

UNION SCHOOL DISTRICT

Rimersburg, Pennsylvania

FINANCIAL REPORT WITH
SUPPLEMENTAL INFORMATION

June 30, 2025

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APPLEWOOD CENTER, 160 S. 2ND AVENUE, SUITE D, CLARION, PA 16214
814-226-8778 • 814-226-4039 • FAX NO. 814-226-8205

TRANSMITTAL LETTER

Union School District
354 Baker St., 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, 2025 and have enclosed the Single Audit reporting package.

The Single Audit was performed to fulfill the requirements under the Uniform Guidance. 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.

As part of our engagement, we have also issued a report on our review of the prior year's audit findings and questioned costs.

Very truly yours,

Brooks & Rhoads, CPA

Brooks & Rhoads, CPA
Clarion, Pennsylvania
January 12, 2026

LIST OF REPORT DISTRIBUTION

The Single Audit Reports of Union School District for the year ended June 30, 2025, have been distributed as follows:

| | |
|---------------------|---|
| Electronic copy to: | Office of the Budget/Bureau of Audits 303 Walnut Street Bell Tower – Strawberry Square Sixth Floor Harrisburg, PA 17101 |
| Electronic Copy to: | Federal Audit Clearinghouse Bureau of the Census 1201 East Tenth Street Jeffersonville, IN 47132 |
| One copy to: | Standard & Poor's Corporate & Government Services State and Local Government Group 55 Water Street, 38 th Floor Mailbox 38-1-10 New York, NY 10041-0003 |
| One copy to: | County of Clarion Main Street Clarion, PA 15853 |
| Eight copies to: | Union School District 354 Baker Street, Suite 2 Rimersburg, PA 16248 |

INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Union School District as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Union School District's basic financial statements as listed in the table of contents.

Summary of Opinions

| <u>Opinion Unit</u> | <u>Type of Opinion</u> |
|--------------------------------------|------------------------|
| Governmental Activities | Qualified |
| Business-Type Activities | Unmodified |
| General Fund | Unmodified |
| Capital Projects Fund | Unmodified |
| Food Service Fund | Unmodified |
| Aggregate Remaining Fund Information | Unmodified |

Qualified Opinion on the Governmental Activities

In our opinion, except for the effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the Governmental Activities of Union School District, as of June 30, 2025, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion on the Business-Type Activities, Each Major Fund, and the Aggregate Remaining Fund Information

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Union School District, as of June 30, 2025,

and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Union School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Matter Giving Rise to the Qualified Opinion on the Governmental Activities

As discussed in Note 1 to the financial statements, management has not adopted a methodology for reviewing the addition of capital assets in the government-wide statements each year, and accordingly, may not have included all assets which should have been capitalized nor recorded the depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that fixed assets be capitalized and depreciated, which would increase the assets and net position and change the expenses of governmental activities. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities has not been determined.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Union School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always

detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Union School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Union School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in the total OPEB liability and related ratios, schedules of the District's proportionate share of net pension and OPEB liabilities, schedules of District pension and OPEB contributions, and budgetary comparison information on pages 10-22 and 76-83 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the

information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Union School District's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2026, on our consideration of Union School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Union School District's internal control over financial reporting and compliance.

Very truly yours,

Brooks & Rhoads, CPA

Brooks & Rhoads, CPA
Clarion, Pennsylvania
January 12, 2026

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
Required Supplementary Information (RSI)
June 30, 2025

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, 2025. 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 10 administrative staff, 50 professional staff, and 40 classified staff.

The Union School District consists of one Kindergarten through fifth grade elementary school and one sixth 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:

- Continued 1:1 technology initiative for grades K-12
- Continued a School-Wide Positive Behavior Interventions and Supports (SWPBIS) Program to initiate reward activities to incentivize positive behaviors
- Expanded and enhanced the use of the MTSS (Multi-Tiered System of Supports) as a standards-aligned, comprehensive school improvement framework to enhance academic, behavioral health and social-emotional learning outcomes for all students at the elementary level
- Continued the use of the CBM (Curriculum-Based Measurement) Module using a combination of the Renaissance Learning and IXL Learning programs to provide curriculum-based measures of reading and mathematics

- Purchase of new social studies curriculum in grades 6-12. The full online access through Houghton Mifflin provides digital student and teacher resources, interactive content, and online assessments.
- Purchase of new science curriculum in grade 3-5: The McGraw Hill Inspire Science curriculum provides a comprehensive, inquiry-based approach designed to meet the Next Generation Science Standards (NGSS). It emphasizes hands-on learning, critical thinking, and real-world problem-solving through engaging lessons and investigations. The program integrates literacy and STEM connections, supports differentiated instruction, and includes digital resources that enhance student engagement and teacher flexibility. Overall, Inspire Science fosters curiosity and deep understanding of scientific concepts across grade levels.
- Purchase of a social-emotional learning curriculum for grades 6-12. Squabbles is a program that teaches social-emotional skills conflict resolution, aggression management, and resilience to students.
- Contracted with a Social and Human Services Assistant to provide client services and support for families and students by providing support to school counselors, social workers, human services professionals, and agency representatives in addressing student and family needs which may present a barrier to student success in the school setting. The Social and Human Services Assistant serves as a liaison between the District and community agencies which may provide targeted services for the student and/or family in helping the student to more adequately access their educational services.

CAPITAL DESCRIPTION

The District completed several building and grounds improvements during the 2024-2025 school year.

- The parking lots at Sligo Elementary School and Union High School were renovated. The project consisted of patching, sealcoating, and striping all parking lots areas.
- The football field at the Union High School was mechanically aerated, top-dressed, seeded, weeded, and fertilized to improve the playability and safety of the playing surface.
- The relocation of offices at the Union High School were initiated to accommodate student services, improve operational efficiency, and ensure general building safety. The Central Office was relocated to the previous Choral Room. The High School Office and the Guidance Office were merged to create a student service department in the old Central Office and Special Education Suite. The Special Education Office was relocated to the old High School Office.
- The District entered into a three year lease-purchase agreement for a new 2024 Chrysler Voyager Passenger Van. The van replaced the aging 2012 Dodge Grand Caravan.
- Failing equipment was replaced at both buildings. At the Union High School, the hot water booster tank and hot water tank were replaced in the boiler room. At Sligo Elementary School, the garbage disposal and hot water booster heater was replaced in the kitchen.

The District also completed several technology improvements during the 2024-2025 school year.

- The District purchased new security cameras to enhance student and staff safety, deter crime and vandalism, monitor visitors, and document incidents. The new security cameras are in addition to and replacements for aging equipment.
- The District replaced the Storage Area Network (SAN). The SAN serves as the foundation of the District's infrastructure, providing centralized storage for the file shares and supporting the virtualization the network servers.
- The District upgraded the phone system from an outdated system to a more modern solution that features enhanced safety and security, improved internal and external communication, and increase administrative efficiency.
- The District purchased a large format printer to produce safety signage at a reduced cost. The printer can be used to produce window signage, one-way film for windows, signage throughout the buildings, displays for safety procedures/information, and identification decals/stickers for buses and vehicles.

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 general fund revenues in 2024-2025 were \$14,389,371.55. This exceeded budgeted revenues of \$13,928,473 by \$460,898.55. Actual general fund expenditures in 2024-2025 were \$13,720,475.32. This was less than budgeted expenditures of \$14,723,050 by \$1,002,674.68. Expenditures included a transfer to the capital projects fund of \$102,000, transfer to the cafeteria fund of \$81,928, bond principal and interest of \$667,649.79, and lease-purchase agreement principal of \$13,394.57. Overall, general fund actual revenues exceeded general fund actual expenditures by \$668,896 for the year ended June 30, 2025.

During 2024-2025, the District transitioned to a new external auditing firm. Auditors discovered several receivable and current liability accounts that had not been accrued at the year end. This resulted in prior period adjustments of \$956,301 and changed the fund balances as of June 30, 2024 from \$5,358,197 to \$6,314,498.

General fund balance on June 30, 2024 was \$6,314,498. With the surplus in 2024-2025 of \$668,896, the District's general fund balance increased to \$6,983,394. The 2024-2025 surplus of \$668,896 was \$1,588,043 over the budgeted deficit of \$919,147. Of the \$6,983,394 general fund balance, \$32,000 is non-spendable, \$3,707,737 is committed, \$39,672 is restricted, and the remaining unassigned fund balance at June 30, 2025 is \$3,203,985.

During 2024-2025, the District transitioned to a new external auditing firm. Auditors discovered several receivable and current liability accounts that had not been accrued at the year end. This resulted in prior period adjustments and changed the fund balances as of June 30, 2024 to \$6,314,498.

Capital Project fund balance on June 30, 2024 was \$129,510. With the surplus in 2024-2025 of \$29,755, the District's capital projects fund balance increased to \$159,265.

The District's entity wide fund balance, which includes the general fund and the capital projects fund on June 30, 2024, was \$6,444,008. With the net surplus in 2024-2025 of \$698,651, the District's entity wide fund balance increased to \$7,142,659.

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

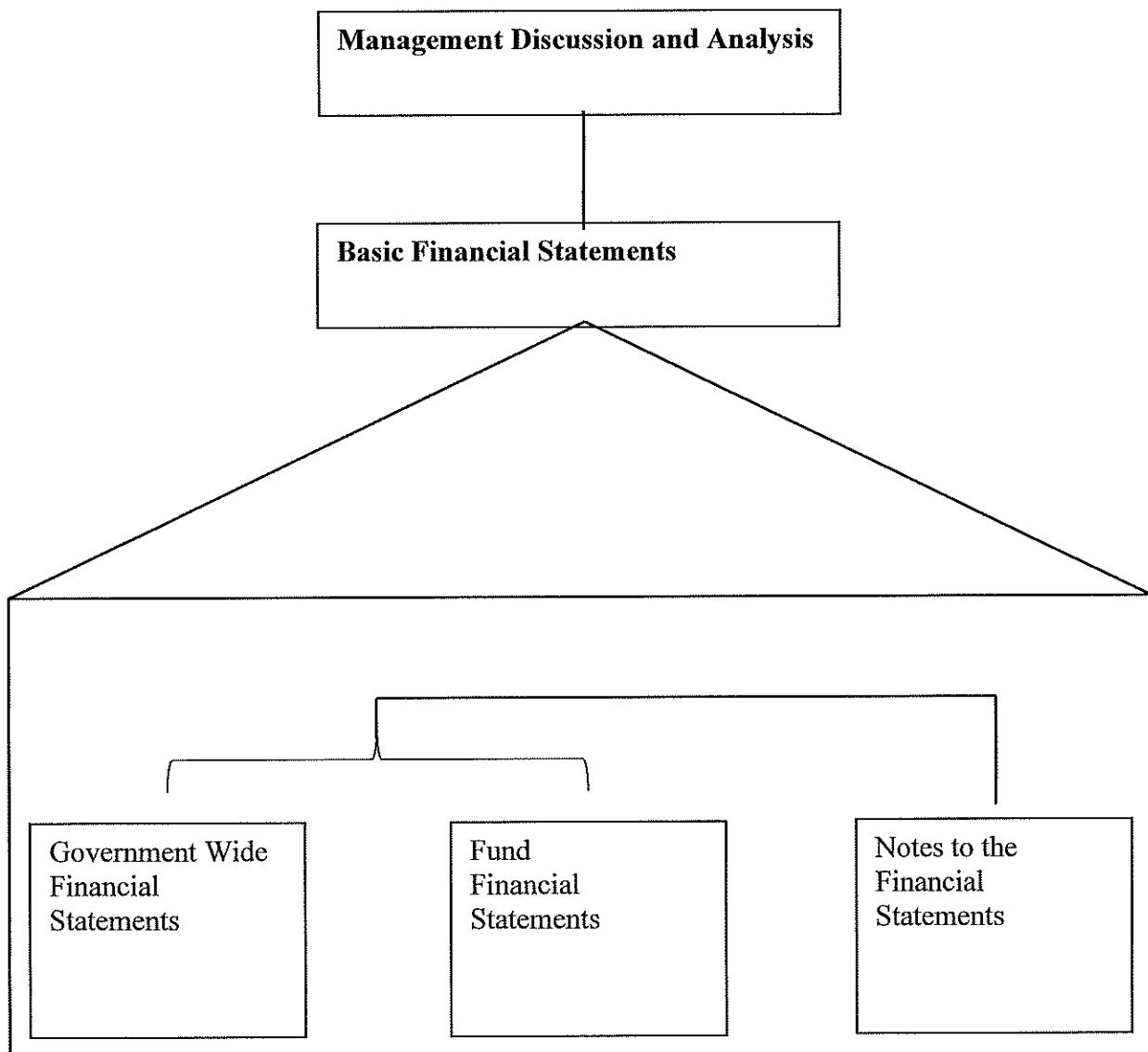


Chart A-2 summarizes the major features of the District's financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of management discussion and analysis explains the structure and contents of each of the statements.

| 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 position was (\$15,559,522) at June 30, 2024 and (\$9,802,072) at June 30, 2025.

