

# **West Branch Area School District**

Financial Statements and  
Supplementary Information

June 30, 2015



**BAKER TILLY**

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# West Branch Area School District

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June 30, 2015

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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, 2015, 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 an opinion 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 of 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.

## **Opinion**

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, 2015, 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.

## **Emphasis of Matters**

As disclosed in Notes 1 and 16 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, for the year ended June 30, 2015 to conform with accounting principles generally accepted in the United States of America. The District recognized its net pension liability, restated its beginning net position for this adoption, expanded its note disclosures and included required supplementary information with respect to employees' pension benefits. Our opinion is not modified with respect to this matter.

As discussed in Note 17, beginning net position has been restated to correct errors in previously issued financial statements. Our opinion is not modified with respect to this matter.

## **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 51, the Schedule of the District's Proportionate Share of the Net Pension Liability on page 52 and the Schedule of District's Contributions on page 53 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 54 through 55 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 the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is also not a required part of the financial statements. The supplementary information on pages 54 through 55 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information on pages 54 through 55 and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the 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 January 12, 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 the 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  
January 12, 2016



## **WEST BRANCH AREA SCHOOL DISTRICT**

516 ALLPORT CUTOFF  
MORRISDALE, PA 16858

[www.westbranch.org](http://www.westbranch.org)

Fax: 814-345-5220

**Michelle E. Dutrow, Superintendent**  
Jason McMillen, Business Manager

Phone: 814-345-5628, ext.4850

### **MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)** **JUNE 30, 2015**

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, 2015. 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 the 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 \$(10,211,356) (net position (deficit) government-wide). Of this amount, \$(14,132,996) (unrestricted deficit) may be used to meet the government's ongoing obligation to citizens and creditors. A reserve of the capital projects fund restricted fund balance in the amount of \$76,220 remains from the costs of prior improvements to the District's facilities.

The District's total net position increased by \$867,294. Net position of governmental activities increased by \$903,341 while net position of the business-type activity decreased \$36,047.

As of the close of the fiscal year, the District's governmental funds reported a combined ending fund balance of \$5,862,601, an increase of \$842,406 from the prior year. \$5,786,381 of this amount is available for spending at the District's discretion (General Fund Balance) while \$76,220 of this amount must be used for capital projects in accordance with section 1432 of the municipal code. The District has committed \$1,191,056 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 \$312,059 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 \$4,283,266 or 27.7% of the 2014-2015 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.

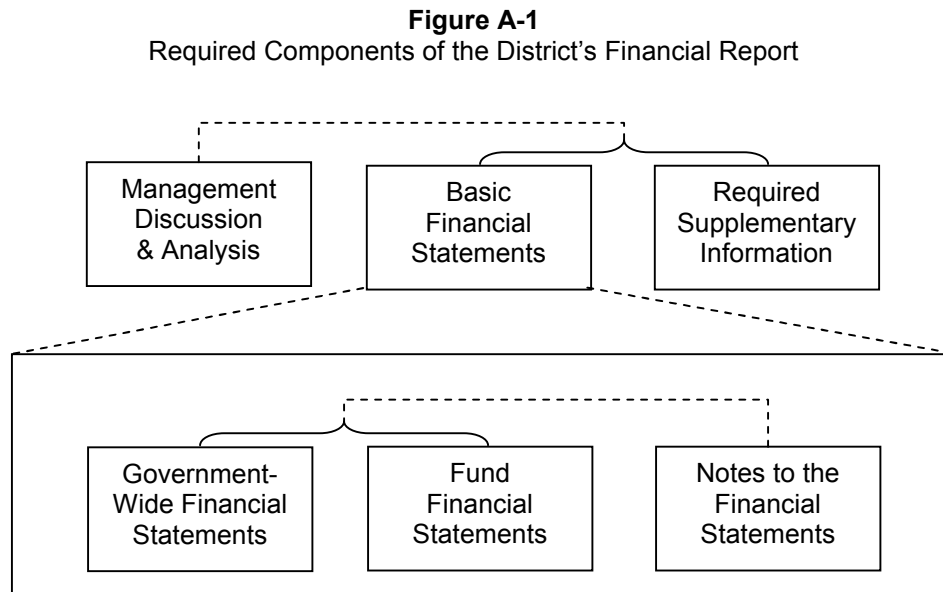
## West Branch Area School District

Management's Discussion and Analysis (Unaudited)  
June 30, 2015

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

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



## West Branch Area School District

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

June 30, 2015

**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

		<b>Fund Statements</b>		
	<b>Government-wide Statements</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
<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 and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
<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, 2015

### 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 and liabilities. 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 and liabilities, 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, 2015

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District's Total Net Position (Deficit) was **negative \$10,211,356** at June 30, 2015 as compared to **\$8,703,261** at June 30, 2014. Table A-1 provides a condensed comparison of the years.

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

	2015			2014		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>						
Current and other assets	\$ 7,780,761	\$ 114,946	\$ 7,895,707	\$ 7,170,217	\$ 130,634	\$ 7,300,851
Non-current assets	13,914,161	139,314	14,053,475	14,530,862	153,569	14,684,431
Total assets	21,694,922	254,260	21,949,182	21,701,079	284,203	21,985,282
<b>Deferred Outflows</b>	1,306,213	-	1,306,213	-	-	-
Total assets and deferred outflows	<u>\$ 23,001,135</u>	<u>\$ 254,260</u>	<u>\$ 23,255,395</u>	<u>\$ 21,701,079</u>	<u>\$ 284,203</u>	<u>\$ 21,985,282</u>
<b>Liabilities</b>						
Current liabilities	\$ 1,498,099	\$ 31,354	\$ 1,529,453	\$ 2,579,075	\$ 6,181	\$ 2,585,256
Long-term liabilities						
Due within one year	862,472	-	862,472	696,306	-	696,306
Due after one year	29,400,221	4,605	29,404,826	9,990,364	10,095	10,000,459
Total liabilities	31,760,792	35,959	31,796,751	13,265,745	16,276	13,282,021
<b>Deferred Inflows</b>	1,670,000	-	1,670,000	-	-	-
<b>Net Position (Deficit)</b>						
Net investment in capital assets	3,706,106	139,314	3,845,420	4,283,589	153,569	4,437,158
Restricted	76,220	-	76,220	121,615	-	121,615
Unrestricted (deficit)	<u>(14,211,983)</u>	<u>78,987</u>	<u>(14,132,996)</u>	<u>4,030,130</u>	<u>114,358</u>	<u>4,144,488</u>
Total net position (deficit)	<u>(10,429,657)</u>	<u>218,301</u>	<u>(10,211,356)</u>	<u>8,435,334</u>	<u>267,927</u>	<u>8,703,261</u>
Total liabilities, inflows and net position (deficit)	<u>\$ 23,001,135</u>	<u>\$ 254,260</u>	<u>\$ 23,255,395</u>	<u>\$ 21,701,079</u>	<u>\$ 284,203</u>	<u>\$ 21,985,282</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 has 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 \$(10,211,356) in net position (deficit), approximately \$3,845,420 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, 2015: \$76,220 is restricted for the Capital Projects. The remaining negative \$14,211,983 is unrestricted.

