

UNION SCHOOL DISTRICT

**FINANCIAL REPORT WITH
SUPPLEMENTAL INFORMATION**

June 30, 2014

UNION SCHOOL DISTRICT

Table of Contents

June 30, 2014

Transmittal Letter	3
List of Report Distribution	4
Independent Auditor's Report	5-6
Management's Discussion and Analysis	7-15
Basic Financial Statements:	
<u>District - Wide Financial Statements:</u>	
Statement of Net Assets	16
Statement of Activities	17
<u>Fund Financial Statements:</u>	
Balance Sheet - Government Funds	18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	19
Statement of Revenues, Expenditures, and Changes in Fund Balances - Government Funds	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Government Funds to the Statement of Activities	21
Statement of Net Assets - Cafeteria Fund	22
Statement of Revenues, Expenses, and Changes in Fund Net Assets- Cafeteria Fund	23
Statement of Cash Flows - Cafeteria Fund	24
Statement of Net Assets - Fiduciary Fund	25
Statement of Changes in Net Assets - Fiduciary Fund	26
Notes to the Financial Statements	27-35
Required Supplemental Information:	
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	36
Other Supplemental Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Activity Fund	37
Schedule of General Fund Revenues	38
Federal Awards Supplemental Information:	
Schedule of Expenditures of Federal Awards	39
Notes To Schedule of Expenditures of Federal Awards	40
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	41-42
Report On Compliance With Requirements That Could Have a Direct and Material Effect on the Federal Programs and on Internal Control Over Compliance in Accordance with OMB Circular A-133	43-44
Schedule of Findings and Questioned Costs	45

RICHARD G. HAWK, CPA

4122 Steeple Chase Drive
Myrtle Beach, SC 29588

Phone 843-251-6629

TRANSMITTAL LETTER

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

Members of the Board:

We have performed the Single Audit of the Union School District for the fiscal year ended June 30, 2014 and have enclosed the Single Audit reporting package.

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

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



Richard G. Hawk
Certified Public Accountant

December 29, 2014

LIST OF REPORT DISTRIBUTION

The Single Audit Reports of Union School District for the year ended June 30, 2014, have been distributed as follows:

Five copies to: Office of the Budget/Bureau of Audits
303 Walnut Street
Bell Tower – Strawberry Square
6th Floor
Harrisburg, PA 17101
(I will send an electronic submission to Bureau of Audits)

One copy : Federal Audit Clearinghouse
Bureau of the Census
P.O. Box 5000
Jeffersonville, IN 47199-5000
(I will send *via electronic transmission*)

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

RICHARD G. HAWK, CPA

4122 Steeple Chase Drive
Myrtle Beach, SC 29588

Phone 843-251-6629

INDEPENDENT AUDITOR'S REPORT

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

Members of the Board:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Union School District, as of and for the year ended June 30, 2014, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Union School District's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Union School District as of June 30, 2014, and the respective changes in financial position and its cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated December 29, 2014 on my consideration of the Union School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to

provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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


Richard G. Hawk
Certified Public Accountant

December 29, 2014

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
Required Supplementary Information (RSI)
June 30, 2014**

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, 2014. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements, and financial statements to enhance their understanding of the District's financial performance.

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

SCHOOL DISTRICT HIGHLIGHTS

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

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

ACADEMIC DESCRIPTION

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

- 1:1 technology initiative for grades 8-11.
- Union International Outreach Program.
- E-Academy Cyber School Program.
- US News and World Report ranking Union High School as a top high school.

FINANCIAL HIGHLIGHTS

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

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

Actual revenues in 2013-2014 were \$10,294,230. This exceeded budgeted revenues by \$261,179.53. General fund actual revenues exceeded general fund actual expenditures by \$425,387 for the year ended June 30, 2014. A transfer to the cafeteria fund of \$115,000 was made, which resulted in a net surplus of \$310,387.

Overall expenditures for 2013-2014 fiscal year were \$9,868,843.16, which was \$710,082 less than 2013-2014 budgeted expenditures of \$10,578,925. This was a direct result of a continued effort by school district officials to identify cost cutting measures and school district employees participating in those measures.

General fund balance on June 30, 2013 was \$6,951,504. With the net surplus in 2013-2014 of \$310,387, the District's general fund balance increased to \$7,261,891. Of that \$7,261,891, \$41,833 is restricted, \$4,400,000 is assigned and the remaining unassigned fund balance at June 30, 2014 is \$2,820,058.

