

**UNION SCHOOL DISTRICT**

**FINANCIAL REPORT WITH  
SUPPLEMENTAL INFORMATION**

**June 30, 2016**

**UNION SCHOOL DISTRICT**

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**June 30, 2016**

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## TRANSMITTAL LETTER

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

Members of the Board:

I have performed the financial audit of the Union School District for the fiscal year ended June 30, 2016 and have enclosed the financial report with supplemental information. My audit includes an examination of the general purpose financial statements and my opinion thereon.



Richard G. Hawk  
Certified Public Accountant

October 26, 2016

## **LIST OF REPORT DISTRIBUTION**

The Single Audit Reports of Union School District for the year ended June 30, 2016, have been distributed as follows:

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

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

Federal Audit Clearinghouse:

*Not required to submit because total Federal expenditures for the fiscal year 2015-16 were less than \$750,000*

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  
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## **INDEPENDENT AUDITOR'S REPORT**

Union School District  
354 Baker Street, Suite 2  
Rimersburg, Pennsylvania  
To the 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, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

My responsibility is to express an opinion on financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. 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 performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments; the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

***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, 2016, and the respective changes in financial position and its cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

***Other Matters – required supplementary information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7 through 15, and page 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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. I have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

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 are presented for purposes of additional analysis and are not a required part of the basic financial statements.



Richard G. Hawk  
Certified Public Accountant  
October 26, 2016

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)  
Required Supplementary Information (RSI)  
June 30, 2016**

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, 2016. 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.

**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 2015-2016 were \$13,407,866. This exceeded budgeted revenues by \$3,369,906. This large variance was a direct result of refinancing our bond issue into a note. The retirement of bonds needed to be recognized as revenue. Likewise, the note needed to be recorded as an expense. Essentially the two items, bond revenue and expense washed each other out. General fund actual revenues exceeded general fund actual expenditures by \$634,517 for the year ended June 30, 2016. A transfer to the cafeteria fund of \$100,675, as well as, a transfer to the capital projects fund of \$395,409 was made, which resulted in a net surplus of \$138,433.

Overall expenditures for 2015-2016 fiscal year were \$13,407,867 which was \$1,585,393 more than 2015-2016 budgeted expenditures of \$11,822,474. Again, this was a direct result of refinancing the bond into a note and recognizing that expense. If the refinancing was removed from the equation, 2015-2016 actual expenditures were \$10,513,567 and budgeted expenditures were \$11,822,474, which resulted in actual being less than budgeted.

General fund balance on June 30, 2015 was \$7,571,014. With the net surplus in 2015-2016 of \$138,433, the District's general fund balance increased to \$7,709,447. Of that \$7,709,447, \$32,000 is restricted, \$4,400,000 is assigned and the remaining unassigned fund balance at June 30, 2015 is \$3,277,447.



