Deferred charge on refunding	200,406	-	200,406
Pension contributions subsequent to measurement date	14,083,000	-	14,083,000
Accumulated decrease in fair value of hedging derivatives	1,545,294	-	1,545,294
Total Deferred Outflows of Resources	15,828,700	-	15,828,700
Liabilities			
Accounts payable and other current liabilities	5,210,646	184,821	5,395,467
Tax refunds payable	600,000	-	600,000
Accrued salaries and benefits	12,643,004	-	12,643,004
Accrued interest payable	123,052	-	123,052
Unearned revenue	137,289	112,535	249,824
Non-current liabilities:			
Due within one year	9,980,832	-	9,980,832
Due in more than one year	318,737,099	-	318,737,099
Total Liabilities	347,431,922	297,356	347,729,278
Deferred Inflows of Resources			
Pension	13,857,000	-	13,857,000
Net Position			
Net investment in capital assets	20,080,521	534,639	20,615,160
Unrestricted	(191,644,891)	797,909	(190,846,982)
Total Net Position	$ (171,564,370)	$ 1,332,548	$ (170,231,822)

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

NORTH ALLEGHENY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

		Program Revenues			Net (Expense) Revenue and Change in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instructional services	$ 82,179,717	$ -	$ 13,344,058	$ -	$ (68,835,659)	$ -	$ (68,835,659)
Support services	45,890,672	28,491	5,169,164	-	(40,693,017)	-	(40,693,017)
Non-instructional service	895,367	-	160,859	-	(734,508)	-	(734,508)
Facilities	332,573	794,037	-	-	461,464	-	461,464
Unallocated expenses - excluding direct expenses reported as a function above:							
Depreciation expense	5,817,023	-	-	-	(5,817,023)	-	(5,817,023)
Interest on long-term debt	3,669,049	-	1,421,090	-	(2,247,959)	-	(2,247,959)
Total governmental activities	138,784,401	822,528	20,095,171	-	(117,866,702)	-	(117,866,702)
Business-Type Activities:							
Food services	2,768,802	2,343,863	534,618	-	-	109,679	109,679
Total Primary Government	$ 141,553,203	$ 3,166,391	$ 20,629,789	$ -	(117,866,702)	109,679	(117,757,023)
General revenues:							
Taxes:							
Property taxes, levied for general purposes, net of uncollectibles					89,620,236	-	89,620,236
Earned income taxes					13,681,564	-	13,681,564
Other taxes levied for general purposes					1,844,828	-	1,844,828
Grants, subsidies, and contributions not restricted to specific programs					10,992,085	-	10,992,085
Investment income					20,642	129	20,771
Investment gain (loss) on derivative instruments, net					343,886	-	343,886
Total general revenues and investment loss on derivative instruments					116,503,241	129	116,503,370
Change in Net Position					(1,363,461)	109,808	(1,253,653)
Net Position:							
Beginning of year, as restated					(170,200,909)	1,222,740	(168,978,169)
End of year					$ (171,564,370)	$ 1,332,548	$ (170,231,822)

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

NORTH ALLEGHENY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2015

	General Fund	Capital Reserve Fund	BWE/Marshall Construction Fund	Other Governmental Funds	Total
Assets					
Cash and cash equivalents	$ 21,521,737	$ 6,279,375	-	$ 203,522	$ 28,004,634
Property taxes receivable, net of			-		
allowance for uncollectibles	2,211,932	-	-	-	2,211,932
Earned income taxes receivable	2,559,250	-	-	-	2,559,250
Intergovernmental receivable	4,032,699	-	-	-	4,032,699
Other receivables	841,248	-	-	-	841,248
Due from other funds	3,185,631	-	-	-	3,185,631
Prepaid expense	20,103	-	-	-	20,103
Inventory	211,495	-	-	-	211,495
Total Assets	$ 34,584,095	$ 6,279,375	$ -	$ 203,522	$ 41,066,992
Liabilities, Deferred Inflows of Resources, and Fund Balance					
Liabilities:					
Accounts payable and other current liabilities	$ 3,433,950	$ 1,506,039	190,934	$ 79,723	$ 5,210,646
Tax refunds payable	600,000	-	-	-	600,000
Accrued salaries and benefits	12,643,004	-	-	-	12,643,004
Due to other funds	-	-	3,185,631	-	3,185,631
Unearned revenues	137,289	-	-	-	137,289
Total Liabilities	16,814,243	1,506,039	3,376,565	79,723	21,776,570
Deferred Inflows of Resources:					
Unavailable revenue - taxes	2,021,911	-	-	-	2,021,911
Fund Balance:					
Nonspendable:					
Inventory and prepaid	231,598	-	-	-	231,598
Restricted for:					
Capital projects	-	-	-	946	946
Committed for:					
Future debt issuance and swaption costs	5,161,733	-	-	-	5,161,733
Assigned:					
Capital projects - technology	-	-	-	125,723	125,723
Other capital projects	-	4,773,336	-	-	4,773,336
Unassigned	10,354,610	-	(3,376,565)	(2,870)	6,975,175
Total Fund Balance	15,747,941	4,773,336	(3,376,565)	123,799	17,268,511
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	$ 34,584,095	$ 6,279,375	$ -	$ 203,522	$ 41,066,992

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

NORTH ALLEGHENY SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

YEAR ENDED JUNE 30, 2015

Total Fund Balance - Governmental Funds			$ 17,268,511
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.			128,757,290
Property taxes receivable will be collected next year, but are not considered available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred inflows in the funds.			2,021,911
Governmental funds report the effect of refunding gains and losses when debt is first issued, whereas these amounts are deferred and amortized in the statement of net position.			200,406
Accrued interest payable is not due and payable in the current period and, therefore, is not reported as a liability in the funds.			(123,052)
State subsidy related to debt payments is accrued in the statement of net position, as the related debt has already been incurred and is not reported as a receivable in the funds.			2,105,600
The net investment in joint venture does not represent a financial asset that would be recorded as an asset in the governmental funds.			3,938,216
The investment in derivative instruments and deferred outflow do not represent a financial asset that would be recorded within the governmental funds.			2,758,679
The actuarially accrued other post-employment benefit (OPEB) asset, net pension liability, and deferred inflows and outflows of resources for pension for the School District's employees are not recorded on the fund financial statements.			(195,051,711)
Long-term liabilities, as denoted below, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:			
	Bonds payable, net	$ (103,984,378)	
	Derivative instrument	(9,299,458)	
	Note payable	(3,938,216)	
	Swap loan	(8,607,102)	
	Capital leases	(4,965,459)	
	Compensated absences	(2,645,607)	
			(133,440,220)
Total Net Position - Governmental Activities			$ (171,564,370)

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

NORTH ALLEGHENY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2015

	General Fund	Capital Reserve Fund	BWE/Marshall Construction Fund	Other Governmental Funds	Total
Revenues:					
Local sources	$ 107,236,612	$ 14,045	$ -	$ 113,649	$ 107,364,306
State sources	28,292,908	-	-	-	28,292,908
Federal sources	1,011,833	-	-	-	1,011,833
Total revenues	136,541,353	14,045	-	113,649	136,669,047
Expenditures:					
Current:					
Instruction	78,080,572	-	-	626,691	78,707,263
Support services	39,613,273	2,309,097	806	2,091,586	44,014,762
Operation of non-instructional services	3,216,633	-		-	3,216,633
Facilities acquisition, construction, and improvement services	29,916	1,859,751	3,375,759	41,878	5,307,304
Debt service:					
Principal	7,938,309	-	-	-	7,938,309
Interest	3,948,859	-	-	4,221	3,953,080
Capital outlays	-	-	-	-	-
Total expenditures	132,827,562	4,168,848	3,376,565	2,764,376	143,137,351
Excess (Deficiency) of Revenues Over Expenditures	3,713,791	(4,154,803)	(3,376,565)	(2,650,727)	(6,468,304)
Other Financing Sources (Uses):					
Transfer in	3	5,607,616	-	665,500	6,273,119
Transfer out	(6,273,116)	-	-	(3)	(6,273,119)
Proceeds from capital lease	813,772	-	-	-	813,772
Proceeds from sale of assets	51,235	-	-	-	51,235
Refund of prior year receipts	(28,043)	-	-	-	(28,043)
Total other financing sources (uses)	(5,436,149)	5,607,616	-	665,497	836,964
Net Change in Fund Balance	(1,722,358)	1,452,813	(3,376,565)	(1,985,230)	(5,631,340)
Fund Balance:					
Beginning of year	17,470,299	3,320,523	-	2,109,029	22,899,851
End of year	$ 15,747,941	$ 4,773,336	$ (3,376,565)	$ 123,799	$ 17,268,511

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

NORTH ALLEGHENY SCHOOL DISTRICT

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

YEAR ENDED JUNE 30, 2015

Net Change in Fund Balance - Governmental Funds		$ (5,631,340)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of some of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount is the net effect of these items in the current period:		
Capital outlays	$ 8,329,203	
Less: depreciation expense	(8,610,491)	(281,288)
The actuarially accrued other postemployment benefits (OPEB) obligation, and net pension liability for the School District's employees and retirees are not recorded on the fund financial statements. The value of this obligation changed by this amount during the year.		(4,294,430)
Some taxes and state grants will not be collected for several months after the School District's year-end; they are not considered "available" revenues in the governmental funds. Unearned revenues changed by this amount during the year.		436,050
The issuance of long-term obligations (e.g., bonds, leases, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and refunding gains and losses when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term obligations and related items.		7,124,537
Interest on long-term obligations in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest accrued in the statement of activities over the amount due is shown here.		(348,986)
Investment income and loss related to derivative instruments is recognized as revenue within the statement of activities. This amount represents the change in the investment in derivative instruments during the year.		976,903
In the statement of activities, certain operating expenses, specifically accumulated employee benefits (vacations, sick days, and early retirement) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used.		655,093
Change in Net Position of Governmental Activities		$ (1,363,461)

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

NORTH ALLEGHENY SCHOOL DISTRICT

STATEMENT OF NET POSITION
PROPRIETARY FUND

JUNE 30, 2015

		Enterprise Fund Food Service
Assets		
Current assets:		
Cash and cash equivalents	$	957,269
Intergovernmental receivable		106,669
Inventory		31,327
Total current assets		1,095,265
Non-current assets:		
Machinery and equipment		2,267,268
Less accumulated depreciation		(1,732,629)
Total non-current assets		534,639
Total Assets	$	1,629,904
Liabilities and Net Position		
Liabilities:		
Accounts payable	$	184,821
Unearned revenue		112,535
Total Liabilities		297,356
Net Position:		
Net investment in capital assets		534,639
Unrestricted		797,909
Total Net Position		1,332,548
Total Liabilities and Net Position	$	1,629,904

