



AUDIT REPORT  
of  
RIDGWAY AREA SCHOOL DISTRICT

Ridgway, Pennsylvania

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

For the Year Ended June 30, 2018

## Ridgway Area School District

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**Ridgway Area School District**

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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Ridgway Area School District  
62 School Drive  
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, 2018, and the related notes to the financial statements, which collectively comprise the Ridgway Area 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, 2018, 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.

### **Change in Accounting Principle**

As described in Note 1 to the financial statements, for the year ending June 30, 2018, the Ridgway Area School District adopted new accounting guidance, GASB Statement No.75 "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions". Our opinion is not modified with respect to this matter.

### **Other Matters**

#### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 13 and the schedules listed as Required Supplemental Information on pages 58 through 62 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 27, 2019, 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.

A handwritten signature in black ink that reads "Mauthe, Yutzey, Gabler & Troxell LLC". The signature is written in a cursive, flowing style.

Mauthe, Yutzey, Gabler & Troxell, LLC  
Certified Public Accountants  
June 27, 2019

## Ridgway Area School District

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### Management's Discussion and Analysis

June 30, 2018

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, 2018. 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 and deferred inflows at the close of the most recent fiscal year by (\$7,824,382) (net position). Of this amount, (\$16,663,418) (unrestricted) may be used to meet the government's ongoing obligations to citizens and creditors.
- The School District's total net position decreased by \$1,478,749. The decrease is attributed to an increase in expenditures including pension and health insurance expenses, and the adoption of GASB 75 for other post-employment benefits.
- As of the close of the current year, the School District's governmental funds reported combined ending fund balance of \$4,781,111, a decrease of \$76,203 in comparison with the prior year. Approximately \$1,217,176, 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 \$1,217,176, or 8.6 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).

### Overview of the Financial Statements (continued)

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 government's 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 - 25 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.

The basic proprietary fund financial statements can be found on pages 26 to 29 of this report.



## Ridgway Area School District

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

June 30, 2018

#### Overview of the Financial Statements (continued)

*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 30 to 31. 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 32 to 57 of this report.

#### Government-wide Financial Analysis

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>
Current and other assets	7,011,472	7,026,917	41,490	51,022	7,052,962	7,077,939
Capital assets	8,638,848	8,835,776	6,046	3,260	8,644,894	8,839,036
<b>Total Assets</b>	<b>15,650,320</b>	<b>15,862,693</b>	<b>47,536</b>	<b>54,282</b>	<b>15,697,856</b>	<b>15,916,975</b>
Deferred Outflows	4,134,881	3,431,496	0	0	4,134,881	3,431,496
<b>Total Assets and Deferred Outflows</b>	<b>19,785,201</b>	<b>19,294,189</b>	<b>47,536</b>	<b>54,282</b>	<b>19,832,737</b>	<b>19,348,471</b>
Long Term liabilities Outstanding	24,157,585	24,668,244	20,186	16,493	24,177,771	24,684,737
Other liabilities	1,221,963	1,325,100	8,636	6,016	1,230,599	1,331,116
Deferred Inflows	770,000	1,157,000	0	0	770,000	1,157,000
<b>Total Liabilities and Deferred Inflows</b>	<b>26,149,548</b>	<b>27,150,344</b>	<b>28,822</b>	<b>22,509</b>	<b>26,178,370</b>	<b>27,172,853</b>
Net Position:						
Invested in capital assets, Net of related debt	8,638,848	8,835,776	6,046	3,260	8,644,894	8,839,036
Restricted						
Unrestricted	(15,003,195)	(16,691,931)	12,668	28,513	(14,990,527)	(16,663,418)
<b>Total Net Position</b>	<b>(6,364,347)</b>	<b>(7,856,155)</b>	<b>18,714</b>	<b>31,773</b>	<b>(6,345,633)</b>	<b>(7,824,382)</b>

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 (continued)

June 30, 2018

### Government-wide Financial Analysis (continued)

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 governmental activities has a deficit in unrestricted net position of \$(16,691,931) 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*. The same situation was true for the prior fiscal year.

	Governmental		Business-Type		Total	
	Activities		Activities		Total	
	2017	2018	2017	2018	2017	2018
Revenues:						
Program Revenues:						
Charges for Service	27,627	21,852	194,123	190,836	221,750	212,688
Operating Grants & Contributions	3,062,802	3,061,497	318,416	317,310	3,381,218	3,378,807
Capital Grants & Contributions						
General Revenues:						
Property Taxes	3,422,513	3,510,435			3,422,513	3,510,435
Other taxes (OA,P/C, EIT, OPT)	1,370,867	1,228,038			1,370,867	1,228,038
Grants, Subsidy	5,458,949	5,453,645			5,458,949	5,453,645
Interest Earnings	33,775	63,804	49	72	33,824	63,876
Other	128,929	145,663	127,143	107,938	256,072	253,601
<b>Total Revenues</b>	<b>13,505,462</b>	<b>13,484,934</b>	<b>639,731</b>	<b>616,156</b>	<b>14,145,193</b>	<b>14,101,090</b>
Expenses:						
Unallocated Depreciation	5,006	5006			5,006	5,006
Instruction	8,688,935	8,624,339			8,688,935	8,624,339
Instructional Student Support	1,092,642	1,088,181			1,092,642	1,088,181
Admin & Financial Support Services	1,224,076	1,333,602			1,224,076	1,333,602
Operation & Maint. of Plant Services	1,494,645	1,469,035			1,494,645	1,469,035
Pupil Transportation	752,385	703,936			752,385	703,936
Student Activities	239,307	251,644			239,307	251,644
Community Services	13,461	11,790			13,461	11,790
Interest on Long Term Debt	0	0			0	0
Other	16,241	65,650			16,241	65,650
<b>Food Service</b>	<b>127,143</b>	<b>107,938</b>	<b>634,587</b>	<b>603,097</b>	<b>761,730</b>	<b>711,035</b>
<b>Total Expenses</b>	<b>13,653,841</b>	<b>13,661,121</b>	<b>634,587</b>	<b>603,097</b>	<b>14,288,428</b>	<b>14,264,218</b>
<b>Increase (Decrease) in Net Position</b>	<b>(148,379)</b>	<b>(176,187)</b>	<b>5,144</b>	<b>13,059</b>	<b>(143,235)</b>	<b>(163,128)</b>

## Ridgway Area School District

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

June 30, 2018

#### Government-wide Financial Analysis (continued)

Governmental activities. Governmental activities decreased the School District's net position by \$176,187, thereby accounting for 108% 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 increased the School District's net position by \$13,059, thereby accounting for 8% of the increase in the net position of the School District. The increase is due to the retirement of the District Food Service Director and then being replaced by an outsourcing company.

#### 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 \$4,781,111, a decrease of \$76,203 in comparison to the prior year. Of this total amount, \$1,217,176 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 (\$2,563,935), 2) committed for future retirement costs (\$1,000,000).

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 \$1,217,176, while total fund balance reached \$3,967,176. 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 8.6 percent of total General Fund expenditures, while total fund balance represents 28.2 percent of that same amount.

The fund balance of the School District's General Fund decreased by \$596,340 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 \$31,773. The total increase in net position was \$13,059. 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 (continued)

June 30, 2018

#### 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 \$437,626 over budget.
- Actual costs were \$194,976 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, 2018, amounts to \$8,839,036 (net of related debt and accumulated depreciation). This investment in capital assets includes land, buildings and improvements and machinery and equipment. The total increase in the School District's net investment in capital assets for the current fiscal year was 2.2 percent and is mainly attributable to current year completion of the middle/high roof project being added to our building and improvement account.