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

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

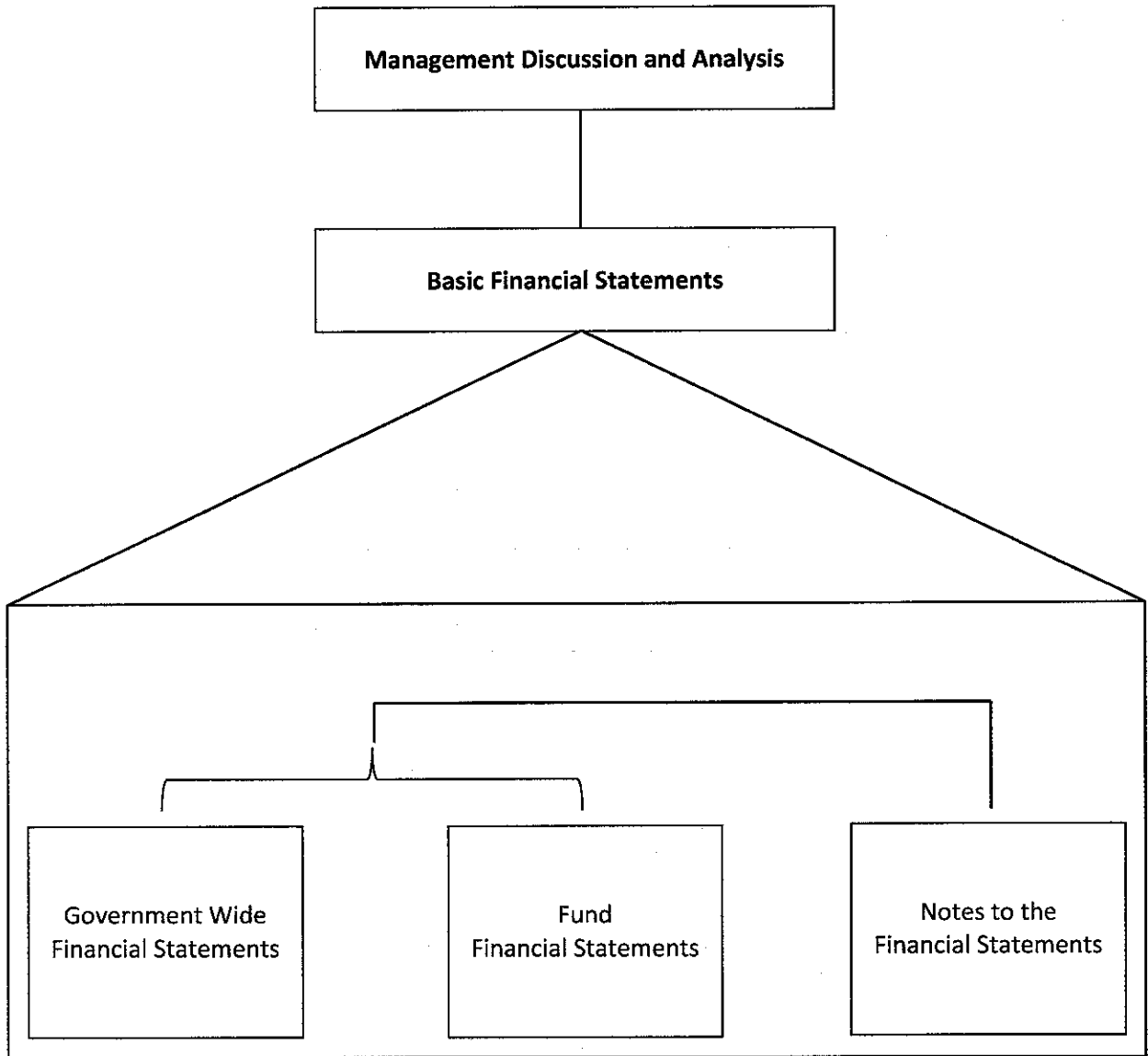


Chart A-2 summarizes the major features of the District’s financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of management discussion and analysis explains the structure and contents of each of the statements.

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

OVERVIEW OF FINANCIAL STATEMENTS

Government-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

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

	Governmental Activities		Business-Type Activities		Totals	
	2013	2014	2013	2014	2013	2014
ASSETS						
Current and Other Assets	\$7,976,442	\$8,364,663	\$196,817	\$222,448	\$8,173,259	\$8,587,111
Capital Assets	6,443,351	5,967,582	68,624	51,642	6,511,975	6,019,224
TOTAL ASSETS	14,419,793	14,332,245	265,441	274,090	14,685,234	14,606,335
LIABILITIES						
Current and other liabilities	1,429,926	1,134,291	210,261	282,885	1,640,187	1,417,176
Long-term liabilities	3,515,656	3,450,312	0	0	3,515,656	3,450,312
TOTAL LIABILITIES	4,945,582	4,584,603	210,261	282,885	5,155,843	4,867,488
NET POSITION						
Capital assets net of related debt	2,808,721	2,862,582	68,624	51,642	2,877,345	2,914,224
Capital projects	9,828	9,833	0	0	9,828	9,833
Other restrictions	4,400,000	4,400,000	43,457	46,378	4,443,457	4,446,378
Unrestricted	2,255,662	2,475,227	(56,901)	(106,814)	2,198,761	2,368,413
Total net assets	9,474,211	9,747,642	55,180	(8,794)	9,529,391	9,738,848
TOTAL NET POSITION	\$14,332,245	\$14,332,245	\$265,441	\$274,091	\$14,685,234	\$14,606,336

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

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

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

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

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

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

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

Functions	Programs	Budgeted	Actual
1100	Regular Programs	\$4,640,546	\$4,393,489
1200	Special Programs	1,002,784	886,128
1300	Vocational Programs	425,309	342,108
1400	Other Instructional Programs	17,859	7,944
2100	Pupil Personnel Services	344,716	325,092
2200	Instructional Staff Services	190,889	176,659
2300	Administrative Services	902,460	819,027
2400	Pupil Health	139,900	124,795
2500	Business Services	222,247	178,399
2600	Operational & Maintenance	1,066,841	981,089
2700	Transportation	507,207	467,958
2800	Central Support	248,631	262,920
2900	Other Support	6,400	3,398
3200	Student Services	272,904	252,716
3300	Community Services	8,736	13,669
4000	Capital Outlay	0	0
5110	Debt Services	633,635	633,452
5130	Refund Prior Year Receipts	0	0
5200	Internal Transfers	130,000	115,000
	Total Expenditures	10,761,064	9,983,843

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

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

Food Services	
Total Cost of Service	\$560,166
Food Service Cash Revenue	136,288
Earnings on Investments	13
State Revenues	15,471
Federal Revenues	<u>217,349</u>
Net Cost of Service	\$191,045

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

THE DISTRICT FUNDS

At June 30, 2014, the District governmental funds reported a combined unreserved fund balance of \$7,261,891. That includes \$4,400,000 in designated funds. The District has set that designated amount to cover future increases in retirement contributions, debt, and medical insurance expenses. This remains the same from the preceding year.

