

**West Branch Area School District**

Financial Statements and  
Supplementary Information

June 30, 2016



Candor. Insight. Results.

# West Branch Area School District

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June 30, 2016

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# West Branch Area School District

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## Independent Auditors' Report

Board of Directors  
West Branch Area School District

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of West Branch Area School District (the "District"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's 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.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the District as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows 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 ("MD&A") on pages 4 through 15, the Schedule of Funding Progress on page 50, the Schedule of the District's Proportionate Share of the Net Pension Liability on page 51 and the Schedule of District's Contributions on page 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information on pages 53 through 54 is presented for purposes of additional analysis and is not a required part of the basic financial statements. In addition, the Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is also not a required part of the basic financial statements. The supplementary information on pages 53 through 54 and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information on pages 53 through 54 and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Baker Tilly Viechow Krause, LLP*

State College, Pennsylvania  
December 21, 2016



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Michelle Dutrow, Superintendent

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## MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

### JUNE 30, 2016

The discussion and analysis of the financial performance of West Branch Area School District (the "District") provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion is to review the financial statements and accompanying notes to the 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.

#### FINANCIAL HIGHLIGHTS

Total net position (deficit) of the District at the close of the most recent fiscal year was \$(8,785,981) (net position (deficit) government-wide). A reserve of the capital projects fund restricted fund balance in the amount of \$76,263 remains from the costs of prior improvements to the District's facilities.

The District's total net position increased by \$1,425,375. Net position of governmental activities increased by \$1,389,110 while net position of the business-type activity increased \$36,265.

As of the close of the fiscal year, the District's governmental funds reported a combined ending fund balance of \$6,742,515, an increase of \$879,914 from the prior year. \$6,666,252 of this amount is available for spending at the District's discretion (General Fund Balance) while \$76,263 of this amount must be used for capital projects in accordance with section 1432 of the municipal code. The District has committed \$1,877,910 of the General Fund Balance for use for the future costs of contributions to the Public School Employees' Retirement System ("PSERS"). The District has assigned \$314,385 for athletics, band uniforms and future dental insurance costs.

At the end of the fiscal year, the unassigned fund balance for the general fund was \$4,473,957 or 28.3% of the 2015-2016 total budgeted general fund expenditures.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management discussion and analysis (this section), the basic financial statements, and the required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

The first two statements are government-wide financial statements, the Statement of Net Position (Deficit) and the Statement of Activities. These provide both long-term and short-term information about the District's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the District's operations in more detail than the government-wide financial statements. The governmental fund statements tell how general District services were financed in the short-term as well as what remains for future spending. Proprietary fund statements offer short-term and long-term financial information about the activities the District operates similar to business in the private sector, which for the District is the Food Service Fund. Fiduciary fund statements provide information about financial relationships where the District acts solely as a trustee or agent for the benefit of others whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

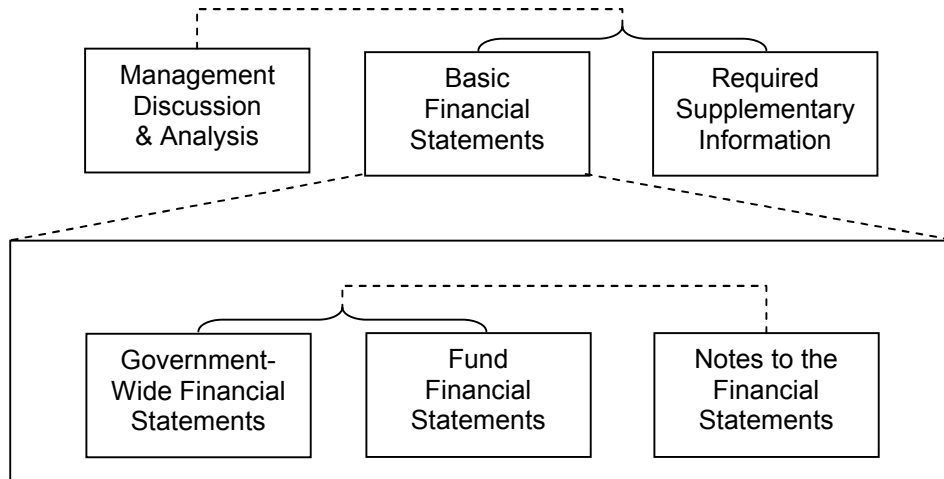
# West Branch Area School District

Management's Discussion and Analysis (Unaudited)

June 30, 2016

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

**Figure A-1**  
Required Components of the District's Financial Report





# West Branch Area School District

Management's Discussion and Analysis (Unaudited)  
June 30, 2016

**Figure 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 the management's discussion and analysis explains the structure and contents of each of the statements.

**Figure A-2**  
Major Features of the District's  
Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
<b>Scope</b>	Entire District (except Fiduciary Funds)	The activities of the District that are not proprietary or fiduciary, such as education, administration and student activities	The 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 - Scholarships and Student Activity Accounts
<b>Required Financial Statements</b>	Statement of Net Position (Deficit), Statement of Activities	Balance Sheet, Statement of Revenues, Expenditures and Changes in Fund Balances	Balance Sheet, Statement of Revenues, Expenses and Change in Net Position, Statement of Cash Flows	Statement of Net Position
<b>Accounting Basis and Measurement Focus</b>	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
<b>Type of Asset/Liability Information</b>	All assets, deferred outflows of resources, liabilities, both financial and deferred inflows of resources, 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
<b>Type of Inflow-Outflow Information</b>	All revenues and expenses during the year; regardless of when cash is received or paid	Revenue for which cash is received during or 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 the year; regardless of when cash is received or paid	All revenues and expenses during the year; regardless of when cash is received or paid

# West Branch Area School District

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Management's Discussion and Analysis (Unaudited)

June 30, 2016

## 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 position (deficit) includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenue 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 position (deficit) and how it has changed. Net position (deficit), the difference between the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, are one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net position (deficit) are indications 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 to the District's property tax base and the performance of the students.

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

Governmental Activities - All of the District's basic services are included here, such as instruction, administration, and student activities. Property taxes and state and federal subsidies as well as grants finance most of these activities.

Business-type Activities - The District operates a food service program and charges fees to staff, students and visitors to help cover the costs of 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 law and by bond issue requirements.

Governmental Funds - Most of the District's activities are reported in the 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 governments activities (reported in the Statement of Net Position (Deficit) 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 the 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 the student activity funds maintained in the District. The District's fiduciary activities are reported in a separate Statement of Net Position - Fiduciary Fund. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations.

# West Branch Area School District

Management's Discussion and Analysis (Unaudited)  
June 30, 2016

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District's Total Net Position (Deficit) was **negative \$8,785,191** at June 30, 2016 as compared to **negative \$10,211,356** at June 30, 2015. Table A-1 provides a condensed comparison of the years.

**Table A-1**  
Net Position (Deficit) (Government-wide)  
Fiscal Year Ended June 30

	2016			2015		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>						
Current and other assets	\$ 8,914,667	\$ 160,280	\$ 9,074,947	\$ 7,780,761	\$ 114,946	\$ 7,895,707
Non-current assets	15,402,831	126,557	15,529,388	13,914,161	139,314	14,053,475
Total assets	24,317,498	286,837	24,604,335	21,694,922	254,260	21,949,182
<b>Deferred Outflows</b>	1,649,883	-	1,649,883	1,306,213	-	1,306,213
Total assets and deferred outflows	<u>\$ 25,967,381</u>	<u>\$ 286,837</u>	<u>\$ 26,254,218</u>	<u>\$ 23,001,135</u>	<u>\$ 254,260</u>	<u>\$ 23,255,395</u>
<b>Liabilities</b>						
Current liabilities	\$ 1,720,943	\$ 27,051	\$ 1,747,994	\$ 1,498,099	\$ 31,354	\$ 1,529,453
Long-term liabilities						
Due within one year	930,562	-	930,562	862,472	-	862,472
Due after one year	31,553,423	5,220	31,558,643	29,400,221	4,605	29,404,826
Total liabilities	34,204,928	32,271	34,237,199	31,760,792	35,959	31,796,751
<b>Deferred Inflows</b>	803,000	-	803,000	1,670,000	-	1,670,000
<b>Net Position (Deficit)</b>						
Net investment in capital assets	4,308,423	126,557	4,434,980	3,706,106	139,314	3,845,420
Restricted	76,263	-	76,263	76,220	-	76,220
Unrestricted (deficit)	(13,425,233)	128,009	(13,297,224)	(14,211,983)	78,987	(14,132,996)
Total net position (deficit)	(9,040,547)	254,566	(8,785,981)	(10,429,657)	218,301	(10,211,356)
Total liabilities, inflows and net position (deficit)	<u>\$ 25,967,381</u>	<u>\$ 286,837</u>	<u>\$ 26,254,218</u>	<u>\$ 23,001,135</u>	<u>\$ 254,260</u>	<u>\$ 23,255,395</u>

Beginning with the year ending June 30, 2015, the District was required to report the Net Position (Deficit) differently than previous years due to the adoption of GASB 68. The District now must account for the Net Pension Liability that had been previously been unreported. The District does not operate its own pension plan, but is a mandatory participant in the Public School Employees' Retirement System ("PSERS"). Each year PSERS calculates its own Net Pension Liability and assigns a portion of this Net Pension Liability to the participating school districts. This new reporting has dramatically and negatively impacted Total Net Position of the District.

Of the District's \$(8,785,981) in net position (deficit), \$4,434,980 is invested in capital assets (buildings, land, land improvements and equipment net of related debt). The remaining net position (deficit) is a combination of restricted and unrestricted amounts. The District has the following balances as of June 30, 2016: \$76,263 is restricted for the Capital Projects. The remaining negative \$13,297,224 is unrestricted.

# West Branch Area School District

Management's Discussion and Analysis (Unaudited)  
June 30, 2016

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. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the District's activities that are supported by other general revenues. The two largest general revenues are the Basic Education Subsidy provided by the Commonwealth of Pennsylvania, and the local taxes assessed to community taxpayers.