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

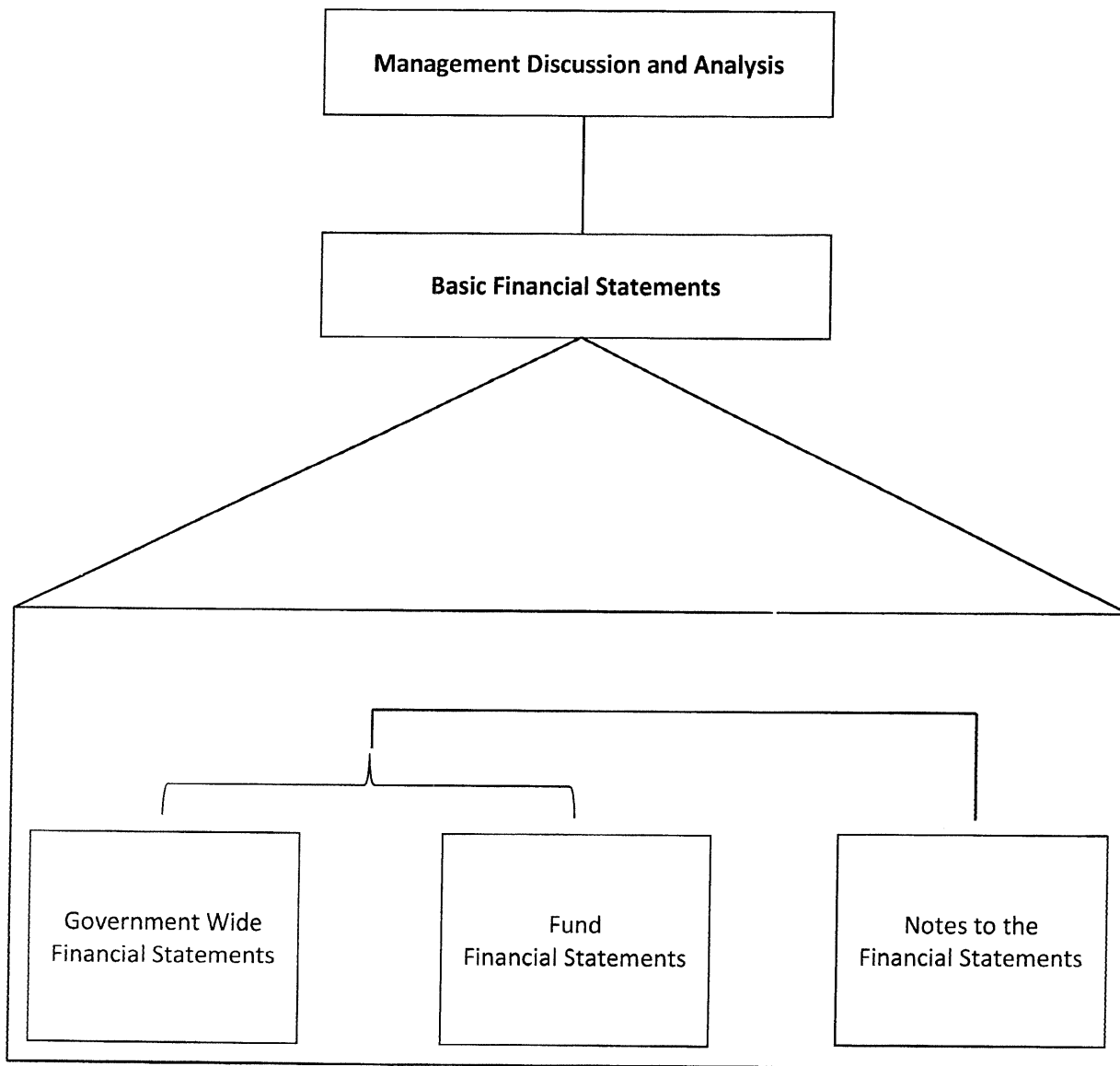


Chart A-2 summarizes the major features of the District’s financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of management discussion and analysis explains the structure and contents of each of the statements.

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 \$14,404,482.00 at June 30, 2015 and \$14,854,275.00 at June 30, 2016.

**TABLE A-1 ASSETS  
FISCAL YEAR END JUNE 30, 2016**

	Governmental Activities		Business-Type Activities		Totals	
	2015	2016	2015	2016	2015	2016
<b>ASSETS</b>						
Current and Other Assets	\$8,621,098	\$9,148,398	\$253,613	\$284,162	\$8,874,710	9,432,561
Capital Assets	5,491,813	5,391,506	37,957	30,208	5,529,770	5,421,714
<b>TOTAL ASSETS</b>	<b>14,112,911</b>	<b>14,539,904</b>	<b>291,571</b>	<b>314,371</b>	<b>14,404,482</b>	<b>14,854,273</b>
<b>LIABILITIES</b>						
Current and other liabilities	1,078,526	1,440,947	201,678	78,138	1,280,204	1,519,085
Long-term liabilities	3,373,905	3,551,384	0	0	3,373,905	3,551,384
<b>TOTAL LIABILITIES</b>	<b>4,452,431</b>	<b>4,992,331</b>	<b>201,678</b>	<b>78,138</b>	<b>4,654,109</b>	<b>5,070,469</b>
<b>NET POSITION</b>						
Capital assets net of related debt	2,626,813	2,703,506	37,957	30,208	2,664,770	2,733,714
Capital projects	3,210	3,397	0	0	3,210	3,397
Other restrictions	4,400,000	4,400,000	46,081	56,062	4,446,081	4,456,062
Unrestricted	2,630,457	2,440,670	5,855	149,963	2,636,312	2,590,633
Total net assets	9,660,480	9,547,573	89,893	236,233	9,750,373	9,783,806
<b>TOTAL NET POSITION</b>	<b><u>\$14,112,911</u></b>	<b><u>\$14,539,904</u></b>	<b><u>\$291,571</u></b>	<b><u>\$314,371</u></b>	<b><u>\$14,404,482</u></b>	<b><u>\$14,854,275</u></b>

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, 2016**

<b>Functions</b>	<b>Programs</b>	<b>Budgeted</b>	<b>Actual</b>
1100	Regular Programs	\$5,129,064	\$4,725,014
1200	Special Programs	824,039	821,602
1300	Vocational Programs	395,000	368,027
1400	Other Instructional Programs	22,188	18,870
2100	Pupil Personnel Services	486,168	418,473
2200	Instructional Staff Services	192,970	130,097
2300	Administrative Services	948,307	876,040
2400	Pupil Health	138,450	140,909
2500	Business Services	261,983	203,901
2600	Operational & Maintenance	1,193,538	1,020,075
2700	Transportation	503,495	544,021
2800	Central Support	274,732	223,035
2900	Other Support	5,750	5,299
3200	Student Services	330,320	250,292
3300	Community Services	12,277	11,828
4000	Capital Outlay	0	0
5110	Debt Services	344,193	410,864
5120	Debt Services – Refunded Bonds	0	2,605,000
5130	Refund Prior Year Receipts	0	0
5200	Internal Transfers	760,000	496,084
	<b>Total Expenditures</b>	<b>11,822,474</b>	<b>13,269,431</b>

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, 2016**

<b>Food Services</b>	
Total Cost of Service	\$549,827
Food Service Cash Revenue	111,834
Earnings on Investments	80
State Revenues	15,896
Federal Revenues	<u>232,540</u>
<b>Net Cost of Service</b>	<b>\$189,447</b>

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, 2016, the District governmental funds reported a combined unreserved fund balance of \$7,709,447. 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 2015-2016, the District received \$136,775 via the Ready To Learn grant.

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

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

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

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2016, the District had \$5,391,506.00 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, 2016**

Site Improvements	\$492,266
Buildings	4,807,764
Furniture & Equipment	91,476
Construction	0
<b>TOTAL</b>	<b>\$5,391,506</b>

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

### Debt Administration

The District had total outstanding debt principal of \$2,865,000 on Bonds, Series of 2011. During the year, the District made payments against principal of \$260,000. Also, during the fiscal year, the district refinanced the bond issue into a note, Note, Series 2016.

