

**Windber Area School District
2301 Graham Avenue
Windber, Pennsylvania**

**Single Audit
as required by OMB Circular A-133**

**For the Year Ended
June 30, 2015**

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List of Report Distribution

December 14, 2015

To the Members of the Board
Windber Area School District
2301 Graham Avenue
Windber, Pennsylvania 15963

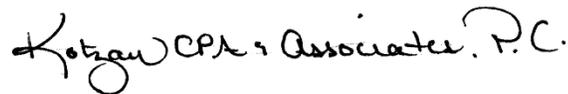
Board Members:

Not later than thirty days after receipt of the audit report, Windber Area School District must distribute the audit report as follows:

One (1) copy to: Commonwealth of Pennsylvania -
Office of the Budget/Bureau of Audits
(submitted electronically)

One (1) copy to: Single Audit Clearinghouse
(submitted electronically)

Sincerely,



Kotzan CPA & Associates, P.C.

Independent Auditors' Report

To the Members of the Board
Windber Area School District
2301 Graham Avenue
Windber, Pennsylvania 15963

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Windber Area School 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Windber Area School 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 accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 22 to the financial statements, in fiscal year 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

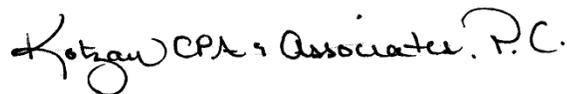
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, historical pension information, and budgetary comparison information on pages 5 through 12, page 53 and page 54, respectively, be presented to supplement the basic financial 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.

Supplementary 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 accompanying schedule of expenditures of federal awards and certain state grants is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of expenditures of federal awards and certain state grants is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and certain state grants is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2015 on our consideration of Windber Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Windber Area School District's internal control over financial reporting and compliance.



Kotzan CPA & Associates, P.C.
Johnstown, Pennsylvania
December 14, 2015

Management's Discussion and Analysis

Windber Area School District

2014-2015

The discussion and analysis of Windber Area School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2015. The intent of this discussion and analysis is to look at the Windber Area School District's performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

FINANCIAL HIGHLIGHTS

- Total end of year net position of \$771,651 in government and business-type activities represent a decrease of \$1,014,083 (-56.79%) from fiscal year 2013-2014 restated.
- As evident on the Changes in Net Position, total general revenues of \$12,133,400 account for 73.36% of total revenues from both governmental and business-type activities. Program specific revenues of \$4,405,719 account for 26.64%.
- The District had General Fund revenues of \$15,907,288 and expenditures of \$16,425,801 resulting in a decrease in the fund balance of \$518,513 for the year.
- The ending fund balance in the General Fund was \$7,892,127. Of that fund balance, the District assigned \$6,749,801 to cover increases in contractual health benefits projected over the next two years and retirement expense projected over the next two years. The total fund balance at the end of the year for all governmental funds was \$24,642,608.
- Capital assets, net of accumulated depreciation, for governmental activities increased \$1,318,113 from fiscal year 2012-2014. Capital assets for business-type activities decreased \$3,703.
- Total long-term debt from general obligation bonds increased \$8,645,000.

OVERVIEW OF FINANCIAL STATEMENTS

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, deferred outflows, liabilities and deferred inflows. Current year revenues and expenses are reported in the statement of activities on an accrual basis (whether actually received or paid).

The District's net position and changes in net position are reported in the government-wide statements. Net position, the difference between the District's assets, deferred outflows, liabilities and deferred inflows, are one way to measure the District's financial health or financial position.

Long-term increases or decreases in the District's net position are an indication of whether its financial health is improving or deteriorating, respectively.

Windber Area School District
Management's Discussion & Analysis (MD&A)

There are additional factors that weight the overall health of the District. Specifically, changes to the property tax base, student enrollment and student performance can have a dramatic effect on the overall health of the district.

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

1. **Governmental activities** – All of the District's basic services are included here, such as instruction, administration, transportation and community services. Local property and income taxes and state and federal subsidies finance most of these activities. The General Fund, Capital Projects Fund and Capital Reserve are included in governmental activities. Athletic programs are funded through the General Fund.
2. **Business type activities** – The District operates a stand-alone food service operation. Charges to staff, students and visitors as well as state and federal subsidies help to cover the costs of the food service operation.

Fund Financial Statements

The District's "Fund" financial statements provide detailed information about the most significant funds, not the District as a whole.

Governmental Funds – The majority of the District's activities are reported in governmental funds, which focus on determining the financial position and the net 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 between governmental activities and governmental funds is reconciled in the financial statements. Governmental Funds in 2014-2015 include:

General Fund – The General Fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. General revenues and expenses of the Athletic program are included in the General Fund.

Capital Projects Fund – This represents funds set aside from the General Fund to be used solely for capital improvements within the District. The district has not transferred any additional monies from the General Fund into the Capital Projects Fund. This fund is also funded from proceeds of bond issues (net of issuance costs) to be used solely for specific capital improvements within the District. The fund was increased by \$9,960,000 with the issue of new general obligation bonds. Other revenues reported reflect only interest income for the fiscal year. Expenditures reported are bond issuance costs only. No expenditures were made from bond issues for capital improvements.

Proprietary Funds – These funds are used to account for the District activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the District charges customers for services it provides – whether to outside customers or to other units in the District – the 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, including cash flows.

Fiduciary Funds – The District is the trustee, or fiduciary, for the Student Activities Fund (clubs) and some Scholarship Funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position. We exclude these activities from the District's other financial statement because the District cannot use these assets to finance its operations.

Windber Area School District
Management's Discussion & Analysis (MD&A)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$1,785,734 on June 30, 2014 and by \$721,063 on June 30, 2015.

A portion of the District's net position is reflected in its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending. On June 30, 2015 the District had 1464.2% of its total net position invested in capital assets (net of bond issuance costs), compared to 486.5% on June 30, 2014. Funds otherwise designated accounted for 321.0% and 185.4% of total net position on June 30, 2015 and June 30, 2014, respectively.

The District's financial position is a product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

The current year financial statements reflect deferred inflows and outflows of resources relating to the pension plans as a result of current year implementation of GASB No. 68.

The following table presents a summary of the District's net position as of June 30, 2015 and 2014, respectively.

	Net Position		Percentage Change
	June 30, 2015	June 30, 2014	
Assets:			
Current assets	\$ 27,371,381	\$ 19,316,477	41.70%
Noncurrent assets	14,216,491	12,902,081	10.19%
Total assets	<u>41,587,872</u>	<u>32,218,558</u>	29.08%
Deferred outflows of resources	<u>2,534,907</u>	<u>0</u>	100.00%
Total assets and deferred outflows of resources	<u>\$ 44,122,779</u>	<u>\$ 32,218,558</u>	36.95%
Liabilities:			
Current liabilities	\$ 3,901,219	\$ 2,786,390	40.01%
Noncurrent liabilities	38,054,497	27,646,434 *	37.65%
Total liabilities	<u>41,955,716</u>	<u>30,432,824</u>	37.86%
Deferred inflows of resources	<u>1,446,000</u>	<u>0</u>	100.00%
Net Position:			
Invested in capital assets, net of related debt	10,081,160	8,687,678	16.04%
Capital projects	2,209,906	3,310,906	-33.25%
Unrestricted	(11,570,003)	(10,212,850) *	13.29%
Total net position	<u>721,063</u>	<u>1,785,734</u>	-59.62%
Total liabilities, deferred inflows of resources, and net position	<u>\$ 44,122,779</u>	<u>\$ 32,218,558</u>	36.95%

*Restated for net pension liability per GASB Statement No. 68 (\$18,427,000).

Windber Area School District
Management's Discussion & Analysis (MD&A)

Changes in Net Position: The District's total revenues from governmental and business-type activities for the fiscal year ended June 30, 2015 were \$16,539,119. The total cost of all programs and services was \$17,708,132. The following table presents a summary of the changes in net position for the fiscal years ending June 30, 2015 and 2014, respectively.

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 281,068	\$ 259,310	8.39%
Operating grants and contributions	3,928,217	3,654,023	7.50%
Capital grants and contributions	<u>196,434</u>	<u>211,737</u>	-7.23%
Total program revenues	<u>4,405,719</u>	<u>4,125,070</u>	6.80%
General revenues:			
Taxes levied	3,310,073	2,878,852	14.98%
Grants and entitlements	8,684,602	8,685,318	-0.01%
Earnings on investments	122,179	114,776	6.45%
Other revenues	<u>16,546</u>	<u>22,673</u>	-27.02%
Total general revenues	<u>12,133,400</u>	<u>11,701,619</u>	3.69%
Total revenues	<u>16,539,119</u>	<u>15,826,689</u>	4.50%
Expenses:			
Instruction	10,878,787	9,648,547	12.75%
Instructional student support	672,354	571,727	17.60%
Administrative and financial	1,930,861	1,760,698	9.66%
Operational and maintenance	1,962,287	1,744,627	12.48%
Pupil transportation	712,606	726,040	-1.85%
Student activities	476,370	427,985	11.31%
Community services	1,394	205	580.00%
Interest on long-term debt	380,894	135,804	180.47%
Food service	<u>692,579</u>	<u>670,034</u>	3.36%
Total expenses	<u>17,708,132</u>	<u>15,685,667</u>	12.89%
Change in net position	<u>\$ (1,169,013)</u>	<u>\$ 141,022</u>	-928.96%

Windber Area School District
Management's Discussion & Analysis (MD&A)

The following are current year transactions that had significant impact on the District's current financial position.

Positive impact:

- Total revenue increased in 2014-2015 by \$637,757 (4.18%) compared to 2013-2014.
- In 2014-2015, revenues from real estate taxes increased by \$382,163 (20.03%) compared to 2013-2014. This was due to an increase in millage rates and a slight increase in collection percentage.
- The district received \$189,950 from the state for a Ready to Learn Block Grant that was not received in 2013-2014.
- Due to increases in salaries and related social security and retirement expenses along with an increase in the retirement rate, subsidy for social security and retirement also increased by \$234,792 (37.10%) compared to 2013-2014.

Negative impact:

- Total federal revenues decreased by 3.33% compared to 2013-2014.
- Total expenditures increased by \$923,851 (5.96%) in 2014-2015 compared to 2013-2014.
- Regular programs expenditures increased \$748,644 from 2013-2014 to 2014-2015. During this time salaries increased \$329,480 and benefits increased \$329,691.
- Largely the result of increased tuition payments to other school districts and employee benefits costs, special education programs increased by \$213,061 in 2014-2015 compared to 2013-2014.
- Increases in salaries, benefits, and transportation services have caused an overall expenditure increase of \$47,472 for Student Activities in 2014-2015.