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

NORTH ALLEGHENY SCHOOL DISTRICT

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

YEAR ENDED JUNE 30, 2015

	Enterprise Fund Food Service
Operating Revenue:	
Sale of food	$ 2,343,863
Operating Expenses:	
Supplies	300,515
Depreciation	51,582
Other purchased services	2,416,705
Total operating expenses	2,768,802
Net Operating Loss	(424,939)
Non-operating Revenues:	
State subsidies	66,579
Federal revenues:	
Subsidies	338,817
Donated commodities	123,199
Local revenues	6,023
Earnings on investments	129
Total non-operating revenues	534,747
Change in Net Position	109,808
Net Position:	
Beginning of year	1,222,740
End of year	$ 1,332,548

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

NORTH ALLEGHENY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

YEAR ENDED JUNE 30, 2015

	Food Service Fund
Cash Flows From Operating Activities:	
Receipts from users	$ 2,368,956
Payments to suppliers for goods and services	(2,797,132)
Net cash provided by (used in) operating activities	(428,176)
Cash Flows From Non-Capital Financing Activities:	
Grants and subsidies received:	
State	58,044
Federal	297,360
Local	6,023
Net cash provided by (used in) non-capital financing activities	361,427
Cash Flows From Capital and Related Financing Activities:	
Purchase of fixed assets	(119,172)
Cash Flows From Investing Activities:	
Earnings on investments	129
Net Increase (Decrease) in Cash and Cash Equivalents	(185,792)
Cash and Cash Equivalents:	
Beginning of year	1,143,061
End of year	$ 957,269
Reconciliation of Net Operating Loss to Net Cash Provided by (Used in) Operating Activities:	
Net operating loss	$ (424,939)
Adjustments to reconcile net operating loss to net cash provided by (used in) operating activities:	
Depreciation expense	51,582
Donated commodities	123,199
Change in assets and liabilities:	
Inventory	(5,280)
Unearned revenue	25,093
Accounts payable	(197,831)
Total adjustments	(3,237)
Net cash provided by (used in) operating activities	$ (428,176)

Non-Cash Financing Transaction:

The School District received donated commodities of $123,199 from the U.S. Department of Agriculture

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

NORTH ALLEGHENY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2015

	Agency Fund
Assets	
Cash and cash equivalents	$ 614,826
Liabilities	
Other current liabilities	$ 614,826

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

1. Summary of Significant Accounting Policies

The financial statements are prepared in accordance with the accounting system and procedures prescribed for school districts by the Commonwealth of Pennsylvania, Department of Education, which conforms to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity

North Allegheny School District (School District) is a public school system operating under the authority of the Pennsylvania School Code of 1949 and is governed by an elected nine-member Board of Directors (Board). The criteria set forth by the Governmental Accounting Standards Board (GASB) are followed by the School District to determine which governmental organizations should be included or excluded from the reporting entity. Criteria for inclusion of any entity (component unit) into a primary governmental unit's financial statements include but are not limited to legal standing, fiscal dependency, imposition of will, financial benefit or burden, and appointment of a voting majority of the governing Board. The School District presently has no component units that meet the above criteria.

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements

The School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The fiduciary fund is reported by type. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate "fund types" as follows:

Governmental Funds:

The School District presents the following major governmental funds:

General Fund

The General Fund is the general operating fund of the School District which is utilized to account for all revenues and expenditures except those required to be accounted for in another fund. For financial reporting purposes, the Athletic Fund, a separate accounting fund, is presented as part of the General Fund.

Capital Reserve Fund

The Capital Reserve Fund is utilized to account for financial resources to be used for the acquisition, construction, or repair of major capital facilities and equipment.

BWE/Marshall Construction Fund

The BWE/Marshall Construction Fund is utilized to account for the expenditures and financial resources to be used for the renovations of Bradford Woods and Marshall Elementary and Middle Schools.

Additionally, the School District reports the following other governmental funds:

Capital Projects Funds

Capital Projects Funds are utilized to account for financial resources to be used for the acquisition, construction, or repair of major capital facilities and equipment. Three individual funds comprise this generic group – 1999 Technology Fund, NASH Newman Stadium Construction Fund, and the CMS/IMS Construction Fund.

Capital Financing Fund

The Capital Financing Fund is utilized to account for the proceeds from capital lease financing that are to be used for ongoing technology related projects.

Proprietary Fund:

Enterprise Fund (Food Service Fund)

The Food Service Fund is authorized under Section 504 of the Public School Code of 1949 to account for all revenues and expenses pertaining to cafeteria operations and is presented as a major fund. The Food Service Fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises where the stated intent is that the costs of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges and government subsidies.

Fiduciary Fund:

Agency Fund

The Student Activities Fund is used to account for assets held by the School District in a trustee capacity or as agent for individuals or private organizations.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Real estate taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for earned income taxes, for which the period is within 90 days of the end of the current fiscal period. Expenditures are generally 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.

Real estate taxes, earned income taxes, rents, fees, and state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual as revenue of the current fiscal period. Real estate tax revenue for interim assessments is recognized when collected. All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the statement of net position. Fund equity (i.e., net total position) is segregated into unrestricted net position and net investment in capital assets. The operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total position.

Operating revenues and expenses of the proprietary fund consists of those revenues and expenses that result from the ongoing principal operations of the School District. Operating revenues consist primarily of user charges. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities.

The proprietary fund follows the accrual basis of accounting, in which revenues are recorded when earned and expenses as incurred.

Deferred inflows are reported on the governmental funds statements when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the School District before it has a legal claim to them, as when intergovernmental funds are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the School District has a legal claim to the resources, the liability for unearned revenue is removed and the revenue is recognized.

<u>Budgets and Budgetary Accounting</u>

The Board approves, prior to the beginning of each fiscal year, an annual budget on the modified accrual basis for the General Fund, as required by state law.

The School District follows these procedures for establishment of their annual budget:

1. Prior to May of the preceding fiscal year, the School District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.

2. At least 20 days prior to the date set for budget adoption, the budget is made available for public inspection.

3. A meeting of the Board is then called for the purpose of adopting the proposed budget. This meeting may only be held after 10 days of public notification.

4. Prior to July 1, the budget is legally enacted through passage of a resolution by the Board.

5. The budget must be filed with the Commonwealth of Pennsylvania, Department of Education by July 15 of the fiscal year or within 30 days of adoption.

The Public School Code allows the Board to authorize budget transfer amendments between functions and objects during the year. The budget data reflected in the required supplementary information includes the effect of such approved budget transfer amendments and, for comparative purposes; the actual results have also been presented. The level of budgetary control is at the object level within each function and fund. Function is defined as a program area such as instructional services, and object is defined as the nature of the expenditure such as salaries or supplies.

Annual appropriations lapse at year-end. No supplemental appropriations were required during the current fiscal year.

Budgetary control for other governmental funds is maintained through enforcement of the related grant provisions or through provisions of various debt agreements.

As discussed in Note 1, activity related to the Athletic Fund is reported as part of the General Fund. Activity related to the Athletic Fund is budgeted separately from the General Fund in each year, and is footnoted as such in the statement of revenues, expenditures, and changes in fund balance – budget and actual, General Fund, included in required supplementary information.

Cash and Investments

For purposes of the statement of cash flows, the School District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition and pooled funds investments subject to daily withdrawal to be cash equivalents.

Investments are stated at fair value, which approximates market.

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statement as "internal balances."

Property tax receivables are shown net of an allowance for uncollectible amounts. Property taxes are levied as of July 1 on property values assessed as of the same date. The billings are considered past due on November 1, and penalties and interest are assessed.

Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost and donated fixed assets are recorded at their fair market values at the time of donation. The School District maintains a capitalization threshold of $5,000. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

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

Site improvements	15 years
Buildings and improvements	20-50 years
Machinery, equipment, and furniture	3-15 years
Vehicles	15 years
Text and library books	5-20 years

Compensated Absences

The School District accrues for certain accumulated employee benefits, such as unpaid vacation, sick pay, and retirement lump sum payments. The amount of the accrual is based on the vacation, sick, and retirement lump-sum payments, which are expected to be paid to employees upon their termination or retirement from the School District. The entire accumulated employee benefits liability is reported on the government-wide financial statements.

For governmental funds, the current portion of unpaid accumulated employee benefits is the amount of early retirement and severance pay expected to be paid using expendable available resources within the next fiscal year.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium and discount.

The excess of the reacquisition price over the net carrying amount of refunded debt is recorded as a deferred charge on refunding in the governmental activities. The deferred charge on refunding is reported as a component of deferred outflows, and is amortized using the straight-line method, which approximates the effective interest method over the shorter of the term of the refunding or refunded bonds.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses.

In both the fund and government-wide financial statements, issue costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures and expenses, respectively.

Deferred Inflows and Outflows of Resources Related to Pensions

In conjunction with pension accounting requirements, the effect of the change in the School District's proportion, the difference between expected and actual investment earnings, and payments made to PSERS subsequent to the measurement date are recorded as a deferred inflow or outflow of resources related to pensions on the government-wide financial statements. These amounts are determined based on the actuarial valuation performed for the PSERS plan. The effect of the change in the School District's proportion is recognized over the average expected remaining service lives of active and inactive members, which was 5.15 years as of June 30, 2013. The difference between expected and actual investment earnings is recognized over 5 years. Payments subsequent to the measurement date will be recorded as a reduction to the pension liability in the next fiscal year. Note 6 presents additional information about the PSERS plan.

Postemployment Benefits

In the government-wide financial statements, long-term liabilities related to postemployment benefits, including pensions, health insurance, and life insurance, are calculated based on actuarial valuations as described in Notes 6 and 8.

Inventory

Textbooks, library books, and other educational supplies are recorded as instructional expenditures of the General Fund when purchased in the fund statements and recorded as capital assets in the government-wide financial statements.

Transportation inventory is accounted for under the consumption method. Inventories of repair parts and supplies are carried and expended within the General Fund at average cost.

Inventories of the Food Service Fund are also carried and expended at average cost.

