

**Indiana Area School District
Indiana, 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 10, 2015

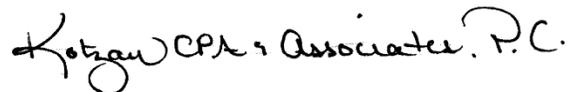
To the Members of the Board
Indiana Area School District
Indiana, Pennsylvania 15701

Board Members:

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

One (1) copy to:	Commonwealth of Pennsylvania – 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
Indiana Area School District
Indiana, Pennsylvania 15701

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 Indiana 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 of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Indiana 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

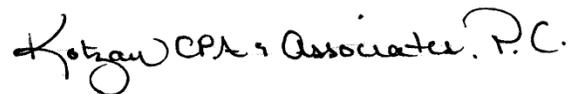
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, historical pension information, and budgetary comparison information on pages 5 through 15, page 57 and page 58, respectively, be presented to supplement the basic financial 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 10, 2015 on our consideration of Indiana 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 Indiana Area School District's internal control over financial reporting and compliance.



Kotzan CPA & Associates, P.C.
Johnstown, Pennsylvania
December 10, 2015

Management's Discussion and Analysis

Indiana Area School District

2014-2015

The discussion and analysis of Indiana Area School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

This section of the Indiana Area School District annual financial report provides a discussion and analysis of the School District's financial performance during the fiscal year ended June 30, 2015. This discussion and analysis should be read in conjunction with the School District's accompanying financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

General Fund expenditures were \$49,978,927, which was an increase over last year of \$1,304,586 or 2.7%. Salary and benefit costs, which comprise almost three-fourths of total expenditures, increased by \$669,330 or 1.8%. The increase in expenditures was primarily due to: the increase in salary and benefits and an increase in contracted services and transportation. General Fund revenue of \$50,169,819 was an increase of \$1,842,942 or 3.8% over last year. The local revenue increased by \$1,212,013, with the increase in the real estate tax rate of 2.63 mills playing the biggest part in the increase. State revenue increased by \$633,223, mainly due to an increase in the Retirement Reimbursement. Federal revenue increased by \$2,869 because of an increase in the District's Title allocation.

The General Fund Balance for fiscal year ended 2014-2015 of \$5,510,283 is an increase from the prior year of \$190,891 and equates to 10.6% of 2015-2016 budgeted expenditures.

USING THE ANNUAL FINANCIAL REPORT

The annual financial report includes the Management's Discussion and Analysis and a series of financial statements and notes to those statements. These statements are organized so that the reader can understand Indiana Area School District as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

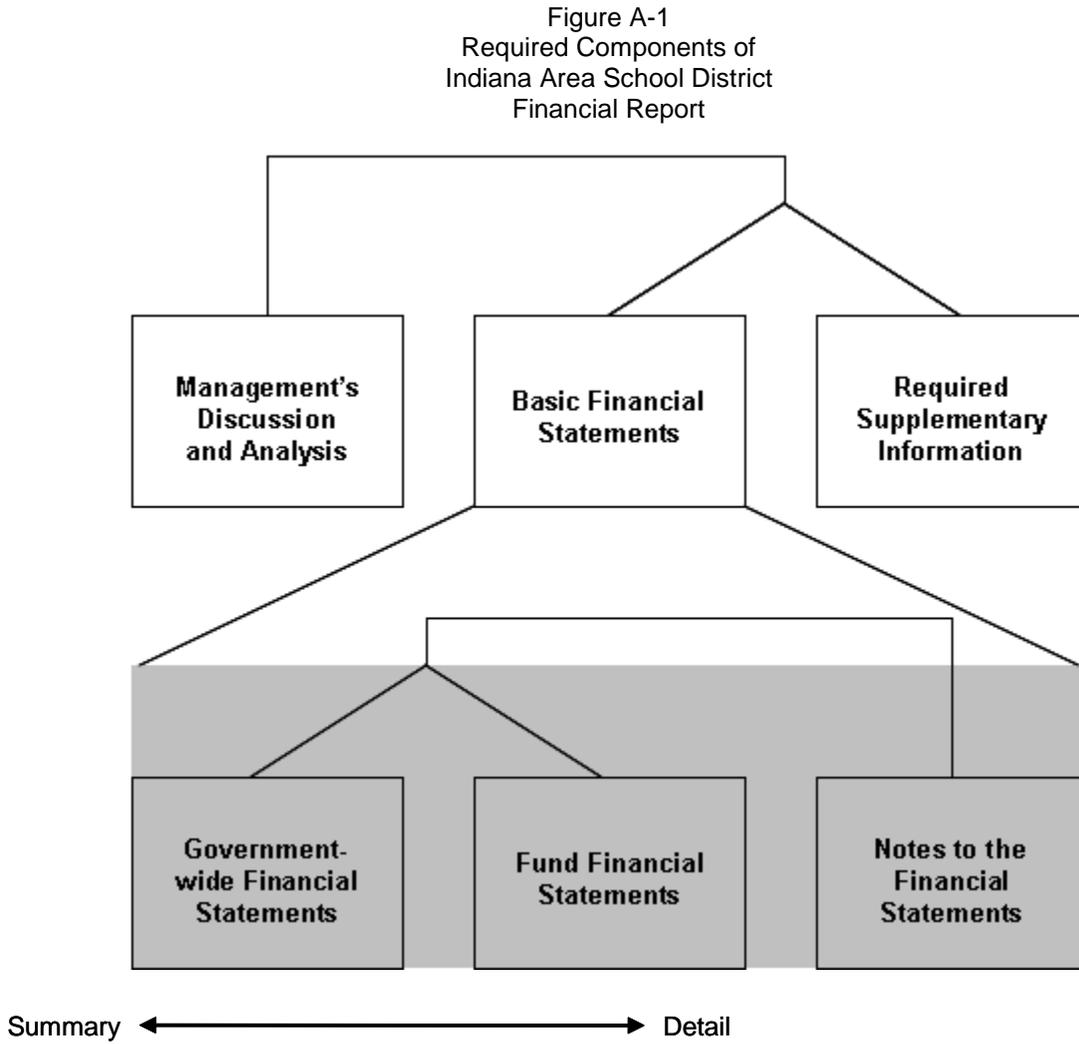
The first two statements are government-wide financial statements – the Statement of Net Position and the Statement of Activities. These provide both long-term and short-term information about the School District's overall financial status.

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

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

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

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



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

Figure A-2 summarizes the major features of the School District's financial statements. The remainder of this overview section of the Management's Discussion and Analysis highlights the structure and contents of each of the statements.

Figure A-2

Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School District (except fiduciary funds)	Activities of the School District that are not proprietary or fiduciary, such as general operating, special revenue, capital projects and debt service	Activities the School District operates similar to private businesses, such as food services	Instances in which the School District administers resources on behalf of someone else such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses, and changes in fund net position (deficit) • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets, deferred outflows, liabilities and deferred inflows both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows, liabilities and deferred inflows, both financial and capital, and short-term and long-term	All assets, deferred outflows, liabilities and deferred inflows, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Government-wide Statements

The Government-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The *Statement of Net Position* includes all of the School District's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the *Statement of Activities* regardless of when cash is received or paid.

The Government-wide statements report the School District's *net position* and how it has changed. Net position – the difference between the School District's assets and deferred outflows and liabilities and deferred inflows – are one way of measuring the School District's financial health or position. Over time, increases or decreases in the School District's net position are an indicator of whether its financial position is improving or deteriorating. To assess the School District's overall health, non-financial factors, such as changes in the School District's property tax base and the condition of existing school facilities should be considered.

In the Government-wide financial statements, the School District's activities are divided into two categories as follows:

- **Governmental Activities:** Most of the School District's basic services are included here, such as regular and special education, maintenance and operation of plant services, transportation services and administrative services. Property taxes, along with state formula aid finance most of these activities.
- **Business-type Activities:** The School District charges fees to cover the cost of certain services such as food services programs.

Fund Financial Statements

The fund financial statements provide more detailed information about the School District's funds. These statements focus on the School District's most significant or "major" funds – not the School District as a whole. Funds are accounting components the School District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by state law and by bond covenants. The School District may establish other funds to control and manage money for particular purposes, such as repaying its long-term debts.

The School District has three types of funds as follows:

Governmental Funds: Most of the School District's basic services are included in Governmental Funds, which generally focus on (1) how cash and other financial assets can readily be converted into cash inflows and outflows and (2) balances left at year-end that are available for spending. Consequently, the Governmental Funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, a reconciliation between the two types of statements is provided to explain the relationship (or differences) between them.

Proprietary Funds: Services for which the School District charges a fee are generally reported in Proprietary Funds. Proprietary Funds are reported in the same way as the Government-wide financial statements. The School District's *Enterprise Funds* (one type of Proprietary Fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The School District currently has one Enterprise Fund, the food service fund.

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

Fiduciary Funds: The School District is the trustee, or *fiduciary*, for assets that belong to others, such as student activity funds. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The School District's total net position was (\$60,530,014) at June 30, 2015.

