



Ridgway Area School District

Financial Statements and
Required Supplementary Information

Year Ended June 30, 2019
with Independent Auditor's Reports

MaherDuessel

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RIDGWAY AREA SCHOOL DISTRICT

YEAR ENDED JUNE 30, 2019

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RIDGWAY AREA SCHOOL DISTRICT

YEAR ENDED JUNE 30, 2019

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Independent Auditor's Report

**Board of Directors
Ridgway Area
School District**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ridgway Area School District (School District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School District as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the pension, postemployment benefits other than pension benefits (OPEBs), and budgetary comparison information, on pages i through vi and 45 through 52, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2019 on our consideration of the 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 solely 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 effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Mahe Duessel

Pittsburgh, Pennsylvania
December 13, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2019. 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 (\$8,133,961) (net position).
- The School District's total net position decreased by \$309,579. The decrease is attributed to an increase in expenditures including pension and health insurance expenses.
- As of the close of the current year, the School District's governmental funds reported combined ending fund balance of \$4,635,645, a decrease of \$145,566 in comparison with the prior year. Approximately \$437,731, 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 \$437,731 or 3.2 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 1 - 3) 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, deferred outflows, liabilities, and deferred inflows, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

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

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

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

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

Because the focus on governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government-wide financial statements. By doing so, readers may better understand the long-term impact of the 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 4 - 7 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 8 - 10 of this report.

Fiduciary funds. The School District is the trustee, or fiduciary, for its student activity funds and various scholarship funds. All of the School District's fiduciary activities are reported on pages 11 - 12. 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 13 to 44 of this report.

Government-wide Financial Analysis

	Governmental Activities		Business-Type Activities		Total	
	2018	2019	2018	2019	2018	2019
Current and other assets	7,026,916	6,672,688	51,022	50,076	7,077,939	6,722,764
Capital assets	8,835,776	8,590,608	3,260	1,058	8,839,036	8,591,666
Total Assets	15,862,692	15,263,296	54,282	51,134	15,916,975	15,314,430
Deferred Outflows	3,431,496	2,627,242	0	0	3,431,496	2,627,242
Total Assets and Deferred Outflows	19,294,189	17,890,538	54,282	51,134	19,348,471	17,941,672
Long Term liabilities Outstanding	25,993,344	24,343,413	22,509	13,549	26,015,853	24,356,962
Deferred Inflows	1,157,000	1,718,671	0	0	1,157,000	1,718,671
Total Liabilities and Deferred Inflows	27,150,344	26,062,084	22,509	13,549	27,172,853	26,075,633
Net Position:						
Invested in capital assets, Net of related debt	8,835,766	8,590,608	3,260	1,058	8,839,036	8,591,666
Restricted						
Unrestricted	(16,691,931)	(16,762,154)	28,513	36,527	(16,663,418)	(16,725,627)
Total Net Position	(7,856,155)	(8,171,546)	31,773	37,585	(7,824,382)	(8,133,961)

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.

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 (\$16,762,154) primarily driven by the School District's proportionate share of the net pension and OPEB liability of the Public School Employees Retirement System (PSERS). The same situation was true for the prior fiscal year.

	Governmental		Business-Type			
	Activities		Activities		Total	
	2018	2019	2018	2019	2018	2019
Revenues:						
Program Revenues:						
Charges for service	21,852	36,459	190,836	172,225	212,688	208,684
Operating grants & contributions	3,061,497	3,415,409	317,310	254,725	3,378,807	3,670,134
Capital grants & Contributions						
General Revenues:						
Property Taxes	3,510,435	3,392,043			3,510,435	3,392,043
Other taxes (OA,P/C, EIT, OPT)	1,228,038	1,069,845			1,228,038	1,069,845
Basic Education	5,453,645	5,132,257			5,453,645	5,132,257
Interest earnings	63,804	89,073	72	0	63,876	89,073
Other	145,663	147,486	107,938	26,571	253,601	174,057
Total Revenues	13,484,934	13,282,572	616,156		14,101,090	13,736,093
Expenses:						
Unallocated Depreciation	5006	0			5,006	0
Instruction	8,624,339	8,888,572			8,624,339	8,888,572
Instructional Student support	1,088,181	1,101,632			1,088,181	1,101,632
Admin & financial Support services	1,333,602	1,177,052			1,333,602	1,177,052
Operation & maint. Of plant services	1,469,035	1,396,587			1,469,035	1,396,587
Pupil transportation	703,936	735,775			703,936	735,775
Student activities	251,644	214,346			251,644	214,346
Community services	11,790	12,763			11,790	12,763
Interest on long term debt	0	0			0	0
Other	65,650	44,665			65,650	44,665
Food service	107,938	26,571	603,097	447,709	711,035	474,280
Total Expenses	13,661,121	13,597,963	603,097	447,709	14,264,218	14,045,672
Increase (Decrease) in Net Position	(176,187)	(315,391)	13,059	5,812	(163,128)	(309,579)