General Fund Budget

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

The District applies for federal, state, and local grants and these grants cannot always be anticipated in the budgeting process. During the fiscal year 2013-2014, the District received \$76,733 via the PA Accountability Grant.

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

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

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

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

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

Site Improvements	\$492,266
Buildings	5,383,840
Furniture & Equipment	91,476
Construction	<u>0</u>
TOTAL	\$5,967,582

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

Debt Administration

As of June 30, 2014, the District had total outstanding debt principal of \$2,865,000. During the year, the District made payments against principal of \$529,630.

**TABLE A-5
OUTSTANDING DEBT AS OF JUNE 30, 2013**

General Obligation Notes/Bonds:	
General Obligation Note Series 2007	\$240,000
Bonds, Series of 2011	2,865,000

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

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

The revenue budget for the 2014-2015 year is \$95,979 less than the budgeted revenues for 2013-2014. This represents an approximate 0.9% decrease. No significant decreases in either Local or Federal revenue is expected. The expenditure budget for the 2014-2015 year is \$174,014 less than the budgeted expenditures for 2013-2014, a decrease of approximately 1.6%. The District did not increase any tax rates for the 2013-2014 year.

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

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

Revenues	2012-2013	2013-2014
Local	23%	23%
State	74%	74%
Federal	3%	3%
Other	0%	0%
TOTAL	100%	100%

Expenditures	2012-2013	2013-2014
Instruction	57%	56%
Support Services	32%	33%
Non-Instruction/Community	3%	3%
Facilities & Construction	0%	0%
Fund Transfer/Debt	8%	8%
TOTAL	100%	100%

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

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

Union School District
Statement of Net Assets: Entity Wide
June 30, 2014

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current Assets:			
0100 Cash and Cash Equivalents	\$77,671	\$42,752	\$120,423
0110 Investments	7,898,806	168,049	8,066,856
0120 Taxes Receivable, net	215,323		215,323
0133 Internal Balances			
0141 Due From Other Governments (incl. 0141-0145)	140,863		140,863
0146 Due From Primary Government			
0147 Due From Component Unit			
0150 Other Receivables			
0170 Inventories	32,000	11,647	43,647
0180 Prepaid Expenses			
0190 Other Current Assets			
Total Current Assets	8,364,664	222,449	\$8,587,113
Noncurrent Assets:			
0108 Restricted Cash and Cash Equivalents			
0212 Land and Site Improvements (net)	492,266		\$492,266
0220 Building & Building Improvements (net Acc Depreciation)	5,383,840		5,383,840
0230 Furniture & Equipment (net Acc Depreciation)	91,478	51,642	143,118
0250 Construction in Progress	0		0
0260 Long-Term Prepayments (net Acc Amort LT Prepayments)			
0280 Infrastructure Assets (net Acc Depreciation)			
0290 Other LT Receivables (incl. Advances to other Funds)			
Total Noncurrent Assets	5,967,582	51,642	\$6,019,224
TOTAL ASSETS	14,332,246	274,092	14,606,338
LIABILITIES			
Current Liabilities:			
0408 Bank Overdraft		226,593	226,593
0411 Due to Other Governments			0
0412 Due to Primary Government			0
0413 Due to Component Unit			0
0420 Accounts Payable	4,450		4,450
0430 ST Portion of Compensated Absences	6,842		6,842
0440 Current Portion of LT Debt	240,000		240,000
0450 Short-Term Payables - Contractors	0		0
0461 Accrued Salaries and Benefits			0
0462 Payroll Deductions and Withholdings			0
0480 Deferred Revenues			0
0490 Other Current Liabilities	912,999		912,999
Total Current Liabilities	1,164,291	226,593	1,390,884
Noncurrent Liabilities:			
0470 Advances from Other Funds			
0510 Bonds Payable	2,865,000		2,865,000
0520 Extended Term Financing Agreements Payable			0
0530 Lease Purchase Obligations			0
0540 LT Portion of Compensated Absences	61,583		61,583
0550 Authority Lease Obligations			0
0560 Other Postemployment Benefits (OPEB)	523,729		523,729
Total Noncurrent Liabilities	3,450,312	0	3,450,312
TOTAL LIABILITIES	4,614,603	226,593	4,841,196
NET ASSETS			
0791 Invested in Capital Assets Net of Related Debt	2,862,582	51,642	2,914,224
0792 Retirement of Long-Term Debt			0
0793 Capital Projects	9,833		9,833
0794 Term Endowment - Expendable			
0795 Permanent Endowment - Nonexpendable			0
0798 Unreserved - designated	4,400,000	46,378	4,446,378
0799 Unrestricted (deficit)	2,445,228	-50,521	2,394,707
TOTAL NET ASSETS	9,717,643	47,499	9,765,142
TOTAL LIABILITIES AND NET ASSETS	14,332,246	274,092	14,606,338

