

UNION SCHOOL DISTRICT

**FINANCIAL REPORT WITH
SUPPLEMENTAL INFORMATION**

June 30, 2019

UNION SCHOOL DISTRICT
Table of Contents
June 30, 2019

Independent Auditor's Report	2-4
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 Position - Fiduciary Fund	25
Notes to the Financial Statements	26-46
Required Supplemental Information:	
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	47
Schedule of the District's Proportionate Share of the Net Pension Liability	48
Schedule of the District's Pension Contributions	48
Notes to the Required Pension Supplementary Information	48
Schedule of the District's Proportionate Share of the Net OPEB Liability	49
Schedule of the District's OPEB Contributions	49
Notes to the Required OPEB Supplementary Information	49
Other Supplemental Information:	
Statement of Changes in Net Position - Fiduciary Fund	50
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Activity Fund	51
Schedule of General Fund Revenues	52
Required Communications	53-54

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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, 2019, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes 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, 2019, 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 the other required supplementary information as listed in the table of contents 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 my inquiries, the basic financial statements, and other knowledge I obtained during my 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.

Other Matters – other supplemental information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The *Statement of Changes in Net Position – Fiduciary Funds, Schedule of Revenues, Expenditures and Changes in Fund Balance – Activity Funds*, and the *Schedule of General Fund Revenues* are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information

directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated October 25, 2019, on my consideration of the Union School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Union School District's internal control over financial reporting and compliance.



Richard G. Hawk
Certified Public Accountant
October 25, 2019

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
Required Supplementary Information (RSI)
June 30, 2019

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, 2019. 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 55 professional staff and 55 classified staff.

The Union School District consists of one Kindergarten through second grade elementary school, one third 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 2018-2019 were \$11,441,797. This exceeded budgeted revenues by \$601,106. General fund actual revenues exceeded general fund actual expenditures by \$219,327 for the year ended June 30, 2019. A transfer to the cafeteria fund of \$103,899 and payment of bond principal of \$302,320 and interest of \$35,485, resulted in revenues under expenditures of \$222,377.

Overall expenditures for the 2018-2019 fiscal year were \$11,664,174 which was \$802,264 less than 2018-2019 budgeted expenditures of \$12,466,938.

General fund balance on June 30, 2018 was \$7,057,380. With the net reduction in 2018-2019 of \$222,377, the District's general fund balance decreased to \$6,835,003. The 2018-2019 deficit of \$222,377 was \$1,403,870 under the budgeted deficit of \$1,626,247. Of the \$6,835,003 fund balance, \$32,000 is non-spendable, \$4,062,194 is committed and the remaining unassigned fund balance at June 30, 2019 is \$2,740,809.

The District's entity wide fund balance, which includes the general fund and the capital reserve fund on June 30, 2018, was \$7,279,866. With the net deficit in 2018-2019 of \$375,749, the District's entity wide fund balance decreased to \$6,904,117.

During the 2018-2019 school year, the District suffered severe water damage at the Union High School due to a water pipe which burst because of frigid temperatures. Replacement of the gym floor, bleachers, ceiling tiles, stage curtain, and ancillaries all resulted from the damages. Other repairs included numerous heating units and trophies. The insurance claim was \$674,129 as of June 30, 2019. The total District expenditures for the water damage was \$42,189, with the reimbursement from the insurance company of \$39,689. The District was responsible for the deductible of \$2,500. The claim will remain open into the 2019-2020 school year until project completion.