Governmental activities. Governmental activities decreased the School District's net position by \$315,391, thereby resulting in a 4% decrease in net position of the School District. Key elements of this decrease are attributed to increases in expenditures.

Business-type activities. Business-type activities increased the School District's net position by \$5,812. The increase is due to the outsourcing of all cafeteria staff.

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 \$4,635,545, an decrease of \$145,566 in comparison to the prior year. Of this total amount, \$437,731 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 (\$1,500,000), 2) committed for future retirement costs (\$1,750,000).

The General Fund is the chief operating fund of the School District. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$437,731, while total fund balance reached \$3,687,731. 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 3.1 percent of total General Fund expenditures, while total fund balance represents 26.3 percent of that same amount.

The fund balance of the School District's General Fund decreased by \$279,445 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 \$37,585. The total increase in net position was \$5,812. Other factors concerning this fund have already been addressed in the discussion of the School District's business-type activities.

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 \$181,590 over budget.
- Actual costs were \$43,366 over 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, 2019, amounts to \$8,591,666 (net of related debt and accumulated depreciation).

This investment in capital assets includes land, buildings and improvements and machinery and equipment.

Economic Factors and Next Year's Budgets and Rates

The School District continues to monitor cost increases closely. The School District continues to battle with the increased costs of special education 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 School District. The School District has committed \$1,750,000 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. We are now experiencing a positive position on our portion of the Insurance consortium trust. This will help control our costs of premium increases in the coming 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.

With the successful negotiation of the outsourcing of our cafeteria operations, the School District contracted with Nutrition Inc. on January 1, 2019. This transition, while it had some growing pains and learning experiences, allowed the district to wrap up 2018/2019 with a loss before transfers of \$20,759 in the Proprietary fund. The projected loss for 2018/2019 was \$149,933, and historically has been close to \$100,000 annually for the last 5 years. This was a positive move for the School District, and we look to experience a net increase in 2019/2020.

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, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 181,196	\$ 43,422	\$ 224,618
Investments	5,089,544	-	5,089,544
Taxes receivable	748,757	-	748,757
Intergovernmental receivables	627,377	-	627,377
Other receivables	25,814	-	25,814
Inventories	-	6,654	6,654
Capital assets:			
Non-depreciable	112,436	-	112,436
Depreciable, net of accumulated depreciation	8,478,172	1,058	8,479,230
Total Assets	15,263,296	51,134	15,314,430
Deferred Outflows of Resources			
Deferred outflows of resources for pension	2,516,009	-	2,516,009
Deferred outflows of resources for OPEBs	111,233	-	111,233
Total Deferred Outflows of Resources	2,627,242	-	2,627,242
Liabilities			
Accounts payable	145,717	13,075	158,792
Accrued salaries and benefits	1,227,946	-	1,227,946
Student lunch advances	-	474	474
Noncurrent liabilities:			
Compensated absences	476,425	-	476,425
Net Pension liability	20,690,000	-	20,690,000
Net OPEB liability	1,803,325	-	1,803,325
Total Liabilities	24,343,413	13,549	24,356,962
Deferred Inflows of Resources			
Deferred inflows of resources for pension	1,617,000	-	1,617,000
Deferred inflows of resources for OPEBs	101,671	-	101,671
Total Deferred Inflows of Resources	1,718,671	-	1,718,671
Net Position			
Net investment in capital assets	8,590,608	1,058	8,591,666
Unrestricted	(16,762,154)	36,527	(16,725,627)
Total Net Position	\$ (8,171,546)	\$ 37,585	\$ (8,133,961)

The notes to basic financial statements are an integral part of this statement.