## West Branch Area School District

### Management's Discussion and Analysis (Unaudited) June 30, 2015

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

	2015			2014		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 23,738	\$ 195,865	\$ 219,603	\$ 42,540	\$ 193,823	\$ 236,363
Operating grants and contributions	4,266,263	343,937	4,610,200	3,040,559	346,882	3,387,441
General revenues:						
General taxes	4,539,963	-	4,539,963	4,505,689	-	4,505,689
Grants, subsidies and contributions, unrestricted	7,074,924	-	7,074,924	7,631,748	-	7,631,748
Other	23,061	93	23,154	21,109	-	21,109
Total revenues	<u>\$ 15,927,949</u>	<u>\$ 539,895</u>	<u>\$ 16,467,844</u>	<u>\$ 15,241,645</u>	<u>\$ 540,705</u>	<u>\$ 15,782,350</u>
<b>Expenses</b>						
Instruction	\$ 8,972,452	\$ -	\$ 8,972,452	\$ 9,574,217	\$ -	\$ 9,574,217
Instructional student support	1,283,568	-	1,283,568	1,139,229	-	1,139,229
Administration and financial support	963,048	-	963,048	943,282	-	943,282
Operation and maintenance of plant	2,211,599	-	2,211,599	2,226,864	-	2,226,864
Pupil transportation	825,345	-	825,345	950,276	-	950,276
Student activities	421,240	-	421,240	387,318	-	387,318
Interest of long-term debt	347,356	-	347,356	342,982	-	342,982
Food services	-	575,942	575,942	-	571,723	571,723
Total expenses	<u>\$ 15,024,608</u>	<u>\$ 575,942</u>	<u>\$ 15,600,550</u>	<u>\$ 15,564,168</u>	<u>\$ 571,723</u>	<u>\$ 16,135,891</u>
<b>Increase (Decrease) in Net Position</b>	<u>\$ 903,341</u>	<u>\$ (36,047)</u>	<u>\$ 867,294</u>	<u>\$ (322,523)</u>	<u>\$ (31,018)</u>	<u>\$ (353,541)</u>

## West Branch Area School District

Management's Discussion and Analysis (Unaudited)  
June 30, 2015

**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.

<b>Table A-3</b> Governmental Activities Fiscal Year Ended June 30				
Functions/Programs	2015		2014	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 8,972,452	\$ 5,818,076	\$ 9,574,217	\$ 7,398,371
Instruction student support	1,283,568	1,263,877	1,139,229	1,036,944
Administration and financial support	963,048	952,363	943,282	943,282
Operation and maintenance of plant	2,211,599	2,211,599	2,226,864	2,226,864
Pupil transportation	825,345	145,759	950,276	179,947
Student activities	421,240	397,502	387,318	352,679
Interest of long-term debt	347,356	44,828	342,982	342,982
Total governmental activities	<u>\$ 15,024,608</u>	10,834,004	<u>\$ 15,564,168</u>	12,481,069
Less unrestricted grants and subsidies		(7,074,924)		(7,631,748)
Total		<u>\$ 3,759,080</u>		<u>\$ 4,849,321</u>

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

<b>Table A-4</b> Business-type Activities Fiscal Year Ended June 30				
Functions/Programs	2015		2014	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Food services	\$ 575,942	\$ (36,140)	\$ 571,723	\$ (31,018)
Investment earnings		93		-
Total		<u>\$ (36,047)</u>		<u>\$ (31,018)</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

Management's Discussion and Analysis (Unaudited)  
June 30, 2015

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### 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 \$5,862,601 which is an increase of \$842,406 (18.26%) 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 \$4,283,266. 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 **27.13%** of the 2015-2016 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 \$887,801. Key factors that contributed to this increase were as follows:

#### Revenues

Overall the District received 105.19% of the budgeted revenues. The largest portion of this was collection of local taxes and revenues, followed by state reimbursements.

#### Expenditures

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

- Regular Education was \$32,566 more than budgeted.
- Alternative and Court Placed Education was \$126,989 more than budgeted.
- Pupil Health Service was \$60,526 more than budgeted.
- Business Service was \$7,077 more than budgeted.

Overall, the District expended 97.03% of the budgeted expenditures.

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 \$76,220 at June 30, 2015. It decreased by \$45,395 (37.33%), over the prior year. The major factor that contributed to this decrease was the purchase of a new phone system for the District. 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, 2015

#### 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 \$353,810 from the budgetary reserve for the 2014-2015 school year. The 2014-2015 actual results added \$887,801 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

	<b>Budgeted Amount</b>	<b>Actual Amount</b>	<b>Difference</b>	<b>% of Budget Received</b>
<b>Revenues</b>				
6000 Local sources	\$ 4,284,043	\$ 4,782,951	\$ 498,908	111.65 %
7000 State sources	10,204,244	10,699,700	495,456	104.86
8000 Federal sources	606,200	394,855	(211,345)	65.14
Total revenues and sources	<u>\$ 15,094,487</u>	<u>\$ 15,877,506</u>	<u>\$ 783,019</u>	<u>105.19 %</u>
<b>Expenditures</b>				
1000 Instruction	\$ 9,139,799	\$ 9,025,128	\$ (114,671)	98.75 %
2000 Support services	4,739,052	4,497,720	(241,332)	94.92
3000 Non-instructional	437,069	421,240	(15,829)	96.38
5000 Other uses	1,132,377	1,045,617	(86,760)	92.29
Total expenditures and uses	<u>\$ 15,448,297</u>	<u>\$ 14,989,705</u>	<u>\$ (458,592)</u>	<u>97.03 %</u>
Excess of revenues over expenditures	<u>\$ (353,810)</u>	<u>\$ 887,801</u>	<u>\$ 1,241,611</u>	

## West Branch Area School District

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

June 30, 2015

#### 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 90% 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 90% of the budgetary expectations with the exceptions of State Health Services Reimbursement and the State share of 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 90% 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, 2015, the District had \$14,053,475 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>2015</u>
Land, buildings and improvements	\$ 25,459,096
Equipment and other capital assets	2,178,997
Accumulated depreciation	<u>(13,584,618)</u>
Net	<u>\$ 14,053,475</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, 2015

#### DEBT ADMINISTRATION:

As of June 30, 2015, the District's long-term debt was \$30,267,298. This includes other postemployment benefit liability of \$154,323, compensated absences of \$232,920, general obligation bonds and notes payable of \$9,909,402, unamortized bond discount of \$62,384, obligations incurred under capital leases of \$361,037 and a net pension liability of \$19,672,000. **Table A-7** lists some of the components of the District's outstanding debt for the current and prior years respectively.