FINANCIAL ANALYSIS OF THE DISTRICT'S 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 current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the current year, its governmental funds reported a combined fund balance of \$24,642,608, a net increase of \$7,060,186 (40.15%) from the previous year. The largest part of this increase is the \$8,742,201 balance of the Capital Projects Fund, which increased due to another bond issuance in January 2015. The remaining governmental funds saw a \$1,619,513 (-13.82%) decrease from the previous year. \$1,142,326 (4.63%) of the fund balance constitutes unassigned fund balance available for spending at the District's discretion. \$16,750,481 (67.97%) is restricted Capital Projects Funds. The remaining fund balance of \$6,749,801 (27.39%) is assigned (earmarked) to cover the estimated costs of contractual health care and retirement commitments.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$518,513, a significant improvement over budget projections. Budgeted figures showed a projected loss of \$1,408,413. For ten of the most recent twelve years, the District has utilized a portion of its fund balance. The net total reduction over the twelve year period was \$5,250,824.

The Capital Projects Fund balance increased \$8,742,201. Architect and engineering services of \$818,429 and other expenditures of \$974,857 covered costs relating to the District's new 27 million dollar project to update both high school and middle school facilities as well as stadium facilities. The other expenditures of \$974,857 also covered costs to replace heat pumps and the District's elementary school, replace boilers, replace a retaining wall, and acquire Windber Stadium from a local authority. The unspent bond proceeds at year end were \$14,540,575.

Windber Area School District
Management's Discussion & Analysis (MD&A)

BUDGETARY HIGHLIGHTS

Summary of Budgeted Revenues and Expenditures to Actual – General Fund
June 30, 2015 Compared to June 30, 2014 and June 30, 2015 Actual Compared to Budget

	June 30, 2015 <u>Actual</u>	June 30, 2014 <u>Actual</u>	Over/(Under) From P/Y	June 30, 2015 <u>Final Budget</u>	Actual Over/Under Budget
Revenues					
Local sources	\$ 3,786,798	\$ 3,375,670	\$ 411,128	\$ 3,772,905	\$ 13,893
State sources	11,647,434	11,404,518	242,916	11,713,236	(65,802)
Federal sources	473,056	489,340	(16,284)	367,832	105,224
Total	<u>\$ 15,907,288</u>	<u>\$ 15,269,528</u>	<u>\$ 637,760</u>	<u>\$ 15,853,973</u>	<u>\$ 53,315</u>
Expenses					
Instructional programs	\$ 9,983,166	\$ 9,289,838	\$ 693,328	\$ 10,157,924	\$ (174,758)
Support services	4,401,382	4,364,500	36,882	4,696,081	(294,699)
Operation of non-instructional services	458,790	410,129	48,661	558,139	(99,349)
Debt service and other	1,582,463	1,437,482	144,981	1,850,242	(267,779)
Total	<u>\$ 16,425,801</u>	<u>\$ 15,501,949</u>	<u>\$ 923,852</u>	<u>\$ 17,262,386</u>	<u>\$ (836,585)</u>

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2015, the District's total net capital assets from governmental activities were \$14,203,320. This includes land, school buildings, school vehicles and furniture and equipment net of accumulated depreciation. This amount represents an increase of \$1,318,113 from the previous year. Total accumulated depreciation on June 30, 2015 was \$14,399,437. Total depreciation expense for the year was \$584,936.

	Net Capital Assets Governmental Activities		Percentage Change
	<u>2015</u>	<u>2014</u>	
Land	\$ 420,726	\$ 389,441	8.03%
Construction in Progress	2,035,099	257,203	691.24%
Net Depreciable Capital Assets:			
Buildings and Improvements, Vehicles,			
Furniture and Equipment, net of depreciation	<u>11,747,495</u>	<u>12,238,563</u>	-4.01%
Total	<u>\$ 14,203,320</u>	<u>\$ 12,885,207</u>	10.23%

On June 30, 2015 the District also had net capital assets from business-type activities of \$13,171, a decrease of \$3,703 from the previous year.

Windber Area School District
Management's Discussion & Analysis (MD&A)

Debt Administration. At June 30, 2015, the District had \$39,393,591 in long-term debt outstanding.

	Outstanding Debt		Percentage
	2015	2014	Change
General Obligation Bonds Payable	\$ 18,625,000	\$ 9,980,000	86.62%
Post-Employment Benefits	177,763	178,240	-0.27%
Compensated Absences Payable	364,828	343,418	6.23%
Pension Liability	20,226,000	18,427,000 *	9.76%
Total	\$ 39,393,591	\$ 28,928,658	36.17%

*Restated

CURRENT ISSUES

The Windber Area School District is proud of its community support and continues to seek opportunities that will provide our students with a world class education. The District continues to review all aspects of our educational system (academic achievement, programming, and facilities) that may impact future financial considerations.

Based on its academic performance, the District has achieved Adequate Yearly Progress (AYP) status for eight consecutive years from 2005 to 2012. In 2012, 67.4% of our students scored as proficient in advanced math and 46.8% as proficient in advanced reading. In the three-county area, no other district scored higher in math and only one district scored higher in reading. Statewide, only 30 districts (of 500) scored higher in advanced math and 93 districts (of 500) scored higher in advanced reading.

The Windber Area Middle School was presented the 2013 Governor's Award for Excellence in Academics. Based on performance in 2012-2013, the school attained a 93.3%, the only school among 29 public schools in Somerset County to score above 90%.

The District was again recognized for performance by several independent evaluators such as:

- The U.S. Department of Education's National Blue Ribbon Schools Program recognizes public and private schools where students perform at very high levels. Windber Area Elementary School was one of only eight schools in Pennsylvania so recognized in 2012.
- The Windber Area High School was named a Bronze school in US News and a Best School in World Report Ranking of Best High School in the United States. The award is the seventh the school has received since 2008. Only 3,000 schools of 19,000 nationwide were awarded the bronze.
- Ranked number one by the Pittsburgh Business Times in 2013 and 2014 as Pennsylvania's most overachieving school district.
- Windber Area School District ranked 64th out of 500 in the Pittsburgh Business Times 2015 comprehensive state rankings of public school districts, which is in the top 15% in the state, and ranks as the top district in Somerset County.
- The Great Schools ratings provide an overview of a school's test performance by comparing the school's state standardized test results to those of other schools in the state. Great Schools gave the Windber Middle School a ranking of 9 out of 10 for grades 6 to 8. The Elementary School was ranked 8 out of 10 and the High School ranked 7 out of 10.

Our 2014-2015 elementary tuition rate of \$7,091.52 is the 19th lowest of 499 in the state, the 3rd lowest of 35 in our Intermediate Unit, and the lowest of 7 neighboring districts. Our secondary rate of \$10,067.43 is 196th lowest of 499 in the state, 21st lowest of 35 in our Intermediate Unit, and the 6th lowest of 7 neighboring districts.

The District has a history of fiscal responsibility. Property tax millage was not increased for 25 years through 2009-2010 when mills were 15.40 in the Somerset County portion of the District and 26.1375 in the Cambria County portion of the District, 15.7719 blended. Each year since, the District has found it necessary to increase its property tax millage. For 2014-2015 millage was 22.40 in the Somerset County portion of the District and 37.18 in the Cambria County portion of the District, 22.89 blended. The variance between the two counties is a result of the PA

Windber Area School District
Management's Discussion & Analysis (MD&A)

State Tax Equalization Board/Tax Equalization Division requirements to compensate for the lack of assessment uniformity from county to county. The most recent state figures show the District with state-wide equalized mills of 9.2. That places us 5th lowest in the state, 3rd lowest in our Intermediate Unit, and lowest of 7 neighboring districts.

Most recent state figures indicate the District's revenues from real estate taxes are 12.57% of total revenues. That places us 9th lowest in the state, 2nd lowest in our Intermediate Unit, and lowest of 7 neighboring districts. State tax laws restrict our ability to increase revenues from local sources. Recent STEB/TED figures indicate the District's real property market value is \$303,765,532. That places us 82nd lowest in the state, 14th lowest in our Intermediate Unit, and 3rd lowest of 7 neighboring districts.

In 2014-2015, staffing costs accounted for 63.84% of the District's total expenditures. Over the most recent five year period, that percentage ranged from a low of 62.84% in 2012-2013 to a high of 66.36% in 2011-2012. Latest enrollment figures indicate that overall student enrollment in the District will continue to decline in future years. The budget for fiscal year 2014-2015 has taken into account the effects of this reduction in both state and federal funding and in staffing needs.

In 2014-2015, the District realized a decrease to its fund balance of \$518,513, compared to a decrease of \$232,421 the previous year. In each year except two from 2002-2003 through 2014-2015, the District utilized a portion of its fund balance, resulting in a cumulative reduction to the District's fund balance of \$5,250,824. The District continues to actively explore all avenues to curtail further drain on its resources.

In coming years, there is a likelihood of further state and federal funding reductions compounding the already significant financial challenges every school district in the commonwealth faces. State and federal subsidies for education may be frozen, or more likely reduced or eliminated. Adding to this problem are the rising costs of mandated retirement and contractual health care obligations. In the most recent three prior years, healthcare costs rose 6.00%, 16.00%, and 3.46% each year respectively. In 2014-2015 the increase was 6.81%. For the five years 2010-2011 to 2014-2015, there was a total increase of 44.82%. Under the terms of a long-term teacher's contract, teachers will pay a portion of annual increases for healthcare, thus limiting the impact of future increases on the District. The total employer contribution rate for retirement has risen from 4.78% five years ago to 21.40% in 2014-2015. Projections for future years are 25.84% in 2015-2016, increasing annually to a 32.30% rate in 2023-2024. That is a change of 10.90% from 2014-2015 to 2023-2024, or a 50.93% increase for that period. The Windber Area School District is proactively addressing these and other ongoing situations that may create future financial challenges.

The District is embarking on a \$27 million dollar construction project that involves the high-middle school and stadium complexes. The project is slated to begin during the 2015-2016 school year. It will be funded with current bond issues.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives during the fiscal year. If you have questions about this report or wish to request additional financial information, please contact the Superintendent's Office of the Windber Area School District, 2301 Graham Avenue, Windber, PA 15963.

BASIC FINANCIAL STATEMENTS

Windber Area School District
Statement of Net Position
June 30, 2015

	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and equivalents	\$ 16,741,596	\$ 240,186	\$ 16,981,782
Investments	9,223,973	27,630	9,251,603
Taxes receivable	458,163	0	458,163
Intergovernmental receivables	553,917	56,478	610,395
Other receivables	42,236	86	42,322
Inventories	0	27,116	27,116
Total current assets	27,019,885	351,496	27,371,381
Noncurrent assets:			
Land	420,726	0	420,726
Construction in progress	2,035,099	0	2,035,099
Depreciable capital assets, net	11,747,495	13,171	11,760,666
Total noncurrent assets	14,203,320	13,171	14,216,491
Total assets	41,223,205	364,667	41,587,872
Deferred Outflows of Resources			
Defined benefit pension plan:			
Change in proportionate share	1,188,000	0	1,188,000
Contributions subsequent to measurement date	1,346,907	0	1,346,907
Total deferred outflows of resources	2,534,907	0	2,534,907
Total assets and deferred outflows of resources	\$ 43,758,112	\$ 364,667	\$ 44,122,779

See accompanying notes to the basic financial statements.

