

UNION SCHOOL DISTRICT

**FINANCIAL REPORT WITH
SUPPLEMENTAL INFORMATION**

June 30, 2015

UNION SCHOOL DISTRICT
Table of Contents
June 30, 2015

| | |
|---|-------|
| Transmittal Letter | 3 |
| List of Report Distribution | 4 |
| Independent Auditor's Report | 5-6 |
| Management's Discussion and Analysis | 7-15 |
| Basic Financial Statements: | |
| <u>District - Wide Financial Statements:</u> | |
| Statement of Net Assets | 16 |
| Statement of Activities | 17 |
| <u>Fund Financial Statements:</u> | |
| Balance Sheet - Government Funds | 18 |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets | 19 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances - Government Funds | 20 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Government Funds to the Statement of Activities | 21 |
| Statement of Net Assets - Cafeteria Fund | 22 |
| Statement of Revenues, Expenses, and Changes in Fund Net Assets- Cafeteria Fund | 23 |
| Statement of Cash Flows - Cafeteria Fund | 24 |
| Statement of Net Assets - Fiduciary Fund | 25 |
| Statement of Changes in Net Assets - Fiduciary Fund | 26 |
| Notes to the Financial Statements | 27-41 |
| Required Supplemental Information: | |
| Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual | 42 |
| Other Supplemental Information: | |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance - Activity Fund | 43 |
| Schedule of General Fund Revenues | 44 |
| Federal Awards Supplemental Information: | |
| Schedule of Expenditures of Federal Awards | 45 |
| Notes To Schedule of Expenditures of Federal Awards | 46 |
| 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 Generally Accepted Auditing Standards | 47-48 |
| Report On Compliance With Requirements That Could Have a Direct and Material Effect on the Federal Programs and on Internal Control Over Compliance in Accordance with OMB Circular A-133 | 49 |
| Schedule of Findings and Questioned Costs | 51 |

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TRANSMITTAL LETTER

Union School District
354 Baker Street, Suite 2
Rimersburg, PA 16248

Members of the Board:

We have performed the Single Audit of the Union School District for the fiscal year ended June 30, 2015 and have enclosed the Single Audit reporting package.

The Single Audit was performed to fulfill the requirements of the Single Audit Act of 1984 as implemented by Circular A-133. The Single Audit includes:

1. An examination of the general purpose financial statements and our opinion thereon.
2. A review of compliance based on an examination of the general purpose financial statements and an examination of the federal award programs and our reports thereon.
3. An examination of the schedule of expenditures of federal awards and our opinion thereon.
4. A study and evaluation of internal controls based on an examination of the general purpose financial statements and a study and evaluation of the federal award programs and our reports thereon.



Richard G. Hawk
Certified Public Accountant

October 29, 2015

LIST OF REPORT DISTRIBUTION

The Single Audit Reports of Union School District for the year ended June 30, 2015, have been distributed as follows:

Five copies to: Office of the Budget/Bureau of Audits
303 Walnut Street
Bell Tower – Strawberry Square
6th Floor
Harrisburg, PA 17101

(I will send an electronic submission to Bureau of Audits)

One copy : Federal Audit Clearinghouse
Bureau of the Census
P.O. Box 5000
Jeffersonville, IN 47199-5000

(I will send *via electronic transmission*)

Twelve copies to: Union School District
354 Baker Street, Suite 2
Rimersburg, PA 16248

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INDEPENDENT AUDITOR'S REPORT

Union School District
354 Baker Street, Suite 2
Rimersburg, Pennsylvania

Members of the Board:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Union School District, as of and for the year ended June 30, 2015, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Union School District's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

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

In accordance with *Government Auditing Standards*, I have also issued a report dated October 29, 2015 on my consideration of the Union School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 7 through 15, and page 36, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion thereof.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Union School District. The schedules listed in the table of contents as well as the accompanying Schedule of Expenditures of Federal Awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Richard G. Hawk
Certified Public Accountant

October 29, 2015

**UNION SCHOOL DISTRICT
354 Baker Street Suite 2
Rimersburg, PA 16248**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
Required Supplementary Information (RSI)
June 30, 2015**

The discussion and analysis of Union School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements, and financial statements to enhance their understanding of the District's financial performance.

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

SCHOOL DISTRICT HIGHLIGHTS

The Union School District is comprised of the municipalities of Rimersburg and Sligo, as well as, portions of Toby, Madison, and Piney Townships, Clarion County, Pennsylvania, and covers an area of approximately 76.8 square miles. The School District employs approximately 60 professional staff and 43 classified staff.

The Union School District consists of one Kindergarten through third grade elementary school, one fourth grade through sixth grade elementary school, and one seventh grade through twelfth grade junior-senior high school.

ACADEMIC DESCRIPTION

Union School District continues to place an emphasis on student learning and the continued improvement of its academic programs, as well as, creating new programs to enhance that learning. A few highlights supporting this emphasis are:

- 1:1 technology initiative for grades 8-11.
- Union International Outreach Program.
- E-Academy Cyber School Program.

FINANCIAL HIGHLIGHTS

The School District's budget is prepared according to Pennsylvania law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The budgeting

system is designed to tightly control expenditures, but leave flexibility to enhance programs of the district.

Actual revenues in 2014-2015 were \$10,235,507. This exceeded budgeted revenues by \$298,435. General fund actual revenues exceeded general fund actual expenditures by \$407,369 for the year ended June 30, 2015. A transfer to the cafeteria fund of \$65,036 was made, which resulted in a net surplus of \$342,332.

Overall expenditures for 2014-2015 fiscal year were \$9,893,174, which was \$693,874 less than 2014-2015 budgeted expenditures of \$10,587,049. This was a direct result of a continued effort by school district officials to identify cost cutting measures and school district employees participating in those measures.

General fund balance on June 30, 2014 was \$7,231,891. With the net surplus in 2014-2015 of \$342,333, the District's general fund balance increased to \$7,571,014. Of that \$7,571,014, \$32,000 is restricted, \$4,400,000 is assigned and the remaining unassigned fund balance at June 30, 2015 is \$3,139,014.

Chart A-1 shows how the required parts of the Financial Section are arranged and relate to one another.

Chart A-1
Required components of
Union School District's
Financial Report

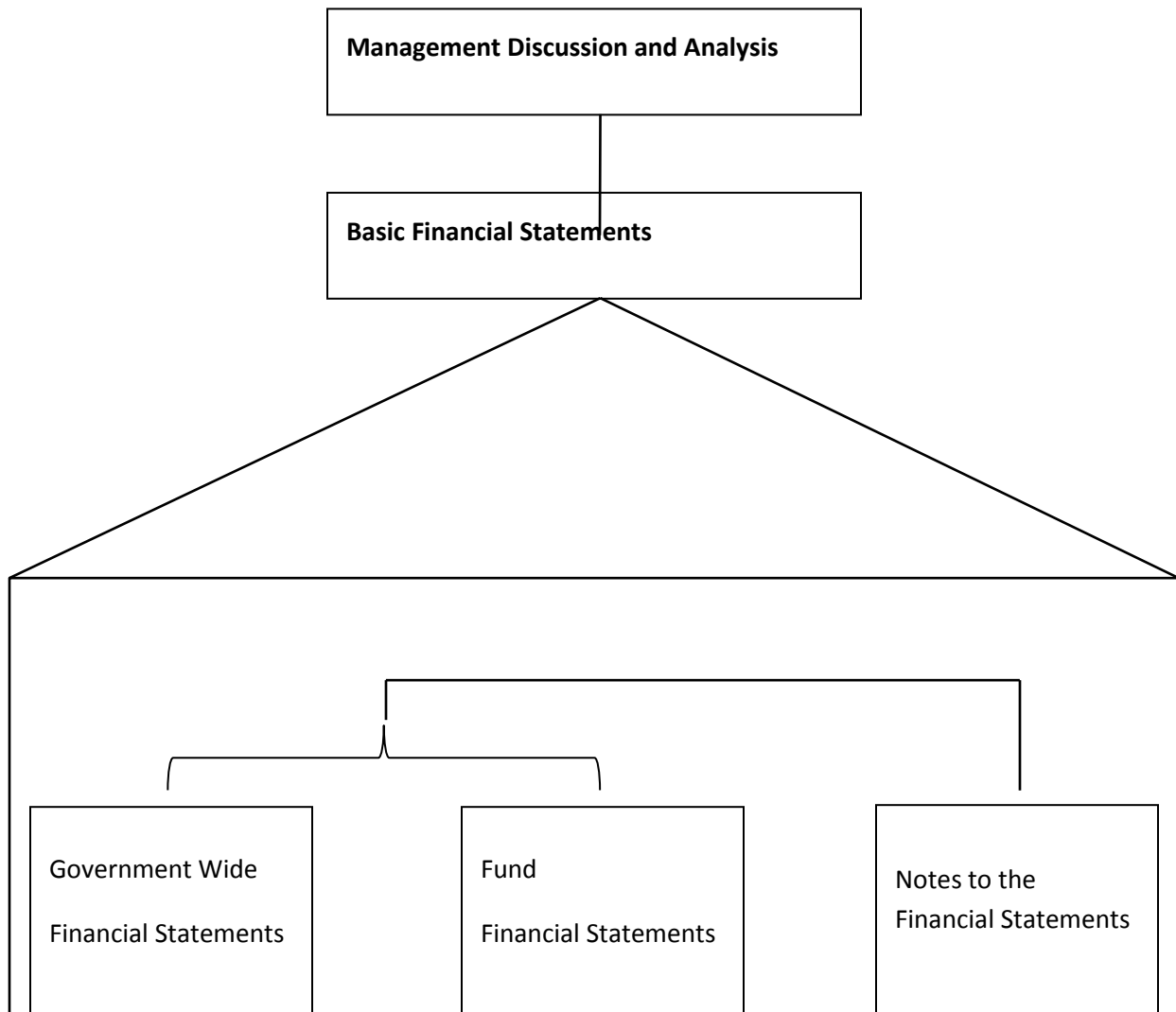


Chart A-2 summarizes the major features of the District’s financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of management discussion and analysis explains the structure and contents of each of the statements.