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

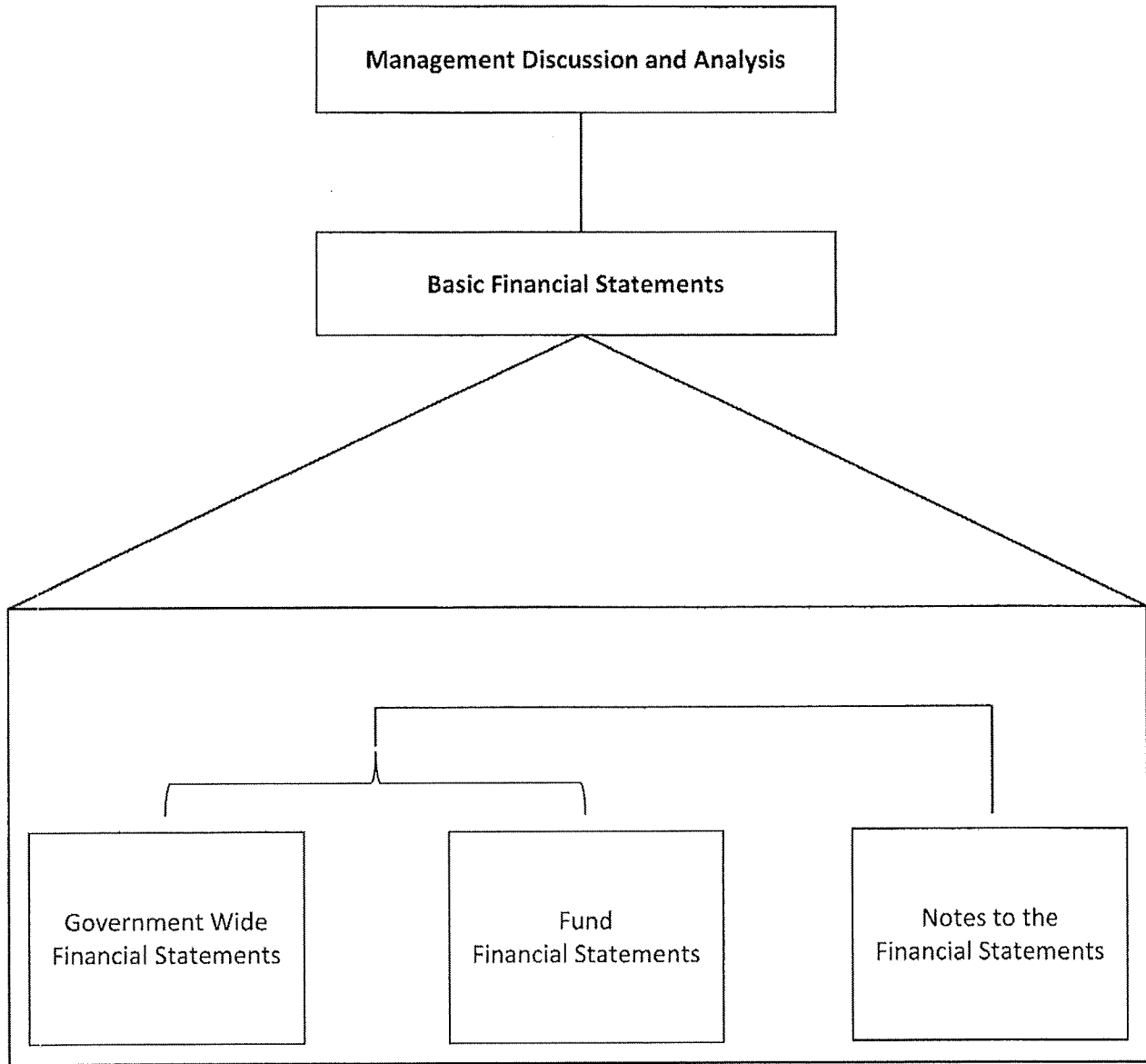


Chart A-2 summarizes the major features of the District’s financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of management discussion and analysis explains the structure and contents of each of the statements.

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 \$13,084,133 at June 30, 2017 and \$12,478,437 at June 30, 2018.

**TABLE A-1 ASSETS
FISCAL YEAR END JUNE 30, 2018**

	Governmental Activities		Business-Type Activities		Totals	
	2018	2019	2018	2019	2018	2019
ASSETS						
Current and Other Assets	\$8,541,018	8,245,883	\$236,530	265,723	\$8,777,548	8,511,607
Capital Assets	3,717,641	3,593,977	29,936	32,791	3,747,577	3,626,768
TOTAL ASSETS	12,258,659	11,839,860	266,466	298,516	12,525,125	12,138,376
LIABILITIES						
Current and other liabilities	1,375,718	1,484,155	78,138	128,776	1,453,856	1,612,931
Long-term liabilities	20,883,090	22,104,762	0	0	20,883,090	22,104,762
TOTAL LIABILITIES	22,258,808	23,588,917	78,138	128,776	22,336,946	23,717,693
NET POSITION						
Capital assets net of related debt	1,531,371	1,710,027	29,936	32,791	1,561,307	1,742,818
Capital projects	222,486	69,114	0	0	222,486	69,114
Other restrictions	4,400,000	4,062,194	150,554	155,761	4,550,554	4,217,955
Unrestricted	1,180,994	-548,392	7,838	-18,812	1,188,832	-567,204
Reduction for Net Pension Liability	-17,335,000	-17,042,000	0	0	-17,335,000	-17,042,000
TOTAL NET ASSETS	-10,000,149	-11,749,057	188,328	169,740	-9,811,820	-11,579,317
TOTAL NET POSITION	<u>\$12,258,659</u>	<u>\$11,839,860</u>	<u>\$266,466</u>	<u>\$298,516</u>	<u>\$12,525,126</u>	<u>\$12,138,376</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, 2019**

Functions	Programs	Budgeted	Actual
1100	Regular Programs	\$5,307,762	5,142,390
1200	Special Programs	1,346,319	1,353,959
1300	Vocational Programs	325,783	284,444
1400	Other Instructional Programs	21,551	9,997
2100	Pupil Personnel Services	492,928	477,613
2200	Instructional Staff Services	101,617	106,068
2300	Administrative Services	1,060,792	904,948
2400	Pupil Health	139,677	157,623
2500	Business Services	203,380	187,352
2600	Operational & Maintenance	1,526,928	1,393,354
2700	Transportation	537,921	611,681
2800	Central Support	417,548	302,261
2900	Other Support	5,300	4,730
3200	Student Services	367,232	269,533
3300	Community Services	14,305	16,519
4000	Capital Outlay	0	0
5100	Debt Services	337,895	337,805
5200	Internal Transfers	160,000	103,899
5900	Budgetary Reserve	100,000	0
	Total Expenditures	\$12,466,938	\$11,664,174

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

**TABLE A-3 BUSINESS TYPE ACTIVITIES
FISCAL YEAR END JUNE 30, 2019**

Food Services	
Total Cost of Service	\$470,726
Food Service Cash Revenue	120,986
Earnings on Investments	1,155
State Revenues	16,510
Federal Revenues	<u>255,860</u>
Net Cost of Service	(\$76,215)

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, 2019, the District governmental funds reported a combined unreserved fund balance of \$6,835,003. That includes \$4,062,194 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 2018-2019, the District received \$157,782 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, 2018, the District had \$3,593,977 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, 2019**

Land & Site Improvements	\$337,126
Buildings & Improvements	2,953,465
Furniture & Equipment	<u>303,386</u>
TOTAL	\$3,593,977

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

Debt Administration

The District had total outstanding debt principal of \$2,186,270 on a Note, Series of 2016. During the year, the District made payments against principal of \$302,320.

