

UNION SCHOOL DISTRICT

**FINANCIAL REPORT WITH
SUPPLEMENTAL INFORMATION**

June 30, 2017

UNION SCHOOL DISTRICT

Table of Contents

June 30, 2017

Independent Auditor's Report	3-4
Management's Discussion and Analysis	5-15
Basic Financial Statements:	
<u>District - Wide Financial Statements:</u>	
Statement of Net Assets	16
Statement of Activities	17
<u>Fund Financial Statements:</u>	
Balance Sheet - Government Funds	18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	19
Statement of Revenues, Expenditures, and Changes in Fund Balances - Government Funds	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Government Funds to the Statement of Activities	21
Statement of Net Assets - Cafeteria Fund	22
Statement of Revenues, Expenses, and Changes in Fund Net Assets- Cafeteria Fund	23
Statement of Cash Flows - Cafeteria Fund	24
Statement of Net Assets - Fiduciary Fund	25
Notes to the Financial Statements	26-40
Required Supplemental Information:	
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	41
Other Supplemental Information:	
Statement of Changes in Net Assets - Fiduciary Fund	42
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Activity Fund	43
Schedule of General Fund Revenues	44
Schedule of Expenditures of Federal Awards	45
Required Communications	46

RICHARD G. HAWK, CPA

**4122 Steeple Chase Drive
Myrtle Beach, SC 29588**

**Phone 843-251-6629
Fax 843-432-3168**

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, 2017, 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 18, 2017

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
Required Supplementary Information (RSI)
June 30, 2017**

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, 2017. 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 2016-2017 were \$10,916,624. This exceeded budgeted revenues by \$698,946. General fund actual expenditures exceeded general fund actual revenues by \$191,372 for the year ended June 30, 2017. A transfer to the cafeteria fund of \$95,000, as well as, a transfer to the capital projects fund of \$345,306 was made, which resulted in revenues under expenditures of \$191,755.

Overall expenditures for 2016-2017 fiscal year were \$11,228,302 which was \$1,007,594 less than 2016-2017 budgeted expenditures of \$12,235,896.

General fund balance on June 30, 2016 was \$7,709,447. With the net reduction in 2016-2017 of \$191,372, the District's general fund balance decreased to \$7,518,075. Of that \$7,518,075, \$32,000 is restricted, \$4,400,000 is assigned and the remaining unassigned fund balance at June 30, 2016 is \$3,086,077. The District's entity wide fund balance, which includes the general fund and the capital reserve fund on June 30, 2016, was \$7,712,844. With the net surplus in 2016-2017 of \$33,706, the District's entity wide fund balance increased to \$7,746,550.