Figure A-3
 Fiscal Year ended June 30, 2015
 Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2015	2014	2015	2014	2015
Current assets	\$ 14,009,442	\$ 15,030,919	\$ 28,100	\$ 17,926	\$ 14,037,542	\$ 15,048,845
Noncurrent assets	39,227,775	36,805,472	111,653	99,472	39,339,428	36,904,944
Total assets	\$ 53,237,217	\$ 51,836,391	\$ 139,753	\$ 117,398	\$ 53,376,970	\$ 51,953,789
Deferred Outflows of Resources	\$ 0	\$ 6,753,660	\$ 0	\$ 0	\$ 0	\$ 6,753,660
Current liabilities	\$ 7,067,752	\$ 8,118,521	\$ 199,836	\$ 172,800	\$ 7,267,588	\$ 8,291,321
Long-term liabilities	104,667,431 *	105,578,142	0	0	104,667,431 *	105,578,142
Total liabilities	\$ 111,735,183	\$ 113,696,663	\$ 199,836	\$ 172,800	\$ 111,935,019	\$ 113,869,463
Deferred Inflows of Resources	\$ 0	\$ 5,368,000	\$ 0	\$ 0	\$ 0	\$ 5,368,000
Net position invested in capital assets, net of related debt	\$ 7,595,641	\$ 7,045,619	\$ 111,653	\$ 99,472	\$ 7,707,294	\$ 7,145,091
Restricted for capital projects	1,495,219	1,641,810	0	0	1,495,219	1,641,810
Restrict - other	6,390	24,898	0	0	6,390	24,898
Unrestricted	(67,595,216) *	(69,186,939)	(171,736)	(154,874)	(67,766,952) *	(69,341,813)
Total net position	\$ (58,497,966)	\$ (60,474,612)	\$ (60,083)	\$ (55,402)	\$ (58,558,049)	\$ (60,530,014)

* As restated for GASB No. 68.

Most of the School District's net position is invested in capital assets (buildings, land, and equipment). The restricted balances are amounts set aside to fund future purchases or capital projects as planned by the School District. The unrestricted deficit is the result of the implementation of GASB No. 68 which required the District to recognize its proportionate share of the PSERS pension liability at June 30, 2015 (2014 was restated as a result).

Indiana Area School District

Management's Discussion and Analysis (MD&A)

Capital assets decreased due to depreciation expense, resulting in an overall decrease in total assets of approximately 2.6%. Liabilities increased over \$1.9 million due primarily to the increase in the net pension liability with the implementation of GASB No. 68.

The results of this year's operations as a whole are reported in the Statement of Activities. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the School District's activities that are supported by other general revenues. The two largest General Fund revenue sources are the Basic Education Subsidy provided by the Commonwealth of Pennsylvania, and local taxes assessed to community taxpayers.

Figure A-4 takes the information from the Statement of Activities, rearranges it slightly, so you can see our total revenues for the year.

Figure A-4
Fiscal Year ended June 30, 2015
Condensed Statement of Activities

	Governmental Activities		Business-Type Activities		Total	
	2014	2015	2014	2015	2014	2015
Revenues						
Charges for services	\$ 377,437	\$ 407,314	\$ 595,126	\$ 518,289	\$ 972,563	\$ 925,603
Operating grants and contributions	6,903,574	7,616,144	620,274	707,993	7,523,848	8,324,137
Taxes	30,699,790	32,186,041	0	0	30,699,790	32,186,041
Grants, subsidies and contributions, unrestricted	9,833,005	9,834,228	0	0	9,833,005	9,834,228
Cap Grants and contributions	428,836	388,001	0	0	428,836	388,001
Other	89,621	128,443	21	425	89,642	128,868
Total revenues	48,332,263	50,560,171	1,215,421	1,226,707	49,547,684	51,786,878
Expenses						
Instruction	\$ 33,361,939	\$ 36,308,743	\$ 0	\$ 0	\$ 33,361,939	\$ 36,308,743
Support services	13,329,259	14,395,281	0	0	13,329,259	14,395,281
Student activities	1,045,465	1,096,626	0	0	1,045,465	1,096,626
Interest on long-term debt	867,884	736,167	0	0	867,884	736,167
Food services	0	0	1,245,502	1,222,026	1,245,502	1,222,026
Total expenses	48,604,547	52,536,817	1,245,502	1,222,026	49,850,049	53,758,843
Increase (decrease) in net position	\$ (272,284)	\$ (1,976,646)	\$ (30,081)	\$ 4,681	\$ (302,365)	\$ (1,971,965)

Revenues are up \$2.2 million in fiscal year 2015 due to a tax increase and also increased state funding. Expenses increased \$3.9 million in fiscal year 2015 across functions due primarily to payroll costs, specifically retirement costs. The District also incurred increases in contracted service and transportation expense in fiscal year 2015.

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

Figure A-5 shows the School District's six largest functions – instruction, support services, other non-instructional services, student activities, community services, and debt service as well as each program's net cost (total cost less revenues generated by the activities). Also presented are the net costs offset by the other unrestricted grants, subsidies and contributions to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

Figure A-5
 Fiscal Year ended June 30, 2015
 Governmental Activities

Functions/Programs	Total Cost of Services		Net Cost of Services	
	2014	2015	2014	2015
Instruction	\$ 33,361,939	\$ 36,308,743	\$ 27,009,795	\$ 29,209,376
Support services	13,329,259	14,395,281	12,030,059	13,133,898
Student activities	1,045,465	1,096,626	986,962	1,045,917
Interest on long-term debt	867,884	736,167	867,884	736,167
Total governmental activities	\$ 48,604,547	\$ 52,536,817	40,894,700	44,125,358
Less:				
Unrestricted grants, subsidies			9,833,005	9,834,228
Total needs from local taxes and other revenues			\$ 31,061,695	\$ 34,291,130

Figure A-6 reflects the activities of the Food Service program, the only Business-type activity of the School District.

Figure A-6
 Fiscal Year ended June 30, 2015
 Business-type Activities

Functions/Programs	Total Cost of Services		Net Cost of Services	
	2014	2015	2014	2015
Food services	\$ 1,245,502	\$ 1,222,026	\$ (30,102)	\$ 4,256
Total business-type activities			\$ (30,102)	\$ 4,256

The Statement of Revenues, Expenses and Changes in Net Position (deficit) for this Proprietary Fund will further detail the actual results of operations.

THE SCHOOL DISTRICT FUNDS

At June 30, 2015, the School District's Governmental Funds reported a combined fund balance of \$8,324,240, which is a decrease of \$4,237 over last year. An analysis of this change is detailed in the following paragraphs:

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

General Fund

The General Fund balance increased by \$190,891. When the 2014-2015 budget was adopted, a deficit of \$397,289 was projected. By spending \$623,741 less than budgeted while receiving \$35,560 less revenue than projected, the School District was able to significantly reduce the deficit.

Capital Reserve Fund

The Capital Reserve Fund balance increased by \$146,591. The reason for this increase was expenditures of \$262,623, with revenue consisting of a transfer from the General Fund of \$405,650 and interest income of \$3,564.

Capital Projects

The Capital Projects Fund balance was \$1,513,866 at June 30, 2014. These funds are remaining from bonds issue for the District's GESA Project. The funds are being used for various projects across the District. During the 2014-2015 year the Capital Projects fund had expenditures of \$345,282 and interest income of \$3,562. At June 30, 2015 the remaining balance was \$1,172,146.

Proprietary Fund

The Proprietary Fund Type is used to report the results of operations of the Food Service Program. This year, the results of operations before contributions and transfers resulted in net income of \$4,320. The net position balance is an accumulated deficit of \$55,402.

The Board is aware of the weak financial status of the Food Service Program. The School District opted to contract with a management company 17 years ago in an effort to improve the efficiency and quality of the program. Since then the financial performance of the program has improved.

In analyzing food and labor costs, which represent most of the Food Service Program costs, it appears that the School District is operating within industry standards. Increasing prices may be required to maintain breakeven financial status annually.

General Fund Budget

Budget transfers are required by state law and have been required since the Public School Code was adopted in 1949. Transfers are permitted from one class of expenditures to another without limit, so long as total expenditures of the School District do not exceed the original budget.

Over the years, there have been a number of different interpretations on how funds should be transferred and when. Presently, transfers are permitted to be made after the year-end audit adjustments are completed and are not required in connection with Federal program funds. To avoid confusion, we do transfers to cover all account categories regardless of whether or not Federal funds are involved and all transfers are done after the audit is complete.

The budget transfer practice we use lends itself to greater management control. Whenever certain classes of expenditures exceed original budget appropriations, it is easier to manage if original budget figures remain intact. Whenever funds are transferred several times per year, it tends to mask areas where close scrutiny should be exercised, generally weakening management control.

The administration authorizes expenditures of budget categories to be exceeded whenever expenditures vital to the program are required which may not have been contemplated at the time the budget was originally adopted. Examples of these types of expenditures are the addition of employees due to shifts in class sizes, increased textbook orders due to enrollment increases, purchases of equipment vital to the

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

program unforeseen at budget time, emergency maintenance and repair requirements and other expenditures of this nature.

The administration realizes that a certain amount of flexibility is necessary in this regard to effectively deliver the educational program. However, prudent management control must be exercised to avoid adverse financial consequences.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the School District has investments of \$36,904,944 in a broad range of capital assets, including land, school buildings, administrative offices, athletic fields, a maintenance building, fixtures and equipment. See Figure A-7. This amount represents a decrease of \$2,434,484 over the previous year and is mostly attributable to depreciation. More detailed information about capital assets can be found in Note 8 to the financial statements. Total depreciation expense for the year amounted to \$2,714,845.