**Table A-2** takes the information from the Statement of Activities and rearranges it slightly so you can see the total revenues for the year.

**Table A-2**  
State of Activities (Government-wide)  
Fiscal Year Ended June 30

	2016			2015		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 33,165	\$ 224,356	\$ 257,521	\$ 23,738	\$ 195,865	\$ 219,603
Operating grants and contributions	4,924,035	355,193	5,279,228	4,266,263	343,937	4,610,200
General revenues:						
General taxes	4,649,144	-	4,649,144	4,539,963	-	4,539,963
Grants, subsidies and contributions, unrestricted	7,177,755	-	7,177,755	7,074,924	-	7,074,924
Other	122,529	64	122,593	23,061	93	23,154
<b>Total revenues</b>	<b>16,906,628</b>	<b>579,613</b>	<b>17,486,241</b>	<b>15,927,949</b>	<b>539,895</b>	<b>16,467,844</b>
<b>Expenses</b>						
Instruction	8,331,121	-	8,331,121	8,972,452	-	8,972,452
Instructional student support	1,310,529	-	1,310,529	1,283,568	-	1,283,568
Administration and financial support	1,201,761	-	1,201,761	963,048	-	963,048
Operation and maintenance of plant	2,881,736	-	2,881,736	2,211,599	-	2,211,599
Pupil transportation	859,596	-	859,596	825,345	-	825,345
Student activities	453,689	-	453,689	421,240	-	421,240
Interest of long-term debt	479,086	-	479,086	347,356	-	347,356
Food services	-	543,348	543,348	-	575,942	575,942
<b>Total expenses</b>	<b>15,517,518</b>	<b>543,348</b>	<b>16,060,866</b>	<b>15,024,608</b>	<b>575,942</b>	<b>15,600,550</b>
<b>Increase (Decrease) in Net Position</b>	<b>\$ 1,389,110</b>	<b>\$ 36,265</b>	<b>\$ 1,425,375</b>	<b>\$ 903,341</b>	<b>\$ (36,047)</b>	<b>\$ 867,294</b>

# West Branch Area School District

Management's Discussion and Analysis (Unaudited)  
June 30, 2016

**Tables A-3** and **A-4** below present the expenses of both the Governmental Activities and the Business-type Activities of the District.

**Table A-3** shows the District's seven largest functions - instructional programs, instructional student support, administrative, operation and maintenance of plant, pupil transportation, student activities, and food services as well as each program's net cost (total cost less revenues generated by the activities). This table shows the net costs offset by other unrestricted grants, subsidies and contributions to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

**Table A-3**  
Governmental Activities  
Fiscal Year Ended June 30

	2016		2015	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
<b>Functions/Programs</b>				
Instruction	\$ 8,331,121	\$ 4,139,108	\$ 8,972,452	\$ 5,818,076
Instruction student support	1,310,529	1,283,763	1,283,568	1,263,877
Administration and financial support	1,201,761	1,146,270	963,048	952,363
Operation and maintenance of plant	2,881,736	2,881,736	2,211,599	2,211,599
Pupil transportation	859,596	209,831	825,345	145,759
Student activities	453,689	420,524	421,240	397,502
Interest of long-term debt	479,086	479,086	347,356	44,828
Total governmental activities	<u>\$ 15,517,518</u>	10,560,318	<u>\$ 15,024,608</u>	10,834,004
Less unrestricted grants and subsidies		(7,177,755)		(7,074,924)
Total		<u>\$ 3,382,563</u>		<u>\$ 3,759,080</u>

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

**Table A-4**  
Business-type Activities  
Fiscal Year Ended June 30

	2016		2015	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
<b>Functions/Programs</b>				
Food services	\$ 543,348	\$ 36,201	\$ 575,942	\$ (36,140)
Investment earnings		64		93
Total		<u>\$ 36,265</u>		<u>\$ (36,047)</u>

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

# West Branch Area School District

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Management's Discussion and Analysis (Unaudited)

June 30, 2016

## FINANCIAL ANALYSIS OF THE GOVERNMENT FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds** - The focus of the District's governmental funds is to provide information on the near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a district's net resources available for spending at the end of the fiscal year.

As of the end of the year, the District's governmental funds reported combined ending fund balances of \$6,742,515 which is an increase of \$879,914 (15.0%) from the prior year.

The General Fund is the chief operating fund of the District. At the end of the fiscal year, the unassigned fund balance of the General Fund was \$4,473,957. As a measure of the General Fund's liquidity, it may be useful to compare the General Fund to total budgeted expenditures of the next fiscal year. The unassigned fund balance represents 26.6% of the 2016-2017 budgeted expenditures, which is above the recommended range of 5 to 10%. During the fiscal year, the District's general fund total fund balance increased by \$879,871. Key factors that contributed to this increase were as follows:

### Revenues

Overall the District received 107.43% of the budgeted revenues. The largest contributor to this budget variance was the refunding of the general obligation bond (GOB). The refunding of the GOB contributed \$8,665,000 to the general fund revenues, 55.13%. Additionally, local and state revenues were greater than budgeted, while federal revenues were less than budgeted.

### Expenditures

Most expenditures were under budget with respect to the budgetary functions. The major exceptions to this are the following:

- Special Education was \$130,648 more than budgeted.
- Administration was \$149,275 more than budgeted.
- Construction Service was \$1,473,441 more than budgeted.
- Other instructional programs was \$115,321 more than budgeted.

Overall, the District expended 110.97% of the budgeted expenditures. The largest portion, 8.4%, is due to \$1,473,441 expended in construction services in excess of the budget. None of the construction service expenses were budgeted.

The District also operated a Capital Projects Fund which is authorized under section 1432 of the municipal code. Expenditures from this fund are limited to: capital improvements, replacement of and additions to public works and improvements, for deferred maintenance thereof, and for the purchase or the replacement of school buses, and for no other purpose.

The District's Capital Projects total fund balance was \$76,263 at June 30, 2016. It increased by \$43 (.06%), over the prior year. The District will allocate the majority of these funds for a new project within the guidelines of section 1432 in the near future.

# West Branch Area School District

Management's Discussion and Analysis (Unaudited)

June 30, 2016

## GENERAL FUND BUDGET

During the fiscal year, the District Board of Directors (the Board) authorized revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. All adjustments are again confirmed after the Annual Financial Report (AFR) is substantially completed, which is after the end of the fiscal year, as permitted by state law. A schedule showing the District's original and final budget amounts compared with the amounts actually paid and received is provided in the financial statements.

The District applies for federal, state, and local grants and these grants cannot always be anticipated during the budget process. If additional grants are received during the year, these grants are added to the revenue and expenditure budgets.

Transfers between specific categories of expenditures and financing uses normally occur during the year.

The Budgetary Reserve is used for opportunities or expenditures for improvements and enhancements to District operations that were unforeseen at the time the budget was adopted. The budget called for the use of \$70,757 from the budgetary reserve for the 2015-2016 school year. The 2015-2016 actual results used \$634,931 to the budgetary reserve.

## SIGNIFICANT BUDGET VARIANCES

**Table A-5** reflects the Budget Variances for both Revenues and Expenditures. In an effort to reduce the need for an increased local tax effort, revenues are budgeted conservatively, while expenditures are budgeted aggressively. An explanation of the differences is stated below.

**Table A-5**  
General Fund  
Actual to Budget Variances  
Fiscal Year Ended June 30

	<u>Budgeted Amount</u>	<u>Actual Amount</u>	<u>Difference</u>	<u>% of Budget</u>
<b>Revenues</b>				
6000 Local sources	\$ 4,348,095	\$ 5,070,843	\$ 722,748	116.62 %
7000 State sources	10,764,398	11,506,047	741,649	106.89
8000 Federal sources	606,200	310,259	(295,941)	51.18
Total revenues and sources	<u>15,718,693</u>	<u>16,887,149</u>	<u>1,168,456</u>	<u>107.43 %</u>
<b>Expenditures</b>				
1000 Instruction	9,501,041	9,695,522	194,481	102.05 %
2000 Support services	4,744,723	4,780,182	35,459	100.74
3000 Non-instructional	390,166	453,688	63,522	116.28
4000 Facilities	-	1,473,441	1,473,441	100.00
5000 Other uses	1,153,520	1,119,257	(34,263)	97.02
Total expenditures and uses	<u>15,789,450</u>	<u>17,522,090</u>	<u>1,732,640</u>	<u>110.97 %</u>
Excess of revenues over expenditures	<u>\$ (70,757)</u>	<u>\$ (634,941)</u>	<u>\$ (564,184)</u>	

# West Branch Area School District

Management's Discussion and Analysis (Unaudited)  
June 30, 2016

## REVENUES:

### Local Revenues:

Due to local economic conditions, all local revenues were budgeted conservatively. With the exception of Local Services Tax and Earnings on Investments, all local revenues received were within 16.5% of the budgeted amount. This conservative budget process resulted in the Local Tax effort exceeding their budgetary expectation.

### State Revenues:

The state provides reimbursements and grants for several different programs and services that the District provides. Each reimbursement or grant is budgeted for prior to the final state budget being approved. Because of this timing issue, state revenues, like local revenues, are budgeted conservatively. All of the state revenues were within 6% of the budgetary expectations with the exceptions of Tuition for Orphans, and the State share of PSERS and FICA costs.

### Federal Revenues:

Typically total federal awards per project are budgeted on a yearly basis. However, federal revenue is matched to federal expenditures according to award requirements. An unfavorable variance in revenue would result in a favorable result in expenditures. All Federal Revenues were within 20% of the budgets expectations with the exception of IDEA funds. These funds were received, but are treated as Local Revenues.

## EXPENDITURES:

All of the budgeted amounts for expenditures are made as estimates. Some of these expenditures such as, tuition for cyber schools and tuition for approved private schools, the District has little or no control over. Therefore any variances in these costs are due to unknown costs at the time the budget is approved.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### CAPITAL ASSETS:

June 30, 2016, the District had \$15,402,831 invested in a broad range of capital assets, including land, land improvements, buildings, furniture, and equipment. **Table A-6** provides a breakdown of the various classes of capital assets.