Adoption of Accounting Pronouncements

The requirements of the following Governmental Accounting Standards Board (GASB) Statements were adopted for the School District's 2015 financial statements:

GASB Statement No. 68, *"Accounting and Financial Reporting for Pensions,"* and GASB Statement No. 71, *"Pension Transition for Contributions Made Subsequent to the Measurement Date,"* were adopted in the current year by the School District. As a result of this implementation, the government-wide net position as of July 1, 2014 was restated with a decrease of $188,948,000 to record the School District's proportionate share of the PSERS total pension liability. The proportionate share is calculated utilizing the School District's one-year reported covered payroll as it relates to the total one-year reported covered payroll. The pension liability and its related components are described more fully in Note 6.

Pending Accounting Pronouncements

GASB has issued the following statements that will become effective in future years as shown below. Management has not yet determined the impact of these statements on the financial statements:

GASB Statement No. 72, *"Fair Value Measurement and Application,"* is effective for the period beginning after June 15, 2015 (the School District's 2016 fiscal year). This statement addresses accounting and financial reporting issues related to fair value measurements.

GASB Statement No. 73, *"Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,"* is effective for the period beginning after June 15, 2015 (the School District's 2016 fiscal year) – except those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of GASB Statement 68, which are effective for financial statements for the period beginning after June 15, 2016 (the School District's 2017 fiscal year). This statement establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (those not covered by GASB Statements No. 67 and 68).

GASB Statement No. 74, *"Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,"* is effective the period beginning after June 15, 2016 (the School District's 2017 fiscal year). This statement addresses reporting by OPEB plans that administer benefits on behalf of governments. This statement replaces GASB Statement No. 43.

GASB Statement No. 75, *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,"* is effective for the period beginning after June 15, 2017 (the School District's 2018 fiscal year). This statement addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. This statement replaces the requirements of GASB Statement No. 45.

GASB Statement No. 76, *"Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,"* is effective for the period beginning after June 15, 2015 (the School District's 2016 fiscal year). This statement identifies the hierarchy of generally accepted accounting principles (GAAP), reduces this hierarchy to two categories of authoritative GAAP, and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This statement supersedes GASB Statement No. 55.

GASB Statement No. 77, *"Tax Abatement Disclosures,"* effective for fiscal years beginning after December 15, 2015 (the School District's 2017 fiscal year). This statement requires state and local governments for the first time to disclose information about tax abatement agreements, and is designed to provide financial statement users with essential information about these agreements and the impact that they have on a government's finances.

Fund Balance

In the fund financial statements, governmental funds report fund balance in categories based on the level of restriction placed upon the funds. These levels are as follows:

- Nonspendable – This category represents funds that are not in spendable form and consists of inventory.

- Restricted – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending that are legally enforceable by outside parties. This category includes funds that are restricted for capital expenditures under a bond indenture.

- Committed – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending imposed by the Board. Such commitment is made via a Board resolution and must be made prior to the end of the fiscal year. Removal of this commitment requires a Board resolution.

- Assigned – This category represents intentions of the Board to use the funds for specific purposes. The Board has delegated the authority to assign amounts to be used for specific purposes to the Business Manager of the School District.

- Unassigned – This category includes the residual classification for the School District's General Fund and includes all spendable amounts not contained in other classifications.

The School District's policy is to use funds in the order of the most restrictive to the least restrictive. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

<u>Net Position</u>

The government-wide and proprietary funds financial statements are required to report three components of net position:

<u>Net Investment in Capital Assets</u> - This component of net position consists of capital assets net of accumulated depreciation and is reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount is not included in the calculation of net

investment in capital assets. Instead, that portion of the debt or deferred inflow of resources is included in the same net position component (restricted or unrestricted) as the unspent amount.

Restricted - This component of net position consists of constraints placed on net position use through external restrictions.

Unrestricted - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

2. CASH AND CASH EQUIVALENTS

Under Section 440.1 of the Public School Code for 1949, as amended, the School District is permitted to invest funds consistent with sound business practices in the following types of investments:

Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, 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.

Deposits in savings accounts, 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 and prudent business practices. Deposits of the governmental funds are either maintained in demand deposits or savings accounts, certificates of deposit, or cash equivalents. 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.

The following is a description of the School District's deposit and investment risks:

Credit Risk. The risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The majority of the School District's investments is held in U.S. Government Obligations and is therefore not exposed to this type of risk. Investments in PLGIT, PSDLAF, and Federated Investors (described below) have received an AAA rating from Standard & Poor's.

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 formal deposit policy for custodial credit risk. As of June 30, 2015, $27,123,705 of the School District's bank balance of $27,675,708 was exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name. These deposits have carrying amounts of $27,678,217 as of June 30, 2015.

Investments

PLGIT and PSDLAF were established as common law trusts organized under laws of the Commonwealth of Pennsylvania. Shares of the funds are offered to certain Pennsylvania school districts, intermediate units, area vocational-technical schools, and municipalities. The purpose of these funds is to enable such governmental units to pool their available funds for investment in instruments authorized by Section 440.1 of the Pennsylvania Public School Code of 1949, as amended. US Bank and Federated Investors Money Market Fund are pooled investment funds, which invest in U.S. Government Agency Obligations with an average maturity of 90 days or less. Investments in these funds cannot be classified because they are not evidenced by securities that exist in physical or book entry form. The fair value of the School District's position in the external investment pools is the same as the value of the pool shares. All investments in an external investment pool that is not SEC-registered are subject to oversight by the Commonwealth of Pennsylvania. Pooled investments are short-term in nature and are included in cash and cash equivalents on the statement of net position and balance sheet.

The School District's investments included on the statement of net position and balance sheet at June 30, 2015 consisted of:

	Fair Value
Pooled investment funds:	
PLGIT	$ 993,551
PSDLAF	111,783
Federated Investors - Money Market Fund	113,640
US Bank - Money Market	64,716
	$ 1,283,690

As of June 30, 2015, the carrying amount of the School District's investments was $1,283,686, and all investments have a maturity of less than one year.

As further described in Note 12, the School District also has a derivative instrument that is accounted for as an investment. Investment risks related to this investment are described in Note 12.

Fiduciary Fund

The School District maintains bank accounts for the various student activities funds. The balance of these accounts is reflected in the statement of fiduciary net position. Additions and deletions for student activities were $1,477,534 and $1,439,393, respectively, for the year ended June 30, 2015. The carrying amount of deposits for the student activities funds was $516,296 and the bank balance was $544,910. Of the bank balance, $115,178 was covered by federal depository insurance. The remaining balance of $429,732 was collateralized in accordance with Act 72 of the Pennsylvania state legislature. Furthermore, the School District held investments in PLGIT for the student activities funds. The total bank and book balance of these investments at year-end was $98,530. These investments are included as cash and cash equivalents on the statement of fiduciary net position.

3. PROPERTY TAXES RECEIVABLE

Based upon assessed valuations provided by Allegheny County, the School District bills and collects its property taxes through tax collectors for each constituent municipality. The schedule for property taxes levied for the fiscal year ended June 30, 2015 is as follows:

July 1, 2014 -	tax date
July 1, 2014 -	August 31, 2014 – 2% discount period
September 1, 2014 -	October 31, 2014 – face payment period
November 1, 2014 -	Collection – 10% penalty period

Property taxes were levied at the rate of 17.4039 mills in fiscal year 2014-2015 based on assessed values provided by Allegheny County. The assessed valuation was approximately $5.3 billion for the 2014-2015 levy. The property taxes receivable amount is net of an uncollectible allowance of approximately $935,500.

4. Capital Assets

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

	Beginning Balance at June 30, 2014	Increases	Decreases	Ending Balance at June 30, 2015
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 429,929	$ -	$ -	$ 429,929
Construction in progress	3,869,006	6,935,038	(8,617,626)	2,186,418
Total capital assets, not being depreciated	4,298,935	6,935,038	(8,617,626)	2,616,347
Capital assets, being depreciated:				
Site improvements	7,430,724	2,125,915	-	9,556,639
Building and improvements	203,510,900	2,738,478	-	206,249,378
Machinery, equipment, and furniture	8,764,057	3,710,224	-	12,474,281
Text and library books	10,360,270	565,333	(56,012)	10,869,591
Vehicles	7,962,647	829,283	(23,691)	8,768,239
Total capital assets, being depreciated	238,028,598	9,969,233	(79,703)	247,918,128
Less: accumulated depreciation for:				
Site improvements	(3,929,383)	(637,109)	-	(4,566,492)
Building and improvements	(92,746,312)	(4,492,281)	-	(97,238,593)
Machinery, equipment, and furniture	(6,086,503)	(1,941,816)	-	(8,028,319)
Text and library books	(6,287,751)	(1,033,374)	98,570	(7,222,555)
Vehicles	(4,239,006)	(505,911)	23,691	(4,721,226)
Total accumulated depreciation	(113,288,955)	(8,610,491)	122,261	(121,777,185)
Capital assets being depreciated, net	124,739,643	1,358,742	42,558	126,140,943
Governmental activities capital assets, net	$ 129,038,578	$ 8,293,780	$ (8,575,068)	$ 128,757,290

Included above in the statement of net position is equipment of approximately $8,178,000 that was capitalized under leasing arrangements.

