



AUDIT REPORT
of
RIDGWAY AREA SCHOOL DISTRICT

Ridgway, Pennsylvania

A.U.N. 1-09-24-600-3

For the Year Ended June 30, 2016

Ridgway Area School District

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DuBois Area School District

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Ridgway Area School District
P.O. Box 447, Boot Jack Road
Ridgway, PA 15853

Members of the Board:

Report on the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activity, each major fund, and the aggregate remaining fund information of Ridgway Area School District, Ridgway, PA, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 13 and the schedules listed as Required Supplemental Information on pages 50 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ridgway Area School District, Ridgway, PA's basic financial statements. The financial information listed as supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information 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 June 6, 2017, on our consideration of Ridgway 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Ridgway Area School District's internal control over financial reporting and compliance.



Mauthe, Yutzey, Gabler & Troxell, LLC
Certified Public Accountants
June 6, 2017

Ridgway Area School District

Management's Discussion and Analysis

June 30, 2016

As management of the Ridgway Area School District (School District), we offer readers of the School District's financial statements this narrative overview and analysis of the financial activities of the School District for the fiscal year ended June 30, 2016. This discussion and analysis should be read in conjunction with the School District's accompanying financial statement, which immediately follows this section.

Financial Highlights

- The assets and deferred outflows of the School District fell below its liabilities at the close of the most recent fiscal year by (\$6,202,398) (net position). Of this amount, (\$15,114,834) (unrestricted) may be used to meet the government's ongoing obligations to citizens and creditors.
- The School District's total net position decreased by \$485,535. The decrease is attributed to an increase in expenditures including funding to complete Phase one of the Middle/High Roof restoration.
- As of the close of the current year, the School District's governmental funds reported combined ending fund balance of \$4,526,340, a decrease of \$262,793 in comparison with the prior year. Approximately \$2,485,250, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,485,250, or 18.7 percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements (pages 14 -17) are designed to provide readers with a broad overview of the School District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the School District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation or sick leave).

Both of the government-wide financial statements distinguish functions of the School District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the School District include all of the School Board's services including instruction, support services, maintenance and transportation. The business-type activities of the School District consist of the food service program.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities on the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus on governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government-wide financial statements. By doing so, readers may better understand the long-term impact of the governments near term-financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School District maintains two governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for each of these funds.

The School District adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 18 - 24 of this report.

Proprietary funds. The School District has one enterprise fund (a type of proprietary fund) to account for its food service. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Ridgway Area School District

Management's Discussion and Analysis

June 30, 2016

The basic proprietary fund financial statements can be found on pages 25 - 28 of this report.

Fiduciary funds. The School District is the trustee, or fiduciary, for its student activity funds and various scholarship funds. All of the School District's fiduciary activities are reported on pages 29 to 30. We exclude these activities from the government-wide financial statements because the School District cannot use these assets to finance its operations.

Notes to the financial statement. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31 to 50 of this report.

Government-wide Financial Analysis

	Governmental Activities		Business-Type Activities		Total	
	2015	2016	2015	2016	2015	2016
Current and Other Assets	6,656,370	6,601,055	50,373	30,462	6,706,743	6,631,517
Capital Assets	8,978,655	8,902,388	16,343	10,048	8,994,998	8,912,436
Total Assets	15,635,025	15,503,443	66,716	40,510	15,701,741	15,543,953
Deferred Outflows	1,321,318	1,510,707	0	3,460	1,321,318	1,514,167
Total Assets and Deferred Outflows	16,956,343	17,014,150	66,716	43,970	17,023,059	17,058,120
Long Term Liabilities						
Outstanding	19,927,241	21,005,799	21,241	22,361	19,948,482	21,028,160
Other Liabilities	1,204,157	1,316,319	9,283	8,039	1,213,440	1,324,358
Deferred Inflows	1,578,000	908,000			1,578,000	908,000
Total Liabilities and Deferred Inflows	22,709,398	23,230,118	30,524	30,400	22,739,922	23,260,518
Net Position:						
Invested in Capital Assets, Net of Related Debt	8,978,655	8,902,388	16,343	10,048	8,994,998	8,912,436
Restricted	-		-		-	
Unrestricted	(14,731,710)	(15,118,356)	19,849	3,522	(14,711,961)	(15,114,834)
Total Net Position	(5,735,055)	(6,215,968)	36,192	13,570	(5,716,863)	(6,202,398)

A portion of the School District's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The School District uses these capital assets to provide services to the students; consequently, these assets are not available for future spending. Although the School District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Ridgway Area School District**Management's Discussion and Analysis**

June 30, 2016

At the end of the current fiscal year, the School District reports a negative net position for the government as a whole and the separate governmental activities. The government activities have a deficit in unrestricted net position of \$(15,118,356) primarily driven by the District's proportionate share of the net pension liability of the Public School Employees Retirement System (PSERS) pursuant to GASB Statement No.68 *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No.27*.

	Governmental Activities		Business-Type Activities		Total	
	2015	2016	2015	2016	2015	2016
Revenues:						
Program Revenues:						
Charges for Service	26,413	22,453	229,929	208,792	256,342	231,245
Operating Grants & Contributions	2,624,179	2,880,326	301,857	319,568	2,926,036	3,199,894
Capital grants & Contributions	0	0			0	0
General Revenues:						
Property Taxes	3,207,627	3,314,640			3,207,627	3,314,640
Other taxes (OA, P/C, EIT, OPT)	1,498,244	1,299,766			1,498,244	1,299,766
Grants, Subsidy	5,261,807	5,347,175			5,261,807	5,347,175
Interest Earnings	21,192	18,200	117	45	21,309	18,245
Other	47,849	36,352	56,667	82,647	104,516	118,999
Total Revenues	12,687,311	12,918,912	588,570	611,052	13,275,881	13,529,964
Expenses:						
Unallocated Depreciation	19,015	5,006			19,015	5,006
Instruction	7,899,858	8,115,230			7,899,858	8,115,230
Instructional Student Support	1,230,721	1,370,495			1,230,721	1,370,495
Admin & Financial Support Services	1,300,823	1,386,458			1,300,823	1,386,458
Operation & Maint. of Plant Services	1,387,366	1,433,393			1,387,366	1,433,393
Pupil Transportation	728,656	756,271			728,656	756,271
Student Activities	199,963	220,042			199,963	220,042
Community Services	6,465	12,277			6,465	12,277
Interest on Long Term Debt	0	0			0	0
Other	0	6			0	6
Food Service	56,667	82,647	632,400	633,674	689,067	716,321
Total Expenses	12,829,534	13,381,825	632,400	633,674	13,461,934	14,015,499
Increase (Decrease) in Net Position	(142,223)	(462,913)	(43,830)	(22,622)	(186,053)	(485,535)

Ridgway Area School District

Management's Discussion and Analysis

June 30, 2016

Governmental activities. Governmental activities decreased the School District's net position by \$462,913, thereby accounting for 95% of the decrease in the net position of the School District. Key elements of this increase are attributed to increases in expenditures.

Business-type activities. Business-type activities decreased the School District's net position by \$22,622, thereby accounting for 5% of the decrease in the Governmental activities. The decrease is due to increased health insurance and retirement costs.

Financial Analysis of the Governmental Funds

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

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

As of the end of the current year, the School District's governmental funds reported combined ending fund balances of \$4,526,340, a decrease of \$262,793 in comparison to the prior year. Of this total amount, \$2,485,250 constitutes unassigned fund balance which is available for spending at the government's discretion. The remainder of the fund balance is committed to indicate that its not available for new spending because it has already been committed 1) for capital projects (\$291,090), 2) committed for future retirement costs (\$1,750,000).