**TABLE A-5
OUTSTANDING DEBT AS OF JUNE 30, 2019**

General Obligation Notes/Bonds:	
Note, Series of 2016	\$1,883,950

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 2019-2020 year is \$458,483 more than the budgeted revenues for 2018-2019. This represents an approximate 4.2% increase. No significant increase in either Local or Federal revenue is expected. The expenditure budget for the 2019-2020 year is \$157,994 less than the budgeted

expenditures for 2018-2019, a decrease of approximately 1.3%. The District did not increase any tax rates for the 2018-2019 year.

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

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

<u>Revenues</u>	<u>2017-2018</u>	<u>2018-2019</u>
Local	21%	23%
State	77%	74%
Federal	2%	3%
Other	0%	0%
TOTAL	100%	100%

<u>Expenditures</u>	<u>2017-2018</u>	<u>2018-2019</u>
Instruction	59%	60%
Support Services	35%	36%
Non-Instruction/Community	2%	3%
Facilities & Construction	0%	0%
Fund Transfer/Debt	4%	1%
TOTAL	100%	100%

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

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

Union School District
Statement of Net Assets: Entity Wide
June 30, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$390,709	\$31,621	\$422,329
Investments	\$7,551,312	221,125	7,772,437
Taxes Receivable, net	\$179,559		179,559
Due From Other Governments (incl. 0141-0145)	\$92,303		92,303
Inventories	32,000	12,979	44,979
Total Current Assets	8,245,883	265,723	8,511,607
Noncurrent Assets:			
Land and Site Improvements (net)	337,126		337,126
Building & Improvements (net of Acc Depreciation)	2,953,465		2,953,465
Furniture & Equipment (net Acc Depreciation)	303,386	32,791	336,177
Total Noncurrent Assets	3,593,977	32,791	3,626,768
TOTAL ASSETS	\$11,839,860	\$298,516	\$12,138,376
LIABILITIES			
Current Liabilities:			
Due to General Fund		\$78,138	\$78,138
Accounts Payable	4,450		4,450
ST Portion of Compensated Absences	6,878		6,878
Current Portion of LT Debt	315,070		315,070
Other Current Liabilities	1,157,757	50,638	1,208,395
Total Current Liabilities	1,484,155	128,776	1,612,931
Noncurrent Liabilities:			
Note Payable	1,568,880		1,568,880
LT Portion of Compensated Absences	61,897		61,897
Other Postemployment Benefits (OPEB)	3,431,985		3,431,985
Net Pension Liability - GASB 68	17,042,000		17,042,000
Total Noncurrent Liabilities	22,104,762	0	22,104,762
TOTAL LIABILITIES	23,588,917	128,776	23,717,693
NET ASSETS			
Invested in Capital Assets Net of Related Debt	1,710,027	32,791	1,742,818
Capital Projects	69,114		69,114
Unreserved - designated	4,062,194	155,761	4,217,955
Unrestricted (deficit)	-548,392	-18,812	-567,204
Reduction for Net Pension Liability - GASB 68	-17,042,000		-17,042,000
TOTAL NET ASSETS	-11,749,057	169,740	-11,579,317
TOTAL LIABILITIES AND NET ASSETS	11,839,860	298,516	12,138,376

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

Union School District
Statement of Activities
For the Year Ended June 30, 2019

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Operating Charges for Services	Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:						
Depreciation - unallocated	\$277,876			-\$277,876		-\$277,876
Instruction	6,790,790		5,647,228	-1,143,562		-1,143,562
Instructional Student Support	583,681		485,389	-98,291		-98,291
Administrative & Financial Support Services	1,556,914		1,294,731	-262,183		-262,183
Operation & Maintenance of Plant Services	1,393,354		1,158,714	-234,639		-234,639
Pupil Transportation	611,681		429,420	-182,261		-182,261
Food Service (Governmental Activity)						
Student Activities	269,533	15,351		-254,182		-254,182
Community Services	16,519		15,679	-840		-840
Scholarships and Awards						
Interest expense on Long-Term Debt	35,485			-35,485		-35,485
Total Governmental Activities	11,535,832	15,351	9,031,162	-2,489,318		-2,489,318
Business-type activities:						
Food Service	470,726	120,986	272,370		-77,370	-77,370
Child Care						
Other Enterprise Funds	3,086		2,334		-752	
Total Business-Type Activities	470,726	120,986	272,370		-78,122	-77,370
TOTAL PRIMARY GOVERNMENT	12,006,558	136,337	9,303,532	-2,489,318	-78,122	-2,566,688
General revenues:						
Property taxes levied for general purposes, net				\$2,268,119		\$2,268,119
Investment Earnings				123,004	7,114	135,119
Special item-Change in: Taxes Rec - Comp Abs -OPEB				-1,586,814	-51,478	-1,638,292
Reduction in Net Pension Liability				35,000		35,000
Transfers between Governmental, BT Activities				-103,899	103,899	0
Total General Revenues, Special Items, and Transfers				740,411	59,535	799,946
CHANGES IN NET ASSETS				-1,748,908	-18,587	-1,767,493
Net Assets, Beginning				-10,000,149	188,328	-9,811,821
NET ASSETS - END OF FISCAL YEAR				(\$11,749,057)	\$169,741	(\$11,579,314)