	Beginning Balance at June 30, 2014	Increases	Decreases	Ending Balance at June 30, 2015
Business-Type Activities:				
Capital assets, being depreciated:				
Machinery and equipment	$ 2,148,096	$ 119,172	$ -	$ 2,267,268
Less: accumulated depreciation for:				
Machinery and equipment	(1,681,047)	(51,582)	-	(1,732,629)
Business-type activities capital assets, net	$ 467,049	$ 67,590	$ -	$ 534,639

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

Governmental Activities:	
Instructional services:	
Regular instruction	$ 1,055,797
Special instruction	2,398
Vocational instruction	20,845
Support services	
Administration:	520
Operation of plant and maintenance services	1,100,064
Student transportation services	1,129
Central	598,842
Non-instructional services:	
Student activities	15,282
Facilities acquisition, construction, and improvement services	257,733
Unallocated building depreciation	5,557,881
	$ 8,610,491
Business-type Activities:	
Food service	$ 51,582

5. LONG-TERM OBLIGATIONS

Changes in Long-Term Obligations

Changes in the School District's long-term obligations during fiscal year 2015 were as follows:

	Beginning Balance at July 1, 2014	Additions	Amortization, Retirements, and Refunding	Ending Balance at June 30, 2015	Amounts Due Within One Year
General obligation bonds:					
Series of 2012, net of	$ 9,465,000	$ -	$ (185,000)	$ 9,280,000	$ 150,000
unamortized discount	(126,537)	-	18,077	(108,460)	-
Series A of 2013, net of	3,280,000	-	(3,280,000)	-	-
Series B of 2013, net of	7,870,000	-	(225,000)	7,645,000	235,000
Series A of 2014, net of	16,390,000	-	(2,985,000)	13,405,000	6,610,000
unamortized premium	455,676	-	(227,838)	227,838	-
Revenue bonds:					
Series of 2008	18,120,000	-	(5,000)	18,115,000	5,000
Series A of 2011	14,165,000	-	(15,000)	14,150,000	175,000
Series B of 2011	10,220,000	-	-	10,220,000	-
Series of 2014	31,080,000	-	(30,000)	31,050,000	40,000
	110,919,139	-	(6,934,761)	103,984,378	7,215,000
Swap borrowing (2004)	6,038,649	-	(577,805)	5,460,844	600,403
Swap borrowing (2012)	3,655,900	-	(509,642)	3,146,258	509,642
OPEB liability	1,809,281	552,430	-	2,361,711	-
Net pension liability	188,948,000	3,968,000	-	192,916,000	-
Embedded derivative instruments	9,058,259	241,199	-	9,299,458	-
General obligation note payable	4,143,382	-	(205,166)	3,938,216	212,450
Capital lease obligations	5,364,996	813,772	(1,213,309)	4,965,459	1,913,925
Accumulated employee benefits	3,300,700	-	(655,093)	2,645,607	749,913
	$ 333,238,306	$ 5,575,401	$ (10,095,776)	$ 328,717,931	$ 11,201,333

General obligation and revenue bonds and notes are described below; other long-term obligations noted above are detailed further in Notes 8, 11, and 12.

Revenue Bonds, Series of 2008

In May 2008, the School District issued $18,145,000 of Variable Rate Demand Revenue Bonds, Series of 2008 (Series 2008 Bonds) with various maturity dates through May 1, 2021, to current refund $18,100,000 of outstanding General Obligation Bonds, Series D of 1997 Bonds. The variable interest rate is based upon SIFMA; however, the interest payments in the future maturities schedule below were calculated using the synthetic fixed rate as described in Note 12.

Series 2008 Bonds are subject to redemption prior to maturity, at the option of the School District, in whole at any time or in part on any interest payment date, at a redemption price of 100% of the principal amount, together with interest accrued to the redemption date.

Revenue Bonds, Series A of 2011

In November 2011, the School District issued $14,245,000 of Variable Rate Demand Revenue Bonds, Series A of 2011 (Series A 2011 Bonds) with various maturity dates through November 1, 2021, to current refund $14,245,000 of outstanding Series A of 2001 Bonds. The variable interest rate is based upon SIFMA; however, the interest payments in the future maturities schedule below were calculated using the synthetic fixed rate as described in Note 12.

Series A 2011 Bonds are subject to redemption prior to maturity, at the option of the School District, in whole at any time or in part on any interest payment date, at a redemption price of 100% of the principal amount, together with interest accrued to the redemption date.

Revenue Bonds, Series B of 2011

In November 2011, the School District issued $10,220,000 of Variable Rate Demand Revenue Bonds, Series B of 2011 (Series B 2011 Bonds) with various maturity dates through November 1, 2022, to current refund $10,220,000 of outstanding Series A of 2002 Bonds. The variable interest rate is based upon SIFMA; however, the interest payments in the future maturities schedule below were calculated using the synthetic fixed rate as described in Note 12.

Series B 2011 Bonds are subject to redemption prior to maturity, at the option of the School District, in whole at any time or in part on any interest payment date, at a redemption price of 100% of the principal amount, together with interest accrued to the redemption date.

General Obligation Bonds, Series of 2012

In February 2012, the School District issued $9,960,000 of General Obligation Bonds, Series of 2012 (Series 2012 Bonds) with interest rates ranging from .04% - 2.5% and various maturity dates through May 1, 2024, to current refund $8,510,000 of outstanding General Obligation Bonds, Series of 2006 Bonds, and to fund certain improvements to the School District's facilities.

Series 2012 Bonds which mature on and after May 1, 2018 are subject to redemption prior to maturity, at the option of the School District, as a whole or in part on or after May 1, 2017, upon payment of the redemption price of 100% of the principal amount, together with interest accrued to the date fixed for redemption.

General Obligation Bonds, Series A of 2013

On July 10, 2013, the School District issued $8,505,000 of General Obligation Bonds, Refunding Series A of 2013 (Series 2013A Bonds) with interest rates ranging from 0.50% to 2.00% and various maturity dates through May 1, 2015. The proceeds of the Bonds were used to refund the Series C of 2003 Bonds. Series 2013A Bonds are not subject to redemption prior to maturity.

General Obligation Bonds, Series B of 2013

On July 10, 2013, the School District issued $8,130,000 of General Obligation Bonds, Refunding Series B of 2013 (Series 2013B Bonds) with interest rates ranging from 1.55% to 4.00% and various maturity dates through May 1, 2018. The proceeds of the Bonds were used to currently refund the Series D of 2003 Bonds. Series 2013B Bonds are not subject to redemption prior to maturity.

General Obligation Bonds, Series A of 2014

On May 1, 2014, the School District issued $16,390,000 of General Obligation Bonds, Refunding Series A of 2014 (Series 2014A Bonds) with interest rates of 0.5% to 3.0%, and various maturity dates through May 1, 2017. The proceeds of the Bonds were used to refund, on a current refunding basis, the Series B of 2004 Bonds. Series 2014A Bonds are not subject to redemption prior to maturity.

Revenue Bonds, Series 2014

On May 1, 2014, the School District issued $31,080,000 of Variable Rate Demand Revenue Bonds, Series 2014 (Series 2014 Bonds) with various maturity dates through May 1, 2027, to current refund $31,080,000 of outstanding Series C of 2004 Bonds. The School District was required to issue these bonds in conjunction with the 2014 Swaption agreement, as described further in Note 12. The variable interest rate is based upon SIFMA; however, the interest payments in the future maturities schedule below were calculated using the synthetic fixed rate as described in Note 12.

Series 2014A Bonds are subject to redemption prior to maturity, at the option of the School District, in whole at any time or in part on any interest payment date, at a redemption price of 100% of the principal amount, together with interest accrued to the redemption date.

General Obligation Note

In July 2008, the School District issued a $5,072,092 General Obligation Note to fund payments to the A.W. Beattie Career Center as further described in Note 7. Interest rates range from 3.00% to 4.60%, and principal and interest payments are scheduled through May 15, 2028. The note can be paid in full on October 15th of each year until its final maturity in 2028.

Future Maturities

The future scheduled maturities of General Obligation Bonds and Revenue Bonds are as follows for each fiscal year ending June 30:

Fiscal Year Ending June 30,	Principal Payment	Interest Payment	Total Payment
2016	$ 7,215,000	$ 4,150,410	$ 11,365,410
2017	7,415,000	3,951,400	11,366,400
2018	7,570,000	3,752,943	11,322,943
2019	7,780,000	3,631,828	11,411,828
2020	8,165,000	3,300,200	11,465,200
2021-2025	45,785,000	10,620,905	56,405,905
2026-2027	19,935,000	1,546,387	21,481,387
	$ 103,865,000	$ 30,954,073	$ 134,819,073

The future scheduled maturities of the General Obligation Note are as follows for each fiscal year ending June 30:

Fiscal Year Ending June 30,	Principal Payment	Interest Payment	Total Payment
2016	$ 212,450	$ 163,497	$ 375,947
2017	220,948	155,637	376,585
2018	229,446	146,905	376,351
2019	237,944	137,557	375,501
2020	248,870	127,665	376,535
2021-2025	1,411,882	467,345	1,879,227
2026-2029	1,376,676	128,469	1,505,145
	$ 3,938,216	$ 1,327,075	$ 5,265,291

6. RETIREMENT BENEFITS

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS' 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. The net pension liability is recorded as a governmental activity as the future obligation is expected to be paid primarily from the General Fund.

Plan Description

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

Benefits Provided

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

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

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

Health Insurance Premium Assistance Program

In addition, PSERS provides a Health Insurance Premium Assistance Program (Premium Assistance) for all eligible annuitants who qualify and elect to participate. Under this program, 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. Effective January 1, 2002, under the provisions of Act 9 of 2001, participating eligible annuitants 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 annuitants must obtain their health insurance through either their school employer or the PSERS' Health Options Program. Premium Assistance is not included in the calculation of the net pension liability as it does not qualify under the provisions of GASB Statement No. 68.

Member Contributions:

The following illustrates the member's contribution as a percent of the member's qualifying compensation:

Active members who joined PSERS prior to July 22, 1983:

Membership Class T-C	5.25%
Membership Class T-D	6.50%

Members who joined PSERS on or after July 22, 1983, and who were active or inactive as of July 1, 2001:

Membership Class T-C	6.25%
Membership Class T-D	7.50%

Members who joined PSERS after June 30, 2001, and before July 1, 2011:

Membership Class T-D	7.50%

Members who joined PSERS after June 30, 2011:

Membership Class T-E*	7.50%
Membership Class T-F**	10.30%

* Shared risk program could cause future contribution rates to fluctuate between 7.50% and 9.50%.

** Shared risk program could cause future contribution rates to fluctuate between 10.30% and 12.30%.

Employer Contributions:

The School District's contractually required pension contribution rate for the fiscal year ended June 30, 2015 was 20.50% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. In addition, the School District was required to contribute 0.90% of covered payroll to Premium Assistance.

The contribution rate will increase to 25.84% in fiscal year 2016 and is projected to grow to 31.83% by fiscal year 2025.

The School District contributed approximately $14.1 million to PSERS for the year ended June 30, 2015, which represents its contribution towards pension benefits and Premium Assistance.

In accordance with Act 29, the Commonwealth of Pennsylvania reimburses school districts for at least one-half of contributions made to PSERS. The School District recorded reimbursements from the Commonwealth of Pennsylvania approximating $6.4 million during the current year.