The General Fund is the chief operating fund of the School District. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,485,250, while total fund balance reached \$4,235,250. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 19.6 percent of total General Fund expenditures, while total fund balance represents 33.5 percent of that same amount.

The fund balance of the School District's General Fund increased by \$79,126 during the current fiscal year.

Proprietary funds. The School District's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Net position of the Food Service Fund at the end of the year amounted to \$13,570. The total decrease in net position was \$22,622. Other factors concerning this fund have already been addressed in the discussion of the School District's business-type activities.

Ridgway Area School District**Management's Discussion and Analysis**

June 30, 2016

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were relatively minor.

Fluctuations between original budget and actual revenue/costs are as follows:

- Actual revenues were approximately \$55,295 over budget.
- Actual costs were held to be \$6,410 under budget.

Capital Asset and Debt Administration

Capital assets. The School District's investment in capital assets for its governmental and business type activities as of June 30, 2016, amounts to \$8,912,436 (net of related debt and accumulated depreciation). This investment in capital assets includes land, buildings and improvements and machinery and equipment including construction in progress for a new high school roof. The total decrease in the School District's net investment in capital assets for the current fiscal year was .93 percent and is mainly attributable to current year depreciation. Additional detail is included in Note 7 to the financial statements.

	Governmental Activities		Business-Type Activities		Total	
	2015	2016	2015	2016	2015	2016
Land & Improvements	180,387	175,382			180,387	175,382
Buildings & Improvements	8,397,970	8,106,473			8,397,970	8,106,473
Machinery & Equipment	400,298	387,652	16,343	10,048	416,641	397,710
Construction in Progress	0	232,871			0	232,871
TOTAL	8,978,655	8,902,388	16,343	10,048	8,994,998	8,912,436

Economic Factors and Next Year's Budgets and Rates

The District continues to monitor cost increases closely. Our District continues to battle with the increased costs of Health Insurance as well as rising retirement rates, outside placements and cyber charter expenses.

The Professional Personnel bargaining unit agreement was renewed for a period running through June 30, 2017 and included average wage increases of 2% over a five year period. We have begun early negotiation discussions with the Professional group on a successor agreement. The Service Personnel bargaining unit agreement expired on June 30, 2014 without a successor agreement in place. The parties continue to negotiate.

Increasing retirement costs are and will be a major financial concern for the District. The district has committed \$1,750,000 of net position/fund balance to defray these increases.

Ridgway Area School District

Management's Discussion and Analysis

June 30, 2016

The district's health care costs are at an all-time high, we are seeing 15% and 20% increases on the PPO and Indemnity plans putting further strain on controlling costs within the district. The health care costs are a main point of contention in the negotiation process. The District has participated in a task force committee developed by the IU9 consortium to determine how the consortium can combat the consistent significant increases in health care premiums. The Task force has made a recommendation to the IU9 committee to allow each District to stand individually within the consortium, setting lower stop gap premiums in an effort to control costs and allow each District to set its own premiums based on claims and experience. 2017/2018 will be the first year of the new plan adoption and will be a good indicator of what our future will look like in reference to insurance premiums. Of course, a lot of the burden for the success of this program rests with ability to negotiate the alternate plans into the bargaining agreements.

As the economy starts to see some positive movement we are hoping that this will result in an increase in the District's local tax collection. We have also seen some increased collection of Occupation and Per Capita tax, utilizing Berkheimer as our collector. There is however significant concern with the focus of the legislature on the elimination of property tax, this would have a significant effect on the District as our local revenues from real estate tax makes up approximately 23% of total budget.

There has been little movement by the Commonwealth of Pennsylvania outside of the increase in state share of retirement. The Commonwealth has also been victim of and has suffered from the downturn in the economy and therefor has not increased the state share of expenses other than retirement.

With state budget stalemates becoming an acceptable practice it becomes even more prudent for the District to monitor costs and maintain some level of reserves. Our current reserve level would prevent the District from having to borrow money in the event of an extended budget standoff by the State.

GASB Summary Statement #68 – Accounting and Financial Reporting for Pensions:

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a nonemployer entity has a legal requirement to make contributions directly to a pension plan.

This financial report is designed to provide a general overview of the School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Ridgway Area School District, P.O. Box 447, Ridgway, PA, ATTN: Business Administrator.

Ridgway Area School District

Statement of Net Position

June 30, 2016

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 4,959,079	\$ 12,915	\$ 4,971,994
Taxes Receivable, Net	866,562		866,562
Intergovernmental Receivables	771,674	230	771,904
Other Receivables	3,740	751	4,491
Inventories		16,566	16,566
Capital Assets			
Land and Improvements, Net of Depreciation	175,382		175,382
Building and Building Improvements, Net of Depreciation	8,106,473		8,106,473
Fixtures and Equipment, Net of Depreciation	387,662	10,048	397,710
Construction in Progress	<u>232,871</u>		<u>232,871</u>
Total Assets	\$ 15,503,443	\$ 40,510	\$ 15,543,953
Deferred Outflows of Resources	<u>1,510,707</u>	<u>3,460</u>	<u>1,514,167</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 17,014,150</u>	<u>\$ 43,970</u>	<u>\$ 17,058,120</u>

The accompanying notes are an integral part of the financial statements

Ridgway Area School District

Statement of Net Position (continued)

June 30, 2016

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 99,508	\$ 1,490	\$ 100,998
Accrued Salaries and Benefits	1,200,261		1,200,261
Payroll Deductions and Withholdings	16,550		16,550
Student Lunch Advances		6,549	6,549
Non-Current Liabilities:			
Compensated Absences	703,712	22,361	726,073
Other Post Employment Benefits	463,087		463,087
Net Pension Liability	19,839,000		19,839,000
Total Liabilities	<u>22,322,118</u>	<u>30,400</u>	<u>22,352,518</u>
Deferred Inflows of Resources	<u>908,000</u>	<u>- 0 -</u>	<u>908,000</u>
<u>NET POSITION</u>			
Invested in Capital Assets, Net of Related Debt	8,902,388	10,048	8,912,436
Unrestricted	<u>(15,118,356)</u>	<u>3,522</u>	<u>(15,114,834)</u>
Total Net Position	<u>(6,215,968)</u>	<u>13,570</u>	<u>(6,202,398)</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 17,014,150</u>	<u>\$ 43,970</u>	<u>\$ 17,058,120</u>