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

**UNION SCHOOL DISTRICT
COMBINED BALANCE SHEET- GOVERNMENT FUNDS
JUNE 30, 2019**

	GENERAL	CAPITAL PROJECTS	TOTAL GOVERNME FUNDS
ASSETS			
Cash	\$321,595	\$69,114	\$390,709
Investments (at cost)	7,551,312		7,551,312
Taxes receivable	179,559		179,559
Due from other gov't units	92,303		92,303
Inventory of materials and supplies	32,000		32,000
TOTAL ASSETS	<u><u>\$8,176,769</u></u>	<u><u>\$69,114</u></u>	<u><u>\$8,245,883</u></u>
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$4,450		\$4,450
Other current liabilities	1,157,757		1,157,757
Deferred revenues	179,559		179,559
TOTAL LIABILITIES	<u><u>\$1,341,766</u></u>	<u><u>\$0</u></u>	<u><u>\$1,341,766</u></u>
 FUND BALANCES			
Non-spendable	32,000		\$32,000
Restricted	0		0
Committed	4,062,194		4,062,194
Assigned	0	69,114	69,114
Unassigned	2,740,809		2,740,809
TOTAL FUND BALANCES	<u><u>6,835,003</u></u>	<u><u>69,114</u></u>	<u><u>6,904,117</u></u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$8,176,769</u></u>	<u><u>\$69,114</u></u>	<u><u>\$8,245,883</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, 2019

Total Fund Balances - Governmental Funds **\$6,904,117**

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	\$11,636,382	
	Accumulated Depreciation	<u>-8,042,405</u>	3,593,977

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. 179,559

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	-1,883,950
	Compensated absences	-68,775
	Other Postemployment benefits	-3,431,985
	Net Pension Liability - GASB 68	-17,042,000

Total Net Assets - Governmental Activities **-\$11,749,057**

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, 2019**

	GENERAL FUND	CAPITAL PROJECTS FUND	TOTAL
Revenues			
Local Sources	\$ 2,656,854	\$ 840	\$2,657,694
State Sources	\$ 8,488,451		\$8,488,451
Federal Sources	\$ 296,492		\$296,492
	\$11,441,797	\$ 840	\$11,442,637
Expenditures			
Instruction	\$6,790,790		\$6,790,790
Support Services	4,145,629		4,145,629
Non-Instructional Services	286,052		286,051
Facilities Acquisition	0	154,212	154,212
	\$11,222,470	\$154,212	\$11,376,682
Excess of Revenues Over (Under) Expenditures	\$219,327	(\$153,372)	\$65,955
Other Financing Sources (Uses)			
Payment of bond principal	\$302,320		\$302,320
Interest Expense	35,485		35,485
Operating Transfers			
From General Fund to Cafeteria	103,899		103,899
From General Fund to Capital Projects Fu	0	0	-
	(\$441,704)	\$0	(\$441,704)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(\$222,377)	(\$153,372)	(\$375,749)
Fund Balance, Beginning of Year	\$7,057,380	\$222,486	\$7,279,866
Fund Balance, End of Year	\$6,835,003	\$69,114	\$6,904,117

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, 2019

Total net change in fund balances - governmental funds		-\$375,749
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
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.	(123,664)	
Net decrease in Taxes Receivable recorded as reserve against fund balance	(15,493)	
Net decrease in Compensated Absences recorded as reserve against fund balance	4,200	
Net increase in Other Postemployment Benefits not due and payable in current period and therefore not reported as a liability in government funds	(1,833,522)	
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	302,320	
Current and prior period adjustment to net pension liability	293,000	
Change in net assets of governmental activities		<u><u>-\$1,748,908</u></u>

Union School District
Proprietary Fund (Food Service)
Statement of Net Assets
June 30, 2019

ASSETS

Current Assets:

Cash and Cash Equivalents	\$	-
Investments		67,724
Inventories		12,979
Other Current Assets		
Total Current Assets	\$	80,703

Noncurrent Assets:

Furniture & Equipment (net)	\$	32,791
Total Noncurrent Assets	\$	32,791

TOTAL ASSETS	\$	113,494
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LIABILITIES

Current Liabilities:

Bank Overdraft	\$	21,376
Accounts Payable		78,138
Other Current Liabilities		
Total Current Liabilities	\$	99,514

TOTAL LIABILITIES	\$	99,514
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NET ASSETS

Invested in Capital Assets Net of Related Debt	\$	32,791
Unrestricted		(18,812)

TOTAL NET ASSETS	\$	13,980
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TOTAL LIABILITIES AND NET ASSETS	\$	113,494
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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, 2019

Operating Revenue	
Lunch and Milk Sales	\$120,986
State Subsidies	16,510
Federal Subsidies	<u>255,860</u>
Total Operating Revenues	<u>393,357</u>
Operating Expense	
Personal Services	301,459
Supplies	164,285
Depreciation	4,982
Total Operating Expenses	<u>470,726</u>
Operating Income (Loss)	<u>-77,370</u>
Nonoperating Revenue	
Investment Income	1,155
Operating Transfers In (Out)	<u>103,899</u>
Net Income (loss)	<u>27,684</u>
Net Assets, Beginning of Year	<u>-13,704</u>
Net Assets, End of Year	<u><u>\$13,980</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, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash Received From Food Sales	\$	393,357
Cash Paid for Labor and Benefits		(301,459)
Cash Paid for Purchases		(158,287)
NET CASH USED BY OPERATING ACTIVITIES	\$	(66,390)

CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES

Operating Transfers In (Out)		103,899
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES		103,899