**Table A-7**  
Outstanding Debt  
Fiscal Year Ended June 30

	<b>2015</b>	<b>2014</b>
Bonds and notes payable	\$ 9,909,402	\$ 9,828,015
Unamortized bond discount, net	(62,384)	(67,374)
Capital lease obligation	361,037	398,541
Other postemployment benefits liability	154,323	123,300
Compensated absences	232,920	301,597
Net pension liability	19,672,000	-
Total outstanding debt	<u>\$ 30,267,298</u>	<u>\$ 10,584,079</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 \$154,323 and is recorded as a liability on the statement of net position (deficit) of the District as of June 30, 2015.

#### **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 2015-2016 year, **\$15,718,693**, is **\$624,206** more than the budget for 2014-2015. This represents a **4.14%** increase in budgeted revenues. The expenditure budget for the 2015-2016 year, **\$15,789,450**, is **\$341,153** more than the budget for 2014-2015, which is an increase of **2.21%**. The increase in expenditures is primarily the result of contractual cost increases in salaries and benefits (Healthcare and Pension). The 2015-2016 budget requires the use of **\$70,757** from the fund balance to balance.

## **West Branch Area School District**

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

June 30, 2015

#### **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 79 employees including teachers, librarians, counselors, and nurses. The four-year contract runs from 2013 to 2016 with average annual salary increases of 2.8%, service increments that range from \$200-\$1,200 depending on years of service, 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 \$25-\$75 per month in 2013-2014 and \$30-\$100 per month in 2014-2015. 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 4 year contract runs from 2011-12 through 2014-15. This contract was renewed in September 2015 and runs 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 \$25-\$70 per month in 2013-14 and \$30-100 per month in 2014-15. 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 has been awarded a total of \$1 million dollars in grants to complete this project bringing the net cost to \$1,174,357.

#### **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, 2015

	Governmental Activities	Business-Type Activity	Total
<b>Assets and Deferred Outflows of Resources</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 6,488,793	\$ 61,572	\$ 6,550,365
Taxes receivable, net	700,407	-	700,407
Due from other governments	583,280	6,189	589,469
Internal balances	8,281	(8,281)	-
Inventories	-	15,023	15,023
Deposits	-	40,443	40,443
Total current assets	7,780,761	114,946	7,895,707
<b>Noncurrent Assets</b>			
Land, buildings and improvements	25,459,096	-	25,459,096
Equipment and other capital assets	1,745,792	433,205	2,178,997
Accumulated depreciation	(13,290,727)	(293,891)	(13,584,618)
Total noncurrent assets	13,914,161	139,314	14,053,475
Total assets	21,694,922	254,260	21,949,182
<b>Deferred Outflows of Resources</b>			
Pension	1,306,213	-	1,306,213
Total	\$ 23,001,135	\$ 254,260	\$ 23,255,395
<b>Liabilities, Deferred Inflows of Resources and Net Position (Deficit)</b>			
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	\$ 204,073	\$ 9,130	\$ 213,203
Current portion of bonds and notes payable	823,430	-	823,430
Current portion of capital lease obligation	39,042	-	39,042
Accrued salaries and benefits	1,179,892	-	1,179,892
Deferred revenue	-	22,224	22,224
Accrued interest	114,134	-	114,134
Total current liabilities	2,360,571	31,354	2,391,925
<b>Noncurrent Liabilities</b>			
General obligation bonds and notes payable	9,023,588	-	9,023,588
Capital lease obligation	321,995	-	321,995
Other postemployment benefits liability	154,323	-	154,323
Compensated absences	228,315	4,605	232,920
Net pension liability	19,672,000	-	19,672,000
Total noncurrent liabilities	29,400,221	4,605	29,404,826
Total liabilities	31,760,792	35,959	31,796,751
<b>Deferred Inflows of Resources</b>			
Pension	1,670,000	-	1,670,000
<b>Net Position (Deficit)</b>			
Restricted	76,220	-	76,220
Net investment in capital assets	3,706,106	139,314	3,845,420
Unrestricted (deficit)	(14,211,983)	78,987	(14,132,996)
Total net position (deficit)	(10,429,657)	218,301	(10,211,356)
Total	\$ 23,001,135	\$ 254,260	\$ 23,255,395

See notes to financial statements

# West Branch Area School District

## Statement of Activities

Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Position (Deficit)		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activity	Total
<b>Governmental Activities</b>						
Instruction	\$ (8,972,452)	\$ -	\$ 3,253,773	\$ (5,718,679)	\$ -	\$ (5,718,679)
Instructional student support	(1,283,568)	-	19,691	(1,263,877)	-	(1,263,877)
Administration and financial support services	(963,048)	-	10,685	(952,363)	-	(952,363)
Operation and maintenance of plant services	(2,211,599)	-	-	(2,211,599)	-	(2,211,599)
Pupil transportation	(825,345)	-	679,586	(145,759)	-	(145,759)
Student activities	(421,240)	23,738	-	(397,502)	-	(397,502)
Interest on long-term debt	(347,356)	-	302,528	(44,828)	-	(44,828)
Total governmental activities	(15,024,608)	23,738	4,266,263	(10,734,607)	-	(10,734,607)
<b>Business-Type Activity</b>						
Food service	(575,942)	195,865	343,937	-	(36,140)	(36,140)
Total	<u>\$ (15,600,550)</u>	<u>\$ 219,603</u>	<u>\$ 4,610,200</u>	<u>(10,734,607)</u>	<u>(36,140)</u>	<u>(10,770,747)</u>
<b>General Revenues</b>						
Property taxes, levied for general purposes, net				4,539,963	-	4,539,963
Grants, subsidies and contributions not restricted				7,074,924	-	7,074,924
Investment earnings				5,478	93	5,571
Miscellaneous income				17,583	-	17,583
Total general revenues				11,637,948	93	11,638,041
<b>Change in Net Position</b>				903,341	(36,047)	867,294
<b>Net Position, Beginning</b>						
As previously reported				8,435,334	267,927	8,703,261
Effect of adoption of GASB No. 68				(20,673,000)	-	(20,673,000)
Effect of prior period adjustment				904,668	(13,579)	891,089
As restated				<u>(11,332,998)</u>	<u>254,348</u>	<u>(11,078,650)</u>
<b>Net Position (Deficit), Ending</b>				<u>\$ (10,429,657)</u>	<u>\$ 218,301</u>	<u>\$ (10,211,356)</u>