Union School District
Statement of Activities
For the Year Ended June 30, 2014

	Net (Expense) Revenue and Changes in Net Assets						
	Expenses	Indirect Expenses Allocation	Charges for Services	Program Revenues			Comp. Units
				Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:							
Depreciation - unallocated	475,769				-475,769		-475,769
Instruction	6,629,669			5,025,007	-604,662		-604,662
Instructional Student Support	501,751			447,659	-53,891		-53,891
Administrative & Financial Support Services	1,388,540			1,239,402	-148,138		-148,138
Operation & Maintenance of Plant Services	981,069			875,714	-105,375		-105,375
Pupil Transportation	487,958			356,831	-111,127		-111,127
Food Service (Governmental Activity)							
Student Activities	262,716		19,107		-233,609		-233,609
Community Services	13,669			47,176	33,507		33,507
Scholarships and Awards							
Interest on Long-Term Debt	103,822				-103,822		-103,822
Total Governmental Activities	9,814,982		19,107	7,891,989	-1,803,886		-1,803,886
Business-type activities:							
Food Service	560,165		136,288			-164,765	-164,765
Child Care							
Other Enterprise Funds							
Total Business-Type Activities	560,165		136,288	259,112	-164,765		-164,765
TOTAL PRIMARY GOVERNMENT	10,375,147		155,395	8,251,101	-1,803,886		-1,803,886
Component Units:							
TOTAL PRIMARY GOVT AND COMPONENT UNITS	10,375,147		155,395	8,251,101	-1,803,886		-1,803,886
General revenues:							
Taxes:							
Property taxes levied for general purposes net					2,210,868		2,210,868
Taxes levied for specific purposes							
Grants, subsidies, & contributions not restricted					0	2,921	2,921
Receipts from Member Districts (AVT/SICT only)							
Investment Earnings					72,286	13	72,279
Miscellaneous Income					0	9,149	9,149
Special Item—(write in) Taxes Rec - Comp Abs - OPEB					(191,345)		-191,345
Special Item - Bond refunding - closing costs and deferred interest					0		0
Transfers between Governmental, BT Activities					(145,000)	145,000	0
Total General Revenues, Special and Extraordinary Items, and Transfers					1,946,789	157,063	2,103,872
CHANGES IN NET ASSETS					142,903	-7,681	135,222
Net Assets, Beginning					9,574,739	55,179	9,629,918
Prior Period Adjustment							
NET ASSETS - END OF FISCAL YEAR					9,717,642	47,498	9,765,140

**UNION SCHOOL DISTRICT
COMBINED BALANCE SHEET - GOVERNMENT FUNDS
JUNE 30, 2014**

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL GOVERNMENT FUNDS</u>
ASSETS			
Cash	\$67,839	\$ 9,832	\$77,671
Investments (at cost)	7,898,806		7,898,806
Taxes receivable	215,323		215,323
Due from other gov't units	140,863		140,863
Inventory of materials and supplies	32,000		32,000
TOTAL ASSETS	<u>\$8,354,831</u>	<u>\$ 9,832</u>	<u>\$8,364,663</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	4,450		4,450
Other current liabilities	912,999		912,999
Deferred revenues	215,323		215,323
TOTAL LIABILITIES	<u>\$1,132,772</u>	<u>\$0</u>	<u>\$1,132,772</u>
FUND BALANCES			
Reserved	32,000	\$ 9,832	41,832
Unreserved-designated	4,400,000		4,400,000
Unreserved	2,790,059		2,790,059
TOTAL FUND BALANCES	<u>\$7,222,059</u>	<u>\$ 9,832</u>	<u>\$7,231,891</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$8,354,831</u>	<u>\$ 9,832</u>	<u>\$8,364,663</u>

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

Union School District
 Reconciliation: Governmental Funds Balance Sheet To The Statement of Net Assets
 June 30, 2014

Total Fund Balances - Governmental Funds \$ 7,231,891

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

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

Assets	\$ 16,435,036
Accumulated Depreciation	<u>(10,467,454)</u>
	5,967,582

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.

215,323

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

Bonds payable	(3,105,000)
Compensated absences	(68,425)
Other Postemployment benefits	(523,729)

Total Net Assets - Governmental Activities \$ 9,717,642

**UNION SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENT FUNDS
YEAR ENDED JUNE 30, 2014**

	GENERAL FUND	CAPITAL PROJECTS FUND	TOTAL
Revenues			
Local Sources	\$ 2,318,075	\$5	\$ 2,318,080
State Sources	\$ 7,665,438		\$ 7,665,438
Federal Sources	\$ 310,712		\$ 310,712
	\$10,294,225	\$5	\$10,294,230
Expenditures			
Instruction	\$5,629,669		\$5,629,669
Support Services	3,339,337		3,339,337
Non-Instructional Services	266,385		266,385
Facilities Acquisition	0	0	0
	\$9,235,391	\$0	\$9,235,391
Excess of Revenues Over (Under) Expenditures	\$1,058,834	\$5	\$1,058,839
Other Financing Sources (Uses)			
Payment of Bond Principal	(\$529,630)		(\$529,630)
Interest Expense	(103,822)		(103,822)
Refund of Prior Year Receipts	0		-
Operating Transfers			
From General Fund to Cafeteria	(145,000)		(145,000)
	(\$778,452)	\$0	(\$778,452)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$280,382	\$5	\$280,387
Fund Balance, Beginning of Year	\$6,941,677	\$9,827	\$6,951,504
Fund Balance, End of Year	\$7,222,059	\$9,832	\$7,231,891

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

Union School District
Reconciliation: Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
To the Statement of Activities
For The Year Ended June 30, 2014

Total net change in fund balances - governmental funds \$ 280,387

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the period. (475,769)

Net decrease in Taxes Receivable recorded as reserve against fund balance (11,882)

Net decrease in Compensated Absences recorded as reserve against fund balance 1,925

Net increase in Other Postemployment Benefits not due and payable in current period and therefore not reported as a liability in governmental funds (181,388)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 529,630

Change in net assets of governmental activities \$ 142,903

**Union School District
Proprietary Fund (Food Service)
Statement of Net Assets
June 30, 2014**

ASSETS

Current Assets:

Cash and Cash Equivalents	\$	-
Investments		17,761
Inventories		11,647
Other Current Assets		
Total Current Assets	\$	29,408

Noncurrent Assets:

Furniture & Equipment (net)	\$	51,642
Total Noncurrent Assets	\$	51,642

TOTAL ASSETS	\$	81,050
---------------------	-----------	---------------

LIABILITIES

Current Liabilities:

Bank Overdraft	\$	226,593
Accounts Payable		-
Other Current Liabilities		
Total Current Liabilities	\$	226,593

Noncurrent Liabilities:

Other Long Term Liabilities		-
Total Noncurrent Liabilities		

TOTAL LIABILITIES	\$	226,593
--------------------------	-----------	----------------

NET ASSETS

Invested in Capital Assets Net of Related Debt	\$	51,642
Unrestricted		(197,185)
TOTAL NET ASSETS	\$	(145,543)

TOTAL LIABILITIES AND NET ASSETS	\$	81,050
---	-----------	---------------

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

Union School District
Proprietary Fund (Food Service)
Statement of Revenues, Expenses and Changes in Net Assets
For The Year Ended June 30, 2014

Operating Revenue	
Lunch and Milk Sales	\$136,288
State Subsidies	17,237
Federal Subsidies	241,875

Total Operating Revenues	395,400

Operating Expense	
Personal Services	346,165
Supplies	195,093
Depreciation	18,907

Total Operating Expenses	560,165

Operating Income (Loss)	-164,766

Nonoperating Revenue	
Interest	13
Operating Transfers	
In (Out)	145,000

Net Income (loss)	-19,753

Net Assets, Beginning of Year	-125,790

Net Assets, End of Year	-\$145,543
	=====

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

**Union School District
Proprietary Fund (Food Service)
Statement of Cash Flows
For The Year Ended June 30, 2014**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received From Food Sales	\$ 395,400
Cash Paid for Labor and Benefits	(346,165)
Cash Paid for Purchases	(196,263)
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (147,028)</u>
CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES	
Operating Transfers In (Out)	\$ 145,000
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>\$ 145,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	\$ (1,925)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>\$ (1,925)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on investments	\$ 13
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>\$ 13</u>
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED FOR OPERATIONS	
Increase in Bank Overdraft	\$ 16,332
TOTAL ADJUSTMENTS	<u>\$ 16,332</u>
NET INCREASE (DECREASE) IN CASH	<u>\$ 12,392</u>
BEGINNING CASH BALANCE	<u>\$ 5,369</u>
ENDING CASH BALANCE	<u>\$ 17,761</u> =====
<u>Reconciliation of net income (loss) to net cash provided by (used for) operating activities:</u>	
Net Income (loss)	\$ (164,766)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:	
Depreciation Expense	\$ 18,907
(Increase) Decrease in inventory	\$ (1,169)
Increase in bank overdraft	\$ 16,332
Operating transfers in	\$ 145,000
Acquisition of capital assets	\$ (1,925)
Earnings on Investments	\$ 13
NET INCREASE (DECREASE) IN CASH	<u>\$ 12,392</u>
BEGINNING CASH BALANCE	<u>\$ 5,369</u>
ENDING CASH BALANCE	<u>\$ 17,761</u> =====

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

**Union School District
Fiduciary Funds
Statement of Net Assets
June 30, 2014**

ASSETS

Cash and Cash Equivalents	\$42,752
Investments	\$150,288

TOTAL ASSETS \$193,040

LIABILITIES

Other Current Liabilities	\$46,378
---------------------------	----------

TOTAL LIABILITIES \$46,378

NET ASSETS

Restricted	\$146,662
Unrestricted	

TOTAL NET ASSETS \$146,662

TOTAL LIABILITIES AND NET ASSETS \$193,040

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

**Union School District
Fiduciary Funds
Statement of Changes in Net Assets
June 30, 2014**

ADDITIONS

Gifts and Contributions	\$0
Interest Income	\$3,622
Investment unrealized gain/loss	<u>\$11,557</u>
TOTAL ADDITIONS	<u><u>\$15,180</u></u>

DEDUCTIONS

Scholarships Awarded	<u>\$6,030</u>
TOTAL DEDUCTIONS	<u><u>\$6,030</u></u>

CHANGE IN NET ASSETS	<u>\$9,149</u>
-----------------------------	----------------

Net Assets - Beginning of Fiscal Year	<u>\$137,513</u>
---------------------------------------	------------------

NET ASSETS - END OF FISCAL YEAR	<u><u>\$146,662</u></u>
--	-------------------------

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

UNION SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

A. Reporting Entity

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

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

B. Fund Accounting

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

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from the goods, services or privileges provided by a given function or segment. In addition, program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns to the fund financial statements.

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

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

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and fiduciary fund financial statements. Revenues are recorded when earned and expenses

are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual are tax revenues and tuition. Revenue from federal, state, and other grants designated for payment of specific expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as deferred revenues until earned.

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

The District reports the following major governmental funds:

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

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

The District reports the following major proprietary funds:

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

Additionally, the District reports the following fund types:

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial

statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

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

E. Interfund Receivables and Payables

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

F. Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

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

G. Cash Equivalents and Investments

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

Investments are valued at fair value.