**Table A-6**  
Governmental Activities  
Capital Assets - net of depreciation  
Fiscal Year Ended June 30

	<u>2016</u>
Land, buildings and improvements	\$ 27,606,453
Equipment and other capital assets	1,756,547
Accumulated depreciation	<u>(13,960,169)</u>
Net	<u>\$ 15,402,831</u>

Over the past several years the District has completed several construction projects as well as other improvements to District property. The values of these projects, net of depreciation, are included in the Capital Assets.



## West Branch Area School District

Management's Discussion and Analysis (Unaudited)  
June 30, 2016

### DEBT ADMINISTRATION:

As of June 30, 2016, the District's long-term debt was \$32,483,985. This includes other postemployment benefit liability of \$214,732, compensated absences of \$246,845, general obligation bonds and notes payable of \$10,772,414, obligations incurred under capital leases of \$321,994 and a net pension liability of \$20,928,000. **Table A-7** lists some of the components of the District's outstanding debt for the current and prior years respectively.

**Table A-7**  
Long-term Liability  
Fiscal Year Ended June 30

	<u>2016</u>	<u>2015</u>
Bonds and notes payable	\$ 10,772,414	\$ 9,909,402
Unamortized bond discount, net	-	(62,384)
Capital lease obligation	321,994	361,037
Other postemployment benefits liability	214,732	154,323
Compensated absences	246,845	232,920
Net pension liability	<u>20,928,000</u>	<u>19,672,000</u>
Total outstanding debt	<u>\$ 32,483,985</u>	<u>\$ 30,267,298</u>

Detailed information about long-term liabilities is included in the Notes to the Financial Statements.

### GASB 45 AND THE OPEB LIABILITY

The annual OPEB cost represents the cost to be expensed during the year for postemployment benefits under GASB 45. Currently, the District expenses the actual benefits paid during the year. The cumulative difference between the Annual OPEB Cost and the benefits paid during the year resulted in a Net OPEB obligation of \$214,732 and is recorded as a liability on the statement of net position (deficit) of the District as of June 30, 2016.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The tax base in Clearfield and Clinton Counties has remained level with only minimal growth in the local tax base. The District has been experiencing a flat or only slightly declining student enrollment for several years and this trend is expected to continue based on enrollment projections by the Pennsylvania Department of Education. We will need to continue to monitor the building capacity, participation in various programs, and class size when making facility, staffing and program decisions based on district enrollment trends.

In years past, the District has received at or near minimum state subsidy increases which do not cover the increases in operating costs. The District is exploring all options in order to control cost increases and reduce the increasing burden being placed on community members.

The revenue budget for the 2016-2017 year, \$16,012,211, is \$293,518 more than the budget for 2015-2016. This represents a 1.86% increase in budgeted revenues. The expenditure budget for the 2016-2017 year, \$16,827,095, is \$1,037,645 more than the budget for 2015-2016, which is an increase of 6.57%. The increase in expenditures is primarily the result of contractual cost increases in salaries and benefits (Healthcare and Pension). The 2016-2017 budget requires the use of \$805,884 from the fund balance to balance.

## **West Branch Area School District**

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### Management's Discussion and Analysis (Unaudited)

June 30, 2016

#### LABOR RELATIONS:

The professional staff of the District is represented by the West Branch Education Association, an affiliation of Pennsylvania State Education Association ("PSEA"). This group represents approximately 85 employees including teachers, librarians, counselors, and nurses. The District has also entered into a new contract, effective July 1, 2016 through June 30, 2020, with this bargaining unit as of September 2015. This contract also provides for average annual salary increases of 3.0%, service increments that range from \$700-\$3,700 depending on years of service, longevity payments, extra pay for out of class activities such as athletic events, mileage reimbursement, health insurance for employees and families, retirement benefits, tuition refund, personal leave, emergency leave, bereavement leave, long-term disability insurance and life insurance. Health insurance contributions by District employees range from \$47-\$135 per month for the duration of the contract.

The support staff of the District is represented by the West Branch Education Support Professionals Association (the "Association"). The Association represents approximately 54 employees. This group includes custodians, secretaries, paraeducators, and cafeteria personnel. The current contract runs from July 1, 2015 until June 30, 2019. The contract provides average annual hourly increases of 3.0%, longevity payments, health insurance for employee and family, personal days, bereavement, emergency, vacation, life insurance and sick leave. Health insurance contributions by District employees range from \$384-\$800 annually.

The remaining administrative and non-instructional personnel of the District are represented under ACT 93 Compensation plan for principals, supervisor of special education, supervisor of buildings and grounds, school psychologist, technology coordinator, and network administrators. The secretary to the superintendent, pupil services coordinators, and bookkeeper have a separate plan. The plans and agreement with the District run from July 1, 2014 until June 30, 2017. The annual average salary increase for administrative personnel range from 0.0% to 3.5%. These groups contribute to health insurance costs. The Act 93 Group contributes the same as the professional staff \$47-135 per month. Other benefits are similar to other district employees

#### FACILITIES:

During the 2014-2015 school year, the District began construction of a biomass boiler system and Performance Based Energy Savings Agreement (ESCO) contract with McClure Company in the amount of \$2,174,357. This is the sixth ESCO project that the District has entered with McClure Company. The District was awarded a total of \$878,088 in grants to complete this project. The biomass boiler system was placed into service in the 2015-2016 year.

#### **CONTACTING THE DISTRICT FINANCIAL MANAGEMENT**

The West Branch Area School District financial report is designed to provide 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 Jason S. McMillen, Business Manager for the West Branch Area School District, 516 Allport Cutoff, Morrisdale, PA 16858, and (814) 345-5615 x4850.

**West Branch Area School District**

Statement of Net Position (Deficit)

June 30, 2016

	<b>Governmental Activities</b>	<b>Business-Type Activity</b>	<b>Total</b>
<b>Assets and Deferred Outflows of Resources</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 7,520,780	\$ 111,075	\$ 7,631,855
Taxes receivable, net	744,762	-	744,762
Due from other governments	646,573	41,034	687,607
Internal balances	2,552	(2,552)	-
Inventories	-	10,723	10,723
Total current assets	<u>8,914,667</u>	<u>160,280</u>	<u>9,074,947</u>
<b>Noncurrent Assets</b>			
Land, buildings and improvements	27,606,453	-	27,606,453
Equipment and other capital assets	1,756,547	433,205	2,189,752
Accumulated depreciation	<u>(13,960,169)</u>	<u>(306,648)</u>	<u>(14,266,817)</u>
Total noncurrent assets	<u>15,402,831</u>	<u>126,557</u>	<u>15,529,388</u>
Total assets	<u>24,317,498</u>	<u>286,837</u>	<u>24,604,335</u>
<b>Deferred Outflows of Resources</b>			
Pension	<u>1,649,883</u>	<u>-</u>	<u>1,649,883</u>
Total	<u>\$ 25,967,381</u>	<u>\$ 286,837</u>	<u>\$ 26,254,218</u>
<b>Liabilities, Deferred Inflows of Resources and Net Position (Deficit)</b>			
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	\$ 265,896	\$ 10,109	\$ 276,005
Current portion of notes payable	889,919	-	889,919
Current portion of capital lease obligation	40,643	-	40,643
Accrued salaries and benefits	1,352,625	-	1,352,625
Deferred revenue	-	16,942	16,942
Accrued interest	<u>102,422</u>	<u>-</u>	<u>102,422</u>
Total current liabilities	<u>2,651,505</u>	<u>27,051</u>	<u>2,678,556</u>
<b>Noncurrent Liabilities</b>			
General obligation notes payable	9,882,495	-	9,882,495
Capital lease obligation	281,351	-	281,351
Other postemployment benefits liability	214,732	-	214,732
Compensated absences	246,845	5,220	252,065
Net pension liability	<u>20,928,000</u>	<u>-</u>	<u>20,928,000</u>
Total noncurrent liabilities	<u>31,553,423</u>	<u>5,220</u>	<u>31,558,643</u>
Total liabilities	<u>34,204,928</u>	<u>32,271</u>	<u>34,237,199</u>
<b>Deferred Inflows of Resources</b>			
Pension	<u>803,000</u>	<u>-</u>	<u>803,000</u>
<b>Net Position (Deficit)</b>			
Restricted	76,263	-	76,263
Net investment in capital assets	4,308,423	126,557	4,434,980
Unrestricted (deficit)	<u>(13,425,233)</u>	<u>128,009</u>	<u>(13,297,224)</u>
Total net position (deficit)	<u>(9,040,547)</u>	<u>254,566</u>	<u>(8,785,981)</u>
Total	<u>\$ 25,967,381</u>	<u>\$ 286,837</u>	<u>\$ 26,254,218</u>

See notes to financial statements

## West Branch Area School District

Statement of Activities  
Year Ended June 30, 2016

Functions/Programs	Program Revenues			Net (Expense) Revenues and Changes in Net Position (Deficit)		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activity	Total
<b>Governmental Activities</b>						
Instruction	\$ (8,331,121)	\$ -	\$ 4,192,013	\$ (4,139,108)	\$ -	\$ (4,139,108)
Instructional student support	(1,310,529)	-	26,766	(1,283,763)	-	(1,283,763)
Administration and financial support services	(1,201,761)	-	55,491	(1,146,270)	-	(1,146,270)
Operation and maintenance of plant services	(2,881,736)	-	-	(2,881,736)	-	(2,881,736)
Pupil transportation	(859,596)	-	649,765	(209,831)	-	(209,831)
Student activities	(453,689)	33,165	-	(420,524)	-	(420,524)
Interest on long-term debt	(479,086)	-	-	(479,086)	-	(479,086)
Total governmental activities	(15,517,518)	33,165	4,924,035	(10,560,318)	-	(10,560,318)
<b>Business-Type Activity</b>						
Food service	(543,348)	224,356	355,193	-	36,201	36,201
Total	<u>\$ (16,060,866)</u>	<u>\$ 257,521</u>	<u>\$ 5,279,228</u>	<u>(10,560,318)</u>	<u>36,201</u>	<u>(10,524,117)</u>
<b>General Revenues</b>						
Property taxes, levied for general purposes, net				3,963,648	-	3,963,648
Earned income tax				685,496	-	685,496
Grants, subsidies and contributions not restricted				7,177,755	-	7,177,755
Investment earnings				11,505	64	11,569
Miscellaneous income				111,024	-	111,024
Total general revenues				<u>11,949,428</u>	<u>64</u>	<u>11,949,492</u>
Change in net position (deficit)				1,389,110	36,265	1,425,375
<b>Net Position (Deficit), Beginning</b>				<u>(10,429,657)</u>	<u>218,301</u>	<u>(10,211,356)</u>
<b>Net Position (Deficit), Ending</b>				<u>\$ (9,040,547)</u>	<u>\$ 254,566</u>	<u>\$ (8,785,981)</u>