**TABLE A-5  
OUTSTANDING DEBT AS OF JUNE 30, 2016**

<b>General Obligation Notes/Bonds:</b>	
Note, Series of 2016	2,688,000

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 2016-2017 year is \$163,073 more than the budgeted revenues for 2015-2016. This represents an approximate 1.5% increase. No significant increase in either Local or Federal revenue is expected. The expenditure budget for the 2016-2017 year is \$413,422 more than the budgeted expenditures for 2015-2016, an increase of approximately 3.5%. The District did not increase any tax rates for the 2015-2016 year.

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

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

<b>Revenues</b>	<b>2014-2015</b>	<b>2015-2016</b>
Local	23%	23%
State	74%	74%
Federal	3%	3%
Other	0%	0%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>

<b>Expenditures</b>	<b>2014-2015</b>	<b>2015-2016</b>
Instruction	58%	45%
Support Services	34%	27%
Non-Instruction/Community	3%	2%
Facilities & Construction	1%	0%
Fund Transfer/Debt	4%	26%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>

**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, 2016**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and Cash Equivalents	\$150,784	\$67,174	\$217,958
Investments	8,710,925	203,700	8,914,625
Taxes Receivable, net	204,872		204,872
Due From Other Governments (incl. 0141-0145)	49,818		49,818
Inventories	32,000	13,288	45,288
<b>Total Current Assets</b>	<u>9,148,398</u>	<u>284,162</u>	<u>9,432,561</u>
<b>Noncurrent Assets:</b>			
Land and Site Improvements (net)	492,266		492,266
Building & Improvements (net of Acc Depreciation)	4,807,764		4,807,764
Furniture & Equipment (net Acc Depreciation)	91,476	30,208	121,684
<b>Total Noncurrent Assets</b>	<u>5,391,506</u>	<u>30,208</u>	<u>5,421,714</u>
<b>TOTAL ASSETS</b>	<u>\$14,539,904</u>	<u>\$314,371</u>	<u>\$14,854,273</u>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Due to General Fund		\$78,138	\$78,138
Accounts Payable	4,450		4,450
ST Portion of Compensated Absences	7,075		7,075
Current Portion of LT Debt	203,190		203,190
Other Current Liabilities	1,226,232		1,226,232
<b>Total Current Liabilities</b>	<u>1,440,947</u>	<u>78,138</u>	<u>1,519,085</u>
<b>Noncurrent Liabilities:</b>			
Note Payable	2,484,810		2,484,810
LT Portion of Compensated Absences	63,675		63,675
Other Postemployment Benefits (OPEB)	1,002,899		1,002,899
<b>Total Noncurrent Liabilities</b>	<u>3,551,384</u>	<u>0</u>	<u>3,551,384</u>
<b>TOTAL LIABILITIES</b>	<u>4,992,331</u>	<u>78,138</u>	<u>5,070,469</u>
<b>NET ASSETS</b>			
Invested in Capital Assets Net of Related Debt	2,703,506	30,208	2,733,714
Capital Projects	3,397		3,397
Unreserved - designated	4,400,000	56,062	4,456,062
Unrestricted (deficit)	2,440,670	149,963	2,590,633
<b>TOTAL NET ASSETS</b>	<u>9,547,573</u>	<u>236,233</u>	<u>9,783,806</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>14,539,904</u>	<u>314,371</u>	<u>14,854,273</u>

Union School District  
Statement of Activities  
For the Year Ended June 30, 2016

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>					
Depreciation - unallocated	\$495,530		-\$495,530		-\$495,530
Instruction	5,933,512	5,209,096	-724,416		-724,416
Instructional Student Support	548,570	481,596	-66,974		-66,974
Administrative & Financial Support Services	1,449,185	1,272,256	-176,929		-176,929
Operation & Maintenance of Plant Services	1,020,075	895,535	-124,540		-124,540
Pupil Transportation	544,021	349,725	-194,296		-194,296
Food Service (Governmental Activity)					
Student Activities	250,292	17,879	-232,413		-232,413
Community Services	11,828	25,108	13,280		13,280
Scholarships and Awards					
Interest, refunding expense on Long-Term Debt	150,866		-150,866		-150,866
<b>Total Governmental Activities</b>	<b>10,403,879</b>	<b>8,233,315</b>	<b>-2,152,685</b>		<b>-2,152,685</b>
<b>Business-type activities:</b>					
Food Service	549,827	248,437		-189,556	-189,556
Child Care					
Other Enterprise Funds					
<b>Total Business-Type Activities</b>	<b>549,827</b>	<b>248,437</b>		<b>-189,556</b>	<b>-189,556</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>10,953,706</b>	<b>8,481,752</b>	<b>-2,152,685</b>	<b>-189,556</b>	<b>-2,342,241</b>
<b>General revenues:</b>					
Taxes:					
Property taxes levied for: general purposes net			\$2,279,377		\$2,279,377
Grants, subsidies, & contributions not restricted			0	9,981	9,981
Investment Earnings		189,295		80	189,375
Miscellaneous Income		0		-2,206	-2,206
Special item-Change in: Taxes Rec - Comp Abs -OPEB-GF debt			-328,220	227,366	-100,854
Transfers between Governmental, BT Activities			-100,675	100,675	0
<b>Total General Revenues, Special and   Extraordinary Items, and Transfers</b>			<b>2,039,776</b>	<b>335,896</b>	<b>2,375,673</b>
<b>CHANGES IN NET ASSETS</b>			<b>-112,908</b>	<b>146,340</b>	<b>33,433</b>
Net Assets, Beginning			9,660,481	89,893	9,750,374
<b>NET ASSETS - END OF FISCAL YEAR</b>			<b>9,547,573</b>	<b>236,233</b>	<b>9,783,807</b>