	Governmental		Business-Type			
	Activities		Activities		Total	
	2017	2018	2017	2018	2017	2018
Land & Improvements	170,376	165,371			170,376	165,371
Buildings & Improvements	8,043,190	8,135,736			8,043,190	8,135,736
Machinery & Equipment	425,282	534,669	6,046	3,260	431,328	537,929
Construction in Progress	0	0			0	0
<b>TOTAL</b>	<b>8,638,848</b>	<b>8,835,776</b>	<b>6,046</b>	<b>3,260</b>	<b>8,644,894</b>	<b>8,839,036</b>

## **Ridgway Area School District**

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Management's Discussion and Analysis (continued)

June 30, 2018

### **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.

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

The addition and promotion of the new insurance plans has had a positive impact on our budget. The change over to the High Deductible plans and stop gap insurance has allowed us to limit the exposure on our percentage increases to 2% which is a very palatable increase in comparison to the 10-15% averages we have seen over the last few years.

We are seeing some positive movement on tax collection, real estate collection has offered small increases in local revenues. We have also continued to see 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.

The District is required to follow with Governmental Accounting Standards as they are published. New to this budget, GASB statement No. 75 was instituted. The GASB statement No. 75 deals with "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", effective for years beginning after June 15, 2017. This statement replaced the requirements of GASB No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions" and GASB No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. The effect of adoption of this standard was an adjustment to the beginning net position (deficit) of governmental activities of (\$1,315,621).

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, 2018

	Governmental Activities	Business-Type Activities	Total
<b><u>ASSETS</u></b>			
Cash and Cash Equivalents	\$ 2,467,180	\$ 33,894	\$ 2,501,074
Investments - Certificates of Deposit	2,774,222		2,774,222
Taxes Receivable, Net	1,082,462		1,082,462
Intergovernmental Receivables	687,036	3,660	690,696
Other Receivables	16,017	1,519	17,536
Inventories		11,949	11,949
Capital Assets			
Land and Improvements, Net of Depreciation	165,371		165,371
Building and Building Improvements, Net of Depreciation	8,135,736		8,135,736
Fixtures and Equipment, Net of Depreciation	534,669	3,260	537,929
Total Assets	\$ 15,862,693	\$ 54,282	\$ 15,916,975
Deferred Outflows of Resources	3,431,496	- 0 -	3,431,496
Total Assets and Deferred Outflows of Resources	<u>\$ 19,294,189</u>	<u>\$ 54,282</u>	<u>\$ 19,348,471</u>

The accompanying notes are an integral part of the financial statements

Ridgway Area School District

Statement of Net Position (continued)

June 30, 2018

	Governmental Activities	Business-Type Activities	Total
<u>LIABILITIES</u>			
Internal Balances	\$ 1,271	\$ (1,271)	\$ - 0 -
Accounts Payable	135,636	1,572	137,208
Accrued Salaries and Benefits	1,170,104		1,170,104
Payroll Deductions and Withholdings	18,089		18,089
Student Lunch Advances		5,715	5,715
Non-Current Liabilities:			
Compensated Absences	610,010	16,493	626,503
Other Post Employment Benefits	1,784,234		1,784,234
Net Pension Liability	22,274,000		22,274,000
Total Liabilities	25,993,344	22,509	26,015,853
Deferred Inflows of Resources	1,157,000	- 0 -	1,157,000
<u>NET POSITION</u>			
Invested in Capital Assets, Net of Related Debt	8,835,776	3,260	8,839,036
Unrestricted (Deficit)	(16,691,931)	28,513	(16,663,418)
Total Net Position (Deficit)	(7,856,155)	31,773	(7,824,382)
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 19,294,189	\$ 54,282	\$ 19,348,471

The accompanying notes are an integral part of the financial statements

Ridgway Area School District  
Statement of Activities  
For the Year Ended June 30, 2018

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
Governmental Activities:							
Instruction:							
Regular Instruction	\$ 6,423,755	\$ 224	\$ 1,085,200	\$	\$ (5,338,331)	\$	\$ (5,338,331)
Special Instruction	2,191,190		1,106,633		(1,084,557)		(1,084,557)
Other Instructional Programs	9,394		738		(8,656)		(8,656)
Total Instructional Services	8,624,339	224	2,192,571	- 0 -	(6,431,544)	- 0 -	(6,431,544)
Support Services:							
Pupil Personnel	434,602		50,151		(384,451)		(384,451)
Instructional Staff	459,636		42,266		(417,370)		(417,370)
Administration	986,393		102,782		(883,611)		(883,611)
Pupil Health	193,943		38,359		(155,584)		(155,584)
Business Services	347,209		40,355		(306,854)		(306,854)
Operation and Maintenance of Plant	1,469,035		158,987		(1,310,048)		(1,310,048)
Student Transportation Services	703,936		405,283		(298,653)		(298,653)
Other Support Services	65,650				(65,650)		(65,650)
Total Support Services	4,660,404	- 0 -	838,183	- 0 -	(3,822,221)	- 0 -	(3,822,221)
Non-Instructional Services:							
Student Activities	251,644	21,628	29,358		(200,658)		(200,658)
Community Services	11,790		1,385		(10,405)		(10,405)
Unallocated Depreciation Expense	5,006				(5,006)		(5,006)
Total Non-Instructional Services	268,440	21,628	30,743	- 0 -	(216,069)	- 0 -	(216,069)
Total Governmental Activities	13,553,183	21,852	3,061,497	- 0 -	(10,469,834)	- 0 -	(10,469,834)
Business-Type Activities:							
Food Services	603,097	190,836	317,310	- 0 -	- 0 -	(94,951)	(94,951)
Total Primary Government	\$ 14,156,280	\$ 212,688	\$ 3,378,807	\$ - 0 -	\$ (10,469,834)	\$ (94,951)	\$ (10,564,785)

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, 2018

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)	\$ 14,156,280	\$ 212,688	\$ 3,378,807	\$ - 0 -	\$ (10,469,834)	\$ (94,951)	\$ (10,564,785)
<i>General Revenues:</i>							
Taxes:							
Property Taxes					3,510,435		3,510,435
Occupation Assessment and Per Capita Taxes					323,791		323,791
Earned Income Tax					702,877		702,877
Public Utility Realty, Deed Transfer and In Lieu of Taxes					201,370		201,370
Grants, Subsidies, and Contributions not Restricted					5,453,645		5,453,645
Investment Earnings					63,804	72	63,876
Miscellaneous Income					145,663		145,663
Transfers					(107,938)	107,938	-
Total General Revenues, Special Items, Extraordinary Items, and Transfers					10,293,647	108,010	10,401,657
Change in Net Position					(176,187)	13,059	(163,128)
Net Position (Deficit) - Beginning					(6,364,347)	18,714	(6,345,633)
Adjustments to Beginning Net Position - Adoption of GASB No. 75.					(1,315,621)		(1,315,621)
Net Position (Deficit) - Beginning, as Restated					(7,679,968)	18,714	(7,661,254)
Net Position - Ending					\$ (7,856,155)	\$ 31,773	\$ (7,824,382)

The accompanying notes are an integral part of the financial statements

Ridgway Area School District

Balance Sheet - Governmental Funds

June 30, 2018

	General	Capital Reserve	Total Governmental Funds
<b><u>ASSETS</u></b>			
Cash and Cash Equivalents	\$ 1,653,245	\$ 813,935	\$ 2,467,180
Investments	2,774,222		2,774,222
Taxes Receivable, Net	161,756		161,756
Intergovernmental Receivables	687,036		687,036
Other Receivables	16,017		16,017
Total Assets	<u>\$ 5,292,276</u>	<u>\$ 813,935</u>	<u>\$ 6,106,211</u>
<b><u>LIABILITIES</u></b>			
Accounts Payable	\$ 135,636	\$	\$ 135,636
Due to Cafeteria Fund	1,271		1,271
Accrued Salaries and Benefits	1,170,104		1,170,104
Payroll Deductions and Withholdings	18,089		18,089
Total Liabilities	<u>1,325,100</u>	<u>- 0 -</u>	<u>1,325,100</u>
<b><u>FUND BALANCES</u></b>			
Committed	1,750,000	813,935	2,563,935
Assigned	1,000,000		1,000,000
Unassigned	1,217,176		1,217,176
Total Fund Balances	<u>3,967,176</u>	<u>813,935</u>	<u>4,781,111</u>
Total Liabilities and Fund Balances	<u>\$ 5,292,276</u>	<u>\$ 813,935</u>	<u>\$ 6,106,211</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, 2018