Windber Area School District
Statement of Net Position
June 30, 2015

	Governmental Activities	Business-Type Activities	Total
Liabilities			
Current liabilities:			
Internal balances	\$ (299,950)	\$ 299,950	\$ 0
Accounts payable	953,653	709	954,362
Accrued salaries and benefits	1,370,120	16,077	1,386,197
Accrued interest payable	138,388	0	138,388
Other current liabilities	10,440	0	10,440
Current portion of long-term debt	1,390,000	0	1,390,000
Unearned revenues	6,467	15,365	21,832
Total current liabilities	3,569,118	332,101	3,901,219
Noncurrent liabilities:			
Bonds payable, net	17,285,906	0	17,285,906
Long-term portion of compensated absences	364,828	0	364,828
Net pension liability	20,226,000	0	20,226,000
Other post-employment benefits	177,763	0	177,763
Total noncurrent liabilities	38,054,497	0	38,054,497
Total liabilities	41,623,615	332,101	41,955,716
Deferred Inflows of Resources			
Defined benefit pension plan:			
Difference between projected and actual investment earnings	1,446,000	0	1,446,000
Total deferred inflows of resources	1,446,000	0	1,446,000
Net Position			
Invested in capital assets, net of debt	10,067,989	13,171	10,081,160
Restricted for capital projects	2,209,906	0	2,209,906
Unrestricted	(11,589,398)	19,395	(11,570,003)
Total net position	688,497	32,566	721,063
Total liabilities, deferred inflows of resources, and net position	\$ 43,758,112	\$ 364,667	\$ 44,122,779

See accompanying notes to the basic financial statements.

**Windber Area School District
Statement of Activities
For the Year Ended June 30, 2015**

	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction	\$ 10,878,787	\$ 0	\$ 2,896,838	\$ 0	\$ (7,981,949)	\$ 0	\$ (7,981,949)
Instructional student support	672,354	0	0	0	(672,354)	0	(672,354)
Administration and financial support services	1,930,861	0	103,557	0	(1,827,304)	0	(1,827,304)
Operations and maintenance of plant services	1,962,287	0	0	0	(1,962,287)	0	(1,962,287)
Pupil transportation	712,606	0	457,854	0	(254,752)	0	(254,752)
Student activities	476,370	55,054	0	0	(421,316)	0	(421,316)
Community services	1,394	6,292	0	0	4,898	0	4,898
Interest on long-term debt	<u>380,894</u>	<u>0</u>	<u>0</u>	<u>196,434</u>	<u>(184,460)</u>	<u>0</u>	<u>(184,460)</u>
Total governmental activities	17,015,553	61,346	3,458,249	196,434	(13,299,524)	0	(13,299,524)
Business-Type Activities:							
Food service	<u>692,579</u>	<u>219,722</u>	<u>469,968</u>	<u>0</u>	<u>0</u>	<u>(2,889)</u>	<u>(2,889)</u>
Total primary government	<u>\$ 17,708,132</u>	<u>\$ 281,068</u>	<u>\$ 3,928,217</u>	<u>\$ 196,434</u>	<u>(13,299,524)</u>	<u>(2,889)</u>	<u>(13,302,413)</u>
General Revenues:							
Taxes levied					3,310,073	0	3,310,073
Grants, subsidies and contributions, not restricted					8,684,602	0	8,684,602
Investment earnings					121,258	921	122,179
Miscellaneous					<u>16,546</u>	<u>0</u>	<u>16,546</u>
Total general revenues					<u>12,132,479</u>	<u>921</u>	<u>12,133,400</u>
Change in net position					(1,167,045)	(1,968)	(1,169,013)
Net position, beginning of year, restated					<u>1,855,542</u>	<u>34,534</u>	<u>1,890,076</u>
Net position, end of year					<u>\$ 688,497</u>	<u>\$ 32,566</u>	<u>\$ 721,063</u>

See accompanying notes to the basic financial statements.

**Windber Area School District
Balance Sheet
Governmental Funds
June 30, 2015**

	<u>General Fund</u>	<u>Major Fund Capital Projects</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 2,938,230	\$ 13,803,366	\$ 16,741,596
Investments	5,651,336	3,572,637	9,223,973
Taxes receivable	458,163	0	458,163
Due from other funds	299,950	0	299,950
Due from other governments	553,917	0	553,917
Other receivables	<u>39,458</u>	<u>2,778</u>	<u>42,236</u>
Total assets	9,941,054	17,378,781	27,319,835
Deferred Outflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>
Total assets and deferred outflows of resources	<u>\$ 9,941,054</u>	<u>\$ 17,378,781</u>	<u>\$ 27,319,835</u>
Liabilities			
Accounts payable	\$ 325,353	\$ 628,300	\$ 953,653
Accrued salaries and benefits	1,370,120	0	1,370,120
Unearned revenues	6,467	0	6,467
Other current liabilities	<u>10,440</u>	<u>0</u>	<u>10,440</u>
Total liabilities	<u>1,712,380</u>	<u>628,300</u>	<u>2,340,680</u>
Deferred Inflows of Resources			
Delinquent taxes receivable	<u>336,547</u>	<u>0</u>	<u>336,547</u>
Total deferred inflows of resources	<u>336,547</u>	<u>0</u>	<u>336,547</u>
Fund Balance			
Restricted	0	16,750,481	16,750,481
Assigned	6,749,801	0	6,749,801
Unassigned	<u>1,142,326</u>	<u>0</u>	<u>1,142,326</u>
Total fund balance	<u>7,892,127</u>	<u>16,750,481</u>	<u>24,642,608</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 9,941,054</u>	<u>\$ 17,378,781</u>	<u>\$ 27,319,835</u>

See accompanying notes to the basic financial statements.

**Windber Area School District
Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Position
June 30, 2015**

Total fund balance – governmental funds \$ 24,642,608

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

Capital assets used in governmental activities are not financial resources, and therefore, are not reported as assets in governmental funds. The cost of the assets is \$28,602,757 and the accumulated depreciation is \$14,399,437. 14,203,320

Property taxes receivable will be collected in the future, but are not available soon enough to pay for the current period's expenditures and therefore, are recorded as deferred inflows of resources in the funds. 336,547

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

General obligation bonds	\$(18,625,000)	
Accrued interest payable	(138,388)	
Compensated absences	(364,828)	
Unamortized bond premium	(63,448)	
Unamortized bond discount	12,542	
Other post-employment benefits	(177,763)	
Net pension liability	<u>(20,226,000)</u>	(39,582,885)

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows related to pensions	\$ 2,534,907	
Deferred inflows related to pensions	<u>(1,446,000)</u>	<u>1,088,907</u>

Total net position of governmental activities \$ 688,497

See accompanying notes to the basic financial statements.

Windber Area School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

	<u>General Fund</u>	<u>Major Fund Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues			
Local sources	\$ 3,786,798	\$ 41,474	\$ 3,828,272
State sources	11,647,434	0	11,647,434
Federal sources	<u>473,056</u>	<u>0</u>	<u>473,056</u>
Total revenues	<u>15,907,288</u>	<u>41,474</u>	<u>15,948,762</u>
Expenditures			
Instruction	9,983,166	0	9,983,166
Support services	4,401,382	241,623	4,643,005
Non-instructional services	458,790	0	458,790
Capital outlay	0	2,155,166	2,155,166
Debt service (principal and interest)	1,582,459	0	1,582,459
Refund of prior year receipts	<u>4</u>	<u>0</u>	<u>4</u>
Total expenditures	<u>16,425,801</u>	<u>2,396,789</u>	<u>18,822,590</u>
Excess of revenues over (under) expenditures	<u>(518,513)</u>	<u>(2,355,315)</u>	<u>(2,873,828)</u>
Other financing sources (uses)			
Bond proceeds	0	9,960,000	9,960,000
Bond premiums	<u>0</u>	<u>36,516</u>	<u>36,516</u>
Total other sources (uses)	<u>0</u>	<u>9,996,516</u>	<u>9,996,516</u>
Net change in fund balance	(518,513)	7,641,201	7,122,688
Fund balance, beginning of year, restated	<u>8,410,640</u>	<u>9,109,280</u>	<u>17,519,920</u>
Fund balance, end of year	<u>\$ 7,892,127</u>	<u>\$ 16,750,481</u>	<u>\$ 24,642,608</u>

See accompanying notes to the basic financial statements.

**Windber Area School District
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2015**

Total net change in fund balance – governmental funds \$ 7,122,688

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

Capital outlays	\$1,903,049	
Depreciation expense	<u>(584,936)</u>	1,318,113

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. Deferred inflows of resources from tax revenues increased by this amount this year. 66,589

The proceeds and principal payments on long-term debt provide and consume current financial resources of governmental funds, respectively. However, they increase and reduce long-term liabilities on the statement of net position, respectively. Further, the effect of bond discounts and premiums are reported in the funds in the year of issue but are deferred and amortized in the statement of activities. The effect is shown below:

Net bond proceeds	\$(9,960,000)	
Bond premiums	(36,516)	
Bond principal payments	1,315,000	
Amortization of bond discounts	(538)	
Accretion of bond premiums	<u>18,925</u>	(8,663,129)

Interest on long-term debt 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. This amount represents the difference. (113,435)

In the governmental funds, compensated absences are measured by the amount used. The statement of activities measures by the amounts earned. This amount represents the difference. (21,411)

Post employment benefits are recognized as an expenditure in the governmental funds when they are paid. In the statement of activities post employment benefits are recognized as an expense when incurred. This amount represents the difference. 477

See accompanying notes to the basic financial statements.

Windber Area School District
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2015

Governmental funds report refunds of prior period expenses as current year revenues. However, they are reported as a restatement of net position in the statement of activities. (166,844)

Governmental funds report district pension contributions as expenditures in the year required to be made. However, in the statement of activities, the cost of pension benefits earned, net of employee contributions, is reported as pension expense.

District pension contributions	\$ 1,346,907	
Cost of benefits earned, net of employee contributions	<u>(2,057,000)</u>	<u>(710,093)</u>

Change in net position of governmental activities **\$(1,167,045)**

See accompanying notes to the basic financial statements.