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of capital assets		(7,838)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES		(7,838)

CASH FLOWS FROM INVESTING ACTIVITIES

Earnings on investments		1,155
NET CASH PROVIDED BY INVESTING ACTIVITIES		1,155

NET INCREASE IN CASH AND CASH EQUIVALENTS		30,826
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		15,521
CASH AND CASH EQUIVALENTS AT END OF YEAR		\$46,347

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

Operating Income (loss)	\$	(77,370)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation Expense		4,982
(Increase) Decrease in inventory		5,998
Total adjustments		10,980
NET CASH USED BY OPERATING ACTIVITIES	\$	(66,390)

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

**Union School District
Fiduciary Funds
Statement of Net Position
June 30, 2019**

ASSETS

Cash and Cash Equivalents	\$52,997
Investments	<u>153,402</u>

TOTAL ASSETS

\$206,399

LIABILITIES

Other Current Liabilities	<u>\$50,638</u>
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TOTAL LIABILITIES

\$50,638

NET ASSETS

Restricted	\$155,761
Unrestricted	<u> </u>

TOTAL NET ASSETS

\$155,761

TOTAL LIABILITIES AND NET ASSETS

\$206,399

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

UNION SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2019

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, 2019, consist of the following:

Purchased Food and Supplies	\$ 8,286
Donated Commodities	<u>4,693</u>
	<u>\$ 12,979</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 2018-19 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	\$ ---	\$ ---	\$390,709
<u>PROPRIETARY FUND – FOOD SERVICE:</u>			
Checking, Savings and Money Market Accounts	\$ ---	\$ ---	(21,376)

Investments consist of savings and money market accounts as follows:

<u>GENERAL FUND:</u>	
PA Local Government Investment Trust	\$2,088,095
Farmers Bank	2,598,923
Clarion County Community Bank	2,430,817
Northwest Savings Bank	433,477
	<u>\$7,551,312</u>
<u>PROPRIETARY FUND – FOOD SERVICE:</u>	
PA Local Government Investment Trust	<u>\$ 67,723</u>
<u>TRUST AND AGENCY FUNDS (Scholarship):</u>	
Northwest Savings Bank	\$ 2,359
Edward Jones	153,402
	<u>\$ 155,761</u>
Total	<u>\$7,774,796</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, 2019, is \$2,088,095.

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, 2019, the following amounts were due from other governmental units:

<u>Due From</u>	<u>General Fund</u>
Other local education agencies	\$ 48,413
State government	0
Federal government	<u>43,890</u>
	<u>\$ 92,303</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	\$1,326,694	(989,568)	\$ 337,126
Buildings and Improvements	\$7,650,418	(4,696,953)	\$2,953,465
Furniture and Equipment	\$2,659,270	(2,355,885)	\$ 303,386
	<u>\$11,636,382</u>	<u>\$(8,042,406)</u>	<u>\$3,593,976</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>\$ 270,641</u>	<u>\$(237,850)</u>	<u>\$32,791</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 \$179,559 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 June 30,	Principal	Annual Debt Service
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>\$1,883,950</u>	<u>\$1,981,313.50</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, 2019 was 32.60% 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 \$1,638,014 for the year ended June 30, 2019.

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

At June 30, 2019, the District reported a liability of \$17,042,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017 to June 30, 2018. 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, 2019, the District's proportion was .00355 percent, which was an increase of 0.00004 from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the District recognized pension expense of \$1,506,000. At June 30, 2019, 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	\$ 137	\$ 264
Changes of assumptions	318	0
Net difference between projected and actual investment earnings	84	0
Changes in proportions	140	156
Difference between employer contributions and proportionate share of total contributions	0	0
Contributions subsequent to the measurement date	0	0
	<u>\$ 678</u>	<u>\$ 420</u>

\$309,000 as reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. 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:	
2019	\$ 309,000
2020	\$ 192,000
2021	\$ (178,000)
<u>2022</u>	<u>(65,000)</u>
TOTAL	<u>\$ 258,000</u>

Actuarial Assumptions

The total pension liability as of June 30, 2018 was determined by rolling forward the System's total pension liability as of June 30, 2017 to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 7.25%, includes inflation at 2.75%
- Salary growth – Effective average of 5%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were based on the RP-2014 Mortality rates 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, 2017 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2015. 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	20.0%	5.2%
Fixed Income	36.0%	2.2%
Commodities	8.0%	3.2%
Absolute return	10.0%	3.5%
Risk parity	10.0%	3.9%
Infrastructure/MLPs	8.0%	5.2%
Real estate	10.0%	4.2%
Alternative investments	15.0%	6.7%
Cash	3.0%	0.4%
Financing (LIBOR)	(20.0%)	0.9%
	<u>100.0%</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, 2018.

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 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% <u>Decrease</u>	Current Discount <u>Rate</u>	1% <u>Increase</u>
District's proportionate share of the net pension liability	\$ 21,125,000	\$ 17,042,000	\$ 13,590,000

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.pfers.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, 2019 is \$68,775.

H. - Other Postemployment Benefits

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Public School 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 are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Health Insurance Premium Assistance Program

Health Insurance Premium Assistance Program

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school

employer or the PSERS' Health Options Program. As of June 30, 2017 there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

Retirees of the System can participate in the Premium Assistance program if they satisfy the following criteria:

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

Benefits provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2018 there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions:

The school districts' contractually required contribution rate for the fiscal year ended June 30, 2019 was 0.83% 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 OPEB plan from the District were \$109,496 for the year ended June 30, 2019.

2. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, the District reported a liability of \$3,431,985 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2017 to June 30, 2018. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2019, the District's proportion was 0.0355 percent, which was an increase of 0.0004 from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the District recognized OPEB expense of \$288,552. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred outflows</u>	<u>Deferred inflows</u>
Difference between expected and actual experience	\$ 5	\$ -0-
Changes in assumptions	12	\$ 28
Net difference between projected and actual investment earnings	1	\$ -0-
Changes in proportion	7	\$ 6
Difference between employer contributions and proportionate share of total contributions	-0-	-0-
Contributions subsequent to the measurement date	<u>-0-</u>	<u>-0-</u>
	<u>\$ 25</u>	<u>\$ 34</u>

\$3,000 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2019	\$(3,000)
2020	(3,000)
2021	(3,000)
2022	(3,000)
2023	(3,000)
Thereafter	<u>4,000</u>
Total	<u>\$(9,000)</u>

3. Actuarial Assumptions

The Total OPEB Liability as of June 30, 2018, was determined by rolling forward the System's Total OPEB Liability as of June 30, 2017 to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return – 2.98% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.

- Mortality rates were based on 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.

- Participation rate:
- Eligible retirees will elect to participate Pre age 65 at 50%
- Eligible retirees will elect to participate Post age 65 at 70%

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2015

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2016 determined the employer contribution rate for fiscal year 2018.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

Investments consist primarily of short term assets designed to protect the principal of the plan assets. The expected rate of return on OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class. The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

OPEB- Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.9%	0.03%
US Core Fixed Income	92.8%	1.2%
Non-US Developed Fund	1.3%	0.4%
	<u>100.0%</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, 2018.

Discount rate

The discount rate used to measure the Total OPEB Liability was 2.98%. Under the plan’s funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan’s fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a “pay-as-you-go” plan. A discount rate of 2.98% which represents the S&P 20 year Municipal Bond Rate at June 30, 2018, was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of the System Net OPEB Liability to Change in Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2018, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2017, 93,380 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2016, 1,354 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the System net OPEB liability for June 30, 2018, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

Dollar amounts in thousands:

	1% Decrease	Current Trend Rate	1% Increase
System net OPEB liability	\$842	\$740	\$656

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

The following presents the net OPEB liability, calculated using the discount rate of 2.98%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.98%) or 1-percentage-point higher (3.98%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	1.98%	2.98%	3.98%
District's proportionate share of the net OPEB liability	\$740	\$740	\$740

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.

NOTE I – OTHER POST-EMPLOYMENT BENEFITS PLAN – DISTRICT PLAN (OPEB)

Plan Description

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

Benefits Provided

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

Plan Membership

As of July 1, 2018, plan membership consisted of the following:

Inactive members currently receiving benefits	9
Inactive members entitled to but not yet receiving benefits	0
Active members	64
Total	<u>73</u>

Total OPEB Liability

As of July 1, 2018

Actuarial Present Value of Future Benefits	
Retired – Employees	\$ 174,843
Retired – Spouses/Dependents	0
Actives – Employees	5,732,371
Actives – Spouses/Dependents	<u>0</u>
Total	\$ 5,907,214
Total OPEB liability	
Retired – Employees	\$ 174,843
Retired – Spouses/Dependents	0
Actives – Employees	3,078,086
Actives – Spouses/Dependents	<u>0</u>
Total	\$ 3,252,929

The Total OPEB Liability of the District at June 30, 2019 is projected to be \$3,431,985.

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

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability, calculated using the current healthcare cost trend rate of 6.5% decreasing to 5.0%, as well as the total OPEB liability calculated using a healthcare cost trend rate that is 1-percentage point lower (5.5% to 4.0%) or 1-percentage point higher (7.5% to 6.0%) than the current rate:

	1% Decrease 5.5% decreasing to 4.0%	Current Healthcare Cost Trend Rate 6.5% decreasing to 5.0%	1% Increase 7.5% decreasing to 6.0%
Total OPEB Liability	\$2,938,870	\$3,431,985	\$4,022,024

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability, calculated using the current discount rate of 3.87%, as well as the total OPEB liability calculated using a discount rate that is 1-percentage point lower (2.87%) or 1-percentage point higher (4.87%) than the current rate:

	1% Decrease 2.87%	Current Discount Rate 3.87%	1% Increase 4.87%
Total OPEB Liability	\$3,700,664	\$3,431,985	\$3,138,134

Schedule of Changes in Total OPEB Liability

	Fiscal Year Ending June 30, 2019
Total OPEB Liability - Beginning of Year	\$3,252,929
Service Cost	158,643
Interest	129,909
Changes of Benefit Terms	0
Difference between Expected and Actual Experience*	0
Changes of Assumptions	0
Benefit Payments*	<u>(109,496)</u>
Net Change in Total OPEB Liability	179,056
Total OPEB Liability - End of Year	3,431,985
Covered-Employee Payroll	3,800,291
Total OPEB Liability as a Percentage of the Covered-Employee Payroll	90.31%

OPEB Expense

Fiscal Year ending
June 30, 2019

Service Cost	\$158,643
Interest on Total OPEB Liability	129,909
Effect of Plan Changes	0
Administrative Expenses	0
Economic/Demographic (Gains)/Losses*	0
Assumption Changes	0
OPEB Expense	<u>\$288,552</u>

Expected Remaining Service Lives

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

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

Deferred Inflows and Outflows of Resources

Under GASB 75, gains and losses which are amortized over future years are referred to as deferred inflows or gains, and deferred outflows or losses. Economic and demographic gains and losses and changes in the total OPEB liability due to changes in assumptions are recognized over a closed period equal to the average expected remaining service lives of all covered active and inactive members, determined as of the beginning of the measurement period.