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

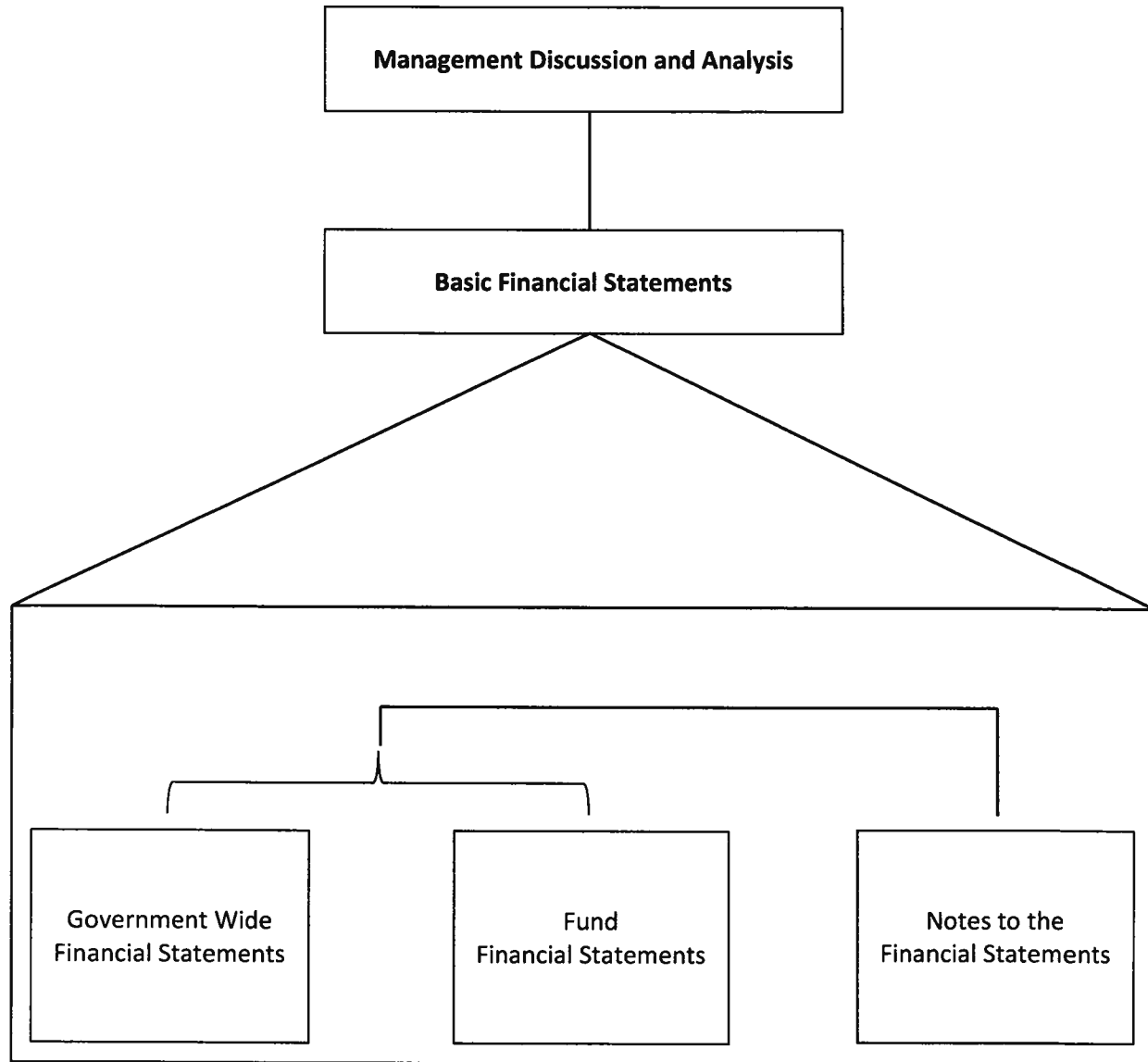


Chart A-2 summarizes the major features of the District’s financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of management discussion and analysis explains the structure and contents of each of the statements.

Chart A-2 Major Features of Union School District’s Government-Wide and Fund Financial Statements				
	Government-Wide 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	
	2016	2017	2016	2017	2016	2017
ASSETS						
Current and Other Assets	\$9,148,398	\$9,092,743	\$284,162	\$268,041	\$9,432,561	\$9,360,785
Capital Assets	5,391,506	3,991,391	30,208	34,726	5,421,714	4,026,117
TOTAL ASSETS	14,539,904	13,084,134	314,371	302,768	14,854,273	13,386,902
LIABILITIES						
Current and other liabilities	1,440,947	1,295,148	78,138	78,138	1,519,085	1,373,286
Long-term liabilities	3,551,384	21,144,684	0	0	3,551,384	21,144,684
TOTAL LIABILITIES	4,992,331	22,439,832	78,138	78,138	5,070,469	22,517,970
NET POSITION						
Capital assets net of related debt	2,703,506	1,506,581	30,208	34,726	2,733,714	1,541,307
Capital projects	3,397	228,475	0	0	3,397	228,475
Other restrictions	4,400,000	4,400,000	56,062	56,248	4,456,062	4,456,248
Unrestricted	2,440,670	2,102,246	149,963	133,656	2,590,633	2,235,901
Total net assets	9,547,573	-17,593,000	236,233	224,630	9,783,806	-17,593,000
TOTAL NET POSITION	<u>\$14,539,904</u>	<u>\$13,084,134</u>	<u>\$314,371</u>	<u>\$302,768</u>	<u>\$14,854,275</u>	<u>\$13,386,902</u>

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

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

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

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

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

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

**TABLE A-2 GOVERNMENT ACTIVITIES
FISCAL YEAR END JUNE 30, 2017**

Functions	Programs	Budgeted	Actual
1100	Regular Programs	\$5,428,366	\$4,886,674
1200	Special Programs	900,273	1,083,505
1300	Vocational Programs	365,075	304,016
1400	Other Instructional Programs	28,669	19,357
2100	Pupil Personnel Services	498,312	450,404
2200	Instructional Staff Services	123,862	110,416
2300	Administrative Services	1,019,287	940,218
2400	Pupil Health	152,902	145,160
2500	Business Services	221,394	204,261
2600	Operational & Maintenance	1,284,721	1,143,725
2700	Transportation	575,350	550,885
2800	Central Support	461,672	300,447
2900	Other Support	6,000	5,112
3200	Student Services	351,578	261,485
3300	Community Services	16,391	14,629
4000	Capital Outlay	350,000	0
5110	Debt Services	234,044	247,396
5120	Debt Services – Refunded Bonds	0	0
5130	Refund Prior Year Receipts	0	0
5200	Internal Transfers	218,000	440,306
	Total Expenditures	\$12,235,896	\$11,107,996

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**

Food Services	
Total Cost of Service	\$464,844
Food Service Cash Revenue	108,419
Earnings on Investments	205
State Revenues	14,629
Federal Revenues	<u>226,892</u>
Net Cost of Service	\$114,699

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, 2017, the District governmental funds reported a combined unreserved fund balance of \$7,746,550. 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 2016-2017, the District received \$178,789 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, 2017, the District had \$3,991,391.00 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	\$367,163
Buildings	3,137,966
Furniture & Equipment	486,262
Construction	<u>0</u>
TOTAL	\$3,991,391

The District did have an updated appraisal completed on May 31, 2017.