**Windber Area School District
Statement of Net Position
Proprietary Fund
June 30, 2015**

	Food Service
Assets	
Current assets:	
Cash and cash equivalents	\$ 240,186
Investments	27,630
Due from other governments	56,478
Other receivables	86
Inventory	27,116
Total current assets	351,496
Noncurrent assets:	
Machinery and equipment, net	13,171
Total noncurrent assets	13,171
Total assets	364,667
Deferred Outflows of Resources	
Total assets and deferred outflows of resources	0
Liabilities	
Current liabilities:	
Due to other funds	\$ 299,950
Accounts payable	709
Accrued salaries and payables	16,077
Unearned revenues	15,365
Total liabilities	332,101
Deferred Inflows of Resources	
Total liabilities, deferred inflows of resources, and net position	0
Net Position	
Invested in capital assets	13,171
Unrestricted	19,395
Total net position	32,566
Total liabilities, deferred inflows of resources, and net position	\$ 364,667

See accompanying notes to the basic financial statements.

Windber Area School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2015

	Food Service
Operating revenues	
Food service revenue	\$ 204,390
Other operating revenue	15,332
Total operating revenues	219,722
Operating expenses	
Salaries	214,599
Employee benefits	118,107
Purchased property services	8,727
Other purchased services	351
Supplies	342,322
Depreciation	3,703
Dues and fees	4,770
Total operating expenses	692,579
Operating income (loss)	(472,857)
Nonoperating revenues (expenses)	
Earnings on investments	921
State sources	59,604
Federal sources	410,364
Total nonoperating revenues (expenses)	470,889
Change in net position	(1,968)
Total net position, beginning of year	34,534
Total net position, end of year	\$ 32,566

See accompanying notes to the basic financial statements.

**Windber Area School District
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2015**

	Food Service
Cash flows from operating activities	
Cash received from customers	\$ 204,619
Cash received from other operating revenue	15,332
Cash payments to employees for services	(326,770)
Cash payments to suppliers for goods and services	<u>(347,167)</u>
Net cash provided by (used for) operating activities	<u>(453,986)</u>
Cash flows from non-capital financing activities	
State sources	59,262
Federal sources	<u>401,911</u>
Net cash provided by (used for) non-capital financing activities	<u>461,173</u>
Cash flows from investing activities	
Earnings on investments	<u>390</u>
Net cash provided by (used for) investing activities	<u>390</u>
Net increase (decrease) in cash and cash equivalents	7,577
Cash and cash equivalents, beginning of year	<u>232,609</u>
Cash and cash equivalents, end of year	<u><u>\$ 240,186</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	<u>\$ (472,857)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for):	
Depreciation	3,703
(Increase) decrease in inventories	8,868
(Increase) decrease in other current assets	229
Increase (decrease) in accounts payable	5,356
Increase (decrease) in accrued wages	<u>715</u>
Total adjustments	<u>18,871</u>
Net cash provided by (used for) operating activities	<u><u>\$ (453,986)</u></u>

See accompanying notes to the basic financial statements.

**Windber Area School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015**

	<u>Agency Fund</u>	<u>Private Purpose Trust</u>	<u>Total Fiduciary Funds</u>
Assets			
Cash and cash equivalents	\$ 95,965	\$ 2	\$ 95,967
Other receivables	<u>20</u>	<u>0</u>	<u>20</u>
Total assets	95,985	2	95,987
Deferred Outflows of Resources			
	<u>0</u>	<u>0</u>	<u>0</u>
Total assets and deferred outflows of resources	<u>\$ 95,985</u>	<u>\$ 2</u>	<u>\$ 95,987</u>
Liabilities			
Accounts payable	\$ 2,554	\$ 0	\$ 2,554
Due to students	<u>93,431</u>	<u>0</u>	<u>93,431</u>
Total liabilities	<u>95,985</u>	<u>0</u>	<u>95,985</u>
Deferred Inflows of Resources			
	<u>0</u>	<u>0</u>	<u>0</u>
Net Position			
Held in trust for scholarships	<u>0</u>	<u>2</u>	<u>2</u>
Total net position	<u>0</u>	<u>2</u>	<u>2</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 95,985</u>	<u>\$ 2</u>	<u>\$ 95,987</u>

See accompanying notes to the basic financial statements.

**Windber Area School District
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2015**

	Private Purpose Trust
Additions:	
Gifts and contributions	\$ 10,650
Earnings on investments	1,268
Total additions	11,918
Deductions:	
Scholarships awarded	10,650
Other deductions	184,061
Total deductions	194,711
Change in net position	(182,793)
Net position, beginning of year	182,795
Net position, end of year	\$ 2

See accompanying notes to the basic financial statements.

**Windber Area School District
Notes to Financial Statements
June 30, 2015**

1. Description of School District and Reporting Entity

Windber Area School District is a Pennsylvania school district formed by a merger July 3, 1961.

Windber Area School District provides educational services to students located in Windber Borough, Paint Borough, Paint Township and Ogle Township, all located in Somerset County, and Scalp Level Borough-Cambria County. The District has an enrollment of approximately 1,164 students. The District is governed by an elected board of school directors.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Windber Area School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable or other organizations whose nature and significant relationship with the School District are such that exclusion would cause the School District's financial statements to be misleading. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and (1) either the School District's ability to impose its will on the organization or (2) there is potential for the organization to provide a financial benefit to or impose a financial burden on the School District. The School District has no component units.

The School District participates in two jointly governed organizations. These organizations are the Greater Johnstown Area Vocational Technical School and the Appalachia Intermediate Unit 08. These units are more fully described in Note 16 to the financial statements.

2. Summary of Significant Accounting Policies

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

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities.

Windber Area School District
Notes to Financial Statements
June 30, 2015

The statement of net position presents the financial condition of the governmental and business-type activities of the School District at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of goods and services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements

Fund financial statements are also provided in the report for all governmental funds, proprietary funds, and the fiduciary funds of the School District. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund statements. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

B. Fund Accounting

The School District uses funds to maintain its financial record during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

General Fund – The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Fund – The capital projects fund is used to account for and report financial resources that are restricted to be used for the acquisition, construction, or renovation of major capital facilities or equipment, and for debt service.

Proprietary Funds

Proprietary funds focus on the determination of net position, changes in net position and cash flows and are classified as either internal service or enterprise funds. Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the School District. There are no internal service funds. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods and services. The following is the School District's major enterprise fund:

Food Service Fund – This fund accounts for the financial transactions related to the food service operation of the School District.

Windber Area School District
Notes to Financial Statements
June 30, 2015

Fiduciary Fund

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private purpose trust which accounts for a scholarship program for students. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The School District's agency fund accounts for those student activity programs which have student participation in the activity and have students involved in the management of the program.

C. Measurement Focus

Government-wide Financial Statements

Government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the School District are included on the statement of net position.

Fund Financial Statements

Fund financial statements are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, the proprietary fund is accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources, associated with the operation of these funds, are included on the statement of net position. The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

Proprietary fund types distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the Food Service fund are charges for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary funds are reported using the economic resources measurement focus.

Windber Area School District
Notes to Financial Statements
June 30, 2015

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, deferred inflows and outflows of resources, and in the presentation of expenses versus expenditures. Unearned revenues are further addressed in Note 2M and deferred inflows and outflows of resources in Note 2N.

Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 5). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: property taxes available as an advance, interest, tuition, grants, fees and rentals.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Data

An operating budget is adopted each year for the General Fund on a modified accrual basis of accounting.

The Pennsylvania School Code dictates specific procedures relative to adoption of the School District's budget and reporting of its financial statements, specifically:

The School District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.

**Windber Area School District
Notes to Financial Statements
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The School District is required to adopt a proposed budget at least thirty (30) days prior to adoption of the annual budget. The proposed budget shall be printed or otherwise made available for public inspection to all persons and shall be made available for duplication to any person, on request, at least twenty (20) days prior to the date set for the adoption of the budget. Final action shall not be taken on the proposed budget until after ten (10) days of public notice.

The Board of Directors may make transfers of funds appropriated to any particular item of expenditure by legislative action. An affirmative vote of two-thirds of all members of the board is required. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2015.

Fund balances in budgetary funds may be appropriated based on resolutions passed by the Board of Education, which authorized the School District to make expenditures. Appropriations lapse at the end of the fiscal period. In order to preserve a portion of an appropriation for which an expenditure has been committed by a purchase order contract, or other form of commitment, an encumbrance is recorded.

Included in the General Fund budget are program budgets as prescribed by the State and Federal agencies funding the program. These budgets are approved on a program by program basis by the State or Federal funding agency.

An Enterprise fund budget is not adopted; however, a formal budget is prepared and approved by management and expenditures are controlled on the basis of this budget.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2015, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Inventory

On government-wide financial statements inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

Inventories in governmental funds are stated at cost by the first-in, first-out method and consist of supplies held for consumption. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as an expenditure when purchased. Due to immateriality, an inventory balance is not reported for the governmental funds.

A physical inventory of the Food Service food and supplies was taken as of June 30, 2015. The inventory consisted of government donated commodities which are valued at estimated fair market value, and purchased commodities and supplies, both valued at cost using first-in, first-out (FIFO) method. Any unused commodities donated by the federal government at June 30, 2015 are reported as unearned revenue.

H. Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets used by the Enterprise Fund are reported in both the business-type activities column on the government-wide statement of net position and in the fund financial statements.

**Windber Area School District
Notes to Financial Statements
June 30, 2015**

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of fifteen hundred (\$1,500) dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets except for land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Buildings and Improvements	15 - 40 years
Furniture and Equipment	5 - 20 years

I. Original Issue Discounts and Premiums

Bond premiums and discounts are reported as direct adjustments to the face amount of the bond and are deferred and amortized over the life of the bond using the straight-line method of amortization.

J. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." In governmental fund financial statements, advances between funds are offset by an amount reported as nonspendable fund balance to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are determined to be collectible, and no allowance has been established.

Receivables from and payables to external parties are reported separately and are not offset in the proprietary fund financial statements and business-type activities of the government-wide financial statements, unless a right of offset exists.

K. Fund Balance Classification

GASB Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*" provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory or prepaid items) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

**Windber Area School District
Notes to Financial Statements
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- Committed fund balance – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., School Board). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts the District intends to use for a specific purpose. Intent can be expressed by the School Board or by an official or body to which the School Board delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

As of June 30, 2015, fund balance components, other than unassigned, consist of the following:

	Restricted	Assigned
General fund:		
Future retirement costs	\$ 0	\$ 3,061,626
Future health care costs	0	3,688,175
Capital project funds	16,750,481	0
Total	\$ 16,750,481	\$ 6,749,801

The School Board establishes (and modifies or rescinds) fund balance commitments by resolution of the board. A fund balance commitment is further indicated in the budget document as a commitment of the fund. Assigned fund balance is established by the School Board through adoption or amendment of the budget as intended for specific purpose.