RIDGWAY AREA SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

Functions/Programs	Program Revenues				Net (Expense) Revenue and Change in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
Instructional services:							
Regular instruction	\$ 6,617,208	\$ -	\$ 1,489,686	\$ -	\$ (5,127,522)	\$ -	\$ (5,127,522)
Special instruction	2,264,902	-	1,055,764	-	(1,209,138)	-	(1,209,138)
Other instructional programs	6,462	-	1,182	-	(5,280)	-	(5,280)
Total instructional services	8,888,572	-	2,546,632	-	(6,341,940)	-	(6,341,940)
Support services:							
Pupil personnel	520,114	-	75,474	-	(444,640)	-	(444,640)
Instructional staff	367,283	-	30,889	-	(336,394)	-	(336,394)
Administration	825,059	-	115,152	-	(709,907)	-	(709,907)
Pupil health	214,235	-	26,386	-	(187,849)	-	(187,849)
Business	351,994	-	33,292	-	(318,702)	-	(318,702)
Operation and maintenance of plant services	1,396,587	-	152,241	-	(1,244,346)	-	(1,244,346)
Student transportation services	735,775	-	419,380	-	(316,395)	-	(316,395)
Other support services	44,665	-	-	-	(44,665)	-	(44,665)
Total support services	4,455,711	-	852,814	-	(3,602,897)	-	(3,602,897)
Noninstructional services:							
Student activities	214,346	36,459	15,963	-	(161,924)	-	(161,924)
Community services	12,763	-	-	-	(12,763)	-	(12,763)
Total noninstructional services	227,109	36,459	15,963	-	(174,687)	-	(174,687)
Total governmental activities	13,571,392	36,459	3,415,409	-	(10,119,524)	-	(10,119,524)

(Continued)

The notes to basic financial statements are an integral part of this statement.

RIDGWAY AREA SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

(Continued)

Functions/Programs	Program Revenues				Net (Expense) Revenue and Change in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Business-Type Activities:							
Food services	447,709	172,225	254,725	-	-	(20,759)	(20,759)
Total Primary Government	<u>\$ 14,019,101</u>	<u>\$ 208,684</u>	<u>\$ 3,670,134</u>	<u>\$ -</u>	<u>(10,119,524)</u>	<u>(20,759)</u>	<u>(10,140,283)</u>
General revenues:							
Taxes:							
Property taxes					3,392,043	-	3,392,043
Occupation assessment and per capita taxes					332,525	-	332,525
Earned income tax					536,329	-	536,329
Other taxes					200,991	-	200,991
Basic education					5,132,257	-	5,132,257
Investment earnings					89,073	-	89,073
Miscellaneous income					147,486	-	147,486
Transfers					(26,571)	26,571	-
Total general revenues and transfers					<u>9,804,133</u>	<u>26,571</u>	<u>9,830,704</u>
Change in Net Position					(315,391)	5,812	(309,579)
Net Position:							
Beginning of year					<u>(7,856,155)</u>	<u>31,773</u>	<u>(7,824,382)</u>
End of year					<u>\$ (8,171,546)</u>	<u>\$ 37,585</u>	<u>\$ (8,133,961)</u>
(Concluded)							

The notes to basic financial statements are an integral part of this statement.

RIDGWAY AREA SCHOOL DISTRICT

BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2019

	General Fund	Capital Reserve Fund	Total
Assets			
Cash and cash equivalents	\$ 181,196	\$ -	\$ 181,196
Investments	4,141,730	947,814	5,089,544
Taxes receivable, net	748,757	-	748,757
Intergovernmental receivables	627,377	-	627,377
Other receivables, net	25,814	-	25,814
Total Assets	\$ 5,724,874	\$ 947,814	\$ 6,672,688
Liabilities, Deferred Inflows of Resources, and Fund Balance			
Liabilities:			
Accounts payable	\$ 145,717	\$ -	\$ 145,717
Accrued salaries and benefits	1,227,946	-	1,227,946
Total Liabilities	1,373,663	-	1,373,663
Deferred Inflows of Resources:			
Unavailable revenue - taxes	663,480	-	663,480
Fund Balance:			
Committed	1,750,000	947,814	2,697,814
Assigned	1,500,000	-	1,500,000
Unassigned	437,731	-	437,731
Total Fund Balance	3,687,731	947,814	4,635,545
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 5,724,874	\$ 947,814	\$ 6,672,688

The notes to basic financial statements are an integral part of this statement.