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

Obligations of:

- a. The United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America,
- b. The Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth,
- c. Any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

H. Inventories and Prepaid Items

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

The inventories on hand in the Food Service Fund at June 30, 2013, consist of the following:

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

I. Deferred Revenue

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

J. Estimates

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

K. Real Estate Taxes

Real estate taxes for the School District are collected from the Boroughs of Rimersburg and Sligo and the townships of Piney, Madison and Toby. The District’s real estate taxes are based on assessed values established by the County’s Board of Assessments. Elected local tax collectors collect the taxes. Real estate taxes are effectively levied on July 1. A

discount of 2% is applied to payments made prior to August 31. A penalty of 10% is added to the face amount of taxes paid after October 31. The tax on real estate for public school purposes for fiscal 2013-14 was 48.8 mills (\$48.80 per \$1,000 of assessed valuation) as levied by the Board. Assessed valuations of property are determined by Clarion County and the elected tax collectors are responsible for collections. Unpaid current year real estate taxes are returned to Clarion County's Tax Claim Bureau in January of each year.

NOTE 2 – DETAILED NOTES ON ALL FUNDS

A. Cash, Cash Equivalents, and Investments

Cash and Cash Equivalents

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

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

Balances held in each category are as follows:

	<u>1</u>	<u>2</u>	<u>3</u>
Checking, Savings and Money Market Accounts	\$ ---	\$ ---	\$120,421
	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$120,421</u>

Investments consist of savings and money market accounts as follows:

GENERAL FUND:

PA Local Government Investment Trust	\$1,881,290
Farmers Bank	2,958,562
Clarion County Community Bank	500,000
First United National Bank	1,300,000
Northwest Savings Bank	1,258,955
	<u>\$7,898,807</u>

PROPRIETARY FUND – FOOD SERVICE:

PA Local Government Investment Trust	<u>\$ 17,761</u>
--------------------------------------	------------------

TRUST AND AGENCY FUNDS (Scholarship):

Northwest Savings Bank	\$ 8,087
Edward Jones	142,201
	<u>\$ 150,288</u>

Total \$8,066,856

Checking, savings, and money market accounts are covered by federal depository insurance or on a pooled basis under the provisions of Act 72 or 1971. GASB No. 3, Paragraph 69, provides that certain types of cash, such as cash in a state treasurer's investment pool or mutual funds, cannot be assigned a credit risk category because the government does not own specific securities. Therefore, the Pennsylvania Liquid Asset Fund cash included in these financial statements will not be assigned a credit risk category. The carrying value and market value of Pennsylvania Liquid Asset Fund cash, as of June 30, 2014, is \$1,899,051.82.

B. Due From Other Governmental Units

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

<u>Due From</u>	<u>General Fund</u>
Other local education agencies	\$ 86,099
State government	-0-
Federal government	<u>54,764</u>
	<u>\$140,863</u>

C. Capital Assets

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

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Capital Assets Being Depreciated:			
Land and Land Improvements	\$ 821,872	\$ (329,606)	\$ 492,266
Buildings and Improvements	\$14,853,308	\$(9,469,468)	\$5,383,840
Furniture and Equipment	759,856	(668,380)	91,476
	<u>\$16,435,036</u>	<u>\$(10,467,454)</u>	<u>\$5,967,582</u>

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

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Capital Assets Being Depreciated:			
Furniture and Equipment	\$ <u>244,527</u>	<u>\$(192,885)</u>	<u>\$51,642</u>

D. Deferred Revenues

Deferred revenues represent receivables that will be collected and included in revenues of future fiscal years. In the General Fund, deferred revenues of \$215,323 consist of delinquent taxes receivable that were levied in the current and prior years but will not be available to pay liabilities of the current period.

E. Bonds Payable

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

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

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

Year Ending	Principal	Annual Debt Service
June 30,		
2015	240,000.00	331,692.50
2016	260,000.00	344,192.50
2017	265,000.00	341,317.50
2018	270,000.00	339,372.50
2019	275,000.00	337,896.25
2020	290,000.00	345,257.50
2021	295,000.00	341,552.50
2022	300,000.00	337,105.00
2023	315,000.00	341,875.00
2024	330,000.00	345,662.50
2025	265,000.00	269,902.50

TOTAL	<u>\$3,105,000.00</u>	<u>\$3,675,826.25</u>
-------	-----------------------	-----------------------

F. Pensions

School Districts in the Commonwealth participate in a state administered pension program established under legislative authority. The Pennsylvania State Employees' Retirement System (PSERS) is a governmental cost-sharing multiple-employer defined benefit plan. Benefits include retirement and disability, legislatively-mandated *ad hoc* cost-of-living adjustments, healthcare insurance premium assistance to qualified applicants. Under this program, contributions are made by each of three parties: the School District, the Commonwealth, and the employee. All of the School District's full-time employees salaried over 80 days, and hourly employees working more than 500 hours per year participate in the program. Currently, each party to the program contributes a fixed percentage of the employees' gross earnings. The employer and employee obligations to contribute are established by authority of the Public School Employees' Retirement Code (Act 96 of October 2, 1975, as amended). The actuarially determined Reporting Unit contribution requirements, expressed as a percentage of covered payroll for 2012-13 were: Pension Contribution Rate – 0.18%; Health Insurance Contribution Rate – 0.97%. These rates cover requirements for health insurance premium assistance as mandated by Act # 23 of August 5, 1991. Pension costs for Union School District for fiscal 2013-14 totaled \$688,219. The school district received state reimbursements toward these costs in the amount of \$477,050 for a net cost of \$211,169.

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, 2014 is \$68,425.

Post-Employment Health Care Benefits

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

Other Post-Employment Benefits

GASB Statement 45 requires measurement and reporting of other (than pension) post-employment benefit liabilities (OPEB), first effective for the year ending June 30, 2011. The amount of this estimated liability at 6-30-2014 was \$523,729.

H. Risk Management

The District is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets, errors, and omissions, injuries to employees and natural disasters. It

is the policy of the District to purchase commercial insurance for the risks of loss to which it is exposed, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any past year.