The District would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

L. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

Windber Area School District
Notes to Financial Statements
June 30, 2015

M. Unearned Revenues

The District reports unearned revenue on its government-wide and fund financial statements. Unearned revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period (fund financial statements). Unearned revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures (fund financial statements and government-wide financial statements). In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the applicable financial statement and revenue is recognized.

N. Deferred Outflows/Inflows of Resources

Deferred Outflows of Resources

The District reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide statement of net position. The deferred outflows of resources reported in this year’s financial statements include a deferred outflow of resources for contributions made to the District’s cost-sharing multi-employer defined benefit pension plan between the measurement date of the net pension liability from the plan and the end of the District’s fiscal year. They further include a deferred amount arising from the change in the District’s proportionate share of the net pension liability, which is amortized to pension expense over a total of five years, including the current year. No deferred outflows of resources affect the fund financial statements in the current year. See further detail on deferred outflows of resources related to the pension plan at Note 9.

Deferred Inflows of Resources

The District’s statement of net position and its governmental fund balance sheet report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net assets that applies to a future period(s). Deferred inflows of resources are reported on the District’s statement of net position for actual pension plan investment earnings in excess of the expected amounts included in determining pension expense. This deferred inflow of resources is amortized to pension expense over a total of five years, including the current year. See further detail on deferred inflows of resources related to the pension plan at Note 9.

In the District’s governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The District will not recognize the related revenues until they are available (collected not later than 60 days after the end of the District’s fiscal year) under the modified accrual basis of accounting. Accordingly, unavailable revenues from property taxes are reported in the governmental funds balance sheet as a deferred inflow of resources (\$336,547).

O. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**Windber Area School District
Notes to Financial Statements
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When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The government-wide statement of net position reports \$2,209,906 of restricted net position, which is restricted by enabling legislation for Capital Projects.

P. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Q. Pension Plan

Substantially all full-time and part-time employees of the District participate in a cost-sharing multi-employer defined benefit pension plan. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires cost-sharing employers such as the District to recognize a liability for their proportionate share of the collective net pension liability. The standard further requires the District to recognize pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions for its proportionate shares of collective pension expense and collective deferred outflows and inflows of resources related to pensions.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms and investments are reported at fair value.

3. Cash and Cash Equivalents and Investments

Under Section 440.1 of the Public School Code of 1949, as amended, the District is permitted to invest its monies as follows:

Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

Deposits in savings or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law is pledged by the depository.

**Windber Area School District
Notes to Financial Statements
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The deposit and investment policy of the School District adheres to state statutes and prudent business practice. Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and include investments with original maturities of three months or less. Cash and cash equivalents consist of demand deposits at various financial institutions, U.S. Agency Obligations and cash on hand of \$862. The market values of deposits are equal to the cost of the deposits. The investments are stated at cost including accrued interest which approximates market value.

The District invests in the Pennsylvania Local Government Investment Trust (PLGIT) as authorized by the Board. PLGIT ensures that it will not place deposits with any single issuing institution if the largest participant's pro rata share of such deposits exceeds insurance limits unless such deposits are collateralized as prescribed by Act 72 of the Commonwealth of Pennsylvania. These funds have the characteristics of open-end mutual funds and are not subject to credit risk classification.

District investments include long-term certificates of deposit and GNMA government securities.

Investments are stated at market with accrued interest reflected as part of other receivables on the balance sheet. Unrealized losses are recognized in accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

Custodial Credit Risk – Deposits

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 policy for custodial credit risk, however, as previously noted, the District's deposits comply with those permitted by Section 440.1 of the Public School Code of 1949, as amended. Additionally, any deposits in excess of the FDIC limit are collateralized in accordance with the Pennsylvania Security for Public Deposit Act. As of June 30, 2015, \$10,153,406 of the District's bank balance of \$19,238,733 was exposed to custodial risk.

Uninsured	\$ 0
Collateralized with securities held by the pledging financial institution	0
Uninsured and collateral held by the pledging bank's trust department not in the District's name	<u>10,153,406</u>
Total	<u>\$10,153,406</u>

Reconciliation to Financial Statements

Uninsured amount above	\$10,153,406
Add: Insured amount	9,085,327
Less: Outstanding checks	<u>(132,834)</u>
Carrying amount – bank balances	19,105,899
Add: Petty cash	862
Add: Pooled investments considered to be cash equivalents	6,806,315
Less: Certificates of deposit considered to be investments	<u>(8,835,327)</u>
Total cash per financial statements	<u>\$17,077,749</u>

Summary of Total Cash Per Financial Statements

Governmental activities	\$16,741,596
Business-type activities	240,186
Fiduciary funds	<u>95,967</u>
Total cash per financial statements	<u>\$17,077,749</u>

**Windber Area School District
Notes to Financial Statements
June 30, 2015**

Investments

As of June 30, 2015, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Certificates of Deposit	5 months-12 years	\$ 8,835,327
GNMA (Government National Mortgage Association)	7-30 years	416,276
PA Local Government Investment Trust		<u>6,806,315</u>
Total		<u>\$16,057,918</u>

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

As of June 30, 2015, the District's investments had the following maturities:

	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	Thereafter
Certificates of Deposit	\$ 8,835,327	\$ 2,834,000	\$ 4,379,805	\$ 1,526,071	\$ 95,451
PA Local Government Investment Trust	6,806,315	6,806,315	0	0	0
GNMA (Government National Mortgage Association)	<u>416,276</u>	<u>0</u>	<u>0</u>	<u>94</u>	<u>416,182</u>
	<u>\$ 16,057,918</u>	<u>\$ 9,640,315</u>	<u>\$ 4,379,805</u>	<u>\$ 1,526,165</u>	<u>\$ 511,633</u>

Credit Risk

The District has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2015, the District's investments were rates as:

<u>Investment</u>	<u>Standard & Poor's</u>
PA Local Government Investment Trust	AAA _m
GNMA	AA+

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral security that are in possession of an outside party. The District has no investment subject to custodial credit risk.

**Windber Area School District
Notes to Financial Statements
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Reconciliation to Financial Statements

Total investments above	\$16,057,918
Less: Deposits in investment pool considered cash equivalents	<u>(6,806,315)</u>
Total investments per financial statements	<u>\$ 9,251,603</u>

Summary of Total Investments Per Financial Statements

Governmental activities	\$ 9,223,973
Business-type activities	<u>27,630</u>
Total investments per financial statements	<u>\$ 9,251,603</u>

4. Real Estate Taxes

Real estate taxes for the School District are collected from the Borough of Windber, the Borough of Paint, the Borough of Scalp Level, the Township of Paint and the Township of Ogle. The tax on real estate for public school purposes for fiscal 2015 was 22.40 mills (\$22.40 per \$1,000 of assessed valuation) for Somerset County properties and 37.18 mills (\$37.18 per \$1,000 of assessed valuation) for Cambria County properties as levied by the Board. Assessed valuations (\$120,057,510) of property are determined by Somerset and Cambria Counties and the elected tax collectors are responsible for collection. The schedule for real estate taxes levied for each fiscal year is as follows:

July 1	- Levy Date
July 1 - August 31	- 2% Discount Period
September 1 - October 31	- Face Amount Period
November 1 - December 31	- 10% Penalty Period
January 15	- Lien Date

5. Taxes Receivable

The elected tax collectors are required to return any uncollected real estate taxes to the county's tax claim bureau by January 15. It has been determined the amount of outstanding taxes as of June 30, 2015 is \$458,163. The School District, in accordance with accounting principles generally accepted in the United States of America, recognized the delinquent and unpaid taxes receivable. An allowance for uncollectible taxes was not established by the administration. A portion of the amount estimated to be collectible which was measurable and available within 60 days was recognized as revenue and the balance reported as a deferred inflow of resources in the fund financial statements.

Uncollected taxes for the year ended June 30, 2015:

Delinquent real estate	\$ 21,142
Realty transfer tax	3,458
Earned income taxes	95,666
Interim real estate	<u>1,350</u>
Uncollected taxes recognized as revenue (received within 60 days)	121,616
Real estate tax-deferred inflow of resources	<u>336,547</u>
Total taxes receivable	<u>\$458,163</u>

**Windber Area School District
Notes to Financial Statements
June 30, 2015**

6. Unearned Revenues

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. On the fund financial statements, general fund unearned revenues of \$6,467 represent unearned grant revenue at June 30, 2015. Unearned revenues of \$15,365 in the Proprietary Fund represent donated commodities inventory on hand at June 30, 2015.

7. Due From Other Governments

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

<u>Due From</u>	<u>General Fund</u>	<u>Proprietary Fund</u>
Federal	\$206,379	\$50,579
State	<u>347,538</u>	<u>5,899</u>
	<u>\$553,917</u>	<u>\$56,478</u>

8. Defined Benefit Pension Plan

Plan Description

The District contributes to a governmental cost-sharing multiple-employer defined benefit pension plan administered by Pennsylvania Public School Employee’s Retirement System (PSERS). Benefit provisions of the plan are established under the provisions of the Pennsylvania Public School Employees’ Retirement Code (the Code) and may be amended by an act of the Pennsylvania State Legislature. The plan provides retirement and disability, legislatively mandated ad hoc cost-of-living adjustments, and healthcare insurance premium assistance to qualifying plan members and beneficiaries. It also provides for refunds of a member’s accumulated contribution upon termination of a member’s employment in the public school sector. The members eligible to participate in the plan include all full-time employees, part-time hourly employees who render at least 500 hours of service in the school year, and part-time per diem employees who render at least 80 days of service in the school year. PSERS issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained at www.psers.state.pa.us.

Funding Policy

The contribution policy is set by the Code and requires contributions by active members, employers, and the Commonwealth.

**Windber Area School District
Notes to Financial Statements
June 30, 2015**

Benefits provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one 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 three years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

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

Contributions

Member Contributions:

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

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

Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.5% (automatic Membership Class T-D). For all new hires and for new members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

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

**Windber Area School District
Notes to Financial Statements
June 30, 2015**

Employer Contributions:

The contribution required of participating employers is based on an actuarial valuation and is expressed as a percentage of annual covered payroll during the period for which the amount is determined. Before July 1, 1995, the school district and the Commonwealth shared the employer contribution rate equally. Since July 1, 1995, the school districts are required to pay the entire employer contribution rate and are reimbursed by the Commonwealth in an amount equal to the Commonwealth's share as determined by the market value/personal income aid ratio (as defined in Act 29 of 1994), which is at least one-half of the total employer rate.

The District's contractually required contribution rate, 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. For the fiscal year ended June 30, 2015, the rate of the employer's contribution was 21.40 percent of covered payroll. The 21.40 percent rate is composed of a pension contribution rate of 20.50 percent for pension benefits and 0.90 percent for healthcare insurance premium assistance. Windber Area School District's contributions to PSERS for the year ending June 30, 2015 were \$1,410,182.