See notes to financial statements

## West Branch Area School District

Balance Sheet - Governmental Funds

June 30, 2016

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 7,480,081	\$ 40,699	\$ 7,520,780
Taxes receivable, net	744,762	-	744,762
Due from other governments	646,573	-	646,573
Due from other funds	2,552	35,564	38,116
	<u>8,873,968</u>	<u>76,263</u>	<u>8,950,231</u>
Total	<u>\$ 8,873,968</u>	<u>\$ 76,263</u>	<u>\$ 8,950,231</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable and other accrued liabilities	\$ 265,896	\$ -	\$ 265,896
Due to other funds	35,564	-	35,564
Accrued salaries and benefits	1,352,625	-	1,352,625
	<u>1,654,085</u>	<u>-</u>	<u>1,654,085</u>
Total liabilities	<u>1,654,085</u>	<u>-</u>	<u>1,654,085</u>
<b>Deferred Inflows of Resources</b>			
Unearned revenues - taxes	553,631	-	553,631
	<u>553,631</u>	<u>-</u>	<u>553,631</u>
<b>Fund Balances</b>			
Restricted	-	76,263	76,263
Assigned	314,385	-	314,385
Committed	1,877,910	-	1,877,910
Unassigned	4,473,957	-	4,473,957
	<u>6,666,252</u>	<u>76,263</u>	<u>6,742,515</u>
Total fund balances	<u>6,666,252</u>	<u>76,263</u>	<u>6,742,515</u>
	<u>8,873,968</u>	<u>76,263</u>	<u>8,950,231</u>
Total	<u>\$ 8,873,968</u>	<u>\$ 76,263</u>	<u>\$ 8,950,231</u>

See notes to financial statements

## West Branch Area School District

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position (Deficit)  
June 30, 2016

<b>Total Fund Balance - Governmental Funds</b>	\$ 6,742,515
Amounts reported for governmental activities in the statement of net position (deficit) are different because:	
Capital assets used in governmental activities are financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$29,363,000 and the accumulated depreciation is \$13,960,169.	15,402,831
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 unearned in the governmental funds.	553,631
Deferred outflows related to net pension liability are not reported in the governmental funds, however are reported in the statement of net position (deficit).	1,649,883
Deferred inflows related to net pension liability are not reported in the governmental funds, however are reported in the statement of net position (deficit).	(803,000)
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:	
Notes payable	(10,772,414)
Capital lease obligation	(321,994)
Accrued interest on long-term debt	(102,422)
Other postemployment benefits liability	(214,732)
Compensated absences	(246,845)
Net pension liability	(20,928,000)
<b>Total Net Deficit - Governmental Activities</b>	<u>\$ (9,040,547)</u>

See notes to financial statements

**West Branch Area School District**Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
Year Ended June 30, 2016

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
<b>Revenues</b>			
Local sources	\$ 5,070,843	\$ 43	\$ 5,070,886
State sources	11,506,047	-	11,506,047
Federal sources	310,259	-	310,259
	<u>16,887,149</u>	<u>43</u>	<u>16,887,192</u>
<b>Expenditures</b>			
Instruction	9,695,522	-	9,695,522
Support services	4,780,182	-	4,780,182
Noninstructional services	453,688	-	453,688
Facilities acquisition, construction and improvement services	1,473,441	-	1,473,441
Debt service	1,119,257	-	1,119,257
	<u>17,522,090</u>	<u>-</u>	<u>17,522,090</u>
<b>Excess (Deficit) of Revenues Over Expenditures Before Other Financing (Uses) Sources</b>			
	<u>(634,941)</u>	<u>43</u>	<u>(634,898)</u>
<b>Other Financing (Uses) Sources</b>			
Debt proceeds	9,974,812	-	9,974,812
Debt refunding	(8,460,000)	-	(8,460,000)
	<u>1,514,812</u>	<u>-</u>	<u>1,514,812</u>
Net changes in fund balances	879,871	43	879,914
<b>Fund Balance, Beginning</b>	<u>5,786,381</u>	<u>76,220</u>	<u>5,862,601</u>
<b>Fund Balance, Ending</b>	<u>\$ 6,666,252</u>	<u>\$ 76,263</u>	<u>\$ 6,742,515</u>

See notes to financial statements

**West Branch Area School District**

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities  
Year Ended June 30, 2016

**Total Net Change in Fund Balances - Governmental Funds** \$ 879,914

Amounts reported for governmental activities  
in the statement of net position (deficit) are different because:

Capital outlays are reported in governmental funds as expenditures.

However, in the statements of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation in the period:

Capital outlays	2,158,112	
Depreciation expense	(669,442)	1,488,670

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

19,436

The issuance of long term debt provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. The transaction, however, does not have an effect on net position. Also, governmental funds report the effect of premiums, discounts, and other similar items when debt is issued, whereas these amounts are deferred and amortized in the statement of activities. Reconciling items related to long-term debt activity for the year ended June 30, 2016 are as follows:

Issuance of notes payable	(9,974,811)	
Bond discount	(62,384)	
Refund of bonds payable	8,460,000	
Scheduled principal payments on long-term debt	651,799	
Scheduled principal payments on capital lease	39,043	(886,353)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The net additional interest accrued in the statement of activities over the amount due is shown here.

11,712

Other post employment benefits are reflected on the statement of net position (deficit), but are not considered a current expenditure in governmental funds.

(60,409)

Net pension liability is considered long-term in nature, and is not reported as a liability within the Funds. Such liability is, however, reported within the statement of net position (deficit), and changes in the liability is reflected within the statement of net position (deficit). This represents the change in pension liability and the deferred outflows and inflows related to the pension.

(45,330)

In the statement of activities, certain operating expenses - compensated absences (vacations and sick days) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used.

(18,530)

**Change in Net Position (Deficit) of Governmental Activities** \$ 1,389,110



**West Branch Area School District**

## Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

General Fund

Year Ended June 30, 2016

	<b>Budgeted Amount Original and Final</b>	<b>Actual</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
<b>Revenues</b>			
Local sources	\$ 4,348,095	\$ 5,070,843	\$ 722,748
State sources	10,764,398	11,506,047	741,649
Federal sources	606,200	310,259	(295,941)
Total revenues	15,718,693	16,887,149	1,168,456
<b>Expenditures</b>			
Instruction:			
Regular programs	6,827,727	6,585,246	242,481
Special programs	2,009,670	2,140,318	(130,648)
Vocational education programs	635,258	727,252	(91,994)
Pre-Kindergarten	-	98,999	(98,999)
Other instructional programs	28,386	143,707	(115,321)
Total instruction	9,501,041	9,695,522	(194,481)
Support services:			
Pupil personnel	546,526	471,688	74,838
Instructional staff	604,619	654,796	(50,177)
Administration	788,250	937,525	(149,275)
Pupil health	178,663	184,045	(5,382)
Business	255,714	263,165	(7,451)
Operation and maintenance of plant services	1,401,123	1,408,295	(7,172)
Student transportation services	969,828	859,596	110,232
Central	-	1,072	(1,072)
Total support services	4,744,723	4,780,182	(35,459)
Noninstructional services, Student activities	390,166	453,688	(63,522)
Facilities acquisition, construction and improvement services	-	1,473,441	(1,473,441)
Debt service	1,153,520	1,119,257	34,263
Total expenditures	15,789,450	17,522,090	(1,732,640)
Excess of revenues over expenditures before other financing uses	(70,757)	(634,941)	(564,184)
<b>Other Financing Sources (Uses)</b>			
Debt proceeds	-	9,974,812	9,974,812
Debt refunding	-	(8,460,000)	(8,460,000)
Total other financing sources (uses)	-	1,514,812	1,514,812
Net changes in fund balances	\$ (70,757)	879,871	\$ 950,628
<b>Fund Balance, Beginning</b>		5,786,381	
<b>Fund Balance, Ending</b>		\$ 6,666,252	

See notes to financial statements

## West Branch Area School District

Balance Sheet - Proprietary Fund - Food Service

June 30, 2016

### Assets

#### Current assets:

Cash	\$	111,075
Due from other governments		41,034
Inventories		10,723

Total current assets 162,832

#### Noncurrent assets:

Machinery and equipment		433,205
Accumulated depreciation		(306,648)

Total noncurrent assets 126,557

Total \$ 289,389

### Liabilities and Net Position

#### Liabilities

##### Current liabilities:

Due to other funds	\$	2,552
Accounts payable		10,109
Unearned revenue		16,942

Total current liabilities 29,603

##### Noncurrent liabilities,

Long-term portion of compensated absences		5,220
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Total liabilities 34,823

#### Net Position

Net investment in capital assets		126,557
Unrestricted		128,009

Total net position 254,566

Total \$ 289,389

See notes to financial statements

## West Branch Area School District

### Statement of Revenues, Expenses and Change in Net Position - Proprietary Fund -

Food Service

Year Ended June 30, 2016

#### Operating Revenues

Food service revenues	\$ 224,356
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#### Operating Expenses