REQUIRED SUPPLEMENTAL INFORMATION

**UNION SCHOOL DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2014**

	--BUDGETED AMOUNTS--			VARIANCE- FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES:				
Local sources	\$2,212,254	\$2,212,254	\$ 2,318,080	\$105,826
State sources	7,510,911	7,510,911	7,665,438	154,527
Federal sources	309,930	309,930	310,712	782
TOTAL REVENUES	10,033,095	10,033,095	10,294,230	261,135
EXPENDITURES:				
Instruction - regular	4,640,546	4,640,546	4,393,489	247,057
Special programs	1,002,784	1,002,784	886,128	116,656
Vocational educational	425,309	425,309	342,108	83,201
Other instructional programs	17,859	17,859	7,944	9,915
Pupil personnel	344,716	344,716	325,092	19,624
Instructional staff	190,889	190,889	176,659	14,230
Administration	902,460	902,460	819,027	83,433
Pupil health	139,900	139,900	124,795	15,105
Business	222,247	222,247	178,399	43,848
Operation & maintenance of plant	1,066,841	1,066,841	981,089	85,752
Student transportation	507,207	507,207	467,958	39,249
Central	248,631	248,631	262,920	(14,289)
Other Support Services	6,400	6,400	3,398	3,002
Student activities	272,904	272,904	252,716	20,188
Community services	8,736	8,736	13,669	(4,933)
Facilities Acquisition, Construction and Improvement Services	0	0	0	0
TOTAL EXPENDITURES	9,997,429	9,997,429	9,235,391	762,038
EXCESS REVENUES OVER EXPENDITURES	35,666	35,666	1,058,839	1,023,173
OTHER FINANCING SOURCES (USES):				
Bond Principal	(633,635)	(633,635)	(529,630)	(104,005)
Bond Interest	0	0	(103,822)	103,822
Refund of Prior Year Receipts	0	0	0	0
Transfers to Cafeteria Fund	(130,000)	(130,000)	(145,000)	15,000
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES (USES)	10,761,064	10,761,064	10,013,843	747,221
EXCESS REVENUES & OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(727,969)	(727,969)	280,387	1,008,356
FUND BALANCE, BEGINNING OF YEAR	6,951,504	6,951,504	6,951,504	0
FUND BALANCE, END OF YEAR	\$6,223,535	\$6,223,535	\$7,231,891	\$1,008,356

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

OTHER SUPPLEMENTAL INFORMATION

UNION SCHOOL DISTRICT
 SCHEDULE OF REVENUE, EXPENDITURES,
 AND CHANGES IN FUND BALANCES - ACTIVITY FUND
 YEAR ENDED JUNE 30, 2014

	FUND BALANCE 7/1/2013	REVENUE	EXPENDITURES	FUND BALANCE 6/30/2014
Art Club	\$ -	\$ 3,270	\$ 2,230	\$ 1,040
Cheerleaders	2,190	3,122	4,465	847
Chess Club	29	-	-	29
Class of 2014	1,879	335	2,214	-
Class of 2015	1,597	615	475	1,737
Class of 2016	1,196	40	-	1,236
Class of 2017	668	1,533	1,182	1,019
Class of 2018	167	303	50	420
Class of 2019	-	420	336	84
Diamond Club	(381)	4,656	3,609	666
Electronics Club	-	30	-	30
Elementary Activities	4,655	3,825	2,156	6,324
Golden Historical Club	16	-	-	16
Gridiron Lettermen	780	9,371	9,586	565
Language Club	292	10,053	8,031	2,314
Music Club	2,061	-	400	1,661
National Honor Society	369	1,174	1,166	377
Outdoor Club	2,631	1,151	1,112	2,670
Prom Account	3,887	15,976	15,591	4,272
Roundball Boys	355	1,280	1,380	255
Roundball Girls	1,621	617	431	1,807
Science Olympiad	319	-	-	319
Sports	1,770	475	202	2,043
Student Benefit	2,741	10,847	8,466	5,122
Student Council	3,788	3,691	6,667	813
Faculty Scholarship	-	1,846	1,846	-
Yearbook	10,827	6,565	6,681	10,711
	<u>\$ 43,457</u>	<u>\$ 81,195</u>	<u>\$ 78,274</u>	<u>\$ 46,378</u>

UNION SCHOOL DISTRICT
 SCHEDULE OF GENERAL FUND REVENUES
 JUNE 30, 2014

REVENUE FROM LOCAL SOURCES:

Current Real Estate Taxes	\$1,390,317
Public Utility Realty Tax	2,558
Payments in Lieu of Taxes	2,541
Current Per Capita Taxes, Sec. 679	9,164
Current Per Capita Taxes, Act 511	9,143
Emergency and Municipal Service Tax	7,333
Earned Income Tax	296,577
Occupation Tax	86,819
Real Estate Transfer Tax	19,312
Delinquent Taxes	246,014
Earnings on Investments	72,266
Revenue from Student Activities	19,107
Fees Driver Ed and Other Activities	1,450
Revenue from Local Government	0
State Revenue Intermediate Source	0
Local Vo-Ed from State	28,616
Federal Revenue Intermediate Source	76,160
Other Local Government	1,275
Facilities Rental	6,580
Electric Curtailment	414
Contributions and Donations from Private Sources	34,761
Renaissance Program	5,421
Miscellaneous Revenue	2,252
	\$2,318,080

REVENUE FROM STATE SOURCES:

Basic instructional subsidy	\$5,459,993
Tuition Orphans and Children	0
Driver education	1,120
Special Education Subsidy	532,410
Medical Assistance Program	0
Transportation	356,831
Rentals and sinking fund payments	316,651
Health Services Subsidy	11,092
Property Tax Rebate	141,090
Extra Grants	0
PA Accountability Grant	76,733
Social Security	243,448
Retirement Payments	526,070
	\$7,665,438