**UNION SCHOOL DISTRICT  
COMBINED BALANCE SHEET- GOVERNMENT FUNDS  
JUNE 30, 2016**

	GENERAL	CAPITAL PROJECTS	TOTAL GOVERNME FUNDS
<b>ASSETS</b>			
Cash	\$147,387	\$3,397	\$150,784
Investments (at cost)	8,710,925		8,710,925
Taxes receivable	204,872		204,872
Due from other gov't units	49,818		49,818
Inventory of materials and supplies	32,000		32,000
<b>TOTAL ASSETS</b>	<b><u>\$9,145,001</u></b>	<b><u>\$3,397</u></b>	<b><u>\$9,148,398</u></b>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$4,450		\$4,450
Other current liabilities	1,226,232		1,226,232
Deferred revenues	204,872		204,872
<b>TOTAL LIABILITIES</b>	<b><u>\$1,435,554</u></b>	<b><u>\$0</u></b>	<b><u>\$1,435,554</u></b>
 <b>FUND BALANCES</b>			
Reserved	\$32,000	\$3,397	\$35,397
Unreserved-designated	4,400,000		4,400,000
Unreserved	3,277,447		3,277,447
<b>TOTAL FUND BALANCES</b>	<b><u>7,709,447</u></b>	<b><u>3,397</u></b>	<b><u>7,712,844</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$9,145,001</u></b>	<b><u>\$3,397</u></b>	<b><u>\$9,148,398</u></b>

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, 2016**

**Total Fund Balances - Governmental Funds** **\$7,712,844**

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	\$16,830,259	
Accumulated Depreciation	<u>-11,438,753</u>	5,391,506

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. 204,872

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:

Note payable	-2,688,000	
Compensated absences	-70,750	
Other Postemployment benefits	-1,002,899	

**Total Net Assets - Governmental Activities** **\$9,547,573**

**UNION SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
GOVERNMENT FUNDS  
YEAR ENDED JUNE 30, 2016**

	GENERAL FUND	CAPITAL PROJECTS FUND	TOTAL
<b>Revenues</b>			
Local Sources	\$ 2,664,992	\$ 1	\$2,664,993
State Sources	\$ 7,776,085		\$7,776,085
Federal Sources	\$ 278,788		\$278,788
	-----	-----	-----
	\$10,719,866	\$ 1	\$10,719,867
	-----	-----	-----
<b>Expenditures</b>			
Instruction	\$5,933,512		\$5,933,512
Support Services	3,561,851		3,561,851
Non-Instructional Services	262,120		262,119
Facilities Acquisition	0	395,223	395,223
	-----	-----	-----
	\$9,757,483	\$395,223	\$10,152,706
	-----	-----	-----
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$962,383</b>	<b>(\$395,222)</b>	<b>\$567,161</b>
	-----	-----	-----
<b>Other Financing Sources (Uses)</b>			
Payment of bond principal	(\$260,000)		(\$260,000)
Proceeds from bond refunding	2,688,000		2,688,000
Retirement of bonds	(2,605,000)		(2,605,000)
Interest Expense	(110,957)		(110,957)
Bond Refunding Expenses	(39,909)		(39,909)
<b>Operating Transfers</b>			
From General Fund to Cafeteria	(100,675)		(100,675)
From General Fund to Capital Projects Fu	(395,409)	395,409	(0)
	-----	-----	-----
	<b>(\$823,950)</b>	<b>\$395,409</b>	<b>(\$428,541)</b>
	-----	-----	-----
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<b>\$138,433</b>	<b>\$187</b>	<b>\$138,620</b>
	-----	-----	-----
<b>Fund Balance, Beginning of Year</b>	<b>\$7,571,014</b>	<b>\$3,210</b>	<b>\$7,574,224</b>
	-----	-----	-----
<b>Fund Balance, End of Year</b>	<b>\$7,709,447</b>	<b>\$3,397</b>	<b>\$7,712,844</b>
	=====	=====	=====

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, 2016**

Total net change in fund balances - governmental funds \$138,620

*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. (\$100,308)

Net decrease in Taxes Receivable recorded as reserve against fund balance (30,563)

Net decrease in Compensated Absences recorded as reserve against fund balance 125

Net increase in Other Postemployment Benefits not due and payable in current period and therefore not reported as a liability in government funds (297,782)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 177,000

**Change in net assets of governmental activities -\$112,908**

**Union School District  
Proprietary Fund (Food Service)  
Statement of Net Assets  
June 30, 2016**

**ASSETS**

**Current Assets:**

Cash and Cash Equivalents	\$ 14,744
Investments	58,704
Inventories	13,288

Other Current Assets

**Total Current Assets** \$ 86,736

**Noncurrent Assets:**

Furniture & Equipment (net) \$ 30,208

**Total Noncurrent Assets** \$ 30,208

**TOTAL ASSETS** \$ 116,944

**LIABILITIES**

**Current Liabilities:**

Bank Overdraft	
Accounts Payable	78,138

Other Current Liabilities

**Total Current Liabilities** \$ 78,138

**Noncurrent Liabilities:**

Other Long Term Liabilities -

**Total Noncurrent Liabilities**

**TOTAL LIABILITIES** \$ 78,138

**NET ASSETS**

Invested in Capital Assets Net of Related Debt \$ 30,208

Unrestricted 8,600

**TOTAL NET ASSETS** \$ 38,808

**TOTAL LIABILITIES AND NET ASSETS** \$ 116,944

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, 2016**

<b>Operating Revenue</b>	
Lunch and Milk Sales	\$111,834
State Subsidies	15,896
Federal Subsidies	<u>232,540</u>
<b>Total Operating Revenues</b>	<b><u>360,270</u></b>
<b>Operating Expense</b>	
Personal Services	367,253
Supplies	173,006
Depreciation	9,568
<b>Total Operating Expenses</b>	<b><u>549,827</u></b>
<b>Operating Income (Loss)</b>	<b><u>-189,557</u></b>
Nonoperating Revenue	
Interest	80
Operating Transfers	
In (Out)	100,675
Forgiveness of Debt by General Fund	<u>227,366</u>
<b>Net Income (loss)</b>	<b><u>138,564</u></b>
<b>Net Assets, Beginning of Year</b>	<b><u>-99,757</u></b>
<b>Net Assets, End of Year</b>	<b><u><u>\$38,808</u></u></b>