**TABLE A-1 ASSETS
FISCAL YEAR END JUNE 30, 2025**

| | Governmental Activities | | Business-Type Activities | | Totals | |
|---|-------------------------|--------------------|--------------------------|----------------|---------------------|--------------------|
| | 2024 | 2025 | 2024 | 2025 | 2024 | 2025 |
| ASSETS | | | | | | |
| Current and Other Assets | 7,376,750 | 8,797,580 | \$254,504 | 166,678 | 7,631,254 | 8,964,258 |
| Capital Assets | 3,633,540 | 3,692,854 | 17,204 | 13,666 | 3,648,744 | 3,706,520 |
| TOTAL ASSETS | 11,010,290 | 12,490,434 | 269,708 | 180,344 | 11,279,998 | 12,670,778 |
| Deferred Outflows of Resources | 706,000 | 1,996,683 | 0 | 0 | 706,000 | 1,996,683 |
| TOTAL ASSETS & DEFERRED OUTFLOWS | 11,716,290 | 14,487,117 | 269,708 | 180,344 | 11,985,998 | 14,667,461 |
| LIABILITIES | | | | | | |
| Current and other liabilities | 2,295,081 | 1,492,723 | 179,079 | (3,724) | 2,474,160 | 1,488,999 |
| Long-term liabilities | 24,198,361 | 21,810,534 | 0 | 0 | 24,198,361 | 21,810,534 |
| TOTAL LIABILITIES | 26,493,422 | 23,303,077 | 179,079 | (3,724) | 26,672,521 | 23,299,533 |
| Deferred Inflows of Resources | 873,000 | 1,170,000 | 0 | 0 | 873,000 | 1,170,000 |
| TOTAL LIABILITIES & DEFERRED INFLOWS | 27,366,442 | 24,473,077 | 179,079 | (3,724) | 27,545,521 | 24,469,533 |
| Capital assets net of related debt | (650,963) | (38,130) | 15,204 | 13,666 | (635,759) | (24,464) |
| Capital Projects | 129,509 | 159,265 | 0 | 0 | 129,509 | 159,265 |
| Other restrictions | 4,284,047 | 3,747,409 | 1172,803 | 0 | 4,456,850 | 3,747,409 |
| Unrestricted | (19,412,744) | (13,854,684) | (97,378) | 170,402 | (19,510,122) | (13,684,282) |
| TOTAL NET POSITION | (15,650,151) | (9,986,140) | 90,629 | 184,068 | (15,559,522) | (9,802,072) |

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, 2025**

| Functions | Programs | Budgeted | Actual | Variance |
|---------------------------|-------------------------------|-------------------|-------------------|------------------|
| 1100 | Regular Programs | 5,742,180 | 5,423,479 | 318,701 |
| 1200 | Special Programs | 2,044,461 | 1,951,449 | 93,012 |
| 1300 | Vocational Programs | 572,455 | 430,567 | 141,888 |
| 1400 | Other Instructional Programs | 39,870 | 10,780 | 29,090 |
| 1500 | Nonpublic School Programs | 0 | 0 | 0 |
| 2100 | Pupil Personnel Services | 694,791 | 668,029 | 26,762 |
| 2200 | Support Staff Services | 179,030 | 186,357 | (7,327) |
| 2300 | Administrative Services | 1,110,379 | 1,075,212 | 35,167 |
| 2400 | Pupil Health | 201,023 | 200,743 | 280 |
| 2500 | Business Services | 151,128 | 141,597 | 9,531 |
| 2600 | Operational & Maintenance | 1,500,461 | 1,419,472 | 80,989 |
| 2700 | Transportation | 770,534 | 660,063 | 110,471 |
| 2800 | Central Support Services | 367,542 | 322,707 | 44,835 |
| 2900 | Other Support Services | 4,337 | 4,122 | 215 |
| 3200 | Student Activities | 495,760 | 347,098 | 148,662 |
| 3300 | Community Services | 22,875 | 13,828 | 9,047 |
| 4200 | Existing Site Improvement | 0 | 0 | 0 |
| 4500 | Building Acquisition | 0 | 0 | 0 |
| 4600 | Existing Building Improvement | 0 | 0 | 0 |
| 5100 | Debt Services | 667,649 | 681,044 | (13,396) |
| 5200 | Interfund Transfers | 158,575 | 183,928 | (25,353) |
| 5900 | Budgetary Reserve | 0 | 0 | 0 |
| Total Expenditures | | 14,723,050 | 13,720,476 | 1,002,574 |

Table A-3 shows the comparison of revenues and expenditures for the 2023-2024 and 2024-2025 fiscal years.

TABLE A-3
COMPARISON OF REVENUE AND EXPENDITURES
BY PERCENTAGE

| Revenues | 2023-2024 | 2024-2025 |
|-----------------|------------------|------------------|
| Local | 23% | 24% |
| State | 72% | 73% |
| Federal | 5% | 3% |
| Other | 0% | 0% |
| TOTAL | 100% | 100% |

| Expenditures | 2023-2024 | 2024-2025 |
|---------------------------|------------------|------------------|
| Instruction | 58% | 57% |
| Support Services | 34% | 34% |
| Non-Instruction/Community | 3% | 3% |
| Facilities & Construction | 0% | 0% |
| Fund Transfer/Debt | 5% | 6% |
| TOTAL | 100% | 100% |

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

TABLE A-4 BUSINESS TYPE ACTIVITIES
FISCAL YEAR END JUNE 30, 2025

| Food Services | |
|------------------------------------|----------------|
| Total Cost of Service | \$549,100 |
| Food Service Cash Revenue | 45,946 |
| Earnings on Investments | 2,137 |
| State Revenues | 86,429 |
| <u>Federal Revenues</u> | <u>415,215</u> |
| Net Income before transfers | \$ 627 |

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

THE DISTRICT FUNDS

At June 30, 2025, the District governmental funds reported a combined unreserved fund balance of \$7,142,659. That includes \$32,000 for inventory, \$3,707,737 in designated funds to cover the principal of current debt, \$39,672 for compensatory education funds, and \$159,265 for capital project expenses.

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 2024-2025, the District received a total of \$971,981 in state and federal grant awards which included \$137,875 via IDEA Part B received from the Federal Government through the Commonwealth of Pennsylvania under the provisions of the with the Individual with Disabilities Education Act, \$800.00 via IDEA Section 619 received from the Federal Government through the Commonwealth of Pennsylvania under the provisions of the Individual with Disabilities Education Act, \$157,782 via the Ready To Learn Block Grant received from the Commonwealth of Pennsylvania, \$205,888 via the Adequacy Supplement received from the Commonwealth of Pennsylvania, \$36,921 via School Safety and Security Grant received from the Pennsylvania Commission on Crime and Delinquency (PCCD) in accordance with Article XIII-B of the PA School Code as amended by Act 44 of 2018, \$54,471 via School Mental Health & Safety and Security Grant received from the Pennsylvania Commission on Crime and Delinquency (PCCD) in accordance with Act 55 of 2022, \$24,433 via the Small Rural School Achievement Grant authorized by the Federal Government for Title V, Part B, Subpart 1, \$220,896 received from the Federal Government for Title I under ESEA, \$24,279 received from the Federal Government for Title II under ESEA, and \$108,636 received from the Federal Government for Title IV under ESEA.

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. 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

On June 30, 2025, the District had \$3,692,854 invested in a broad range of capital assets, including land, buildings, and furniture and equipment.

**TABLE A-5 GOVERNMENTAL ACTIVITIES
CAPITAL ASSETS NET OF DEPRECIATION
FISCAL YEAR END JUNE 30, 2025**

| | |
|--------------------------|--------------------|
| Land & Site Improvements | \$ 153,558 |
| Buildings & Improvements | 3,080,004 |
| Furniture & Equipment | 459,292 |
| TOTAL | \$3,692,854 |

The District had an updated appraisal completed on June 20, 2023.

Debt Administration

The District had total outstanding debt principal of \$268,500 on a Note, Series A of 2021. During the year, the District made payments against the principal of \$268,500 and satisfied the debt obligation. The District also had a total outstanding debt principal of \$239,927 on Note, Series of 2021. During the year, the District made payments against the principal of \$78,000. The District had total outstanding debt principal of \$3,775,620 on a Note, Series of 2022. During the year, the District made payments against the principal of \$229,810. During the year, the District entered into a lease-purchase agreement in the amount of \$36,641 and made a payment against the principal of \$13,395.

**TABLE A-6
OUTSTANDING DEBT AS OF JUNE 30, 2025**

General Obligation Notes/Bonds Principal:

| | |
|--------------------------|-------------|
| Note, Series A of 2021 | \$0 |
| Note, Series of 2021 | \$161,927 |
| Note, Series of 2022 | \$3,545,810 |
| Lease-Purchase Agreement | \$23,246 |

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 Indebtness financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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. The revenue budget for the 2025-2026 year is \$14,519,674, which is \$591,201 more than the budgeted revenues of \$13,928,473 for 2024-2025. This represents an approximate 4.2% increase. No significant increase in local revenue is expected.

The biggest challenges facing the District are ever increasing retirement contributions, special education costs, and cyber/charter tuition payments. The expenditure budget for the 2025-2026 year is \$15,005,541, which is \$282,491 more than the budgeted expenditures of \$14,723,050 for 2024-2025. This represents an approximate 1.9% increase.

For the 2025-2026 school year, the Act 1 adjusted index was 6.2%. The District increased the real estate tax rate by 4% from 60.8821 mills to 63.3173 mills.

The comparison of the 2024-2025 fiscal year and 2025-2026 budgeted revenue and expenditures categories by percentage is as follows:

TABLE A-7
COMPARISON OF REVENUE AND EXPENDITURES
BY PERCENTAGE

| Revenues | 2024-2025 | 2025-2026 |
|-----------------|------------------|------------------|
| Local | 24% | 23% |
| State | 73% | 74% |
| Federal | 3% | 3% |
| Other | 0% | 0% |
| TOTAL | 100% | 100% |

| Expenditures | 2024-2025 | 2025-2026 |
|---------------------------|------------------|------------------|
| Instruction | 57% | 56% |
| Support Services | 34% | 35% |
| Non-Instruction/Community | 3% | 4% |
| Facilities & Construction | 0% | 0% |
| Fund Transfer/Debt | 6% | 5% |
| 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 Megan Hepler, Business Manager at Union School District, 354 Baker Street Suite 2, Rimersburg, PA 16248 and 814-473-6311 ext. 9.

UNION SCHOOL DISTRICT
Statement of Net Position – District – Wide
June 30, 2025

| | Governmental Activities | Business Type Activities | Total |
|---|------------------------------------|---|--------------------------|
| Assets: | | | |
| Current Assets: | | | |
| Cash and Cash Equivalents | \$ 282,213 | \$ 60,508 | \$ 342,721 |
| Investments | 7,459,789 | 92,691 | 7,552,480 |
| Taxes Receivable | 276,693 | --- | 276,693 |
| Due from Other Governments | 166,272 | --- | 166,272 |
| State Revenue Receivable | 510,551 | --- | 510,551 |
| Federal Revenue Receivable | 66,543 | --- | 66,543 |
| Other Receivables | 3,519 | --- | 3,519 |
| Inventories | 32,000 | 13,479 | 45,479 |
| Prepaid Expenses | --- | --- | --- |
| Capital Assets: | | | |
| Land & Land Improvements | 1,248,406 | --- | 1,248,406 |
| Building & Building Improvements | 7,983,852 | --- | 7,983,852 |
| Furniture and Equipment | 2,744,523 | 53,087 | 2,797,610 |
| Construction in Process | 31,214 | --- | 31,214 |
| Less: Accumulated Depreciation | (8,315,141) | (39,421) | (8,354,562) |
| Total Assets | <u>12,490,434</u> | <u>180,344</u> | <u>12,670,778</u> |
| Deferred Outflows of Resources: | | | |
| Deferred amounts related to pension | \$ 1,926,371 | \$ --- | \$ 1,926,371 |
| Deferred amounts related to OPEB | <u>70,312</u> | <u>---</u> | <u>70,312</u> |
| Total Deferred Outflows of Resources | <u>1,996,683</u> | <u>---</u> | <u>1,996,683</u> |
| Liabilities: | | | |
| Internal Balances | \$ 3,906 | \$ (3,906) | \$ --- |
| Due to Other Governments | 101,196 | --- | 101,196 |
| Accounts Payable - General | 110,829 | 182 | 111,011 |
| Accrued Salaries and Benefits | 691,652 | --- | 691,652 |
| Payroll Deductions & Withholdings | 506,602 | --- | 506,602 |
| Deferred Revenue | 78,538 | --- | 78,538 |
| Long-Term Liabilities: | | | |
| Due within one year | 408,367 | --- | 408,367 |
| Due in more than one year | 3,322,617 | --- | 3,322,617 |
| Compensated Absences | 189,673 | --- | 189,673 |
| Net Pension Liability | 13,310,000 | --- | 13,310,000 |
| OPEB Liability | <u>4,579,877</u> | <u>---</u> | <u>4,579,877</u> |
| Total Liabilities | <u>23,303,257</u> | <u>(3,724)</u> | <u>23,299,533</u> |

The accompanying notes are an integral part of this statement.

UNION SCHOOL DISTRICT
Statement of Net Position – District – Wide
June 30, 2025
(Continued)

| | Governmental Activities | Business Type Activities | Total |
|--|------------------------------------|---|------------------------------|
| Deferred Inflows of Resources: | | | |
| Deferred amounts related to pensions | 1,023,000 | --- | 1,023,000 |
| Deferred amounts related to OPEB | <u>147,000</u> | --- | <u>147,000</u> |
| Total Deferred Inflows of Resources | <u>1,170,000</u> | --- | <u>1,170,000</u> |
| Net Position: | | | |
| Invested in Capital Assets | | | |
| Net of Related Debt | (38,130) | 13,666 | (24,464) |
| Restricted | 3,906,674 | --- | 3,906,674 |
| Unrestricted | <u>(13,854,684)</u> | <u>170,402</u> | <u>(13,684,282)</u> |
| Total Net Position | <u>\$ (9,986,140)</u> | <u>\$ 184,068</u> | <u>\$ (9,802,072)</u> |

The accompanying notes are an integral part of this statement.