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Total Fund Balances - Governmental Funds \$ 4,781,111

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  
\$22,000,802 and the accumulated depreciation is  
\$13,165,026. 8,835,776

Delinquent tax revenues are not considered available and  
measurable until collected and therefore are not reported  
as assets in governmental funds. 920,706

Long-term liabilities, including bonds and notes 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	3,431,496	
Compensated Absences	(610,010)	
Other Post Employment Benefits	(1,784,234)	
Pension Obligation	(22,274,000)	
Deferred Inflows of Resources	(1,157,000)	
	<u>(22,393,748)</u>	

Total Net Position - Governmental Activities \$ (7,856,155)

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, 2018**

	<b>General</b>	<b>Capital Reserve</b>	<b>Total Governmental Funds</b>
<i>Revenues:</i>			
Local Sources	\$ 5,292,855	\$ 1,052	\$ 5,293,907
State Sources	8,120,380		8,120,380
Federal Sources	82,136		82,136
Total Revenues	13,495,371	1,052	13,496,423
<i>Expenditures:</i>			
Instructional Services	8,426,689		8,426,689
Support Services	4,295,381		4,295,381
Non-Instructional Services	261,703		261,703
Facility Acquisition, Construction and Improvement Services		480,915	480,915
Total Expenditures	12,983,773	480,915	13,464,688
Excess (Deficiency) of Revenues over Expenditures	511,598	(479,863)	31,735
<i>Other Financing Sources (Uses):</i>			
Operating Transfers (Out) In	(1,107,938)	1,000,000	(107,938)
Total Other Financing Sources (Uses)	(1,107,938)	1,000,000	(107,938)
Net Change in Fund Balances	(596,340)	520,137	(76,203)
Fund Balances - Beginning	4,563,516	293,798	4,857,314
Fund Balances - Ending	<u>\$ 3,967,176</u>	<u>\$ 813,935</u>	<u>\$ 4,781,111</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, 2018

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Net Change in Fund Balances - Governmental Funds \$ (76,203)

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

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

Capital Outlays	615,610	
Less: Depreciation Expense	<u>(418,682)</u>	
		196,928

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. (11,489)

Payments to the Pennsylvania State Employees Retirement  
System (PSERS) for pension benefits 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 as charged to  
the Statement of Activities is shown here. (204,022)

Payments to the Pennsylvania State Employees Retirement  
System (PSERS) for health care benefits are reported in the  
governmental funds as expenditures, however, in the Statement  
of Activities the payments either reduce the health care benefits  
liability (OPEB) 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  
health care benefits liability and net deferred outflows/inflows 62,752

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 (continued)

For the Year Ended June 30, 2018

In the Statement of Activities, certain operating expenses-compensated absences (vacations and sick days) and other post employment benefits (OPEB) as provided by the District 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	(110,031)	
OPEB - District Plan	<u>(34,122)</u>	
		<u>(144,153)</u>
Change in Net Position of Governmental Activities		<u><u>\$ (176,187)</u></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  
For the Year Ended June 30, 2018**

	<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>				
<i>Taxes:</i>				
Current Real Estate Tax	\$ 3,038,750	\$ 3,038,747	\$ 3,072,525	\$ 33,778
Public Utility Realty Tax	6,000	6,000	4,508	(1,492)
Current per Capita Tax - Sec 679	18,000	18,000	16,882	(1,118)
Current per Capita Tax - Act 511	18,000	18,000	16,882	(1,118)
Current Earned Income Tax	575,000	575,000	673,308	98,308
Occupation Tax	280,000	280,000	230,151	(49,849)
Local Services Tax	15,000	15,000	17,907	2,907
Real Estate Transfer Tax	45,000	45,000	46,193	1,193
Payment in Lieu of Taxes	165,000	165,000	132,762	(32,238)
Delinquent Taxes	450,000	450,000	538,844	88,844
Total Taxes	<u>4,610,750</u>	<u>4,610,747</u>	<u>4,749,962</u>	<u>139,215</u>
<i>Other Local Sources:</i>				
Interest Income	25,000	25,000	62,752	37,752
Revenue from Intermediate Unit	230,000	230,000	301,826	71,826
Rentals	10,000	10,000	19,684	9,684
Athletic Events	24,000	24,000	20,833	(3,167)
Other Local Sources	35,500	35,500	137,798	102,298
Total Other Local Sources	<u>324,500</u>	<u>324,500</u>	<u>542,893</u>	<u>218,393</u>
Total Local Sources	<u>4,935,250</u>	<u>4,935,247</u>	<u>5,292,855</u>	<u>357,608</u>
<i>State Sources:</i>				
Basic Instructional Subsidy	4,964,451	4,964,451	5,101,252	136,801
Tuition for Orphans and Children				
Placed in Private Homes	8,000	8,000	- 0 -	(8,000)
Property Tax Relief Payment	352,393	352,396	352,393	(3)
Special Education of Exceptional				
Pupils	631,857	631,857	648,707	16,850
Transportation	450,000	450,000	405,283	(44,717)
Medical and Dental Services	20,000	20,000	15,968	(4,032)
Ready to Learn Grant	159,261	159,261	159,261	- 0 -
Social Security Tax Reimbursement	227,626	227,626	252,996	25,370
Retirement Reimbursement	1,007,907	1,007,907	1,184,520	176,613
Total State Sources	<u>7,821,495</u>	<u>7,821,498</u>	<u>8,120,380</u>	<u>298,882</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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<i>Federal Sources:</i>				
Education of Disadvantaged Children	120,000	120,000	- 0 -	(120,000)
Medical Assistance - Access	30,000	30,000	79,329	49,329
Medical Assistance - Fees	1,000	1,000	2,807	1,807
Grant Contingency	150,000	150,000	- 0 -	(150,000)
Total Federal Sources	301,000	301,000	82,136	(218,864)
Total Revenues	\$ 13,057,745	\$ 13,057,745	\$ 13,495,371	\$ 437,626
<i>Expenditures:</i>				
Instruction:				
Regular Programs	\$ 6,615,364	\$ 6,615,364	\$ 6,289,941	\$ 325,423
Special Programs	1,578,779	1,578,779	2,129,960	(551,181)
Other Instructional Programs	4,940	4,940	6,288	(1,348)
Other Adult Education Programs	10	10	- 0 -	10
Community/Jr. College Programs	- 0 -	- 0 -	500	(500)
Total Instruction	8,199,093	8,199,093	8,426,689	(227,596)
<i>Support Services:</i>				
Pupil Personnel	589,030	589,030	426,921	162,109
Instructional Staff	495,572	495,572	359,801	135,771
Administration	1,039,449	1,039,449	874,949	164,500
Pupil Health	196,661	196,661	190,605	6,056
Business Office	311,264	311,264	343,526	(32,262)
Operation and Maintenance of Plant	1,291,649	1,291,649	1,353,404	(61,755)
Transportation	650,000	650,000	703,936	(53,936)
Other Support Services	40,000	40,000	42,239	(2,239)
Total Support Services	4,613,625	4,613,625	4,295,381	318,244
<i>Non-Instructional Services:</i>				
Student Activities	238,598	238,598	249,913	(11,315)
Community Services	11,453	11,453	11,790	(337)
Total Non-Instructional Services	250,051	250,051	261,703	(11,652)