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, 2016**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash Received From Food Sales	\$360,270
Cash Paid for Labor and Benefits	-367,253
Cash Paid for Purchases	-174,647
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>-181,630</b>

**CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES**

Operating Transfers In (Out)	100,675
Forgiveness of Debt by General Fund	227,366
<b>NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES</b>	<b>328,041</b>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Acquisition of capital assets	-1,819
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>-1,819</b>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Earnings on investments	80
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>80</b>

**ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES**

Decrease in Bank Overdraft	-123,540
<b>TOTAL ADJUSTMENTS</b>	<b>-123,540</b>

<b>NET INCREASE (DECREASE) IN CASH</b>	<b>21,132</b>
<b>BEGINNING CASH BALANCE</b>	<b>52,317</b>
<b>ENDING CASH BALANCE</b>	<b>\$73,449</b>

**Reconciliation of net income (loss) to net cash provided by (used for) operating activities**

Net Income (loss)	\$37,808
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities	
Depreciation Expense	9,568
(Increase) Decrease in inventory	-1,641
Decrease in bank overdraft	-123,540
Operating transfers in	100,675
Acquisition of capital assets	-1,819
Earnings on Investments	80
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>21,132</b>
<b>BEGINNING CASH BALANCE</b>	<b>52,317</b>
<b>ENDING CASH BALANCE</b>	<b>\$73,449</b>

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

**Union School District  
Fiduciary Funds  
Statement of Net Assets  
June 30, 2016**

**ASSETS**

Cash and Cash Equivalents	\$52,428
Investments	144,996

**TOTAL ASSETS** \$197,425

**LIABILITIES**

Other Current Liabilities	\$56,062
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**TOTAL LIABILITIES** \$56,062

**NET ASSETS**

Restricted	\$141,363
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Unrestricted	
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**TOTAL NET ASSETS** \$141,363

**TOTAL LIABILITIES AND NET ASSETS** \$197,425

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

**Union School District  
Fiduciary Funds  
Statement of Changes in Net Assets  
June 30, 2016**

<b>ADDITIONS</b>	
Gifts and Contributions	\$3,062
Interest Income	4,793
Investment unrealized gain/loss	<u>-2,691</u>
<b>TOTAL ADDITIONS</b>	<b><u>5,164</u></b>
<b>DEDUCTIONS</b>	
Scholarships Awarded	-\$7,362
Administrative Expense	<u>-\$8</u>
<b>TOTAL DEDUCTIONS</b>	<b><u>-7,370</u></b>
<b>CHANGE IN NET ASSETS</b>	<b><u>-\$2,206</u></b>
Net Assets - Beginning of Fiscal Year	<u>\$143,568</u>
<b>NET ASSETS - END OF FISCAL YEAR</b>	<b><u><u>\$141,363</u></u></b>

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

**UNION SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2016**

**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, 2016, consist of the following:

Purchased Food and Supplies	\$ 8,596
Donated Commodities	<u>4,692</u>
	<b><u>\$ 13,288</u></b>

**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 2015-16 was 48.8 mills (\$48.80 per \$1,000 of assessed valuation) as levied by the Board. Assessed valuations of property are determined by Clarion County and the elected tax collectors are responsible for collections. Unpaid current year real estate taxes are returned to Clarion County's Tax Claim Bureau in January of each year.

**NOTE 2 – DETAILED NOTES ON ALL FUNDS**

**A. Cash, Cash Equivalents, and Investments**

Cash and Cash Equivalents

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

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

Balances held in each category are as follows:

	<u>1</u>	<u>2</u>	<u>3</u>
Checking, Savings and Money Market Accounts	\$ <u>---</u>	\$ <u>---</u>	\$150,784
	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$150,784</u>

Investments consist of savings and money market accounts as follows:

GENERAL FUND:

PA Local Government Investment Trust	\$3,475,893
Farmers Bank	3,154,942
Clarion County Community Bank	500,000
First United National Bank	600,000
Northwest Savings Bank	980,090
	<u>\$8,710,925</u>

PROPRIETARY FUND – FOOD SERVICE:

PA Local Government Investment Trust	\$ <u>58,704</u>
--------------------------------------	------------------

TRUST AND AGENCY FUNDS (Scholarship):

Northwest Savings Bank	\$ 3,633
Edward Jones	141,363
	<u>\$ 144,996</u>

**Total** **\$8,914,625**

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, 2016, is \$3,475,893.16.

**B. Due From Other Governmental Units**

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

<u>Due From</u>	<u>General Fund</u>
Other local education agencies	\$ 2,984
State government	2,919
Federal government	43,915
	<u>\$ 49,818</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	\$15,248,531	\$(10,440,767)	\$4,807,764
Furniture and Equipment	759,856	(668,380)	91,476
	<u>\$16,830,259</u>	<u>\$(11,438,753)</u>	<u>\$5,391,506</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>\$ 249,594</u>	<u>\$(219,386)</u>	<u>\$30,208</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 \$204,872 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 \$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.