UNION SCHOOL DISTRICT
Statement of Activities – District Wide
For the Year Ended June 30, 2025

| | <u>/ Program Revenues /</u> | <u>/ Net (Expense) Revenue and Changes in Net Assets /</u> | | |
|--|-----------------------------|--|---|---|
| | <u>Expenses</u> | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Governmental Activities</u> |
| | | | | <u>Business Type Activities</u> |
| Governmental Activities: | | | | |
| Depreciation – Unallocated | \$ 340,834 | \$ --- | \$ --- | \$ (340,834) |
| Instruction | 6,168,549 | --- | 1,752,908 | (4,415,641) |
| Instructional Student Support | 987,382 | --- | 264,406 | (722,976) |
| Administrative & Financial Support | 1,401,193 | --- | 361,890 | (1,039,303) |
| Operation & Maintenance of Plant Services | 1,298,043 | --- | 257,545 | (1,040,498) |
| Pupil Transportation | 658,747 | --- | 616,822 | (41,925) |
| Student Activities | 293,781 | 40,123 | 62,830 | (190,828) |
| Community Services | 13,828 | --- | --- | (13,828) |
| Interest on Long-Term Debt | 91,340 | --- | --- | (91,340) |
| Total Governmental Activities | 11,253,697 | 40,123 | 3,316,401 | (7,897,173) |
| Business-Type Activities: | | | | |
| Food Service | 549,100 | 45,946 | 501,644 | (1,510) |
| Total Business-Type Activities | 549,100 | 45,946 | 501,644 | (1,510) |
| Total Primary Government | \$11,802,797 | \$ 86,069 | \$3,818,045 | \$ (7,897,173) |
| | | | | \$ (1,510) |
| | | | | \$ (7,898,683) |

The accompanying notes are an integral part of this statement.

UNION SCHOOL DISTRICT
Statement of Activities – District Wide
For the Year Ended June 30, 2025
(Continued)

| | <u>/ Program Revenues /</u> | | | <u>/ Net (Expense) Revenue and Changes in Net Assets /</u> | | |
|--|-----------------------------|---|--------------------------------|--|-----------------------|--|
| | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Governmental Activities</u> | <u>Business Type Activities</u> | <u>Total</u> | |
| Expenses | \$ 86,069 | \$ 3,818,045 | \$ (7,897,173) | \$ (1,510) | \$ (7,898,683) | |
| Total Primary Government | \$11,802,797 | | | | | |
| General Revenues: | | | | | | |
| Property Taxes Received for General Purposes | | 2,367,754 | | --- | 2,367,754 | |
| Other Taxes Levied | | 615,430 | | --- | 615,430 | |
| Grants, Subsidies, and Contributions not Restricted | | 7,598,570 | | --- | 7,598,570 | |
| Investment Earnings | | 337,140 | | 2,137 | 339,277 | |
| Miscellaneous Income | | 81,475 | | --- | 81,475 | |
| Transfers | | (81,928) | | 81,928 | --- | |
| Total General Revenues, Special Items, Extraordinary Items, and Transfers | 10,918,441 | | | 84,065 | 11,002,506 | |
| Change in Net Position | 3,021,268 | | 82,555 | 3,103,823 | | |
| Net Position, Beginning of Year | (15,650,151) | | (82,174) | (15,732,325) | | |
| Prior Period Adjustment | 2,642,743 | | 183,687 | 2,826,430 | | |
| Net Position, Beginning of Year as Restated | (13,007,408) | | 101,513 | (12,905,895) | | |
| Net Position, End of Year | \$ (9,986,140) | | \$ 184,068 | \$ (2,802,072) | | |

The accompanying notes are an integral part of this statement.

UNION SCHOOL DISTRICT
Combined Balance Sheet – Governmental Funds
June 30, 2025

| | <u>General Fund</u> | <u>Capital Projects Fund</u> | <u>Total Governmental Funds</u> |
|--|----------------------------|--------------------------------------|---|
| Assets: | | | |
| Cash & Cash Equivalents | \$ 282,213 | \$ --- | \$ 282,213 |
| Investments | 7,281,656 | 178,133 | 7,459,789 |
| Taxes Receivable | 276,693 | --- | 276,693 |
| Due from Other Funds | 13,220 | --- | 13,220 |
| Due from Other Governmental Units | 166,272 | --- | 166,272 |
| State Revenue Receivable | 510,551 | --- | 510,551 |
| Federal Revenue Receivable | 66,543 | --- | 66,543 |
| Other Receivable | 3,519 | --- | 3,519 |
| Inventory | <u>32,000</u> | | <u>32,000</u> |
| Total Assets | <u>\$ 8,632,667</u> | <u>\$ 178,133</u> | <u>\$ 8,810,800</u> |
| Liabilities & Fund Balances: | | | |
| Liabilities: | | | |
| Due to Other Funds | \$ 17,126 | \$ --- | \$ 17,126 |
| Accounts Payable | 91,961 | 18,868 | 110,829 |
| Contracts Payable | --- | --- | --- |
| Accrued Salaries & Benefits | 691,652 | --- | 691,652 |
| Due to Other Governments | 101,196 | --- | 101,196 |
| Payroll Deductions and | | | |
| Withholdings | 506,602 | --- | 506,602 |
| Deferred Revenue | <u>78,538</u> | <u>---</u> | <u>78,538</u> |
| Total Liabilities | <u>1,487,075</u> | <u>18,868</u> | <u>1,505,943</u> |
| Deferred Inflows of Resources | <u>162,198</u> | <u>---</u> | <u>162,198</u> |
| Fund Balances: | | | |
| Non-Spendable | 32,000 | --- | 32,000 |
| Committed | 3,707,737 | 159,265 | 3,867,002 |
| Restricted | 39,672 | --- | 39,672 |
| Assigned Fund Balance | --- | --- | --- |
| Unassigned Fund Balance | <u>3,203,985</u> | <u>---</u> | <u>3,203,985</u> |
| Total Fund Equity | <u>6,983,394</u> | <u>159,265</u> | <u>7,142,659</u> |
| Total Liabilities, Deferred Inflows & Fund Balances | <u>\$ 8,632,667</u> | <u>\$ 178,133</u> | <u>\$ 8,810,800</u> |

The accompanying notes are an integral part of this statement.

UNION SCHOOL DISTRICT
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
June 30, 2025

Total Fund Balances – Governmental Funds **\$ 7,142,659**

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

Capital Assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$12,007,995 and the accumulated depreciation is \$8,315,141. 3,692,854

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. 162,198

Long-term liabilities 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:

| | |
|-----------------------|---------------------|
| Long-Term Notes | \$ 3,730,984 |
| Net Pension Liability | 13,310,000 |
| Compensated Absences | 189,673 |
| Net OPEB Liability | <u>4,579,877</u> |
| | <u>(21,810,534)</u> |

Deferred outflows and inflows of resources are applicable to future periods, and, therefore, are not reported in the funds:

| | |
|--|------------------|
| Deferred outflows of resources related to pensions | 1,926,371 |
| Deferred outflows of resources related to OPEB | 70,312 |
| Deferred inflows of resources related to pensions | (1,023,000) |
| Deferred inflows of resources related to OPEB | <u>(147,000)</u> |

Total Net Position – Governmental Activities **\$ (9,986,140)**

The accompanying notes are an integral part of this statement.

UNION SCHOOL DISTRICT
Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances – Governmental Funds
For the Year Ended June 30, 2025

| | <u>General Fund</u> | <u>Capital Projects Fund</u> | <u>Total (Memo Only)</u> |
|---|---------------------------|--------------------------------------|----------------------------------|
| Revenues: | | | |
| Local Sources | \$ 3,464,484 | \$ 7,922 | \$ 3,472,406 |
| State Sources | 10,509,827 | --- | 10,509,827 |
| Federal Sources | <u>378,420</u> | <u>---</u> | <u>378,420</u> |
| Total Revenues | 14,352,731 | 7,922 | 14,360,653 |
| Expenditures: | | | |
| Current Expenditures | | | |
| Instruction | 7,647,114 | --- | 7,647,114 |
| Support Services | 4,641,998 | --- | 4,641,998 |
| Non-instructional Services | 310,890 | --- | 310,890 |
| Capital Expenditures | | | |
| Instruction | 169,161 | --- | 169,161 |
| Support Services | 36,304 | 38,967 | 75,271 |
| Non-instructional Services | 36,641 | --- | 36,641 |
| Facilities Acquisition | --- | 41,200 | 41,200 |
| Refund of Prior Year Receipts | --- | --- | --- |
| Debt Service (Principal & Interest) | <u>694,440</u> | <u>---</u> | <u>694,440</u> |
| Total Expenditures | 13,536,548 | 80,167 | 13,616,715 |
| Revenues Over (Under) Expenditures | 816,183 | (72,245) | 743,938 |
| Other Financing Sources (Uses): | | | |
| Inter-fund Transfers (From Other Funds) | --- | 102,000 | 102,000 |
| Proceeds from Long Term Debt | 36,641 | --- | 36,641 |
| Interfund Transfers Out | <u>(183,928)</u> | <u>---</u> | <u>(183,928)</u> |
| Total Other Financing Sources (Users) | (147,287) | 102,000 | (45,287) |
| Net Change in Fund Balances | 668,896 | 29,755 | 698,651 |
| Fund Balance – July 1, 2024 | 5,358,197 | 129,510 | 5,487,707 |
| Prior Period Adjustment | <u>956,301</u> | <u>---</u> | <u>956,301</u> |
| Fund Balance – July 1, 2024, as restated | <u>6,314,498</u> | <u>129,510</u> | <u>6,444,008</u> |
| Fund Balance – June 30, 2025 | <u>\$6,983,394</u> | <u>\$ 159,265</u> | <u>\$ 7,142,659</u> |

The accompanying notes are an integral part of this statement. -29-

UNION SCHOOL DISTRICT
Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures and Changes in
Fund Balance to the Statement of Activities
For the Year Ended June 30, 2025

Total Net Change in Fund Balances – Governmental Funds **\$ 698,651**

Capital Outlays are reported in governmental funds as expenditures.

However, in the Statement of Activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the period.

| | | |
|----------------------|------------------|----------|
| Capital Outlays | \$ 300,147 | |
| Depreciation Expense | <u>(340,834)</u> | (40,687) |

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred tax revenues decreased by this amount this year.

(3,759)

Principal payments on the outstanding notes are reported in governmental funds as expenditures; however, in the Statement of Activities these payments reduce liabilities

589,704

Debt Proceeds are reported as revenues in the governmental funds; however, in the Statement of Activities these increase liabilities.

(36,641)

In the statement of activities, certain operating expenses - compensated absences and retiree health benefits – are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount paid.

912,732

Governmental funds report district pension contributions as expenditures. However, in the Statement of Activities, the cost of pension related benefits earned net of employee contributions is reported as pension expense.

901,268

Change in Net Position – Governmental Activities **\$ 3,021,268**

The accompanying notes are an integral part of this statement.

UNION SCHOOL DISTRICT
Proprietary Funds
Food Service Fund
Statement of Net Position
June 30, 2025

Assets:

Current Assets:

| | |
|------------------------------|-------------------|
| Cash and Cash Equivalents | \$ 60,508 |
| Investments | 92,691 |
| Due from Other Funds | 17,126 |
| State Subsidies Receivable | --- |
| Federal Subsidies Receivable | --- |
| Other Receivables | --- |
| Inventory | 13,479 |
| Prepaid Expense | --- |
| Total Current Assets | \$ 183,804 |

Noncurrent Assets:

| | |
|--------------------------------|----------------------|
| Furniture and Equipment | 53,087 |
| Less: Accumulated Depreciation | <u>(39,421)</u> |
| Total Noncurrent Assets | <u>13,666</u> |

Total Assets

\$ 197,469

Liabilities and Net Position:

Liabilities:

Current Liabilities:

| | |
|----------------------------------|------------------|
| Account Payable | \$ 182 |
| Due to Other Funds | 13,220 |
| Deferred Revenue | --- |
| Total Current Liabilities | \$ 13,402 |

Noncurrent Liabilities

Total Liabilities

13,402

Net Position:

| | |
|----------------------------------|-----------------------|
| Net Investment in Capital Assets | 13,666 |
| Net Position, Unrestricted | <u>170,402</u> |
| Total Net Position | <u>184,068</u> |

Total Liabilities and Net Position

\$ 197,469

The accompanying notes are an integral part of this statement.

UNION SCHOOL DISTRICT
Proprietary Funds
Food Service Fund
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2025

| | |
|--|--------------------------|
| Revenue: | |
| Food Sales | \$ 45,946 |
| Expenses: | |
| Salaries and Benefits | \$ 308,185 |
| Purchased Professional & Technical Services | 1,220 |
| Property Services | 4,388 |
| Supplies | 233,049 |
| Dues | 720 |
| Depreciation | <u>1,538</u> |
| Total Expense | <u>549,100</u> |
| Operating Income (Loss) | (503,154) |
| Nonoperating Revenues (Expenses): | |
| Federal Subsidy | 415,215 |
| State Subsidy | 86,429 |
| Interest Income | <u>2,137</u> |
| Total Non-operating Revenues (Expenses) | <u>503,781</u> |
| Interfund Transfers | <u>81,928</u> |
| Change in Net Position | 82,555 |
| Net Position, July 1, 2024 | (82,174) |
| Prior Period Adjustment | <u>183,687</u> |
| Net Position, July 1, 2024 as restated | <u>101,513</u> |
| Net Position, June 30, 2025 | <u>\$ 184,068</u> |

The accompanying notes are an integral part of this statement.