Figure A-7
Capital Assets – Net of Depreciation

	Governmental Activities		Business Activities		Totals	
	2014	2015	2014	2015	2014	2015
Government activities						
Land	\$ 1,202,315	\$ 1,202,315	\$ 0	\$ 0	\$ 1,202,315	\$ 1,202,315
Construction in progress	23,565	51,472	0	0	23,565	51,472
Non-depreciable	<u>1,225,880</u>	<u>1,253,787</u>	<u>0</u>	<u>0</u>	<u>1,225,880</u>	<u>1,253,787</u>
Depreciable						
Land and site improvements	1,044,983	1,063,791	0	0	1,044,983	1,063,791
Building and building improvements	74,543,441	74,705,951	0	0	74,543,441	74,705,951
Machinery and equipment	<u>427,539</u>	<u>461,039</u>	<u>208,111</u>	<u>208,111</u>	<u>635,650</u>	<u>669,150</u>
Depreciable capital assets	76,015,963	76,230,781	208,111	208,111	76,224,074	76,438,892
Accumulated depreciation	<u>(38,014,068)</u>	<u>(40,679,096)</u>	<u>(96,458)</u>	<u>(108,639)</u>	<u>(38,110,526)</u>	<u>(40,787,735)</u>
Net book value	<u>38,001,895</u>	<u>35,551,685</u>	<u>111,653</u>	<u>99,472</u>	<u>38,113,548</u>	<u>35,651,157</u>
Total	<u>\$ 39,227,775</u>	<u>\$ 36,805,472</u>	<u>\$ 111,653</u>	<u>\$ 99,472</u>	<u>\$ 39,339,428</u>	<u>\$ 36,904,944</u>

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

Debt Administration

As of June 30, 2015, the School District had \$30,932,000 in general obligation bonds outstanding. This is a net decrease of \$2,214,000 as shown in Figure A-8.

Figure A-8
 Outstanding Debt

General Obligation Notes/Bonds	2014	2015
General Obligation Bonds Series of 2010	5,160,000	5,115,000
General Obligation Bonds Series of 2012	9,950,000	9,940,000
General Obligation Bonds Series of 2013	6,920,000	6,915,000
General Obligation Bonds Series of 2013A	1,340,000	0
General Obligation Bonds Series of 2014	9,776,000	8,962,000
Total	\$ 33,146,000	\$ 30,932,000

ECONOMIC FACTORS IMPACTING THE FUTURE

At the time these financial statements were prepared, the School District was aware of the following issues that could have significant future fiscal impact:

- Increases in the employer contribution rate to fund the Public School Employees Retirement System is the most significant economic factor facing the School District. The rate is projected to increase gradually from 21.4% in the 2014-2015 fiscal year to 31.56% for 2018-2019, and reach a top rate of 33.03% in 2034-2035. The 2015-2016 rate is 25.84% and the 2016-2017 rate is projected to be 29.69%. The Commonwealth of Pennsylvania reimburses 50% of the School District's contribution, which raises a concern over the amount of state funding that will be available for other purposes.
- The District has been able to minimize the overall increase in healthcare cost over the past couple of years through attrition and plan changes. The big unknown that could have a significant impact on the District financially is the implementation of the regulations of the Affordable Healthcare Act. Future plan changes with employees may be needed to help control costs.
- When the 2013 bonds were issued to finance the ESCO project the Board agreed to borrow additional funds for education and security purposes. At June 30, 2015 there was approximately \$1.2 million remaining in the Capital Projects Fund. In July 2015 the Board approved bids for \$2.3 million in building upgrades to the High School, Horace Mann, Ben Franklin and new exterior doors at all District buildings except the Junior High. To help pay for these projects the District issued \$3 million Bonds in July 2015. The Board and administration are working on a plan to spend the remaining funds on District projects over the next couple of years. These funds could be combined with funds from the Capital Reserve Fund if necessary for the projects being proposed.
- In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pension Plans – an amendment of GASB Statement No. 27*. The District will implement GASB 68 in fiscal year 2015. The objective of this Statement is to improve accounting and financial reporting by state and local governmental pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

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

CONTACTING THE SCHOOL DISTRICT FINANCIAL MANAGEMENT

The financial report is designed to provide the School District's citizens, taxpayers, parents, students, investors and creditors with a general overview of the School District's finances and to demonstrate the Board's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Jared Cronauer, Business Manager, Indiana Area School District, 501 East Pike, Indiana, PA 15701.

BASIC FINANCIAL STATEMENTS

**Indiana Area School District
Statement of Net Position
June 30, 2015**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Current assets:			
Cash and equivalents	\$ 10,419,814	\$ 6,875	\$ 10,426,689
Taxes receivable	2,691,651	0	2,691,651
Intergovernmental receivables	1,547,180	0	1,547,180
Other receivables	372,274	2,186	374,460
Inventories	<u>0</u>	<u>8,865</u>	<u>8,865</u>
Total current assets	<u>15,030,919</u>	<u>17,926</u>	<u>15,048,845</u>
Noncurrent assets:			
Land	1,202,315	0	1,202,315
Construction in progress	51,472	0	51,472
Depreciable capital assets, net	<u>35,551,685</u>	<u>99,472</u>	<u>35,651,157</u>
Total noncurrent assets	<u>36,805,472</u>	<u>99,472</u>	<u>36,904,944</u>
Total assets	<u>51,836,391</u>	<u>117,398</u>	<u>51,953,789</u>
Deferred Outflows of Resources			
Defined benefit pension plan:			
Change in proportionate share	2,012,000	0	2,012,000
Contributions subsequent to measurement date	<u>4,741,660</u>	<u>0</u>	<u>4,741,660</u>
Total deferred outflows of resources	<u>6,753,660</u>	<u>0</u>	<u>6,753,660</u>
Total assets and deferred outflows of resources	<u>\$ 58,590,051</u>	<u>\$ 117,398</u>	<u>\$ 58,707,449</u>

See accompanying notes to the basic financial statements.

**Indiana Area School District
Statement of Net Position
June 30, 2015**

	Governmental Activities	Business-Type Activities	Total
Liabilities			
Current liabilities:			
Internal balances	\$ (112,434)	\$ 112,434	\$ 0
Accounts payable	463,958	31,997	495,955
Accrued salaries and wages	2,829,735	0	2,829,735
Payroll deductions and withholdings	1,910,313	0	1,910,313
Accrued interest payable	212,241	0	212,241
Unearned revenues	13,421	28,369	41,790
Current portion of long-term liabilities	2,801,287	0	2,801,287
Total current liabilities	8,118,521	172,800	8,291,321
Noncurrent liabilities:			
Bonds payable, net	28,217,977	0	28,217,977
Long-term portion of compensated absences	716,172	0	716,172
Other long-term financing	1,185,932	0	1,185,932
Other post-employment benefits (OPEB)	373,061	0	373,061
Net pension liability	75,085,000	0	75,085,000
Total noncurrent liabilities	105,578,142	0	105,578,142
Total liabilities	113,696,663	172,800	113,869,463
Deferred Inflows of Resources			
Defined benefit pension plan:			
Difference between projected and actual investment earnings	5,368,000	0	5,368,000
Total deferred inflows of resources	5,368,000	0	5,368,000
Net Position			
Invested in capital assets, net of debt	7,045,619	99,472	7,145,091
Restricted for capital projects	1,641,810	0	1,641,810
Restricted - other	24,898	0	24,898
Unrestricted	(69,186,939)	(154,874)	(69,341,813)
Total net position	(60,474,612)	(55,402)	(60,530,014)
Total liabilities, deferred inflows of resources and net position	\$ 58,590,051	\$ 117,398	\$ 58,707,449

See accompanying notes to the basic financial statements.

**Indiana 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	\$ 36,308,743	\$ 356,605	\$ 6,742,762	\$ 0	\$ (29,209,376)	\$ 0	\$ (29,209,376)
Instructional student support	2,960,475	0	189,834	0	(2,770,641)	0	(2,770,641)
Administration and financial support services	5,090,579	0	54,371	0	(5,036,208)	0	(5,036,208)
Operations and maintenance of plant services	4,580,069	0	15,016	388,001	(4,177,052)	0	(4,177,052)
Pupil transportation	1,764,158	0	614,161	0	(1,149,997)	0	(1,149,997)
Student activities	1,096,626	50,709	0	0	(1,045,917)	0	(1,045,917)
Interest on long-term debt	<u>736,167</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(736,167)</u>	<u>0</u>	<u>(736,167)</u>
Total governmental activities	52,536,817	407,314	7,616,144	388,001	(44,125,358)	0	(44,125,358)
Business-Type Activities:							
Food service	<u>1,222,026</u>	<u>518,289</u>	<u>707,993</u>	<u>0</u>	<u>0</u>	<u>4,256</u>	<u>4,256</u>
Total primary government	<u>\$ 53,758,843</u>	<u>\$ 925,603</u>	<u>\$ 8,324,137</u>	<u>\$ 388,001</u>	<u>(44,125,358)</u>	<u>4,256</u>	<u>(44,121,102)</u>
General Revenues:							
Taxes levied					32,186,041	0	32,186,041
Grants, subsidies and contributions, not restricted					9,834,228	0	9,834,228
Investment earnings					39,815	64	39,879
Miscellaneous					88,989	0	88,989
Transfers between governmental, business-type activities					<u>(361)</u>	<u>361</u>	<u>0</u>
Total general revenues					<u>42,148,712</u>	<u>425</u>	<u>42,149,137</u>
Change in net position					(1,976,646)	4,681	(1,971,965)
Net position beginning of year, restated					<u>(58,497,966)</u>	<u>(60,083)</u>	<u>(58,558,049)</u>
Net position end of year					<u>\$ (60,474,612)</u>	<u>\$ (55,402)</u>	<u>\$ (60,530,014)</u>

See accompanying notes to the basic financial statements.