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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Total Expenditures	<u>13,062,769</u>	<u>13,062,769</u>	<u>12,983,773</u>	<u>78,996</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(5,024)</u>	<u>(5,024)</u>	<u>511,598</u>	<u>516,622</u>
Other Financing Sources (Uses):				
Transfer Out	<u>(1,149,933)</u>	<u>(1,149,933)</u>	<u>(1,107,938)</u>	<u>41,995</u>
Budgetary Reserve	<u>(73,985)</u>	<u>(73,985)</u>	<u>- 0 -</u>	<u>73,985</u>
Total Other Financing Sources (Uses)	<u>(1,223,918)</u>	<u>(1,223,918)</u>	<u>(1,107,938)</u>	<u>115,980</u>
Net Change in Fund Balance	<u><u>\$ (1,228,942)</u></u>	<u><u>\$ (1,228,942)</u></u>	<u>(596,340)</u>	<u><u>\$ 632,602</u></u>
Fund Balance - Beginning of Year			<u>4,563,516</u>	
Fund Balance - End of Year			<u><u>\$ 3,967,176</u></u>	

The accompanying notes are an integral part of the financial statements

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

June 30, 2018

	<u>Enterprise Fund</u> <u>Food Service</u>
 <b><u>ASSETS</u></b>	
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 33,894
Intergovernmental Receivables	3,660
Other Accounts Receivable	1,519
Inventories	11,949
Due from General Fund	<u>1,271</u>
Total Current Assets	52,293
<i>Noncurrent Assets:</i>	
Machinery and Equipment, Net	<u>3,260</u>
Total Assets	55,553
Deferred Outflows of Resources	<u>- 0 -</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 55,553</u></u>
 <b><u>LIABILITIES</u></b>	
<i>Current Liabilities:</i>	
Accounts Payable	\$ 1,572
Student Lunch Advances	5,715
<i>Noncurrent Liabilities:</i>	
Long-Term Portion of Compensated Absence	<u>16,493</u>
Total Liabilities	<u>23,780</u>
Deferred Inflows of Resources	<u>- 0 -</u>
 <b><u>NET POSITION</u></b>	
Invested in Capital Assets	3,260
Unrestricted	<u>28,513</u>
Total Net Position	<u>31,773</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u><u>\$ 55,553</u></u>

The accompanying notes are an integral part of the financial statements

**Ridgway Area School District**

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**Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund**  
**For the Year Ended June 30, 2018**

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	<u>Enterprise Fund Food Service</u>
<i>Operating Revenues:</i>	
Food Service Revenue	\$ 168,892
Special Function Sales	<u>21,944</u>
Total Operating Revenues	<u>190,836</u>
<i>Operating Expenses:</i>	
Salaries	173,891
Employee Benefits	176,485
Food and Supplies	237,759
Other Costs	544
Repairs and Maintenance	11,632
Depreciation	<u>2,786</u>
Total Operating Expenses	<u>603,097</u>
Operating Income (Loss)	<u>(412,261)</u>
<i>Non-Operating Revenues:</i>	
Local Sources - Earnings on Investments	72
State Sources	50,027
Federal Sources	<u>267,283</u>
Total Non-Operating Revenues	<u>317,382</u>
Income (Loss) before Transfers	(94,879)
Transfer from General Fund	<u>107,938</u>
Change in Net Position	13,059
Total Net Position - Beginning	<u>18,714</u>
Total Net Position - Ending	<u><u>\$ 31,773</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, 2018

	<u>Enterprise Fund Food Service</u>	
<i>Cash Flows from Operating Activities:</i>		
Cash Received from Users	\$ 167,872	
Cash Received from Other Operating Revenue	20,425	
Cash Payments to Employees for Services	(355,340)	
Cash Payments to Suppliers for Goods and Services	(231,426)	
Cash Payments for Other Operating Expenses	<u>(12,176)</u>	
Net Cash Provided (Used) by Operating Activities		(410,645)
<i>Cash Flows from Non-Capital Financing Activities:</i>		
State Sources	50,040	
Federal Sources	267,748	
Transfer from General Fund	<u>107,938</u>	
Net Cash Provided by Non-Capital Financing Activities		425,726
Cash Flows from Capital and Related Financing Activities		- 0 -
<i>Cash Flows from Investing Activities:</i>		
Earnings on Investments	<u>72</u>	
Net Cash Provided by Investing Activities		<u>72</u>
Net (Decrease) in Cash and Cash Equivalents		15,153
Cash and Cash Equivalents - Beginning of Year		<u>18,741</u>
Cash and Cash Equivalents - End of Year		<u><u>\$ 33,894</u></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, 2018

	<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)	\$ (412,261)
<i>Adjustments to Reconcile Operating Income (Loss)</i> <i>to Net Cash Provided (Used) in Operating Activities:</i>	
Depreciation	2,786
<i>Change in Assets and Liabilities:</i>	
(Increase) Decrease in Accounts Receivable - Other	(1,519)
(Increase) Decrease in Inventories	6,662
(Increase) Decrease in Due from General Fund	(1,271)
Increase (Decrease) in Accounts Payables	(329)
Increase (Decrease) in Student Lunch Advances	(1,020)
Increase (Decrease) in Compensated Absences	<u>(3,693)</u>
Total Adjustments	<u>1,616</u>
Cash Provided (Used) by Operating Activities	<u><u>\$ (410,645)</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, 2018

	<u>Student Activity</u>	<u>Scholarship Funds</u>	<u>Total Fiduciary Funds</u>
<b><u>ASSETS</u></b>			
Cash and Cash Equivalents	\$ 76,162	\$ 5,260	\$ 81,422
Total Assets	<u>\$ 76,162</u>	<u>\$ 5,260</u>	<u>\$ 81,422</u>
<b><u>LIABILITIES</u></b>			
Due to Student Groups	\$ 76,162	\$	\$ 76,162
<b><u>NET POSITION</u></b>			
Restricted for Scholarships		5,260	5,260
Total Liabilities and Net Position	<u>\$ 76,162</u>	<u>\$ 5,260</u>	<u>\$ 81,422</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)

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For the Year Ended June 30, 2018

*Additions:*

Interest and Dividend Earnings	\$	237
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*Deductions:*

Scholarships Awarded		196
		<hr/>

Change in Net Position		41
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Net Position - Beginning of Year		5,219
		<hr/>

Net Position - End of Year	\$	5,260
		<hr/> <hr/>

The accompanying notes are an integral part of the financial statements

## Ridgway Area School District

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Notes to Financial Statements

June 30, 2018

### 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, 2018

### 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.

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 assets 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 funds 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.

New Accounting Pronouncement

The Governmental Accounting Standards Board (GASB) issued Statement No.75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", effective for years beginning after June 15, 2017. This statement replaces the requirements of GASB No.45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions" and GASB No.57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans." The Ridgway Area School District has implemented GASB No.75 for the year ended June 30, 2018.

## Ridgway Area School District

Notes to Financial Statements (continued)

June 30, 2018

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### New Accounting Pronouncement (continued)

As a result of implementing GASB No.75, the beginning net position has been restated as follows:

Net Position (Deficit), Beginning, as Previously Reported	\$ (6,364,347)
Adjustments;	
Net Other Post-Employment Benefits (OPEB)	
Liability as Measured at Beginning of Year:	
A.) PSERS-Premium Assistance Plan	(1,006,000)
B.) District OPEB Plan	<u>(309,621)</u>
Total Beginning of Year Adjustment	<u>(1,315,621)</u>
Net Position (Deficit)-Beginning-as Restated	<u>\$ (7,679,968)</u>

Both OPEB plans are further discussed in Notes 10 and 11.

#### 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.

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 30<sup>th</sup>.
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.

## Ridgway Area School District

Notes to Financial Statements (continued)

June 30, 2018

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Subsequent Events

Management has evaluated subsequent events through June 27, 2019, 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.

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.

## Ridgway Area School District

Notes to Financial Statements (continued)

June 30, 2018

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Capital Assets (continued)

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.