UNION SCHOOL DISTRICT

Proprietary Funds

Food Service Fund

Statement of Cash Flows

For the Year Ended June 30, 2025

Cash Flow from Operating Activities:

| | |
|--|---------------------|
| Cash Received From Food Sales | \$ 45,946 |
| Cash Received From Internal Activity | --- |
| Cash Paid for Supplies and Services | (524,417) |
| Cash Paid for Other Operating Expenses | --- |
| Net Cash Used by Operating Activities | \$ (478,471) |

Cash Flows from Non-Capital Financing Activities:

| | |
|--|----------------|
| Federal Subsidy | 388,665 |
| State Subsidy | 88,283 |
| Interfund Transfers | 81,928 |
| Net Cash Provided by Non-Capital Financing Activities | 558,876 |

Cash Flows from Capital & Related Financing Activities:

| | |
|--|------------|
| Facilities Acquisitions, Construction, and Improvements | --- |
| Net Cash Used by Capital & Related Financing Activities | --- |

Cash Flows from Investing Activities:

| | |
|--|-----------------|
| Interest Income | 10 |
| Purchase of Investments | (25,466) |
| Net Cash Provided by Investing Activities | (25,456) |

Net Increase (Decrease) in Cash **54,949**

Cash and Cash Equivalents, July 1, 2024 **5,559**

Cash and Cash Equivalents, June 30, 2025 **\$ 60,508**

Supplemental Disclosures:

Interest Paid \$ **---**

Non-Cash Activities:

Federal Donated Food Received \$ **26,550**

Federal Donated Food Used \$ **19,684**

The accompanying notes are an integral
part of this statement.

UNION SCHOOL DISTRICT
Proprietary Funds
Food Service Fund
Statement of Cash Flows
For the Year Ended June 30, 2025
(Continued)

**Reconciliation of Income (Loss) From Operations
to Net Cash Provided by (Used For) Operating Activities:**

| | |
|-------------------------|--------------|
| Operating Income (Loss) | \$ (503,154) |
|-------------------------|--------------|

**Adjustments to Reconcile Operating Income (Loss) to
Net Cash Provided by (Used For) Operating Activities:**

| | |
|--|--------------|
| Depreciation | 1,538 |
| Donated Food Used | 19,684 |
| (Increase)Decrease in Due from Other Funds | 4,431 |
| (Increase) Decrease in Inventories | <u>(970)</u> |
| | 24,683 |

| | |
|--|---------------------|
| Net Cash Provided (Used) by Operating Activities | <u>\$ (478,471)</u> |
|--|---------------------|

The accompanying notes are an integral
part of this statement.

UNION SCHOOL DISTRICT
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2025

| | Private Purpose Trust Fund | Custodial Fund | Total |
|---|---------------------------------------|---------------------------|------------------|
| Assets: | | | |
| Cash and Cash Equivalents | \$ 7,245 | \$ 65,660 | \$ 72,905 |
| Investments | 187,560 | --- | 187,560 |
| Due from Other Funds | --- | --- | --- |
| Total Assets | \$ 194,805 | \$ 65,660 | \$260,465 |
| Liabilities and Net Position: | | | |
| Accounts Payable | --- | --- | --- |
| Due to Other Funds | --- | --- | --- |
| Total Liabilities | --- | --- | --- |
| Net Position: | | | |
| Held in Trust for Scholarships | 194,805 | --- | 194,805 |
| Restricted for Student Activities | --- | 65,660 | 65,660 |
| Total Net Position | 194,805 | 65,660 | 260,465 |
| Total Liabilities and Net Position | \$ 194,805 | \$ 65,660 | \$260,465 |

The accompanying notes are an integral part of this statement.

UNION SCHOOL DISTRICT
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2025

| | Private Purpose Trust Fund | Custodial Funds |
|------------------------------------|---------------------------------------|----------------------------|
| Additions: | | |
| Gifts and Contributions | \$ 10,095 | \$ --- |
| Revenue from Local Sources | --- | 74,463 |
| Investment Income | <u>25,566</u> | <u>30</u> |
| Total Additions | 35,661 | 74,493 |
| Deductions: | | |
| Scholarships Awarded | 13,659 | --- |
| Payments for Student Activities | --- | 64,835 |
| Total Deductions | 13,659 | 64,835 |
| Change in Net Position | 22,002 | 9,658 |
| Net Position, July 1, 2024 | <u>172,803</u> | <u>56,002</u> |
| Net Position, June 30, 2025 | <u>\$ 194,805</u> | <u>\$ 65,660</u> |

The accompanying notes are an integral part of this statement.

UNION SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The **Union School District** (“District”) is located in Rimersburg, Pennsylvania, and operates one elementary school and one high school that provide a full range of educational services appropriate to grade levels kindergarten through twelve to students living in the Boroughs of Sligo and Rimersburg and the Townships of Madison, Toby, and Piney.

The Union School 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 Union School 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 organizations 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.

UNION SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 position and the statement of activities) 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 is 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.

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.

UNION SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The General Fund and Capital Projects Fund are major governmental funds.

The District reports the following major proprietary fund:

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 Custodial Fund accounts for the assets held as custodian for the various student activities.

UNION SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

E. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g. grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

F. Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balances). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the government fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

G. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing board is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance.

UNION SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Fund Balance Policies (Continued)

Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for the specific purposes but do not meet the criteria to be classified as committed. The School Board has, by resolution, authorized the business administrator to assign fund balance. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, an additional action is essential to either remove or revise a commitment.

The District's fund balance is classified under the following components under GASB Statements No. 54:

- *Restricted* – Amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. As of June 30, 2025, \$39,672 in compensatory education funds are restricted.
- *Nonspendable* – The nonspendable fund balance classification includes amounts that cannot be spent because they are either (1) not in spendable form, or (2) legally or contractually required to be maintained intact.
- *Committed* – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. Unrestricted amounts of the Capital Projects Fund are considered committed. At June 30, 2025, there is also \$3,707,737 committed for debt service.
- *Unassigned* – This classification consists of amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the general fund.
- *Assigned* – This classification includes amounts that are constrained by the School District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Directors or through the Board of Directors delegating this responsibility to the School District's management.

The School's GASB 54 Fund Balance Policy is to apply expenditures against any non-spendable funds restricted fund balance, committed fund balance, assigned fund balance and then unassigned fund balance.

UNION SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Fund Balance Policies (Continued)

The government-wide financial statements utilize a net position presentation. Net position is categorized as invested in capital assets (net of related debt), restricted, and unrestricted.

- *Net Investment in Capital Assets* – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Position* – This category represents external restrictions imposed by creditors, grantors, contributors, laws or regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* – This category represents net position of the School not restricted for any other project or other purpose.

H. Interfund Receivables and Payables

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

I. 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 District defines capital assets, as assets with an initial individual cost equal to or greater than \$4,000 or, in the case of library books, classroom textbooks, computer equipment or classroom furniture, when the group's acquisition cost exceeds \$4,000 for any fiscal year, or purchased with debt proceeds and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. (It has been determined this policy may not have been followed each year prior to July 1, 2024; therefore, the Statement of Net Position – District Wide has been qualified.) Donated capital assets are recorded at estimated fair market value at the date of donation.

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.

UNION SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets (Continued)

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 | 20 – 50 |
| Buildings and Building Improvements | 20 – 50 |
| Furniture and Equipment | 5 – 20 |
| Vehicles | 5 – 10 |
| Library Books | 7 |

J. Cash and Cash Equivalents

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.

K. Investments

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

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

UNION SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Investments (Continued)

Investments of the Union School District include deposits pooled for investment purposes with the Pennsylvania Local Government Investment Trust (PLGIT) and certificates of deposit with original maturity greater than three months. Investments are reported at amortized cost which approximates fair value.

L. 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. Inventory of the General Fund consists of paper and cleaning supplies.

The inventories on hand in the Food Service Fund at June 30, 2025, consist of the following:

| | |
|-----------------------------|-----------------|
| Purchased Food and Supplies | \$ 6,613 |
| Donated Commodities | <u>6,866</u> |
| | <u>\$13,479</u> |

M. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of net position and fund level statements will sometimes report separate sections for deferred inflows and outflows of resources. These separate financial statement elements represent acquisition or use of net position that applies to a future period(s) and so will not be recognized as an inflow or outflow of resources until then. The District currently has four types of items that qualify for reporting in this category. Pension and OPEB contributions made subsequent to the measurement date and, therefore, not reflected in the net pension and OPEB liabilities under full accrual basis reporting are reported as a deferred outflow of resources on the entity-wide and proprietary fund statements of net position. Certain changes to the net pension and OPEB liabilities are required to be amortized over a period of years; the unamortized portions of these changes are reflected as deferred outflows and inflows of resources on the entity-wide and proprietary fund statements of net position.

Delinquent taxes not collected within 60 days of year end and, therefore, not available under modified accrual reporting is reflected as deferred inflows of resources on the general fund balance sheet.

UNION SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Deferred Revenue

Deferred revenue arises when assets are recognized before the revenue recognition criteria have been satisfied. Such is the case when resources are received by the School District 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 revenue recognition criteria are met or when the School District has a legal claim to the resources, the liability for unearned revenue is removed from the Governmental Funds balance sheet and revenue is recognized.

O. Estimates

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

P. Real Estate Taxes

The District's real estate taxes are based on assessed values established by the Clarion County Board of Assessments. Elected local tax collectors collect the taxes. Real estate taxes are effectively levied on July 1. The millage rate levied by the District for the fiscal year ended June 30, 2025 was 60.8821 mills for Clarion County, as established by the Board of School Directors. 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 Clarion County Tax Claim Bureau collects delinquent real estate taxes on behalf of themselves and other taxing authorities. Any unpaid real estate taxes are liened by January 1.

Q. Compensated Absences

The District recognizes a liability for compensated absences that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. The liability for compensated absences is reported as incurred in the government-wide financial statements. The liability for compensated absences includes salary and related benefits where applicable.

UNION SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the food service fund are charges to customers for goods and services. Operating expenses for the food services fund include cost of sales and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE 2 – DETAILED NOTES ON ALL FUNDS

A. Cash and Cash Equivalents

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District does not have a policy for custodial credit risk. As of June 30, 2025, \$199,118 of the District's bank balance of \$449,118 was exposed to custodial credit risk as follows:

| | | |
|--|-------------------|-----|
| Unsecured and Uncollateralized | \$ | --- |
| Collateralized with Securities Held by the Pledging | | |
| Financial Institutions | | --- |
| Uninsured and Collateral Held by the Pledging Bank's | | |
| Trust Department not in the District's Name | <u>199,118</u> | |
| | <u>\$ 199,118</u> | |

In Accordance with Act Number 72-1971 Session of the Commonwealth of Pennsylvania, the aforementioned deposits, in excess of \$250,000, are collateralized by securities pledged to a pooled public funds account with the Federal Reserve System.

UNION SCHOOL DISTRICT
Financial Statements
For the Year Ended June 30, 2025

NOTE 2 – DETAILED NOTES ON ALL FUNDS (Continued)

Reconciliation to Financial Statements

| | |
|--|-------------------|
| Uncollateralized Amount above | \$ 199,118 |
| Plus: Insured Amount | 250,000 |
| Plus: Deposits in Transit | --- |
| Less: Outstanding Checks | <u>(33,492)</u> |
| Carrying Amount of Bank Balances | <u>415,626</u> |
| | |
| Total Cash and Cash Equivalents per Financial Statements | <u>\$ 415,626</u> |

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer.

B. Investments

The amortized cost, fair value, and maturity term of the District's investments as of June 30, 2025 is as follows:

| | Amortized Cost/Fair Value | No Stated Maturity | 0-1 Year Maturity | 1-5 Year Maturity |
|-------------------------------|---------------------------------|-----------------------|----------------------|----------------------|
| PLGIT | 4,175,829 | 4,175,829 | --- | --- |
| FNB Certificates of Deposit | 704,833 | --- | 704,833 | --- |
| PLGIT Certificates of Deposit | 2,671,818 | --- | 2,671,818 | --- |
| Scholarship Funds | <u>187,560</u> | <u>166,103</u> | --- | <u>21,457</u> |
| | <u>\$ 7,740,040</u> | <u>\$4,341,932</u> | <u>\$3,376,651</u> | <u>\$21,457</u> |

UNION SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 2 – DETAILED NOTES ON ALL FUNDS (Continued)

B. Investments (Continued)

The purpose of the Pennsylvania Local Government Investment Trust (PLGIT), is to enable governmental units to pool their available funds for investments authorized under the Intergovernmental Cooperation Act of 1972. The funds operate in a manner consistent with SEC's Rule 2(a) 7 of the Investment Company Act of 1940. The funds use amortized cost to report net position to compute share prices. These funds maintain net asset values of \$1 per share. Accordingly, the fair value of the position in these funds is the same as the value of these shares.

Custodial Credit Risk:

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the School District will be able to recover the value of its investments or collateral security that are in the possession of an outside party. The District's investments in PLGIT, are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. As of June 30, 2025, \$454,833 of the District's Certificates of Deposit balance is exposed to custodial credit risk as this amount represents uninsured deposits collateralized with securities held by the pledging financial institution or by its trust department or agent, but not in the District's name.

Interest Rate Risk:

The District has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates by investing in securities with maturity dates of seven years or less.

Credit Risk:

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District has no formal policy, in addition to the requirements of the Pennsylvania School Code that limits its investment choices based on credit ratings by nationally recognized rating organizations. As of June 30, 2025 PLGIT was rated AAAm by the Standard and Poors nationally recognized statistical rating organization, which is the highest rating available and signifies that this pool has superior capacity to maintain principal value and limit exposure to loss. Detailed information about PLGIT and the audited financial statements can be found at www.plgit.com.