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

	<u>General Fund</u>	<u>Major Fund Capital Projects Fund</u>	<u>Major Fund Debt Service Fund</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 7,605,298	\$ 2,814,516	\$ 0	\$ 10,419,814
Taxes receivable	2,691,651	0	0	2,691,651
Due from other funds	112,434	6,382	0	118,816
Due from other governments	1,547,180	0	0	1,547,180
Other receivables	<u>372,274</u>	<u>0</u>	<u>0</u>	<u>372,274</u>
Total assets	12,328,837	2,820,898	0	15,149,735
Deferred Outflows of Resources				
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total assets and deferred outflows of resources	<u>\$12,328,837</u>	<u>\$ 2,820,898</u>	<u>\$ 0</u>	<u>\$ 15,149,735</u>
Liabilities				
Due to other funds	\$ 6,382	\$ 0	\$ 0	\$ 6,382
Accounts payable	457,017	6,941	0	463,958
Accrued salaries and benefits	2,829,735	0	0	2,829,735
Payroll deductions and withholding	1,910,313	0	0	1,910,313
Unearned revenue	<u>13,421</u>	<u>0</u>	<u>0</u>	<u>13,421</u>
Total liabilities	<u>5,216,868</u>	<u>6,941</u>	<u>0</u>	<u>5,223,809</u>
Deferred Inflows of Resources				
Delinquent taxes receivable	<u>1,601,686</u>	<u>0</u>	<u>0</u>	<u>1,601,686</u>
Total deferred inflows of resources	<u>1,601,686</u>	<u>0</u>	<u>0</u>	<u>1,601,686</u>
Fund Balance				
Restricted	24,898	2,813,957	0	2,838,855
Committed	1,000,000	0	0	1,000,000
Unassigned	<u>4,485,385</u>	<u>0</u>	<u>0</u>	<u>4,485,385</u>
Total fund balance	<u>5,510,283</u>	<u>2,813,957</u>	<u>0</u>	<u>8,324,240</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$12,328,837</u>	<u>\$ 2,820,898</u>	<u>\$ 0</u>	<u>\$ 15,149,735</u>

See accompanying notes to the basic financial statements

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

Total fund balance – governmental funds \$ 8,324,240

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 the governmental funds. The cost of assets is \$77,484,568 and the accumulated depreciation is \$40,679,096. 36,805,472

Property taxes receivable will be collected in the future, but are not available soon enough to pay for current period's expenditures, and therefore, are recorded as deferred inflows of resources in the funds. 1,601,686

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

Bonds payable	\$(30,932,000)	
Unamortized bond discounts	112,152	
Unamortized bond premiums	(11,129)	
Accrued interest payable	(212,241)	
Compensated absences	(765,177)	
Technology Center debt	(1,325,214)	
OPEB obligation	(373,061)	
Net pension liability	<u>(75,085,000)</u>	(108,591,670)

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	\$ 6,753,660	
Deferred inflows related to pensions	<u>(5,368,000)</u>	<u>1,385,660</u>

Net position of governmental activities \$ (60,474,612)

See accompanying notes to the basic financial statements.

Indiana 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 Fund</u>	<u>Major Fund Debt Service Fund</u>	<u>Total Governmental Funds</u>
Revenues				
Local sources	\$ 33,104,543	\$ 7,127	\$ 0	\$ 33,111,670
State sources	16,318,070	0	0	16,318,070
Federal sources	<u>747,205</u>	<u>0</u>	<u>0</u>	<u>747,205</u>
Total revenues	<u>50,169,818</u>	<u>7,127</u>	<u>0</u>	<u>50,176,945</u>
Expenditures				
Instruction	32,633,652	37,953	0	32,671,605
Support services	12,824,418	226,165	0	13,050,583
Non-instructional services	1,026,261	0	0	1,026,261
Capital outlay	19,350	343,787	0	363,137
Debt service (principal and interest)	0	0	3,069,232	3,069,232
Refund prior year receipts	<u>3</u>	<u>0</u>	<u>0</u>	<u>3</u>
Total expenditures	<u>46,503,684</u>	<u>607,905</u>	<u>3,069,232</u>	<u>50,180,821</u>
Excess of revenues over (under) expenditures	<u>3,666,134</u>	<u>(600,778)</u>	<u>(3,069,232)</u>	<u>(3,876)</u>
Other financing sources (uses)				
Interfund transfers	<u>(3,475,243)</u>	<u>405,650</u>	<u>3,069,232</u>	<u>(361)</u>
Total other financing sources (uses)	<u>(3,475,243)</u>	<u>405,650</u>	<u>3,069,232</u>	<u>(361)</u>
Net change in fund balance	190,891	(195,128)	0	(4,237)
Fund balance beginning of year	<u>5,319,392</u>	<u>3,009,085</u>	<u>0</u>	<u>8,328,477</u>
Fund balance end of year	<u>\$ 5,510,283</u>	<u>\$ 2,813,957</u>	<u>\$ 0</u>	<u>\$ 8,324,240</u>

See accompanying notes to the basic financial statements.

**Indiana 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 \$ (4,237)

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 depreciation expense exceeded capital outlays in the current period.

Capital outlays	\$ 280,361	
Depreciation expense	<u>(2,702,664)</u>	(2,422,303)

Because some property taxes will not be collected for several months after the District’s year end, they are not considered as “available” revenues in the governmental funds. Deferred inflows of resources from tax revenues increased by this amount this year. 383,590

Interest on long-term debt is recognized in the governmental funds when it is due. In the statement of activities, expense is recognized as interest accrues. Accrued interest expense decreased by this amount this year. 861

In the governmental funds, compensated absences are measured by the amounts used. The statement of activities measures by the amount earned. The liability for compensated absences increased by this amount this year. (120,047)

In the governmental funds, other post-employment benefits (OPEB) are measured by the amounts used. The statement of activities measures by the amounts earned. The liability for OPEB decreased by this amount this year. 190,399

The principal payments on long-term debt consume current financial resources of governmental funds. However, they reduce long-term liabilities on the statement of net position. 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:

Bond principal payments	\$2,214,000	
Technology Center principal payments	118,204	
Amortization of discounts	(25,788)	
Accretion of bond premium	<u>8,015</u>	2,314,431

See accompanying notes to the basic financial statements.

**Indiana 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 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	\$ 4,741,660	
Cost of benefits earned, net of employee contributions	<u>(7,061,000)</u>	<u>(2,319,340)</u>
Change in net position of governmental activities		<u>\$(1,976,646)</u>

See accompanying notes to the basic financial statements.

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

	Food Service
Assets	
Current assets:	
Cash and cash equivalents	\$ 6,875
Other receivables	2,186
Inventory	8,865
Total current assets	17,926
Noncurrent assets:	
Machinery and equipment, net	99,472
Total noncurrent assets	99,472
Total assets	117,398
Deferred Outflows of Resources	
Total assets and deferred outflows of resources	0
Liabilities	
Current liabilities:	
Due to other funds	\$ 112,434
Accounts payable	31,997
Unearned revenues	28,369
Total current liabilities	172,800
Noncurrent liabilities:	
Total noncurrent liabilities	0
Total liabilities	172,800
Deferred Inflows of Resources	
Total	0
Net Position	
Invested in capital assets	99,472
Unrestricted	(154,874)
Total net position	(55,402)
Total liabilities, deferred inflows of resources and net position	\$ 117,398

See accompanying notes to the basic financial statements.

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

	<u>Food Service</u>
Operating revenues	
Food service revenue	\$ 518,289
Total operating revenues	<u>518,289</u>
Operating expenses	
Salaries	139,044
Employee benefits	153,491
Other purchased service	912,456
Supplies	917
Depreciation	12,180
Dues and fees	<u>3,938</u>
Total operating expenses	<u>1,222,026</u>
Operating income (loss)	<u>(703,737)</u>
Nonoperating revenues (expenses)	
Earnings on investments	64
State sources	57,410
Federal sources	<u>650,583</u>
Total nonoperating revenues (expenses)	<u>708,057</u>
Income (loss) before contributions and transfers	4,320
Contributions and transfers	
Interfund transfers in	<u>361</u>
Change in net position	4,681
Total net position, beginning of year	<u>(60,083)</u>
Total net position, end of year	<u>\$ (55,402)</u>

See accompanying notes to the basic financial statements.