<u>Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions</u>

At June 30, 2015, the School District reported a liability of $192.916 million for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by rolling forward PSERS' total pension liability as of June 30, 2013 to June 30, 2014. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to PSERS total one-year reported covered payroll. At June 30, 2014, the School District's proportion was 0.4874%, which was a decrease of 0.0002% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the School District recognized pension expense of $17.825 million. At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between projected and actual earnings on pension plan investments	$ -	$ 13,791,000
Changes in proportion	-	66,000
School District contributions subsequent to the measurement date (June 30, 2014)	14,083,000	-
Total	$ 14,083,000	$ 13,857,000

$14,083,000 reported as deferred outflows of resources resulting from the School District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Date Year Ended June 30:	Reporting Date Year Ended June 30:	Amortization Amount
2015	2016	$ (3,463,672)
2016	2017	(3,463,672)
2017	2018	(3,463,672)
2018	2019	(3,463,672)
2019	2020	(2,312)
	Total	$ (13,857,000)

Actuarial Assumptions

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

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 7.50%, includes inflation at 3.00%
- Salary increases – Effective average of 5.50%, which reflects an allowance for inflation of 3.00%, real wage growth of 1.0%, and merit or seniority increases of 1.50%
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back three years for both males and females. For disabled annuitants, the RP-2000 Combined Disabled Tables (male and female) with age set back seven years for males and three years for females.

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

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

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public markets global equity	19%	5.0%
Private markets (equity)	21%	6.5%
Private real estate	13%	4.7%
Global fixed income	8%	2.0%
U.S. long treasuries	3%	1.4%
TIPS	12%	1.2%
High yield bonds	6%	1.7%
Cash	3%	0.9%
Absolute return	10%	4.8%
Risk parity	5%	3.9%
MLPs/infrastructure	3%	5.3%
Commodities	6%	3.3%
Financing (LIBOR)	-9%	1.1%
	100%	

Discount Rate

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

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the School District's proportionate share of the net pension liability calculated using the discount rates described above, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	$ 240,636,000	$ 192,916,000	$ 152,177,000

Pension Plan Fiduciary Net Position

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

7. JOINT VENTURE

The School District is a participant with eight other member school districts in a joint venture for the operation of the A.W. Beattie Career Center (Center). The Center was created for the operation of certain vocational and alternative educational programs for the benefit of the member school districts. On dissolution of the Center, its net position will be distributed to the member school districts based upon the total payments made by each member school district since July 1, 1990, divided by the total payments of all member school districts since that time. The Center is governed by an eighteen-member Joint Committee composed of two appointees from each member school district.

In July 2008, the Center issued revenue bonds of $20,890,000 to fund capital improvements to the Center. The repayment of the principal and interest on these bonds was funded proportionately by the member school districts, with the scheduled payments to be made to the Center based upon general obligation notes issued by each member school district establishing yearly amounts to be paid to the Center.

As described in Note 5, in July 2008 the School District issued a general obligation note to fund their proportionate share of the Center's debt issuance. The School District's share of the capital improvements to the Center is reported as a net investment in joint venture on the government-wide financial statements of the School District.

The School District is obligated to remit its proportionate share of the Center's budget based on its percentage of proportional enrollment for the operational, alternative high school, and substitute service budgets and proportional assessed value for the administrative budget. The School District's combined proportionate share of funding for the year ended June 30, 2015 was approximately $758,207 for operations and $376,484 for debt service.

Other than for the capital project described above, the School District's proportionate share of capital assets of the Center has not been determined, and excess operating results are retained by the Center for future periods. Accordingly, the School District's net investment and share of operating results are not included in the School District's financial statements. The most recent available Center unassigned governmental fund type fund balance at June 30, 2014 is $397,188. Complete financial statements of the Center can be obtained from the Center's administrative offices.

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEBS)

Plan Description

In addition to the pension benefits described in Note 6, the School District provides and administers varying levels of medical, dental, vision, and life insurance coverage to the following employee groups:

- Administrative
- Confidential
- Professional
- Bus drivers
- Custodians and maintenance
- Mechanics
- Paraprofessional

The School District may be responsible for a portion of the cost as set by the contract agreement in force at the time of retirement. The School District pays the premium for these benefits; however, the retiree must reimburse the School District for a portion, or all, of the costs in some cases.

The benefit limits and employee and employer contributions are established through employee contracts and past practices. The plan is not accounted for as a Trust Fund as an irrevocable trust has not been established, the plan does not issue a separate report, and activity of the plan is reported in the School District's General Fund.

Details of the benefits provided are as follows:

Administrative and Confidential Employees

Any administrator or confidential employee who fully retires under the PSERS system may opt to continue medical, dental, and vision benefit coverages until age 65. The School District pays the premium for these benefits; however, the retiree must reimburse the School District as follows:

Premium Sharing: The member, spouse, and dependents each pay 12% of the premiums for medical, prescription drug, dental, and vision until the member reaches age 65. Upon the member reaching age 65, he or she may elect Medicare supplement coverage by paying the full premium, and dental coverage for the family by paying the full premium. Upon the spouse reaching age 65, he or she may elect Medicare supplement coverage by paying the full premium, or remain on the group plan at the same subsidy level provided that the School District retiree is still under age 65.

In addition, for administrative employees, the School District will pay the full premium for a life insurance policy on the member's life only for an amount of up to 3 times salary at retirement until the member reaches age 65 and $10,000 afterwards. The School District also provides retired confidential employees an individual life insurance policy of $10,000 entirely at the School District's expense.

Professional Employees

Professional employees who retire from the School District at the highest step of the salary column with at least 10 years of service are entitled to receive medical, dental, and vision benefits from retirement until age 65. The School District is responsible for a portion of the cost as set by the contract agreement in force at the time of retirement. The School District pays the premium for these benefits; however, the retiree must reimburse the School District as follows:

Premium Sharing: The member, spouse, and dependents must pay the remaining monthly premium for the current benefit plan year after the School District contributes the 1994 plan year premium for medical, prescription drug, dental and vision plus an additional

$200 until the member reaches age 65. Upon the member reaching age 65, he or she may elect Medicare supplement coverage by paying the full premium, and dental coverage for the family by paying the full premium. Upon the spouse reaching age 65, he or she may elect Medicare supplement coverage by paying the full premium, or remain on the group plan at the same subsidy level provided that the School District retiree is still under age 65.

In addition, the School District also provides retired professional employees an individual life insurance policy of $2,000 entirely at the School District's expense.

Bus Drivers, Custodians, and Maintenance Employees

The School District does not provide post-retirement medical, dental, or vision coverage to bus drivers, custodians, or maintenance retirees upon retirement. However, eligible retirees may receive coverage under the medical, dental, and visions plans, as extended to active members of their bargaining units, provided the retiree pays the full monthly premium for such coverages.

In addition, the School District also provides retired bus drivers, custodians, and maintenance employees an individual life insurance policy of $1,500 entirely at the School District's expense.

Mechanics Employees

Mechanics employees who retire from the School District after the age of 60 with at least 25 years of service or retire through PSERS are entitled to receive medical, dental, and vision benefits under the following stipulations:

Premium Sharing: If the member retires at or after age 60 with at least 25 years with the School District, the School District will contribute 50% of premiums for medical, prescription drug, dental, and vision for the member, spouse, and dependents for the earlier of three years and member age 65. The member must pay the remaining premiums. After three years, the member, spouse, and dependents may continue dental coverage by paying full premiums, and upon the member reaching age 65, he or she may elect Medicare supplement coverage by paying the full premium, and dental coverage for the family by paying the full premium. Upon the spouse reaching age 65, he or she may elect Medicare supplement coverage by paying the full premium, or remain on the group plan at the same subsidy level, provided that the School District retiree is still under age 65 and within the three-year eligibility window.

In addition, the School District also provides retired mechanics an individual life insurance policy of $1,500 entirely at the School District's expense.

Paraprofessional Employees

Paraprofessional employees who retire from the School District after the age of 60 with at least 10 years of service or retire through PSERS are entitled to receive medical, dental, and vision benefits under the following stipulations:

Premium Sharing: If the member retires at or after age 60 with at least 10 years with the School District, the School District will contribute 50% of premiums for medical, prescription drug, dental, and vision for the member, spouse, and dependents for the earlier of three years and member age 65. The member must pay the remaining premiums. After three years, the member, spouse, and dependents may continue dental coverage by paying full premiums, and upon the member reaching age 65, he or she may elect Medicare supplement coverage by paying the full premium, and dental coverage for the family by paying the full premium. Upon the spouse reaching age 65, he or she may elect Medicare supplement coverage by paying the full premium, or remain on the group plan at the same subsidy level, provided that the School District retiree is still under age 65 and within the three-year eligibility window.

In addition, the School District also provides retired paraprofessionals an individual life insurance policy of $1,500 entirely at the School District's expense.

Funding Policy

These benefits are expensed when incurred and are financed on a pay-as-you-go basis. For the year ended June 30, 2015, the School District contributed approximately $960,000 for current premiums for 158 eligible retirees, and plan members receiving benefits contributed approximately $892,300 through their required contributions as described above.

Annual OPEB Cost and Net OPEB Obligation

The School District's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over an open period not to exceed 30 years. The following table shows the component of the School District's annual OPEB cost for the year, the amount actually contributed, and changes in the School District's net OPEB obligation:

Annual required contribution	$ 2,212,536
Interest on net OPEB obligation	81,418
Adjustment to annual required contribution	(111,074)
Annual OPEB cost	2,182,880
Contributions made	(1,630,450)
Increase in net OPEB obligation	552,430
Net OPEB obligation - beginning of year	1,809,281
Net OPEB obligation - end of year	$ 2,361,711

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

Fiscal Year Ending	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
July 1, 2015	$ 2,182,880	73.69%	$ 2,361,711
July 1, 2014	1,946,218	81.27%	1,809,281
July 1, 2013	1,960,147	76.41%	1,483,250

Funded Status and Funding Progress

The schedule of funded status and funding progress for the postemployment medical, dental, vision, and life insurance benefits is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-PUC (b)	Unfunded Actuarial Accrued Liability (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll {(b)-(a)}/(c)
July 1, 2014	$ -	$ 18,922,338	$ 18,922,338	0.0%	$ 64,477,848	29.3%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend.

Healthcare cost trend assumptions are based on recent experience and anticipated future cost increases under the School District's medical plans. Amounts determined regarding the funded status and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

The ARC for the current year was computed as of July 1, 2014 using the following actuarial assumptions:

- actuarial cost method – project unit credit cost
- amortization method – level percent of pay;
- amortization period - 30 years;
- discount rate - 4.5% compounded annually;
- Mortality – Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit plan actuarial valuation;
- Health care cost trend rates - declining scale beginning with 6.50% in 2014, with the rate decreasing by 0.5% per year to 5.5% in 2016, and each year thereafter gradually decreased from 5.3% in 2017 to 4.2% in 2089 and later.