Food, milk and supplies	228,299
Salaries and employee benefits	191,174
Other purchased services	96,889
Operation and maintenance	13,342
Depreciation	12,757
Miscellaneous	887

Total operating expenses	<u>543,348</u>
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#### Operating Loss

	<u>(318,992)</u>
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#### Nonoperating Revenues

State sources	19,755
Federal sources	335,438
Earnings on investments	64

Total nonoperating revenues	<u>355,257</u>
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Change in net position	36,265
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#### Net Position, Beginning

	<u>218,301</u>
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#### Net Position, Ending

	<u><u>\$ 254,566</u></u>
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## West Branch Area School District

Statement of Cash Flows - Proprietary Fund - Food Service  
Year Ended June 30, 2016

### Cash Flows Used in Operating Activities

Cash received from customers	\$ 223,291
Cash paid to employees and vendors	(489,983)

Net cash used in operating activities (266,692)

### Cash Flows Provided by Investing Activities

Earnings on investments	64
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### Cash Flows from Noncapital Financing Activities

State sources	17,363
Federal sources	298,768

Net cash provided by noncapital financing activities 316,131

Increase in cash 49,503

**Cash, Beginning** 61,572

**Cash, Ending** \$ 111,075

### Reconciliation of Operating Loss to Net Cash Used in Operating Activities

Operating loss	\$ (318,992)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	12,757
Changes in assets and liabilities resulting in the provisions (use) of cash:	
Inventories	4,300
Deposits	40,443
Accounts payable	979
Due to other funds	(5,729)
Unearned revenue	(1,065)
Compensated absences	615

**Net Cash Used in Operating Activities** \$ (266,692)

**West Branch Area School District**

Statement of Net Position - Fiduciary Fund - Agency

June 30, 2016

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**Assets**

**Cash and Cash Equivalents**

**\$ 35,575**

**Liabilities**

**Due to Student Groups**

**\$ 35,575**

*See notes to financial statements*

# **West Branch Area School District**

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Notes to Financial Statements

June 30, 2016

## **1. Nature of Operations and Summary of Significant Accounting Policies**

The financial statements of the West Branch Area School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to local government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

### **Nature of Operations**

West Branch Area School District provides public education services to residents of Clearfield and Clinton Counties. The District operates a combined elementary and secondary school located in Morrisdale, Pennsylvania.

### **Reporting Entity**

The reporting entity has been defined in accordance with the criteria established in GASB Statement No. 14 as amended by GASB Nos. 39 and 61. The specific criteria used in determining whether other organizations should be included in the District's financial reporting entity are financial accountability, fiscal dependency and legal separation.

As defined above, there are no other related organizations that should be included in the District's financial statements, nor is the District considered to be a component unit of any other government.

### **Basic Financial Statements - Government-Wide Statements**

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The District's General and Capital Projects Funds are classified as governmental activities. The District's Food Service Fund is classified as a business-type activity.

In the government-wide Statement of Net Position (Deficit), both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets, receivables and deferred outflows of resources, as well as long-term debt and obligations and deferred inflows of resources. The District's net position is reported in three parts-net investment in capital assets; restricted net position; and unrestricted net position (deficit). The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions and business-type activities. The functions are also supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue.

# West Branch Area School District

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Notes to Financial Statements

June 30, 2016

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

## **Basic Financial Statements - Fund Financial Statements**

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the District:

### **Governmental Funds**

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the District:

#### **General Fund**

The General Fund is used to account for all financial transactions not accounted for in another fund. Revenues are primarily derived from local property, per capita and occupation taxes, and state and federal appropriations. Many of the more significant activities of the District, including instruction, administration of the District, and certain non-instructional services are accounted for in this fund. The general fund is reported as a major fund.

#### **Capital Projects Fund**

The Capital Project Fund accounts for the financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Capital Projects Fund is a major fund.

### **Proprietary Fund**

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The applicable accounting principles generally accepted in the United States of America are those similar to businesses in the private sector.

#### **Food Service Fund**

The Food Service Fund accounts for all revenues and expenditures pertaining to cafeteria operations since such operations are financed and operated in a manner similar to private business enterprises. It is the intent of the government body that the cost of providing such goods or services to the students on a continuing basis be financed or recovered primarily through user charges or cost reimbursement plans.

# **West Branch Area School District**

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Notes to Financial Statements

June 30, 2016

## **Fiduciary Funds**

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or funds. The reporting focus is on net position and changes in net position and are reported using accounting principles similar to proprietary funds.

Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

## **Agency Funds**

Agency Funds are used to account for assets held by the District as an agent for individuals, private organizations, other governmental units and/or other funds. The Agency fund includes an activity account.

## **Activity Fund**

The Activity Fund accounts for the monies authorized by Section 511, of the Public School Code of 1949, for school publications and organizations. Activity funds are Agency Funds but are separated from other Agency Funds because of legal requirements.

## **Measurement Focus**

### **Government-Wide Financial Statements**

The government-wide financial statements are prepared using the economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources and all liabilities, deferred inflows of resources associated with the operation of the District are included on the statement of net position. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in the District's net position.

### **Fund Financial Statements**

Government funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Proprietary funds are also accounted for using the economic resources measurement focus.



# **West Branch Area School District**

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Notes to Financial Statements

June 30, 2016

## **Basis of Accounting**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

### **Accrual**

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Inventories are valued on a first-in, first-out basis.

### **Modified Accrual**

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

## **Budgets and Budgetary Accounting**

The District adopts an annual budget for the General Fund in accordance with law.

The budget is maintained on a modified accrual basis by fund, function and object, with expenditures controlled by line item. Appropriations lapse at the end of each year and must be reappropriated.

The School Board approves budget transfers between departments within District funds. Budgeted amounts are reported as most recently adopted by the School Board.

Legal budgetary control is maintained at the sub-function/major object level. The Board of School Directors may make transfers of funds appropriated to any particular item of expenditure by legislative action in accordance with the Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without Board approval. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements if presented at or below the level of budgetary control and includes the effect of approved budget amendments. The budget for the year ended June 30, 2016 was approved by the board of Directors on June 30, 2015 in the amount of \$15,789,450 with a tax millage of 97.0 mills for Clearfield County and 10.6 mills for Clinton County.

# West Branch Area School District

Notes to Financial Statements

June 30, 2016

## Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	15 - 50 years
Equipment and other capital assets	5 - 20 years

The District does not have any infrastructure capital assets.

Assets under capital lease were recorded at the lower of the present value of minimum lease payments or fair value of the asset. Amortization of assets under capital lease is included in depreciation.

## Jointly Governed Organizations

### Clearfield County Career and Technology Center

West Branch Area School District and five neighboring districts jointly participate in the operation of the Clearfield County Career and Technology Center. The purpose of the Clearfield County Career and Technology Center ("CCCTC") is to provide students with training in various fields of education. The Clearfield County Career and Technology Center Board is comprised of one member from each sponsoring school for a total of six with another member from each school as alternates. This board is called the Joint Operating Committee, is the governing board for policy making decisions. The Clearfield County Career and Technology Center receives its funding for operations from the member schools based on the number of students in attendance times the money needed to operate. During the year ended June 30, 2016, the West Branch Area School District paid the CCCTC \$508,253 for operating expenses. The results of the operation of the CCCTC are not included with the audit report of the West Branch Area School District.

### Central Intermediate Unit #10

The school district is a participating member of the Central Intermediate Unit #10 ("CIU"). The CIU is run by a joint committee of members from each of the 17 participating districts. The participating districts annually approve the CIU's annual operating budget. The CIU is a self - sustaining organization that provides services for fees to participating districts. As such, the District has no on-going financial interest or financial responsibility in the CIU. The CIU contracts with the participating districts to supply special education services, computer services, and acts as a conduit for certain federal programs.

## **West Branch Area School District**

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Notes to Financial Statements

June 30, 2016

### **Compensated Absences**

The District accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

### **Deferred Outflows/Inflows of Resources**

In addition to assets, the District will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the District will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

### **Pension**

The District provides eligible employees with retirement benefits through the Public School Employer's Retirement System ("PSERS"), a governmental cost-sharing multiple-employer defined benefit pension plan. PSERS was established as of July 18, 1917, under the provisions of Public Law 1043, No. 343.

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 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 and investments are reported at fair value.

The District has not allocated a proportionate share of its net pension liability or other pension-related measures to its proprietary fund. While a proportionate share of the net pension liability does relate directly to the proprietary fund, the resources to pay for the liability are transferred from the District's general fund. The substance of the transaction leaves the liability with the District as a whole as opposed to being a liability specifically to the proprietary fund.

# West Branch Area School District

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## Notes to Financial Statements

June 30, 2016

### Governmental Fund Balances

The District classifies its governmental fund balances as follows:

- *Non-spendable* - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints
- *Restricted* - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation
- *Committed* - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the District through formal action of the School Board which do not lapse at year-end
  - The School Board of the District is its highest level of decision-making authority, and
  - The School Board commits funds through a formal board motion.
- *Assigned* - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the District, but not through a formal action of the School Board
  - The School Board of the District authorized the District Business manager to assign funds to specific purposes.
  - The School Board passed a board motion authorizing assignments for activities as contemplated by the Board.
- *Unassigned* - includes position fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds

### Restricted Net Position/Fund Balances

In governmental funds when an expenditure is incurred that can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications - committed, assigned, and then unassigned fund balances.

### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

## **New Accounting Principles**

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. The objective of this statement is to enhance the comparability of financial statements by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This statement will also enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value on a government's financial position. The District adopted the guidance for the fiscal year beginning July 1, 2015. The guidance is retrospective, and the adoption of this standard did not have a significant impact on the District's financial position or results of operations.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The guidance is retrospective, and the adoption of this standard did not have a significant impact on the District's financial position or results of operations.

In June of 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments which supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this statement is to clarify the applicability and use of authoritative and nonauthoritative sources of accounting and financial reporting for the preparation of state and local government financial statements. The adoption of this guidance did not have any impact on the District's financial position or results of operations.