**Indiana 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 users	\$ 520,181
Cash payments to employees for services	(139,044)
Cash payments to suppliers for goods and services	<u>(1,103,222)</u>
Net cash provided by (used for) operating activities	<u>(722,085)</u>
Cash flows from non-capital financing activities	
State sources	58,275
Federal sources	662,898
Operating transfers in	<u>361</u>
Net cash provided by (used for) non-capital financing activities	<u>721,534</u>
Cash flows from investing activities	
Earnings on investments	<u>64</u>
Net cash provided by (used for) investing activities	<u>64</u>
Net increase (decrease) in cash and cash equivalents	(487)
Cash and cash equivalents, beginning of year	<u>7,362</u>
Cash and cash equivalents, end of year	<u>\$ 6,875</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	<u>\$ (703,737)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	12,180
(Increase) decrease in accounts receivable	(2,186)
(Increase) decrease in inventories	(1,307)
Increase (decrease) in accounts payable	(31,113)
Increase (decrease) in unearned revenue	<u>4,078</u>
Total adjustments	<u>(18,348)</u>
Net cash provided by (used for) operating activities	<u>\$ (722,085)</u>

See accompanying notes to the basic financial statements.

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

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	\$ 75,115
Investments	<u>10,000</u>
Total assets	85,115
Deferred Outflows of Resources	
	<u>0</u>
Total assets and deferred outflows of resources	<u><u>\$ 85,115</u></u>
Liabilities	
Due to students	<u>85,115</u>
Total liabilities	<u>85,115</u>
Deferred Inflows of Resources	
	<u>0</u>
Net Position	
	<u>0</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 85,115</u></u>

See accompanying notes to the basic financial statements.

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

1. Description of School District and Reporting Entity

The Indiana Area School District is a Local Education Agency of the second class, governed by a nine-member publicly elected board, located in the Commonwealth of Pennsylvania. The District has approximately 2,700 enrolled students and operates four elementary schools, one junior high school and one senior high school. The District also participates in a local area vocational/technical school with various other districts.

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 Indiana 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.

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 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, and 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.

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

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 – Accounts for financial resources restricted for the acquisition, construction, renovation and deferred maintenance of major capital facilities or equipment, and for debt service.

Debt Service Fund – Accounts for resources accumulated to provide for payment of general long-term debt principal and interest.

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.

**Indiana 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 has no private purpose trust funds. 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, deferred outflows of resources, 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 fund 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.

**Indiana 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 and deferred inflows and outflows of resources, and in the presentation of expenses versus expenditures. Unearned revenues are addressed in Note 2L, and deferred inflows and outflows of resources in Note 2M.

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.

**Indiana 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.

Budgets are not legally required for capital improvements reported in the Special Revenue Funds. However, the Board formally adopts an internal budget. Additionally, transactions not included on the adopted budget are approved by the Board prior to commitment, thereby achieving further budgetary control.

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 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. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased. Due to immateriality, an inventory balance is not reported for the governmental funds.

A physical inventory of the Food Service Fund food and supplies was taken as of June 30, 2015. The inventory consisted of purchased commodities and supplies, valued at cost using the first-in, first-out (FIFO) method. The School District receives cash in lieu of government donated commodities.

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

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 proprietary fund are reported in both the business-type activities column on the government-wide statement of net position and in the fund financial statements.

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 ten thousand dollars (\$10,000). 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:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	25 - 50 years
Furniture and equipment	5 - 20 years
Site improvements	15 - 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. 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.

**Indiana Area School District
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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.

L. 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.

M. 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 10.

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 10.

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 (\$1,601,686).

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

N. 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:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form (i.e. inventory or prepaid items) or (b) are legally or contractually required to be maintained intact.
- **Restricted Fund Balance:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed Fund Balance:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the School Board. These amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of formal action (i.e. resolution) that was employed when the funds were initially committed.
- **Assigned Fund Balance:** This classification includes amounts that are constrained by the District’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the School Board or by an official body to which the School Board delegates the authority. Assigned fund balance is established by the School Board.
- **Unassigned Fund Balance:** This classification includes amounts that are available for any purpose. Positive amounts are reported only in the general fund.

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

	General Fund	Capital Projects Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Restricted:			
Senior High Marching Band	\$ 10,000	\$ 0	\$ 10,000
Athletic Program	10,000	0	10,000
Horace Mann Playground	4,617	0	4,617
Horace Mann Music Program	100	0	100
East Pike Shade Structure	181	0	181
Capital Projects	0	2,813,957	2,813,957
Committed:			
Retirement and health care	1,000,000	0	1,000,000
Unassigned	<u>4,485,385</u>	<u>0</u>	<u>4,485,385</u>
Total Fund Balance	<u><u>\$ 5,510,283</u></u>	<u><u>\$ 2,813,957</u></u>	<u><u>\$ 8,324,240</u></u>

**Indiana Area School District
Notes to Financial Statements
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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.

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.

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 \$1,666,708 of restricted net position, of which \$1,641,810 is restricted by enabling legislation for capital projects and \$24,898 has been restricted by donors as detailed in Note 2N.

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.

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

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.

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 checking and savings accounts and certificates of deposit at local financial institutions and cash on hand of \$650. 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.

Cash

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 the District’s deposits in excess of the FDIC limit are collateralized in accordance with the Pennsylvania Security for Public Deposit Act. As of June 30, 2015, \$10,464,185 of the District’s bank balance of \$10,714,185 was exposed to custodial risk as:

Uninsured and uncollateralized	\$ 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>10,464,185</u>
Total	<u>\$10,464,185</u>

Reconciliation to Financial Statements

Uninsured amount above	\$10,464,185
Plus: Insured amount	250,000
Plus: Deposits in transit	17,633
Less: Outstanding checks	<u>(220,664)</u>
Carrying amount – bank balances	10,511,154
Plus: Cash on hand	650
Less: Certificate of deposit considered investment	<u>(10,000)</u>
Total cash per financial statements	<u>\$10,501,804</u>

**Indiana 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>
Certificate of Deposit	12 months	<u>\$10,000</u>
Total investments per financial statements		<u>\$10,000</u>

Interest Rate Risk

In order to manage its interest rate risk, the School District’s investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. In addition, currently the School District’s excess funds are deposited into checking accounts with rates of return adjustable to the applicable federal funds rate (FFR).

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 consisted of a certificate of deposit held by a local financial institution.

Concentration of Credit Risk

The School District places no limit on the amount the School District may invest in any one issuer. The School District’s investment policy minimizes credit risk by limiting investments to the safest types of securities, pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the School District does business.

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.

4. Real Estate Taxes

Real estate taxes for the School District are collected from the Boroughs of Indiana and Shelocta and the Townships of Armstrong and White. The tax on real estate for public school purposes for fiscal 2015 was 108.22 mills (\$108.22 per \$1,000 of assessed valuation) as levied by the Board. Assessed valuations of property (\$262,189,640) are determined by Indiana County and the elected tax collectors are responsible for collection. The schedule for real estate taxes levied for each fiscal year is as follows:

July 15	- Levy Date
July 15 - September 15	- 2% Discount Period
September 16 - November 15	- Face Payment Period
November 16 – December 31	- 10% Penalty Period
January 15	- Lien Date

**Indiana Area School District
Notes to Financial Statements
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5. Taxes Receivable

The elected tax collectors are required to return any uncollected 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 \$2,691,651. 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 recorded as a deferred inflow of resources in the fund financial statements.

Uncollected taxes for the year ended June 30, 2015:

Delinquent Earned Income Taxes	\$ 4,641
Delinquent Real Estate Taxes	272,011
Earned Income Taxes	785,423
Realty Transfer Taxes	<u>27,890</u>
Uncollected Taxes Recognized as Revenue (received within 60 days)	1,089,965
Real Estate Taxes – Deferred Inflow of Resources	<u>1,601,686</u>
Total Taxes Receivable	<u>\$2,691,651</u>

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 \$13,421 represent unearned grant revenues at June 30, 2015. Unearned revenues of \$28,369 in the Proprietary Fund represent credits on student cafeteria accounts 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	\$ 101,120	\$0
State	1,443,779	0
Local	<u>2,281</u>	<u>0</u>
	<u>\$1,547,180</u>	<u>\$0</u>

**Indiana Area School District
Notes to Financial Statements
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8. Capital Assets

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

	Beginning Balance	Additions	Deductions	Transfers	Ending Balance
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 1,202,315	\$ 0	\$ 0	\$ 0	\$ 1,202,315
Construction in progress	23,565	51,472	0	(23,565)	51,472
Total capital assets, not being depreciated	<u>1,225,880</u>	<u>51,472</u>	<u>0</u>	<u>(23,565)</u>	<u>1,253,787</u>
Capital assets, being depreciated:					
Buildings and improvements	74,543,441	162,510	0	0	74,705,951
Furniture and equipment	427,539	47,571	(37,636)	23,565	461,039
Site improvements	1,044,983	18,808	0	0	1,063,791
Total capital assets, being depreciated	<u>76,015,963</u>	<u>228,889</u>	<u>(37,636)</u>	<u>23,565</u>	<u>76,230,781</u>
Less accumulated depreciation:					
Buildings and improvements	37,344,432	2,611,840	0	0	39,956,272
Furniture and equipment	246,017	48,962	(37,636)	0	257,343
Site improvements	423,619	41,862	0	0	465,481
Total accumulated depreciation	<u>38,014,068</u>	<u>2,702,664</u>	<u>(37,636)</u>	<u>0</u>	<u>40,679,096</u>
Total capital assets, being depreciated, net	<u>38,001,895</u>	<u>(2,473,775)</u>	<u>0</u>	<u>23,565</u>	<u>35,551,685</u>
Governmental activities capital assets, net	<u>\$ 39,227,775</u>	<u>\$ (2,422,303)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 36,805,472</u>
Business-Type Activities					
Capital assets, being depreciated:					
Equipment	\$ 208,111	\$ 0	\$ 0	\$ 0	\$ 208,111
Total capital assets, being depreciated	<u>208,111</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>208,111</u>
Less accumulated depreciation:					
Equipment	96,458	12,181	0	0	108,639
Total accumulated depreciation	<u>96,458</u>	<u>12,181</u>	<u>0</u>	<u>0</u>	<u>108,639</u>
Business-type activities capital assets, net	<u>\$ 111,653</u>	<u>\$ (12,181)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 99,472</u>

**Indiana Area School District
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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

Instruction	\$1,918,891
Instruction support	162,160
Administration and finance	243,240
Operation and maintenance of plant	243,240
Pupil transportation	81,080
Student activities	<u>54,053</u>
 Total depreciation expense - governmental activities	 <u>\$2,702,664</u>

9. 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.