| Chart A-2 Major Features of Union School District’s Government-Wide and Fund Financial Statements | | | | |
|---|--|---|---|---|
| | | Fund Statements | | |
| | Government-Wide Statements | Governmental Funds | Proprietary Funds | Fiduciary Funds |
| Scope | Entire District (Except Fiduciary Funds) | The activities of the District that are not proprietary or fiduciary, such as education, administration and community services | Activities the District operates similar to private business – Food Services | Instances in which the District is the trustee or agent to someone else’s resources – Scholarship Funds |
| Required Financial Statements | Statement of Net Assets Statement of Activities | Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balance | Statement of Net Assets Statement of Revenues, Expenses and Changes in Net Assets Statement of Cash Flows | Statement of Fiduciary Net Assets Statement of Changes in Fiduciary Net Assets |
| Accounting Basis And Measurement Focus | Accrual Accounting and Economic Resources Focus | Modified Accrual Accounting and Current Financial Resources Focus | Accrual Accounting and Economic Resources Focus | Accrual Accounting and Economic Resources Focus |
| Type of Asset/Liability Information | All assets and liabilities, both financial and capital, and short-term and long-term | Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included. | All assets and liabilities, both financial and capital, and short-term and long-term | All assets and liabilities, both short-term and long-term. |
| Type of Inflow-Outflow Information | All revenues and expenses during year, regardless of when cash is received or paid. | Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter. | All revenues and expenses during year, regardless of when cash is received or paid. | All revenues and expenses during year, regardless of when cash is received or paid. |

OVERVIEW OF FINANCIAL STATEMENTS

Government-wide Statements

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

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

- Over time, increases or decreases in the District's net assets are an indication of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional non-financial factors, such as changes in the District's property tax base, and student enrollment.

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

- **Governmental Activities** – All the District's basic services are included here, such as instruction, administration and community services. Property taxes and state and federal subsidies and grants finance most of these activities.
- **Business Type Activities** – The 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.

Fund Financial Statements

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

Governmental funds – Most of the District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. 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 fund statements provide a detailed short-term view of the District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary funds – These funds are used to account for the District activities that are similar to business operations in the private sector, or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the District charges customers for services it provides – whether to outside customers or to other units in the District – these services are generally reported in proprietary funds. The Food Service Fund is the District’s proprietary fund and is the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows.

Fiduciary funds – The District is the trustee, or fiduciary, for some scholarship and agency funds. All of the District’s fiduciary activities are reported in separate Statements of Fiduciary Net Assets. We exclude these activities from the District’s other financial statement because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District’s total liabilities and net assets were \$14,606,336.00 at June 30, 2014 and \$14,685,234.00 at June 30, 2013.

**TABLE A-1 ASSETS
FISCAL YEAR END JUNE 30, 2014**

| | Governmental Activities | | Business-Type Activities | | Totals | |
|------------------------------------|----------------------------|----------------------------|--------------------------|-------------------------|----------------------------|----------------------------|
| | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 |
| ASSETS | | | | | | |
| Current and Other Assets | \$8,364,663 | \$8,621,098 | \$222,448 | \$253,613 | \$8,587,111 | \$8,874,710 |
| Capital Assets | 5,967,582 | 5,491,813 | 51,642 | 37,957 | 6,019,224 | 5,529,770 |
| TOTAL ASSETS | 14,332,245 | 14,112,911 | 274,090 | 291,571 | 14,606,335 | 14,404,482 |
| LIABILITIES | | | | | | |
| Current and other liabilities | 1,134,291 | 1,078,526 | 282,885 | 201,678 | 1,417,176 | 1,280,204 |
| Long-term liabilities | 3,450,312 | 3,373,905 | 0 | 0 | 3,450,312 | 3,373,905 |
| TOTAL LIABILITIES | 4,584,603 | 4,452,431 | 282,885 | 201,678 | 4,867,488 | 4,654,109 |
| NET POSITION | | | | | | |
| Capital assets net of related debt | 2,862,582 | 2,626,813 | 68,624 | 37,957 | 2,877,345 | 2,664,770 |
| Capital projects | 9,833 | 3,210 | 0 | 0 | 9,833 | 3,210 |
| Other restrictions | 4,400,000 | 4,400,000 | 46,378 | 46,081 | 4,446,378 | 4,446,081 |
| Unrestricted | 2,475,227 | 2,630,457 | (106,814) | 5,855 | 2,368,413 | 2,636,312 |
| Total net assets | 9,747,642 | 9,660,480 | (8,794) | 89,893 | 9,738,848 | 9,750,373 |
| TOTAL NET POSITION | <u>\$14,332,245</u> | <u>\$14,112,911</u> | <u>\$265,441</u> | <u>\$291,571</u> | <u>\$14,685,234</u> | <u>\$14,404,482</u> |

Most of the District’s net assets are invested in capital assets (buildings, land, and equipment). The remaining unrestricted net assets are a combination of designated and undesignated amounts. The

designated balances are amounts set-aside to fund future purchases or capital projects as planned by the district.

The results of this year's operations as a whole are reported in the Statement of Activities. All expenses are reported in the first column. This statement also shows the grants, revenues, and subsidies that directly relate to the expense categories as well as the net expense or revenue.

The two largest general revenues are the Basic Education Subsidy provided by the State of Pennsylvania, and the local taxes assessed to community taxpayers.

The tables below represent the expenses of both the Governmental Activities and the Business-type Activities of the District.

Table A-2 shows the various expense functions within the District – instruction, instructional student support, administrative, operation and maintenance of plant, pupil transportation, student activities, and community services.

**TABLE A-2 GOVERNMENT ACTIVITIES
FISCAL YEAR END JUNE 30, 2014**

| Functions | Programs | Budgeted | Actual |
|------------------|------------------------------|-------------------|------------------|
| 1100 | Regular Programs | \$4,838,175 | \$4,607,472 |
| 1200 | Special Programs | 918,920 | 878,218 |
| 1300 | Vocational Programs | 386,704 | 277,053 |
| 1400 | Other Instructional Programs | 15,726 | 8,191 |
| 2100 | Pupil Personnel Services | 377,966 | 340,585 |
| 2200 | Instructional Staff Services | 191,718 | 193,702 |
| 2300 | Administrative Services | 913,702 | 821,980 |
| 2400 | Pupil Health | 129,450 | 128,040 |
| 2500 | Business Services | 243,820 | 212,657 |
| 2600 | Operational & Maintenance | 1,092,665 | 981,518 |
| 2700 | Transportation | 491,442 | 482,408 |
| 2800 | Central Support | 192,555 | 231,037 |
| 2900 | Other Support | 5,750 | 5,317 |
| 3200 | Student Services | 286,552 | 247,344 |
| 3300 | Community Services | 10,204 | 12,137 |
| 4000 | Capital Outlay | 0 | 68,786 |
| 5110 | Debt Services | 331,700 | 331,693 |
| 5130 | Refund Prior Year Receipts | 0 | 0 |
| 5200 | Internal Transfers | 160,000 | 65,036 |
| | Total Expenditures | 10,587,049 | 9,893,174 |

Table A-3 reflects the activities of the Food Service program, the only Business-type activity of the District.

**TABLE A-3 BUSINESS TYPE ACTIVITIES
FISCAL YEAR END JUNE 30, 2014**

| | |
|----------------------------|-----------------|
| Food Services | |
| Total Cost of Service | \$433,267 |
| Food Service Cash Revenue | 130,733 |
| Earnings on Investments | 29 |
| State Revenues | 18,660 |
| Federal Revenues | <u>264,596</u> |
| Net Cost of Service | \$19,249 |

The Statement of Revenues, Expenses, and Changes in Fund Net Assets for this proprietary fund will further detail the actual results of operations.