The District adopted GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Statement No. 79, permits qualifying external investment pools to measure pool investments, which function similarly to private sector money market funds, at amortized cost. The statement also establishes additional disclosure requirements, which includes information about any limitations or restrictions on participant withdrawals, for both the pool and its participants. The District implemented the accounting and reporting requirements of GASB No. 79 as of July 1, 2015. This implementation did not materially change the District's accounting and reporting policies.

## **2. Cash and Cash Equivalents**

The District's cash and cash equivalents and restricted cash include deposits with local institutions, and the Pennsylvania School District Liquid Asset Fund ("PSDLAF").

### **Deposits with Local Institutions**

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal policy for custodial credit risk. At June 30, 2016, \$3,034,422 of the District's bank balances were exposed to custodial credit risk, as these deposits were not covered by depository insurance. The entire \$3,034,422 was collateralized with securities held by the pledging financial institution, but not in the District's name.

# West Branch Area School District

## Notes to Financial Statements

June 30, 2016

### Pennsylvania School District Liquid Asset Fund

The PSDLAF contains assets invested in accordance with Title 24 of the Pennsylvania Statutes Article 4, Section 440.1 (2001). Each participant owns shares of PSDLAF, which invests the pooled assets. Such assets are not considered deposits pursuant to GASB Nos. 3 and 40, and as such are not subject to custodial credit risk. At June 30, 2016, the carrying amount and bank balances of the District's investment in PSDLAF were \$4,833,971. Due to the short-term nature and liquidity of the investments held within the pool, the fair value of the underlying investments approximates amortized cost.

### 3. Property Taxes

Real estate property taxes attach as an enforceable lien on property on January 1. Taxes are collected at a 2% discount through October 15; face amount due from October 16 through December 15; and 10% penalty added after December 15. The County Assessment Office calculates the yearly tax levy and distributes the individual tax duplicates to the school district's appointed tax collectors. The tax collectors are responsible for tax collections. Tax revenues are recognized in the period in which they are remitted by the tax collectors.

The school district, in accordance with GAAP, recognized the delinquent and unpaid taxes receivable reduced by an allowance for uncollected taxes as determined by the administration. A portion of the net amount estimated to be collected which was measurable and available within 60 days was recognized as revenue and the balance deferred in the government-wide financial statements.

### 4. Taxes Receivable, Net

A summary of the taxes receivable and related amounts at June 30, 2016 follows:

Property taxes receivable	\$	840,443
Earned income taxes receivable		37,730
Real estate transfer taxes receivable		1,697
Total		879,870
Estimated uncollectible taxes at June 30, 2016		(135,108)
Total	\$	<u>744,762</u>

### 5. Due from Other Governments

The amount reported in the governmental funds at June 30, 2016 as due from other governments is summarized below:

	<u>Federal</u>	<u>State</u>	<u>Local</u>	<u>Total</u>
General Fund	\$ 63,508	\$ 320,773	\$ 262,292	\$ 646,573
Food Service Fund	38,280	2,754	-	41,034
Total	<u>\$ 101,788</u>	<u>\$ 323,527</u>	<u>\$ 262,292</u>	<u>\$ 687,607</u>

## West Branch Area School District

### Notes to Financial Statements

June 30, 2016

Amounts due from the federal and state government are primarily federal grants and state subsidies receivable from the Commonwealth of Pennsylvania, Department of Education at June 30, 2016. The amount due from local governments represents receivables earned by the District for special education, but not yet remitted to the District as of June 30, 2016.

## 6. Capital Assets

Capital asset activity for the year ended June 30, 2016 is as follows:

	<u>Balance July 1, 2015</u>	<u>Increases</u>	<u>Transfer/ Decreases</u>	<u>Balance June 30, 2016</u>
<b>Governmental Activities</b>				
Capital assets, not being depreciated, Land	\$ 12,292	\$ -	\$ -	\$ 12,292
Capital assets, being depreciated:				
Buildings and improvements	25,446,804	2,147,357	-	27,594,161
Equipment and other capital assets	1,745,792	10,755	-	1,756,547
Total capital assets, being depreciated	<u>27,192,596</u>	<u>2,158,112</u>	<u>-</u>	<u>29,350,708</u>
Accumulated depreciation for:				
Buildings and improvements	(12,094,421)	(548,007)		(12,642,428)
Equipment and other capital assets	(1,196,306)	(121,435)		(1,317,741)
Total accumulated depreciation	<u>(13,290,727)</u>	<u>(669,442)</u>	<u>-</u>	<u>(13,960,169)</u>
Total capital assets being depreciated, net	<u>13,901,869</u>	<u>1,488,670</u>	<u>-</u>	<u>15,390,539</u>
Governmental activities capital assets, net	<u>\$ 13,914,161</u>	<u>\$ 1,488,670</u>	<u>\$ -</u>	<u>\$ 15,402,831</u>
<b>Business-Type Activity</b>				
Capital assets being depreciated, Equipment and other capital assets	\$ 433,205	\$ -	\$ -	\$ 433,205
Accumulated depreciation, Equipment and other capital assets	(293,891)	(12,757)	-	(306,648)
Business-type activity capital assets, net	<u>\$ 139,314</u>	<u>\$ (12,757)</u>	<u>\$ -</u>	<u>\$ 126,557</u>
Depreciation was allocated as follows:				
Governmental activities, instructional	\$ 669,442			
Business-type activity, food service	12,757			
Total depreciation expense	<u>\$ 682,199</u>			

# West Branch Area School District

## Notes to Financial Statements

June 30, 2016

### 7. Accrued Salaries and Benefits

Accrued salaries and benefits in the General Fund totaling \$1,352,625 represent salaries of \$667,285, the District's share of Social Security taxes of \$53,655 for teachers' services during the 2015-2016 school term, which are paid during July and August 2016, and retirement plan expense of \$631,685 applicable to the accrued salaries at June 30, 2016.

### 8. Interfund Receivables and Payables

At June 30, 2016, the following interfund balances were unpaid:

Amounts due from other funds:	
General fund	\$ 2,552
Capital projects	<u>35,564</u>
	<u>\$ 38,116</u>
Amounts due to other funds:	
Food service fund	\$ 2,552
General fund	<u>35,564</u>
	<u>\$ 38,116</u>

Interfund balances primarily arise between the General Fund and other funds due to expenses being paid out of the General Fund and reimbursed by the applicable fund.

### 9. Compensated Absences

#### Vacation

District employees who are required to work on a twelve-month schedule are credited with vacation at rates which vary with length of service or job classification.

Vacation (for most employee categories) may be taken or accumulated within certain limits and are paid prior to retirement or termination at the employee's current rate of pay.

The liability for compensated absences, including early retirement incentives, recorded in the governmental activities column on the statement of net position was \$246,845 at June 30, 2016. The change in the District's compensated absences in 2016 are summarized as follows:

	<u>Governmental Activities</u>
Balance July 1, 2015	\$ 228,315
Increase	246,845
Decrease	<u>(228,315)</u>
Balance June 30, 2016	<u>\$ 246,845</u>



## 10. Retirement Plan

### Plan Description

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

### Benefits Provided

PSERS provides retirement, disability and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 ("Act 120") preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E ("Class T-E") and Membership Class T-F ("Class T-F"). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending on membership class, of the member's final average salary (as defined in the Code) multiplied times 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 10 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 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.

## **West Branch Area School District**

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Notes to Financial Statements

June 30, 2016

### **Contributions**

Active members who joined PSERS prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.5% (Membership Class T-D) of the member's qualifying compensation.

Members who joined PSERS 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 7.5% (Membership Class T-D) of the member's qualifying compensation.

Members who joined PSERS after June 30, 2001 and before July 1, 2011, contribute at 7.5% (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 PSERS 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 District's contractually required contribution rate for the fiscal year ended June 30, 2016 was 25.84% 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 PSERS from the District were approximately \$1,649,883 for the year ended June 30, 2016.

### **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources**

At June 30, 2016, the District reported a liability of \$20,928,000 for its proportionate share of the PSERS net pension liability. The PSERS net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by rolling forward the PSERS total pension liability as of June 30, 2014 to June 30, 2015. The District's proportion of the PSERS net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2015, the District's proportion was .0483%, which was a decrease of .0014% from its proportion measured as of June 30, 2014.

## West Branch Area School District

### Notes to Financial Statements

June 30, 2016

For the year ended June 30, 2016, the District recognized pension expense of \$1,638,000. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected an actual experience	\$ -	\$ 86,000
Net difference between projected and actual earnings on pension plan investments	-	42,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	675,000
District contributions subsequent to the measurement date	<u>1,649,883</u>	<u>-</u>
Total	<u>\$ 1,649,883</u>	<u>\$ 803,000</u>

\$1,649,883 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, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending June 30:	
2017	\$ 300,000
2018	300,000
2019	300,000
2020	<u>(97,000)</u>
Total	<u>\$ 803,000</u>

# West Branch Area School District

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Notes to Financial Statements

June 30, 2016

## Actuarial Assumptions

The total pension liability as of June 30, 2015 was determined by rolling forward the System's total pension liability as of the June 30, 2014 actuarial valuation to June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

## West Branch Area School District

### Notes to Financial Statements

June 30, 2016

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.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Public markets global equity	22.5 %	4.8 %
Private markets (equity)	15.0	6.6
Private real estate	12.0	4.5
Global fixed income	7.5	2.4
U.S. long treasuries	3.0	1.4
TIPS	12.0	1.1
High yield bonds	6.0	3.3
Cash	3.0	.7
Absolute return	10.0	4.9
Risk parity	10.0	3.7
MLPs/Infrastructure	5.0	5.2
Commodities	8.0	3.1
Financing (LIBOR)	(14.0)	1.1
	<u>100 %</u>	

The above was the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2015.

### Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

## West Branch Area School District

Notes to Financial Statements

June 30, 2016

### Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	<b>1% Decrease (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
District's proportionate share of the net pension liability	<u>\$ 25,788,000</u>	<u>\$ 20,928,000</u>	<u>\$ 16,831,000</u>

### 11. Long-Term Debt

The changes in long-term debt for the year ended June 30, 2016 are as follows:

	<b>Balance July 1, 2015</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2016</b>	<b>Current Portion</b>
M&T energy loan	\$ 709,213	\$ -	\$ (76,799)	\$ 632,414	\$ 79,919
General obligation bond, Series of 2010	8,460,000	-	(8,460,000)	-	-
General obligation note, Series of 2015	740,189	1,259,811	(135,000)	1,865,000	140,000
General obligation note, Series of 2016	-	8,665,000	(390,000)	8,275,000	670,000
Tax anticipation note	-	50,000	(50,000)	-	-
Total notes payable	9,909,402	9,974,811	(9,111,799)	10,772,414	<u>\$ 889,919</u>
Bond discount	(62,384)	-	62,384	-	
Total long-term debt	<u>\$ 9,847,018</u>	<u>\$ 9,974,811</u>	<u>\$ (9,049,415)</u>	<u>\$ 10,772,414</u>	

## West Branch Area School District

### Notes to Financial Statements

June 30, 2016

Long-term debt at June 30, 2016 consists of the following:

\$8,665,000 General Obligation Note Series of 2016, due in varying annual installments through March 2027, interest rates of 2.5%	\$ 8,275,000
\$1,200,000 M&T Energy Loan, due in varying annual installments through November 2022, interest rate of 4.06%	632,414
\$2,000,000 General Obligation Note Series of 2015, due in varying annual installments through March 2030, interest rate of 2.76%	<u>1,865,000</u>
Total	10,772,414
Current portion	<u>889,919</u>
Long-term debt	<u><u>\$ 9,882,495</u></u>

Debt service requirements at June 30, 2016 are as follows:

Years ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 889,919	\$ 284,181	\$ 1,174,100
2018	893,735	261,621	1,155,356
2019	915,302	237,680	1,152,982
2020	942,094	213,138	1,155,232
2021	934,298	254,778	1,189,076
2022 - 2026	4,675,286	959,149	5,634,435
2027 - 2030	<u>1,521,780</u>	<u>169,097</u>	<u>1,690,877</u>
Total	<u>\$ 10,772,414</u>	<u>\$ 2,379,644</u>	<u>\$ 13,152,058</u>

The District refunded various bonds issued by creating separate irrevocable trust funds containing U.S. government securities. The securities and earnings thereon are considered sufficient to fully service the bonds until they are called or mature. For financial reporting purposes, the bonds are considered defeased and the liability for those bonds has been removed from the Statement of Net Position (Deficit).

In March 2016, the District issued \$8,665,000 in General Obligation Notes with varying interest rates from 2.5% to 4%. The proceeds of the notes were used to currently refund \$8,460,000 of the District's Series 2010 bonds.

This advanced refunding decreased the District's total debt service payments over the next thirteen years by approximately \$343,000 and provided an economic gain (difference between the present value of the debt service payment on the old and new debt) of approximately \$340,000.

## West Branch Area School District

Notes to Financial Statements

June 30, 2016

### 12. Capital Lease Obligation

In May 2008, the District entered into a 15 year lease agreement with Municipal Capital Corporation, for an energy efficient heating and cooling system. The following is a schedule of future minimum lease payments under the capital lease and the present value of the net minimum lease payments at June 30, 2016:

Years ending June 30:		
2017	\$	53,847
2018		53,847
2019		53,847
2020		53,847
2021		53,847
2022-2025		107,694
		<hr/>
Total minimum lease payments		376,929
Less amount representing interest		(54,935)
		<hr/>
Present value of future minimum lease payments		321,994
Current portion		(40,643)
		<hr/>
Long-term portion	\$	<u>281,351</u>

### 13. Fund Balance Classifications

The District presents its governmental fund balances by level of constraint in the aggregate on its balance sheet - governmental funds. The individual specific purposes of each constraint are presented below:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Assigned for:			
Athletics	\$ 55,002	\$ -	\$ 55,002
Band uniforms	28,121	-	28,121
Dental care	231,262	-	231,262
	<hr/>	<hr/>	<hr/>
Total	\$ 314,385	\$ -	\$ 314,385
	<hr/>	<hr/>	<hr/>
Committed for, PSERS, healthcare and utilities	\$ 1,877,910	\$ -	\$ 1,877,910
	<hr/>	<hr/>	<hr/>
Restricted for, Capital projects	\$ -	\$ 76,263	\$ 76,263
	<hr/>	<hr/>	<hr/>



# West Branch Area School District

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Notes to Financial Statements

June 30, 2016

## 14. Nonmonetary Transactions

The District receives USDA Donated Commodities in the enterprise (food service) fund, which is a proprietary fund type. These donated commodities are valued at an estimated market value and recognized as federal revenue with unused commodities recorded as inventory. The total food commodities donated by the federal government and used by the District for fiscal year 2016 totaled \$41,463.

## 15. Other Postemployment Benefits

### Plan Description

The District administers a single employer defined benefit healthcare plan (the "Plan"). The Plan provides healthcare insurance (medical and dental) for eligible retirees and spouses through the District's group health insurance plan, which covers both active and retired members. Benefit provisions are established through negotiations between the District and the union representing District employees and are renegotiated periodically. The retiree health plan does not issue a publicly available financial report. These benefits are accounted for in accordance with GASB Standard No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* ("GASB 45") using an actuarial valuation.

The valuation date is the date that all participant and other pertinent information is collected and liabilities are measured. This date may not be more than 24 months prior to the beginning of the fiscal year. This valuation date is July 1, 2013, which is coincident with the beginning of the 2013-2014 fiscal year. Furthermore, GASB 45 requires actuarial valuation to occur at least triennially for the governmental entities with less than 200 plan participants. Therefore, the results of this valuation were used for the 2013-2014 fiscal year and are also the basis for the 2014-2015 and 2015-2016 fiscal years.

### Funding Policy

Contribution requirements are also negotiated between the District and the Union representatives. The Plan is funded on a pay-as-you-go basis, i.e., premiums are paid annually to fund the healthcare benefits provided to current retirees. The District contributed 56% of the cost of current year premiums for eligible retired plan members. For fiscal year 2016, the District contributed \$77,479 to the Plan. Plan members receiving benefits contribute between \$142 and \$184 per month of their premium costs. In fiscal year 2016, total member contributions were \$39,081.

## West Branch Area School District

Notes to Financial Statements

June 30, 2016

### Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of the employer ("ARC"). The District has elected to calculate the ARC and related information using the alternative measurement method. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following show the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation:

	<b>Governmental Activities</b>
Annual required contribution	\$ 141,016
Interest on net OPEB obligation	4,630
Adjustment to annual required contribution	<u>(7,758)</u>
Annual OPEB cost	137,888
Contributions made	<u>(77,479)</u>
Increase in net OPEB obligation	60,409
Net OPEB obligation at July 1, 2015	<u>154,323</u>
Net OPEB obligation at June 30, 2016	<u><u>\$ 214,732</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended June 30 were as follows:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
June 30, 2016	\$ 137,888	56.2 %	\$ 214,732
June 30, 2015	141,773	78.1	154,323
June 30, 2014	140,413	119.7	123,300

# West Branch Area School District

Notes to Financial Statements

June 30, 2016

## Funded Status and Funding Progress

The funded status of the Plan as of June 30, 2016 was as follows:

Accrued liability	\$ 1,521,530
Value of plan assets	<u>-</u>
Unfunded accrued liability (UAL)	<u>\$ 1,521,530</u>
Funded ratio (value of plan assets/UAL)	0%
Covered payroll	\$ 5,841,503
UAL as a percentage of covered payroll	26.0%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

## Methods and Assumptions

The calculations are based on the types of benefits under the terms of the plan at the time of the valuation. Projections of benefits for financial reporting purposes are based on the substantive Plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The District's Annual Requirement Contribution ("ARC") was determined through an actuarial valuation using the following assumptions:

Valuation date	July 1, 2013
Actuarial cost method	Projected unit credit method
Interest rate	3.00%
Health care cost trend rate	8.5% in 2014 decreasing each year to an ultimate rate of 5.0% over a period of 7 years
Dental care cost trend rate	5.0% per year
Amortization method	30 year period on an open basis

## West Branch Area School District

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Notes to Financial Statements

June 30, 2016

### 16. Pending Changes in Accounting Principles

In June 2016, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this statement is to improve the usefulness of information about postemployment other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. To the extent applicable, the District is required to adopt Statement No. 74 for its fiscal 2017 financial statements.

In June 2016, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions ("OPEB"). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. To the extent applicable, the District is required to adopt Statement No. 75 for its fiscal 2018 financial statements.

In August 2016, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. To the extent applicable, the District is required to adopt Statement No. 77 for its fiscal 2017 financial statements.

In December 2015, the GASB issued Statement No. 78, *Pension Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have specific characteristics. To the extent applicable, the District is required to adopt Statement No. 78 for its 2017 fiscal year financial statements.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units, an amendment of GASB Statement No. 14*. Statement No. 80 amends the blending requirements related to not-for-profit corporations for which the primary government is the sole corporate member. To the extent applicable, the District is required to adopt Statement No. 80 for its 2017 fiscal year financial statements.

In March 2016, the GASB issued Statement No. 82, *Pension Issues, an amendment of GASB Statements No. 67, No. 68, and No. 73*. This statement addresses certain implementation issues related to (1) the presentation of payroll-related measures in requirement supplementary information; (2) selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes; and, (3) the classification of payments made by employers to satisfy employee contribution requirements. The District is required to adopt Statement No. 82 for its fiscal year 2017 financial statements.

District management is in the process of analyzing these pending changes in accounting principles and the impact they will have on the financial reporting process.

## West Branch Area School District

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### Schedule of Funding Progress

### Required for Other Postemployment Benefit Plans

Information is as of the Most Recent Actuarial Valuation

(Unaudited)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL)- Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a % of Covered Payroll ((b-a)/c)</u>
June 30, 2016	\$ -	\$ 1,521,530	\$ 1,521,530	0.00%	\$ 5,841,503	26.0%
June 30, 2015	-	1,519,447	1,519,447	0.00%	5,563,336	27.3%
June 30, 2014	-	1,539,891	1,539,891	0.00%	5,195,069	29.6%

Note: Actuarial valuation is done using the alternative measurement method permitted for single employers with fewer than one hundred employees.