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.

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

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%.

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. Indiana Area School District's contributions to PSERS for the year ending June 30, 2015 were \$4,953,128.

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

10. 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 \$75,085,000 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 0.1897%, which was an increase of 0.0061% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$7,061,000. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 0	\$ 0
Changes in assumptions	0	0
Net difference between projected and actual investment earnings	0	5,368,000
Changes in proportions	2,012,000	0
Difference between employer contributions and proportionate share of total contributions	0	0
Contributions subsequent to the measurement date	4,741,660	0
	<u>\$ 6,753,660</u>	<u>\$ 5,368,000</u>

\$4,741,660 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:

<u>Year Ended June 30:</u>	
2016	\$ (857,000)
2017	(857,000)
2018	(857,000)
2019	(857,000)
2020	72,000
2021	0
Thereafter	0
	<u>\$ (3,356,000)</u>

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

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.

<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>	

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

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:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
District's proportionate share of the net pension liability	\$ 93,658,000	\$ 75,085,000	\$ 59,228,000

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.

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

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

12. Compensated Absences

Employees of the School District are entitled to paid vacation and paid sick leave depending on length of service with the Pennsylvania Public School Employees' Retirement System and the School District. Unused vacation amounts are believed nominal; sick leave is granted as appropriate (medical evidence required) with budgetary provision being made annually for the estimated cost of substitute personnel. Contractual provisions with teachers require payment at the time of retirement, an amount computed by multiplying the number of such employee's unused accumulated sick days by the dollar amount of \$100.00 per day. Contractual provisions with support personnel require payment at the time of retirement, an amount computed by multiplying the number of such employee's unused accumulated sick days by \$50.00 per day. Similarly computed, the rate for administrative staff ranges from \$50.00-\$100.00 per day. Employees may elect at time of retirement to receive health insurance coverage, in lieu of cash payments. Employees may not receive the cash compensation for sick days used for additional insurance coverage.

The School District has accrued \$765,177 for accumulated sick leave for employees that have met the required length of service and are entitled to receive the benefits described above as of June 30, 2015. The current portion of the liability has been estimated at \$49,005 with the long-term portion at \$716,172 at June 30, 2015.

13. Post-employment 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 adopted 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 Description

The District provides continuation of medical, dental and vision benefits to employees who retire from the District. Further, the District offers retirement cash bonuses. A summary of benefit programs by employee group is as follows:

	<u>Teachers</u>	<u>Administrators</u>	<u>Support Staff</u>
Medical	PPO/Indemnity	PPO	PPO
Dental	No	Yes	No
Vision	No	Yes	No
Retirement Cash Bonus	\$5,000	Pay and service related	None

Eligibility

Age and service requirements for retirement vary by group as shown below. No benefits are provided upon termination of employment if retirement conditions are not met at termination. No benefits are provided to surviving dependents upon death if employee has not retired.

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

Teachers:	25 years of PSERS service, including at least 10 years with the Indiana Area School District
Administrators:	Eligibility for PSERS superannuation retirement
Support Staff:	Eligibility for PSERS superannuation retirement

Duration of Healthcare Benefits

Teachers:	Retirees receive coverage for the lesser of 5 years or until age 65 or qualification for Medicare. Spouse coverage ceases with the cessations of retiree coverage, or upon spouse's attainment of age 65 if earlier. Retiring teachers may extend coverage at the rate of one year for each block of 30 unused sick days relinquished upon retirement.
Administrators:	Retirees receive coverage until the earlier of age 65 or qualification for Medicare. Spouse coverage ceases with the cessation of retiree coverage, or upon spouse's attainment of age 65 if earlier.
Support Staff:	Retiring support staff may obtain coverage at the rate of one year for each block of 40 unused sick days relinquished upon retirement, until the earlier of age 65 or qualification for Medicare. Spouse coverage ceases with the cessation of retiree coverage, or upon spouse's attainment of age 65 if earlier.

Participant Contributions

Teachers:	Under the District incentive there is no contribution for members who retire prior to July 1, 2011; members retiring on or after July 1, 2011 will contribute the \$100 monthly PSERS premium assistance amount.
Administrators:	Under the District incentive the retiree contributes the PSERS premium assistance amount and the spouse makes no contribution.
Support Staff:	None

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.

The number of participants as of July 1, 2014, the effective date of the biennial OPEB valuation, follows. There have been no significant changes in the number covered or the type of coverage since that date.

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

	District
Active employees	334
Retired employees	79
Spouses of retired employees	<u>48</u>
Total	<u>461</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 \$1,206,201 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 \$1,396,600, the result was a decrease in the District's Net OPEB Obligation of \$190,399 for the year ended June 30, 2015.

	District
Actuarial Accrued Liability (AAL)	
Retired employees	\$ 5,008,200
Active employees	<u>8,584,800</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 13,593,000</u>
Normal cost at beginning of year	\$ 595,700
Amortization factor based on 30 years	22.3494
Annual covered payroll	To be determined
UAAL as % of covered payroll	To be determined

	District
ARC Normal Cost	\$ 605,303
Amortization of UAAL	<u>608,203</u>
Annual required contribution (ARC)	1,213,506
Interest on Net OPEB Obligation	0
Adjustment to ARC	<u>(7,305)</u>
Annual OPEB cost (expense)	1,206,201
Contribution for the fiscal year	<u>(1,396,600)</u>
Decrease in Net OPEB Obligation	(190,399)
Net OPEB Obligation June 30, 2014	<u>563,460</u>
Net OPEB Obligation June 30, 2015	<u>\$ 373,061</u>
Percent of annual OPEB cost contributed	115.78%

**Indiana 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 of 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	\$ 1,206,201	115.78%	\$ 373,061
6/30/2014	\$ 1,208,024	99.62%	\$ 563,460
6/30/2013	\$ 1,161,936	93.59%	\$ 558,836

Actuarial Methods and Assumptions

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 percent of payroll 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 July 1, 2014 actuarial valuation, the liabilities were computed using the projected unit credit method and level percent of payroll amortization. The actuarial assumptions utilized a 3.25% 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 3.25% rate. The valuation assumes a 7.8% healthcare cost trend increase for fiscal year 2015-16, reduced by decrements to a rate of 4.5% by 2088.

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

14. Long-Term Obligations

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

	Bonds Payable	Other Long-Term Financing	Compensated Absences	Total General Long-Term Obligations
Beginning of the year	\$ 33,146,000	\$ 1,443,418	\$ 645,130	\$ 35,234,548
Additions	0	0	0	0
Principal retirement	(2,214,000)	(118,204)	0	(2,332,204)
Changes in compensated absences	0	0	120,047	120,047
End of year	30,932,000	1,325,214	765,177	33,022,391
Less: Current portion	(2,613,000)	(139,282)	(49,005)	(2,801,287)
Less: Original issue discount, net	(112,152)	0	0	(112,152)
Add: Original issue premium, net	11,129	0	0	11,129
Long-term liabilities	<u>\$ 28,217,977</u>	<u>\$ 1,185,932</u>	<u>\$ 716,172</u>	<u>\$ 30,120,081</u>

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

Year Ended June 30,	General Obligation Bonds		
	Interest	Principal	Total
2016	\$ 674,998	\$ 2,613,000	\$ 3,287,998
2017	636,557	2,654,000	3,290,557
2018	597,383	2,694,000	3,291,383
2019	545,524	2,363,000	2,908,524
2020	477,466	2,432,000	2,909,466
2021-2025	1,535,531	12,616,000	14,151,531
2026-2027	154,772	5,560,000	5,714,772
	<u>\$ 4,622,231</u>	<u>\$ 30,932,000</u>	<u>\$ 35,554,231</u>

General Obligation Bonds, Series of 2014

The District issued General Obligation Bonds, Series of 2014, dated March 3, 2014, in the principal amount of \$9,776,000. The proceeds of the bonds were used to advance refund the District's General Obligation Bonds, Series of 2009 outstanding (\$9,705,000) and to pay all costs incidental to the issuance of these bonds. The present value of the net economic gain the District realized as a result of advance refunding the Series of 2009 bonds is \$325,981. The bonds bear interest at the rate of 1.45% with annual maturities from September 2014 through September 2020. The balance outstanding at June 30, 2015 was \$8,962,000.