See notes to financial statements

**West Branch Area School District**

## Balance Sheet - Governmental Funds

June 30, 2015

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 6,412,573	\$ 76,220	\$ 6,488,793
Taxes receivable, net	700,407	-	700,407
Due from other governments	583,280	-	583,280
Due from other funds	8,281	-	8,281
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total	<u>\$ 7,704,541</u>	<u>\$ 76,220</u>	<u>\$ 7,780,761</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 204,073	\$ -	\$ 204,073
Accrued salaries and benefits	1,179,892	-	1,179,892
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities	<u>1,383,965</u>	<u>-</u>	<u>1,383,965</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenues - taxes	534,195	-	534,195
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Fund Balances</b>			
Restricted	-	76,220	76,220
Assigned	312,059	-	312,059
Committed	1,191,056	-	1,191,056
Unassigned	4,283,266	-	4,283,266
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total fund balances	<u>5,786,381</u>	<u>76,220</u>	<u>5,862,601</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total	<u>\$ 7,704,541</u>	<u>\$ 76,220</u>	<u>\$ 7,780,761</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, 2015

<b>Total Fund Balance - Governmental Funds</b>	<b>\$</b>	<b>5,862,601</b>
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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 \$27,204,888 and the accumulated depreciation is \$13,290,727.	13,914,161
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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.	534,195
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Deferred outflows related to net pension liability are not reported in the governmental funds, however are reported in the statement of net position (deficit).	1,306,213
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Deferred inflows related to net pension liability are not reported in the governmental funds, however are reported in the statement of net position (deficit).	(1,670,000)
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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:

Bonds payable	(8,460,000)
Unamortized bond discount, net	62,384
Notes payable	(1,449,402)
Capital lease obligation	(361,037)
Accrued interest on long-term debt	(114,134)
Other postemployment benefits liability	(154,323)
Compensated absences	(228,315)
Net pension liability	(19,672,000)

<b>Total Net Position (Deficit) - Governmental Activities</b>	<b>\$</b>	<b>(10,429,657)</b>
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**West Branch Area School District****Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds**  
**Year Ended June 30, 2015**

	<b>General</b>	<b>Capital Projects</b>	<b>Total</b>
<b>Revenues</b>			
Local sources	\$ 4,782,951	\$ 156	\$ 4,783,107
State sources	10,699,700	-	10,699,700
Federal sources	394,855	-	394,855
Total revenues	15,877,506	156	15,877,662
<b>Expenditures</b>			
Instruction	9,025,128	-	9,025,128
Support services	4,497,720	-	4,497,720
Noninstructional services	421,240	-	421,240
Facilities acquisition, construction and improvement services	-	785,840	785,840
Debt service	1,045,517	-	1,045,517
Total expenditures	14,989,605	785,840	15,775,445
<b>Excess (Deficit) of Revenues Over Expenditures Before Other Financing (Uses) Sources</b>	887,901	(785,684)	102,217
<b>Other Financing (Uses) Sources</b>			
Proceeds from extended term financing	-	740,189	740,189
Interfund transfers	(100)	100	-
Total other financing (uses) sources	(100)	740,289	740,189
Net changes in fund balances	887,801	(45,395)	842,406
<b>Fund Balance, Beginning</b>			
As previously reported	4,492,245	121,615	4,613,860
Effect of prior period adjustment	406,335	-	406,335
As restated	4,898,580	121,615	5,020,195
<b>Fund Balance, Ending</b>	\$ 5,786,381	\$ 76,220	\$ 5,862,601

*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, 2015

**Total Net Change in Fund Balances - Governmental Funds** \$ 842,406

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 depreciation exceed capital outlays in the period:

Capital outlays	\$ 21,555	
Depreciation expense	(638,256)	(616,701)

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. Unavailable tax revenues increased  
by this amount this year.

50,287

The issuance of long term debt (bond) 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 assets. 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, 2015 are as follows,

Extended term financing proceeds	(740,189)	
Scheduled principal payments on long-term debt	658,802	
Scheduled principal payments on capital lease	37,504	(43,883)

Amortization of bond issue discounts are reported in the statement of activities but  
do not require the use of current financial resources and therefore, are not  
reported as expenditures in the governmental funds.

(4,990)

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.

6,845

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

(31,023)

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.

637,213

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.

63,187

**Change in Net Position (Deficit) of Governmental Activities**

\$ 903,341

**West Branch Area School District**

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

General Fund

Year Ended June 30, 2015

	Budgeted Amount Original and Final	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>Revenues</b>			
Local sources	\$ 4,284,043	\$ 4,782,951	\$ 498,908
State sources	10,204,244	10,699,700	495,456
Federal sources	606,200	394,855	(211,345)
Total revenues	15,094,487	15,877,506	783,019
<b>Expenditures</b>			
Instruction:			
Regular programs	6,297,715	6,330,281	(32,566)
Special programs	2,082,805	1,882,023	200,782
Vocational education programs	679,279	605,835	73,444
Other instructional programs	80,000	206,989	(126,989)
Total instruction	9,139,799	9,025,128	114,671
Support services:			
Pupil personnel	535,684	497,050	38,634
Instructional staff	750,572	631,567	119,005
Administration	724,358	717,415	6,943
Pupil health	94,425	154,951	(60,526)
Business	238,501	245,578	(7,077)
Operation and maintenance of plant services	1,491,057	1,425,759	65,298
Student transportation services	904,455	825,345	79,110
Central	-	55	(55)
Total support services	4,739,052	4,497,720	241,332
Noninstructional services, Student activities	437,069	421,240	15,829
Debt service	1,132,377	1,045,517	86,860
Total expenditures	15,448,297	14,989,605	458,692
(Deficit) excess of revenues over expenditures before other financing uses	(353,810)	887,901	1,241,711
<b>Other Financing Uses</b>			
Transfer out	-	(100)	(100)
<b>Net Changes in Fund Balances</b>	<u>\$ (353,810)</u>	<u>887,801</u>	<u>\$ 1,241,611</u>
<b>Fund Balance, Beginning</b>			
As previously reported		4,492,245	
Effect of prior period adjustment		406,335	
As restated		<u>4,898,580</u>	
<b>Fund Balance, Ending</b>		<u>\$ 5,786,381</u>	