The accompanying notes are an integral part of the financial statements

Ridgway Area School District
Statement of Activities
For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<i>Governmental Activities:</i>							
Instruction:							
Regular Instruction	\$ 6,242,279	\$ -	\$ 1,006,563	\$	\$ (5,235,716)	\$	\$ (5,235,716)
Special Instruction	1,865,672		983,825		(881,847)		(881,847)
Other Instructional Programs	7,279		481		(6,798)		(6,798)
Total Instructional Services	8,115,230	- 0 -	1,990,869	- 0 -	(6,124,361)	- 0 -	(6,124,361)
Support Services:							
Pupil Personnel	568,495		56,700		(511,795)		(511,795)
Instructional Staff	581,172		50,214		(530,958)		(530,958)
Administration	1,087,062		103,190		(983,872)		(983,872)
Pupil Health	179,391		35,962		(143,429)		(143,429)
Business Services	299,396		30,032		(269,364)		(269,364)
Operation of Plant and Maintenance Services	1,433,393		131,180		(1,302,213)		(1,302,213)
Student Transportation Services	756,271		458,874		(297,397)		(297,397)
Other Support Services	41,437				(41,437)		(41,437)
Total Support Services	4,946,617	- 0 -	866,152	- 0 -	(4,080,465)	- 0 -	(4,080,465)
<i>Non-Instructional Services:</i>							
Student Activities	220,042	22,453	22,104		(175,485)		(175,485)
Community Services	12,277		1,201		(11,076)		(11,076)
Debt Service	6				(6)		(6)
Unallocated Depreciation Expense	5,006				(5,006)		(5,006)
Total Non-Instructional Services	237,331	22,453	23,305	- 0 -	(191,573)	- 0 -	(191,573)
Total Governmental Activities	13,299,178	22,453	2,880,326	- 0 -	(10,396,399)	- 0 -	(10,396,399)
<i>Business-Type Activities:</i>							
Food Services	633,674	208,792	319,568	- 0 -	- 0 -	(105,314)	(105,314)
Total Primary Government	\$ 13,932,852	\$ 231,245	\$ 3,199,894	\$ - 0 -	\$ (10,396,399)	\$ (105,314)	\$ (10,501,713)

The accompanying notes are an integral part of the financial statements

Ridgway Area School District
Statement of Activities (continued)
For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Total Primary Government (Carried Forward)	\$ 13,932,852	\$ 231,245	\$ 3,199,894	\$ - 0 -	\$ (10,396,399)	\$ (105,314)	\$ (10,501,713)
<i>General Revenues:</i>							
Taxes:							
Property Taxes					3,314,640		3,314,640
Occupation Assessment and Per Capita Taxes					387,791		387,791
Earned Income Tax					709,094		709,094
Public Utility Realty, Deed Transfer and In Lieu of Taxes					202,881		202,881
Grants, Subsidies, and Contributions not Restricted					5,347,175		5,347,175
Investment Earnings					18,200	45	18,245
Miscellaneous Income					36,352		36,352
Transfers					(82,647)	82,647	- 0 -
Total General Revenues, Special Items, Extraordinary Items, and Transfers					9,933,486	82,692	10,016,178
Change in Net Position					(462,913)	(22,622)	(485,535)
Net Position - Beginning					(5,753,055)	36,192	(5,716,863)
Net Position - Ending					\$ (6,215,968)	\$ 13,570	\$ (6,202,398)

The accompanying notes are an integral part of the financial statements

Ridgway Area School District**Balance Sheet - Governmental Funds**

June 30, 2016

	<u>General</u>	<u>Capital Reserve</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 3,422,619	\$ 1,536,460	\$ 4,959,079
Taxes Receivable, Net	108,166		108,166
Intergovernmental Receivables	771,674		771,674
Other Receivables	3,740		3,740
Due from Other Funds	1,245,370		1,245,370
Total Assets	<u>\$ 5,551,569</u>	<u>\$ 1,536,460</u>	<u>\$ 7,088,029</u>
<u>LIABILITIES</u>			
Due to Other Funds	\$	\$ 1,245,370	\$ 1,245,370
Accounts Payable	99,508		99,508
Accrued Salaries and Benefits	1,200,261		1,200,261
Payroll Deductions and Withholdings	16,550		16,550
Total Liabilities	<u>1,316,319</u>	<u>1,245,370</u>	<u>2,561,689</u>
<u>FUND BALANCES</u>			
Committed	1,750,000	291,090	2,041,090
Unassigned	2,485,250		2,485,250
Total Fund Balances	<u>4,235,250</u>	<u>291,090</u>	<u>4,526,340</u>
Total Liabilities and Fund Balances	<u>\$ 5,551,569</u>	<u>\$ 1,536,460</u>	<u>\$ 7,088,029</u>

The accompanying notes are an integral part of the financial statements

Ridgway Area School District

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

Total Fund Balances - Governmental Funds \$ 4,526,340

Amounts reported for governmental activities in the
Statement of Net Position are different because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported as
assets in governmental funds. The cost of the assets is
\$21,254,072 and the accumulated depreciation is
\$12,351,684. 8,902,388

Delinquent tax revenues are not considered available and
measurable until collected and therefore are not reported
as assets in governmental funds. 758,396

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:

Deferred Outflows of Resources	1,510,707	
Compensated Absences	(703,712)	
Other Post Employment Benefits	(463,087)	
Pension Obligation	(19,839,000)	
Deferred Inflows of Resources	<u>(908,000)</u>	
		<u>(20,403,092)</u>

Total Net Position - Governmental Activities \$ (6,215,968)

The accompanying notes are an integral part of the financial statements

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

	General	Capital Reserve	Total Governmental Funds
<i>Revenues:</i>			
Local Sources	\$ 4,929,520	\$ 5,810	\$ 4,935,330
State Sources	7,827,302		7,827,302
Federal Sources	60,963		60,963
Total Revenues	<u>12,817,785</u>	<u>5,810</u>	<u>12,823,595</u>
<i>Expenditures:</i>			
Instructional Services	7,786,114		7,786,114
Support Services	4,639,377		4,639,377
Non-Instructional Services	230,515		230,515
Facility Acquisition, Construction and Improvement Services		347,729	347,729
Debt Service	6		6
Total Expenditures	<u>12,656,012</u>	<u>347,729</u>	<u>13,003,741</u>
Excess (Deficiency) of Revenues over Expenditures	<u>161,773</u>	<u>(341,919)</u>	<u>(180,146)</u>
<i>Other Financing Sources (Uses):</i>			
Sale of Fixed Assets	- 0 -		- 0 -
Operating Transfers Out	(82,647)		(82,647)
Total Other Financing Sources (Uses)	<u>(82,647)</u>	<u>- 0 -</u>	<u>(82,647)</u>
Net Change in Fund Balances	79,126	(341,919)	(262,793)
Fund Balances - Beginning	<u>4,156,124</u>	<u>633,009</u>	<u>4,789,133</u>
Fund Balances - Ending	<u>\$ 4,235,250</u>	<u>\$ 291,090</u>	<u>\$ 4,526,340</u>

The accompanying notes are an integral part of the financial statements

Ridgway Area School District

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

Net Change in Fund Balances - Governmental Funds \$ (262,793)

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 exceeded capital outlays in the current period:

Capital Outlays	304,652	
Less: Depreciation Expense	<u>(380,919)</u>	
		(76,267)

Because some tax revenues will not be collected for several
months after the District's year end, they are not considered as
"available" revenues in the governmental funds. This represents
the net adjustment for tax revenues. 95,316

Payments to the Pennsylvania State Employees Retirement System
(PSERS) are reported in the governmental funds as expenditures,
however, in the statement of activities the payments either reduce
the pension liability or increase the deferred outflows of resources.
In addition, deferred outflows of resources and deferred inflows
of resources are adjusted based upon actuarial computations
and amortized over a certain period of time. The net change in
pension liability and net deferred outflows/inflows is shown here. (139,611)

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

Compensated Absences	(40,148)	
Other Post Employment Benefits	<u>(39,410)</u>	
		<u>(79,558)</u>

Change in Net Position of Governmental Activities \$ (462,913)