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

General Obligation Bonds, Series of 2013

The District issued General Obligation Bonds, Series of 2013, dated April 11, 2013, in the principal amount of \$6,920,000. The proceeds of the bonds were used to finance the costs of acquiring, constructing and installing repairs, improvements, modifications and equipment to various District facilities as part of a guaranteed energy savings project, and to pay the costs of issuing the bonds. The bonds bear interest rates ranging from 1.375% to 2.75% with annual principal maturities from September 2014 through September 2026. The balance outstanding at June 30, 2015 was \$6,915,000.

General Obligation Bonds, Series A of 2013

The District issued General Obligation Bonds, Series A of 2013, dated April 11, 2013, in the principal amount of \$3,075,000. The proceeds of the bonds were used to advance refund a portion of the District's General Obligation Bonds, Series of 2008 outstanding (\$3,065,000) and to pay the allocable costs incidental to the issuance of these bonds. The present value of the net economic gain the District realized as a result of advance refunding a portion of the Series of 2008 bonds is \$42,433. The bonds bear interest rates ranging from 2.875% to 3.0% with annual principal maturities from September 2013 through September 2014. The balance outstanding at June 30, 2015 was \$0.

General Obligation Bonds, Series of 2012

The District issued General Obligation Bonds, Series of 2012, dated August 14, 2012, in the principal amount of \$9,995,000. The proceeds of the bonds were used to finance the costs of acquiring, constructing and installing repairs, improvements, modifications and equipment to various District facilities as part of a guaranteed energy savings project, and to pay the costs of issuing the bonds. The bonds bear interest rates ranging from 0.5% to 2.85% with annual principal maturities from September 2013 through September 2026. The balance outstanding at June 30, 2015 was \$9,940,000.

General Obligation Bonds, Series of 2010

The District issued General Obligation Bonds, Series of 2010, dated August 17, 2010, in the principal amount of \$5,180,000. The proceeds of the bonds were used to advance refund the District's General Obligation Bonds, Series of 2005 (\$4,980,000) and to pay all costs incidental to the issuance of these bonds. The present value of the net economic gain the School District realized as a result of the advance refunding of the Series of 2005 bonds is \$196,342. The bonds bear interest rates ranging from 2.00% to 3.00% with annual principal maturities from November 2010 through November 2020. The balance outstanding at June 30, 2015 was \$5,115,000.

Other Long-Term Financing: Indiana County Technology Center

On February 15, 2012, the State Public School Building Authority issued Guaranteed School Building Revenue Bonds (Indiana County Technology Center Project), Series of 2012 in the amount of \$3,810,000. The proceeds of the bonds were used to refund the Authority's outstanding School Building Revenue Bonds (Indiana County Technology Center Project), Series of 2004, and to pay related costs and expenses, including the costs of issuing the bonds. The bonds were issued pursuant to the State Public School Building Authority Act of 1947 and secured by a Trust Indenture entered into between the State Public School Building Authority (the Authority) and a financial institution as Trustee.

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

The bonds will be payable from, and are secured by, an assignment of the amounts payable to the Authority by the School District and four other area school districts, as named in the agreement, as borrowers under the Loan Agreement dated February 2012 among the Authority. The Authority entered into a Loan Agreement with the school districts and the Joint Operating Committee, pursuant to which the Authority will lend the proceeds of the bonds to the school districts for the purpose of financing the above project. Under the Loan Agreement, the school districts agree to repay such loan in such amounts and at such times as will provide sufficient funds to meet the debt service requirements on the bonds. Pursuant to the Articles of Agreement for the Establishment and Operation of the Indiana County Technology Center, dated March 1978, the school districts have agreed to a formula for the allocations of each of the school districts' share of the debt service payments, which are not joint but several obligations of the school districts.

The bonds bear interest rates ranging from 0.50% to 2.75% with annual principal maturities from October 2012 through October 2024.

Indiana Area School District's debt service payments on the Indiana County Technology Center debt totaled \$148,850 for the year ended June 30, 2015. Indiana Area School District's share of the outstanding balance at June 30, 2015 was \$1,325,214. The District estimated their current share of \$139,282 at June 30, 2015, however, due to the fluctuating nature of the allocation rate, no schedule of future debt payments is presented.

Accumulated Compensated Absences

In accordance with accounting principles generally accepted in the United States of America, the District accrues liabilities for compensated absences. The District's policy on compensated absences is discussed in Note 12. Due to the nature of the obligation for accrued separation benefits, annual requirements to amortize such obligations are not determinable and have not been presented.

General obligation bonds issued for governmental activity purposes, including the Technology Center debt, are liquidated by the debt service fund. Compensated absences liabilities for governmental activities will be paid by the general fund.

15. Interfund Transactions

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

	<u>Receivables</u>	<u>Payables</u>
General Fund (Major Fund)	\$112,434	\$ 6,382
Enterprise Fund – Food Service (Major Fund)	0	112,434
Capital Projects Fund (Major Fund)	<u>6,382</u>	<u>0</u>
	<u>\$118,816</u>	<u>\$118,816</u>

The School District typically pays employees of the Food Service Fund and subsequently charges the fund for reimbursement in order to assist the fund in providing meals. It is the District's intent to collect amounts owed by Food Service when adequate funds are available. Further, the General Fund is due reimbursement from the Capital Projects Fund for capital costs paid by the General Fund in fiscal year 2015.

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

Interfund transactions during the year ended June 30, 2015 consisted of the following:

	<u>Transfer in</u>	<u>Transfer out</u>
General Fund (Major Fund)	\$ 0	\$3,475,243
Debt Service Fund (Major Fund)	3,069,232	0
Capital Projects Fund (Major Fund)	405,650	0
Enterprise Fund – Food Service (Major Fund)	<u>361</u>	<u>0</u>
 Total	 <u>\$3,475,243</u>	 <u>\$3,475,243</u>

The School District pays its debt service out of the Debt Service Fund, therefore, the General Fund transfers amounts each year to pay the annual debt service. The School District typically transfers funds each year from the General Fund to the Capital Projects Fund to fund future capital improvements. The General Fund transferred \$361 to the Food Service Fund in fiscal year 2015 to cover receivables on student cafeteria accounts at June 30, 2015.

16. Operating Leases

The School District entered into noncancellable operating leases for office equipment. Rental expenditures under all operating lease agreements were \$117,488 for fiscal year 2015. Future minimum rental payments required under operating leases that have remaining lease terms as of June 30 are as follows:

For the year ended	
<u>June 30,</u>	<u>Payment</u>
2016	<u>\$50,647</u>
	<u>\$50,647</u>

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 terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

18. Self-Insurance – Medical Insurance

The School District is participating in the insurance consortium with the Armstrong-Indiana Insurance Trust to provide for the medical care for eligible employees and their dependents. The consortium, which administers the plan, monitors the District's deposit in the Trust to be held for the benefits described above and Crown Benefits, the plan administrator, processes and pays the claims. The consortium limits its liability by stop-loss insurance coverage. Indiana 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.

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

19. Related Party Transactions

Intermediate Unit Participation

The District is a member of the Armstrong Indiana (ARIN) Intermediate Unit 28. 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 Indiana Area School District for the year ended June 30, 2015 for ARIN programs amounted to \$421,873. The District reported a balance due to ARIN for services of \$83,860 at June 30, 2015.

Jointly Governed Organization

The School District governs, with six other school districts, the Indiana County Technology Center. Each district is represented on the Technology Center's school board. Students of the Indiana Area School District have available at the Technology Center courses and curriculums related to the technical training field. Indiana Area School District's debt service and obligation with regards to the Technology Center is outlined in Note 14. The District's portion of tuition payments for its students attending the Technology Center for fiscal 2015 was \$658,541. The District reported no balances due to or from the Technology Center at June 30, 2015.

20. 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.

21. Economic Dependency

Indiana Area School District receives approximately 32% of its revenue from the State of Pennsylvania in the form of state subsidies. Changes in funding levels by the State could have a material effect on future operations of the District.

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 resources related to pensions.

**Indiana Area School District
Notes to Financial Statements
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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 \$71,380,000, 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. Subsequent Event

In August 2015, the District issued Series of 2015 and Series A of 2015 General Obligation Notes in the amount of \$5,249,000 and \$3,000,000, respectively.

The Series of 2015 Note will be used to refund the District's General Obligation Bonds, Series of 2010 and to pay all costs incidental to the issuance of the Note. The Note bears interest at a fixed rate of 1.338%, with principal payments commencing September 2016 and maturing September 2020.

The Series A of 2015 Note will be used to finance various District capital projects. The Note bears interest at a fixed rate of 2.31%, with principal payments commencing September 2016 and maturing September 2027.

**Indiana 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	0.1897%	0.1836%
District's proportionate share of net pension liability	\$ 75,085,000	\$ 75,159,000
District's covered-employee payroll	\$ 24,212,302	\$ 23,563,963
District's proportionate share of net pension liability as percentage of its covered-employee payroll	310.11%	318.96%
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	\$ 3,779,861	\$ 2,638,353
Contributions in relation to the contractually required contributions	<u>(3,779,861)</u>	<u>(2,638,353)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>
Covered-employee payroll	\$ 24,212,302	\$ 23,563,963
Contributions as a percentage of covered-employee payroll	15.61%	11.20%

See accompanying notes to the basic financial statements.