#### 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.

## Ridgway Area School District

Notes to Financial Statements (continued)

June 30, 2018

### 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, \$388,852 of the School District's bank balance of \$3,929,600 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	\$ 388,852
Plus: Insured Amount	3,540,748
Deposit in Transit/Adjustments	149,755
Less: Outstanding Checks	<u>(233,775)</u>
Carrying Amount – Bank Balance	3,845,580
Plus: Deposit in PLGIT (PA Local Government	
Investment Transit)	1,511,138
Less: Certificate of Deposit – Investments	(2,774,222)
Cash and Equivalents in Fiduciary Funds	<u>(81,422)</u>
Total Cash Per Statement of Net Position	<u>\$ 2,501,074</u>

As of June 30, 2018, the School District had the following investments:

<u>Investments</u>	<u>Maturity</u>	
Bank Certificates of Deposit	1 - 12 Months	\$ 1,524,899
Bank Certificates of Deposit	12 - 24 Months	1,249,323
PLGIT		<u>1,511,138</u>
Total Investments		4,285,360
PLGIT Included in Cash Balance		<u>(1,511,138)</u>
Investments on the Statement of Net Position		<u>\$ 2,774,222</u>

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 cash equivalents are in County National Bank savings and checking accounts or the PA Local Government Investment Trust. Investments in Certificates of Deposit are through multiple financial institutions managed through County National Bank Wealth and Management.

## Ridgway Area School District

### Notes to Financial Statements (continued)

June 30, 2018

#### NOTE 3 – TAX REVENUES

Current real estate taxes were levied in July, 2017 and payment dates were as follows:

Face less 2% discount - July 1, 2017 to August 31, 2017

At face - September 1, 2017 to October 31, 2017

Face plus 10% penalty - After October 31, 2017

The total assessed value of taxable real estate was \$103,321,246 and the value of oil/gas/mineral property was \$51,057. Tax was assessed at 36.6 mills on the value of real estate and 70 mills on the value of the oil/gas/mineral property. The total tax assessed was \$3,432,287 (net of Homestead/Farmstead credits of \$352,844).

Unpaid current year real estate taxes of \$330,262 were returned by the elected tax collectors to the Elk County Tax Claim Bureau during January, 2018.

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.

#### 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	\$ 86	\$ 86	\$	\$ 86
Real Estate Transfer Tax	10,056	10,056	49,086	10,056
Earned Income Tax	19,672	216,016		166,930
Delinquent Real Estate	121,259	537,270		537,270
Delinquent per Capita and Occupation Assessment	<u>10,683</u>	<u>470,942</u>	<u>102,822</u>	<u>368,120</u>
	<u>\$ 161,756</u>	<u>\$ 1,234,370</u>	<u>\$ 151,908</u>	<u>\$ 1,082,462</u>

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

## Ridgway Area School District

Notes to Financial Statements (continued)

June 30, 2018

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

Internal balances (due from/to other funds) of \$1,271 consists of amounts due from the General Fund to the proprietary (food service fund) for reimbursement received in excess of actual costs advanced during the year.

### NOTE 6 – INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables represent revenues earned by the School District as of June 30, 2018 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	\$ 79,329	
Due from PA Department of Public Welfare for Medical Assistance – Administrative Fees	1,619	
Due from Seneca Highlands I.U. #9 for Idea Grant – Regular Program	<u>63,311</u>	
Total Federal Subsidies		144,259

##### State Subsidies

Due from the PA Department of Education for:		
1. Social Security Reimbursement	94,924	
2. Retirement Reimbursement	404,250	
3. Transportation Subsidy	<u>42,103</u>	
Total State Subsidies		541,277

##### Other Revenues

Due from Seneca Highlands I.U. #9 for Miscellaneous Reimbursable Costs	<u>1,500</u>	
Total Governmental Activities		<u>\$ 687,036</u>

#### Business-Type Activities

##### Federal Subsidies

Due from the PA Department of Education for Food Service – Summer Program	<u>\$ 3,660</u>	
Total Business-Type Activities		<u>\$ 3,660</u>



**Ridgway Area School District**

Notes to Financial Statements (continued)

June 30, 2018

**NOTE 7 – CHANGES IN CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2018 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	\$ - 0 -	\$ - 0 -	\$ 112,436
Total Capital Assets not being Depreciated	<u>112,436</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>112,436</u>
<i>Capital Assets being Depreciated:</i>				
Land Improvements	660,472			660,472
Buildings and Improvements	18,360,506	396,634		18,757,140
Equipment	<u>2,251,778</u>	<u>218,976</u>		<u>2,470,754</u>
Total at Recorded Cost	<u>21,272,756</u>	<u>615,610</u>	<u>- 0 -</u>	<u>21,888,366</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	602,532	5,005		607,537
Buildings and Improvements	10,317,316	304,088		10,621,404
Equipment	<u>1,826,496</u>	<u>109,589</u>		<u>1,936,085</u>
Total Accumulated Depreciation	<u>12,746,344</u>	<u>418,682</u>	<u>- 0 -</u>	<u>13,165,026</u>
Total Capital Assets being Depreciated, Net	<u>8,526,412</u>	<u>196,928</u>	<u>- 0 -</u>	<u>8,723,340</u>
Governmental Activities, Capital Assets, Net	<u>\$ 8,638,848</u>	<u>\$ 196,928</u>	<u>\$ - 0 -</u>	<u>\$ 8,835,776</u>

**Business Type Activities:**

<i>Capital Assets being Depreciated:</i>				
Equipment	\$ 368,440	\$	\$	\$ 368,440
<i>Less Accumulated Depreciation:</i>				
Equipment	<u>362,394</u>	<u>2,786</u>		<u>365,180</u>
Business Type Activities, Capital Assets, Net	<u>\$ 6,046</u>	<u>\$ 2,786</u>	<u>\$ - 0 -</u>	<u>\$ 3,260</u>

## Ridgway Area School District

Notes to Financial Statements (continued)

June 30, 2018

### NOTE 7 – CHANGES IN CAPITAL ASSETS (continued)

Depreciation expense was charged to functions/programs as follows:

*Instruction:*

Regular	\$ 209,021	
Special	34,427	
Other Instructional Programs	<u>2,458</u>	245,906

*Instructional Support:*

Instructional Staff	78,158	
Administration	28,794	
Operation & Maintenance Services	<u>60,639</u>	167,591

*Non-Instructional Support:*

Student Activities		179
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Unallocated	<u>5,006</u>
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Total Depreciation Expense	<u>\$ 418,682</u>
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### NOTE 8 – LONG-TERM LIABILITIES

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Compensated Absences	\$ 610,010	\$ 16,493
Other Post-Employment Benefits	1,784,234	
Net Pension Liability	<u>22,274,000</u>	
	<u>\$ 24,668,244</u>	<u>\$ 16,493</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 Notes 10 and 11.

#### Net Pension Liability

Net Pension Liability is fully disclosed in Note 10.

## Ridgway Area School District

Notes to Financial Statements (continued)

June 30, 2018

### NOTE 9 – DEFERRED OUTFLOWS/DEFERRED INFLOWS OF RESOURCES

In conjunction with pension and OPEB accounting requirements, difference between expected and actual experience, changes in assumptions, the effect of the change in the School District's proportion, the net difference between expected and actual investment earnings, and payments made to the plans subsequent to the measurement date are recorded as a deferred inflow or outflow of resources related to pensions or a deferred inflow or outflow of resources related to OPEBs on the government-wide financial statements. These amounts are determined based on the actuarial valuation performed for each plan. Notes 10 and 11 present additional information about the School District's pension and OPEB plans.

Deferred outflows/Deferred inflows of resources as of June 30, 2018 consist of the following:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Items Related to Pension		
Obligation-See Note 10	\$ 3,376,859	\$ 1,085,000
Items Related to Other		
Post-Employment Benefit		
Obligations-See Notes 10 and 11	<u>54,637</u>	<u>72,000</u>
Total	<u>\$ 3,431,496</u>	<u>\$ 1,157,000</u>

### NOTE 10 – PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)

#### Plan Description

PSERS administers a governmental cost-sharing, multi-employer defined benefit pension plan (Pension Plan) and a governmental cost-sharing, multi-employer defined benefit Health Insurance Premium Assistance Program (Premium Assistance), an OPEB plan, to public school employees of the Commonwealth of Pennsylvania. PSERS issues a publicly available financial report that can be obtained at [www.psers.pa.gov](http://www.psers.pa.gov).