Change in Actuarial Methods and Assumptions

Actuarial assumptions regarding mortality, retirement rates, medical trends, and participation rates were updated based upon updated standards of practice, and additional available experience information. Also, the aging assumption used in the development of medical claims cost and the valuation process was also revised, and a persistency assumption was added based upon further review of retiree information. In addition, the amortization period of the unfunded actuarially accrued liability was previously 30 years, and has been adjusted to 16.3 years in the latest actuarial valuation, to more accurately match the amortization period to the remaining service period for current employees.

9. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivable and payable balances at June 30, 2015, as well as interfund transfers for the year ended June 30, 2015, are summarized below:

	Interfund Receivable	Interfund Payable	Transfers In	Transfers Out
Major Fund:				
General Fund	$ 3,185,631	$ -	$ 3	$ 6,273,116
Capital Reserve Fund	-		5,607,616	-
BWE/Marshall Construction Fund		3,185,631		
Other governmental funds	-	-	665,500	3
Total	$ 3,185,631	$ 3,185,631	$ 6,273,119	$ 6,273,119

Transactions between funds which are not expected to be repaid are accounted for as transfers. In those cases, when repayment is expected within the next fiscal year, the transactions are accounted for through the various due from and due to accounts. Amounts due from the BWE Marshall Construction Fund will be reimbursed to the General Fund in fiscal year 2016, once bonds are issued to fund the ongoing renovations at those buildings.

10. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District provides medical insurance coverage under either traditional indemnity insurance contracts, point of service medical plans, and Health Maintenance Organization plans. The School District continues to carry commercial insurance for all other risks of loss. There has been no reduction in insurance coverage from the previous year, nor have amounts of settlements exceeded coverage levels in the past three years.

11. LEASES AND COMMITMENTS

The School District has entered into various lease agreements for financing the acquisition of technology, buses, and other vehicles. These leases qualify as capital leases. Payments under these capital leases were approximately $1.2 million during the fiscal year.

In addition, the School District leases copiers and computers under various operating lease agreements. Total payments made on these leases for the year ended June 30, 2015 were approximately $1.3 million.

The School District also entered into bus lease agreement prior to June 30, 2015, but the buses were not received until fiscal year 2016. The lease commitment under this agreement is approximately $762,000.

The following is a schedule of future minimum rental payments, under these leases, at June 30, 2015:

Fiscal Year Ending June 30,	Capital	Operating
2016	$ 1,913,925	$ 1,854,232
2017	1,913,925	1,421,719
2018	1,651,677	984,400
2019	1,380,384	617,193
2020	763,192	-
Total minimum lease payments	7,623,103	$ 4,877,544
Less: amount representing interest	(363,174)	
Present value of future minimum lease payments	$ 7,259,929	

12. SWAPS

Swaps

During fiscal year 2005, as a synthetic refunding of its outstanding Series D of 1997 Bonds, Series A of 2001, Series A of 2002, and Series C of 2004 Bonds, the School District entered into four swaption contracts that provided the School District up-front payments totaling approximately $5.5 million. The swaptions give the counterparty the option to make the School District enter into pay-fixed, receive-variable interest rate swaps as described further below. Because the options were exercised, the School District makes net swap payments as required by the terms of the contracts, that is, receiving a variable rate as noted above for the term of the swap from the counterparty and making a fixed rate payment to the counterparty. Below are the details of the swap transactions.

2012 Swap

In December 2004, as a synthetic refunding of its Series D of 1997 Bonds, the School District received a payment of $1,844,450, representing the present-value, risk-adjusted savings of a refunding as of May 1, 2008, without issuing refunding bonds. The swaption gave the counterparty the option to make the School District enter into a pay-fixed, receive-variable interest rate swap.

On May 1, 2008, the option was exercised, and the School District current refunded the existing Series D of 1997 Bonds and issued the Series 2008 Bonds. The intention of the 2008 swap was to effectively change the School District's variable interest rate on the Series 2008 Bonds to a synthetic fixed rate of 5.00%. This rate was amended to 4.311% in October 2011, which terminated this previously effective hedge. A new derivative instrument (the "2012 Swap") was created, based upon the amended synthetic rate, and the 2012 Swap is considered to be an effective hedge as of year-end.

Per the agreement, the School District receives interest at the variable rate of 68% of one month LIBOR (London Interbank Offered Rate) while paying a fixed rate of 4.311%. The interest payments are calculated based on a notional amount of $18,100,000, which reduces beginning on May 1, 2019 so that the notional amount approximates the principal outstanding on the Series 2008 Bonds. The swap expires on May 1, 2021 consistent with the last principal payment on the Series 2008 Bonds.

2012A Swap

In December 2004, as a synthetic refunding of its Series A of 2001 Bonds, the School District received a payment of $752,200, representing the present-value, risk-adjusted savings of a refunding as of November 1, 2011, without issuing refunding bonds. The swaption gave the counterparty the option to make the School District enter into a pay-fixed, receive-variable interest rate swap.

On November 1, 2011 the option was exercised, and the School District current refunded the existing Series A of 2001 Bonds and issued the Series A 2011 Bonds. The intention of the 2011A swap was to effectively change the School District's variable interest rate on the Series A 2011 Bonds to a synthetic fixed rate of 4.76%. This rate was amended to 4.116% in October 2011, which terminated this previously ineffective hedge. A new derivative instrument (the "2012A Swap") was created, based upon the amended synthetic rate, and the 2012A Swap is considered to be an effective hedge as of year-end.

Per the agreement, the School District receives interest at the variable rate of 68% of one month LIBOR while paying a fixed rate of 4.116%. The interest payments are calculated based on a notional amount which reduces so that it approximates the principal outstanding on the Series A 2011 Bonds. The swap expires on November 1, 2021 consistent with the last principal payment on the Series A 2011 Bonds.

2012B Swap

In December 2004, as a synthetic refunding of its Series A of 2002 Bonds, the School District received a payment of $727,400, representing the present-value, risk-adjusted savings of a refunding as of November 1, 2011, without issuing refunding bonds. The swaption gave the counterparty the option to make the School District enter into a pay-fixed, receive-variable interest rate swap.

On November 1, 2011 the option was exercised, and the School District current refunded the existing Series A of 2002 Bonds and issued the Series B 2011 Bonds. The intention of the 2011B swap was to effectively change the School District's variable interest rate on the Refunding Bonds to a synthetic fixed rate of 5.05%. This rate was amended to 4.465% in October 2011, which terminated this previously ineffective hedge. A new derivative instrument (the "2012B Swap") was created, based upon the amended synthetic rate, and the 2012B Swap is considered to be an effective hedge as of year-end.

Per the agreement, the School District receives interest at the variable rate of 68% of one month LIBOR while paying a fixed rate of 4.465%. The interest payments are calculated based on a notional amount of $10,220,000, which reduces beginning on November 1, 2021 so that the notional amount approximates the principal outstanding on the Series B 2011 Bonds. The swap expires on November 1, 2022 consistent with the last principal payment on the Series B 2011 Bonds.

2014 Swap

In December 2004, as a synthetic refunding of its Series C of 2004 Bonds, the School District received a payment of $2,203,250, representing the present-value, risk-adjusted savings of a refunding as of May 1, 2014, without issuing refunding bonds. The swaption gave the counterparty the option to make the School District enter into a pay-fixed, receive-variable interest rate swap.

On May 1, 2014, the option was exercised, and the School District current refunded the existing Series C of 2004 Bonds and issued Variable Rate Refunding Bonds (Series 2014A Bonds). The intention of the swap was to effectively change the School District's variable interest rate on the 2014A Bonds to a synthetic fixed rate of 5.25%. The 2014 Swap is considered to be an ineffective hedge as of year-end.

Per the agreement, the School District receives interest at the variable rate of 68% of one month LIBOR while paying a fixed rate of 5.25%. The interest payments are calculated based on a notional amount which reduces so that it approximates the principal outstanding on the 2014A Bonds. The swap expires on May 1, 2027 consistent with the last principal payment on the 2014A Bonds.

Fair Value of Embedded Derivative Instruments

The mark to market value is calculated using a combination of the present value of the potential net cash flows between the two parties, calculated using relevant mid-market data inputs and based on the assumption of no unusual market conditions or forced liquidation, and an option pricing model.

Below are the changes in fair value of the swaps during the year:

Swap	Effective Hedge	June 30, 2014 Fair Value	Current year value change	June 30, 2015 Fair Value
2012 swap	Yes	$ (627,546)	$ 15,000	$ (612,546)
2012A swap	Yes	(453,719)	(49,412)	(503,131)
2012B swap	Yes	(333,374)	(96,243)	(429,617)
		$ (1,414,639)	$ (130,655)	$ (1,545,294)
2014 swap	No	$ (7,643,620)	$ (110,544)	$ (7,754,164)

As the 2012, 2012A, and 2012B swaps are considered effective hedges, the aggregate change in fair market value during the year is reported as a change to deferred outflows on the statement of net position, with no impact to the current year statement of activities. The 2014 swap is considered an ineffective hedging derivative, whereby the change in fair market value will be considered a derivative investment gain or loss recognized in the statement of activities each year.

Swap Borrowings

A portion of the upfront cash payment received by the School District at the time the original swaptions were entered into is considered to be a borrowing at the rates described below. In addition, when the School District terminated the original 2008, 2011A and 2011B swaps in October 2011 (replaced by the 2012, 2012A, and 2012B swaps), those derivative instruments had an aggregate fair value of ($5,057,415). In order to establish the new derivative instruments, the School District effectively received additional loans from the counterparty in this amount. As of June 30, 2015, these borrowings had outstanding balances as detailed below.