UNION SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 2 – DETAILED NOTES ON ALL FUNDS (Continued)

B. Investments (Continued)

Fair Value Measurements:

The Union School District's investments are reported at fair value within the fair value hierarchy established by generally accepted accounting standards, which establishes a three-level fair value hierarchy that prioritizes the inputs to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable (level 3 measurements). The three levels of the fair value hierarchy are described below:

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

The following schedule presents the investments of the District by level within the fair value hierarchy:

| | Value At 6/30/25 | Fair Value Measurements | | |
|-------------------------|---------------------|-------------------------|---------|---------|
| | | Level 1 | Level 2 | Level 3 |
| Mutual Funds | 166,103 | 166,103 | --- | --- |
| Certificates of Deposit | 3,398,108 | 3,398,108 | --- | --- |
| Total | \$3,564,211 | \$3,564,211 | \$--- | \$--- |

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

C. Receivables

Taxes Receivable

The District, in accordance with GAAP, recognized the delinquent and unpaid taxes receivable reduced by an allowance for uncollectible taxes as determined by the Administration. A portion of the net amount estimated to be collectible, which was measurable and available under 60 days, was recognized as revenue and the balance deferred (\$162,198) in the fund financial statements.

UNION SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 2 – DETAILED NOTES ON ALL FUNDS (Continued)

C. Receivables (Continued)

Taxes Receivable (Continued)

The balances at June 30, 2025 are as follows:

| | |
|--|--------------------------|
| Real Estate Taxes (Net of Allowance for Uncollectible) | \$ 188,122 |
| Real Estate Transfer Tax | 6,222 |
| Per Capita & Occupation Tax | 7,082 |
| Earned Income Taxes | 74,733 |
| Local Services Tax | <u>534</u> |
| | <u><u>\$ 276,693</u></u> |

Due from Other Governments (Intergovernmental Receivables)

General Fund

| | |
|--|-------------------------|
| Federal Subsidies Receivable | |
| Title IV – Student Support and Academic Enrichment | 3,370 |
| Title I – Improving Basic Programs | 58,768 |
| Title II – Supporting Effective Instruction | <u>4,405</u> |
| Total Federal Subsidies Receivable | <u><u>\$ 66,543</u></u> |

State Subsidies Receivable

| | |
|----------------------------------|--------------------------|
| Retirement | 392,201 |
| Social Security | 88,493 |
| PCCD Grants | <u>29,857</u> |
| Total State Subsidies Receivable | <u><u>\$ 510,551</u></u> |

Other Governmental Units

| | |
|--------------------------------|-------------------------|
| Clarion County Career Center | 140,626 |
| Intermediate Unit #6 | 1,534 |
| Tuition | <u>24,112</u> |
| Total Other Governmental Units | <u><u>\$166,272</u></u> |

UNION SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 2 – DETAILED NOTES ON ALL FUNDS (Continued)

C. Receivables (Continued)

Due from Other Governments (Intergovernmental Receivables) (Continued)

Food Service Fund

| | |
|--|-------------------|
| Federal Subsidies Receivable | |
| National School Lunch Program | --- |
| National School Breakfast Program | --- |
| Total Federal Subsidies Receivable | --- |
| State Subsidies Receivable | |
| National School Lunch Program | --- |
| Total Intergovernmental Receivables | \$ 743,366 |

D. Interfund Receivables, Payables, and Transfers

The following is a summary of interfund receivables and payables at June 30, 2025:

| | <u>Interfund Receivable</u> | <u>Interfund Payable</u> |
|------------------------------------|---------------------------------|------------------------------|
| General Fund | \$ --- | \$3,906 |
| Enterprise Fund, Food Service Fund | 3,906 | --- |
| | \$ 3,906 | \$3,906 |

In addition, the District typically transfers budgeted dollar amounts from the General Fund to the Capital Projects Fund to assist the Capital Projects Fund in providing for the various repairs, maintenance, or purchase of buildings and equipment.

UNION SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 2 – DETAILED NOTES ON ALL FUNDS (Continued)

E. Capital Assets

Capital asset activity for the year ended June 30, 2025 was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---|------------------------------|---------------------------|--------------------------|----------------------------|
| Governmental Activities: | | | | |
| Capital Assets, Not Being Depreciated: | | | | |
| Construction in Process | \$ ____ -- | \$ 31,214 | \$ ____ -- | \$ 31,214 |
| Total Capital Assets, Not Being Depreciated | <u>____ --</u> | <u>31,214</u> | <u>____ --</u> | <u>31,214</u> |
| Capital Assets, Being Depreciated: | | | | |
| Site Improvements | 1,248,406 | --- | --- | 1,248,406 |
| Buildings & Building Improvements | 7,983,852 | --- | --- | 7,983,852 |
| Furniture & Equipment | 2,475,590 | 268,933 | --- | 2,744,523 |
| Total Capital Assets, Being Depreciated | <u>11,707,848</u> | <u>268,933</u> | <u>---</u> | <u>11,976,781</u> |
| Less Accumulated Depreciation For: | | | | |
| Site Improvements | 1,029,254 | 65,594 | --- | 1,094,848 |
| Building & Building Improvements | 4,767,405 | 167,657 | --- | 4,935,062 |
| Furniture & Equipment | 2,177,648 | 107,583 | --- | 2,285,231 |
| Total Accumulated Depreciation | <u>7,974,307</u> | <u>340,834</u> | <u>---</u> | <u>8,315,141</u> |
| Governmental Activities, Capital Assets, Net | <u>\$ 3,733,541</u> | <u>\$ (40,687)</u> | <u>\$ ____ --</u> | <u>\$ 3,692,854</u> |
| Business-Type Activities | | | | |
| Capital Assets Being Depreciated: | | | | |
| Furniture & Equipment | \$ 53,087 | \$ ____ -- | \$ ____ -- | \$ 53,087 |
| Total Capital Assets, Being Depreciated | <u>53,087</u> | <u>____ --</u> | <u>____ --</u> | <u>53,087</u> |
| Less Accumulated Depreciation For: | | | | |
| Furniture & Equipment | 37,883 | 1,538 | --- | 39,421 |
| Total Accumulated Depreciation | <u>37,883</u> | <u>1,538</u> | <u>---</u> | <u>39,421</u> |
| Business-Type Activities Capital Assets, Net | <u>\$ 15,204</u> | <u>\$ (1,538)</u> | <u>\$ ____ --</u> | <u>\$ 13,666</u> |
| Government-Wide Capital Assets, Net | <u>\$ 3,748,745</u> | <u>\$ (42,225)</u> | <u>\$ ____ --</u> | <u>\$ 3,706,520</u> |

UNION SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 2 – DETAILED NOTES ON ALL FUNDS (Continued)

F. Pensions

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

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.pa.gov/psers.

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 service that is equal to or greater than 92 with a minimum of 35 years of service. Act 5 of 2017 (Act 5) introduced a hybrid benefit with two membership classes and a separate defined contribution plan for individuals who become new members on or after July 1, 2019. Act 5 created two new hybrid membership classes, Membership Class T-G (Class T-G) and Membership Class T-H (Class T-H) and the separate defined contribution membership class, Membership Class DC (Class DC). To qualify for normal retirement, Class T-G and Class T-H members must work until age 67 with a minimum of 3 years of credited service. Class T-G may also qualify for normal retirement by attaining a total combination of age and service that is equal to or greater than 97 with a minimum of 35 years of credited service.

UNION SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 2 – DETAILED NOTES ON ALL FUNDS (Continued)

F. Pensions (Continued)

Benefits are generally between 1% and 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 a 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.

UNION SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 2 – DETAILED NOTES ON ALL FUNDS (Continued)

F. Pensions (Continued)

Contributions

Member Contributions:

| Member Contribution Rates | | | | |
|---------------------------|-----------------------------|--|----------------------|---|
| Membership Class | Continuous Employment Since | Defined Benefit (DB) Contribution Rate | DC Contribution Rate | Total Contribution Rate |
| T-C | Prior to July 22, 1983 | 5.25% | N/A | 5.25% 6.25% |
| T-C | On or After July 22, 1983 | 6.25% | N/A | 6.25% |
| T-D | Prior to July 22, 1983 | 6.50% | N/A | 6.50% |
| T-D | On or After July 22, 1983 | 7.50% | N/A | 7.50% |
| T-E | On or After July 1, 2011 | 7.50% base rate with share risk provision | N/A | Prior to 7/1/21: 7.50% After 7/1/21: 8.00% |
| T-F | On or After July 1, 2011 | 10.30% base rate with share risk provision | N/A | Prior to 7/1/21: 10.30% After 7/1/21: 10.80% |
| T-G | On or After July 1, 2019 | 5.50% base rate with share risk provision | 2.75% | Prior to 7/1/21: 8.25% After 7/1/21: 9.00% |
| T-H | On or After July 1, 2019 | 4.50% base rate with share risk provision | 3.00% | Prior to 7/1/21: 7.50% After 7/1/21: 8.25% |
| DC | On or After July 1, 2019 | N/A | 7.50% | 7.50% |

| Shared Risk Program Summary | | | | |
|-----------------------------|---------------------------------|-----------------------|---------|---------|
| Membership Class | Definite Benefit (DB) Base Rate | Shared Risk Increment | Minimum | Maximum |
| T-E | 7.5% | +/-0.50% | 5.50% | 9.50% |
| T-F | 10.30% | +/-0.50% | 8.30% | 12.30% |
| T-G | 5.50% | +/-0.75% | 2.50% | 8.50% |
| T-H | 4.50% | +/-0.75% | 1.50% | 7.50% |

UNION SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 2 – DETAILED NOTES ON ALL FUNDS (Continued)

F. Pensions (Continued)

Employer Contributions

The school districts' contractually required contribution rate for fiscal year ended June 30, 2025 was 33.27% 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 \$1,706,371 for the year ended June 30, 2025.

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

At June 30, 2025 the District reported a liability of \$13,310,00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, 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, 2023 to June 30, 2024. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered contributions as it relates to the total one-year reported covered contributions. At June 30, 2025, the District's proportion was .0318 percent, which was a decrease of .0017 from its proportion measured as of June 30, 2024.

For the year ended June 30, 2025, the District recognized pension expense of \$805,102. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows Of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Net difference between projected and Actual investment earnings | 220,000 | --- |
| Net difference between expected and Actual experience | --- | 209,000 |
| Changes in proportions | --- | 814,000 |
| Changes in assumptions | --- | |
| Contributions subsequent to the Measurement date | <u>1,706,371</u> <u>\$1,926,371</u> | --- |
| | | <u>\$1,023,000</u> |

UNION SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 2 – DETAILED NOTES ON ALL FUNDS (Continued)

F. Pensions (Continued)

\$1,706,371 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 measurement year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expenses as follows:

Year ended June 30:

| | |
|------|-----------------|
| 2025 | \$ (778,000) |
| 2026 | 145,000 |
| 2027 | (125,000) |
| 2028 | <u>(45,000)</u> |
| | \$ (803,000) |

Actuarial assumptions

The total pension liability as of June 30, 2024 was determined by rolling forward the System's total pension liability as of the June 30, 2023 to June 30, 2024 using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation Date – June 30, 2023
- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 7.00%, includes inflation at 2.50%.
- Salary growth – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP – 2020 Improvement Scale.
- The discount rate used to measure the Total Pension Liability was 7.00% as of June 30, 2023 and as of June 30, 2024.

Demographic and economic assumptions approved by the Board for use effective with the June 20, 2021 actuarial valuation:

- Salary growth rate – decreased from 5.00% to 4.5%.
- Real wage growth and merit or seniority increases – decreased from 2.75% and 2.25% to 2.50% and 2.00% respectively.

UNION SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 2 – DETAILED NOTES ON ALL FUNDS (Continued)

F. Pensions (Continued)

Actuarial assumptions (Continued)

- Mortality rates – previously based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

The Actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2020.

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 weighing the expected future real rates of return by the target asset allocations percentage and by adding expected inflation.

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

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Expected Real Rate of Return</u> |
|----------------------|--------------------------|-------------------------------------|
| Global public equity | 30.0% | 4.8% |
| Fixed income | 33.5% | 3.9% |
| Commodities | 5.0% | 2.5% |
| Infrastructure/MLP's | 10.0% | 6.4% |
| Real Estate | 9.50% | 5.9% |
| Private equity | <u>12.0%</u> | <u>6.7%</u> |
| | <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, 2024.

UNION SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 2 – DETAILED NOTES ON ALL FUNDS (Continued)

F. Pensions (Continued)

Discount rate

The discount rate used to measure the total pension liability was 7.00%. 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 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

| | 1% Decrease 6.00% | Current Discount Rate 7.00% | 1% Increase 8.00% |
|--|----------------------|--------------------------------------|-------------------------|
| District's proportionate share of the net pension liability | \$ 17,533,000 | \$ 13,310,000 | \$ 9,744,000 |

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.pa.gov/psers.

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, 2025 is \$189,673.

UNION SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 2 – DETAILED NOTES ON ALL FUNDS (Continued)

H. Post-Employment Benefits Other than Pensions

District Retiree Plan

Plan Administration: The District administers an Other Postemployment Benefits (OPEB) plan providing medical and prescription drug, dental, and vision insurance benefits to retired employees and their dependents under certain conditions. The District does not issue a separate report that includes financial statements and required supplementary information for the OPEB plan.

Benefits Provided: Individuals who are employed by the District and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Coverage during retirement continues in the group health plans. Employees covered by the plan may make contributions toward the plan premiums, but the retirement policy includes premiums paid by the District towards the cost of the retiree coverage.

Plan Membership: At July 1, 2024, the following employees were covered by the benefit terms:

| | |
|--|------------------|
| Inactive employees or beneficiaries currently receiving benefit payments | 7 |
| Inactive employees entitled to but not yet receiving benefit payments | --- |
| Active employees | <u>56</u> |
| | <u>63</u> |

Investment Policy: The District's obligation is unfunded at July 1, 2024. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75. The benefits are expensed when incurred and are financed on a pay-as-you-go basis. Retirees currently pay the entire monthly premium. Retiree and dependent coverage, group plans, and costs to the retiree are subject to change. A spouse may be covered as a dependent until the death of the retiree; thereafter, they are eligible to continue coverage by paying 100% of the monthly insurance premium.