The accompanying notes are an integral part of the financial statements

Ridgway Area School District

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<i>Revenues:</i>				
<i>Local Sources:</i>				
Taxes:				
Current Real Estate Tax	\$ 2,902,332	\$ 2,902,465	\$ 2,965,134	\$ 62,669
Public Utility Realty Tax	6,000	6,000	4,765	(1,235)
Current per Capita Tax - Sec 679	18,000	18,000	17,182	(818)
Current per Capita Tax - Act 511	18,000	18,000	17,182	(818)
Current Earned Income Tax	575,000	575,000	646,291	71,291
Occupation Tax	280,000	280,000	232,511	(47,489)
Local Services Tax	15,000	15,000	16,594	1,594
Real Estate Transfer Tax	45,000	45,000	45,744	744
Payment in Lieu of Taxes	165,000	165,000	135,778	(29,222)
Delinquent Taxes	450,000	450,000	437,909	(12,091)
Total Taxes	<u>4,474,332</u>	<u>4,474,465</u>	<u>4,519,090</u>	<u>44,625</u>
<i>Other Local Sources:</i>				
Interest Income	25,000	25,000	12,390	(12,610)
Revenue from Intermediate Unit	230,000	230,000	310,687	80,687
Rentals	10,000	10,000	15,063	5,063
Athletic Events	24,000	24,000	22,453	(1,547)
Other Local Sources	<u>35,500</u>	<u>35,500</u>	<u>49,837</u>	<u>14,337</u>
Total Other Local Sources	<u>324,500</u>	<u>324,500</u>	<u>410,430</u>	<u>85,930</u>
Total Local Sources	<u>4,798,832</u>	<u>4,798,965</u>	<u>4,929,520</u>	<u>130,555</u>
<i>State Sources:</i>				
Basic Instructional Subsidy	5,194,689	5,159,291	4,994,646	(164,645)
Tuition for Orphans and Children				
Placed in Private Homes	8,000	8,000	22,667	14,667
Charter Schools	- 0 -	35,398	- 0 -	(35,398)
Property Tax Relief Payment	352,529	352,396	352,529	133
Special Education of Exceptional				
Pupils	627,905	627,905	619,982	(7,923)
Transportation	345,000	345,000	458,874	113,874
Medical and Dental Services	20,000	20,000	18,062	(1,938)
Ready to Learn Grant	- 0 -	- 0 -	159,261	159,261
Social Security Tax Reimbursement	255,888	255,888	249,735	(6,153)
Retirement Reimbursement	858,647	858,647	951,546	92,899
Total State Sources	<u>7,662,658</u>	<u>7,662,525</u>	<u>7,827,302</u>	<u>164,777</u>

The accompanying notes are an integral part of the financial statements

Ridgway Area School District**General Fund**

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (continued)
 For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<i>Federal Sources:</i>				
Education of Disadvantaged Children	120,000	120,000	- 0 -	(120,000)
Medical Assistance - Access	30,000	30,000	59,000	29,000
Medical Assistance - Fees	1,000	1,000	1,963	963
Grant Contingency	150,000	150,000	- 0 -	(150,000)
Total Federal Sources	<u>301,000</u>	<u>301,000</u>	<u>60,963</u>	<u>(240,037)</u>
Total Revenues	<u>\$ 12,762,490</u>	<u>\$ 12,762,490</u>	<u>\$ 12,817,785</u>	<u>\$ 55,295</u>
<i>Expenditures:</i>				
Instruction:				
Regular Programs	\$ 6,401,015	\$ 5,984,084	\$ 5,972,035	\$ 12,049
Special Programs	1,465,727	1,809,970	1,809,259	711
Other Instructional Programs	4,673	4,820	4,820	- 0 -
Other Adult Education Programs	7,172	6,490	- 0 -	6,490
Total Instruction	<u>7,878,587</u>	<u>7,805,364</u>	<u>7,786,114</u>	<u>19,250</u>
<i>Support Services:</i>				
Pupil Personnel	552,925	561,825	560,206	1,619
Instructional Staff	425,628	498,206	495,757	2,449
Administration	1,021,358	1,021,168	1,018,019	3,149
Pupil Health	203,386	177,136	176,986	150
Business Office	294,167	296,575	296,575	-
Operation and Maintenance of Plant	1,126,115	1,274,067	1,294,447	(20,380)
Transportation	700,500	756,023	756,024	(1)
Other Support Services	40,000	41,363	41,363	- 0 -
Total Support Services	<u>4,364,079</u>	<u>4,626,363</u>	<u>4,639,377</u>	<u>(13,014)</u>
<i>Non-Instructional Services:</i>				
Student Activities	204,163	218,453	218,273	180
Community Services	8,129	12,242	12,242	- 0 -
Total Non-Instructional Services	<u>212,292</u>	<u>230,695</u>	<u>230,515</u>	<u>180</u>

The accompanying notes are an integral part of the financial statements

Ridgway Area School District**General Fund****Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (continued)**

For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<i>Debt Service:</i>				
SEF 2014-2015 Revision	<u>- 0 -</u>	<u>- 0 -</u>	<u>6</u>	<u>(6)</u>
Total Expenditures	<u>12,454,958</u>	<u>12,662,422</u>	<u>12,656,012</u>	<u>6,410</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>307,532</u>	<u>100,068</u>	<u>161,773</u>	<u>61,705</u>
Other Financing Sources (Uses):				
Sale of Fixed Assets	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>
Transfer Out	<u>(100,068)</u>	<u>(100,068)</u>	<u>(82,647)</u>	<u>17,421</u>
Budgetary Reserve	<u>(207,464)</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>
Total Other Financing Sources (Uses)	<u>(307,532)</u>	<u>(100,068)</u>	<u>(82,647)</u>	<u>17,421</u>
Net Change in Fund Balance	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>79,126</u>	<u>\$ 79,126</u>
Fund Balance - Beginning of Year			<u>4,156,124</u>	
Fund Balance - End of Year			<u>\$ 4,235,250</u>	

The accompanying notes are an integral part of the financial statements

Ridgway Area School District**Statement of Net Position - Proprietary Fund**

June 30, 2016

	<u>Enterprise Fund</u> <u>Food Service</u>
 <u>ASSETS</u>	
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 12,915
Intergovernmental Receivables	230
Accounts Receivable - Other	751
Inventories	<u>16,566</u>
Total Current Assets	30,462
<i>Noncurrent Assets:</i>	
Machinery and Equipment, Net	<u>10,048</u>
Total Assets	40,510
Deferred Outflows of Resources	<u>3,460</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 43,970</u></u>
 <u>LIABILITIES</u>	
<i>Current Liabilities:</i>	
Accounts Payable	\$ 1,490
Student Lunch Advances	6,549
<i>Noncurrent Liabilities:</i>	
Long-Term Portion of Compensated Absence	<u>22,361</u>
Total Liabilities	<u>30,400</u>
Deferred Inflows of Resources	<u>- 0 -</u>
 <u>NET POSITION</u>	
Invested in Capital Assets	10,048
Unrestricted	<u>3,522</u>
Total Net Position	<u>13,570</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u><u>\$ 43,970</u></u>

The accompanying notes are an integral part of the financial statements

Ridgway Area School District**Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund**
For the Year Ended June 30, 2016

	Enterprise Fund Food Service
<i>Operating Revenues:</i>	
Food Service Revenue	\$ 192,090
Special Function Sales	16,702
Total Operating Revenues	<u>208,792</u>
<i>Operating Expenses:</i>	
Salaries	188,824
Employee Benefits	176,067
Food and Supplies	253,492
Other Costs	1,213
Repairs and Maintenance	7,784
Depreciation	6,294
Total Operating Expenses	<u>633,674</u>
Operating Income (Loss)	<u>(424,882)</u>
<i>Non-Operating Revenues:</i>	
Local Sources - Earnings on Investments	45
State Sources	47,531
Federal Sources	272,037
Total Non-Operating Revenues	<u>319,613</u>
Income (Loss) before Transfers	(105,269)
Transfer from General Fund	<u>82,647</u>
Changes in Net Position	(22,622)
Total Net Position - Beginning	<u>36,192</u>
Total Net Position - Ending	<u><u>\$ 13,570</u></u>