Debt Administration

The District had total outstanding debt principal of \$2,892,615 on a Note, Series of 2016. During the year, the District made payments against principal of \$203,190. 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**

General Obligation Notes/Bonds:	
Note, Series of 2016	2,484,810

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District does not expect significant growth in the near future given the residential nature of the community and the lack of economic opportunity within the region. 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 2017-2018 year is \$284,866 more than the budgeted revenues for 2016-2017. This represents an approximate 2.8% increase. No significant increase in either Local or Federal revenue is expected. The expenditure budget for the 2017-2018 year is \$139,443 less than the budgeted expenditures for 2016-2017, a decrease of approximately 1.1%. The District did not increase any tax rates for the 2016-2017 year.

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

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

Revenues	2015-2016	2016-2017
Local	23%	23%
State	74%	75%
Federal	3%	2%
Other	0%	0%
TOTAL	100%	100%

Expenditures	2015-2016	2016-2017
Instruction	45%	57%
Support Services	27%	35%
Non-Instruction/Community	2%	2%
Facilities & Construction	0%	0%
Fund Transfer/Debt	26%	6%
TOTAL	100%	100%

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors, and creditors with a general overview of the District’s finances and to show the Board’s accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact John Stevens, Business Manager at Union School District, 354 Baker Street Suite 2, Rimersburg, PA 16248 and 814-473-6311 ext. 0.

Union School District
Statement of Net Assets: Entity Wide
June 30, 2017

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$793,003	\$54,333	\$847,335
Investments	\$7,830,549	197,344	8,027,892
Taxes Receivable, net	\$357,160		357,160
Due From Other Governments (incl. 0141-0145)	\$80,032		80,032
Inventories	32,000	16,365	48,365
Total Current Assets	<u>9,092,743</u>	<u>268,041</u>	<u>9,360,785</u>
Noncurrent Assets:			
Land and Site Improvements (net)	367,163		367,163
Building & Improvements (net of Acc Depreciation)	3,137,966		3,137,966
Furniture & Equipment (net Acc Depreciation)	486,262	34,726	520,988
Total Noncurrent Assets	<u>3,991,391</u>	<u>34,726</u>	<u>4,026,117</u>
TOTAL ASSETS	<u>\$13,084,134</u>	<u>\$302,768</u>	<u>\$13,386,902</u>
LIABILITIES			
Current Liabilities:			
Due to General Fund		\$78,138	\$78,138
Accounts Payable	4,450		4,450
ST Portion of Compensated Absences	7,192		7,192
Current Portion of LT Debt	298,540		298,540
Other Current Liabilities	984,580		984,580
Total Current Liabilities	<u>1,294,762</u>	<u>78,138</u>	<u>1,372,900</u>
Noncurrent Liabilities:			
Note Payable	2,186,270		2,186,270
LT Portion of Compensated Absences	64,733		64,733
Other Postemployment Benefits (OPEB)	1,300,681		1,300,681
Net Pension Liability - GASB 68	17,593,000		17,593,000
Total Noncurrent Liabilities	<u>21,144,684</u>	<u>0</u>	<u>21,144,684</u>
TOTAL LIABILITIES	<u>22,439,446</u>	<u>78,138</u>	<u>22,517,584</u>
NET ASSETS			
Invested in Capital Assets Net of Related Debt	1,506,581	34,726	1,541,307
Capital Projects	228,475		228,475
Unreserved - designated	4,400,000	56,248	4,456,248
Unrestricted (deficit)	2,102,631	133,656	2,236,286
Reduction for Net Pension Liability - GASB 68	-17,593,000		-17,593,000
TOTAL NET ASSETS	<u>-9,355,313</u>	<u>224,630</u>	<u>-9,130,683</u>
TOTAL LIABILITIES AND NET ASSETS	<u>13,084,133</u>	<u>302,768</u>	<u>13,386,901</u>

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

**Union School District
Statement of Activities
For the Year Ended June 30, 2017**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Operating		Governmental Activities	Business-type Activities	Total
		Charges for Services	Grants and Contributions			
Governmental activities:						
Depreciation - unallocated	\$273,750			-\$273,750		-\$273,750
Instruction	6,293,552		5,303,956	-989,596		-989,596
Instructional Student Support	560,820		472,637	-88,183		-88,183
Administrative & Financial Support Services	1,595,197		1,344,369	-250,828		-250,828
Operation & Maintenance of Plant Services	1,143,725		963,886	-179,839		-179,839
Pupil Transportation	550,885		425,230	-125,655		-125,655
Food Service (Governmental Activity)						
Student Activities	261,485	11,499		-249,986		-249,986
Community Services	14,629		15,934	1,305		1,305
Scholarships and Awards						
Interest expense on Long-Term Debt	44,206			-44,206		-44,206
Total Governmental Activities	10,738,248	11,499	8,526,012	-2,200,738		-2,200,738
Business-type activities:						
Food Service	464,844	108,419	241,521		-114,904	-114,904
Child Care						
Other Enterprise Funds						
Total Business-Type Activities	464,844	108,419	241,521		-114,904	-114,904
TOTAL PRIMARY GOVERNMENT	11,203,092	119,918	8,767,532	-2,200,738	-114,904	-2,315,642
General revenues:						
Property taxes levied for general purposes, net				\$2,259,943		\$2,259,943
Reduction in net fixed assets per appraisal				-1,126,365		-1,126,365
Investment Earnings				119,248	205	119,453
Facilities acquisition - Capital project fund				-120,306	7,910	-112,396
Special item-Change in: Taxes Rec - Comp Abs -OPEB-GF debt				-146,669	186	-146,483
Current and Prior Period Adjustment: Net Pension Liability - GASB 68				-17,593,000		-17,593,000
Transfers between Governmental, BT Activities				-95,000	95,000	0
Total General Revenues, Special and Extraordinary Items, and Transfers				-16,702,149	103,301	-16,598,847
CHANGES IN NET ASSETS				-18,902,886	-11,603	-18,914,488
Net Assets, Beginning				9,547,573	236,233	9,783,806
NET ASSETS - END OF FISCAL YEAR				-9,355,313	224,630	-9,130,682