Total OPEB Liability: The District's total OPEB liability at June 30, 2025 is projected to be \$4,016,877 based on a valuation as of July 1, 2024.

There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement NO. 75, so the Net Fiduciary Position is \$-0- and the Net OPEB Liability would be equal to the Total OPEB Liability.

UNION SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 2 – DETAILED NOTES ON ALL FUNDS (Continued)

H. Post-Employment Benefits Other Than Pensions (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the total OPEB liability of the District, using the current healthcare cost trend rate of 5.0%, as well as what the District's total OPEB liability would be if it were calculated using healthcare trend rates that are 1 percentage point higher (6.0%) or 1 percentage point lower (4.0%) than the current healthcare cost trend rates:

| | 1% Decrease <u>4.0%</u> | Current Trend Rate <u>5.0%</u> | 1% Increase <u>6.0%</u> |
|---------------------------------|-----------------------------------|--|-----------------------------------|
| District's total OPEB liability | \$ 3,561,052 | \$ 4,016,877 | \$ 4,548,773 |

Sensitivity of the total OPEB liability to changes in the discount rate: The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.93 percent) or 1 percentage point higher (4.93 percent) than the current discount rate:

| | 1% Decrease <u>(2.93%)</u> | Discount Rate <u>(3.93%)</u> | 1% Increase <u>(4.93%)</u> |
|---------------------------------|--------------------------------------|--|--------------------------------------|
| District's total OPEB liability | \$ 4,280,868 | \$ 4,016,877 | \$ 3,732,092 |

Changes in the total OPEB Liability: The District's change in its total OPEB liability for the year ended June 30, 2025 was as follows:

| | |
|--|---------------------|
| Service Cost | \$ 140,321 |
| Interest | 154,401 |
| Changes of assumptions or other inputs | (1,126,883) |
| Benefit payments | <u>(57,877)</u> |
| Net change in total OPEB liability | (890,038) |
| Total OPEB liability – June 30, 2024 | 4,906,915 |
| Total OPEB liability – June 30, 2025 | <u>\$ 4,016,877</u> |

UNION SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 2 – DETAILED NOTES ON ALL FUNDS (Continued)

H. Post-Employment Benefits Other Than Pensions (Continued)

OPEB Expense: The District's OPEB expense for the year ended June 30, 2025 is (\$890,038).

Expected Remaining Service Lives: Under GASB 75, gains and losses which are amortized over future years are referred to as deferred inflows or gains, and deferred outflows or losses. Economic and demographic gains and losses and changes in the total OPEB liability due to changes in assumptions are recognized over a closed period equal to the average expected remaining service lives of all covered active and inactive members, determined as of the beginning of the measurement period. The amortization period is calculated as the weighted average of expected remaining service lives assuming zero years for all inactive members.

However, if using AMM procedures, changes of assumptions and the difference between expected and actual experience with regard to economic and demographic factors are immediately recognized in OPEB expense.

Actuarial assumptions and other inputs: The total OPEB liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|-----------------------|---|
| Actuarial Cost Method | Using the Alternative Measurement Method (AMM) permitted under GASB Statement 75, a simplified version of the Entry Age Normal with Level Percentage of Pay Actuarial Cost Method was used to determine the total OPEB liability. |
| Measurement Date | June 30, 2025 |
| Valuation Date | July 1, 2024 |
| Salary Increases | 3.5% Per Year |
| Discount rate | 3.93% Per Year |
| General Inflation | 3.0% Per year |

UNION SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 2 – DETAILED NOTES ON ALL FUNDS (Continued)

H. Post-Employment Benefits Other Than Pensions (Continued)

| Initial Health Coverage Claims Cost | <u>Age</u> | <u>Per Participant</u> |
|-------------------------------------|--|--|
| | Under Age 65 – Teachers and Support | |
| | Retiree | \$19,929 |
| | Spouse | \$35,602 |
| | Under Age 65 – Administration | |
| | Retiree | \$21,890 |
| | Spouse | \$39,131 |
| | Age 65 and Over | N/A |
| | | The assumed claim costs were determined from the estimated age-adjusted premiums for retirees using premium rates of the plan and the method provided by the alternative measurement method under GASB Statement 75. |
| Dental and Vision Claims Cost | | The dental and vision claims costs were assumed to be equal to the dental and vision premiums. |
| Healthcare cost trend rates | All Years | 5.00% |
| Mortality | | 2016 United States Life Tables |
| Future Retiree Participation Rate | 80% | |
| Initial Spouse Participation Rate | Male Employees: 25% Female Employees: 25% | |
| | | Husbands are assumed to be three years older than wives. |

UNION SCHOOL DISTRICT
Notes To Financial Statements
For the Year Ended June 30, 2025

NOTE 2 – DETAILED NOTES ON ALL FUNDS (Continued)

H. Post-Employment Benefits Other Than Pensions (Continued)

PSERS - Health Insurance Premium Assistance Plan

In addition, the Pennsylvania Public School Employees' Retirement System ("PSERS") provides a Health Insurance Premium Assistance Plan ("PSERS Plan"). For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the Public School Employee Retirement System (PSERS) and additions to/deductions from PSERS' fiduciary net positions have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Health Insurance Premium Assistance Program

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket health insurance premiums. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2024 there were no future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

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

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of services and retired after reaching superannuation age.

For Class DC members to become eligible for premium assistance, they must satisfy the following criteria:

- Attain Medicare eligibility with 24 ½ or more eligibility points, or
- Have 15 or more eligibility points and terminated after age 67, and
- Have received all or part of their distributions.

Union SCHOOL DISTRICT
Notes To Financial Statements
For the Year Ended June 30, 2025

NOTE 2 – DETAILED NOTES ON ALL FUNDS (Continued)

H. Post-Employment Benefits Other Than Pensions (Continued)

Pension Plan description

PSERS is a governmental cost-sharing multiple-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.pa.gov/psers.

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program.

Employer Contributions: The school districts' contractually required contribution rate for fiscal year ended June 30, 2025 was 0.63% 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 PSERS Plan from the District were \$32,312 for the year ended June 30, 2025.

UNION SCHOOL DISTRICT
Notes To Financial Statements
For the Year Ended June 30, 2025

NOTE 2 – DETAILED NOTES ON ALL FUNDS (Continued)

H. Post-Employment Benefits Other Than Pensions (Continued)

At June 30, 2025, the District reported a liability of \$563,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2023 to June 30, 2024. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll of all School Districts in the PSERS Plan. At June 30, 2025, the District's proportion was .0317 percent, which was a decrease of .0017 from its proportion measured as of June 30, 2024. For the year ended June 30, 2025, the District recognized OPEB expense of \$6,606. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual experience | \$ 2,000 | \$ 8,000 |
| Changes of assumptions | 34,000 | 86,000 |
| Net difference between projected and actual investment earnings | 1,000 | --- |
| Changes in proportion | 1,000 | 53,000 |
| Differences between district contributions and proportionate share of contribution | --- | --- |
| District contributions subsequent to the measurement date | <u>32,312</u> | --- |
| Total | <u>\$ 70,312</u> | <u>\$ 147,000</u> |

\$32,312, reported as deferred outflows of resources related to OPEB resulting from District Contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the measurement year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

| | |
|------|---------------------|
| 2025 | \$(28,000) |
| 2026 | (31,000) |
| 2027 | (34,000) |
| 2028 | (10,000) |
| 2029 | <u>(6,000)</u> |
| | <u>\$ (109,000)</u> |

UNION SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 2 – DETAILED NOTES ON ALL FUNDS (Continued)

H. Post-Employment Benefits Other Than Pensions (Continued)

Actuarial Assumptions: The total OPEB liability as of June 30, 2024 was determined by rolling forward the System's total OPEB liability as of the June 30, 2023 to June 30, 2024 measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 4.21% - S&P 20 Year Municipal Bond Rate.
- Salary growth – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit and seniority increases.
- Premium assistance reimbursement capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT – 2010 and 50% PubG – 2010 Retiree Tables for Males and Females adjusted to reflect PSERS' experience and projected using a modified version of the MP - 2020 Mortality Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate pre age 65 at 50%.
 - Eligible retirees will elect to participate post age 65 at 70%.

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study that was performed for the five –year period ending June 30, 2020.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2022 determined the employer contribution rate for the fiscal year 2024.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: The actual data for retirees benefiting under the Plan as of June 30, 2021 was used in lieu of the 63% utilization assumption for eligible retirees.
- Mortality tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

UNION SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 2 – DETAILED NOTES ON ALL FUNDS (Continued)

H. Post-Employment Benefits Other Than Pensions (Continued)

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

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the Program, as defined in the retirement code, employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. The Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2024 were:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|--------------------|--------------------------|---|
| Cash | <u>100.0%</u> | 1.7% |
| Total | <u>100.0%</u> | |

Discount rate: The discount rate used to measure the total OPEB liability was 4.21%. Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments; therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 4.21% which represents the S&P 20 year Municipal Bond Rate at June 30, 2024, was applied to all projected benefit payments to measure the total OPEB liability.

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2024, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2024, 487 retirees were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

UNION SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 2 – DETAILED NOTES ON ALL FUNDS (Continued)

H. Post-Employment Benefits Other Than Pensions (Continued)

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

| | Healthcare Cost | | |
|---|---------------------------|--------------------------|---------------------------|
| | <u>1% Decrease</u> | <u>Trend Rate</u> | <u>1% Increase</u> |
| District's proportionate share of the net OPEB liability | \$ 563,000 | 563,000 | \$563,000 |

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

The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.21 percent) or higher (5.21 percent) than the current discount rate:

| | 1% Decrease <u>(3.21%)</u> | Discount Rate <u>(4.21%)</u> | 1% Increase <u>(5.21%)</u> |
|---|---------------------------------------|---|---------------------------------------|
| District's proportionate share of net OPEB liability | \$ 636,000 | \$ 563,000 | \$ 502,000 |

OPEB plan fiduciary net position:

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

UNION SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 2 – DETAILED NOTES ON ALL FUNDS (Continued)

I. Deferred Revenue

General Fund

Program grants received prior to the incurrence of qualifying expenditures are recorded as deferred revenue. At June 30, 2025, deferred revenue consisted of \$78,538 which represents funds received to be used for future expenditures.

J. 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.

K. Long-Term Liabilities

On March 23, 2021, the District issued \$1,412,507 in general obligation notes for the purpose of paying off the existing debt, and to provide funding for a new roof on the Ringersburg High School Building. The notes were issued in two separate series, Series 2021, with interest of 1.22% and will mature in September 2025, and Series 2021A, with interest of 1.04% and a maturity date of September, 2024.

On January 11, 2022, the District issued General Obligation Note Series of 2022 in the amount of \$4,000,000 to finance construction projects to be completed at both the Ringersburg High School and Sligo Elementary School, with interest of 2.39% and will mature in September 2037.

UNION SCHOOL DISTRICT
Notes To Financial Statements
For the Year Ended June 30, 2025

NOTE 2 – DETAILED NOTES ON ALL FUNDS (Continued)

K. Long-Term Liabilities(Continued)

The schedule of future debt service payments for bonds is as follows:

| Year Ended June 30, | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------|----------------------------|-------------------------|---------------------------|
| 2026 | 397,297 | 82,920 | 480,217 |
| 2027 | 241,060 | 76,239 | 317,299 |
| 2028 | 246,900 | 70,408 | 317,308 |
| 2029 | 252,870 | 64,435 | 317,305 |
| 2030 | 258,990 | 58,319 | 317,309 |
| 2031-2035 | 1,391,990 | 194,537 | 1,586,527 |
| 2036-2038 | <u>918,630</u> | <u>33,183</u> | <u>951,813</u> |
| | <u>\$ 3,707,737</u> | <u>\$580,041</u> | <u>\$4,287,778</u> |

The District has entered into a lease purchase agreement for the purpose of acquiring a 2024 Chrysler Voyager Van in the amount of \$36,641, and includes an interest rate of 10.0%. The non-cancelable agreement is for three years, terminating in 2027.

The schedule of lease payment requirements to maturity by years is as follows:

| Year Ended June 30, | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------|-------------------------|------------------------|-------------------------|
| 2026 | \$ 11,070 | \$ 2,325 | \$ 13,395 |
| 2027 | <u>12,177</u> | <u>1,218</u> | <u>13,395</u> |
| | <u>\$ 23,247</u> | <u>\$ 3,543</u> | <u>\$ 26,790</u> |

UNION SCHOOL DISTRICT
Notes To Financial Statements
For the Year Ended June 30, 2025

NOTE 2 – DETAILED NOTES ON ALL FUNDS (Continued)

K. Long-Term Liabilities (Continued)

Long-term liability activity for the year ended June 30, 2025 was as follows:

| <u>Governmental Activities</u> | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|--------------------------------|--------------------------|------------------|---------------------|-----------------------|----------------------------|
| 2021 Note Series | \$ 239,927 | \$ --- | \$ 78,000 | \$ 161,927 | \$ 161,927 |
| 2021A Note Series | 268,500 | --- | 268,500 | --- | --- |
| 2022 Note Series | <u>3,775,620</u> | --- | <u>229,810</u> | <u>3,545,810</u> | <u>235,370</u> |
| Total Note Activity | 4,284,047 | --- | 576,310 | 3,707,737 | 397,297 |
| Lease Liability | --- | 36,641 | 13,395 | 23,246 | 11,070 |
| Compensated Absences | 186,660 | 3,013 | --- | 189,673 | --- |
| Net Pension Liability | 14,903,000 | --- | 1,593,000 | 13,310,000 | --- |
| Net OPEB Liability (PSERS) | 604,000 | --- | 41,000 | 563,000 | --- |
| OPEB Liability (District) | <u>4,906,615</u> | --- | <u>889,738</u> | <u>4,016,877</u> | --- |
| Total Long-term Liabilities | <u>\$24,884,322</u> | <u>\$ 39,654</u> | <u>\$ 3,113,443</u> | <u>\$21,810,533</u> | <u>\$ 408,367</u> |

The liability for compensated absences is normally liquidated by the General Fund.