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

At June 30, 2015, the District reported a liability of \$20,226,000 for its proportionate share of the net pension liability. The 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 system's total pension liability as of June 30, 2013 to June 30, 2014. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2014, the District's proportion was 0.0511%, which was an increase of 0.0036% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$2,057,000. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 0	\$ 0
Changes in assumptions	0	0
Net difference between projected and actual investment earnings	0	1,446,000
Changes in proportions	1,188,000	0
Difference between employer contributions and proportionate share of total contributions	0	0
Contributions subsequent to the measurement date	1,346,907	0
	\$ 2,534,907	\$ 1,446,000

**Windber Area School District
Notes to Financial Statements
June 30, 2015**

\$1,346,907 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

Year Ended June 30:		
2016	\$	(75,000)
2017		(75,000)
2018		(75,000)
2019		(75,000)
2020		42,000
2021		0
Thereafter		0
	\$	(258,000)

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 three years for both males and females. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back seven years for males and three 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, 2010. The recommended assumption changes based on this experience study were adopted by the 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.

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.

**Windber Area School District
Notes to Financial Statements
June 30, 2015**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public markets global equity	19.0%	5.0%
Private markets (equity)	21.0%	6.5%
Private real estate	13.0%	4.7%
Global fixed income	8.0%	2.0%
U.S. long treasuries	3.0%	1.4%
TIPS	12.0%	1.2%
High yield bonds	6.0%	1.7%
Cash	3.0%	0.9%
Absolute return	10.0%	4.8%
Risk parity	5.0%	3.9%
MLPs/Infrastructure	3.0%	5.3%
Commodities	6.0%	3.3%
Financing (LIBOR)	<u>-9.0%</u>	1.1%
	<u>100.0%</u>	

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

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

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

	<u>1% Decrease 6.50%</u>	<u>Current Discount Rate 7.50%</u>	<u>1% Increase 8.50%</u>
District's proportionate share of the net pension liability	\$ 25,229,000	\$ 20,226,000	\$ 15,954,000

Pension plan fiduciary net position

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

**Windber Area School District
Notes to Financial Statements
June 30, 2015**

10. Capital Assets

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

	Beginning Balance	Additions	Deductions	Ending Balance
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 389,441	\$ 31,285	\$ 0	\$ 420,726
Construction in progress	<u>257,203</u>	<u>1,777,896</u>	<u>0</u>	<u>2,035,099</u>
Total capital assets, not being depreciated	<u>646,644</u>	<u>1,809,181</u>	<u>0</u>	<u>2,455,825</u>
Capital assets, being depreciated:				
Buildings and improvements	21,185,189	0	0	21,185,189
Furniture and equipment	<u>4,867,875</u>	<u>93,868</u>	<u>0</u>	<u>4,961,743</u>
Total capital assets, being depreciated	<u>26,053,064</u>	<u>93,868</u>	<u>0</u>	<u>26,146,932</u>
Less accumulated depreciation:				
Buildings and improvements	9,240,424	494,958	0	9,735,382
Furniture and equipment	<u>4,574,077</u>	<u>89,978</u>	<u>0</u>	<u>4,664,055</u>
Total accumulated depreciation	<u>13,814,501</u>	<u>584,936</u>	<u>0</u>	<u>14,399,437</u>
Total capital assets, being depreciated, net	<u>12,238,563</u>	<u>(491,068)</u>	<u>0</u>	<u>11,747,495</u>
Governmental activities capital assets, net	<u>\$ 12,885,207</u>	<u>\$ 1,318,113</u>	<u>\$ 0</u>	<u>\$ 14,203,320</u>
Business-Type Activities				
Capital assets, being depreciated:				
Equipment	\$ 463,456	\$ 0	\$ 0	\$ 463,456
Total capital assets, being depreciated	<u>463,456</u>	<u>0</u>	<u>0</u>	<u>463,456</u>
Less accumulated depreciation:				
Equipment	<u>446,582</u>	<u>3,703</u>	<u>0</u>	<u>450,285</u>
Total accumulated depreciation	<u>446,582</u>	<u>3,703</u>	<u>0</u>	<u>450,285</u>
Business-type activities capital assets, net	<u>\$ 16,874</u>	<u>\$ (3,703)</u>	<u>\$ 0</u>	<u>\$ 13,171</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
Instruction	\$414,119
Instruction support	24,694
Administration and finance	65,247
Operation and maintenance of plant	61,902
Student activities	<u>18,974</u>
Total depreciation expense - governmental activities	<u>\$584,936</u>

**Windber Area School District
Notes to Financial Statements
June 30, 2015**

11 Post-employment Healthcare Benefits

The Public School Employees' Retirement System (PSERS) provides a health insurance premium assistance program (premium assistance), a post-employment healthcare plan as defined in the Public School Employees' Retirement Code and amended by Act 29. The program is available to all eligible annuitants who elect to participate. Under this program, an employer contribution rate for premium assistance was established to provide reserves in the Health Insurance Account that are sufficient for the payment of premium assistance benefits.

Participating eligible annuitants are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their monthly insurance premium. In order to receive premium assistance, eligible annuitants must obtain their health insurance through their employer or the System's Health Options Program (HOP), in which the system acts as a conduit between the insurance companies and the eligible annuitant.

12 Long-Term Obligations

During the fiscal year ended June 30, 2015, general long-term obligations changed as follows:

	Bonds Payable	Compensated Absences	Total General Long-term Debt
Beginning of year	\$ 9,980,000	\$ 343,417	\$ 10,323,417
Bond proceeds	9,960,000	0	9,960,000
Principal retirement	(1,315,000)	0	(1,315,000)
Changes in compensated absences	<u>0</u>	<u>21,411</u>	<u>21,411</u>
End of year	18,625,000	364,828	18,989,828
Less: current portion	(1,390,000)	0	(1,390,000)
Add: original issue premium, net of accumulated accretion	63,448	0	63,448
Less: original issue discount, net of accumulated amortization	<u>(12,542)</u>	<u>0</u>	<u>(12,542)</u>
Long-term liabilities	<u>\$ 17,285,906</u>	<u>\$ 364,828</u>	<u>\$ 17,650,734</u>

**Windber Area School District
Notes to Financial Statements
June 30, 2015**

The future annual payments required to amortize all outstanding debt and obligations, except for the compensated absences, as of June 30, 2015, including total interest payments are as follows:

Year Ended June 30,	General Obligation Bonds		
	Interest	Principal	Total
2016	\$ 539,303	\$ 1,390,000	\$ 1,929,303
2017	525,363	1,400,000	1,925,363
2018	511,573	440,000	951,573
2019	497,773	450,000	947,773
2020	484,138	465,000	949,138
2021-2025	2,260,616	2,480,000	4,740,616
2026-2030	1,907,266	2,835,000	4,742,266
2031-2035	1,401,359	3,340,000	4,741,359
2036-2040	73,030	4,000,000	4,073,030
2041-2042	70,015	1,825,000	1,895,015
	<u>\$ 8,270,436</u>	<u>\$ 18,625,000</u>	<u>\$ 26,895,436</u>

General Obligation Bonds, Series of 2014A

In May 2014, the District issued \$4,090,000 of general obligation bonds (Series of 2014A). Proceeds were used to refund the Series of 2009 general obligation bonds and to pay the costs and expenses incurred in connection with the issuance of the bonds. The estimated amount of savings resulting from the refundings is \$71,539. The bond bears an interest rate of 1.00% with annual principal maturities from November 2014 through November 2016. The balance outstanding at June 30, 2015 is \$2,775,000.

General Obligation Bonds, Series of 2014B

In May 2014, the District issued \$5,890,000 of general obligation bonds (Series of 2014B). The proceeds of the bonds were used to pay or reimburse the District for the costs associated with the acquisition, design, construction and furnishings and any other expenses related to the upgrades to existing facilities, including the elementary school's security system, upgrades to the stadium and construction of a retaining wall, and to pay the costs of issuing the bonds. The bonds bear interest rates ranging from 1.00% to 4.00% with annual maturities from November 2015 through November 2038. The balance outstanding at June 30, 2015 is \$5,890,000.

General Obligation Bonds, Series of 2015

In January 2015, the District issued \$9,960,000 of general obligation bonds (Series of 2015). The purpose of these bonds is to 1) provide for the acquisition, design, construction, furnishing and any other expenses related to the upgrades of existing facilities, including Windber Area Middle School and High School improvements and the stadium complex upgrades; and 2) pay the costs and expenses of preparing, issuing, and marketing the bonds. The bonds bear interest rates ranging from 0.60% to 3.80% with annual maturities from September 2016 through September 2041. The balance outstanding at June 30, 2015 is \$9,960,000.

Accumulated Compensated Absences

In accordance with accounting principles generally accepted in the United States of America, the District accrues liabilities for compensated absences. Compensated absences reflect the potential cost of vacation and sick leave earned by employees as of June 30, 2015.

**Windber Area School District
Notes to Financial Statements
June 30, 2015**

The School District allows all employees to accumulate their unused sick leave. Administrators and professional employees may accumulate an unlimited number of sick days and, upon retirement or termination, shall receive separation benefits based upon the total days of unused sick leave accumulated while in the employ of Windber Area School District times an amount stipulated by day. Based on the total number of days accumulated, the amount per day increases as follows: 0-99 days at \$25, 100-149 days at \$30, 150-199 days at \$35, 200-249 days at \$40 and 250 or greater days at \$50. An accrued separation benefit is also computed for support staff at \$7.50 per day for up to a maximum of 150 days. The School District has determined that the total accumulated compensated absence liability is \$364,828 at June 30, 2015. The liability is reflected as a long-term obligation on the Statement of Net Position. In addition, due to the nature of the obligation, annual requirements to amortize such obligations are not determinable and have not been presented.

General obligation bonds issued for governmental activity purposes are liquidated by the general fund. Compensated absences liabilities for governmental activities will be paid by the general fund.

13. Postemployment Benefits

From an accrual accounting perspective, the cost of postemployment healthcare benefits, like the cost of pension benefits, should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended June 30, 2009, the District recognizes the cost of postemployment healthcare in the year when employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the District's future cash flows. Because the District is adopting the requirements of GASB Statement No. 45 prospectively, recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2009 liability.

Plan Descriptions: The District provides continuation of medical insurance coverage to employees who retire from the District as follows:

Teachers: Eligible for District incentive upon retirement after attaining age 55 with 30 years of PSERS service and 20 years of service with the District.

Administrators: Eligible for District incentive upon PSERS superannuation or early retirement.

Support Staff: Eligible for District incentive upon retirement after attaining age 55 with 30 years of PSERS service.

The District provides coverage to teachers and their spouses based on a collective bargaining agreement in which the District has agreed to provide retirees coverage for 10 years or until age 65 (or qualification for Medicare) if earlier. Spousal coverage ceases with the cessation of retiree coverage, or upon spouse's attainment of age 65 (or qualification for Medicare) if earlier. Similar healthcare benefits are provided for the District's administrators and support staff. The retirees' share of premium costs range from the PSERS premium assistance amount to 100%, depending on the employee group.