REVENUE FROM FEDERAL SOURCES:

Title I Improving Basic Programs	\$199,762
Title II Improving Teacher Quality	58,701
ARRA	0
ACCESS	52,249
	310,712
	\$10,294,230

TOTAL REVENUES

**UNION SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROJECT TITLE	SOURCE CODE	CFDA NUMBER	FEDERAL PASS THROUGH GRANT PERIOD GRANTOR'S BEGINNING/ ENDING DATE	GRANT NUMBER	PASS THROUGH GRANT AMOUNT	TOTAL RECEIVED FOR THE YEAR	ACCRUED OR (DEFERRED) REVENUE AT JULY 1	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED OR (DEFERRED) REVENUE AT JUNE 30
U.S. DEPARTMENT OF EDUCATION										
Passed Through the Pennsylvania Department of Education:										
Title I Improving Basic Programs	I	84.010	13-130441	13-140441	219,372	43,033	43,033	0	0	0
Title I Improving Basic Programs	I	84.010	13-140441	13-140441	199,762	157,539	0	199,762	199,762 *	42,223
Title II Improving Teacher Quality	I	84.367	20-130441	20-140441	61,194	12,200	12,200	0	0	0
Title II Improving Teacher Quality	I	84.367	20-140441	20-140441	58,701	46,160	0	58,701	58,701 *	12,541
Medical Assistance-Access	I	93.778	44-007441		47,424	47,424	0	47,424	47,424	0
Passed Through Riverview Intermediate Unit 6:										
IDEA Funding	I	84.027	062-14-0-006		76,160	76,160	0	76,160	76,160	0
TOTAL U.S. DEPARTMENT OF EDUCATION						\$662,613	\$55,233	\$382,047	\$382,047	\$54,764
U.S. DEPARTMENT OF AGRICULTURE										
Passed Through the Pennsylvania Department of Education:										
National School Lunch	I	10.555	N/A	N/A	N/A	\$151,461	\$0	\$151,461	\$151,461 *	0
Federal Summer Food	I	10.559	N/A	N/A	N/A	9,849	0	9,849	9,849 *	0
Severe Need Breakfast	I	10.563	N/A	N/A	N/A	56,040	0	56,040	56,040 *	0
State	I	N/A	N/A	N/A	N/A	15,471	0	15,471	15,471	0
Passed Through the Pennsylvania Department of Agriculture:										
Value of USDA Donated Commodities	I	10.550	N/A	N/A	N/A	21,395	4,693	17,426	17,426	4,693
TOTAL U.S. DEPARTMENT OF AGRICULTURE						N/A	(4,693)	\$250,247	\$250,247	\$4,693
TOTAL FINANCIAL ASSISTANCE						\$662,613	\$50,540	\$632,294	\$632,294	\$59,457

Source Codes: Indirect Funding

Footnotes:

- a) Total amount of commodities received from Department of Agriculture
- b) Beginning inventory at July 1
- c) Total amount of commodities used
- d) Ending inventory at June 30

• Selected for testing

Identification of 50% Rule:	
Total expenditures:	\$632,294
Less state expenditures:	15,471
Total federal expenditures:	616,823
Programs selected for testing:	
ECIA Chapter I (84.010):	\$199,762
Title II Improving Teacher Quality	58,701
National School Lunch: Hi/Low	151,461
Federal Summer Food	9,849
Severe Need Breakfast	56,040
Value of USDA Donated Commodities	17,426
Total:	\$493,239 / 616,823 = 79.96%

UNION SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2014

NOTE 1 – METHOD OF ACCOUNTING

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

NOTE 2 – PROGRAM DISCLOSURES

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

NOTE 3 – LOW-RISK AUDITEE

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

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

RICHARD G. HAWK, CPA

4122 Steeple Chase Drive
Myrtle Beach, SC 29588

Phone 843-251-6629

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

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

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Union School District as of and for the year ended June 30, 2014, and have issued my report thereon dated December 29, 2014.

Internal Control Over Financial Reporting

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

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

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be

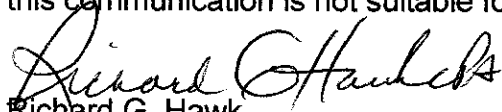
deficiencies or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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



Richard G. Hawk
Certified Public Accountant

December 29, 2014

RICHARD G. HAWK, CPA

4122 Steeple Chase Drive
Myrtle Beach, SC 29588

Phone 843-251-6629

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

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

Compliance

I have audited Union School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal programs for the year ended June 30, 2014. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs is the responsibility of Union School District's management. My responsibility is to express an opinion on Union School District's compliance based on my audit.

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

In my opinion, Union School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major programs for the year ended June 30, 2014.

Internal Control Over Compliance

The management of Union School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Union School District's internal control over compliance with the requirements that could have a direct and material effect on its major programs to determine the auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Union School District's internal control over compliance.

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

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

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


Richard G. Hawk
Certified Public Accountant

December 29, 2014

UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

SUMMARY OF AUDITOR'S RESULTS

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

<u>Name of program</u>	<u>CFDA Number</u>	<u>Grant Amount</u>
ECIA Chapter I	84.010	\$199,762
Title II Improving Teacher Quality	84.367	58,701
National School Lunch-Hi/Low	10.555	151,461
Federal Summer Food	10.559	9,849
Severe Need Breakfast	10.553	56,040
Value of USDA Donated Commodities	10.550	17,426

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



Richard G. Hawk
Certified Public Accountant

December 29, 2014