THE DISTRICT FUNDS

At June 30, 2015, the District governmental funds reported a combined unreserved fund balance of \$7,571,014. That includes \$4,400,000 in designated funds. The District has set that designated amount to cover future increases in retirement contributions, debt, and medical insurance expenses. This remains the same from the preceding year.

General Fund Budget

During the fiscal year, the Board of School Directors (The Board) may authorize revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. All adjustments are again confirmed at the time the annual audit is accepted, this is after the end of the fiscal year, which is not prohibited by state law. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in its Annual Financial Report.

The District applies for federal, state, and local grants and these grants cannot always be anticipated in the budgeting process. During the fiscal year 2014-2015, the District received \$129,243 via the Ready To Learn grant.

Budgeted expenditures and other financing uses also increased this same amount to compensate for the additional approved grants. Transfers between specific categories of expenditures/financing uses occur during the year. The most significant transfers occur from the budget reserve category to specific expenditure areas.

The Budgetary Reserve includes amounts that will be funded by designated fund balance for planned opportunities of expenditures for improvements/enhancements to the District operations. These amounts will only be appropriated into expenditure categories if the fiscal results of the prior year-end with a positive addition to fund balance, which exceeds the total of these projected expenditures. The

Board is using this method of budgeting to control tax increases while also protecting the integrity of the fund balance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had \$5,967,582 invested in a broad range of capital assets, including land, buildings, and furniture and equipment.

**TABLE A-4 GOVERNMENTAL ACTIVITIES
CAPITAL ASSETS NET OF DEPRECIATION
FISCAL YEAR END JUNE 30, 2014**

| | |
|-----------------------|--------------------|
| Site Improvements | \$492,266 |
| Buildings | 4,908,071 |
| Furniture & Equipment | 91,476 |
| Construction | <u>0</u> |
| TOTAL | \$5,491,813 |

The District did have an updated appraisal completed on June 30, 2012.

Debt Administration

As of June 30, 2015, the District had total outstanding debt principal of \$2,865,000. During the year, the District made payments against principal of \$240,000.

**TABLE A-5
OUTSTANDING DEBT AS OF JUNE 30, 2015**

| | |
|--|-----------|
| General Obligation Notes/Bonds: | |
| Bonds, Series of 2011 | 2,865,000 |

Other obligations include accrued vacation pay and sick leave for specific employees of the District. More detailed information about our long-term liabilities is included in Statement of Indebtedness financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District received a general obligation bond rating of A+ from Standard & Poor's Ratings Group. This rating is enhanced by the additional security for bonds provided by the Commonwealth of Pennsylvania Act 150 School District Intercept Program. The Act provides for undistributed state aid to be diverted to bond holders in the event of default. Standard & Poor's cited that the A+ rating reflects a strong capacity to meet financial commitments, but somewhat susceptible to adverse economic conditions and changes in circumstances.

The District does not expect significant growth in the near future given the residential nature of the community and the lack of economic opportunity within the region. However the community at large has begun to see some effects from the increased level of interest in the availability of Marcellus gas. Several sites within the District have been drilled or test drilled. The state of Pennsylvania is considering taxation or fee structures for the extraction of Marcellus gas. As part of the Marcellus “fairway” Union School District is hopeful that growth in the natural gas industry will result in economic growth within this community.

The revenue budget for the 2015-2016 year is \$117,533 more than the budgeted revenues for 2014-2015. This represents an approximate 1% increase. No significant increase in either Local or Federal revenue is expected. The expenditure budget for the 2015-2016 year is \$1,128,809 more than the budgeted expenditures for 2014-2015, an increase of approximately 10.5%. The District did not increase any tax rates for the 2014-2015 year.

The comparison of revenue and expenditure categories by percentage is as follows:

**TABLE A-6
COMPARISON OF REVENUE AND EXPENDITURES
BY PERCENTAGE**

| Revenues | 2013-2014 | 2014-2015 |
|-----------------|------------------|------------------|
| Local | 23% | 23% |
| State | 74% | 74% |
| Federal | 3% | 3% |
| Other | 0% | 0% |
| TOTAL | 100% | 100% |

| Expenditures | 2013-2014 | 2014-2015 |
|---------------------------|------------------|------------------|
| Instruction | 56% | 58% |
| Support Services | 33% | 34% |
| Non-Instruction/Community | 3% | 3% |
| Facilities & Construction | 0% | 1% |
| Fund Transfer/Debt | 8% | 4% |
| TOTAL | 100% | 100% |

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors, and creditors with a general overview of the District’s finances and to show the Board’s accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact John Stevens, Business Manager at Union School District, 354 Baker Street Suite 2, Rimersburg, PA 16248 and 814-473-6311.

Union School District
Statement of Net Assets: Entity Wide
June 30, 2015

| | Governmental Activities | Business-type Activities | Total |
|--|------------------------------------|-------------------------------------|---------------------|
| ASSETS | | | |
| Current Assets: | | | |
| Cash and Cash Equivalents | \$158,115 | \$42,451 | \$200,566 |
| Investments | 8,091,029 | 199,515 | 8,290,544 |
| Taxes Receivable, net | 235,435 | | 235,435 |
| Due From Other Governments (incl. 0141-0145) | 104,519 | | 104,519 |
| Inventories | 32,000 | 11,647 | 43,647 |
| Total Current Assets | 8,621,098 | 253,613 | 8,874,710 |
| Noncurrent Assets: | | | |
| Land and Site Improvements (net) | 492,266 | | 492,266 |
| Building & Improvements(net of Accumulated Depreciation) | 4,908,071 | | 4,908,071 |
| Furniture & Equipment (net of Accumulated Depreciation) | 91,476 | 37,957 | 129,433 |
| Total Noncurrent Assets | 5,491,813 | 37,957 | 5,529,770 |
| TOTAL ASSETS | \$14,112,911 | \$291,571 | \$14,404,482 |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Bank Overdraft | | \$201,678 | \$201,678 |
| Accounts Payable | 4,450 | | 4,450 |
| ST Portion of Compensated Absences | 7,087 | | 7,087 |
| Current Portion of LT Debt | 260,000 | | 260,000 |
| Other Current Liabilities | 806,989 | | 806,989 |
| Total Current Liabilities | 1,078,526 | 201,678 | 1,280,204 |
| Noncurrent Liabilities: | | | |
| Bonds Payable | 2,605,000 | | 2,605,000 |
| LT Portion of Compensated Absences | 63,788 | | 63,788 |
| Other Postemployment Benefits (OPEB) | 705,117 | | 705,117 |
| Total Noncurrent Liabilities | 3,373,905 | 0 | 3,373,905 |
| TOTAL LIABILITIES | 4,452,431 | 201,678 | 4,654,109 |
| NET ASSETS | | | |
| Invested in Capital Assets Net of Related Debt | 2,626,813 | 37,957 | 2,664,770 |
| Capital Projects | 3,210 | | 3,210 |
| Unreserved - designated | 4,400,000 | 46,081 | 4,446,081 |
| Unrestricted (deficit) | 2,630,457 | 5,855 | 2,636,312 |
| TOTAL NET ASSETS | 9,660,480 | 89,893 | 9,750,373 |
| TOTAL LIABILITIES AND NET ASSETS | 14,112,911 | 291,571 | 14,404,482 |

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

**Union School District
Statement of Activities
For the Year Ended June 30, 2015**

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | |
|---|-------------------|---------------------------------|---|--|-------------------------------------|-------------------|
| | <u>Expenses</u> | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
| Governmental activities: | | | | | | |
| Depreciation - unallocated | \$475,769 | | | -\$475,769 | | -\$475,769 |
| Instruction | 5,770,934 | | 4,965,411 | -805,523 | | -805,523 |
| Instructional Student Support | 534,287 | | 459,710 | -74,577 | | -74,577 |
| Administrative & Financial Support Services | 1,399,031 | | 1,203,750 | -195,281 | | -195,281 |
| Operation & Maintenance of Plant Services | 1,050,303 | | 903,699 | -146,604 | | -146,604 |
| Pupil Transportation | 482,408 | | 326,647 | -155,761 | | -155,761 |
| Food Service (Governmental Activity) | | | | | | |
| Student Activities | 247,344 | 17,938 | | -229,406 | | -229,406 |
| Community Services | 12,137 | | 32,643 | 20,506 | | 20,506 |
| Scholarships and Awards | | | | | | |
| Interest on Long-Term Debt | 91,693 | | | -91,693 | | -91,693 |
| Total Governmental Activities | <u>10,063,907</u> | <u>17,938</u> | <u>7,891,860</u> | <u>-2,154,109</u> | <u></u> | <u>-2,154,109</u> |
| Business-type activities: | | | | | | |
| Food Service | 433,267 | 130,733 | 283,256 | | -19,278 | -19,278 |
| Child Care | | | | | | |
| Other Enterprise Funds | | | | | | |
| Total Business-Type Activities | <u>433,267</u> | <u>130,733</u> | <u>283,256</u> | <u></u> | <u>-19,278</u> | <u>-19,278</u> |
| TOTAL PRIMARY GOVERNMENT | <u>10,497,174</u> | <u>148,671</u> | <u>8,175,116</u> | <u>-2,154,109</u> | <u>-19,278</u> | <u>-2,173,387</u> |
| General revenues: | | | | | | |
| Taxes: | | | | | | |
| Property taxes levied for general purposes, net | | | | \$2,175,984 | | \$2,175,984 |
| Grants, subsidies, & contributions not restricted | | | | 0 | -297 | -297 |
| Investment Earnings | | | | 149,725 | 29 | 149,754 |
| Miscellaneous Income | | | | 0 | -3,095 | -3,095 |
| Change in: Taxes Rec - Comp Abs - OPEB | | | | -163,726 | | -163,726 |
| Transfers between Governmental, BT Activities | | | | -65,036 | 65,036 | 0 |
| Total General Revenues, Special and Extraordinary Items, and Transfers | | | | <u>2,096,947</u> | <u>61,673</u> | <u>2,158,620</u> |
| CHANGES IN NET ASSETS | | | | <u>-57,162</u> | <u>42,395</u> | <u>-14,766</u> |
| Net Assets, Beginning | | | | <u>9,717,642</u> | <u>47,498</u> | <u>9,765,140</u> |
| NET ASSETS - END OF FISCAL YEAR | | | | <u>9,660,480</u> | <u>89,893</u> | <u>9,750,374</u> |