On June 21, 2016, the remaining bond principal balance of \$2,605,000; \$40,147.00 in accrued interest; \$39,908.78 of loan expenses; plus a transfer of funds to the School District sinking fund of \$2,944.22 was converted into a General Obligation Note with PNC Bank, at a fixed rate of 1.748% per annum.

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, 2016	203,190	234,043.45
2017	298,540	339,365.24
2018	302,320	337,893.72
2019	315,070	345,247.73
2020	316,890	341,544.40
2021	317,990	337,095.55
2022	328,410	341,866.02
2023	338,030	345,661.33
2024	267,560	269,898.47
<b>TOTAL</b>	<b><u>\$2,688,000</u></b>	<b><u>\$2,892,615.91</u></b>

#### **F. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/deductions from

PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms; investments are reported at fair value.

### ***General Information about the Pension Plan***

#### Plan description

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

#### Benefits provided

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

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%,

depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

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

### Contributions

#### Member Contributions:

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

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

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

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

#### Employer Contributions:

The school districts' contractually required contribution rate for fiscal year ended June 30, 2016 was 20.50% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$1,102,963 for the year ended June 30, 2016.

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

At June 30, 2016, the District reported a liability of \$15,377,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2014 to June 30, 2015. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2015, the District's proportion was 3.55 percent, which was a decrease of 0.04 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$299,131. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of resources</b>
Difference between expected and actual experience	\$63,000	\$ 0
Changes in assumptions	0	0
Net difference between projected and actual investment earnings	-	\$31,000
Changes in proportions	0	411,000
Difference between employer contributions and proportionate share of total contributions	0	0
Contributions subsequent to the measurement date	0	0
	<u>\$ 0</u>	<u>\$ 506,000</u>

\$0 as reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (208,000)
2017	\$ (208,000)
2018	\$ (208,000)
2019	\$ 118,000
2020	\$ 0
Thereafter	\$ 0
TOTAL	\$(506,000)

#### Actuarial assumptions

The total pension liability as of June 30, 2016 was determined by rolling forward the System's total pension liability as of the June 30, 2015 actuarial valuation to June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal -level % of pay
- Investment return - 7.50%, includes inflation at 3.00%
- Salary increases - Effective average of 5.50%, which reflects an allowance for inflation of 3.00%, real wage growth of 1%, and merit or seniority increases of 1.50%
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females.

The actuarial assumptions used in the June 30, 2014 valuation were based on the experience study that was performed for the five-year period ending June 30, 2010. The recommended assumption changes based on this experience study were adopted by the Board at its March 11, 2011 Board meeting, and were effective beginning with the June 30, 2011 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of

expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public markets global equity	22.5%	4.8%
Private markets (equity)	15.0%	6.6%
Private real estate	12.0%	4.5%
Global fixed income	7.5%	2.4%
U.S. long treasuries	3.0%	1.4%
TIPS	12.0%	1.1%
High yield bonds	6.0%	3.3%
Cash	3.0%	0.7%
Absolute return	10.0%	4.9%
Risk parity	10.0%	3.7%
MLPs/Infrastructure	5.0%	5.2%
Commodities	8.0%	3.1%
Financing (LIBOR)	(14.0%)	1.1%
	<u>100%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2016.

#### Discount rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's



fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
District's proportionate share of the net pension liability	\$ 18,954,000	\$ 15,377,000	\$ 12,371,000

Pension plan fiduciary net position

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

**G. Other Employee Benefits (Compensated Absences)**

Vacation, Personal, and Sick Leave

Union School District employees are entitled to paid vacation, personal and sick days, depending on job status, length of service, and other factors. Sick leave, however, is the only benefit which may be carried forward to subsequent years. The total liability for compensated absences at June 30, 2016 is \$70,750.

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 6-30-2016 was \$1,002,899.

## **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, 2016**

	--BUDGETED AMOUNTS--		ACTUAL	VARIANCE-
	ORIGINAL	FINAL		FAVORABLE (UNFAVORABLE)
<b>REVENUES:</b>				
Local sources	\$2,298,595	\$2,298,595	\$2,664,992	\$366,397
State sources	\$7,474,365	7,474,365	7,776,085	301,720
Federal sources	\$265,000	265,000	278,788	13,788
TOTAL REVENUES	<u>10,037,960</u>	<u>10,037,960</u>	<u>10,719,866</u>	<u>681,906</u>
<b>EXPENDITURES:</b>				
Instruction - regular	5,129,064	5,129,064	4,725,014	404,050
Special programs	824,039	824,039	821,602	2,437
Vocational educational	395,000	395,000	368,027	26,973
Other instructional programs	22,188	22,188	18,870	3,318
Pupil personnel	486,168	486,168	418,473	67,695
Instructional staff	192,970	192,970	130,097	62,873
Administration	948,307	948,307	876,040	72,267
Pupil health	138,450	138,450	140,909	-2,459
Business	261,983	261,983	203,901	58,082
Operation & maintenance of plant	1,193,538	1,193,538	1,020,075	173,463
Student transportation	503,495	503,495	544,021	-40,526
Central	274,732	274,732	223,035	51,697
Other Support Services	5,750	5,750	5,299	451
Student activities	330,320	330,320	250,292	80,028
Community services	12,277	12,277	11,828	449
Facilities Acquisition, Construction, Improvement	0	0	0	0
TOTAL EXPENDITURES	<u>10,718,281</u>	<u>10,718,281</u>	<u>9,757,483</u>	<u>960,798</u>
<b>EXCESS REVENUES OVER EXPENDITURES</b>	<u>-680,321</u>	<u>-680,321</u>	<u>962,383</u>	<u>1,642,704</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Bond Principal	-260,000	-260,000	-260,000	0
Proceeds from bond refunding	0	0	2,688,000	-2,688,000
Retirement of bonds	0	0	-2,605,000	2,605,000
Bond Interest	-84,193	-84,193	-110,957	26,764
Refund of Prior Year Receipts	0	0	0	0
Bond Refunding Expenses			-39,909	
Transfers to Cafeteria Fund	-90,000	-90,000	-100,675	
Transfers to Capital Projects Fund	-670,000	-670,000	-395,409	-274,591
<b>TOTAL EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>	<u>11,822,474</u>	<u>11,822,474</u>	<u>10,581,433</u>	<u>1,208,625</u>
<b>EXCESS REVENUES &amp; OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u>-\$1,784,514</u>	<u>-\$1,784,514</u>	<u>\$138,433</u>	<u>\$1,890,531</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>\$7,571,014</u>	<u>\$7,571,014</u>	<u>\$7,571,014</u>	<u>\$0</u>
<b>FUND BALANCE, END OF YEAR</b>	<u><u>\$5,786,500</u></u>	<u><u>\$5,786,500</u></u>	<u><u>\$7,709,447</u></u>	<u><u>\$1,890,531</u></u>