Employees eligible for PSERS benefits 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.

Retirees can participate in the Premium Assistance if they satisfy the following criteria:

- Have 24½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the PSERS Health Options Program or an employer-sponsored health insurance program.

NOTE 10 – PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS) (continued)

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions or OPEBs, pension expense, and OPEB expense, information about the fiduciary net position of PSERS and additions to/deductions from PSERS' 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. The net pension liability and the net OPEB liability are recorded as governmental activities expected to be paid from the General Fund.

Benefits Provided – Pension Plan

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

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

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

## Ridgway Area School District

Notes to Financial Statements (continued)

June 30, 2018

### NOTE 10 – PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS) (continued)

#### Benefits Provided – Premium Assistance

Effective January 1, 2002, under the provisions of Act 9 of 2001, participating eligible annuitants are entitled to receive Premium Assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. As of June 30, 2017, there were no assumed future benefit increases to participating eligible retirees.

#### Member Contributions

The following illustrates the member's contribution as a percent of the member's qualifying compensation:

- Active members who joined PSERS prior to July 22, 1983:
  - Membership Class T-C 5.25%
  - Membership Class T-D 6.50%
- Members who joined PSERS on or after July 22, 1983, and who were active or inactive as of July 1, 2001:
  - Membership Class T-C 6.25%
  - Membership Class T-D 7.50%
- Members who joined PSERS after June 30, 2001, and before July 1, 2011:
  - Membership Class T-D 7.50%
- Members who joined PSERS after June 30, 2011:
  - Membership Class T-E\* 7.50%
  - Membership Class T-F\*\* 10.30%

\* Shared risk program could cause future contribution rates to fluctuate between 7.50% and 9.50%.

\*\* Shared risk program could cause future contribution rates to fluctuate between 10.30% and 12.30%.

#### Employer Contributions

The School District's contractually required PSERS contribution rate for fiscal year ended June 30, 2018 was 32.57% 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. This rate is composed of a 31.74% rate for the Pension Plan and a 0.83% rate for the Premium Assistance.

The combined rate for the fiscal year ended June 30, 2018 was an increase from the fiscal year ended June 30, 2017 combined rate of 30.03%. The combined contribution rate will increase to 33.43% in fiscal year 2019 and is projected to grow to 36.32% by fiscal year 2023.

Ridgway Area School District

Notes to Financial Statements (continued)

June 30, 2018

NOTE 10 – PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS) (continued)Employer Contributions (continued)

The School District remits contributions to PSERS on a quarterly basis. Approximately \$663,144 is owed to PSERS as of June 30, 2018, which represents the School District's required contribution for the end of year payroll. The School District's contributions which were recognized by PSERS for the year ended June 30, 2018 were as follows:

Pension Plan	\$ 1,787,859
Premium Assistance	<u>46,752</u>
Total	<u>\$ 1,834,611</u>

In accordance with Act 29, the Commonwealth of Pennsylvania reimburses school districts for at least one-half of contributions made to PSERS. The School District recorded reimbursements from the Commonwealth of \$1,213,439 during the current year. Because the Commonwealth payments are received as a reimbursement, and are not made directly to PSERS, they do not qualify as a special funding situation.

Proportionate Share

The School District's proportion of PSERS' net pension liability and PSERS' net OPEB liability were calculated utilizing the School District's one-year reported covered payroll as it relates to PSERS' total one-year reported covered payroll. At June 30, 2017 (measurement date), the School District's proportion was .0451%, which was a decrease of .0016% from its proportion measured as of June 30, 2016.

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

At June 30, 2018, the School District reported a liability of \$22,274,000 for its proportionate share of PSERS' net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by rolling forward PSERS' total pension liability as of June 30, 2016 to June 30, 2017.

For the year ended June 30, 2018, the School District recognized pension expense of \$1,991,881. At June 30, 2018, the School 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
Differences between Expected and Actual Experience	\$ 232,000	\$ 135,000
Changes in Assumptions	605,000	- 0 -
Net Difference between Projected and Actual Earnings on Pension Plan Investments	516,000	- 0 -
Changes in Proportion	235,000	951,000
Rounding	1,000	(1,000)
School District Contribution Subseq. to the Measurement Date	<u>1,787,859</u>	<u>- 0 -</u>
Total	<u>\$ 3,376,859</u>	<u>\$ 1,085,000</u>

## Ridgway Area School District

Notes to Financial Statements (continued)

June 30, 2018

### NOTE 10 – PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS) (continued)

#### Net Pension Liability, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions (continued)

\$1,787,859 reported as deferred outflows of resources resulting from the School District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2018	\$	12,000
2019		379,000
2020		330,000
2021		<u>(217,000)</u>
Total	\$	<u>504,000</u>

#### Actuarial Assumptions

The total pension liability as of June 30, 2017 was determined by rolling forward PSERS' total pension liability as of the June 30, 2016 actuarial valuation to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 7.25%, includes inflation at 2.75%
- Salary increases – Effective average of 5.00%, comprised of 2.75% for inflation and 2.25% for real wage growth and merit or seniority increases
- Mortality rates were based on the RP-2014 Mortality Tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

#### Changes in Assumptions

The actuarial assumptions used in the June 30, 2016 valuation were based on the experience study that was performed for the five-year period ending June 30, 2015. The recommended assumption changes based on this experience study were adopted by the PSERS Board at its June 10, 2016 Board meeting, and were effective beginning with the June 30, 2016 actuarial valuation. These changes included:

- The investment rate of return was adjusted from 7.50% to 7.25%. The inflation assumption was decreased from 3.00% to 2.75%.
- Salary growth changed from an effective average of 5.50%, which was comprised of 3.00% for inflation and 2.50% for real wage growth and for merit or seniority increases, to an effective average of 5.00%, comprised of 2.75% for inflation and 2.25% for real wage growth and for merit or seniority increases.

## Ridgway Area School District

### Notes to Financial Statements (continued)

June 30, 2018

#### NOTE 10 – PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS) (continued)

##### Changes in Assumptions (continued)

- Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. 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 to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

##### Changes in Benefit Terms

With the passage of Act 5 on June 12, 2017, vested Class T-E and Class T-F members can now withdraw their accumulated contributions and interest from the Members' Savings Account upon their retirement. In addition, members hired on or after July 1, 2019 will be required to select one of three new plan design options: either one of two side-by-side hybrid defined benefit/defined contribution plans or a stand-alone defined contribution plan. No changes will be made to retirement benefits for current employees, but they would have the option to choose one of the new plan designs.

##### Pension Plan Investments

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

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS 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.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Public Entity	20.0%	5.1%
Fixed Income	36.0%	2.6%
Commodities	8.0%	3.0%
Absolute Return	10.0%	3.4%
Risk Parity	10.0%	3.8%
Infrastructure/MLPs	8.0%	4.8%
Real Estate	10.0%	3.6%
Alternative Investments	15.0%	6.2%
Cash	3.0%	0.6%
Financing (LIBOR)	<u>-20.0%</u>	1.1%
Total	<u>100.0%</u>	



## Ridgway Area School District

Notes to Financial Statements (continued)

June 30, 2018

### NOTE 10 – PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS) (continued)

#### Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that the contributions from plan members will be made at the current contribution rate and that the contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the School District's proportionate share of PSERS' net pension liability calculated using the discount rates described above, as well as what the School District's proportionate share of PSERS' net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	<u>1% Decrease</u> <u>(6.25%)</u>	<u>Current Discount</u> <u>Rate (7.25%)</u>	<u>1% Increase</u> <u>(8.25%)</u>
School District's Proportionate Share of PSERS' Net Pension Liability	<u>\$ 27,418,000</u>	<u>\$ 22,274,000</u>	<u>\$ 17,932,000</u>

#### Pension Plan Fiduciary Net Position

Detailed information about PSERS' fiduciary net position is available in the PSERS Comprehensive Annual Financial Report, which can be found on the PSERS website at [www.psers.pa.gov](http://www.psers.pa.gov).