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

**UNION SCHOOL DISTRICT
COMBINED BALANCE SHEET- GOVERNMENT FUNDS
JUNE 30, 2015**

| | GENERAL | CAPITAL PROJECTS | TOTAL GOVERNMENT FUNDS |
|--|--------------------|-----------------------------|---------------------------------------|
| ASSETS | | | |
| Cash | \$154,905 | \$3,210 | \$158,115 |
| Investments (at cost) | 8,091,029 | | 8,091,029 |
| Taxes receivable | 235,435 | | 235,435 |
| Due from other gov't units | 104,519 | | 104,519 |
| Inventory of materials and supplies | 32,000 | | 32,000 |
| | <u>\$8,617,888</u> | <u>\$3,210</u> | <u>\$8,621,098</u> |
| TOTAL ASSETS | | | |
| LIABILITIES AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts Payable | \$4,450 | | \$4,450 |
| Other current liabilities | 806,989 | | 806,989 |
| Deferred revenues | 235,435 | | 235,435 |
| | <u>\$1,046,874</u> | <u>\$0</u> | <u>\$1,046,874</u> |
| TOTAL LIABILITIES | | | |
| FUND BALANCES | | | |
| Reserved | \$32,000 | \$3,210 | \$35,210 |
| Unreserved-designated | 4,400,000 | | 4,400,000 |
| Unreserved | <u>3,139,014</u> | | <u>3,139,014</u> |
| TOTAL FUND BALANCES | <u>7,571,014</u> | <u>3,210</u> | <u>7,574,224</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$8,617,888</u> | <u>\$3,210</u> | <u>\$8,621,098</u> |

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

UNION SCHOOL DISTRICT
Reconciliation: Governmental Funds Balance Sheet To The Statement of Net Assets
June 30, 2015

Total Fund Balances - Governmental Funds \$7,574,224

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

Capital Assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

| | | | |
|--|--------------------------|--------------------|-----------|
| | Assets | \$16,435,036 | |
| | Accumulated Depreciation | <u>-10,943,223</u> | 5,491,813 |

Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds. 235,435

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

| | | | |
|--|-------------------------------|-----------------|--|
| | Bonds payable | -2,865,000 | |
| | Compensated absences | -70,875 | |
| | Other Postemployment benefits | <u>-705,117</u> | |

Total Net Assets - Governmental Activities \$9,660,480

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

**UNION SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENT FUNDS
YEAR ENDED JUNE 30, 2015**

| | GENERAL FUND | CAPITAL PROJECTS FUND | TOTAL |
|--|---------------------------|--------------------------------------|---------------------------|
| Revenues | | | |
| Local Sources | \$2,387,801 | \$7 | \$2,387,808 |
| State Sources | 7,544,806 | | 7,544,806 |
| Federal Sources | 302,893 | | 302,893 |
| | <u>10,235,500</u> | <u>7</u> | <u>10,235,507</u> |
| Expenditures | | | |
| Instruction | 5,770,934 | | 5,770,934 |
| Support Services | 3,397,245 | | 3,397,245 |
| Non-Instructional Services | 259,481 | | 259,481 |
| Facilities Acquisition | 0 | 68,786 | 68,786 |
| | <u>9,427,660</u> | <u>68,786</u> | <u>9,496,445</u> |
| Excess of Revenues Over (Under) Expenditures | <u>807,840</u> | <u>-68,780</u> | <u>739,062</u> |
| Other Financing Sources (Uses) | | | |
| Payment of Bond Principal | -240,000 | | -240,000 |
| Interest Expense | -91,693 | | -91,693 |
| Refund of Prior Year Receipts | - | | 0 |
| Operating Transfers | | | |
| From General Fund to Cafeteria | -65,036 | | -65,036 |
| From General Fund to Capital Projects Fund | -62,157 | 62,157 | 0 |
| | <u>-458,886</u> | <u>62,157</u> | <u>-396,729</u> |
| Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses | <u>\$348,954</u> | <u>(\$6,623)</u> | <u>\$342,333</u> |
| Fund Balance, Beginning of Year | <u>\$7,222,059</u> | <u>\$9,832</u> | <u>\$7,231,891</u> |
| Fund Balance, End of Year | <u><u>\$7,571,013</u></u> | <u><u>\$3,209</u></u> | <u><u>\$7,574,224</u></u> |

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

**Union School District
Reconciliation: Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
To the Statement of Activities
For The Year Ended June 30, 2015**

| | | |
|---|------------|------------------|
| Total net change in fund balances - governmental funds | | \$342,333 |
| <p>Amounts reported for governmental activities in the statement of activities are different because:</p> | | |
| <p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the period.</p> | -\$475,769 | |
| <p>Net increase in Taxes Receivable recorded as reserve against fund balance</p> | 20,112 | |
| <p>Net increase in Compensated Absences recorded as reserve against fund balance</p> | (2,450) | |
| <p>Net increase in Other Postemployment Benefits not due and payable in current period and therefore not reported as a liability in government funds</p> | (181,388) | |
| <p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p> | 240,000 | |
| Change in net assets of governmental activities | | -\$57,162 |

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

Proprietary Fund (Food Service)
Statement of Net Assets
June 30, 2015

ASSETS

Current Assets:

| | | |
|---------------------------|----|--------|
| Cash and Cash Equivalents | \$ | - |
| Investments | | 52,317 |
| Inventories | | 11,647 |
| Other Current Assets | | |

| | | |
|-----------------------------|-----------|---------------|
| Total Current Assets | \$ | 63,964 |
|-----------------------------|-----------|---------------|

Noncurrent Assets:

| | | |
|-----------------------------|----|--------|
| Furniture & Equipment (net) | \$ | 37,957 |
|-----------------------------|----|--------|

| | | |
|--------------------------------|-----------|---------------|
| Total Noncurrent Assets | \$ | 37,957 |
|--------------------------------|-----------|---------------|

| | | |
|---------------------|-----------|----------------|
| TOTAL ASSETS | \$ | 101,921 |
|---------------------|-----------|----------------|

LIABILITIES

Current Liabilities:

| | | |
|---------------------------|----|---------|
| Bank Overdraft | \$ | 201,678 |
| Accounts Payable | | - |
| Other Current Liabilities | | |

| | | |
|----------------------------------|-----------|----------------|
| Total Current Liabilities | \$ | 201,678 |
|----------------------------------|-----------|----------------|

Noncurrent Liabilities:

| | | |
|-----------------------------|--|---|
| Other Long Term Liabilities | | - |
|-----------------------------|--|---|

| | | |
|-------------------------------------|--|--|
| Total Noncurrent Liabilities | | |
|-------------------------------------|--|--|

| | | |
|--------------------------|-----------|----------------|
| TOTAL LIABILITIES | \$ | 201,678 |
|--------------------------|-----------|----------------|

NET ASSETS

| | | |
|--|----|-----------|
| Invested in Capital Assets Net of Related Debt | \$ | 37,957 |
| Unrestricted | | (137,714) |

| | | |
|-------------------------|-----------|-----------------|
| TOTAL NET ASSETS | \$ | (99,757) |
|-------------------------|-----------|-----------------|

| | | |
|---|-----------|----------------|
| TOTAL LIABILITIES AND NET ASSETS | \$ | 101,921 |
|---|-----------|----------------|