See notes to financial statements

## West Branch Area School District

### Balance Sheet - Proprietary Fund - Food Service

June 30, 2015

#### Assets

##### Current assets:

Cash	\$	61,572
Due from other governments		6,189
Inventories		15,023
Deposits		<u>40,443</u>

Total current assets		<u>123,227</u>
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##### Noncurrent assets:

Machinery and equipment		433,205
Accumulated depreciation		<u>(293,891)</u>

Total noncurrent assets		<u>139,314</u>
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Total	\$	<u><u>262,541</u></u>
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#### Liabilities and Net Position

##### Liabilities

##### Current liabilities:

Due to other funds	\$	8,281
Accounts payable		9,130
Unearned revenue		<u>22,224</u>

Total current liabilities		39,635
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##### Noncurrent liabilities,

Long-term portion of compensated absences		<u>4,605</u>
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Total liabilities		<u>44,240</u>
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##### Net Position

Net investment in capital assets		139,314
Unrestricted		<u>78,987</u>

Total net position		<u>218,301</u>
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Total	\$	<u><u>262,541</u></u>
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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, 2015

#### **Operating Revenues**

Food service revenues	\$ 195,865
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#### **Operating Expenses**

Salaries and employee benefits	269,552
Food, milk and supplies	208,717
Other purchased services	68,517
Depreciation	14,255
Operation and maintenance	14,251
Miscellaneous	650

Total operating expenses	575,942
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#### **Operating Loss**

(380,077)
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#### **Nonoperating Revenues**

State sources	19,022
Federal sources	324,915
Earnings on investments	93

Total nonoperating revenues	344,030
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Change in net position	(36,047)
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#### **Net Position, Beginning**

As previously reported	267,927
Effect of prior period adjustment	(13,579)
As restated	254,348

#### **Net Position, Ending**

\$ 218,301
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## West Branch Area School District

Statement of Cash Flows - Proprietary Fund - Food Service  
Year Ended June 30, 2015

### Cash Flows Used in Operating Activities

Cash received from customers	\$ 199,831
Cash paid to employees and vendors	<u>(589,475)</u>
Net cash used in operating activities	<u>(389,644)</u>

### Cash Flows Provided by Investing Activities

Earnings on investments	<u>93</u>
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### Cash Flows from Noncapital Financing Activities

State sources	18,938
Federal sources	<u>321,132</u>
Net cash provided by noncapital financing activities	<u>340,070</u>

Decrease in cash	(49,481)
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Cash, Beginning	<u>111,053</u>
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Cash, Ending	<u><u>\$ 61,572</u></u>
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### Reconciliation of Operating Loss to Net Cash Used in Operating Activities

Operating loss	\$ (380,077)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	14,255
Changes in assets and liabilities resulting in the provisions (use) of cash:	
Inventories	735
Deposits	(40,443)
Accounts payable	9,130
Due to other funds	8,281
Unearned revenue	3,965
Compensated absences	<u>(5,490)</u>

Net Cash Used in Operating Activities	<u><u>\$ (389,644)</u></u>
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See notes to financial statements

**West Branch Area School District**

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Statement of Net Position - Fiduciary Fund - Agency

June 30, 2015

**Assets**

<b>Cash and Cash Equivalents</b>	<b>\$ 38,750</b>
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**Liabilities**

<b>Due to Student Groups</b>	<b>\$ 38,750</b>
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*See notes to financial statements*

# **West Branch Area School District**

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## **Notes to Financial Statements**

June 30, 2015

### **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 and receivables as well as long-term debt and obligations. The District's net position is reported in three parts-net investment in capital assets; restricted net position; and unrestricted net position. 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, 2015

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, 2015

#### **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 and all liabilities 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, 2015

#### **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 is 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, 2015 was approved by the board of Directors on June 24, 2014 in the amount of \$15,448,297 with a tax millage of 97.0 mills for Clearfield County and 10.9 mills for Clinton County.

## **West Branch Area School District**

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### **Notes to Financial Statements**

June 30, 2015

#### **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, 2015, the West Branch Area School District paid the CCCTC \$470,943 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, 2015

#### **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, 2015

#### 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.

## West Branch Area School District

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### Notes to Financial Statements

June 30, 2015

#### Recent Accounting Standards

The District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, for the year ended June 30, 2015. This statement establishes accounting and financial reporting standards for the activities of pension plans that are administered through trusts and meet certain criteria. This statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain requirements. The effect of this adoption decreased the District's governmental activities net position at July 1, 2014 by \$20,673,000 and expanded note disclosures and required supplementary information.

The District adopted GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* for the year ended June 30, 2015. The objective of this statement is to address an issue regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of GASB No. 71 are to be applied simultaneously with the provisions of GASB No. 68.

#### 2. Cash and Cash Equivalents

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, 2015, \$6,308,612 of the District's bank balances were exposed to custodial credit risk, as these deposits were not covered by depository insurance. The entire \$6,308,612 was collateralized with securities held by the pledging financial institution, but not in the District's name.

#### 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.

## West Branch Area School District

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### Notes to Financial Statements

June 30, 2015

#### 4. Taxes Receivable, Net

A summary of the taxes receivable and related amounts at June 30, 2015 follows:

Property taxes receivable	\$ 756,143
Earned income taxes receivable	23,161
Real estate transfer taxes receivable	<u>1,797</u>
Total	781,101
Estimated uncollectible taxes at June 30, 2015	<u>(80,694)</u>
Total	<u><u>\$ 700,407</u></u>

#### 5. Due from Other Governments

The amount reported in the General Fund at June 30, 2015 as due from other governments is summarized below:

Local source revenues	\$ 278,577
State source revenues	218,558
Federal source revenues	<u>86,145</u>
Total	<u><u>\$ 583,280</u></u>

## West Branch Area School District

### Notes to Financial Statements

June 30, 2015

#### 6. Capital Assets

Capital asset activity for the year ended June 30, 2015 is as follows:

	<u>Balance July 1, 2014</u>	<u>Increases</u>	<u>Transfer/ Decreases</u>	<u>Balance June 30, 2015</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	-	-	25,446,804
Equipment and other capital	1,724,237	21,555	-	1,745,792
Total capital assets, being depreciated	27,171,041	21,555	-	27,192,596
Accumulated depreciation for:				
Buildings and improvements	(11,580,358)	(514,063)	-	(12,094,421)
Equipment and other capital assets	(1,072,113)	(124,193)	-	(1,196,306)
Total accumulated depreciation	(12,652,471)	(638,256)	-	(13,290,727)
Total capital assets being depreciated, net	14,518,570	(616,701)	-	13,901,869
Governmental activities capital assets, net	<u>\$ 14,530,862</u>	<u>\$ (616,701)</u>	<u>\$ -</u>	<u>\$ 13,914,161</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	(279,636)	(14,255)	-	(293,891)
Business-type activity capital assets, net	<u>\$ 153,569</u>	<u>\$ (14,255)</u>	<u>\$ -</u>	<u>\$ 139,314</u>
Depreciation was allocated as follows:				
Governmental activities, instructional	\$ 638,256			
Business-type activity, food service	14,255			
Total depreciation expense	<u>\$ 652,511</u>			

## West Branch Area School District

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### Notes to Financial Statements

June 30, 2015

#### 7. Accrued Salaries and Benefits

Accrued salaries and benefits in the General Fund totaling \$1,179,892 represent salaries of \$621,172, the District's share of Social Security taxes of \$50,513 for teachers' services during the 2014-2015 school term, which are paid during July and August 2015, and retirement plan expense of \$508,207 applicable to the accrued salaries at June 30, 2015.

#### 8. Interfund Receivables, Payables and Transfers

At June 30, 2015, the following interfund balances were unpaid:

Amounts due from other funds, General fund	<u>\$ 8,281</u>
Amounts due to other funds: Food service fund	<u>\$ 8,281</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.

The composition of interfund transfers, used to move cash between funds at June 30, 2015 is as follows:

Transfers in, Capital projects fund	<u>\$ 100</u>
Transfers out, General fund	<u>\$ 100</u>

#### 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.

**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, 2015

#### **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, 2015 was 20.5% 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 \$1,306,213 for the year ended June 30, 2015.

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

At June 30, 2015, the District reported a liability of \$19,672,000 for its proportionate share of the PSERS net pension liability. The PSERS net pension liability was measured as of June 30, 2014, 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, 2013 to June 30, 2014. 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, 2014, the District's proportion was 0.0497%, which was a decrease of 0.0008% from its proportion measured as of June 30, 2013.

## West Branch Area School District

### Notes to Financial Statements

June 30, 2015

For the year ended June 30, 2015, the District recognized pension expense of \$(637,213). At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected an actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,406,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	264,000
District contributions subsequent to the measurement date	<u>1,306,213</u>	<u>-</u>
Total	<u>\$ 1,306,213</u>	<u>\$ 1,670,000</u>

\$1,306,213 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, 2015.

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:	
2016	\$ 415,000
2017	415,000
2018	415,000
2019	415,000
2020	<u>10,000</u>
Total	<u>\$ 1,670,000</u>

### Actuarial Assumptions

The total pension liability as of June 30, 2014 was determined by rolling forward the System's total pension liability as of the June 30, 2013 actuarial valuation to June 30, 2014 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 PR-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, 2013 valuation were based on the experience study that was performed for the five-year period ending June 30, 2012. 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, 2015

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public markets global equity	19 %	5.0 %
Private markets (equity)	21	6.5
Private real estate	13	4.7
Global fixed income	8	2.0
U.S. long treasuries	3	1.4
TIPS	12	1.2
High yield bonds	6	1.7
Cash	3	0.9
Absolute return	10	4.8
Risk parity	5	3.9
MLPs/Infrastructure	3	5.3
Commodities	6	3.3
Financing (LIBOR)	(9)	1.1
	100 %	

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, 2014.

### 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, 2015

#### 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:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 24,538,000	\$ 19,672,000	\$ 15,517,000

#### 11. Long-Term Debt

The changes in long-term debt for the year ended June 30, 2015 are as follows:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Current Portion
M&T energy loan	\$ 783,015	\$ -	\$ (73,802)	\$ 709,213	\$ 76,800
General obligation bond, Series of 2010	9,045,000	-	(585,000)	8,460,000	600,000
General obligation note, Series of 2015	-	740,189	-	740,189	146,630
Total bonds payable	9,828,015	740,189	(658,802)	9,909,402	<u>\$ 823,430</u>
Bond discount	<u>(67,374)</u>	-	4,990	<u>(62,384)</u>	
Total long-term debt	<u>\$ 9,760,641</u>	<u>\$ 740,189</u>	<u>\$ (653,812)</u>	<u>\$ 9,847,018</u>	

## West Branch Area School District

### Notes to Financial Statements

June 30, 2015

Long-term debt at June 30, 2015 consists of the following:

\$10,670,000 General Obligation Bonds Series of 2010, due in varying annual installments through March 2027, interest rates of 0.6% to 4.0%	\$ 8,460,000
\$1,200,000 M&T Energy Loan, due in varying annual installments through November 2022, interest rate of 4.06%	709,213
\$2,000,000 General Obligation Note Series of 2015, due in varying annual installments through March 2030, interest rate of 2.76%	740,189
Unamortized bond discount	<u>(62,384)</u>
Total	9,847,018
Current portion	<u>823,430</u>
Long-term debt	<u><u>\$ 9,023,588</u></u>

Debt service requirements at June 30, 2015 are as follows:

Years ending June 30:	Principal	Interest	Total
2016	\$ 823,430	\$ 334,792	\$ 1,158,222
2017	835,649	314,374	1,150,023
2018	863,108	291,789	1,154,897
2019	885,817	266,267	1,152,084
2020	883,671	239,166	1,122,837
2021 - 2025	3,952,727	775,457	4,728,184
2026 - 2027	<u>1,665,000</u>	<u>100,600</u>	<u>1,765,600</u>
Total	<u><u>\$ 9,909,402</u></u>	<u><u>\$ 2,322,445</u></u>	<u><u>\$ 12,231,847</u></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).

## West Branch Area School District

### Notes to Financial Statements

June 30, 2015

#### 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, 2015:

Years ending June 30:

2016	\$	53,847
2017		53,847
2018		53,847
2019		53,847
2020		53,847
2021-2025		161,540
		<hr/>
Total minimum lease payments		430,775
Less amount representing interest		(69,738)
		<hr/>
Present value of future minimum lease payments		361,037
Current portion		(39,042)
		<hr/>
Long-term portion	\$	<u>321,995</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	\$ 58,210	\$ -	\$ 58,210
Band uniforms	24,076	-	24,076
Dental care	229,773	-	229,773
		<hr/>	<hr/>
Total	<u>\$ 312,059</u>	<u>\$ -</u>	<u>\$ 312,059</u>
Committed for,			
PSERS, healthcare and utilities	<u>\$ 1,191,056</u>	<u>\$ -</u>	<u>\$ 1,191,056</u>
Restricted for,			
Capital projects	<u>\$ -</u>	<u>\$ 76,220</u>	<u>\$ 76,220</u>

### 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 2015 totaled \$43,013.

### 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 78% of the cost of current year premiums for eligible retired plan members. For fiscal year 2015, the District contributed \$110,750 to the Plan. Plan members receiving benefits contribute between \$142 and \$184 per month of their premium costs. In fiscal year 2015, total member contributions were \$46,147.