The accompanying notes are an integral part of the financial statements

Ridgway Area School District**Statement of Cash Flows - Proprietary Fund**

For the Year Ended June 30, 2016

	Enterprise Fund
	Food Service
<hr/>	
<i>Cash Flows from Operating Activities:</i>	
Cash Received from Users	\$ 190,981
Cash Received from Other Operating Revenue	16,327
Cash Payments to Employees for Services	(367,230)
Cash Payments to Suppliers for Goods and Services	(254,526)
Cash Payments for Other Operating Expenses	(8,997)
	<hr/>
Net Cash Provided (Used) by Operating Activities	(423,445)
<i>Cash Flows from Non-Capital Financing Activities:</i>	
State Sources	47,519
Federal Sources	271,819
Transfer from General Fund	82,647
	<hr/>
Net Cash Provided by Non-Capital Financing Activities	401,985
Cash Flows from Capital and Related Financing Activities	- 0 -
<i>Cash Flows from Investing Activities:</i>	
Earnings on Investments	45
	<hr/>
Net Cash Provided by Investing Activities	<hr/> 45
Net (Decrease) in Cash and Cash Equivalents	(21,415)
Cash and Cash Equivalents - Beginning of Year	<hr/> 34,330
Cash and Cash Equivalents - End of Year	<hr/> <u>\$ 12,915</u>

The accompanying notes are an integral part of the financial statements

Ridgway Area School District**Statement of Cash Flows - Proprietary Fund (continued)**

For the Year Ended June 30, 2016

	<u>Enterprise Fund</u> <u>Food Service</u>
<u>Reconciliation of Operating Income to Net Cash</u> <u>Provided by (Used for) Operating Activities</u>	
Operating Income (Loss)	\$ (424,882)
<i>Adjustments to Reconcile Operating Income (Loss)</i> <i>to Net Cash Provided (Used) in Operating Activities:</i>	
Depreciation	6,294
<i>Change in Assets and Liabilities:</i>	
(Increase) Decrease in Deferred Outflows	(3,460)
(Increase) Decrease in Accounts Receivable - Other	(374)
(Increase) Decrease in Inventories	(900)
Increase (Decrease) in Accounts Payables	(136)
Increase (Decrease) in Student Lunch Advances	(1,108)
Increase (Decrease) in Compensated Absences	<u>1,121</u>
Total Adjustments	<u>1,437</u>
Cash Provided (Used) by Operating Activities	<u><u>\$ (423,445)</u></u>

The accompanying notes are an integral part of the financial statements

Ridgway Area School District**Statement of Net Position - Fiduciary Funds**

June 30, 2016

	<u>Student Activity</u>	<u>Scholarship Funds</u>	<u>Total Fiduciary Funds</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	<u>\$ 55,846</u>	<u>\$ 5,151</u>	<u>\$ 60,997</u>
Total Assets	<u><u>\$ 55,846</u></u>	<u><u>\$ 5,151</u></u>	<u><u>\$ 60,997</u></u>
<u>LIABILITIES</u>			
Due to Student Groups	\$ 55,846	\$	\$ 55,846
<u>NET POSITION</u>			
Restricted for Scholarships	<u></u>	<u>5,151</u>	<u>5,151</u>
Total Liabilities and Net Position	<u><u>\$ 55,846</u></u>	<u><u>\$ 5,151</u></u>	<u><u>\$ 60,997</u></u>

The accompanying notes are an integral part of the financial statements

Ridgway Area School District

Statement of Changes in Net Position - Scholarship Funds (Fiduciary)

For the Year Ended June 30, 2016

Additions:

Interest and Dividend Earnings	\$ 230
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Deductions:

Scholarships Awarded	<u>(202)</u>
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Change in Net Position	28
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Net Position - Beginning of Year	<u>5,123</u>
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Net Position - End of Year	<u><u>\$ 5,151</u></u>
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The accompanying notes are an integral part of the financial statements

Ridgway Area School District

Notes to Financial Statements

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Ridgway Area School District (School District) is a third-class school district located in Elk County, Pennsylvania. Administrative offices are located on Boot Jack Road, Ridgway, Pennsylvania. The School District is one of fourteen school districts comprising Intermediate Unit #9, known as Seneca Highlands Intermediate Unit.

Fund Accounting

The accounts of the School District are organized on the basis of funds, each of which is considered a separate accounting entity. The operation of each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate.

The funds of the School District are categorized into the following three fund types:

Governmental Fund Types - These funds are used to account for most of the School District's finances. The focus is on determination of the financial position and changes in financial position (current financial resources) rather than on income determination.

General Fund - The General Fund is the general operating fund of the School District and accounts for all revenues and expenditures of the School District not accounted for within other funds.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes. The Capital Reserve Fund is accounted for in this fund type.

Proprietary Fund Type - These fund types account for School District activities that are similar to business operations in the private sector or where the reporting focus is on determining net income, financial position and changes in financial position (economic resources measurement focus).

Enterprise Fund (Food Service) - This fund is used to account for the School District's food service operations that are financed and operated in a manner similar to private business enterprises. The fund accounts for all revenues, food purchases, and costs and expenses for the Food Service Program.

Fiduciary Fund Type - These funds are used to account for assets held by the School District in a trustee capacity or as an agent for other groups. The School District excludes these activities from their government-wide financial statements because it cannot use those assets to finance its operations.

Ridgway Area School District

Notes to Financial Statements (continued)

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Agency Fund - This fund accounts for the receipts and disbursements of monies from student activity organizations.

Other Fiduciary Funds - These funds account for resources to be used to provide scholarships to students of the Ridgway Area School District.

Basis of Presentation

Government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the School District. As a general rule the effect of Interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function or segment. Program revenues include charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. In addition, program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Fund financial statements are also provided in the report for all of the governmental funds, proprietary fund 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 financial statements. Non-major funds, if any, are aggregated and presented in a single column. Fiduciary funds are presented by fund type.

Proprietary funds 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 the proprietary fund's principal ongoing operations. The principal operating revenues of the School District's enterprise fund are food service charges. Operating expenses for the District's enterprise fund include salaries and benefits, contracted services, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The School District reports the General Fund and Capital Reserve Fund as major governmental funds for the current year.

Ridgway Area School District

Notes to Financial Statements (continued)

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Net position (total asset and deferred outflow of resources less total liabilities and deferred inflows of resources) are used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net position. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the statement of net position.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are susceptible to accrual (both measurable and available.) Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenue to be available if collected by the end of the fiscal period. Revenue from federal, state and other grants designated for payment of specific school district expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as grants received in advance until earned. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, other post-employment benefits, and claims and judgments, are recorded only when payment is due.

Use of Estimates

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

Budgetary Data

As required by the School Laws of Pennsylvania, Public School Code of 1949, the School District adopts an annual budget for the General Fund. Included in the budget are all proposed expenditures for the fiscal year beginning July 1 and the sources of revenues to finance them.