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

**Union School District
Proprietary Fund (Food Service)
Statement of Revenues, Expenses and Changes in Net Assets
For The Year Ended June 30, 2015**

| | |
|--------------------------------------|------------------|
| Operating Revenue | |
| Lunch and Milk Sales | \$130,733 |
| State Subsidies | 18,660 |
| Federal Subsidies | 264,596 |
| | 264,596 |
| Total Operating Revenues | 413,989 |
| | |
| Operating Expense | |
| Personal Services | 225,919 |
| Supplies | 190,415 |
| Depreciation | 16,933 |
| | 16,933 |
| Total Operating Expenses | 433,267 |
| | |
| Operating Income (Loss) | -19,279 |
| | |
| Nonoperating Revenue | |
| Interest | 29 |
| Operating Transfers | |
| In (Out) | 65,036 |
| | 65,036 |
| | |
| Net Income (loss) | 45,786 |
| | |
| Net Assets, Beginning of Year | -145,543 |
| | |
| Net Assets, End of Year | -\$99,757 |

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

**Union School District
Proprietary Fund (Food Service)
Statement of Cash Flows
For The Year Ended June 30, 2015**

| | |
|---|-----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Cash Received From Food Sales | \$413,989 |
| Cash Paid for Labor and Benefits | -225,919 |
| Cash Paid for Purchases | -190,415 |
| NET CASH USED BY OPERATING ACTIVITIES | -2,346 |
| | |
| CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES | |
| Operating Transfers In (Out) | 65,036 |
| NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES | 65,036 |
| | |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Acquisition of capital assets | -3,248 |
| NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES | -3,248 |
| | |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Earnings on investments | 29 |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | 29 |
| | |
| ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED FOR OPERATIONS | |
| Decrease in Bank Overdraft | -24,915 |
| TOTAL ADJUSTMENTS | -24,915 |
| NET INCREASE (DECREASE) IN CASH | 34,556 |
| BEGINNING CASH BALANCE | 17,761 |
| ENDING CASH BALANCE | \$52,317 |
| | |
| Reconciliation of net income (loss) to net cash provided by (used for) operating activities: | |
| Net Income (loss) | (\$19,279) |
| Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities: | |
| Depreciation Expense | 16,933 |
| (Increase) Decrease in inventory | 0 |
| Decrease in bank overdraft | -24,915 |
| Operating transfers in | 65,036 |
| Acquisition of capital assets | -3,248 |
| Earnings on Investments | 29 |
| NET INCREASE (DECREASE) IN CASH | 34,556 |
| BEGINNING CASH BALANCE | 17,761 |
| ENDING CASH BALANCE | \$52,317 |

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

**Union School District
Fiduciary Funds
Statement of Net Assets
June 30, 2015**

ASSETS

| | |
|---------------------------|----------|
| Cash and Cash Equivalents | \$42,451 |
| Investments | 147,198 |

TOTAL ASSETS \$189,649

LIABILITIES

| | |
|---------------------------|-----------------|
| Other Current Liabilities | <u>\$46,081</u> |
|---------------------------|-----------------|

TOTAL LIABILITIES \$46,081

NET ASSETS

| | |
|--------------|-----------|
| Restricted | \$143,568 |
| Unrestricted | |

TOTAL NET ASSETS \$143,568

TOTAL LIABILITIES AND NET ASSETS \$189,649

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

**Union School District
Fiduciary Funds
Statement of Changes in Net Assets
June 30, 2015**

ADDITIONS

| | |
|---------------------------------|---------------|
| Gifts and Contributions | \$1,262 |
| Interest Income | 5,346 |
| Investment unrealized gain/loss | <u>-2,030</u> |
| TOTAL ADDITIONS | <u>4,579</u> |

DEDUCTIONS

| | |
|-------------------------|-----------------|
| Scholarships Awarded | <u>-\$7,672</u> |
| TOTAL DEDUCTIONS | <u>-7,672</u> |

| | |
|-----------------------------|-----------------|
| CHANGE IN NET ASSETS | <u>-\$3,094</u> |
|-----------------------------|-----------------|

| | |
|--|-------------------------|
| Net Assets - Beginning of Fiscal Year | <u>\$146,662</u> |
| NET ASSETS - END OF FISCAL YEAR | <u><u>\$143,568</u></u> |

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

UNION SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The **Union School District** (“District”) is located in Clarion County, Pennsylvania. The District’s tax base consists of the following Townships and Boroughs: Rimersburg and Sligo Boroughs; Piney, Madison, and Toby townships.

The District is a unit established, organized and empowered by the Commonwealth of Pennsylvania for the express purpose of carrying out, on the local level, the commonwealth’s obligation to public education, as established by the constitution of the Commonwealth and by the school law code of the same (Article II; Act 150, July 8, 1968).

A board of nine school directors who are residents of the District and who are elected every two years, on a staggered basis, for a four-year term, governs the District.

The Board of School Directors has the power and duty to establish, equip, furnish and maintain a sufficient number of elementary, secondary and other schools necessary to educate eligible students between the ages of 5 and 21 years residing in such district who may attend.

In order to establish, enlarge, equip, furnish, operate and maintain any schools, or to pay any school indebtedness which the District is required to pay, the Board of School Directors is vested with all necessary authority and power annually to levy and collect the taxes required and granted by the legislature, in addition to the annual state appropriation, and is vested with all necessary power and authority to comply with and carry out any or all of the provisions of the Public School code of 1949, as amended.

The most significant of the District’s accounting policies are described below:

A. Reporting Entity

In evaluating the District as a reporting entity, management has addressed all potential component units for which the District may or may not be financially accountable, and as such, be includable within the District’s financial statements. In accordance with Statement of Governmental Accounting Standards Board (GASB) No. 14 and No. 39, the District is financially accountable if it appoints a voting majority of the organization governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burden on the District. Additionally the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

Based upon the application of these criteria, the District has determined it has no component units which must be blended.

B. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent.

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. 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 activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from the goods, services or privileges provided by a given function or segment. In addition, program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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. Major individual governmental funds and major individual enterprise funds are reported as separate columns to the fund financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's ongoing operations. The principal operating revenues of the District's enterprise fund are food services charges. Operating expenses for the District's enterprise fund include food production costs, supplies, administrative costs, and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are prepared 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 tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual are tax revenues and tuition. Revenue from federal, state, and other grants designated for payment of specific expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as deferred revenues until earned.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The District reports the following major governmental funds:

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

The Capital Reserve Fund was established to provide funds for certain capital projects, which consist of the acquisition, improvements, and additions to District buildings and facilities.

The District reports the following major proprietary funds:

The Food Service Fund is used to account for the activities of the District's food service program.

Additionally, the District reports the following fund types:

The Private-purpose Trust Fund is used to account for the resources of the various scholarships, whose sole purpose is to provide annual scholarships to particular students as prescribed by donor stipulations.

The Agency Fund accounts for the assets held as an agent for the various student activities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

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

E. Interfund Receivables and Payables

Activity 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 the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

F. Capital Assets

Capital assets, which include property, plant, equipment, and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

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.

Property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

| | <u>Years</u> |
|-------------------------------------|--------------|
| Site Improvements | 15 – 20 |
| Buildings and Building Improvements | 20 – 40 |
| Furniture and Equipment | 5 – 20 |

G. Cash Equivalents and Investments

For the purposes of the statement of cash flows, the Proprietary Funds consider all highly liquid investments, with maturity of three months or less when purchased, to be cash equivalents.

Investments are valued at fair value.

Under Section 440.1 of the Public School Code of 1949, as amended, the District is permitted to invest funds 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,
- 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.

H. Inventories and Prepaid Items

Inventory of food and milk in the Food Service Fund consists of supplies purchased and donated commodities received from the federal government. The donated commodities are valued at the USDA's approximate cost. Food and supplies are carried at cost using the first-in, first-out method. Inventories of Governmental Funds are recorded as expenditures when consumed rather than when purchased.

The inventories on hand in the Food Service Fund at June 30, 2015, consist of the following:

| | |
|-----------------------------|-------------------------|
| Purchased Food and Supplies | \$ 6,954 |
| Donated Commodities | <u>4,693</u> |
| | <u>\$ 11,647</u> |

I. Deferred Revenue

Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Such is the case in the General Fund, where deferred revenue has been established to offset real estate tax receivables. Deferred revenue also arises when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the Governmental Funds balance sheet and revenue is recognized.

J. Estimates

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

K. Real Estate Taxes

Real estate taxes for the School District are collected from the Boroughs of Rimersburg and Sligo and the townships of Piney, Madison and Toby. The District's real estate taxes are based on assessed values established by the County's Board of Assessments. Elected local tax collectors collect the taxes. Real estate taxes are effectively levied on July 1. A discount of 2% is applied to payments made prior to August 31. A penalty of 10% is added to the face amount of taxes paid after October 31. The tax on real estate for public school purposes for fiscal 2014-15 was 48.8 mills (\$48.80 per \$1,000 of assessed valuation) as levied by the Board. Assessed valuations of property are determined by Clarion County and the elected tax collectors are responsible for collections. Unpaid current year real estate taxes are returned to Clarion County's Tax Claim Bureau in January of each year.