## West Branch Area School District

### Notes to Financial Statements

June 30, 2015

#### 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	\$ 144,272
Interest on net OPEB obligation	3,699
Adjustment to annual required contribution	<u>(6,198)</u>
Annual OPEB cost	141,773
Contributions made	<u>(110,750)</u>
Increase in net OPEB obligation	31,023
Net OPEB obligation at July 1, 2014	<u>123,300</u>
Net OPEB obligation at June 30, 2015	<u><u>\$ 154,323</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</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
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, 2015

#### Funded Status and Funding Progress

The funded status of the Plan as of June 30, 2015 was as follows:

Accrued liability	\$ 1,519,447
Value of plan assets	<u>-</u>
Unfunded accrued liability (UAL)	<u>\$ 1,519,447</u>
Funded ratio (value of plan assets/UAL)	0%
Covered payroll	\$ 5,563,336
UAL as a percentage of covered payroll	27.3%

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

### Notes to Financial Statements

June 30, 2015

#### 16. Effect of Adoption of GASB Statement No. 68

The District adopted GASB Statement No. 68 for its fiscal year ended June 30, 2015 which requires that the effects be applied to the earliest period presented. The changes within the District's June 30, 2015 governmental activities, liabilities, and net position are as follows:

Net position, as previously reported, at July 1, 2014	\$ 8,435,334
Net pension liability	(20,673,000)
Effect of prior period adjustment (See Note 18)	<u>904,668</u>
Restated net deficit at July 1, 2014	<u><u>\$ (11,332,998)</u></u>

#### 17. Prior Period Adjustment

The 2014 financial statements of the District were restated in 2015 to correct errors. Beginning net position was adjusted to increase general fund balance by \$406,335 decrease food service/business-type activities net position by \$(13,579) and increase governmental net position by \$904,668. The adjustments resulted from the initial audit procedures applied to the District's beginning fund balance/net position balances as a result of the 2015 audit.

General Fund balance, as previously reported, at July 1, 2014	\$ 4,492,245
Accounts payable	102,387
Accrued payroll	<u>303,948</u>
Restated General Fund Balance at July 1, 2014	<u><u>\$ 4,898,580</u></u>
Proprietary Fund - Food Service, Net Position as previously reported, at July 1, 2014	\$ 267,927
Deferred revenue	<u>(13,579)</u>
Restated Proprietary - Food Service Net Position at July 1, 2014	<u><u>\$ 254,348</u></u>
Governmental Activities, Net Position, as previously reported, at July 1, 2014	\$ 8,435,334
Accounts payable	102,387
Accrued payroll	303,948
Unavailable revenue - taxes	483,908
Accrued interest	(120,979)
Inventory	7,500
Allowance for doubtful accounts	15,218
Long-term debt	67,374
Capital leases	20,717
Other Post Employment Benefits	<u>24,595</u>
Restated Governmental Activities, Net Position at July 1, 2014	<u><u>\$ 9,340,002</u></u>

Management believes the effects of these corrections on revenue and expenses previously reported for the year ended June 30, 2014 would have not been material.

### 18. Pending Changes in Accounting Principles

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. To the extent applicable, the District is required to adopt Statement No. 73 for its fiscal 2017 financial statements.

In June 2015, 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 2015, 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 June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this statement is to identify in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles ("GAAP"). The "GAAP hierarchy" consists of the sources of accounting principles to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. To the extent applicable, the District is required to adopt Statement No. 76 for its fiscal 2016 financial statements.

In August 2015, 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. 75 for its fiscal 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

### Schedule of Funding Progress

#### Required for Other Postemployment Benefit Plans

Information is as of the Most Recent Actuarial Valuation

(Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
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, 2015

	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.0497%	0.0505%
District's proportionate share of the net pension liability	\$ 19,672,000	\$ 20,673,000
District's covered-employee payroll	\$ 6,207,421	\$ 6,336,533
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	316.91%	326.25%
Plan fiduciary net position as a percentage of the total pension liability	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, 2015

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 1,306,213	\$ 1,072,774	\$ 801,479	\$ 587,725
Contributions in relation to the contractually required contribution	<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>
District's covered-employee payroll	\$ 6,207,421	\$ 6,336,533	\$ 6,484,161	\$ 6,794,482
Contributions as a percentage of covered-employee payroll	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, 2015

#### Revenues

##### Local sources:

##### Taxation:

##### Current taxation:

Real estate	\$ 3,363,412
Earned income tax	644,459
Payments in lieu of taxes	32,494
Real estate transfers	28,674
Public utility realty tax	8,419

Total current taxation 4,077,458

Delinquent taxation 412,062

Total from taxation 4,489,520

Earnings from temporary investments and deposits	5,478
Receipts from other LEA's	246,632
Athletic admissions	23,738
Miscellaneous revenue	17,583

Total local sources 4,782,951

##### State sources:

Basic instructional subsidy	7,074,924
Vocation education	6
Special education	739,426
Transportation	679,586
Rental and sinking fund payments	302,528
Medical and dental services	19,691
Supplemental reimbursement	282,772
Social Security subsidy	305,241
Retirement subsidy	1,081,827
Other state grants	213,699

Total state sources 10,699,700

##### Federal sources:

ECIA Title I	189,161
Title II	56,808
Medical Access	148,886

Total federal sources 394,855

Total revenues 15,877,506

## West Branch Area School District

### General Fund - Schedule of Revenues, Expenditures and Change in Fund Balance Year Ended June 30, 2015

#### Expenditures

##### Instruction:

Regular programs	\$ 6,330,281
Special programs	1,882,023
Vocational education programs	605,835
Other instructional programs	<u>206,989</u>

Total instruction	<u>9,025,128</u>
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##### Support services:

Pupil personnel	497,050
Instructional staff	631,567
Administration	717,415
Pupil health	154,951
Business	245,578
Operation and maintenance of plant services	1,425,759
Student transportation	825,345
Central	<u>55</u>

Total support services	<u>4,497,720</u>
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Non instructional services	421,240
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Debt service	<u>1,045,517</u>
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Total expenditures	<u>14,989,605</u>
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#### Excess of Revenues Over Expenditures Before Other Financing Uses