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

**OTHER SUPPLEMENTAL INFORMATION**

**UNION SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - ACTIVITY FUND  
YEAR ENDED JUNE 30, 2016**

	FUND BALANCE 7/1/2015	REVENUE	EXPENDITURES	FUND BALANCE 6/30/2016
Art Club	\$ 432	\$ 2,045	\$ 2,061	\$ 416
Cheerleaders	1,691	7,081	7,555	1,217
Cheerleading Club Savings	150	-	-	150
Chemistry Club	-	13,943	13,617	326
Class of 2015	-	2,454	2,454	-
Class of 2016	2,303	866	3,169	-
Class of 2017	1,020	2,407	1,531	1,896
Class of 2018	793	28	-	821
Class of 2019	341	1,899	1,616	624
Class of 2020	294	478	50	722
Class of 2021	-	270	189	81
Class of 2022	-	-	-	-
Diamond Club	816	2,845	2,480	1,181
Elementary activities	5,509	6,052	6,304	5,257
Golden Historical Society	16	-	-	16
Gridrion Letterman	1,126	15,553	10,969	5,710
Language Club	2,064	1,890	2,528	1,426
<i>Language Club Savings</i>	150	-	-	150
Music Club	1,212	-	-	1,212
<i>Music Club Savings</i>	500	-	-	500
National Honor Society	380	603	134	849
Outdoor Club	1,737	1,868	2,273	1,332
Physics Club	2,920	7,150	1,880	8,190
Prom	3,793	14,766	14,258	4,301
Roundball Boys	192	2,450	1,718	924
Roundball Girls	330	7,126	7,434	22
Sports Club	1,994	-	36	1,958
Student Benefit	3,757	5,906	4,781	4,882
<i>Student Benefit Savings</i>	971	-	-	971
Student Council	718	1,581	2,009	290
<i>Student Council Savings</i>	162	-	-	162
Staff & Faculty Scholarship	-	1,562	1,562	-
Volleyball	1,067	4,721	4,179	1,609
Yearbook Club	7,946	3,061	3,836	7,171
<i>Yearbook Club Savings</i>	1,696	-	-	1,696
<b>TOTAL</b>	<b>\$ 46,080</b>	<b>\$ 102,686</b>	<b>\$ 92,705</b>	<b>\$ 56,061</b>

UNION SCHOOL DISTRICT  
SCHEDULE OF GENERAL FUND REVENUES  
JUNE 30, 2016

**REVENUE FROM LOCAL SOURCES:**

Current Real Estate Taxes	\$1,435,437
Public Utility Realty Tax	2,567
Payments in Lieu of Taxes	5,139
Current Per Capita Taxes, Sec. 679	9,149
Current Per Capita Taxes, Act 511	9,149
Emergency and Municipal Service Tax	7,698
Earned Income Tax	319,975
Occupation Tax	84,179
Real Estate Transfer Tax	44,774
Delinquent Taxes	220,490
Interest on Investments	189,294
Revenue from Student Activities	17,879
Fees Driver Ed and Other Activities	1,050
Revenue from Local Government	0
State Revenue Intermediate Source	
Local Vo-Ed from State	78,138
Federal Revenue Intermediate Source	87,265
Other Local Government	0
Facilities Rental	8,489
Electric Curtailment	6,626
Contributions and Donations from Private Sources	9,741
Renaissance Program	252
Tuition for Education	33,724
Receipts from other LEAs	0
Chromebook Insurance	1,504
Miscellaneous Revenue	92,475
	<u>\$2,664,992</u>

**REVENUE FROM STATE SOURCES:**

Basic instructional subsidy	\$5,524,853
State Block Grant	\$24,122
Driver education	1,575
Special Education Subsidy	555,229
Medical Assistance Program	0
Transportation	349,725
Rentals and sinking fund payments	0
Health Services Subsidy	11,296
Property Tax Rebate	140,820
Ready to Lean Grant	136,775
PA Accountability Grant	0
Social Security	227,856
Retirement Payments	803,832
	<u>\$7,776,085</u>

**REVENUE FROM FEDERAL SOURCES:**

Reap Funds	\$0
Title I Improving Basic Programs	173,491
Title II Improving Teacher Quality	58,769
ACCESS	45,983
ACCESS Administrative	545
	<u>278,788</u>
<b>TOTAL REVENUES</b>	<b>\$10,719,866</b>