NOTE 2 – DETAILED NOTES ON ALL FUNDS

A. Cash, Cash Equivalents, and Investments

Cash and Cash Equivalents

There are three categories of credit risk that apply to the government’s bank balances:

1. Insured or collateralized with securities held by the government or by the government’s agent in the government’s name.
2. Collateralized with securities held by the pledging financial institution’s trust department or the government’s agent in the government’s name.
3. Uncollateralized. (This includes any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the entity’s name.)

Balances held in each category are as follows:

| | <u>1</u> | <u>2</u> | <u>3</u> |
|--|-------------------|-------------------|-------------------|
| Checking, Savings and Money Market Accounts | \$ <u> ---</u> | \$ <u> ---</u> | \$ <u>158,115</u> |
| | \$ <u> ---</u> | \$ <u> ---</u> | \$ <u>158,115</u> |

Investments consist of savings and money market accounts as follows:

GENERAL FUND:

| | |
|--------------------------------------|--------------------|
| PA Local Government Investment Trust | \$1,936,856 |
| Farmers Bank | 3,094,349 |
| Clarion County Community Bank | 500,000 |
| First United National Bank | 1,300,000 |
| Northwest Savings Bank | <u>1,259,823</u> |
| | <u>\$8,091,028</u> |

PROPRIETARY FUND – FOOD SERVICE:

| | |
|--------------------------------------|------------------|
| PA Local Government Investment Trust | <u>\$ 52,317</u> |
|--------------------------------------|------------------|

TRUST AND AGENCY FUNDS (Scholarship):

| | |
|------------------------|---------------------------|
| Northwest Savings Bank | \$ 3,630 |
| Edward Jones | <u>143,568</u> |
| | <u>\$ 147,198</u> |
| Total | <u>\$8,290,543</u> |

Checking, savings, and money market accounts are covered by federal depository insurance or on a pooled basis under the provisions of Act 72 or 1971. GASB No. 3, Paragraph 69, provides that certain types of cash, such as cash in a state treasurer’s investment pool or mutual funds, cannot be assigned a credit risk category because the government does not own specific securities. Therefore, the Pennsylvania Liquid Asset Fund cash included in these financial statements will not be assigned a credit risk category. The carrying value and market value of Pennsylvania Liquid Asset Fund cash, as of June 30, 2015, is \$1,936,856.38.

B. Due From Other Governmental Units

Amounts due from other governments represent receivables for revenues earned by the School District or collections made by another governmental unit on behalf of the School District. At June 30, 2015, the following amounts were due from other governmental units:

| <u>Due From</u> | <u>General Fund</u> |
|--------------------------------|---------------------|
| Other local education agencies | \$ 37,970 |
| State government | -0- |
| Federal government | <u>66,549</u> |
| | <u>\$104,519</u> |

C. Capital Assets

The net book value of each capital asset category for Governmental Activities is as follows:

| | <u>Cost</u> | <u>Accumulated Depreciation</u> | <u>Net Book Value</u> |
|-----------------------------------|---------------------|-------------------------------------|---------------------------|
| Capital Assets Being Depreciated: | | | |
| Land and Land Improvements | \$ 821,872 | \$ (329,606) | \$ 492,266 |
| Buildings and Improvements | \$14,853,308 | \$(9,945,237) | \$4,908,071 |
| Furniture and Equipment | 759,856 | (668,380) | 91,476 |
| | <u>\$16,435,036</u> | <u>\$(10,943,223)</u> | <u>\$5,491,813</u> |

The net book value of each capital asset category for Business Activities is as follows:

| | <u>Cost</u> | <u>Accumulated Depreciation</u> | <u>Net Book Value</u> |
|-----------------------------------|-------------------|-------------------------------------|---------------------------|
| Capital Assets Being Depreciated: | | | |
| Furniture and Equipment | <u>\$ 247,775</u> | <u>\$(209,818)</u> | <u>\$37,957</u> |

D. Deferred Revenues

Deferred revenues represent receivables that will be collected and included in revenues of future fiscal years. In the General Fund, deferred revenues of \$235,435 consist of delinquent taxes receivable that were levied in the current and prior years but will not be available to pay liabilities of the current period.

E. Bonds Payable

The School District issued \$5,735,000 General Obligation Bonds, Series of 1990, at an aggregate price of \$5,648,975 (\$5,735,000 minus \$86,025 discount) plus accrued interest, on August 14, 1990. The proceeds from the bonds were used to finance renovations to the High School building at Rimersburg and the elementary buildings at Sligo and Rimersburg. On March 9, 1992, the District refunded the entire debt described above, issuing new general obligation bonds in the aggregate principal amount of \$6,285,000. On June 18, 2002, the District refinanced the \$4,445,000 of then-outstanding bonds, along with accrued interest and bond flotation costs, in an aggregate amount of \$4,685,000. On September 15, 2007, the remaining bond principal balance of \$2,825,000 plus \$54,790 accrued interest was converted into a General Obligation Note with PNC Bank, at a fixed rate of 3.3%, which was paid off in full on August 15, 2013.

The School District issued \$3,000,000 General Obligation Bonds, Series of 2006, at an aggregate price of \$2,916,517.55 (\$3,000,000 minus \$83,482.45 issuance costs including accrued interest), on September 12, 2006. The proceeds from the bonds were used to finance the construction of a new gymnasium and music rooms at the Rimersburg high school building. On September 1, 2011, the District refunded the General Obligation Bonds of 2006, replacing them with a new issue, General Obligation Bonds of 2011, with a final maturity of September 1, 2024.

The following is a summary of remaining principal and debt service requirements of the bonds until maturity:

| Year Ending | | Annual |
|--------------|------------------------------|------------------------------|
| June 30, | Principal | Debt Service |
| 2016 | 260,000.00 | 344,192.50 |
| 2017 | 265,000.00 | 341,317.50 |
| 2018 | 270,000.00 | 339,372.50 |
| 2019 | 275,000.00 | 337,896.25 |
| 2020 | 290,000.00 | 345,257.50 |
| 2021 | 295,000.00 | 341,552.50 |
| 2022 | 300,000.00 | 337,105.00 |
| 2023 | 315,000.00 | 341,875.00 |
| 2024 | 330,000.00 | 345,662.50 |
| 2025 | 265,000.00 | 269,902.50 |
| TOTAL | <u>\$2,865,000.00</u> | <u>\$3,344,133.75</u> |

F. Pensions

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

General Information about the Pension Plan

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 in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

Benefits provided

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

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

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

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

Contributions

Member Contributions:

Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.

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

Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership,

contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Employer Contributions:

The school districts' contractually required contribution rate for fiscal year ended June 30, 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. Contributions to the pension plan from the District were \$907,578 for the year ended June 30, 2015.

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

At June 30, 2015, the District reported a liability of \$14,209,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2014 to June 30, 2015. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2015, the District's proportion was 3.59 percent, which was a decrease of 0.11 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2015, the District recognized pension expense of \$261,794. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of resources |
|--|---|--|
| Difference between expected and actual experience | \$ 0 | \$ 0 |
| Changes in assumptions | 0 | 0 |
| Net difference between projected and actual investment earnings | | (1,016,000) |
| Changes in proportions | | (363,000) |
| Difference between employer contributions and proportionate share of total contributions | 0 | 0 |
| Contributions subsequent to the measurement date | | |
| | <u>\$ 0</u> | <u>\$ (1,379,000)</u> |

\$341,000 as reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | |
|---------------------|--------------|
| Year ended June 30: | |
| 2016 | \$ (341,000) |
| 2017 | \$ (341,000) |
| 2018 | \$ (341,000) |
| 2019 | \$ (15,000) |

Actuarial assumptions

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

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

The actuarial assumptions used in the June 30, 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 Board at its March 11, 2011 Board meeting, and were effective beginning with the June 30, 2011 actuarial valuation.

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

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

| 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% |
| | <u>100%</u> | |

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

Discount rate

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

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate

The following presents the net pension liability, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

| | 1% Decrease 6.50% | Current Discount Rate 7.50% | 1% Increase 8.50% |
|---|-------------------------|--------------------------------------|-------------------------|
| District's proportionate share of the net pension liability | \$ 17,724,000 | \$ 14,209,000 | \$ 11,209,000 |

Pension plan fiduciary net position

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

G. Other Employee Benefits (Compensated Absences)

Vacation, Personal, and Sick Leave

Union School District employees are entitled to paid vacation, personal and sick days, depending on job status, length of service, and other factors. Sick leave, however, is the only benefit which may be carried forward to subsequent years. The total liability for compensated absences at June 30, 2015 is \$70,875.

Post-Employment Health Care Benefits

The District makes available certain health care benefits for retired public employees. The retired employees pay the entire cost of the benefits.