### NOTE 11 – NET OPEB LIABILITY, OPEB EXPENSE, AND DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES RELATED TO OPEB

The School District maintains two separate OPEB plans – the Premium Assistance previously described in Note 10 and the School District's retiree plan described below. At June 30, 2018, the School District reported a net OPEB liability composed of the following:

School District's Proportionate Share of PSERS' Net OPEB Liability	\$ 919,000
School District's Total OPEB Liability for its Retiree Plan	<u>865,234</u>
Net OPEB Liability	<u>\$ 1,784,234</u>

PSERS' net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate PSERS' net OPEB liability was determined by rolling forward PSERS' total OPEB liability as of June 30, 2016 to June 30, 2017. The School District's retiree plan's total OPEB liability was measured as of July 1, 2017, and the total OPEB liability used to calculate the retiree plan's total OPEB liability was determined by rolling forward the retiree plan's total OPEB liability as of July 1, 2017 to June 30, 2018.

**Ridgway Area School District**

Notes to Financial Statements (continued)

June 30, 2018

**NOTE 11 – NET OPEB LIABILITY, OPEB EXPENSE, AND DEFERRED OUTFLOWS AND INFLOW OF RESOURCES RELATED TO OPEB (continued)**

For the year ended June 30, 2018, the School District recognized OPEB expense as follows:

OPEB Expense Related to PSERS	
Premium Assistance	\$ (16,000)
OPEB Expense Related to School	
District's Retiree Plan	<u>85,531</u>
Net OPEB Expense	<u>\$ 69,531</u>

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	PSERS Premium Assistance	School District's Retiree Plan	Total Deferred Outflows of Resources
<u>Deferred Outflows of Resources:</u>			
Net Difference between Projected and Actual Investment Earnings	\$ 1,000	\$	\$ 1,000
Changes in Assumptions		6,885	6,885
School District Contributions Subseq. to the Measurement Date	<u>46,752</u>	<u></u>	<u>46,752</u>
Total	<u>\$ 47,752</u>	<u>\$ 6,885</u>	<u>\$ 54,637</u>
	PSERS Premium Assistance	School District's Retiree Plan	Total Deferred Inflows of Resources
<u>Deferred Inflows of Resources:</u>			
Changes in Assumptions	\$ 42,000	\$ - 0 -	\$ 42,000
Changes in Proportion	<u>30,000</u>	<u>- 0 -</u>	<u>30,000</u>
Total	<u>\$ 72,000</u>	<u>\$ - 0 -</u>	<u>\$ 72,000</u>

\$46,752 reported as deferred outflows of resources resulting from the School District's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	PSERS Premium Assistance	School District's Retiree Plan	Total
<u>Year Ending June 30:</u>			
2018	\$ (12,000)	\$ 626	\$ (11,374)
2019	(12,000)	626	(11,374)
2020	(12,000)	626	(11,374)
2021	(12,000)	626	(11,374)
2022	(12,000)	626	(11,374)
Thereafter	<u>(11,000)</u>	<u>3,755</u>	<u>(7,245)</u>
Total	<u>\$ (71,000)</u>	<u>\$ 6,885</u>	<u>\$ (64,115)</u>

NOTE 11 – NET OPEB LIABILITY, OPEB EXPENSE, AND DEFERRED OUTFLOWS AND INFLOW OF RESOURCES RELATED TO OPEB (continued)

Additional Required Disclosures for PSERS Premium Assistance

*Actuarial Assumptions*

The total Premium Assistance OPEB liability as of June 30, 2017 was determined by rolling forward PSERS' total OPEB liability as of the June 30, 2016 actuarial valuation to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 3.13% - S&P 20-year Municipal Bond Rate
- Salary increases – Effective average of 5.00%, comprised of 2.75% for inflation and 2.25% for real wage growth and merit or seniority increases
- Premium Assistance reimbursement is capped at \$1,200 per year
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in Premium Assistance per year
- Mortality rates were based on the RP-2014 Mortality Tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale
- Participation rate –
  - Eligible retirees will elect to participate pre-age 65 at 50%
  - Eligible retirees will elect to participate post-age 65 at 70%.

*Changes in Assumptions*

The actuarial assumptions used in the June 30, 2015 valuation determined the contribution rate for fiscal year 2017. These assumptions included:

- Actuarial cost method – Amount necessary to assure solvency of the Premium Assistance through the third fiscal year after the valuation date
- Asset valuation method – market value
- Participation rate – 63% of eligible retirees were assumed to elect the Premium Assistance
- Mortality rates for healthy annuitants and dependent beneficiaries were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both males and females. For disabled annuitants, rates were based on the RP-2000 Combined Disabled Table with age set back 7 years for males and 3 years for females.

*Changes in Benefit Terms*

There were no changes in benefit terms for the Premium Assistance.

*OPEB Plan Investments*

Investments consist primarily of short-term assets designed to protect the principal of the plan assets. The expected rate of return on OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

## Ridgway Area School District

Notes to Financial Statements (continued)

June 30, 2018

### NOTE 11 – NET OPEB LIABILITY, OPEB EXPENSE, AND DEFERRED OUTFLOWS AND INFLOW OF RESOURCES RELATED TO OPEB (continued)

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS Board. Employer contribution rates are established to provide reserves in the Health Insurance Account that are sufficient for the payment of the Premium Assistance for each succeeding year. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Assets Class</u>	<u>Target Assistance</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	76.4%	0.6%
Fixed Income	<u>23.6%</u>	1.5%
	<u>100.0%</u>	

#### *Discount Rate*

The discount rate used to measure the total OPEB liability was 3.13%. Under the Premium Assistance plan's funding policy, contributions are structured for short-term funding of the Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of the Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of the Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments; therefore, the plan is considered a "pay-as-you-go" plan. A discount rate of 3.13%, which represents the S&P 20-year Municipal Bond Rate at June 30, 2017, was applied to all projected benefit payments to measure the total OPEB liability. This previous discount rate used as of June 30, 2016 was 2.71%.

#### *Sensitivity of the School District's Proportionate Share of PSERS' Net OPEB Liability to Changes in the Discount Rate*

The following presents the School District's proportionate share of PSERS' net OPEB liability calculated using the discount rates described above, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	<u>1% Decrease (2.13%)</u>	<u>Current Discount Rate (3.13%)</u>	<u>1% Increase (4.13%)</u>
School District's Proportionate Share of PSERS' Net OPEB Liability	<u>\$ 1,045,000</u>	<u>\$ 919,000</u>	<u>\$ 815,000</u>

## Ridgway Area School District

Notes to Financial Statements (continued)

June 30, 2018

### NOTE 11 – NET OPEB LIABILITY, OPEB EXPENSE, AND DEFERRED OUTFLOWS AND INFLOW OF RESOURCES RELATED TO OPEB (continued)

#### *Sensitivity of the School District's Proportionate Share of PSERS' Net OPEB Liability to Changes in the Healthcare Cost Trend Rates*

Healthcare cost trend rates were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2017, retirees' Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on the healthcare cost trends as depicted below.

The following presents the School District's proportionate share of PSERS' net OPEB liability calculated using current healthcare cost trend rates as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Trend</u>	<u>1% Increase</u>
School District's Proportionate Share of PSERS' Net OPEB Liability	\$ <u>919,000</u>	\$ <u>919,000</u>	\$ <u>919,000</u>

#### *OPEB Plan Fiduciary Net Position*

Detailed information about PSERS' fiduciary net position is available in the PSERS Comprehensive Annual Financial Report, which can be found on the PSERS website at [www.psers.pa.gov](http://www.psers.pa.gov).

### Additional Required Disclosures for the School District's Retiree Plan

#### *Plan Description*

Act 110-43 Benefit: All employees are eligible for this benefit upon retirement with 30 years of PSERS service or upon superannuation retirement. 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.

As July 1, 2017 the following members were covered by the benefit terms:

Active Member	117
Retired Members	<u>12</u>
	<u>129</u>

For the year ended June 30, 2018, the cost of the plan to the District was \$85,531.