**West Branch Area School District**

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**Schedule of the District's Proportionate Share of the Net Pension Liability (Unaudited)**

Year Ended June 30, 2016

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.0483%	0.0497%	0.0505%
District's proportionate share of the net pension liability	\$ 20,928,000	\$ 19,672,000	\$ 20,673,000
District's covered-employee payroll	6,220,527	6,207,421	6,336,533
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	29.72%	31.55%	30.65%
Plan fiduciary net position as a percentage of the total pension liability	0.00%	0.00%	0.00%

Note: Data is not available for years prior to June 30, 2014

**West Branch Area School District**

## Schedule of District's Contributions (Unaudited)

Year Ended June 30, 2016

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 1,649,883	\$ 1,306,213	\$ 1,072,774	\$ 801,479	\$ 587,725
Contributions in relation to the contractually required contribution	<u>(1,649,883)</u>	<u>(1,306,213)</u>	<u>(1,072,774)</u>	<u>(801,479)</u>	<u>(587,725)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 6,220,527	\$ 6,207,421	\$ 6,336,533	\$ 6,484,161	\$ 6,794,482
Contributions as a percentage of covered-employee payroll	26.52%	21.04%	16.93%	12.36%	8.65%

Note: Data is not available for years prior to June 30, 2012

## West Branch Area School District

General Fund - Schedule of Revenues, Expenditures and Change in Fund Balance  
Year Ended June 30, 2016

### Revenues

#### Local sources:

##### Taxation:

##### Current taxation:

Real estate	\$ 3,430,366
Earned income tax	685,453
Payments in lieu of taxes	33,830
Real estate transfers	47,874

Total current taxation 4,197,523

Delinquent taxation 432,142

Total from taxation 4,629,665

Earnings from temporary investments and deposits	11,505
Receipts from other LEA's	285,484
Athletic admissions	33,165
Miscellaneous revenue	111,024

Total local sources 5,070,843

#### State sources:

Basic instructional subsidy	7,177,755
Tuition for orphans	23,727
Special education	766,227
Transportation	649,765
Medical and dental services	26,766
Supplemental reimbursement	282,926
Social Security subsidy	330,602
Retirement subsidy	1,138,466
Pennsylvania Energy Development Authority Grant	500,000
Alternative and Clean Energy Program Grant	378,000
Other state grants	231,813

Total state sources 11,506,047

#### Federal sources:

ECIA Title I	232,000
Title II	56,432
NCLB Title IV	21,827

Total federal sources 310,259

Total revenues 16,887,149



## West Branch Area School District

General Fund - Schedule of Revenues, Expenditures and Change in Fund Balance  
Year Ended June 30, 2016

### Expenditures

#### Instruction:

Regular programs	\$ 6,585,246
Special programs	2,140,318
Vocational education programs	727,252
Pre-Kindergarten	98,999
Other instructional programs	143,707

Total instruction 9,695,522

#### Support services:

Pupil personnel	471,688
Instructional staff	654,796
Administration	937,525
Pupil health	184,045
Business	263,165
Operation and maintenance of plant services	1,408,295
Student transportation	859,596
Central	1,072

Total support services 4,780,182

Non instructional services 453,688

Facilities acquisition, construction and improvement services 1,473,441

Debt service 1,119,257

Total expenditures 17,522,090

Excess of expenditures over revenues  
before other financing uses (634,941)

### Other Financing Source (Uses)

Debt proceeds	9,974,812
Debt refunding	(8,460,000)

Total other financing sources 1,514,812

**Net Change in Fund Balance** 879,871

**Fund Balance, Beginning** 5,786,381

**Fund Balance, Ending** \$ 6,666,252

**West Branch Area School District**

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2016

Grantor/Pass-through Grantor/ Program or Cluster Title	Source Code	Federal CFDA Number	Pass- through Grantors Number	Grant Period Code	Program or Award Amount	Total Received for Year	Accrued (Deferred) Revenue at July 1, 2015	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue at June 30, 2016	Expenditures to Subrecipients
<b>U.S. Department of Education</b>											
Passed through PA Department of Education:											
Title I	I	84.010	013-150469	A	\$ 189,161	\$ 59,652	\$ -	\$ -	\$ -	\$ (59,652)	\$ -
Title I	I	84.010	013-160469	B	280,096	183,921	59,652	232,000	232,000	107,731	-
Total Title I						243,573	59,652	232,000	232,000	48,079	-
Title II	I	84.367	020-150469	A	55,925	26,066	-	-	-	(26,066)	-
Title II	I	84.367	020-160469	B	56,432	41,429	26,066	56,432	56,432	41,069	-
Total Title II						67,495	26,066	56,432	56,432	15,003	-
Rural Education Title IE	I	84.358	007-160469	B	21,827	21,827	-	21,827	21,827	-	-
Total PA Department of Education						332,895	85,718	310,259	310,259	63,082	-
Passed through Central Intermediate Unit #10:											
Special Education Cluster (IDEA):											
Special Education - Grants to States	I	84.027	062-15-0010	A	240,543	240,543	240,543	-	-	-	-
Special Education - Grants to States	I	84.027	062-16-0010	B	234,761	-	-	234,761	234,761	234,761	-
Special Education - Early Intervention (619)	I	84.173	131-14-0010	B	3,351	3,351	-	3,351	3,351	-	-
Total Special Education Cluster (IDEA)						243,894	240,543	238,112	238,112	234,761	-
Race to the top - ARRA	I	84.413A	410-00-61564	B	833	833	-	833	833	-	-
Total Passed through Central Intermediate Unit #10:						244,727	240,543	238,945	238,945	234,761	-
Total U.S. Department of Education						577,622	326,261	549,204	549,204	297,843	-

**West Branch Area School District**

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2016

<u>Grantor/Pass-through Grantor/ Program or Cluster Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantors Number</u>	<u>Grant Period Code</u>	<u>Program or Award Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue at July 1, 2015</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue at June 30, 2016</u>	<u>Expenditures to Subrecipients</u>
<b>U.S. Department of Agriculture, Child Nutrition Cluster</b>											
Passed Through Pa Department of Education:											
National School Lunch Program	I (F)	10.555	362-0000	A	Note 6	\$ 4,779	\$ 4,779	\$ -	\$ -	\$ -	\$ -
National School Lunch Program	I (F)	10.555	362-0000	B	Note 6	214,568	-	244,583	244,583	30,015	-
National School Lunch Program	I (F)	10.553	365-0000	A	Note 6	1,048	1,048	-	-	-	-
National School Lunch Program	I (F)	10.553	365-0000	B	Note 6	41,126	-	49,392	49,392	8,266	-
Total PA Department of Education						261,521	5,827	293,975	293,975	38,281	-
Passed Through PA Department of Agriculture											
National School Lunch Program	I	10.555	2-05-17-900	B	N/A	37,246	(12,079)	41,463	41,463	(7,862)	-
Total Child Nutrition Cluster and Total U.S. Department of Agriculture						298,767	(6,252)	335,438	335,438	30,419	-
<b>U.S. Department of Health and Human Services</b>											
Passed through the PA Department of Human Services											
Medical Access Administration	I	93.778	044-144123	B		-	426	-	-	426	-
Total						\$ 876,389	\$ 320,435	\$ 884,642	\$ 884,642	\$ 328,688	\$ -

# West Branch Area School District

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Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2016

## 1. General

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") presents the federal award activity of West Branch Area School District under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a select portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

## 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

## 3. National School Lunch Program

The program amount for the national school lunch program is based on a set per meal reimbursement rate.

## 4. Source Code and Grant Period Code

Source codes used in the schedule of expenditures of federal awards are as follows:

I = Indirect funding

Grant period codes used in the schedule of expenditures of federal awards are as follows:

A = 07/01/14 - 06/30/15

B = 07/01/15 - 06/30/16

## 5. Indirect Cost Rate

The District has elected not to use the 10 percent de minimis indirect cost rate as allowed under Uniform Guidance.

**Independent Auditors' Report on Internal Control  
Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance  
with *Governmental Auditing Standards***

Board of Directors  
West Branch Area School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the West Branch Area School District (the "District"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 21, 2016.

**Internal Control over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Baker Tilly Viechow Krause, LLP*

State College, Pennsylvania  
December 21, 2016

**Independent Auditors' Report on Compliance  
for Each Major Federal Program and on  
Internal Control Over Compliance  
Required by the Uniform Guidance**

Board of Directors  
West Branch Area School District

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

We have audited West Branch Area School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

## Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2016.

## Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each of the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

*Baker Tilly Viechow Krause, LLP*

State College, Pennsylvania  
December 21, 2016



# West Branch Area School District

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2016

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## Section I - Summary of Auditors' Results

### Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes  X  no
- Significant deficiency(ies) identified? \_\_\_\_\_ yes  X  none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes  X  no

### Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? \_\_\_\_\_ yes  X  no
- Significant deficiency(ies) identified? \_\_\_\_\_ yes  X  none reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CRF 200.516(a)? \_\_\_\_\_ yes  X  no

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555 84.010	Child Nutrition Cluster Title I

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes  X  no

## **West Branch Area School District**

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Schedule of Findings and Questioned Costs  
Year Ended June 30, 2016

### **Section II - Financial Statement Findings**

None.

### **Section III - Federal Award Findings and Questioned Costs**

None.

### **Section IV - Summary Schedule of Prior Year Audit Finding**

#### **Finding 2015-001:**

- Condition:** The District required adjustment to restate the 2014 financial statements for errors in several account groups.
- Recommendation:** The District should put in place proper controls over the financial reporting process to ensure that the District's financial statements are materially correct.
- Resolution:** The District added control procedures to reconcile and maintain sub ledger detail and reconciliations of all balance sheet accounts.