Other Post-Employment Benefits

GASB Statement 45 requires measurement and reporting of other (than pension) post-employment benefit liabilities (OPEB), first effective for the year ending June 30, 2011. The amount of this estimated liability at 6-30-2015 was \$705,117.

H. Risk Management

The District is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets, errors, and omissions, injuries to employees and natural disasters. It is the policy of the District to purchase commercial insurance for the risks of loss to which it is exposed, including workers’ compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any past year.

**UNION SCHOOL DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2015**

| | --BUDGETED AMOUNTS-- | | ACTUAL | FAVORABLE (UNFAVORABLE) |
|---|-------------------------|--------------------|--------------------|----------------------------|
| | ORIGINAL | FINAL | | |
| REVENUES: | | | | |
| Local sources | \$2,268,847 | \$2,268,847 | \$2,387,808 | \$118,961 |
| State sources | 7,390,028 | 7,390,028 | 7,544,806 | 154,778 |
| Federal sources | 278,197 | 278,197 | 302,893 | 24,696 |
| TOTAL REVENUES | 9,937,072 | 9,937,072 | 10,235,507 | 298,435 |
| EXPENDITURES: | | | | |
| Instruction - regular | 4,838,175 | 4,838,175 | 4,607,472 | 230,703 |
| Special programs | 918,920 | 918,920 | 878,218 | 40,702 |
| Vocational educational | 386,704 | 386,704 | 277,053 | 109,651 |
| Other instructional programs | 15,726 | 15,726 | 8,191 | 7,535 |
| Pupil personnel | 377,966 | 377,966 | 340,585 | 37,381 |
| Instructional staff | 191,718 | 191,718 | 193,702 | -1,984 |
| Administration | 913,702 | 913,702 | 821,980 | 91,722 |
| Pupil health | 129,450 | 129,450 | 128,040 | 1,410 |
| Business | 243,820 | 243,820 | 212,657 | 31,163 |
| Operation & maintenance of plant | 1,092,665 | 1,092,665 | 981,518 | 111,147 |
| Student transportation | 491,442 | 491,442 | 482,408 | 9,034 |
| Central | 192,555 | 192,555 | 231,037 | -38,482 |
| Other Support Services | 5,750 | 5,750 | 5,317 | 433 |
| Student activities | 286,552 | 286,552 | 247,344 | 39,208 |
| Community services | 10,204 | 10,204 | 12,137 | -1,933 |
| Facilities Acquisition, Construction, Improvement | 0 | 0 | 68,786 | -68,786 |
| TOTAL EXPENDITURES | 10,095,349 | 10,095,349 | 9,496,445 | 598,903 |
| EXCESS REVENUES OVER EXPENDITURES | -158,277 | -158,277 | 739,062 | 897,338 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Bond Principal | -240,000 | -240,000 | -240,000 | 0 |
| Bond Interest | -91,700 | -91,700 | -91,693 | -8 |
| Refund of Prior Year Receipts | 0 | 0 | 0 | 0 |
| Transfers to Cafeteria Fund | -160,000 | -160,000 | -65,036 | -94,964 |
| TOTAL EXPENDITURES AND OTHER FINANCING SOURCES (USES) | 10,587,049 | 10,587,049 | 9,893,174 | 693,874 |
| EXCESS REVENUES & OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES | -\$649,977 | -\$649,977 | \$342,333 | \$992,309 |
| FUND BALANCE, BEGINNING OF YEAR | \$7,231,891 | \$7,231,891 | \$7,231,891 | \$0 |
| FUND BALANCE, END OF YEAR | \$6,581,914 | \$6,581,914 | \$7,574,224 | \$992,309 |

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

UNION SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-ACTIVITY FUND
YEAR ENDED JUNE 30, 2015

| | FUND BALANCE 7/1/2014 | REVENUE | EXPENDITURES | FUND BALANCE 6/30/2015 |
|-----------------------------|-----------------------------|-----------------|-----------------|------------------------------|
| Art Club | \$1,040 | \$2,066 | \$2,673 | \$432 |
| Cheerleaders | 698 | 4,049 | 3,056 | 1,691 |
| Cheerleading Club Savings | 150 | 0 | 0 | 150 |
| Class of 2015 | 1,737 | 717 | 2,454 | 0 |
| Class of 2016 | 1,236 | 2,561 | 1,494 | 2,303 |
| Class of 2017 | 1,020 | 0 | 0 | 1,020 |
| Class of 2018 | 420 | 1,260 | 887 | 793 |
| Class of 2019 | 84 | 307 | 50 | 341 |
| Class of 2020 | 0 | 705 | 412 | 294 |
| Class of 2021 | 0 | 0 | 0 | 0 |
| Diamond Club | 665 | 8,147 | 7,996 | 816 |
| ELEMENTARY ACTIVITIES | 6,325 | 3,890 | 4,706 | 5,509 |
| Golden Historical Society | 16 | 0 | 0 | 16 |
| Gridiron Letterman | 566 | 9,348 | 8,787 | 1,126 |
| Language Club | 2,224 | 2,167 | 2,326 | 2,064 |
| Language Club Savings | 150 | 0 | 0 | 150 |
| Music Club | 1,162 | 50 | 0 | 1,212 |
| Music Club Savings | 500 | 0 | 0 | 500 |
| National Honor Society | 377 | 639 | 637 | 380 |
| Outdoor Club | 2,671 | 2,129 | 3,064 | 1,737 |
| Physics Club | 0 | 3,558 | 638 | 2,920 |
| Prom | 4,271 | 14,975 | 15,452 | 3,793 |
| Roundball Boys | 255 | 1,630 | 1,692 | 192 |
| Roundball Girls | 1,807 | 5,108 | 6,584 | 330 |
| Sports Club | 2,044 | 0 | 50 | 1,994 |
| Student Benefit | 3,904 | 6,550 | 6,697 | 3,757 |
| Student Benefit Savings | 968 | 4 | 0 | 971 |
| Student Council | 649 | 3,149 | 3,080 | 718 |
| Student Council Savings | 162 | 0 | 0 | 162 |
| Staff & Faculty Scholarship | 568 | 1,288 | 1,856 | 0 |
| Volleyball | 0 | 4,592 | 3,525 | 1,067 |
| Yearbook Club | 9,016 | 3,314 | 4,383 | 7,946 |
| Yearbook Club Savings | 1,696 | 0 | 0 | 1,696 |
| TOTAL | \$46,378 | \$82,201 | \$82,498 | \$46,081 |

**UNION SCHOOL DISTRICT
SCHEDULE OF GENERAL FUND REVENUES
JUNE 30, 2015**

REVENUE FROM LOCAL SOURCES:

| | |
|--|-------------|
| Current Real Estate Taxes | \$1,385,403 |
| Public Utility Realty Tax | 0 |
| Payments in Lieu of Taxes | 5,416 |
| Current Per Capita Taxes, Sec. 679 | 8,595 |
| Current Per Capita Taxes, Act 511 | 9,741 |
| Emergency and Municipal Service Tax | 7,210 |
| Earned Income Tax | 299,108 |
| Occupation Tax | 87,951 |
| Real Estate Transfer Tax | 18,790 |
| Delinquent Taxes | 212,940 |
| Earnings on Investments | 149,725 |
| Revenue from Student Activities | 17,938 |
| Fees Driver Ed and Other Activities | 1,150 |
| Revenue from Local Government | 0 |
| State Revenue Intermediate Source | 8,888 |
| Local Vo-Ed from State | 27,146 |
| Federal Revenue Intermediate Source | 79,080 |
| Other Local Government | 2,000 |
| Facilities Rental | 7,961 |
| Electric Curtailment | 7,247 |
| Contributions and Donations from Private Sources | 13,802 |
| Renaissance Program | 3,633 |
| Tuition for Education | 13,350 |
| Receipts from other LEAs | 2,500 |
| Chromebook Insurance | 4,272 |
| Miscellaneous Revenue | 13,962 |
| | \$2,387,808 |

REVENUE FROM STATE SOURCES:

| | |
|-----------------------------------|-------------|
| Basic instructional subsidy | \$5,460,000 |
| State Block Grant | \$29,500 |
| Driver education | 0 |
| Special Education Subsidy | 540,583 |
| Medical Assistance Program | 0 |
| Transportation | 329,566 |
| Rentals and sinking fund payments | 0 |
| Health Services Subsidy | 11,259 |
| Property Tax Rebate | 140,830 |
| Ready to Lean Grant | 129,243 |
| PA Accountability Grant | 0 |
| Social Security | 258,041 |
| Retirement Payments | 645,784 |
| | \$7,544,806 |

REVENUE FROM FEDERAL SOURCES:

| | |
|------------------------------------|---------|
| Reap Funds | \$1,299 |
| Title I Improving Basic Programs | 189,980 |
| Title II Improving Teacher Quality | 58,781 |
| ACCESS | 47,298 |
| ACCESS Administrative | 5,535 |
| | 302,893 |