L. Tax Abatements and other Tax Arrangements

The School District enters into property tax abatement agreements with the Clarion County Housing Authority under the Low-Rent Housing Program for two properties. For the fiscal year ended June 30, 2025, the District received property taxes totaling \$2,087 under this program.

UNION SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 2 – DETAILED NOTES ON ALL FUNDS (Continued)

M. Contingencies and Commitments

The District receives federal, state, and local funding under a number of programs. Payments made by these sources under contractual agreements are provisional and subject to redetermination based on billing of reports and audits of those reports. Any adjustments resulting from subsequent examinations are recognized in the year in which the results of such examinations become known. District officials do not expect any significant adjustments as a result of these examinations.

N. Jointly Governed Organizations

The School District is one of seven member school districts of the Clarion County Career Center. The Center is controlled and governed by the Joint Operating Committee, which is composed of two members from each school board of the member districts. Direct oversight of the Center's operations is the responsibility of the Joint Operating Committee. The School District's share of annual operating and capital costs for the Center fluctuates based on the percentage enrollment in the school and is reflected as intergovernmental expenditures of the General Fund. The audit report may be obtained by calling the business office of the School District.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2025, the District implemented GASB Statement No. 101, *Compensated Absences*.

Summary: This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements.

UNION SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2025

NOTE 4 – PRIOR PERIOD ADJUSTMENT

During fiscal year 2025, changes to beginning net position are as follows:

| | |
|---|------------------------------|
| Beginning net position as previously reported at June 30, 2024 | \$ (15,732,325) |
| Prior Period Adjustment-Implementation of GASB 101 | \$ 101,936 |
| Additional Corrections to Beginning of Year Balances: | |
| Receivables | 695,830 |
| Payables | 327,956 |
| Deferrals | <u>1,700,708</u> |
| Total Prior Period Adjustments | <u>2,826,430</u> |
| Net position, as restated, June 30, 2024 (District Wide) | <u>\$(12,905,895)</u> |

A prior period adjustment was also needed to correct the beginning of the year balances on the Governmental Funds Fund Balance.

| | |
|---|---------------------------|
| Beginning Fund Balance as previously reported at June 30, 2024 | \$5,358,197 |
| Prior Period Adjustments to Correct Balances: | |
| Receivables | 695,830 |
| Payables | 144,269 |
| Deferrals | <u>116,202</u> |
| Fund Balance, as restated, June 30, 2024 | <u>\$6,314,498</u> |

NOTE 4 – EVALUATION OF SUBSEQUENT EVENTS

The District has determined there are no additional events through January 12, 2026 which is the date the financial statements were available to be issued, that require additional disclosure in the financial statements.

Required Supplementary Information

UNION SCHOOL DISTRICT
Schedule of Changes in the Total OPEB Liability and Related Ratios – Retirees Health Plan
June 30, 2025

| Year Ended June 30: | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> | <u>2025</u> |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Service Cost | \$ 158,643 | \$ 164,196 | \$ 224,593 | \$ 232,454 | \$ 196,166 | \$ 203,032 | \$ 140,321 |
| Interest | 129,909 | 138,607 | 92,445 | 98,593 | 159,604 | 169,214 | 154,401 |
| Changes of assumptions or other inputs | --- | --- | 270,374 | --- | (169,369) | (45,630) | (1,126,883) |
| Benefit payments | (109,496) | (29,205) | (35,008) | (58,443) | (97,607) | (39,086) | (57,877) |
| Net change in total OPEB liability | 179,056 | 273,598 | 552,404 | 272,604 | 88,794 | 387,530 | (890,038) |
| Total OPEB liability – beginning | <u>3,252,929</u> | <u>3,431,985</u> | <u>3,705,583</u> | <u>4,257,987</u> | <u>4,530,591</u> | <u>4,619,385</u> | <u>4,906,915</u> |
| Total OPEB liability – ending | <u>\$3,431,985</u> | <u>\$3,705,583</u> | <u>\$4,257,987</u> | <u>\$4,530,591</u> | <u>\$4,619,385</u> | <u>\$4,906,915</u> | <u>\$4,016,877</u> |
| Covered-Employee Payroll | \$3,800,291 | \$3,933,301 | \$3,813,590 | \$3,947,066 | \$4,039,987 | \$4,181,387 | \$3,830,225 |
| District's total OPEB liability as a payroll percentage of covered-employee | 90.31% | 94.21% | 111.65 % | 114.78% | 114.34% | 117.35% | 104.87% |

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

The accompanying notes are an integral part of this statement.

UNION SCHOOL DISTRICT
Schedule of District's Proportionate Share of the Net OPEB Liability – PSERS Plan
June 30, 2025

| As of the measurement date of June 30: | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| District's proportion of the net OPEB liability | 0.0356% | 0.0357% | 0.0355% | 0.0337% | 0.0334% | 0.0317% |
| District's proportionate share of the net OPEB liability | \$ 728,000 | \$ 771,000 | \$ 841,000 | \$ 620,000 | \$ 604,000 | \$ 563,000 |
| District's covered payroll | \$4,912,824 | \$5,015,243 | \$5,029,819 | \$4,954,854 | \$5,110,933 | \$5,027,752 |
| District's proportionate share of the net OPEB liability as a percentage of its covered payroll | 14.82% | 15.37% | 16.72% | 12.51% | 11.82% | 11.20% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 5.56% | 5.69% | 5.30% | 6.86% | 7.22% | 7.13% |

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

The accompanying notes are an integral part of this statement.

UNION SCHOOL DISTRICT
Schedule of District's OPEB Contributions – PSERS Plan
June 30, 2025

| Year Ended June 30: | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> | <u>2025</u> |
|--|---------------|---------------|---------------|---------------|---------------|-----------------|---------------|
| Contractually determined contribution | \$ 40,776 | \$ 42,128 | \$ 41,244 | \$ 39,639 | \$ 38,331 | \$ 31,606 | \$ 32,312 |
| Contributions in relation to the actuarially determined contribution | <u>40,776</u> | <u>42,128</u> | <u>41,244</u> | <u>39,639</u> | <u>38,331</u> | <u>32,178</u> | <u>32,312</u> |
| Contribution deficiency (Excess) | \$ <u>---</u> | \$ <u>(572)</u> | \$ <u>---</u> |
| Covered payroll | \$4,912,824 | \$5,015,243 | \$5,029,819 | \$4,954,854 | \$5,110,933 | \$5,027,752 | \$5,128,856 |
| Contributions as a percentage of covered payroll | 0.83% | 0.84% | 0.82% | .80% | 0.75% | 0.64% | 0.63% |

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

The accompanying notes are an integral part of this statement.

UNION SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the
Net Pension Liability

| | Last 10 Fiscal Years* | | | | |
|--|-----------------------|--------------|--------------|--------------|--------------|
| | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> |
| As of the measurement date of June 30: | | | | | |
| District's proportion of the net pension liability | 0.0318% | 0.0335% | 0.0337% | 0.0355% | 0.0357% |
| District's proportionate share of the net pension liability | \$13,310,000 | \$14,903,000 | \$14,983,000 | \$14,616,000 | \$17,578,000 |
| District's covered-employee payroll | \$ 5,027,752 | \$ 5,110,933 | \$ 4,954,854 | \$ 5,029,819 | \$ 5,015,243 |
| District's proportionate share of the net pension liability As a percentage of its covered-employee payroll | 264.73% | 291.59% | 302.39% | 290.59% | 350.49% |
| Plan fiduciary net position as a percentage of the Total pension liability | 64.63% | 61.85% | 61.34% | 63.67% | 54.32% |
| As of the measurement date of June 30: | | | | | |
| District's proportion of the net pension liability | 0.0356% | 0.0355% | 0.0351% | 0.0355% | |
| District's proportionate share of the net pension liability | \$16,655,000 | \$17,042,000 | \$17,335,000 | \$17,593,000 | |
| District's covered-employee payroll | \$ 4,912,824 | \$ 4,783,249 | \$ 4,672,907 | \$ 4,592,652 | |
| District's proportionate share of the net pension liability As a percentage of its covered-employee payroll | 339.01% | 356.28% | 370.97% | 383.07 | |
| Plan fiduciary net position as a percentage of the Total pension liability | 55.66% | 54.00% | 51.84% | 50.14% | |

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

The accompanying notes are an integral part of this statement.

UNION SCHOOL DISTRICT
Schedule of District Contributions
Pension Plan

Last 10 Fiscal Years

| | <u>June 30, 2025</u> | <u>June 30, 2024</u> | <u>June 30, 2023</u> | <u>June 30, 2022</u> | <u>June 30, 2021</u> |
|---|---|---|---|---|---|
| Contractually required contribution Contributions in relation to the contractually required contribution | \$1,706,371 <u>(1,706,371)</u> | \$1,669,102 <u>(1,669,102)</u> | \$1,755,213 <u>(1,755,213)</u> | \$1,682,246 <u>(1,682,246)</u> | \$1,722,683 <u>(1,722,683)</u> |
| Contribution deficiency (excess) District's covered –employee payroll | --- | --- | --- | --- | --- |
| Contributions as a percentage of covered – employee payroll | 33.27% | 33.20% | 34.34% | 33.95% | 34.25% |
| (Continued) | | | | | |
| Contractually Required Contribution Contributions in relation to the contractually required contribution | June 30, 2020 \$ 1,669,202 <u>(1,669,202)</u> | June 20, 2019 \$ 1,601,580 <u>(1,601,580)</u> | June 30, 2018 \$ 1,518,203 <u>(1,518,203)</u> | June 30, 2017 \$ 1,343,461 <u>(1,343,461)</u> | June 30, 2016 \$ 1,190,875 <u>(1,190,875)</u> |
| Contribution deficiency (excess) District's covered – employee payroll | --- | --- | --- | --- | --- |
| Contributions as a percentage of covered – employee payroll | 33.28% | 32.60% | 31.74% | 28.75% | 25.93% |

Amounts are based on actual contributions during the fiscal year.

The accompanying notes are an integral part of this statement.

UNION SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in
Fund Balances, Budget and Actual
General Fund
For the Year Ended June 30, 2025

| | <u>Budgeted Amounts</u> | | Actual (Budgetary Basis) | Variance with Final Budget |
|--|-------------------------|-------------------|--------------------------------|--------------------------------|
| | <u>Original</u> | <u>Final</u> | | <u>Positive (Negative)</u> |
| Revenues: | | | | |
| Local Revenues | \$ 3,352,749 | \$ 3,352,749 | \$ 3,464,484 | \$ 111,735 |
| State Program Revenues | 10,140,762 | 10,140,762 | 10,509,827 | 369,065 |
| Federal Program Revenues | 434,962 | 434,962 | 378,420 | (56,542) |
| Total Revenues | 13,928,473 | 13,928,473 | 14,352,731 | 424,258 |
| Expenditures: | | | | |
| Regular Programs | 5,723,840 | 5,742,180 | 5,423,479 | 318,701 |
| Special Programs | 2,044,619 | 2,044,461 | 1,951,449 | 93,012 |
| Vocational Programs | 572,455 | 572,455 | 430,567 | 141,888 |
| Other Instructional Programs | 39,870 | 39,870 | 10,780 | 29,090 |
| Pupil Personnel Services | 694,791 | 694,791 | 668,029 | 26,762 |
| Instructional Staff Services | 178,872 | 179,030 | 186,357 | (7,327) |
| Administrative Services | 1,110,379 | 1,110,379 | 1,075,212 | 35,167 |
| Pupil Health | 201,023 | 201,023 | 200,743 | 280 |
| Business Services | 151,128 | 151,128 | 141,597 | 9,531 |
| Operation and Maintenance of | | | | |
| Plant Services | 1,500,461 | 1,500,461 | 1,419,472 | 80,989 |
| Student Transportation Services | 770,534 | 770,534 | 660,063 | 110,471 |
| Central & Other Support Services | 385,882 | 367,542 | 322,707 | 44,835 |
| Other Support Services | 4,337 | 4,337 | 4,122 | 215 |
| Student Activities | 495,760 | 495,760 | 347,098 | 148,662 |
| Community Activities | 22,875 | 22,875 | 13,828 | 9,047 |
| Debt Service (Principal & Interest) | 667,649 | 667,649 | 681,045 | (13,396) |
| Refund of Prior Year Receipts | --- | --- | --- | --- |
| Total Expenditures | 14,564,475 | 14,564,475 | 13,536,548 | 1,027,927 |
| Excess (Deficiency) of Revenues over Expenditures | (636,002) | (636,002) | 816,183 | 1,452,185 |

The accompanying notes are an integral part of this statement.