Rldgway Area School District

Notes to Financial Statements (continued)

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following procedures are followed to enact the budget:

1. The proposed budget is prepared and presented to the Board of Directors for preliminary approval during May.
2. Public Notice of proposed budget is published that budget is available for public inspection.
3. Final adoption of the budget by the Board is done by June 30th.
4. A copy of the final approved budget is required to be submitted to the Commonwealth of Pennsylvania, Department of Education.

The budget is adopted on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

Once adopted, the budget can be amended during the final nine months of the fiscal year by approval of two-thirds majority of the Board.

Subsequent Events

Management has evaluated subsequent events through June 6, 2017, the date the financial statements were available.

Investments and Cash Equivalents

Investments are valued using quoted market price which is equivalent to fair value.

Under section 440.1 of the Public School Code of 1949, as amended, the School District is permitted to invest funds in the following types of investments:

Obligations of (a) the United States of America or any of the agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of the agencies or instrumentalities backed by the full faith and credit of the Commonwealth of Pennsylvania, 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 accounts, time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation or approved collateral as provided by law.

Cash equivalents in the basic financial statements include all highly-liquid investments with an original maturity of three months or less.

Inventory

Donated food inventory is valued using the U.S. Department of Agriculture offer price at date of donation.

Ridgway Area School District

Notes to Financial Statements (continued)

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories of education material and maintenance supplies are considered expenditures at time of purchase.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$1,500 and an estimated useful life in excess of one year. Capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvement are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

All reported capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Year</u>
School Buildings	50
Building Improvements	50
Land Improvements	20
Vehicles	8
Equipment	10 - 20
Computer Hardware	5

Proprietary fund equipment purchases are capitalized in the proprietary fund at cost and depreciated straight-line over estimated useful lives of 5 to 10 years.

Compensated Absences

It is the School District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no limit to the number of sick days which may be accumulated. Upon retirement, eligible employees are paid an established rate per day depending upon their classification. All employees are considered 100% vested in these benefits and the amounts have been accrued in the government-wide and proprietary financial statements.

Ridgway Area School District

Notes to Financial Statements (continued)

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-Term Obligations

In the government-wide financial statements and proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position. As adopted under GASB 63 and GASB 65, bond premiums and discounts would be deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs would be expensed in the year incurred.

In the fund financial statements, governmental fund types would recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued would be reported as other financing sources while discounts on debt issuances would be reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, would be reported as support service expenditures.

NOTE 2 – DEPOSITS AND INVESTMENTS

The deposit and investment policy of the School District adheres to state statutes. There were no deposits or investment transactions during the year that were in violation of either the state statutes or the policy of the School District.

Custodial credit risk related to deposits is risk that in the event of a bank failure, the government's deposits may not be returned to it. The School District policy for custodial credit risk is that all accounts are insured to the maximum limit as provided by law and amounts invested in excess of the insured amount must be collateralized as provided by law. At year-end, \$4,484,950 of the School District's bank balance of \$4,984,950 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

Reconciliation to Financial Statements

Uncollateralized Amount Above	\$ 4,484,950
Plus: Insured Amount	500,000
Deposits in Transit/Adjustments	119,844
Less: Outstanding Checks	<u>(71,803)</u>
Carrying Amount – Book Balance	5,032,991
Less: Cash and Equivalents in Fiduciary Funds	<u>(60,997)</u>
Total Cash per Statement of Net Position	<u>\$ 4,971,994</u>

Ridgway Area School District

Notes to Financial Statements (continued)

June 30, 2016

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

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

The School District places no limit on the amount it may invest in any one issuer. All of the District's cash and investments are in County National Bank savings and checking accounts.

NOTE 3 – TAX REVENUES

Current real estate taxes were levied in July, 2015 and payment dates were as follows:

Face less 2% discount - July 1, 2015 to August 31, 2015
At face - September 1, 2015 to October 31, 2015
Face plus 10% penalty - After October 31, 2015

The total assessed value of taxable real estate was \$101,782,735 and the value of oil/gas/mineral property was \$51,507. Tax was assessed at 35.6 mills on the value of real estate and 70.0 mills on the value of the oil/gas/mineral property. The total tax assessed was \$3,270,764 (net of Homestead/Farmstead credits of \$352,701).

Unpaid current year real estate taxes of \$305,798 were returned by the elected tax collectors to the Elk County Tax Claim Bureau during January, 2016.

Other Tax Revenues - In addition to real estate taxes, the District imposes the following taxes:

Per Capita Tax - Section 679	\$ 5.00
Act 511 Taxes:	
Per Capita Tax	\$ 5.00
Local Services Tax	\$ 5.00
Occupation Assessment	1100 Mills
Real Estate Transfer Tax	1%
Earned Income Tax	1%

Several of the Act 511 taxes are subject to apportionment with local municipalities that claim their respective 50 percent share.

Ridgway Area School District

Notes to Financial Statements (continued)

June 30, 2016

NOTE 4 – TAXES RECEIVABLE

The balance of taxes receivable is comprised of the following:

	Fund Statement Taxes Receivable	Gross GASB 34 Taxes Receivable	Allowance for Uncollectible Taxes	Net GASB 34 Taxes Receivable
Local Service Tax	\$ 166	\$ 166	\$	\$ 166
Real Estate Transfer Tax	4,908	4,908		4,908
Earned Income Tax	2,121	114,597	28,119	86,478
Delinquent Real Estate	100,866	540,971		540,971
Delinquent per Capita and Occupation Assessment	<u>105</u>	<u>336,404</u>	<u>102,365</u>	<u>234,039</u>
	<u>\$ 108,166</u>	<u>\$ 997,046</u>	<u>\$ 130,484</u>	<u>\$ 866,562</u>

The allowance for uncollectible taxes was determined by management based on collection history.

NOTE 5 – INTERNAL BALANCES/ DUE FROM (TO) OTHER FUNDS

Internal balances/due from (to) other funds consists of the following items:

1. Due from Capital Reserve Fund (Long-Term Maintenance) to the General Fund to reimburse for costs paid for various facility improvement projects in the amount of \$1,245,370.

NOTE 6 – INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables represent revenues earned by the School District as of June 30, 2016 but not yet received. The following summarizes the amounts due:

Governmental Activities**Federal Subsidies**

Due from the PA Department of Education for Medical Assistance – Access funds	\$ 59,000	
Due from the PA Department of Public Welfare for Medical Assistance – Administrative Funds	725	
Due from Seneca Highlands I.U. #9 for Idea Grant – Regular Program	<u>117,221</u>	
Total Federal Subsidies		176,946

Ridgway Area School District

Notes to Financial Statements (continued)

June 30, 2016

NOTE 6 – INTERGOVERNMENTAL RECEIVABLES (continued)

State Subsidies

Due from the PA Department of Education for:

1. Social Security Reimbursement	46,532
2. Retirement Reimbursement	310,181
3. Transportation Subsidy	17,003
4. Ready to Learn Grant	<u>27,490</u>

Total State Subsidies 401,206

Other Revenues

Due from Seneca Highlands I.U. #9 for
Miscellaneous Reimbursable Costs

193,522

Total Governmental Activities

\$ 771,674

Business-Type Activities

Federal Subsidies

Due from the PA Department of Education for
the Food Service Program

\$ 218

State Subsidies

Due from the PA Department of Education for
the Food Service Program

12

Total Business-Type Activities

\$ 230

Ridgway Area School District

Notes to Financial Statements (continued)