Indiana 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 Amounts		Actual	Variance with Final
	Original	Final	(Budgetary Basis)	Budget Favorable (Unfavorable)
Revenues				
Local sources	\$ 32,978,973	\$ 32,978,973	\$ 33,104,543	\$ 125,570
State sources	16,475,778	16,475,778	16,318,070	(157,708)
Federal sources	<u>750,628</u>	<u>750,628</u>	<u>747,205</u>	<u>(3,423)</u>
Total revenues	<u>50,205,379</u>	<u>50,205,379</u>	<u>50,169,818</u>	<u>(35,561)</u>
Expenditures				
Instruction:				
Regular programs	25,694,918	25,815,800	25,796,820	18,980
Special programs	5,382,541	5,382,541	5,391,584	(9,043)
Vocational education programs	710,000	658,542	658,541	1
Other instructional programs	518,218	518,218	484,114	34,104
Nonpublic school programs	0	18,000	7,280	10,720
Pre-kindergarten	337,957	319,957	295,310	24,647
Support services:				
Pupil personnel	1,539,288	1,539,288	1,482,092	57,196
Instructional staff	1,155,677	1,209,535	1,187,449	22,086
Administration	2,451,427	2,451,427	2,360,169	91,258
Pupil health	724,200	776,668	754,953	21,715
Business	470,317	470,317	462,664	7,653
Operation and maintenance of plant	3,932,023	3,930,338	3,901,948	28,390
Student transportation	1,893,626	1,832,227	1,665,013	167,214
Central	885,857	890,857	853,868	36,989
Other support services	158,000	158,000	156,265	1,735
Operation of noninstructional services:				
Student activities	986,639	986,639	931,466	55,173
Community services	95,470	95,470	94,795	675
Capital outlay	0	19,350	19,350	0
Refund of prior year receipts	<u>10,000</u>	<u>10,000</u>	<u>3</u>	<u>9,997</u>
Total expenditures	<u>46,946,158</u>	<u>47,083,174</u>	<u>46,503,684</u>	<u>579,490</u>
Excess (deficiency) of revenues over expenditures	<u>3,259,221</u>	<u>3,122,205</u>	<u>3,666,134</u>	<u>543,929</u>
Other financing sources (uses)				
Interfund transfers, net	(3,431,510)	(3,475,244)	(3,475,243)	1
Budgetary reserve	<u>(225,000)</u>	<u>(44,250)</u>	<u>0</u>	<u>44,250</u>
Total other financing sources (uses)	<u>(3,656,510)</u>	<u>(3,519,494)</u>	<u>(3,475,243)</u>	<u>44,251</u>
Net change in fund balance	<u>\$ (397,289)</u>	<u>\$ (397,289)</u>	190,891	<u>\$ 588,180</u>
Fund balance beginning of year			<u>5,319,392</u>	
Fund balance end of year			<u>\$ 5,510,283</u>	

See accompanying notes to the basic financial statements.

Indiana 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	Accrued (Unearned) Revenue June 30, 2015
<u>U.S. DEPARTMENT OF EDUCATION</u>										
Passed through the Pennsylvania Department of Education:										
ECIA Title I - Low Income	I	84.010	013-150196	07/01/14-09/30/15	\$ 377,917	\$ 293,687	\$ 0	\$ 357,387	\$ 357,387	\$ 63,700
ECIA Title I - Low Income	I	84.010	013-140196	07/01/13-09/30/14	377,738	84,392	63,922	20,470	20,470	0
Title III Language Inst. LEP	I	84.365	010-150196	07/01/14-09/30/15	24,123	9,278	0	0	0	(9,278)
Title III Language Inst. LEP	I	84.365	010-140196	07/01/13-09/30/14	22,421	10,348	(4,577)	13,664	13,664	(1,261)
Title II Improving Teacher Quality	I	84.367	020-150196	07/01/14-09/30/15	165,846	127,630	0	156,473	156,473	28,843
Title II Improving Teacher Quality	I	84.367	020-140196	07/01/13-09/30/14	181,257	40,445	31,067	9,378	9,378	0
Total passed through the Pennsylvania Department of Education					<u>1,149,302</u>	<u>565,780</u>	<u>90,412</u>	<u>557,372</u>	<u>557,372</u>	<u>82,004</u>
Passed through ARIN Intermediate Unit #28:										
IDEA Part B - Section 611	I	84.027	062-150028	07/01/14-06/30/15	397,472	397,472	0	397,472	397,472	0
IDEA Part B - Section 619	I	84.173	131-140028B	07/01/14-06/30/15	5,241	0	0	5,241	5,241	5,241
Passed through Lancaster-Lebanon Intermediate Unit #13:										
IDEA Part B - Section 611	I	84.027	062-15-0-033	07/01/14-06/30/15	4,000	4,000	0	4,000	4,000	0
IDEA Part B - Section 611	I	84.027	062-14-0-033	07/01/13-06/30/14	6,000	6,000	6,000	0	0	0
Subtotal Special Education Cluster					<u>412,713</u>	<u>407,472</u>	<u>6,000</u>	<u>406,713</u>	<u>406,713</u>	<u>5,241</u>
Passed through Montgomery County Intermediate Unit #23										
State Personnel Development Grant	I	84.323A	Unknown	07/01/14-06/30/15	6,000	6,000	0	6,000	6,000	0
Total U.S. Department of Education					<u>1,568,015</u>	<u>979,252</u>	<u>96,412</u>	<u>970,085</u>	<u>970,085</u>	<u>87,245</u>

See accompanying notes to the basic financial statements.

**Indiana 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	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	\$ 6,498	\$ 0	\$ 9,834	\$ 9,834	\$ 3,336
SBAP Administration Reimbursement	I	93.778	N/A	07/01/13-06/30/14	N/A	4,408	4,408	0	0	0
Total U.S. Department of Health and Human Services						<u>10,906</u>	<u>4,408</u>	<u>9,834</u>	<u>9,834</u>	<u>3,336</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>										
Passed through the Pennsylvania Department of Agriculture:										
National School Lunch - (Cash in lieu of donated commodities)										
	I	10.555	N/A	07/01/14-06/30/15	N/A	71,149	0	71,149	71,149	0
Passed through the Pennsylvania Department of Education:										
National School Lunch	I	10.555	N/A	07/01/14-06/30/15	N/A	477,988	9,434	468,554	468,554	0
School Breakfast Program	I	10.553	N/A	07/01/14-06/30/15	N/A	113,762	2,882	110,880	110,880	0
Subtotal Child Nutrition Cluster						662,899	12,316	650,583	650,583	0
State Matching Funds	S	N/A	N/A	07/01/14-06/30/15	N/A	38,616	865	37,751	37,751	0
Total U.S. Department of Agriculture						<u>701,515</u>	<u>13,181</u>	<u>688,334</u>	<u>688,334</u>	<u>0</u>
TOTAL FINANCIAL ASSISTANCE					<u>\$ 1,568,015</u>	<u>\$ 1,691,673</u>	<u>\$ 114,001</u>	<u>\$ 1,668,253</u>	<u>\$ 1,668,253</u>	<u>\$ 90,581</u>

See accompanying notes to the basic financial statements.

**Indiana 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 \$0 in inventory. The District receives cash in lieu of commodities.

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	\$ 747,205
Less: School Based Access Medicaid Reimbursement Program	(180,000)
Add: IDEA-B Section 611 passed through, recorded as Local Sources	401,473
Add: IDEA-B Section 619 passed through, recorded as Local Sources	5,241
Add: State Personnel Develop. Grant, passed through, recorded as Local Sources	<u>6,000</u>
 Total Federal Expenditures – Governmental Funds	 <u>979,919</u>
 Total Federal Sources reported on Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund	 <u>650,583</u>
 Total Federal Expenditures - Proprietary Fund	 <u>650,583</u>
 Total Federal Expenditures	 <u><u>\$1,630,502</u></u>

**Indiana 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 (Low Risk)

Total Expenditures	\$1,668,253	
Less: State's share of National School Lunch Program and Severe Need Breakfast Program	<u>37,751</u>	
Total Federal Expenditures	<u>\$1,630,502</u>	
Nutrition Cluster	<u>\$ 650,583</u>	
Tested	<u>\$ 650,583</u>	= 39.9%
Total Federal Expenditures	\$1,630,502	

**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
Indiana Area School District
Indiana, Pennsylvania 15701

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 Indiana Area School District as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise Indiana Area School District's basic financial statements, and have issued our report thereon dated December 10, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Indiana 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 Indiana 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.

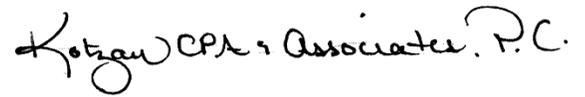
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 Indiana 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 10, 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
Indiana Area School District
Indiana, Pennsylvania 15701

Report on Compliance for Each Major Federal Program

We have audited Indiana 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 Indiana Area School District's major federal programs for the year ended June 30, 2015. Indiana 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 Indiana 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 Indiana 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 Indiana Area School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Indiana 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

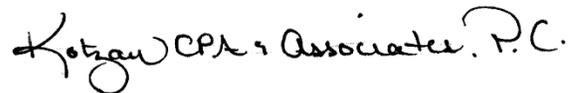
Management of Indiana Area School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Indiana Area School District's internal 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 Indiana 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 10, 2015

**Indiana 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>
10.553/10.555	Nutrition Cluster

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

Auditee qualified as low-risk auditee? X Yes No

Section II - Financial Statement Findings No Findings

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