UNION SCHOOL DISTRICT
Statement of Revenue, Expenditures and Changes in
Fund Balances, Budget and Actual
General Fund
(Continued)
For the Year Ended June 30, 2025

| | <u>Budgeted Amounts</u> | | <u>Actual</u> (Budgetary Basis) | <u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u> |
|--|-------------------------|------------------------|---------------------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Excess (Deficiency) of Revenues over Expenditures | (636,002) | (636,002) | 816,183 | 1,452,185 |
| Other Financing Sources | | | | |
| (Uses): | | | | |
| Proceeds from Long Term Debt | --- | --- | 36,641 | 36,641 |
| Proceeds from Extended Fin. | --- | --- | --- | --- |
| Sale/Compensation for Fixed Assets | --- | --- | --- | --- |
| Inter-fund Transfer | (158,575) | (158,575) | (183,928) | (25,353) |
| Insurance Recoveries | --- | --- | --- | --- |
| Budgetary Reserves | --- | --- | --- | --- |
| Total Other Financing Sources (Uses) | (158,575) | (158,575) | (147,287) | 11,288 |
| Net Change in Fund Balances | (794,577) | (794,577) | 668,896 | 1,463,473 |
| Fund Balance, July 1, 2024 | <u>6,314,498</u> | <u>6,314,498</u> | <u>6,314,498</u> | |
| Fund Balance, June 30, 2025 | <u>\$5,519,921</u> | <u>\$5,519,921</u> | <u>\$6,983,394</u> | |

The accompanying notes are an integral
part of this statement.

UNION SCHOOL DISTRICT
Notes to the Required Supplementary Information
June 30, 2025

Budgetary Information

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund. All annual appropriations lapse at year-end.

All budget amounts presented in the accompanying required supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions to the annual budgets during the year).

On or before the first of February of each year, all school principals submit requests for appropriations to the District's Business Manager so that the General Fund budget may be prepared. The budget is prepared by function and activity and is based on the modified accrual basis of accounting. Before May 30, the proposed budget is presented to the School Board for review. The School Board holds public hearings and may add to, subtract from, or change appropriations. Upon approval, the approved budget is submitted to the Pennsylvania Department of Education.

Expenditures may not legally exceed budgeted appropriations at the activity level. During the year, the School Board authorized several budgetary transfers.

Encumbrance accounting is employed in the General Fund. Encumbrances (e.g. purchase orders, contracts) outstanding at year-end are voided and not expensed in the current year.

Excess of Expenditures Over Appropriations

For the year ended June 30, 2025, expenditures exceeded appropriations in the following General Fund Department levels:

| | |
|------------------------------|--------|
| Instructional Staff Services | 7,327 |
| Debt Service Payments | 13,396 |
| Interfund Transfers | 25,353 |

The excess expenditures and transfers out were funded by available fund balance in the general fund, and additional non-budgeted revenue.

Pension Information

The amounts reported in the schedule of the district's proportionate share of the net pension liability are determined as of June 30, 2024 by The Commonwealth of Pennsylvania Public School Employees' Retirement System (the cost-sharing plan). See Note 2 (F) to the financial statements for more information.

UNION SCHOOL DISTRICT
Notes to the Required Supplementary Information
June 30, 2025

Other Post-Employment Benefit Information (PSERS)

The amounts reported in the schedule of the district's proportionate share of the net OPEB liability and changes in actuarial assumptions used in the measurement of the PSERS total OPEB Liability from the prior year are determined as of June 30, 2024 by The Commonwealth of Pennsylvania Public School Employees' Retirement System. See Note 2 (H) to the financial statements for more information.

The information included on the Schedule of District's Proportionate Share of the Net OPEB Liability-PSERS Plan and the Schedule of District's OPEB Contributions-PSERS Plan was not available prior to June 30, 2019.

Federal Awards Supplementary Information

UNION SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2025

| <u>Program</u> | <u>Funding Source Code</u> | <u>Federal Assistance Listing Number</u> | <u>Contract (or Award) Number</u> | <u>Grant Period</u> | <u>Grant Award</u> | <u>Accrued (Deferred) Revenue at June 30, 2024</u> | <u>Grant Funds Received During Year</u> | <u>Revenue Recognized</u> | <u>Expenditures</u> | <u>Accrued (Deferred) Revenue at June 30, 2025</u> |
|--|----------------------------|--|-----------------------------------|---------------------|--------------------|--|---|---------------------------|----------------------|--|
| | | | | | | <u>June 30, 2024</u> | <u>June 30, 2025</u> | <u>June 30, 2024</u> | <u>June 30, 2025</u> | <u>June 30, 2024</u> |
| US Department of Education | | | | | | | | | | |
| Title I - Improving Basic Programs | 1 | 84.010 | 013-24-0441 | 07/01/23-09/30/24 | 227,540 | 41,708 | 41,708 | 162,127 | 220,896 | 58,769 |
| Title I - Improving Basic Programs | 1 | 84.010 | 013-25-0441 | 07/01/24-09/30/25 | 220,896 | - | - | - | 24,279 | 4,405 |
| Title II - Support Effective Instruction | 1 | 84.367 | 020-25-0441 | 07/01/24-09/30/25 | 29,736 | - | 19,874 | 4,817 | - | - |
| Title II - Support Effective Instruction | 1 | 84.367 | 020-24-0441 | 07/01/23-09/30/24 | 25,436 | 4,817 | 4,817 | - | - | - |
| Title IV - Student Support & Academic Enrichment | 1 | 84.424 | 144-25-0441 | 07/13/24-09/30/25 | 16,849 | - | 13,479 | 16,849 | 16,849 | 3,370 |
| Title IV - Student Support & Academic Enrichment | 1 | 84.424 | 144-24-0441 | 07/13/23-09/30/24 | 16,048 | 2,140 | 2,140 | - | - | - |
| Title IV A - Stronger Connections Grant | 1 | 84.424 | 244-24-0441 | 07/01/24-06/30/27 | 330,005 | - | 170,325 | 91,787 | 91,787 | (78,538) |
| Title V-B-1 - Small Rural School Achievement Grant | 1 | 84.358A | \$3584233417 | 07/01/24-06/30/25 | 24,433 | - | 24,433 | 24,433 | 24,433 | - |
| Special Education Cluster (IDEA) | 3 | 84.173 | N/A | 07/01/24-06/30/25 | 800 | - | 800 | 800 | 800 | - |
| IDEA Section 619 | 3 | 84.027 | N/A | 07/01/24-06/30/25 | 137,875 | - | 137,875 | 137,875 | 137,875 | - |
| IDEA Part B | | | | | | - | 138,675 | 138,675 | 138,675 | - |
| Total Special Education Cluster (IDEA) | | | | | | | | | | |
| Education Stabilization Fund | | | | | | | | | | |
| COVID 19 - ARP ESSER 7% Learning Loss | 1 | 84.425U | 225-21-0441 | 03/13/20-09/30/24 | 34,982 | 34,982 | - | - | - | - |
| COVID 19 - ARP ESSER 7% Summer Programs | 1 | 84.425U | 225-21-0441 | 03/13/20-09/30/24 | 6,997 | 6,997 | - | - | - | - |
| COVID 19 - ARP ESSER 75% Afterschool Programs | 1 | 84.425U | 225-21-0441 | 03/13/20-09/30/24 | 6,997 | 6,997 | - | - | - | - |
| Total Education Stabilization Fund | | | | | 48,976 | 48,976 | - | - | - | - |
| Total US Department of Education | | | | | 97,641 | 626,554 | 516,919 | 516,919 | 516,919 | (11,994) |
| US Department of Agriculture | | | | | | | | | | |
| Child Nutrition Cluster | | | | | | | | | | |
| Passed Through PA Department of Education | 1 | 10.553 | N/A | 07/01/24-06/30/25 | - | 114,563 | 114,563 | 114,563 | - | - |
| Severe Need Breakfast Program | 1 | 10.555 | N/A | 07/01/24-06/30/25 | - | 274,102 | 274,102 | 274,102 | - | - |
| National School Lunch Program | | | | | | | | | | |
| Passed Through PA Department of Agriculture | 2 | 10.555 | N/A | 07/01/24-06/30/25 | - | 26,550 | 19,684 | 19,684 | - | (6,866) |
| National School Lunch - Donated Commodities | | | | | | 415,215 | 408,349 | 408,349 | - | (6,866) |
| Total Child Nutrition Cluster | | | | | | - | 415,215 | 408,349 | 408,349 | (6,866) |
| Total US Department of Agriculture | | | | | \$ 97,641 | \$ 1,041,769 | \$ 925,268 | \$ 925,268 | \$ 925,268 | \$ (18,860) |

See Notes to the Schedule of Expenditure of Federal Awards

UNION SCHOOL DISTRICT
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2025

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the Union School District programs of the federal government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirement of Title 2 U.S. Code of Federal Regulations, Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* Uniform Guidance. Because the Schedule presents only a selected portion of the operations of Union School District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Union School District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Revenue is recognized when earned, and expenses are recognized when incurred. Negative amounts shown on the Schedule represent adjustments or credit made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 – FUNDING SOURCE CODE INFORMATION

The accompanying schedule of expenditures of federal awards presents a column with the source code. The source codes are as follows:

- 1 – Passed through the Pennsylvania Department of Education
- 2 – Passed through the Pennsylvania Department of Agriculture
- 3 – Passed through Riverview Intermediate Unit #6

NOTE 4 – PROGRAM DISCLOSURES

Food Distribution – Donated Commodities – Donated foods are priced at values provided by the USDA. For the year ended June 30, 2025, Union School District expended \$19,684 in donated food commodities, with an ending inventory totaling \$6,866.

NOTE 5 – INDIRECT COST RATE

Union School District has elected not to use the 10 per cent de minimis indirect cost rate allowed under the Uniform Guidance.

UNION SCHOOL DISTRICT
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2025

NOTE 6 – RECONCILIATION OF REVENUE RECOGNIZED TO FINANCIAL STATEMENTS

A reconciliation of revenues recognized on the Schedule of Expenditures of Federal Awards to the revenue reported on the financial statements follows:

A. General Fund

Total revenue recognized per the schedule of Expenditures of Federal Awards:

| | |
|--|--------------------------|
| U.S. Department of Education | \$ 516,919 |
| U.S. Department of Agriculture | --- |
| U.S. Department of Health and Human Services | --- |
| Total Federal Assistance | <u>\$ 516,919</u> |

| | |
|--|------------|
| Total Federal Revenues per Fund Financial Statements | \$ 378,420 |
|--|------------|

Add: Federal Revenue from I.U.:

| | |
|---------------------------------------|------------|
| Regular IDEA Grant, Part B | 137,875 |
| IDEA Section 619 & Early Intervention | <u>800</u> |
| | 517,095 |

| | |
|--|--------------------------|
| Less: Access Medicaid Reimbursement | <u>(176)</u> |
| Total Federal Revenue – as Adjusted | <u>\$ 516,919</u> |

B. Food Service Fund

Total revenue recognized per the Schedule of Expenditures of Federal Awards:

| | |
|---------------------------------------|--------------------------|
| U.S. Department of Agriculture | <u>\$ 408,349</u> |
|---------------------------------------|--------------------------|

| | |
|---|--------------------------|
| Total Federal Revenue per Fund Financial Statements | \$ 415,215 |
| Plus: Increase in Donated Commodities Inventory | <u>(6,866)</u> |
| | <u>\$ 408,349</u> |

UNION SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2025

The audit report of Union School District for the year ended June 30, 2024, dated September 20, 2024, contained no audit findings.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Union School District, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Union School District's basic financial statements, and have issued our report thereon dated January 12, 2026.

Report on Internal Control Over Financial Reporting

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

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

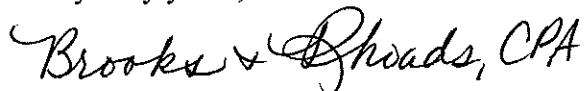
Report on Compliance and Other Matters

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

Purpose of this Report

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

Very truly yours,

A handwritten signature in black ink that reads "Brooks & Rhoads, CPA". The signature is cursive and fluid, with "Brooks" and "Rhoads" connected by a flourish, and "CPA" written in a smaller, separate section.

Brooks & Rhoads, CPA
Clarion, Pennsylvania
January 12, 2026

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Union School District's ("the District") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal programs for the year ended June 30, 2025. Union School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our 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 each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States ("the *Government Auditing Standards*"); and the audit requirements of Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Union School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis

for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Union School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about Union School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Union School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Union School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

This purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Very truly yours,

Brooks & Rhoads, CPA

Brooks & Rhoads, CPA
Clarion, Pennsylvania
January 12, 2026

UNION SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2025

Summary of Auditors' Results

1. The auditors' report expresses a qualified opinion on the governmental activities and an unmodified opinion on the business-type activities, each major fund and the aggregate remaining fund information of Union School District.
2. There were no significant deficiencies or material weaknesses in internal control disclosed in the 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*.
3. No instances of noncompliance material to the financial statements of Union School District were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over major federal award programs were disclosed in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with the Uniform Guidance.
5. The auditor's report on compliance for the major federal awards programs for Union School District expresses an unmodified opinion.
6. There were no audit findings relative to the major federal awards program of Union School District that are required to be reported in accordance with Section 2 CFR 200.516(a).
7. The programs tested as major programs were:

| <u>Program</u> | <u>ALN</u> |
|---|-------------------|
| Title I Improving Basic Programs | 84.010 |
| Title II Supporting Effective Instruction | 84.367 |

8. The threshold for distinguishing Types A and B programs was \$750,000
9. Union School District was determined to be a low-risk auditee.

UNION SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2025

Findings – Financial Statement Audit

1. Significant Deficiency (ies) in Internal Control

There were no findings related to the financial statement audit required to be reported.

2. Compliance Findings

There were no compliance findings relating to the financial statement audit required to be reported.

Findings and Questioned Costs – Major Federal Award Programs Audit

1. Compliance Findings

There were no findings relating to the Federal awards as required to be reported in accordance with section 2 CFR 200.516(a) of the Uniform Guidance.

2. Significant Deficiency (ies) in Internal Control

There were no findings relating to the Federal awards as required to be reported in accordance with section 2 CFR 200.516(a) of the Uniform Guidance.