June 30, 2016

NOTE 7 – CHANGES IN CAPITAL ASSETS

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

Governmental Activities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<i>Capital Assets not being Depreciated:</i>				
Land	\$ 112,436	\$	\$	\$ 112,436
Construction in Progress	- 0 -	232,871		232,871
Total Capital Assets not being Depreciated	<u>112,436</u>	<u>232,871</u>	<u>- 0 -</u>	<u>345,307</u>
<i>Capital Assets being Depreciated:</i>				
Land Improvements	660,472			660,472
Buildings and Improvements	18,127,635			18,127,635
Equipment	2,048,877	71,781		2,120,658
Total at Recorded Cost	<u>20,836,984</u>	<u>71,781</u>	<u>- 0 -</u>	<u>20,908,765</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	592,521	5,005		597,526
Buildings and Improvements	9,729,665	291,497		10,021,162
Equipment	1,648,579	84,417		1,732,996
Total Accumulated Depreciation	<u>11,970,765</u>	<u>380,919</u>	<u>- 0 -</u>	<u>12,351,684</u>
Total Capital Assets being Depreciated, Net	<u>8,866,219</u>	<u>(309,138)</u>	<u>- 0 -</u>	<u>8,557,081</u>
Governmental Activities, Capital Assets, Net	<u>\$ 8,978,655</u>	<u>\$ (76,267)</u>	<u>\$ - 0 -</u>	<u>\$ 8,902,388</u>

Business Type Activities:

<i>Capital Assets being Depreciated:</i>				
Equipment	\$ 368,440	\$	\$	\$ 368,440
<i>Less Accumulated Depreciation:</i>				
Equipment	<u>352,097</u>	<u>6,295</u>		<u>358,392</u>
Business Type Activities, Capital Assets, Net	<u>\$ 16,343</u>	<u>\$ 6,295</u>	<u>\$ - 0 -</u>	<u>\$ 10,048</u>

Depreciation expense was charged to functions/programs as follows:

<i>Instruction:</i>			
Regular	\$ 198,507		
Special	32,696		
Other Instructional Programs	<u>2,336</u>		
		233,539	
<i>Instructional Support:</i>			
Instructional Staff	65,261		
Administration	22,754		
Operation & Maintenance Services	<u>54,112</u>		
		142,127	
<i>Non-Instructional Support:</i>			
Student Activities		247	
Unallocated		<u>5,006</u>	
Total Depreciation Expense		<u>\$ 380,919</u>	

Ridgway Area School District

Notes to Financial Statements (continued)

June 30, 2016

NOTE 8 – LONG-TERM LIABILITIES

Long-term liabilities of the School District consist of the following:

	Governmental Activities	Business-Type Activities
Compensated Absences	\$ 703,712	\$ 22,361
Other Post-Employment Benefits	463,087	
Net Pension Liability	19,839,000	
	<u>\$ 21,005,799</u>	<u>\$ 22,361</u>

Compensated Absences

Employees of the School District are entitled to paid compensated absences, depending on job classification, length of service and other factors. The liability as reported is based upon current collective bargaining agreements and on the administrative management plan.

Other Post-Employment Benefits

Other post-employment benefits are fully disclosed in Note 10.

Net Pension Liability

Net Pension Liability is fully disclosed in Note 9.

NOTE 9 – PENSION PLAN

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

General Information about the Pension Plan**Plan Description**

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

Ridgway Area School District

Notes to Financial Statements (continued)

June 30, 2016

NOTE 9 – PENSION PLAN (continued)

Benefits Provided

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

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but no 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 members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Ridgway Area School District

Notes to Financial Statements (continued)

June 30, 2016

NOTE 9 – PENSION PLAN (continued)

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 Contribution:

The school districts' contractually required contribution rate for fiscal year ended June 30, 2016 was 25.00% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$1,559,209 for the year ended June 30, 2016, which includes accrued pension costs of \$525,562.

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

At June 30, 2016, the District reported a liability of \$19,839,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2014 to June 30, 2015. 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, 2015, the District's proportion was .0458 percent, which was a decrease of .0018 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$1,650,318. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual Investment Earnings	\$	\$ 40,000
Differences Between Expected and Actual Experience		82,000
Changes in Proportions		786,000
Contributions Subsequent to the Measurement Date	1,510,707	
	<u>\$ 1,510,707</u>	<u>\$ 908,000</u>

Ridgway Area School District

Notes to Financial Statements (continued)

June 30, 2016

NOTE 9 – PENSION PLAN (continued)

\$1,510,707 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 pension expense as follows:

Year ended June 30:	
2017	\$ (320)
2018	(320)
2019	(320)
2020	51
Thereafter	-

Actuarial assumptions

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

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

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

Ridgway Area School District

Notes to Financial Statements (continued)

June 30, 2016

NOTE 9 – PENSION PLAN (continued)

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	22.5%	4.8%
Private Markets (Equity)	15.0%	6.6%
Private Real Estate	12.0%	4.5%
Global Fixed Income	7.5%	2.4%
U.S. Long Treasuries	3.0%	1.4%
TIPS	12.0%	1.1%
High Yield Bonds	6.0%	3.3%
Cash	3.0%	0.7%
Absolute Return	10.0%	4.9%
Risk Parity	10.0%	3.7%
MLPs/Infrastructure	5.0%	5.2%
Commodities	8.0%	3.1%
Financing (LIBOR)	(14.0%)	1.1%
	<u>100%</u>	

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

Discount rate

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

Ridgway Area School District

Notes to Financial Statements (continued)

June 30, 2016

NOTE 9 – PENSION PLAN (continued)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 1-percentage point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
District's Proportionate Share of the Net Pension Liability	\$ 24,453,000	\$ 19,839,000	\$ 15,960,000

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.

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONSPlan Description

In addition to the pension benefits described in Note 9, Ridgway Area School District offers a defined benefit postemployment healthcare plan which provides medical and other benefits to eligible retirees and their beneficiaries. The District is a member of an agent multiple-employer post-employment plan as administered by the Seneca Highlands I.U. Health Consortium. Benefits for teachers and support staff covered by the collective bargaining contracts are established through negotiations between the School District and the union representing those employees and subject to negotiation at the expiration of the contracts. Benefits for non-contract employees are established by School District policy. All benefits to the retirees' cease at the time the retiree becomes eligible for Medicare. The Consortium does issue a publicly available financial report which can be obtained through the School District.

Funding Policy

As established by either collective bargaining or School District policy, the District provides various amounts of premium sharing with retirees and employees that range from the retiree paying the amount in excess of the cost of coverage at the time of retirement, paying the District the amount of PSERS supplement that is received each month or as determined by Act 110/43.

Ridgway Area School District

Notes to Financial Statements (continued)

June 30, 2016

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)

Act 110/43 Benefit: All employees are eligible for this benefit upon retirement with 30 years of PSERS service or upon superannuation retirement (age 60 with 30 years of service, age 62 with 1 year of service, or 35 years of service regardless of age). Retired employees are allowed to continue coverage for themselves and their dependents in the employer's group health plan until the retired employee reaches Medicare age. In order to obtain coverage, retired employees must provide payment equal to the premium determined for the purpose of COBRA.