TOTAL REVENUES

\$10,235,507

**UNION SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

| FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROJECT TITLE | SOURCE CODE | FEDERAL CFDA NUMBER | PASS THROUGH GRANTOR'S NUMBER | GRANT PERIOD BEGINNING/ ENDING DATES | GRANT AMOUNT | TOTAL RECEIVED FOR YEAR | ACCRUED DEFERRED REVENUE JULY 1 | REVENUE RECOGNIZED | EXPENDITURES | ACCRUED DEFERRED REVENUE JUNE 30 |
|---|----------------|---------------------------|--|--|------------------|-------------------------------|--|-----------------------|------------------|---|
| <u>U.S. DEPARTMENT OF EDUCATION</u> | | | | | | | | | | |
| <i>Passed Through Pennsylvania Department of Education:</i> | | | | | | | | | | |
| Title I Improving Basic Programs | I | 84.010 | 13-140441 | 7/1/13-6/30/14 | 199,762 | 42,223 | 42,223 | 0 | 0 | 0 |
| Title I Improving Basic Programs* | I | 84.010 | 13-150441 | 7/1/14-6/30/15 | 189,980 | 132,481 | 0 | 189,980 | 189,980 | 57,499 |
| Title II Improving Teacher Quality | I | 84.367 | 20-140441 | 7/1/13-6/30/14 | 58,701 | 12,541 | 12,541 | 0 | 0 | 0 |
| Title II Improving Teacher Quality* | I | 84.367 | 20-150441 | 7/1/14-6/30/15 | 58,781 | 49,731 | 0 | 58,781 | 58,781 | 9,050 |
| Medical Assistance-Access | I | 93.778 | 44-007441 | 7/1/14-6/30/15 | 47,298 | 47,298 | 0 | 47,298 | 47,298 | 0 |
| <i>Passed Through Riverview Intermediate Unit 6:</i> | | | | | | | | | | |
| IDEA B | I | 84.027 | 062-150006 | 7/1/14-6/30/15 | 76,816 | 76,816 | 0 | 76,816 | 76,816 | 0 |
| IDEA Sectuion 619 | I | 84.027 | 062-150006 | 7/1/14-6/30/15 | 2,264 | 2,264 | 0 | 2,264 | 2,264 | 0 |
| TOTAL U.S. DEPARTMENT OF EDUCATION | | | | | \$633,602 | \$363,354 | \$54,764 | \$375,139 | \$375,139 | \$66,549 |
| <u>U.S. DEPARTMENT OF AGRICULTURE</u> | | | | | | | | | | |
| <i>Passed Through Pennsylvania Department of Agriculture:</i> | | | | | | | | | | |
| National School Lunch | | | | | | | | | | |
| Lunch Hi/Low* | I | 10.555 | N/A | 7/1/14-6/30/15 | N/A | \$188,359 | \$0 | \$188,359 | \$188,359 | 0 |
| Federal Summer Food* | I | 10.559 | N/A | 7/1/14-6/30/15 | N/A | 8,094 | 0 | \$8,094 | \$8,094 | 0 |
| Severe Need Breakfast* | I | 10.553 | N/A | 7/1/14-6/30/15 | N/A | 68,143 | 0 | \$68,143 | \$68,143 | 0 |
| State | | N/A | N/A | 7/1/14-6/30/15 | N/A | 18,660 | 0 | \$18,660 | \$18,660 | 0 |
| Value of USDA Donated Commodities* | I | 10.550 | N/A | 7/1/14-6/30/15 | N/A | 23,066 | 4,693 | 23,066 | 23,066 | 4,693 |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE | | | | | N/A | \$306,322 | (4,693) | \$306,322 | \$306,322 | \$4,693 |
| TOTAL FINANCIAL ASSISTANCE | | | | | \$633,602 | \$669,676 | \$50,071 | \$681,461 | \$681,461 | \$71,242 |

Source Codes: I=Indirect Funding

* Selected for testing

Identification of 50% Rule:

Footnotes:

a) Total amount of commodities received

from Department of Agriculture

b) Beginning Inventory at July 1

c) Total amount of commodities used

d) Ending inventory at June 30

Accrued 7/1/14

Accrued 6/30/15

23,066

4,693

23,066

4,693

| | |
|-----------------------------|----------------|
| Total expenditures: | \$681,461 |
| Less state expenditures: | 18,660 |
| Total federal expenditures: | <u>662,801</u> |

Programs selected for testing:

| | |
|--|-----------|
| ECIA Chapter I (84.010): | \$189,980 |
| Title II Improving Teacher Quality* | 58,781 |
| National School Lunch: | |
| Hi/Low | 188,359 |
| Federal Summer Food | 8,094 |
| Severe Need Breakfast | 68,143 |
| USDA Donated Commodities | 23,066 |

| | | | |
|--------|-----------|---------|--------|
| Total: | \$536,423 | 662,801 | 80.93% |
|--------|-----------|---------|--------|

UNION SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2015

NOTE 1 – METHOD OF ACCOUNTING

The financial information presented on the Schedule of Expenditures of Federal Awards was prepared using the same methods of accounting as used in preparation of the general purpose financial statements.

NOTE 2 – PROGRAM DISCLOSURES

Food distribution – Donated Commodities - Donated commodities are priced using current market prices from the School District's vendor price list.

NOTE 3 – LOW-RISK AUDITEE

Union School District qualifies as a low-risk auditee, and, therefore, the 25% coverage rule, because of the following:

- the preceding two years were audited in accordance with the provisions of the 1990 Circulars A-128/A-133;
- the auditor's opinions on the financial statements and the schedule of federal financial assistance were unqualified;
- the auditor's Yellow Book report on internal control did not identify any deficiencies in internal control that were identified as material weaknesses; and
- none of the Type A programs had audit findings from any of the following:
 - Internal control deficiencies identified as material weaknesses
 - Noncompliance with the provisions of laws, regulations, contracts, or grant agreements which have a material effect on the Type A programs
 - Known or likely questioned costs that exceed 5% of the total Federal awards expended for the Type A programs to which the findings relate during the year of the findings.

RICHARD G. HAWK, CPA

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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

To the Board of Directors
Union School District
354 Baker Street, Suite 2
Rimersburg, PA 16248

I 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 Union School District as of and for the year ended June 30, 2015, and have issued my report thereon dated October 29, 2015.

Internal Control Over Financial Reporting

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

My consideration of internal control over financial reporting 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 financial reporting that might be deficiencies or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control over financial reporting that I 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 Union School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Accounting Standards* in considering the entity's internal control and compliance. Accordingly this communication is not suitable for any other purpose.



Richard G. Hawk
Certified Public Accountant

October 29, 2015

RICHARD G. HAWK, CPA

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON THE FEDERAL PROGRAMS AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
Union School District
354 Baker Street, Suite 2
Rimersburg, PA 16248

Compliance

I have audited Union School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal programs for the year ended June 30, 2015. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs is the responsibility of Union School District's management. My responsibility is to express an opinion on Union School District's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on federal programs occurred. An audit includes examining, on a test basis, evidence about Union School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Union School District's compliance with those requirements.

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

Internal Control Over Compliance

The management of Union School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Union School District's internal control over compliance with the requirements that could have a direct and material effect on its major programs to determine the auditing procedures for the purpose of expressing my opinion on compliance and to test and report on 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, I do not express an opinion on the effectiveness of Union 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.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

The purpose of this report is solely to describe the scope of my testing of compliance with the types of compliance requirements applicable to Union School District's major programs and my testing of internal control over compliance but not to provide an opinion on the effectiveness of Union School District's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Accounting Standards* in considering the entity's internal control and compliance. Accordingly this communication is not suitable for any other purpose.



Richard G. Hawk
Certified Public Accountant

October 29, 2015

UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Union School District.
2. No significant deficiencies or material weaknesses, which would be required to be reported in accordance with **Government Auditing Standards**, were disclosed during the audit.
3. No instances of non-compliance material to the financial statements of Union School District, which would be required to be reported in accordance with **Government Auditing Standards**, were disclosed during the audit.
4. No reportable conditions, which would be required to be reported in accordance with **Government Auditing Standards**, were disclosed during the audit.
5. The auditor's report on compliance for the major federal award programs for Union School District, expresses an unqualified opinion on all major federal programs.
6. The programs tested as major programs included:

| <u>Name of program</u> | <u>CFDA Number</u> | <u>Grant Amount</u> |
|------------------------------------|--------------------|---------------------|
| ECIA Chapter I | 84.010 | \$189,980 |
| Title II Improving Teacher Quality | 84.367 | 58,781 |
| National School Lunch-Hi/Low | 10.555 | 188,359 |
| Federal Summer Food | 10.559 | 8,094 |
| Severe Need Breakfast | 10.553 | 68,143 |
| Value of USDA Donated Commodities | 10.550 | 23,066 |

6. The threshold for distinguishing Types A and B programs was \$300,000.
7. Union School District was determined to be a low-risk auditee.



Richard G. Hawk
Certified Public Accountant
October 29, 2015