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

**UNION SCHOOL DISTRICT
COMBINED BALANCE SHEET- GOVERNMENT FUNDS
JUNE 30, 2017**

	GENERAL	CAPITAL PROJECTS	TOTAL GOVERNMENT FUNDS
ASSETS			
Cash	\$564,528	\$228,475	\$793,003
Investments (at cost)	7,830,549		7,830,549
Taxes receivable	357,160		357,160
Due from other gov't units	80,032		80,032
Inventory of materials and supplies	32,000		32,000
TOTAL ASSETS	<u><u>\$8,864,267</u></u>	<u><u>\$228,475</u></u>	<u><u>\$9,092,742</u></u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$4,450		\$4,450
Other current liabilities	984,580		984,580
Deferred revenues	357,160		357,160
TOTAL LIABILITIES	<u><u>\$1,346,190</u></u>	<u><u>\$0</u></u>	<u><u>\$1,346,190</u></u>
FUND BALANCES			
Reserved	\$32,000	\$228,475	\$260,475
Unreserved-designated	4,400,000		4,400,000
Unreserved	3,086,077		3,086,077
TOTAL FUND BALANCES	<u><u>7,518,077</u></u>	<u><u>228,475</u></u>	<u><u>7,746,552</u></u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$8,864,267</u></u>	<u><u>\$228,475</u></u>	<u><u>\$9,092,742</u></u>

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

Union School District
Reconciliation: Governmental Funds Balance Sheet To The Statement of Net Assets
June 30, 2017

Total Fund Balances - Governmental Funds **\$7,746,552**

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	\$11,482,170	
	Accumulated Depreciation	<u>-7,490,779</u>	3,991,391

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. 357,160

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	-2,484,810	
	Compensated absences	-71,925	
	Other Postemployment benefits	-1,300,681	
	Net Pension Liability - GASB 68	-17,593,000	

Total Net Assets - Governmental Activities **-\$9,355,313**

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

**UNION SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENT FUNDS
YEAR ENDED JUNE 30, 2017**

	GENERAL FUND	CAPITAL PROJECTS FUND	TOTAL
Revenues			
Local Sources	\$ 2,462,860	\$ 78	\$2,462,938
State Sources	\$ 8,181,655		\$8,181,655
Federal Sources	\$ 272,109		\$272,109
	-----	-----	-----
	\$10,916,624	\$ 78	\$10,916,702
	-----	-----	-----
Expenditures			
Instruction	\$6,293,552		\$6,293,552
Support Services	3,850,627		3,850,627
Non-Instructional Services	276,113		276,112
Facilities Acquisition	0	120,306	120,306
	-----	-----	-----
	\$10,420,292	\$120,306	\$10,540,599
	-----	-----	-----
Excess of Revenues Over (Under) Expenditures	\$496,332	(\$120,228)	\$376,104
	-----	-----	-----
Other Financing Sources (Uses)			
Payment of bond principal	(\$203,190)		(\$203,190)
Interest Expense	(44,206)		(44,206)
Operating Transfers			
From General Fund to Cafeteria	(95,000)		(95,000)
From General Fund to Capital Projects Fu	(345,306)	345,306	0
	-----	-----	-----
	(\$687,702)	\$345,306	(\$342,396)
	-----	-----	-----
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(\$191,370)	\$225,078	\$33,708
	-----	-----	-----
Fund Balance, Beginning of Year	\$7,709,447	\$3,397	\$7,712,844
	-----	-----	-----
Fund Balance, End of Year	\$7,518,077	\$228,475	\$7,746,552
	=====	=====	=====

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, 2017**

Total net change in fund balances - governmental funds \$33,708

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.

(273,750)

Reduction in fixed assets per appraisal

(1,126,365)

Net increase in Taxes Receivable recorded as reserve against fund balance

152,288

Net increase in Compensated Absences recorded as reserve against fund balance

(1,175)

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.