Loan	Estimated borrowing rate	June 30, 2014 accreted value of swap borrowing	Additions	Repayments	June 30, 2015 accreted value of swap borrowing
Original loans:					
2012 swap	3.63%	$ 1,246,427	$ -	$ (205,248)	$ 1,041,179
2012A swap	3.86%	732,961	-	(99,945)	633,016
2012B swap	4.02%	732,844	-	(77,179)	655,665
2014 swap	4.56%	3,326,417	-	(195,434)	3,130,983
New loans in 2012:					
2012 swap	4.31%	1,164,272	-	(186,283)	977,989
2012A swap	4.12%	1,276,563	-	(176,078)	1,100,485
2012B swap	4.47%	1,215,065	-	(147,280)	1,067,785
		$ 9,694,549	$ -	$ (1,087,447)	$ 8,607,102

Estimated future payments on the above swap borrowings are as follows:

Fiscal Year Ending June 30,	Total Principal	Total Interest
2016	$ 1,110,045	$ 358,101
2017	1,133,064	311,515
2018	1,156,964	263,971
2019	1,164,961	215,433
2020	1,094,877	168,633
2021-2025	2,345,684	351,051
2026-2027	601,507	28,922
	$ 8,607,102	$ 1,697,626

Interest Rate Swap

In November 2006, in an effort to reduce the overall yield on the School District's Series C of 2004 Bonds, the School District entered into an interest rate swap contract. Per the interest rate swap agreement, the School District was to receive interest at the variable rate of approximately 60% of 10 years USD-ISDA Swap Rate while paying a variable rate of 68% of one month LIBOR plus .30%. The interest payments are to be calculated based on an original notional amount of $31,080,000, which has been decreasing since November 1, 2011, so that the notional amount approximates the principal outstanding on the related bonds (now the 2014A Bonds after the refunding discussed above). The swap expires on May 1, 2027, consistent with the last principal payment on the refunded bonds.

Under the interest rate swap agreement, the School District will make or receive net swap payments as required by the terms of the contract, that is, receiving the variable rate as noted above for the term of the swap from the counterparty and making a variable rate payment based on 68% of one month LIBOR plus .30% to the counterparty. The School District considered this derivative investment to be an ineffective hedge.

The mark to market value is calculated using a combination of the present value of the potential net cash flows between the two parties, calculated using relevant mid-market data inputs and based on the assumption of no unusual market conditions or forced liquidation, and an option pricing model.

As of June 30, 2015 and 2014, the interest rate swap was estimated to have positive fair values of $1,213,385 and $1,582,917, respectively.

Risks

Through the use of derivative instruments such as swaps and interest rate swaps, the School District is exposed to a variety of risks, including credit risk, interest rate risk, termination risk, market-access risk, basis risk, and liquidity/remarketing risk.

- Credit risk is the risk that the counterparty will not fulfill its obligations. As of June 30, 2015, the 2012, 2012A, 2012B, and 2014 swaps had a negative fair market value to the School District and, as such, the School District had no credit risk exposure related to these transactions; however, the 2014 interest rate swap was subject to credit risk, as it had a positive fair market value. In the event that the counterparty's rating is downgraded to a certain level (and based on the fair value of the swap at the time of the downgrade) the counterparty would be required to post collateral to support its obligations under the swap.

- Interest rate risk is the risk that changes in interest rates will adversely affect the fair values of the School District's financial instruments or the School District's cash flows. The 2014 interest rate swap is highly sensitive to changes in interest rates; changes in the variable rate will have a material effect on the swaps' fair market value.

- Basis risk is the risk that arises when variable interest rates on a derivative and an associated bond or other interest-paying financial instrument are based on different indexes. The School District is subject to basis risk if the interest index on the variable rate arm of the swap is based on 10 years USD-ISDA Swap Rate and the variable interest rate on the Refunding Bonds is based on a different index, such as a tax-exempt index like the Securities Industry and Financial Markets Association (SIFMA). Although expected to correlate, the relationships between different indexes vary and that variance could adversely affect the School District's calculated payments, and, as a result, cost savings or synthetic interest rates may not be realized.

- Termination risk is the risk that a derivative's unscheduled end will affect the School District's asset/liability strategy or will present the School District with potentially significant unscheduled termination payments to the counterparty. The counterparty to the transaction does not have the ability to voluntarily terminate the swap; however, the School District is exposed to termination risk in the event that the counterparty defaults.

- Market access risk is the risk that the School District will not be able to enter credit markets, or that credit will be more costly. The School District would be subject to market-access risk in the event that the financing is more expensive than anticipated.

- Liquidity/Remarketing risk is the risk that if the remarketing of the variable rate debt failed, the liquidity provider would step in and own those bonds that had been tendered but failed to be remarketed. At that point, the bonds would be considered "bank bonds" and the School District would have to pay the bank rate on such bonds, and pay off the bonds in a much shorter period of time. This bank rate is sometimes much higher than the prime rate. Additionally, there is risk that the liquidity provider is unable to perform this service and the bonds would then need to be repurchased by the School District.

13. CONTINGENCIES

Real Estate Tax Appeals

There is an ongoing appeal process through which a taxpayer may contest the assessed value of their property. This process could result in reductions in tax revenues and refunds of taxes previously collected. The School District has recorded an estimated liability for real estate tax refunds in the amount of approximately $600,000 as of June 30, 2015.

Litigation

The School District is involved in claims and lawsuits incidental to its operations. In the opinion of the administration, the ultimate resolution of these matters will not have a material adverse effect on the financial position of the School District.

Government Grants

Certain grants require the fulfillment of conditions and compliance with applicable laws and regulations set forth in the grant agreements. Failure to fulfill the conditions or maintaining compliance with the aforementioned laws and regulations could result in the return of the funds to the grantors. Although this is a possibility, the School District deems the contingency remote.

14. SUBSEQUENT EVENT

General Obligation Bonds, Series of 2015

In August of 2015, the School District issued $34,770,000 of General Obligation Bonds, Series of 2015 (2015 Bonds) with interest rates ranging from 2.00% to 5.00% and various maturity dates through May 1, 2033. The proceeds of the Bonds were used to provide the District with funds to finance the renovation of the Bradford Woods Elementary School, Marshall Elementary, and Marshall Middle School, along with other school-wide capital improvements. The 2015 Bonds can be redeemed prior to maturity at any time on or after May 1, 2025.

Required Supplementary Information

NORTH ALLEGHENY SCHOOL DISTRICT

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

YEAR ENDED JUNE 30, 2015

	Budget		
	Original	Final	Actual
Revenues:			
Local sources:			
Real estate taxes - current	$ 89,530,496	$ 89,530,496	$ 89,838,627
Public utility realty tax	124,500	124,500	127,388
Payments in lieu of current taxes	1,500	1,500	1,495
Current per capita taxes	165,000	165,000	172,337
Current Act 511 taxes - flat rate assessment	165,000	165,000	172,337
Delinquent taxes - all levies	1,657,000	1,657,000	1,371,271
Current Act 511 tax - proportional assessment	14,350,000	14,350,000	13,681,564
Special Education - Grants to State	800,000	800,000	790,595
Earnings from investments	30,004	30,004	20,642
Rental of facilities	125,000	125,000	109,596
Athletic revenues	-	-	478,152 *
Miscellaneous revenue	462,750	462,750	472,608
Total local sources	107,411,250	107,411,250	107,236,612
State sources:			
Basic instructional subsidy	8,776,143	8,776,143	8,776,007
Special education	3,633,946	3,633,946	3,664,243
Transportation	2,000,000	2,000,000	2,173,731
Rental reimbursement	1,479,202	1,479,202	1,421,127
Medical, dental, and nurses services	162,000	162,000	162,212
State property tax reduction	2,216,078	2,216,078	2,216,078
Safe schools	-	-	24,917
Tuition for orphans and children placed in private homes	5,500	5,500	-
Social Security reimbursements	2,492,000	2,492,000	2,408,549
Retirement reimbursements	7,067,500	7,067,500	7,017,262
Vocational education	-	-	79
Accountability block grant	147,087	147,087	428,703
Total state sources	27,979,456	27,979,456	28,292,908
Federal sources:			
Title I - Grants to Local Educational Agencies	185,020	185,020	171,003
Title III - Language Instruction LEP/Immigrant Students	-	-	10,191
Title II - Improving Teacher Quality State Grants	119,213	119,213	121,649
Medical assistance reimbursement	603,000	603,000	708,990
Total federal sources	907,233	907,233	1,011,833
Total revenues	136,297,939	136,297,939	136,541,353

(Continued)

* Athletic Fund revenues and expenses were budgeted separately, but for financial reporting purposes are included in the General Fund.

NORTH ALLEGHENY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
(Continued)

YEAR ENDED JUNE 30, 2015

	Budget Original	Budget Final	Actual	
Expenditures:				
Instruction:				
Regular programs	61,872,034	61,835,595	59,024,085	
Special programs	15,319,586	15,319,586	16,093,841	
Vocational education programs	2,863,536	2,867,128	2,887,453	
Other instructional programs	48,818	48,818	75,193	
Total instruction	80,103,974	80,071,127	78,080,572	
Support services:				
Pupil personnel	4,391,502	4,429,597	4,545,434	
Instructional staff	3,425,591	3,416,302	3,566,072	
Administration	8,814,524	8,814,538	8,635,866	
Pupil health	1,175,632	1,175,632	1,195,621	
Business	1,866,681	1,866,481	1,729,001	
Operation and maintenance of plant services	8,816,072	8,817,294	8,547,105	
Student transportation services	5,878,867	5,878,867	7,249,028	***
Central	3,821,593	3,825,248	3,992,861	
Other support services	150,000	150,000	152,285	
Total support services	38,340,462	38,373,959	39,613,273	
Operation of non-instructional services:				
Student activities	2,625,792	2,625,142	3,149,574	*
Community services	74,735	74,735	67,059	
Total operation of non-instructional services	2,700,527	2,699,877	3,216,633	
Facilities acquisition, construction, and improvement services	25,000	25,000	29,916	
Debt service:				
Principal	7,938,309	7,938,309	7,938,309	
Interest	4,122,710	4,122,710	3,948,859	
Total debt service	12,061,019	12,061,019	11,887,168	
Total expenditures	133,230,982	133,230,982	132,827,562	
Excess (Deficiency) of Revenues Over Expenditures	3,066,957	3,066,957	3,713,791	
Other Financing Sources (Uses):				
Transfer out	(6,273,116)	(6,273,116)	(6,273,116)	
Transfer in	-	-	3	
Proceeds from capital lease	-	-	813,772	***
Proceeds from sale of assets	-	-	51,235	
Refund of prior years receipts	(35,000)	(35,000)	(28,043)	
Total other financing sources (uses)	(6,308,116)	(6,308,116)	(5,436,149)	
Net Change in Fund Balance	$ (3,241,159)	$ (3,241,159)	(1,722,358)	
Fund Balance:				
Beginning of year			17,470,299	
End of year			$ 15,747,941	

(Concluded)

* Athletic Fund revenues and expenses were budgeted separately, but for financial reporting purposes are included in the General Fund. Actual expenses of $530,656 are included in the above student activities expense line item.