## Ridgway Area School District

Notes to Financial Statements (continued)

June 30, 2018

### NOTE 11 – NET OPEB LIABILITY, OPEB EXPENSE, AND DEFERRED OUTFLOWS AND INFLOW OF RESOURCES RELATED TO OPEB (continued)

#### *Actuarial Assumptions*

The School District's OPEB plan liability was determined as of July 1, 2017 measurement date for fiscal year ending June 30, 2018 using the following actuarial assumptions:

- Actuarial Cost Method – Entry Age Normal.
- Discount Rate – 3.13% based on S&P Municipal Bond 20 year high grade rate index at 7/1/2017.
- Salary Increases – Composed of a 2.5% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75% to 0%.
- Withdrawal – Vary by age, gender and years of service.
- Mortality – Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation.
- Retirement – Assumed rates are based on PSERS plan experience and vary by age, service and gender.
- Participation Rate – 70% of eligible employees are assumed to elect coverage. 25% of employees are assumed to be married and have a spouse covered by the plan at retirement. Non-spouse dependents are deemed to be immaterial. Wives are assumed to be 2 years younger than their husbands.
- Per Capita Claims Cost – Based on the expected portion of the group's overall cost attributed to individuals in the specific age and gender brackets. Dental and vision costs are assumed to not vary with age or gender.
- Health Care Cost Trend Rate – 6.0% in 2017 and 5.5% in 2018 through 2023. Rates gradually decrease from 5.4% in 2024 to 3.9% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

#### *Changes in Assumptions*

- Discount Rate – Changed from 2.49% to 3.13%.
- Assumptions – The trend assumption was updated. Assumptions for salary, mortality withdrawal and retirement were updated based on new PSERS assumptions.
- Participation Rate – The percentage of employees electing coverage was lowered from 75% to 70%. The percent married at retirement was lowered from 30% to 25%.

#### *Changes in the Total OPEB Liability*

The changes in the total OPEB liability for the School District's retiree plan for the year ended June 30, 2018 were as follows:

Total OPEB Liability, July 1, 2017	\$ 824,227
Changes for the year:	
Service Cost	63,494
Interest on the Total OPEB Liability	21,411
Changes of Benefit Terms	- 0 -
Differences between Expected and Actual Experience	- 0 -
Changes of Assumptions	7,511
Benefit Payments	<u>(51,409)</u>
Total OPEB Liability, June 30, 2018	<u>\$ 865,234</u>

## Ridgway Area School District

Notes to Financial Statements (continued)

June 30, 2018

### NOTE 11 – NET OPEB LIABILITY, OPEB EXPENSE, AND DEFERRED OUTFLOWS AND INFLOW OF RESOURCES RELATED TO OPEB (continued)

#### *Sensitivity of the School District's Total OPEB Liability to Changes in the Discount Rate*

The following presents the School District's total OPEB liability calculated using the discount rate described above, as well as what the School District's total OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	<u>1% Decrease</u> <u>(2.13%)</u>	<u>Current Discount</u> <u>Rate (3.13%)</u>	<u>1% Increase</u> <u>(4.13%)</u>
School District's Total OPEB Liability	\$ <u>933,919</u>	\$ <u>865,234</u>	\$ <u>800,619</u>

#### *Sensitivity of the School District's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates*

The following presents the School District's total OPEB liability calculated using current healthcare cost trend rates as well as what the School District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Trend</u>	<u>1% Increase</u>
School District's Total OPEB Liability	\$ <u>761,691</u>	\$ <u>865,234</u>	\$ <u>989,071</u>

### NOTE 12 – 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, 2018

### NOTE 12 – 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>813,935</u>
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Total Committed Fund Balance on the Balance Sheet	<u>\$ 2,563,935</u>
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Assigned:

*General Fund:*

Completion of Roof Top Units/Security System and Entrance Upgrades	\$ 750,000
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Transfer to Capital Reserve Fund	<u>250,000</u>
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Total Assigned Fund Balance on the Balance Sheet	<u>\$ 1,000,000</u>
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### NOTE 13 – CONTRACTS, COMMITMENTS AND CONTINGENCIES

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.



## Ridgway Area School District

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Notes to Financial Statements (continued)

June 30, 2018

### NOTE 14 – 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.

#### 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**

## Schedule of Proportionate Share of Net Pension Liability (NPL)

Pennsylvania Public School Employees' Retirement System (PSERS)

Last 10 Fiscal Years\*

June 30, 2018

Plan Year Ended June 30	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
District's Proportion of NPL	0.0483%	0.0476%	0.0458%	0.0467%	0.0451%
District's Proportionate Share of NPL	\$ 19,772,000	\$ 18,840,000	\$ 19,839,000	\$ 23,143,000	\$ 22,274,000
District's Covered-Employee Payroll	6,198,973	6,071,248	5,889,647	6,044,399	6,002,535
District's Proportionate Share of NPL as a Percentage of its Covered-Employee Payroll	318.96%	310.32%	296.87%	382.88%	371.08%
Plan Fiduciary Net Position as a Percentage of the Total NPL	54.49%	57.24%	54.36%	50.14%	51.84%

\*-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 - PSERS Pension Plan

Last 10 Fiscal Years\*

June 30, 2018

School Year Ended June 30	2015	2016	2017	2018
Contractually Required Contribution	\$ 1,183,977	\$ 1,461,597	\$ 1,646,774	\$ 1,789,859
Contributions in Relation to the Contractually Required Contribution	1,183,977	1,461,597	1,646,774	1,789,859
Contribution Deficiency (Excess)	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ - 0 -
District's Covered-Employee Payroll	\$ 5,889,647	\$ 6,044,399	\$ 6,002,535	\$ 5,802,067
Contributions as a Percentage of Covered-Employee Payroll	20.10%	24.18%	27.43%	30.85%

\*-for those years that are available

The accompanying notes are an integral part of the financial statements

Ridgway Area School District

Schedule of Proportionate Share of PSERS' Net OPEB Liability (NOL)

Last 10 Fiscal Years\*

June 30, 2018

Plan Year Ended June 30	2016	2017
District's Proportion of NOL	0.0467%	0.0451%
District's Proportionate Share of NOL	\$ 1,006,000	\$ 919,000
District's Covered-Employee Payroll	\$ 6,004,399	\$ 6,002,535
District's Proportionate Share of NOL as a Percentage of its Covered-Employee Payroll	16.75%	15.31%
Plan Fiduciary Net Position as a Percentage of the Total NOL	5.47%	5.73%

\*-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 - PSERS OPEB

Last 10 Fiscal Years\*

June 30, 2018

School Year Ended June 30	2018
Contractually Required Contribution	\$ 46,752
Contributions in Relation to the Contractually Required Contributions	46,752
Contribution Deficiency (Excess)	- 0 -
District's Covered - Employee Payroll	\$ 5,802,067
Contributions as a Percentage of Covered - Employee Payroll	0.81%

\*-for those years that are available

The accompanying notes are an integral part of the financial statements

**Ridgway Area School District****Schedule of District Liability - District OPEB**

Last 10 Fiscal Years\*

June 30, 2018

Plan Year Ended June 30	2018
Service Cost	\$ 63,494
Interest	21,411
Changes of Benefit Terms	- 0 -
Differences between Expected and Actual Experience	- 0 -
Changes of Assumptions	7,511
Benefit Payments	(51,409)
Other Changes	- 0 -
Net Change	41,007
OPEB Liability - Beginning	824,227
OPEB Liability - Ending	<u>\$ 865,234</u>
Covered Employee Payroll	\$ 5,797,678
Total OPEB Liability as a % of Covered Employee Payroll	14.92%

\*-for those years that are available

The accompanying notes are an integral part of the financial statements

**Ridgway Area School District**

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Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2018

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**  
*Certified Public Accountants*

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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  
62 School Drive  
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, 2018, 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 27, 2019.

**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 27, 2019

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