Annual OPEB Cost and Net OPEB Obligation

The School District's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of funding that, if paid on any ongoing basis, is projected to cover normal costs each year, and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the component of the District's annual OPEB cost for the year, the estimated amount contributed to the plan and the changes in the District's net OPEB obligation:

Annual Required Contribution (ARC)	\$ 187,576
Interest on Net OPEB Obligation	19,065
Adjustment to ARC	<u>(96,510)</u>
Annual OPEB Cost (Expense)	110,131
Estimated Contributions Made	<u>(70,721)</u>
Increase in Net OPEB Obligation	39,410
Net OPEB Obligation – Beginning of Year	<u>423,677</u>
Net OPEB Obligation – End of Year	<u>\$ 463,087</u>

Funding Status and Funding Progress

As of March 1, 2014, the date of the most recent actuarial report, the actuarial accrued liability for benefits was \$657,005, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$5,796,361, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 11.33 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information about the actuarial value of plan assets. In subsequent years, this schedule will present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Ridgway Area School District

Notes to Financial Statements (continued)

June 30, 2016

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)

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 the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and actual value of assets, consistent with the long-term perspective of the calculations.

In the March 1, 2014 actuarial valuation, the following actuarial assumptions were used:

Actuarial Cost Method	Entry Age Normal Cost Method
Investment Rate of Return	4.50 Percent
Projected Salary Increases	2.5 Percent cost of living adjustment, 1.0 percent real wage growth and for teachers and administrators a merit increase which varies by age from 2.75 percent to 0.25 percent
Amortization Method	Level dollars, 5 year open period
Amortization Period	5 years
Asset Valuation Method	N/A – the plan is unfunded

NOTE 11 – FUND BALANCE

The School District has implemented the provisions of GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions," which classifies fund balances based upon the relative strength of the constraints that control the purposes for which specific amounts can be spent. From the most restrictive to the least restrictive, fund balance classifications are:

1. Non-spendable – amounts that cannot be spent because they are not in spendable form or are legally or contractually required to be maintained intact.
2. Restricted – amounts that are constrained for a specific purpose through restrictions of external parties or by enabling legislation.
3. Committed – amounts that are constrained for specific purposes as approved by formal action of the governments highest level of decision-making authority.
4. Assigned – amounts that are constrained for specific purposes but are neither restricted nor committed.
5. Unassigned – residual classification for the general fund, it includes all amounts that are not constrained as reported in all other classifications.

Ridgway Area School District

Notes to Financial Statements (continued)

June 30, 2016

NOTE 11 – FUND BALANCE (continued)

The Board of Directors is the school's highest level decision making authority. The board must approve the commitment or modification of fund balance. The School has adopted policies in which it considers committed fund balance to be spent when expenditures have been specifically identified to release the commitment. Other classifications of fund balance can be made by the Business Manager of the District. The District will strive to maintain an unassigned general fund balance of not less than 5 percent and not more than 10 percent of the budgeted expenditures for that fiscal year. The total fund balance may exceed 10 percent.

Classifications of fund balances on the balance sheet consist of the following:

Committed:

General Fund:

Projected Increases in Retirement Costs	\$ 1,750,000
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Capital Reserve Fund:

Future Capital Projects of the District	<u>291,090</u>
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Total Committed Fund Balance on the Balance Sheet	<u>\$ 2,041,090</u>
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NOTE 12 – CONTRACTS, COMMITMENTS AND CONTINGENCIES

The School District has begun a roof renovation project for the middle/high school building. Phase 1 of the project cost \$232,871 and was completed during the summer of 2015. This cost is reflected in construction in progress on the Statement of Net Position. Phase II of the project is scheduled to be completed during the summer of 2017. Estimated cost of phase II is \$396,634.

The School District participates in both state and federal grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The School District is potentially liable for any expenditure 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.

NOTE 13 – RISK MANAGEMENT

General Insurance

The District is exposed to various risks of loss related to limited torts; theft, damage or destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

Ridgway Area School District

Notes to Financial Statements (continued)

June 30, 2016

NOTE 13 – RISK MANAGEMENT (continued)

Medical Benefits

The District participates in a multiple employer cost-sharing trust for self-insuring hospitalization expenses. The trust makes monthly premium payments to its program administrator who pays claims submitted. Participating Districts pay monthly premiums based upon claims paid experience, plus a premium stabilization amount. The administrator reconciles claims paid against premiums received on an annual basis. Any excess of premiums received over claims paid is returned to the trust, any deficiency of premiums received over claims paid must be remitted to the administrator by the trust. Any deficiency in excess of available trust fund assets must be financed by the individual trust participants.

Ridgway Area School District

Required Supplementary Information

June 30, 2016

GASB 45 SCHEDULE OF FUNDING PROGRESS

(\$000's)

Actuarial Valuation Date	Actuarial Value of Assets	Accrued Liability	Unfunded Accrued Liability (UAL)	Funded Ratio	Covered Payroll	UAL as a Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
March 1, 2008	\$ - 0 -	\$ 1,238	\$ 1,238	0.00%	\$ 5,972	20.73%
March 1, 2011	\$ - 0 -	\$ 997	\$ 997	0.00%	\$ 6,177	16.14%
March 1, 2014	\$ - 0 -	\$ 657	\$ 657	0.00%	\$ 5,796	11.33%

GASB 45 SCHEDULE OF EMPLOYER CONTRIBUTIONS

(\$000's)

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 232	64%	\$ 209
June 30, 2011	\$ 222	60%	\$ 298
June 30, 2012	\$ 190	80%	\$ 336
June 30, 2013	\$ 184	80%	\$ 373
June 30, 2014	\$ 179	70%	\$ 427
June 30, 2015	\$ 110	103%	\$ 424
June 30, 2016	\$ 110	64%	\$ 463

The accompanying notes are an integral part of the financial statements

Ridgway Area School District**Schedule of Proportionate Share of Net Pension Liability (NPL)****Pennsylvania Public School Employees' Retirement System****Last 10 Fiscal Years***

June 30, 2016

	<u>2013</u>	<u>2014</u>	<u>2015</u>
District's Proportion of NPL	0.0483%	0.0476%	0.0458%
District's Proportionate Share of NPL	\$ 19,772,000	\$ 18,840,000	\$ 19,839,000
District's Covered-Employee Payroll	6,198,973	6,071,248	5,889,647
District's Proportionate Share of NPL as a Percentage of its Covered-Employee Payroll	318.96%	310.32%	296.87%
Plan Fiduciary Net Position as a Percentage of the Total NPL	54.49%	57.24%	54.36%

*-for those years that are available

The accompanying notes are an integral part of the financial statements

Ridgway Area School District

Schedule of District Contributions

Pennsylvania Public School Employees' Retirement System

Last 10 Fiscal Years*

June 30, 2016

	<u>2015</u>	<u>2016</u>
Contractually Required Contribution	\$ 1,183,977	\$ 1,461,597
Contributions in Relation to the Contractually Required Contribution	<u>1,183,977</u>	<u>1,461,597</u>
Contribution Deficiency (Excess)	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
District's Covered-Employee Payroll	\$ 6,177,517	\$ 6,044,399
Contributions as a Percentage of Covered-Employee Payroll	19.17%	24.18%

*-for those years that are available

The accompanying notes are an integral part of the financial statements

Ridgway Area School District

**Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016**

The prior year's audit report did not disclose any audit findings or questioned costs which would be required to be included on this schedule.



MAUTHE, YUTZEY, GABLER & TROXELL, LLC

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INDEPENDENT AUDITOR'S 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

Board of Directors
Ridgway Area School District
P.O. Box 447, Boot Jack Road
Ridgway, PA 15853

Members of the Board:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of Ridgway Area School District, Ridgway, PA, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Ridgway Area School District's basic financial statements, and have issued our report thereon dated June 6, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Ridgway 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 Ridgway Area School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Ridgway 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we 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 Ridgway Area School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

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.



Mauthe, Yutzey, Gabler & Troxell, LLC
Certified Public Accountants
June 6, 2017