887,901
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#### Other Financing Uses

Transfer out	<u>(100)</u>
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#### Net Change in Fund Balance

<u>887,801</u>
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#### Fund Balance, Beginning

As previously reported	4,492,245
Effect of prior period adjustment	<u>406,335</u>
As restated	<u>4,898,580</u>

#### Fund Balance, Ending

<u><u>\$ 5,786,381</u></u>
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**West Branch Area School District**

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2015

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, 2014	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue at June 30, 2015
<b>U.S. Department of Education</b>										
<b>Passed through PA Department of Education:</b>										
Title I	I	84.010	013-140469	A	\$ 121,297	\$ 15,783	\$ 15,783	\$ -	\$ -	\$ -
Title I	I	84.010	013-150469	B	189,161	129,509	-	189,161	189,161	59,652
Total Title I						145,292	15,783	189,161	189,161	59,652
Title II	I	84.367	020-140469	A	55,860	29,784	29,784	-	-	-
Title II	I	84.367	020-150469	B	55,925	29,859	-	55,925	55,925	26,066
Total Title II						59,643	29,784	55,925	55,925	26,066
Total PA DePartment of Education						204,935	45,567	245,086	245,086	85,718
<b>Passed through Central Intermediate Unit:</b>										
Special Education Cluster (IDEA):										
Special Education - Grants to States	I	84.027	062-15-0010	B	240,543	-	-	240,543	240,543	240,543
Special Education - Early Intervention (619)	I	84.173	131-14-0010	B	3,020	3,020	-	3,020	3,020	-
Total Special Education Cluster (IDEA)						3,020	-	243,563	243,563	240,543
<b>Passed through Tuscarora Intermediate Unit:</b>										
Title II B Math and Science Grant	I	84.367		B	883	883	-	883	883	-
Total U.S. Department of Education						208,838	45,567	489,532	489,532	326,261

**West Branch Area School District**

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2015

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, 2014	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue at June 30, 2015
<b>U.S. Department of Agriculture, Child Nutrition Cluster</b>										
<b>Passed Through Pa Department of Education:</b>										
National School Lunch Program	I (F)	10.555	362-0000	A	Note 6	\$ 3,545	\$ 3,545	\$ -	\$ -	\$ -
National School Lunch Program	I (F)	10.555	362-0000	B	Note 6	237,228	-	242,007	242,007	4,779
National School Lunch Program	I (F)	10.553	365-0000	A	Note 6	673	-	673	673	-
National School Lunch Program	I (F)	10.553	365-0000	B	Note 6	38,174	-	39,222	39,222	1,048
National School Lunch Program	I(S)	N/A	510-0000	A	Note 6	234	234	-	-	-
National School Lunch Program	I(S)	N/A	510-0000	B	Note 6	16,239	-	16,540	16,540	301
National School Lunch Program	I(S)	N/A	511-0000	A	Note 6	44	44	-	-	-
National School Lunch Program	I(S)	N/A	511-0000	B	Note 6	2,420	-	2,482	2,482	62
<b>Passed Through PA Department of Agriculture</b>										
Value of USDA Donated Commodities	I	10.555		B	N/A	41,513	(13,579)	43,013	43,013	(12,079)
Total U.S. Department of Agriculture, Child Nutrition Cluster						340,070	(9,756)	343,937	343,937	(5,889)
<b>U.S. Department of Health and Human Services</b>										
<b>Passed through the PA Department of Human Services</b>										
Medical Access Administration	I	93.778		B		768	-	1,194	1,194	426
Total						\$ 549,676	\$ 35,811	\$ 834,663	\$ 834,663	\$ 320,798

See notes to Schedule of Expenditures of Federal Awards

## **West Branch Area School District**

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Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2015

### **1. General**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the West Branch Area School District. The West Branch Area School District reporting entity is defined in Note 1 to the District's financial statements. Federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included on the schedule.

### **2. Basis of Accounting**

The accompanying Schedule of Expenditure of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the District's financial statements.

### **3. Access Reimbursements**

Access reimbursements for direct medical services are classified as fee-for-service revenues and are not considered federal awards. The General Fund federal revenues include \$148,886 of Access reimbursements for direct medical services.

### **4. State Matching Funds**

State matching funds for the National School Lunch Program are included on the Schedule of Expenditures of Federal Awards at the request of the Pennsylvania Department of Education.

### **5. Relationship to Federal Financial Reports**

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports.

### **6. National School Lunch Program**

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

### **7. Source Code and Grant Period Code**

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

I = Indirect funding  
S = State share  
F = Federal share

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

A = 07/01/13 - 06/30/14  
B = 07/01/14 - 06/30/15

**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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 12, 2016. In our report, emphasis of matters paragraphs were included, as more fully disclosed in Notes 1, 16 and 17 to the financial statements, to address the District's adoption of a new accounting principle and a prior period adjustment. Our opinion was not modified with respect to these matters.

**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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control described in the accompanying schedule of findings and questioned costs as finding 2015-001 that we considered to be a material weakness.

### **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*.

### **District's Response to Findings**

The District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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  
January 12, 2016

**Independent Auditors' Report on Compliance  
for the Major Federal Program and on  
Internal Control Over Compliance  
in Accordance with OMB Circular A-133**

Board of Directors  
West Branch Area School District

**Report on Compliance for the 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 Circular A-133 Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2015. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for the District's major federal program 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 the major federal program. However, our audit does not provide a legal determination of the District's compliance with those requirements.

## Opinion on the 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 its major federal program for the year ended June 30, 2015.

## 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 its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Baker Tilly Viechow Krause, LLP*

State College, Pennsylvania  
January 12, 2016

## West Branch Area School District

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015

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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?   X   yes        no
- Significant deficiency(ies) identified?        yes   X   none reported

Noncompliance material to financial statements noted?        yes   X   no

#### Federal Awards

Internal control over major 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 programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?        yes   X   no

Identification of major programs:

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

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?   X   yes        no

## **West Branch Area School District**

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Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015

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

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

*Criteria:* Internal control over financial reporting is a process designed to provide reasonable assurance regarding prevention or timely detection of material errors in the financial statement amounts and disclosures.

*Condition/Context:* The District required adjustments to restate the 2014 financial statements for errors in several account groups.

*Effect:* The 2014 financial statements were materially misstated.

*Cause:* The District did not have in place proper internal control over financial reporting.

*Recommendation:* We recommend the District put in place proper controls over the financial reporting process to ensure that the District's financial statements are materially correct.

*Views of responsible officials:* Management agrees with this finding. See the District's corrective action plan.

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

None.

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

None.