**FEDERAL AWARDS SUPPLEMENTAL INFORMATION**



**UNION SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROJECT TITLE	FEDERAL CFDA SOURCE CODE	PASS THROUGH GRANTOR'S NUMBER	GRANT PERIOD BEGINNING/ ENDING DATES	TOTAL RECEIVED AMOUNT FOR YEAR	ACCRUED DEFERRED REVENUE JULY 1	ACCRUED DEFERRED REVENUE RECOGNIZED	ACCRUED DEFERRED REVENUE JUNE 30
<b>U.S. DEPARTMENT OF EDUCATION</b>							
<i>Passed Through Pennsylvania Department of Education:</i>							
Title I Improving Basic Programs	84.010	13-150441	7/1/14-6/30/15	189,980	57,499	0	0
Title I Improving Basic Programs*	84.010	13-160441	7/1/15-6/30/16	173,491	137,944	0	173,491
Title II Improving Teacher Quality	84.366	20-150440	7/1/14-6/30/15	58,781	9,050	0	0
Title II Improving Teacher Quality*	84.367	20-160441	7/1/15-6/30/16	58,769	50,401	0	58,769
<i>Passed Through Riverview Intermediate Unit 6:</i>							
IDEA B	84.027	062-160006	7/1/15-6/30/16	85,253	0	85,253	0
IDEA Section 619	84.173	131-150006	7/1/15-6/30/16	2,012	0	2,012	0
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>				<b>\$568,286</b>	<b>\$342,159</b>	<b>\$66,549</b>	<b>\$319,525</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>							
<i>Passed Through Pennsylvania Department of Education:</i>							
National School Lunch							
Lunch Hi/Low*	10.555	N/A	7/1/15-6/30/16	N/A	\$161,193	\$0	\$161,193
Federal Summer Food*	10.559	N/A	7/1/15-6/30/16	N/A	8,721	0	\$8,721
Severe Need Breakfast*	10.553	N/A	7/1/15-6/30/16	N/A	62,626	0	\$62,626
State	N/A	N/A	7/1/15-6/30/16	N/A	15,896	0	\$15,896
Value of USDA Donated Commodities	10.582	N/A	7/1/15-6/30/16	N/A	22,292	4,693	22,292
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>				<b>N/A</b>	<b>\$270,728</b>	<b>(4,693)</b>	<b>\$270,728</b>
<b>TOTAL FINANCIAL ASSISTANCE</b>				<b>\$568,286</b>	<b>\$612,887</b>	<b>\$61,856</b>	<b>\$590,253</b>

Source Codes: I=Indirect Funding		* Selected for testing	
<b>Footnotes:</b>		<b>Identification of 50% Rule:</b>	
a) Total amount of commodities received from Department of Agriculture	22,292	Total expenditures:	\$590,253
b) Beginning inventory at July 1	4,693	Less state expenditures:	15,896
c) Total amount of commodities used	22,292	Total federal expenditures:	574,357
d) Ending inventory at June 30	4,693	Programs selected for testing:	
		ECIA Chapter I (84.010):	\$173,491
		Title II Improving Teacher Quality	58,769
		National School Lunch: Hi/Low	161,193
		Federal Summer Food	8,721
		Severe Need Breakfast	62,626
		USDA Donated Commodities	22,292
		<b>Total:</b>	<b>\$487,092</b>
			<b>574,357</b>
			<b>84.81%</b>

**UNION SCHOOL DISTRICT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For The Year Ended June 30, 2016**

**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;
- for each of the two preceding audit periods, I did not report substantial doubt about Union School District's ability to continue as a going concern
- 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.

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

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

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of 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, 2016, and have issued my report thereon dated October 26, 2016.

### **Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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



Richard G. Hawk  
Certified Public Accountant

October 26, 2016

# **RICHARD G. HAWK, CPA**

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

To the Board of Directors  
Union School District  
Rimersburg, PA 16248

### **Report on Compliance for Each Major Federal Program**

I have audited Union School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016. 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.

### **Management Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditor's Responsibility**

My responsibility is to express an opinion on compliance for each of Union School District's major federal programs based on my audit of the types of compliance requirements referred to above. 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 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)*. Those standards and the Uniform Guidance 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 a major federal program 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. However, my audit does not provide a legal determination of Union School District's compliance.

### **Opinion on Each Major Federal program**

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 each of its major programs for the year ended June 30, 2016.

### **Report on Internal Control Over Compliance**

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 each major program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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. However, material weaknesses may exist that have not been identified.

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



Richard G. Hawk  
Certified Public Accountant  
October 26, 2016

**UNION SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2016**

**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	\$173,491
Title II Improving Teacher Quality	84.367	58,769
National School Lunch-Hi/Low	10.555	161,193
Federal Summer Food	10.559	8,721
Severe Need Breakfast	10.553	62,626
Value of USDA Donated Commodities	10.550	22,292

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



Richard G. Hawk  
Certified Public Accountant

October 26, 2016

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## REQUIRED COMMUNICATIONS

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, 2016. Professional standards also require that I communicate to you the following information related to my audit:

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Union School District are described in Note 1 to the financial statements. I noted no transactions entered into by the Union School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

#### *Difficulties Encountered in Performing the Audit*

I encountered no significant difficulties in dealing with Union School District management in performing and completing my audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of Union School District management. I did not note any such misstatements during my audit.

#### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.



### *Management Representations*

I have requested certain representations from Union School District management that are included in the management representation letter dated October 26, 2016.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Union School District's auditor. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

### *Restriction on Use*

This information is intended solely for the use of the administration and the Board of Union School District and is not intended to be and should not be used by anyone other than these specified parties.



Richard G. Hawk  
Certified Public Accountant

October 26, 2016