** During the year ended June 30, 2015, expenditures exceeded appropriations in various categories noted above. These overages were funded by available fund balance and excess revenues in the current year.

*** Actual expenditure for capital lease is included in student transportation services expense above.

NORTH ALLEGHENY SCHOOL DISTRICT

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Last 10 Fiscal Years*

	2015
School District's proportion of the net pension liability	0.4874%
School District's proportionate share of the net pension liability	$ 192,916,000
School District's covered-employee payroll	$ 62,199,314
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	310.1578%
PSERS' plan fiduciary net position as a percentage of PSERS' total pension liability	57.2382%

* The amounts presented for each fiscal year were determined as of the measurement date, which is June 30 of the immediately preceding fiscal year. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the School District is presenting information for those years only for which information is available.

SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS

Last 10 Fiscal Years**

	2015
Contributions recognized by PSERS	$ 14,083,000
School District's covered employee payroll	$ 62,199,314
Contributions as a percentage of covered-employee payroll	22.6417%

** The amounts presented for each fiscal year were determined as of the fiscal year-end date. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the School District is presenting information for those years only for which information is available.

See accompanying note to required supplementary information.

NORTH ALLEGHENY SCHOOL DISTRICT

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

YEAR ENDED JUNE 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/14	$ -	$ 18,922,338	$ 18,922,338	0%	$ 64,477,848	29.3%
7/1/12	-	16,129,404	16,129,404	0%	61,485,602	26.2%
7/1/11	-	16,188,726	16,188,726	0%	61,798,967	26.2%

See accompanying note to required supplementary information.

NORTH ALLEGHENY SCHOOL DISTRICT

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

YEAR ENDED JUNE 30, 2015

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Actuarial valuation date	7/1/2014
Actuarial cost method	Project Unit Credit Cost
Amortization method	Level Percent of Pay
Amortization period	30 years

Actuarial assumptions:

Investment rate of return:	4.50%
Salary increases	4% base, with 0.25-3.0% increases varied by age
Mortality	Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit plan acturial valuation.

Annual trend rates for OPEB Costs:

Year	Medical/Rx
2015	6.0%
2016	5.5%
2017	5.3%
2018 and later	Continues gradually decreasing each year to 4.20% in 2089 and later.

See accompanying note to required supplementary information.

NORTH ALLEGHENY SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2015

1. BUDGETARY DATA

The North Allegheny School District (School District) prepares its budget for the General Fund on the budgetary basis of accounting. This basis is consistent with the basis of accounting used in presenting the General Fund in the basic financial statements, except that: (1) any new capital leases are omitted from expenditures and omitted from proceeds from capital leases, (2) the Athletic Fund is reported as part of the General Fund but is budgeted separately from the General Fund each year, and (3) entries related to debt refundings are omitted so that all that is left in other financing sources related to the debt refunding are the cash proceeds from the issuance of the bonds.

Supplementary Information

NORTH ALLEGHENY SCHOOL DISTRICT

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS

JUNE 30, 2015

	Capital Project Funds				Other
	1999 Technology Fund	NASH/ Newman Stadium Construction Fund	CMS/IMS Construction Fund	Capital Financing Fund	Governmental Funds Total
Assets					
Cash and cash equivalents	$ 130,860	$ 7,946	$ -	$ 64,716	$ 203,522
Total Assets	$ 130,860	$ 7,946	$ -	$ 64,716	$ 203,522
Liabilities and Fund Balance					
Liabilities:					
Accounts payable and other current liabilities	$ 5,137	$ 7,000	$ -	$ 67,586	$ 79,723
Fund Balance:					
Restricted	-	946	-	-	946
Assigned	125,723	-	-	-	125,723
Unassigned	-	-	-	(2,870)	(2,870)
Total Fund Balance	125,723	946	-	(2,870)	123,799
Total Liabilities and Fund Balance	$ 130,860	$ 7,946	$ -	$ 64,716	$ 203,522

NORTH ALLEGHENY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OTHER GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2015

	Capital Project Funds				
	1999 Technology Fund	NASH Newman Stadium Construction Fund	CMS/IMS Construction Fund	Capital Financing Fund	Other Governmental Funds Total
Revenues:					
Local sources	$ 113,325	$ 3	$ 40	$ 281	$ 113,649
Expenditures:					
Instructional	626,691	-	-	-	626,691
Support services	103,814	-	29,179	1,958,593	2,091,586
Facilities acquisition, construction, and improvement services	-	-	-	41,878	41,878
Debt service - interest	-	-	-	4,221	4,221
Total expenditures	730,505	-	29,179	2,004,692	2,764,376
Excess (Deficiency) of Revenues Over Expenditures	(617,180)	3	(29,139)	(2,004,411)	(2,650,727)
Other Financing Sources (Uses):					
Transfers in (out)	665,500	-	(3)	-	665,497
Net Change in Fund Balance	48,320	3	(29,142)	(2,004,411)	(1,985,230)
Fund Balance:					
Beginning of year	77,403	943	29,142	2,001,541	2,109,029
End of year	$ 125,723	$ 946	$ -	$ (2,870)	$ 123,799

NORTH ALLEGHENY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-Through Grantor/Project Title	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Dates	Total Received For the Year	Accrued (Deferred) Revenue at July 1, 2014	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue at June 30, 2015
U.S. Department of Agriculture								
Passed through the Pennsylvania Department of Education:								
National School Lunch Program	10.555	n/a	7/1/13-6/30/14	$ 45,138	$ 45,138	$ -	$ -	$ -
National School Lunch Program	10.555	n/a	7/1/14-6/30/15	240,359	-	325,423	325,423	85,064
Passed through the Pennsylvania Department of Agriculture:								
National School Lunch Program (Donated Commodities)	10.555	n/a	7/1/14-6/30/15	123,199	-	123,199	123,199	-
Subtotal 10.555				408,696	45,138	448,622	448,622	85,064
School Breakfast Program	10.553	n/a	7/1/13-6/30/14	2,685	2,685	-	-	-
School Breakfast Program	10.553	n/a	7/1/14-6/30/15	9,178	-	13,394	13,394	4,216
Subtotal 10.553				11,863	2,685	13,394	13,394	4,216
Food Nutrition Service	n/a	n/a	7/1/13-6/30/14	8,854	8,854	-	-	-
Food Nutrition Service	n/a	n/a	7/1/14-6/30/15	49,190	-	66,579	66,579	17,389
Subtotal Food Nutrition Service				58,044	8,854	66,579	66,579	17,389
Total U.S. Department of Agriculture/Child Nutrition Cluster				478,603	56,677	528,595	528,595	106,669
U.S. Department of Education								
Passed through the Pennsylvania Department of Education:								
Title I Grants to Local Educational Agencies	84.010	013-120285	7/1/13-6/30/14	34,043	28,515	5,528	5,528	-
Title I Grants to Local Educational Agencies	84.010	013-130285	7/1/14-6/30/15	160,351	-	165,475	165,475	5,124
Subtotal 84.010				194,394	28,515	171,003	171,003	5,124
Title II Improving Teacher Quality State Grants	84.367	020-120285	7/1/13-6/30/14	39,856	32,791	7,065	7,065	-
Title II Improving Teacher Quality State Grants	84.367	020-130285	7/1/14-6/30/15	103,318	-	114,584	114,584	11,266
Subtotal 84.367				143,174	32,791	121,649	121,649	11,266
Passed through the Allegheny Intermediate Unit:								
Special Education - Grants to States	84.027	n/a	7/1/14-6/30/15	784,566	-	784,566	784,566	-
English Language Acquisition Grants	84.635	n/a	7/1/13-6/30/14	-	(2,020)	2,020	2,020	-
English Language Acquisition Grants	84.365	n/a	7/1/14-6/30/15	4,000	-	22	22	(3,978)
English Language Acquisition Grants - Immigration	84.365	n/a	7/1/12-6/30/13	-	(8,149)	8,149	8,149	-
Subtotal 84.365				4,000	(10,169)	10,191	10,191	(3,978)
Total U.S. Department of Education				1,126,134	51,137	1,087,409	1,087,409	12,412
				$ 1,604,737	$ 107,814	1,616,004	1,616,004	$ 119,081
				Less: state funds		(66,579)	(66,579)	
				Total Expenditures of Federal Awards		$ 1,549,425	$ 1,549,425	

Note to Schedule of Expenditures of Federal Awards:

1. The schedule was prepared using the accrual basis of accounting. Expenditures were recognized as liabilities were incurred.

North Allegheny School District

Independent Auditor's Reports
Required by OMB Circular A-133

Year Ended June 30, 2015

MaherDuessel
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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
North Allegheny School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of North Allegheny School District (School District), Pennsylvania, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated December 16, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maher Duessel

Pittsburgh, Pennsylvania
December 16, 2015

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Independent Auditor's Report on Compliance for its Major Program and on Internal Control over Compliance Required by OMB Circular A-133

Board of Directors
North Allegheny School District

Report on Compliance for its Major Federal Program

We have audited North Allegheny School District's (School District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on the School District's major federal program for the year ended June 30, 2015. The School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the School District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on its Major Federal Program

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on the internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Maher Duessel

Pittsburgh, Pennsylvania
December 16, 2015

NORTH ALLEGHENY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2015

I. Summary of Audit Results

1. Type of auditor's report issued: Unmodified

2. Internal control over financial reporting:

   Material weakness(es) identified? ☐ yes ☒ no
   Significant deficiencies identified that are not considered to be material weakness(es)?
   ☐ yes ☒ none reported

3. Noncompliance material to financial statements noted? ☐ yes ☒ no

4. Internal control over major programs:

   Material weakness(es) identified? ☐ yes ☒ no
   Significant deficiencies identified that are not considered to be material weakness(es)?
   ☐ yes ☒ none reported

5. Type of auditor's report issued on compliance for major programs: Unmodified

6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ☐ yes ☒ no

7. Major Programs:

CFDA Number(s)	Name of Federal Program or Cluster
	Child Nutrition Cluster:
#10.553	School Breakfast Program
#10.555	National School Lunch Program

8. Dollar threshold used to distinguish between type A and type B programs: $300,000

9. Auditee qualified as low-risk auditee? ☒ yes ☐ no

II. Findings related to the financial statements which are required to be reported in accordance with GAGAS.

No matters were reported.

III. Findings and questioned costs for federal awards.

No matters were reported.

NORTH ALLEGHENY SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2015

NO FINDINGS IN THE PRIOR YEAR.

NO UNRESOLVED FINDINGS FROM PAST AUDITS.