203,190

Current and prior period adjustment to net pension liability

(17,593,000)

Change in net assets of governmental activities

-\$18,902,886

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

**Union School District
Proprietary Fund (Food Service)
Statement of Net Assets
June 30, 2017**

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 1,722
Investments	44,434
Inventories	16,365
Other Current Assets	
Total Current Assets	\$ 62,521

Noncurrent Assets:

Furniture & Equipment (net)	\$ 34,726
Total Noncurrent Assets	\$ 34,726

TOTAL ASSETS	\$ 97,247
---------------------	------------------

LIABILITIES

Current Liabilities:

Bank Overdraft	
Accounts Payable	78,138
Other Current Liabilities	
Total Current Liabilities	\$ 78,138

TOTAL LIABILITIES	\$ 78,138
--------------------------	------------------

NET ASSETS

Invested in Capital Assets Net of Related Debt	\$ 34,726
Unrestricted	(15,617)
	19,109

TOTAL NET ASSETS	\$ 19,109
-------------------------	------------------

TOTAL LIABILITIES AND NET ASSETS	\$ 97,247
---	------------------

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, 2017**

Operating Revenue	
Lunch and Milk Sales	\$108,419
State Subsidies	14,629
Federal Subsidies	<u>226,892</u>
Total Operating Revenues	<u>349,940</u>
Operating Expense	
Personal Services	293,972
Supplies	164,094
Depreciation	6,778
Total Operating Expenses	<u>464,844</u>
Operating Income (Loss)	<u>-114,904</u>
Nonoperating Revenue	
Interest	205
Operating Transfers In (Out)	<u>95,000</u>
Net Income (loss)	<u>-19,699</u>
Net Assets, Beginning of Year	<u>38,808</u>
Net Assets, End of Year	<u><u>\$19,109</u></u>

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, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received From Food Sales	\$349,940
Cash Paid for Labor and Benefits	-293,972
Cash Paid for Purchases	-167,171
NET CASH USED BY OPERATING ACTIVITIES	<u><u>-111,203</u></u>
CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES	
Operating Transfers In (Out)	95,000
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u><u>95,000</u></u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	-11,296
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u><u>-11,296</u></u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on investments	205
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u><u>205</u></u>
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED FOR OPERATIONS	
TOTAL ADJUSTMENTS	<u><u>0</u></u>
NET INCREASE (DECREASE) IN CASH	<u><u>-27,294</u></u>
BEGINNING CASH BALANCE	<u><u>73,448</u></u>
ENDING CASH BALANCE	<u><u><u>\$46,154</u></u></u>
<u>Reconciliation of net income (loss) to net cash provided by (used for) operating activities:</u>	
Net Income (loss)	(\$19,699)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities	
Depreciation Expense	6,778
(Increase) Decrease in inventory	-3,077
Decrease in bank overdraft	0
Acquisition of capital assets	-11,296
NET INCREASE (DECREASE) IN CASH	<u><u>-27,294</u></u>
ADD: BEGINNING CASH BALANCE	<u><u>73,448</u></u>
ENDING CASH BALANCE	<u><u><u>\$46,154</u></u></u>

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

**Union School District
Fiduciary Funds
Statement of Net Assets
June 30, 2017**

ASSETS

Cash and Cash Equivalents	\$52,611
Investments	152,910
	<hr/>

TOTAL ASSETS	\$205,521
	<hr/> <hr/>

LIABILITIES

Other Current Liabilities	\$56,248
	<hr/>

TOTAL LIABILITIES	\$56,248
	<hr/> <hr/>

NET ASSETS

Restricted	\$149,273
Unrestricted	
	<hr/>

TOTAL NET ASSETS	\$149,273
	<hr/> <hr/>

TOTAL LIABILITIES AND NET ASSETS	\$205,521
	<hr/> <hr/>

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

UNION SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2017

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, 2017, consist of the following:

Purchased Food and Supplies	\$ 11,673
Donated Commodities	<u>4,692</u>
	<u>\$ 16,365</u>

I. Deferred Revenue

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

J. Estimates

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

K. Real Estate Taxes

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

discount of 2% is applied to payments made prior to August 31. A penalty of 10% is added to the face amount of taxes paid after October 31. The tax on real estate for public school purposes for fiscal 2016-17 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>
<u>GENERAL FUND:</u>			
Checking, Savings and Money Market Accounts	\$ _____	\$ _____	<u>\$793,003</u>
<u>PROPRIETARY FUND – FOOD SERVICE:</u>			
Checking, Savings and Money Market Accounts	\$ _____	\$ _____	<u>54,333</u>

Investments consist of savings and money market accounts as follows:

<u>GENERAL FUND:</u>	
PA Local Government Investment Trust	\$2,500,820
Farmers Bank	3,206,111
Clarion County Community Bank	500,000
First United National Bank	600,000
Northwest Savings Bank	<u>1,023,618</u>
	<u>\$7,830,549</u>

<u>PROPRIETARY FUND – FOOD SERVICE:</u>	
PA Local Government Investment Trust	<u>\$ 44,434</u>

<u>TRUST AND AGENCY FUNDS (Scholarship):</u>	
Northwest Savings Bank	\$ 3,637
Edward Jones	<u>149,273</u>

	<u>\$ 152,910</u>
Total	<u>\$8,027,893</u>

Checking, savings, and money market accounts are covered by federal depository insurance or on a pooled basis under the provisions of Act 72 or 1971. GASB No. 3, Paragraph 69, provides that certain types of cash, such as cash in a state treasurer's investment pool or mutual funds, cannot be assigned a credit risk category because the government does not own specific securities. Therefore, the Pennsylvania Liquid Asset Fund cash included in these financial statements will not be assigned a credit risk category. The carrying value and market value of Pennsylvania Liquid Asset Fund cash, as of June 30, 2017, is \$2,500,819.33

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, 2017, the following amounts were due from other governmental units:

<u>Due From</u>	<u>General Fund</u>
Other local education agencies	\$ 57,392
State government	-0-
Federal government	<u>22,640</u>
	<u>\$ 80,032</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	\$1,255,392	\$ (888,229)	\$ 367,163
Buildings and Improvements	\$7,586,518	\$(4,448,552)	\$3,137,966
Furniture and Equipment	2,640,260	(2,153,998)	486,262
	<u>\$11,482,170</u>	<u>\$(7,490,779)</u>	<u>\$3,991,391</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>\$ 260,890</u>	<u>\$(226,154)</u>	<u>\$34,726</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 \$357,160 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,		
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
TOTAL	<u>\$2,484,810</u>	<u>\$2,658,572.46</u>

F. Pensions

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

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

General Information about the Pension Plan

Plan description

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

Benefits provided

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

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

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited

service for Class T-E and Class T-F members) or who has at least five years of credited service (ten years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

Contributions

Member Contributions:

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

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

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

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

Employer Contributions:

The school districts' contractually required contribution rate for fiscal year ended June 30, 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 \$1,380,573 for the year ended June 30, 2017.

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

At June 30, 2017, the District reported a liability of \$17,593,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2015 to June 30, 2016. 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, 2016, the District's proportion was 3.55 percent, which was a decrease of 0.04 from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$1,784,000. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of resources
Difference between expected and actual experience	\$ 0	\$ 147
Changes in assumptions	635	0
Net difference between projected and actual investment earnings	981	0
Changes in proportions	0	290
Difference between employer contributions and proportionate share of total contributions	0	0
Contributions subsequent to the measurement date		-
	<u>\$ 1,616</u>	<u>\$ 436</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:	
2017	\$ (162,000)
2018	\$ (162,000)
2019	\$ (487,000)
2020	\$ (369,000)
2021	\$
Thereafter	\$ 0
TOTAL	\$(1,180,000)

Changes in Actuarial Assumptions

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

Changes in assumptions used in measurement of the Total Pension Liability beginning June 30, 2016

- The Investment Rate of Return was adjusted from 7.50% to 7.25%.
- The inflation assumption was decreased from 3.0% to 2.75%.
- Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50%, to an effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases. Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. 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 to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. The actuarial assumptions used in the June 30, 2016 valuation were based on the experience study that was performed for the five-year period ending June 30, 2015. The recommended assumption changes based on this experience study were adopted by the Board at its June 10, 2016 Board meeting, and were effective beginning with the June 30, 2016 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
Global public equity	22.5%	5.3%
Fixed Income	28.5%	2.1%
Commodities	8.0%	2.5%
Absolute return	10.0%	3.3%
Risk parity	10.0%	3.9%
Infrastructure/MLPs	5.0%	4.8%

Real estate	12.0%	4.0%
Alternative investments	15.0%	6.6%
Cash	3.0%	0.7%
Financing (LIBOR)	<u>(14.0%)</u>	0.5%
	<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 7.25%. 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	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 21,521,000	\$ 17,593,000	\$ 14,292,000

Pension plan fiduciary net position

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

G. Other Employee Benefits (Compensated Absences)

Vacation, Personal, and Sick Leave

Union School District employees are entitled to paid vacation, personal and sick days, depending on job status, length of service, and other factors. Sick leave, however, is the only benefit which may be carried forward to subsequent years. The total liability for compensated absences at June 30, 2017 is \$71,925.

OPEB Obligation

—*GASB Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, and GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension* require financial reporting and disclosure of the District's Annual OPEB Cost and Net OPEB Obligation. The annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following tables show the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the net OPEB obligation.

June 30, 2017 Net Obligation:

Annual OPEB Cost for fiscal year ending June 30, 2017	\$ 362,966
<u>Contributions for fiscal year ending June 30, 2017</u>	<u>(65,184)</u>
<u>Annual Expense difference</u>	<u>\$ 297,782</u>

Net OPEB Obligation as of June 30, 2017:

2010	\$	53,651
2011		53,651
2012		53,651
2013		181,388
2014		181,388
2015		181,388
2016		297,782
2017		<u>297,782</u>
TOTAL		<u>\$1,300,681</u>