J. Risk Management

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

REQUIRED SUPPLEMENTAL INFORMATION

UNION SCHOOL DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2019

	--BUDGETED AMOUNTS--		ACTUAL	VARIANCE-
	ORIGINAL	FINAL		FAVORABLE UNFAVORABLE
REVENUES:				
Local sources	\$2,301,873	2,301,873	\$2,656,854	\$354,981
State sources	\$8,315,318	8,315,318	\$8,488,451	173,133
Federal sources	\$223,500	223,500	\$296,492	72,992
TOTAL REVENUES	10,840,691	10,840,691	11,441,797	601,106
EXPENDITURES:				
Instruction - regular	5,307,762	5,307,762	5,142,390	165,372
Special programs	1,346,319	1,346,319	1,353,959	-7,640
Vocational educational	325,783	325,783	284,444	41,339
Other instructional programs	21,551	21,551	9,997	11,554
Pupil personnel	492,928	492,928	477,613	15,315
Instructional staff	101,617	101,617	106,068	-4,451
Administration	1,060,792	1,060,792	904,948	155,844
Pupil health	139,677	139,677	157,623	-17,946
Business	203,380	203,380	187,352	16,028
Operation & maintenance of plant	1,526,928	1,526,928	1,393,354	133,574
Student transportation	537,921	537,921	611,681	-73,760
Central	417,548	417,548	302,261	115,287
Other Support Services	5,300	5,300	4,730	570
Student activities	367,232	367,232	269,533	97,699
Community services	14,305	14,305	16,519	-2,214
Facilities Acquisition, Construction, Improvem	0	0	0	0
TOTAL EXPENDITURES	11,869,043	11,869,043	11,222,470	646,573
EXCESS REVENUES OVER EXPENDITURES	-1,028,352	-1,028,352	219,327	1,247,679
OTHER FINANCING SOURCES (USES):				
Bond Principal	-302,320	-302,320	-302,320	0
Bond Interest	-35,575	-35,575	-35,485	90
Refund of Prior Year Receipts	0	0	0	0
Transfers to Cafeteria Fund	-160,000	-160,000	-103,899	56,101
Budgetary Reserve	-100,000	-100,000	0	100,000
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES (USES)	12,466,938	12,466,938	11,664,174	802,764
EXCESS REVENUES & OTHER SOURCES O (UNDER) EXPENDITURES AND OTHER USES	-\$1,626,247	-\$1,626,247	-\$222,377	\$1,403,870
FUND BALANCE, BEGINNING OF YEAR	\$7,057,380	\$7,057,380	\$7,057,380	\$0
FUND BALANCE, END OF YEAR	\$5,431,133	\$5,431,133	\$6,835,003	\$1,403,870

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

Union School District
Required Supplemental Information
For The Year Ended June 30, 2019

Schedule of the District's Proportionate Share of the Net Pension Liability:

	Plan Year 6/30/2018	Plan Year 6/30/2017	Plan Year 6/30/2016	Plan Year 6/30/2015	Plan Year 6/30/2014
Proportion of net pension liability (%)	0.00355	0.00351	0.00355	0.0037	0.0039
Proportionate share of net pension liability	\$1,506,000	\$1,343,000	\$1,129,000	\$917,000	\$908,000
Covered Employee payroll	\$4,783,249	\$4,672,907	\$4,592,652	\$4,583,890	\$4,564,762
Proportionate share of net pension liability as a percentage of its covered payroll	31%	29%	25%	20%	20%
Plan fiduciary net position as a percentage of total pension liability	54.00%	51.84%	50.14%	54.35%	55.20%

Schedule of the District's Pension Contributions:

	Plan Year 6/30/2018	Plan Year 6/30/2017	Plan Year 6/30/2016	Plan Year 6/30/2015	Plan Year 6/30/2014
Statutorily required pension contributions	\$1,638,014	\$1,790,000	\$1,784,000	\$1,602,963	\$1,621,794
Pension contributions in relation to statutorily required contributions	\$1,638,014	\$1,790,000	\$1,784,000	\$1,602,963	\$1,621,794
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee payroll	\$4,783,249	\$4,672,907	\$4,592,652	\$4,583,890	\$4,564,762
Pension Contributions as a percentage of covered employee payroll	34.24%	38.31%	38.84%	34.97%	35.53%

Notes to the Required Supplementary Information:

Changes of benefit terms: There were no changes of benefit terms

Changes of assumptions: There were no changes of benefit assumptions

**Union School District
Required Supplemental Information
For The Year Ended June 30, 2019**

Schedule of the District's Proportionate Share of the Net OPEB Liability:

	Plan Year 6/30/2018	Plan Year 6/30/2017
Proportion of net OPEB liability (%)	0.00355	0.00351
Proportionate share of net OPEB liability	\$740,000	\$715,000
Covered Employee payroll	\$4,783,249	\$4,672,907
Proportionate share of net OPEB liability as a percentage of its covered payroll	15.47%	15.30%
Plan fiduciary net position as a percentage of total OPEB liability	5.56%	5.73%

Schedule of the District's OPEB Contributions:

	Plan Year 6/30/2018	Plan Year 6/30/2017
Statutorily required OPEB contributions	\$288,552	\$297,982
OPEB contributions in relation to statutorily required contributions	\$0	\$0
Contribution deficiency (excess)	<u>\$ 288,552</u>	<u>\$ 297,982</u>
Covered Employee payroll	\$4,783,249	\$4,672,907
OPEB Contributions as a percentage of covered employee payroll	0.00%	0.00%

Notes to the Required Supplementary Information:

Changes of benefit terms: There were no changes of benefit terms

Changes of assumptions: There were no changes of benefit assumptions

OTHER SUPPLEMENTAL INFORMATION

Union School District
Fiduciary Funds
Schedule of Changes in Net Position
June 30, 2019

ADDITIONS	
Gifts and Contributions	\$2,334
Investment Income	5,959
TOTAL ADDITIONS	<u>\$8,293</u>
DEDUCTIONS	
Scholarships Awarded	-\$3,086
Administrative Expense	0
TOTAL DEDUCTIONS	<u>-\$3,086</u>
CHANGE IN NET POSITION	<u>\$5,207</u>
Net Assets - Beginning of Fiscal Year	<u>\$150,554</u>
NET POSITION - END OF FISCAL YEAR	<u><u>\$155,761</u></u>

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

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - ACTIVITY FUND
YEAR ENDED JUNE 30, 2019**

	FUND BALANCE 7/1/2018	REVENUE	EXPENDITURES	FUND BALANCE 6/30/2019
Art Club	\$ 510	\$ 2,214	\$ 2,387	\$ 337
Cheerleaders	644	3,581	3,228	997
<i>Cheerleading Club Savings</i>	150	-	-	150
Class of 2019	1,318	-	1,318	0
Class of 2020	798	1,630	973	1,454
Class of 2021	647	75	-	722
Class of 2022	587	-	-	587
Class of 2023	-	876	275	601
Diamond Club	1,509	2,407	2,419	1,497
Elementary Activities	2,840	3,398	3,442	2,795
Golden Historical Society	16	-	-	16
Gridrion Letterman	3,105	11,408	13,272	1,241
Language Club	1,350	1,351	1,219	1,481
<i>Language Club Savings</i>	150	-	-	150
Music Club	1,238	-	-	1,238
<i>Music Club Savings</i>	500	-	-	500
National Honor Society	773	-	259	514
Outdoor Club	1,332	873	807	1,398
Physics Club	5,180	250	4,653	777
Prom	4,175	9,313	10,958	2,529
Roundball Boys	229	7,312	5,580	1,961
Roundball Girls	435	3,237	2,918	754
Sports Club	2,219	124	76	2,267
Softball/Girls	981	1,862	1,440	1,402
Student Benefit	3,889	10,240	4,711	9,418
<i>Student Benefit Savings</i>	411	580	-	991
Student Council	1,197	2,243	1,174	2,266
<i>Student Council Savings</i>	162	-	-	162
Staff & Faculty Scholarship	-	1,284	1,284	-
Travel club	3,668	50,215	50,421	3,463
Volleyball	3,001	12,567	14,144	1,424
Yearbook Club	6,769	4,100	5,022	5,847
<i>Yearbook Club Savings</i>	1,696	-	-	1,696
TOTAL	\$ 51,480	\$ 131,139	\$ 131,981	\$ 50,638

UNION SCHOOL DISTRICT
 SCHEDULE OF GENERAL FUND REVENUES
 JUNE 30, 2019

REVENUE FROM LOCAL SOURCES:

Current Real Estate Taxes	\$1,451,580
Public Utility Realty Tax	2,303
Payments in Lieu of Taxes	4,804
Current Per Capita Taxes, Sec. 679	8,851
Current Per Capita Taxes, Act 511	8,851
Emergency and Municipal Service Tax	7,478
Earned Income Tax	336,365
Occupation Tax	84,937
Real Estate Transfer Tax	19,436
Delinquent Taxes	202,693
Interest on Investments	127,164
Revenue from Student Activities	15,351
Fees Driver Ed and Other Activities	0
Revenue from Local Government	0
State Revenue Intermediate Source	0
Local Vo-Ed from State	41,949
Federal Revenue Intermediate Source	200,131
Other Local Government	0
Facilities Rental	15,679
Electric Curtailment	0
Contributions and Donations from Private Sources	0
Renaissance Program	0
Tuition for Education	35,644
Receipts from other LEAs	0
Chromebook Insurance	0
Miscellaneous Revenue	89,539
Refund from prior year	4,099
TOTAL LOCAL REVENUE	<u>\$2,656,854</u>

REVENUE FROM STATE SOURCES:

Basic instructional subsidy	\$5,704,265
State Block Grant	0
Driver education	105
Special Education	589,397
Medical Assistance Program	0
Transportation	429,420
Rentals and sinking fund payments	0
Health Services Subsidy	10,098
Property Tax Rebate	140,822
School Safety Grant	25,000
Ready to Lean Grant	157,782
PA Accountability Grant	0
Social Security	266,837
Retirement Reimbursement	1,164,726
TOTAL STATE REVENUE	<u>\$8,488,451</u>

REVENUE FROM FEDERAL SOURCES:

Title I Improving Basic Programs	\$181,451
Title II Improving Teacher Quality	26,844
Title IV Student Support and Academic Enrichment	12,253
ACCESS	74,358
ACCESS Administrative	1,586
TOTAL FEDERAL REVENUE	<u>296,492</u>

TOTAL REVENUES	<u><u>\$11,441,797</u></u>
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RICHARD G. HAWK, CPA

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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, 2019. 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 25, 2019.

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 25, 2019