All contracts with the District's union employees will be renegotiated at various times in the future and, thus, costs and benefits are subject to change.

OPEB benefits are administered by District personnel. No separate financial statements are issued.

**Windber Area School District
Notes to Financial Statements
June 30, 2015**

The number of participants as of October 1, 2013, the effective date of the triennial OPEB valuation, follows. There have been no significant changes in the number covered or the type of coverage since that date.

	District
Active employees	111
Retired employees	<u>30</u>
Total	<u>141</u>

Funding Policy: The District currently pays for postemployment health care benefits on a pay-as-you-go basis, and these financial statements assume that pay-as-you-go funding will continue.

Annual Other Postemployment Benefit Cost: For the fiscal year ended June 30, 2015, the District's annual OPEB cost (i.e., expense) of \$230,480 is equal to the Annual Required Contribution. Considering the District's annual OPEB cost as well as the payment of current health insurance premiums, which totaled \$230,957, the result was a decrease in the District's Net OPEB Obligation of \$477 for the year ended June 30, 2015.

	District
Actuarial Accrued Liability (AAL)	
Retired employees	\$ 1,386,431
Active employees	<u>1,216,604</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 2,603,035</u>
Normal cost at beginning of year	\$ 42,967
Amortization factor based on 30 years	10.7395
Annual covered payroll	\$ 5,567,015
UAAL as % of covered payroll	46.75%

	District
ARC Normal Cost	\$ 42,967
Amortization of UAAL	<u>196,089</u>
Annual required contribution (ARC)	239,056
Interest on Net OPEB Obligation	8,021
Adjustment to ARC	<u>(16,597)</u>
Annual OPEB cost (expense)	230,480
Contribution for the fiscal year	<u>(230,957)</u>
Decrease in Net OPEB Obligation	(477)
Net OPEB Obligation June 30, 2014	<u>178,240</u>
Net OPEB Obligation June 30, 2015	<u>\$ 177,763</u>
Percent of annual OPEB cost contributed	100.21%

**Windber Area School District
Notes to Financial Statements
June 30, 2015**

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the fiscal years ending June 30, 2015, 2014 and 2013 for the benefits were as follows:

Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$ 230,480	100.21%	\$ 177,763
6/30/2014	\$ 177,475	89.73%	\$ 178,240
6/30/2013	\$ 178,086	79.08%	\$ 160,009

Actuarial Methods and Assumption: 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 benefit costs between the employer and plan members to that point. Most included coverages are "community-rated" and annual premiums for community-rated coverages were used as a proxy for claims costs without age adjustment. The unfunded actuarial accrued liability is being amortized over 30 years on a level dollar open basis.

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of future events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. 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.

In the October 1, 2013 actuarial valuation, the liabilities were computed using the projected unit credit method and level dollar amortization. The actuarial assumptions utilized a 4.5% discount rate. Because the plan is unfunded, reference to the general assets, which are short-term in nature (such as money market funds), was considered in the selection of the 4.5% rate. The valuation assumes a 5.5% healthcare cost trend increase for fiscal year 2016, reduced by decrements to a rate of 4.2% by 2089.

14. Interfund Transactions

The following is a summary of interfund receivables and payables at June 30, 2015:

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$299,950	\$ 0
Proprietary Fund-Food Service	<u>0</u>	<u>299,950</u>
	<u>\$299,950</u>	<u>\$299,950</u>

The interfund receivables for the general fund and payables for the proprietary fund represent fiscal 2015 food service salaries and benefits paid by the general fund.

**Windber Area School District
Notes to Financial Statements
June 30, 2015**

15. Operating Leases

The District entered into a noncancellable operating lease for copiers. Rental expenditures under the operating lease agreement were \$12,461 for fiscal year 2015. Future minimum rental payments required under the operating leases that have remaining lease terms as of June 30, 2015 are as follows:

Year Ended	<u>Payment</u>
<u>June 30,</u>	
2016	\$12,461
2017	7,269

16. Related Party Transactions

Technology School Participation

The School District governs, with several other area school districts, a vocational technical school (vo-tech). Each district is represented on the vo-tech's school board. However, no on-going financial interest or responsibility exists between the School District and the vo-tech. The district's portion of tuition payments for its students attending the vo-tech for fiscal 2015 was \$417,689. At June 30, 2015, the amount due to the vo-tech is \$0.

Intermediate Unit Participation

The District is a member of Appalachia Intermediate Unit 08. The District avails itself of various services provided by this membership including special education, curriculum development, and certain internal service functions. The total of services provided to Windber Area School District for the year ended June 30, 2015 for such programs amounted to \$376,906. At June 30, 2015, the amount due to the IU is \$116,246.

17. Contingent Liabilities

Grant Programs

The School District participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The School District is potentially liable for any expenditures which may be disallowed pursuant to the term of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

Litigation

The School District is involved in various minor litigation at year end with uncertain results, however, none is expected to have a material effect on the financial position of the District.

Windber Area School District
Notes to Financial Statements
June 30, 2015

18. Self-Insurance - Medical Insurance

The School District is participating in the insurance consortium with the Greater Johnstown Area Consortium to provide for the medical care for eligible employees and their dependents. The consortium, which administers the plan, monitors the School's deposit into the school district trust account to be held for the benefits described above and Highmark Services, the plan administrator, processes and pays the claims. The consortium limits its liability by stop-loss insurance coverage. Windber Area School District's liability at June 30, 2015, for unpaid claims incurred prior to fiscal year end is not readily determinable. No liability has been recorded for these claims at June 30, 2015, as the District recognizes medical claim expenses as claims are paid.

19. Economic Dependency

Windber Area School District receives approximately 70.36% of its revenue from the State of Pennsylvania in the form of state subsidies. Changes in funding levels could have a material effect on future operations of the District.

20. Nonmonetary Transactions

The District receives one of its federal program subsidies by means of a noncash transfer. The U.S. Department of Agriculture, through the Pennsylvania Department of Agriculture, provides food commodities under the National School Lunch Program. These nonmonetary commodity items are valued at market values and recorded as revenue as utilized. The total food commodities donated by the federal government for the fiscal year 2015 totaled \$48,491.

21. Risk Management

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has purchased various insurance policies to safeguard its assets from risk of loss. Insurance coverage appears to be consistent with previous years. During the year ended June 30, 2015 and the two previous fiscal years, no settlements exceeded insurance coverage.

22. Changes in Accounting Principles and Restatement of Net Position

For the year ended June 30, 2015, the District has implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (an Amendment of GASB Statement No. 27). This statement's primary objective is to improve accounting and financial reporting by state and local governments for pensions. It establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense/expenditures.

The District's employees are provided with defined benefit pensions through a cost-sharing multi-employer pension plan. In accordance with GASB Statement No. 68, cost-sharing employers such as the District are required to recognize a liability for their proportionate share of the collective net pension liability. The District is further required to recognize pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions for its proportionate shares of collective pension expense and collective deferred outflows and inflows of resource related to pensions.

Windber Area School District
Notes to Financial Statements
June 30, 2015

This change in accounting principle has resulted in a restatement (decrease) of the District's net position, effective July 1, 2014, in the amount of \$18,427,000, representing the District's proportionate share of the prior year collective net pension liability. This restatement affects the governmental activities on the government-wide financial statements only.

23. Restatement of Fund Balance and Net Position

Effective July 1, 2014, the fund balance and net position of the District's General Fund and Governmental Activities, respectively, was restated (decreased) to correct for an overstatement of grant receivables (\$62,502). This prior year adjustment is reflected on both the fund financial statements and the government-wide financial statements.

Net position of the governmental activities was further restated effective July 1, 2014 to 1) reflect the impact of the implementation of GASB Statement No. 68, as discussed in Note 22 (\$18,427,000); and 2) correct for an overstatement of expenditures for vocation school tuition (\$166,844). These prior year adjustments are reflected on the government-wide financial statements only. The net impact of all adjustments was a decrease in the net position of the governmental activities of \$18,322,658.

Windber Area School District
Required Supplementary Information – Pension Schedules
June 30, 2015

Schedule of Proportionate Share of the Net Pension Liability

	<u>2015</u>	<u>2014</u>
District's proportion of net pension liability	0.0511%	0.0475%
District's proportionate share of net pension liability	\$ 20,226,000	\$ 19,445,000
District's covered-employee payroll	\$ 6,522,589	\$ 6,100,365
District's proportionate share of net pension liability as percentage of its covered-employee payroll	310.09%	318.75%
Plan fiduciary net position as a percentage of the total pension liability	57.24%	54.49%

Schedule of District Contributions

	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 1,009,839	\$ 677,840
Contributions in relation to the contractually required contributions	<u>(1,009,839)</u>	<u>(677,840)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>
Covered-employee payroll	\$ 6,522,589	\$ 6,100,365
Contributions as a percentage of covered-employee payroll	15.48%	11.11%

See accompanying notes to the basic financial statements.

Windber Area School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance – Budget and Actual
General Fund
For the Year Ended June 30, 2015

	Budgeted Original	Amounts Final	Actual (Budgetary Basis)	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Local sources	\$ 3,772,905	\$ 3,772,905	\$ 3,786,798	\$ 13,893
State sources	11,713,236	11,713,236	11,647,434	(65,802)
Federal sources	<u>367,832</u>	<u>367,832</u>	<u>473,056</u>	<u>105,224</u>
Total revenues	<u>15,853,973</u>	<u>15,853,973</u>	<u>15,907,288</u>	<u>53,315</u>
Expenditures:				
Instruction:				
Regular programs	7,554,788	7,193,130	6,980,384	212,746
Special programs	1,887,831	2,023,600	2,136,510	(112,910)
Vocational education programs	704,635	620,251	606,546	13,705
Other instructional programs	10,670	10,670	9,763	907
Pre-kindergarten	0	290,542	249,963	40,579
Support services:				
Pupil personnel	333,478	324,495	324,279	216
Instructional staff	52,782	81,496	81,470	26
Administration	1,245,194	1,197,470	1,143,870	53,600
Pupil health	189,149	189,149	165,205	23,944
Business	298,508	296,135	263,834	32,301
Operation and maintenance of plant	1,714,762	1,657,458	1,492,264	165,194
Student transportation	717,764	741,786	740,903	883
Central	136,944	192,218	186,533	5,685
Other support services	7,500	7,500	3,024	4,476
Operation of noninstructional services:				
Student activities	556,139	549,811	457,396	92,415
Community services	2,000	3,210	1,394	1,816
Debt service:				
Principal and interest	1,550,242	1,583,465	1,582,459	1,006
Refund of prior year receipts	<u>0</u>	<u>0</u>	<u>4</u>	<u>(4)</u>
Total expenditures	<u>16,962,386</u>	<u>16,962,386</u>	<u>16,425,801</u>	<u>536,585</u>
Excess (deficiency) of revenues over expenditures	<u>(1,108,413)</u>	<u>(1,108,413)</u>	<u>(518,513)</u>	<u>589,900</u>
Other financing sources (uses):				
Budgetary reserve	<u>(300,000)</u>	<u>(300,000)</u>	<u>0</u>	<u>300,000</u>
Total other financing sources (uses)	<u>(300,000)</u>	<u>(300,000)</u>	<u>0</u>	<u>300,000</u>
Net change in fund balance	(1,408,413)	(1,408,413)	(518,513)	889,900
Fund balance, beginning of year, restated	<u>8,605,563</u>	<u>8,605,563</u>	<u>8,410,640</u>	<u>(194,923)</u>
Fund balance, end of year	<u>\$ 7,197,150</u>	<u>\$ 7,197,150</u>	<u>\$ 7,892,127</u>	<u>\$ 694,977</u>

See accompanying notes to the basic financial statements.