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, 2017**

	--BUDGETED AMOUNTS--		ACTUAL	VARIANCE- FAVORABLE
	ORIGINAL	FINAL		(UNFAVORABLE)
REVENUES:				
Local sources	\$2,245,389	2,245,389	\$2,462,860	\$217,471
State sources	\$7,718,789	7,718,789	8,181,655	462,866
Federal sources	\$253,500	253,500	272,109	18,609
TOTAL REVENUES	<u>10,217,678</u>	<u>10,217,678</u>	<u>10,916,624</u>	<u>698,946</u>
EXPENDITURES:				
Instruction - regular	5,428,366	5,428,366	4,886,674	541,692
Special programs	900,273	900,273	1,083,505	-183,232
Vocational educational	365,075	365,075	304,016	61,059
Other instructional programs	28,669	28,669	19,357	9,312
Pupil personnel	498,312	498,312	450,404	47,908
Instructional staff	123,862	123,862	110,416	13,446
Administration	1,019,287	1,019,287	940,218	79,069
Pupil health	152,902	152,902	145,160	7,742
Business	221,394	221,394	204,261	17,133
Operation & maintenance of plant	1,284,721	1,284,721	1,143,725	140,996
Student transportation	575,350	575,350	550,885	24,465
Central	461,672	461,672	300,447	161,225
Other Support Services	6,000	6,000	5,112	888
Student activities	351,578	351,578	261,485	90,094
Community services	16,391	16,391	14,629	1,763
Facilities Acquisition, Construction, Improvem	350,000	350,000	0	350,000
TOTAL EXPENDITURES	<u>11,783,852</u>	<u>11,783,852</u>	<u>10,420,292</u>	<u>1,363,560</u>
EXCESS REVENUES OVER EXPENDITURES	<u>-1,566,174</u>	<u>-1,566,174</u>	<u>496,332</u>	<u>2,062,506</u>
OTHER FINANCING SOURCES (USES):				
Bond Principal	-203,190	-203,190	-203,190	0
Bond Interest	-30,854	-30,854	-44,206	13,352
Refund of Prior Year Receipts	0	0	0	0
Transfers to Cafeteria Fund	-150,000	-150,000	-95,000	-55,000
Transfers to Capital Projects Fund	-68,000	-68,000	-345,306	277,306
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES (USES)	<u>12,235,896</u>	<u>12,235,896</u>	<u>11,107,994</u>	<u>1,127,902</u>
EXCESS REVENUES & OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>-\$2,018,218</u>	<u>-\$2,018,218</u>	<u>-\$191,370</u>	<u>\$1,826,848</u>
FUND BALANCE, BEGINNING OF YEAR	<u>\$7,050,034</u>	<u>\$7,050,034</u>	<u>\$7,709,447</u>	<u>\$659,413</u>
FUND BALANCE, END OF YEAR	<u>\$5,031,816</u>	<u>\$5,031,816</u>	<u>\$7,518,077</u>	<u>\$2,486,261</u>

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

OTHER SUPPLEMENTAL INFORMATION

**Union School District
Fiduciary Funds
Schedule of Changes in Net Assets
June 30, 2017**

ADDITIONS	
Gifts and Contributions	\$2,789
Interest Income	3,618
Investment unrealized gain/loss	7,354
TOTAL ADDITIONS	<u>\$13,761</u>
DEDUCTIONS	
Scholarships Awarded	-\$5,851
Administrative Expense	0
TOTAL DEDUCTIONS	<u>-\$5,851</u>
CHANGE IN NET ASSETS	<u>\$7,910</u>
Net Assets - Beginning of Fiscal Year	<u>\$141,363</u>
NET ASSETS - END OF FISCAL YEAR	<u><u>\$149,273</u></u>

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

**UNION SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - ACTIVITY FUND
YEAR ENDED JUNE 30, 2017**

	FUND BALANCE 7/1/2016	REVENUE	EXPENDITURES	FUND BALANCE 6/30/2017
Art Club	\$ 416	\$ 1,820	\$ 2,009	\$ 227
Cheerleaders	1,217	6,032	6,739	510
<i>Cheerleading Club Savings</i>	150	-	-	150
Chemistry Club	326	-	-	326
Class of 2017	1,896	414	2,309	0
Class of 2018	821	2,236	1,531	1,526
Class of 2019	624	22	-	646
Class of 2020	722	-	-	722
Class of 2021	81	476	50	507
Class of 2022	-	266	198	69
Diamond Club	1,181	2,933	2,646	1,468
Elementary Activities	5,257	4,159	5,085	4,331
Golden Historical Society	16	-	-	16
Gridrion Letterman	5,710	15,577	15,452	5,836
Language Club	1,426	1,570	1,723	1,273
<i>Language Club Savings</i>	150	-	-	150
Music Club	1,212	954	953	1,214
<i>Music Club Savings</i>	500	-	-	500
National Honor Society	849	366	453	762
Outdoor Club	1,332	-	-	1,332
Physics Club	8,190	7,825	7,093	8,922
Prom	4,301	10,500	11,269	3,533
Roundball Boys	924	3,006	3,486	443
Roundball Girls	22	3,082	3,003	100
Sports Club	1,958	305	48	2,215
Student Benefit	5,123	4,416	5,762	3,779
<i>Student Benefit Savings</i>	403	4	-	407
Student Council	290	1,883	1,303	870
<i>Student Council Savings</i>	162	-	-	162
Staff & Faculty Scholarship	-	1,601	1,601	-
Travel club	327	32,411	29,889	2,848
Volleyball	1,609	7,834	6,559	2,884
Yearbook Club	7,171	3,370	3,716	6,825
<i>Yearbook Club Savings</i>	1,696	-	-	1,696
TOTAL	\$ 56,061	\$ 113,061	\$ 112,875	\$ 56,248

UNION SCHOOL DISTRICT
 SCHEDULE OF GENERAL FUND REVENUES
 JUNE 30, 2017

REVENUE FROM LOCAL SOURCES:

Current Real Estate Taxes	\$1,255,338
Public Utility Realty Tax	2,438
Payments in Lieu of Taxes	5,100
Current Per Capita Taxes, Sec. 679	9,216
Current Per Capita Taxes, Act 511	9,216
Emergency and Municipal Service Tax	5,730
Earned Income Tax	312,361
Occupation Tax	86,119
Real Estate Transfer Tax	35,450
Delinquent Taxes	398,145
Interest on Investments	119,170
Revenue from Student Activities	11,499
Fees Driver Ed and Other Activities	2,150
Revenue from Local Government	0
State Revenue Intermediate Source	0
Local Vo-Ed from State	52,108
Federal Revenue Intermediate Source	88,229
Other Local Government	0
Facilities Rental	8,979
Electric Curtailment	3,235
Contributions and Donations from Private Sources	2,950
Renaissance Program	770
Tuition for Education	28,555
Receipts from other LEAs	0
Chromebook Insurance	3,405
Miscellaneous Revenue	10,405
Refund from prior year	12,292
	\$2,462,860

REVENUE FROM STATE SOURCES:

Basic instructional subsidy	\$5,609,874
State Block Grant	0
Driver education	435
Special Education Subsidy	564,842
Medical Assistance Program	0
Transportation	425,230
Rentals and sinking fund payments	0
Health Services Subsidy	10,586
Property Tax Rebate	140,830
Ready to Lean Grant	178,789
PA Accountability Grant	0
Social Security	241,468
Retirement Reimbursement	1,009,601
	\$8,181,655

REVENUE FROM FEDERAL SOURCES:

Reap Funds	\$0
Title I Improving Basic Programs	160,690
Title II Improving Teacher Quality	58,265
ACCESS	49,316
ACCESS Administrative	3,838
	272,109

TOTAL REVENUES

\$10,916,624

FEDERAL AWARDS SUPPLEMENTAL INFORMATION

**UNION SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROJECT TITLE	SOURCE CODE	FEDERAL CFDA NUMBER	PASS THROUGH GRANTOR'S NUMBER	GRANT PERIOD BEGINNING/ ENDING DATES	GRANT AMOUNT	TOTAL RECEIVED FOR YEAR	ACCRUED		ACCRUED DEFERRED REVENUE JUNE 30
							REVENUE JULY 1	EXPENDITURES	
U.S. DEPARTMENT OF EDUCATION									
<i>Passed Through Pennsylvania Department of Education:</i>									
Title I Improving Basic Programs	I	84.010	13-160441	7/1/15-6/30/16	173,491	35,547	35,547	0	0
Title I Improving Basic Programs*	I	84.010	13-170441	7/1/16-6/30/17	160,690	149,771	0	160,690	10,919
Title II Improving Teacher Quality	I	84.366	20-150440	7/1/15-6/30/16	58,781	8,368	8,368	0	0
Title II Improving Teacher Quality*	I	84.367	20-160441	7/1/16-6/30/17	58,265	48,544	0	58,265	11,721
<i>Passed Through Riverview Intermediate Unit 6:</i>									
IDEA B	I	84.027	062-160006	7/1/16-6/30/17	86,657	85,253	0	85,253	0
IDEA Section 619	I	84.173	131-150006	7/1/16-6/30/17	1,572	2,012	0	2,012	0
TOTAL U.S. DEPARTMENT OF EDUCATION					\$539,456	\$327,495	\$43,915	\$306,220	\$22,640
U.S. DEPARTMENT OF AGRICULTURE									
<i>Passed Through Pennsylvania Department of Education:</i>									
National School Lunch									
Lunch Hi/Low*	I	10.555	N/A	7/1/16-6/30/17	N/A	\$156,508	\$0	\$156,508	0
Federal Summer Food*	I	10.559	N/A	7/1/16-6/30/17	N/A	6,921	0	\$6,921	0
Severe Need Breakfast*	I	10.553	N/A	7/1/16-6/30/17	N/A	63,463	0	\$63,463	0
State			N/A	7/1/16-6/30/17	N/A	14,629	0	\$14,629	0
Value of USDA Donated Commodities*	I	10.555	N/A	7/1/16-6/30/17	N/A	19,648	4,693	19,648	4,693
TOTAL U.S. DEPARTMENT OF AGRICULTURE					N/A	\$261,168	(4,693)	\$261,168	\$4,693
TOTAL FINANCIAL ASSISTANCE					\$539,456	\$588,663	\$39,222	\$567,388	\$27,333

Source Codes: I=Indirect Funding		* Selected for testing	
Footnotes:		Identification of 50% Rule:	
a) Total amount of commodities received from Department of Agriculture	19,648	Total expenditures:	\$567,388
b) Beginning inventory at July 1	4,693	Less state expenditures:	14,629
c) Total amount of commodities used	19,648	Total federal expenditures:	552,759
d) Ending inventory at June 30	4,693	Programs selected for testing:	
		ECIA Chapter I (84.010):	\$160,690
		Title II Improving Teacher Quality	58,265
		National School Lunch: Hi/Low	156,508
		Federal Summer Food	6,921
		Severe Need Breakfast	63,463
		USDA Donated Commodities	19,648
		Total:	\$465,494
			84.21%

RICHARD G. HAWK, CPA

4122 Steeple Chase Drive
Myrtle Beach, SC 29588

Phone 843-251-6629
Fax 843-432-3168

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, 2017. 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 18, 2017.

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 18, 2017