Windber Area School District
Schedule of Expenditures of Federal Awards and Certain State Grants
For the Year Ended June 30, 2015

Federal/Grant Project Title	Source Code	Federal C.F.D.A. Number	Pass Through Grantors Number	Grant Period Beginning/End Date	Program Or Award Amount	Total Received For the Year	Accrued (Unearned) Revenue at July 1, 2014	Revenue Recognized	Expenditures	Adjustments	Accrued (Unearned) Revenue June 30, 2015
<u>U.S. DEPARTMENT OF EDUCATION</u>											
Passed through the Pennsylvania Department of Education:											
ECIA Title I	I	84.010	013-140491	07/01/14-09/30/15	\$ 303,301	\$ 85,852	\$ 38,901	\$ 46,951	\$ 46,951	\$ 0	\$ 0
ECIA Title I	I	84.010	013-150491	07/01/14-09/30/15	288,449	232,437	0	274,940	274,940	0	42,503
ECIA Title II Part A	I	84.367	020-140491	07/01/13-09/30/14	76,994	5,473	5,500	0	0	27	0
ECIA Title II Part A	I	84.367	020-150491	07/01/14-09/30/15	76,936	76,936	0	70,469	70,469	0	(6,467)
Rural and Low Income Schools	I	84.358	007-130491	11/20/12-09/30/13	26,345	7,185	7,185	0	0	0	0
Total passed through Pennsylvania Department of Education					<u>772,025</u>	<u>407,883</u>	<u>51,586</u>	<u>392,360</u>	<u>392,360</u>	<u>27</u>	<u>36,036</u>
Passed through Intermediate Unit 08:											
IDEA Part B - Section 611	I	84.027	062-140008	07/01/13-09/30/14	161,581	161,581	155,865	5,716	5,716	0	0
IDEA Part B - Section 611	I	84.027	062-150008	07/01/14-09/30/15	161,279	0	0	161,279	161,279	0	161,279
IDEA Part B - Section 619	I	84.173	131-130008	07/01/13-06/30/14	2,767	2,767	2,767	0	0	0	0
IDEA Part B - Section 619	I	84.173	131-140008	07/01/14-06/30/15	1,253	0	0	1,253	1,253	0	1,253
Subtotal Special Education Cluster					326,880	164,348	158,632	168,248	168,248	0	162,532
ECIA Title II Part B	I	84.366	075-13-06-08	07/01/13-09/30/14	4,000	4,000	4,000	0	0		0
ECIA Title II Part B	I	84.366	075-14-06-08	07/01/14-09/30/15	6,150	6,150	0	6,150	6,150	0	0
Total passed through Intermediate Unit 08					<u>337,030</u>	<u>174,498</u>	<u>162,632</u>	<u>174,398</u>	<u>174,398</u>	<u>0</u>	<u>162,532</u>
Total U.S. Department of Education					<u>1,109,055</u>	<u>582,381</u>	<u>214,218</u>	<u>566,758</u>	<u>566,758</u>	<u>27</u>	<u>198,568</u>

See accompanying notes to the basic financial statements.

Windber Area School District
Schedule of Expenditures of Federal Awards and Certain State Grants
For the Year Ended June 30, 2015

Federal/Grant Project Title	Source Code	Federal C.F.D.A. Number	Pass Through Grantors Number	Grant Period Beginning/End Date	Program Or Award Amount	Total Received For the Year	Accrued (Unearned) Revenue at July 1, 2014	Revenue Recognized	Expenditures	Adjustment	Accrued (Unearned) Revenue June 30, 2015
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>											
Passed through the Pennsylvania Department of Public Welfare: Medical Assistance Program - Reimbursement:											
SBAP Administration Reimbursement	I	93.778	N/A	07/01/14-06/30/15	N/A	\$ 5,833	\$ 0	\$ 7,177	\$ 7,177	\$ 0	\$ 1,344
Total U.S. Department of Health and Human Services						<u>5,833</u>	<u>0</u>	<u>7,177</u>	<u>7,177</u>	<u>0</u>	<u>1,344</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>											
Passed through the Pennsylvania Department of Agriculture											
						(a)	(b)		(c)		(d)
National School Lunch - Donated Commodities	I	10.555	N/A	07/01/14-06/30/15	N/A	48,491	(20,226)	53,352	53,352	0	(15,365)
Passed through the Pennsylvania Department of Education:											
National School Lunch	I	10.555	N/A	07/01/13-06/30/14	N/A	35,739	35,739	0	0	0	0
National School Lunch	I	10.555	N/A	07/01/14-06/30/15	N/A	235,992	0	274,005	274,005	0	38,013
School Breakfast Program	I	10.553	N/A	07/01/13-06/30/14	N/A	11,248	11,248	0	0	0	0
School Breakfast Program	I	10.553	N/A	07/01/14-06/30/15	N/A	70,441	0	83,007	83,007	0	12,566
Subtotal Child Nutrition Cluster						401,911	26,761	410,364	410,364	0	35,214
State Matching Funds	S	N/A	N/A	07/01/13-06/30/14	N/A	4,042	4,042	0	0	0	0
State Matching Funds	S	N/A	N/A	07/01/14-06/30/15	N/A	25,232	0	29,321	29,321	0	4,089
Total U.S. Department of Agriculture						<u>431,185</u>	<u>30,803</u>	<u>439,685</u>	<u>439,685</u>	<u>0</u>	<u>39,303</u>
TOTAL FINANCIAL ASSISTANCE						<u>\$ 1,109,055</u>	<u>\$ 1,019,399</u>	<u>\$ 245,021</u>	<u>\$ 1,013,620</u>	<u>\$ 1,013,620</u>	<u>\$ 27</u>

See accompanying notes to the basic financial statements.

**Windber Area School District
Schedule of Expenditures of Federal Awards and Certain State Grants
For the Year Ended June 30, 2015**

Notes to Schedule of Expenditures of Federal Awards and Certain State Grants

Note A - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards and certain state grants is prepared on the accrual basis of accounting.

Note B - Donated Commodities

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2015, the District had food commodities totaling \$15,365 in inventory.

- (a) Total amount of commodities received from the Department of Agriculture.
- (b) Beginning inventory at July 1, 2014.
- (c) Total amount of commodities used.
- (d) Ending inventory at June 30, 2015.

Note C - Direct/Indirect Funding

The following source codes reflect program funding:

- D = Direct Funding
- I = Indirect Funding
- F = Federal Share
- S = State Share

Note D – Reconciliation to Financial Statements

Total Federal Sources reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	\$473,056
Plus: IDEA-B passed through, recorded as Local Sources	168,248
Plus: Title II Part B passed through, recorded as Local Sources	6,150
Less: School Based Access Medicaid Reimbursement Program	(73,546)
Less: Adjustments – Title II Part A	<u>27</u>
Total Federal Expenditures – Governmental Funds	<u>573,935</u>
Total Federal Sources reported on Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund	<u>410,364</u>
Total Federal Expenditures - Proprietary Fund	<u>410,364</u>
Total Federal Expenditures	<u>\$984,299</u>

Windber Area School District
Schedule of Expenditures of Federal Awards and Certain State Grants
For the Year Ended June 30, 2015

Note E - Test of 25% Rule

Total Expenditures	\$1,013,620		
Less: State's Share of National School Lunch and Needy Breakfast Programs	<u>(29,321)</u>		
Total Federal Expenditures	<u>\$ 984,299</u>		
Child Nutrition Cluster	<u>\$ 410,364</u>		
Tested	<u>\$ 410,364</u>	=	41.69%
Total Federal Expenditures	\$ 984,299		

**Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

Independent Auditors' Report

To the Members of the Board
Windber Area School District
2301 Graham Avenue
Windber, Pennsylvania 15963

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 activities, each major fund, and the aggregate remaining fund information of Windber Area School District as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise Windber Area School District's basic financial statements, and have issued our report thereon dated December 14, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Windber Area School 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 of Windber Area School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

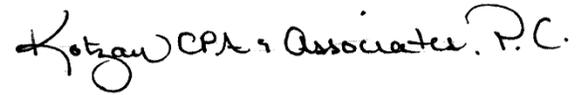
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

The 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.

A handwritten signature in black ink that reads "Kotzan CPA & Associates, P.C." The signature is written in a cursive, flowing style.

Kotzan CPA & Associates, P.C.
Johnstown, Pennsylvania
December 14, 2015

**Report on Compliance for Each Major Federal Program and on
Internal Control Over Compliance Required by OMB Circular A-133**

Independent Auditors' Report

To the Members of the Board
Windber Area School District
2301 Graham Avenue
Windber, Pennsylvania 15963

Report on Compliance for Each Major Federal Program

We have audited Windber Area School District's 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 each of Windber Area School District's major federal programs for the year ended June 30, 2015. Windber Area School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Windber Area School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Windber Area School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Windber Area School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

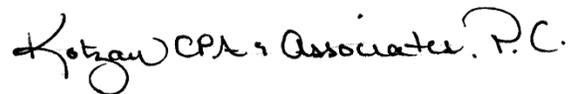
Management of Windber Area School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Windber Area School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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 Windber Area School District's internal control over compliance.

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

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

Purpose of This Report

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.



Kotzan CPA & Associates, P.C.
Johnstown, Pennsylvania
December 14, 2015

**Windber Area School District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: *unmodified*

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency identified not considered to be material weaknesses? _____ 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 identified not considered to be material weakness(es)? _____ Yes X None reported

Type of auditors' report issued on compliance for major programs: *unmodified*

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? _____ Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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10.555/10.553	Child Nutrition Cluster
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Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes _____ No

Section II - Financial Statement Findings No Findings

Section III - Federal Award Findings and Questioned Costs No Findings or Questioned Costs