RIDGWAY AREA SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

JUNE 30, 2019

Total Fund Balance - Governmental Funds			\$ 4,635,545
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 \$22,170,170 and the accumulated depreciation is \$13,579,562.			
			8,590,608
Delinquent taxes receivable will be collected next year, but are not considered available soon enough to pay for the current period's expenditures and, therefore, are unavailable in the funds.			
			663,480
Employee benefits, including compensated absences, pension, and other post-employment benefits are recorded on the fund financial statements when payment is due, whereas these amounts are recorded when the benefit is earned on the government-wide financial statements. These assets, deferred outflows of resources, (liabilities), and (deferred inflows of resources) at year-end consist of:			
	Net pension liability and related components	\$ (19,790,991)	
	Other post-employment benefits and related components	(1,793,763)	
	Compensated absences	(476,425)	(22,061,179)
Total Net Position - Governmental Activities			<u>\$ (8,171,546)</u>

The notes to basic financial statements are an integral part of this statement.

RIDGWAY AREA SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2019

	General Fund	Capital Reserve Fund	Total
Revenues:			
Local sources	\$ 5,284,004	\$ 7,558	\$ 5,291,562
State sources	8,181,448	-	8,181,448
Federal sources	66,788	-	66,788
Total revenues	<u>13,532,240</u>	<u>7,558</u>	<u>13,539,798</u>
Expenditures:			
Instructional services:			
Regular programs	6,575,131	-	6,575,131
Special programs	2,227,374	-	2,227,374
Other instructional programs	6,434	-	6,434
Support services:			
Pupil personnel	514,767	-	514,767
Instructional staff	360,473	-	360,473
Administration	904,948	-	904,948
Pupil health	211,457	-	211,457
Business office	345,994	-	345,994
Operation and maintenance of plant	1,409,483	-	1,409,483
Transportation	713,301	-	713,301
Other support services	43,301	-	43,301
Non-instructional services:			
Student activities	210,078	-	210,078
Community services	12,373	-	12,373
Facility Acquisition, Construcion and Improvmement Services	<u>-</u>	<u>123,679</u>	<u>123,679</u>
Total expenditures	<u>13,535,114</u>	<u>123,679</u>	<u>13,658,793</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,874)</u>	<u>(116,121)</u>	<u>(118,995)</u>
Other Financing Sources (Uses):			
Transfers out	(276,571)	-	(276,571)
Transfers in	<u>-</u>	<u>250,000</u>	<u>250,000</u>
Total other financing sources (uses)	<u>(276,571)</u>	<u>250,000</u>	<u>(26,571)</u>
Net Change in Fund Balance	<u>(279,445)</u>	<u>133,879</u>	<u>(145,566)</u>
Fund Balance:			
Beginning of year	<u>3,967,176</u>	<u>813,935</u>	<u>4,781,111</u>
End of year	<u><u>\$ 3,687,731</u></u>	<u><u>\$ 947,814</u></u>	<u><u>\$ 4,635,545</u></u>

The notes to basic financial statements are an integral part of this statement.

RIDGWAY AREA SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

Net Change in Fund Balance - Governmental Funds	\$	(145,566)
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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 and reported as depreciation expense. This is the difference between capital outlays and depreciation expense in the current period. In addition, the net effect of various transactions involving capital assets (i.e., sales, dispositions, trade-ins) is to decrease net position.

	Capital outlays	\$ 169,368	
	Less: depreciation expense	<u>(414,536)</u>	(245,168)

Some taxes will not be collected until after year-end; they are not considered "available" revenues in the governmental funds. Unavailable revenue changed by this amount during the year.

(257,226)

In the statement of activities, certain operating expenses (compensated absences, other postemployment benefits, and pension benefits) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used and/or funded. This amount represents the difference between the amount earned versus the amount used and/or funded.

332,569

Change in Net Position of Governmental Activities

\$ (315,391)

The notes to basic financial statements are an integral part of this statement.

RIDGWAY AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION PROPRIETARY FUND

JUNE 30, 2019

	Enterprise Fund Food Service
Assets:	
Current assets:	
Cash and cash equivalents	\$ 43,422
Inventories	6,654
Total current assets	50,076
Non-current assets:	
Machinery and equipment, net	1,058
Total Assets	51,134
Liabilities:	
Current liabilities:	
Accounts payable	13,075
Student lunch advances	474
Total Liabilities	13,549
Net Position:	
Net investment in capital assets	1,058
Unrestricted	36,527
Total Net Position	\$ 37,585

The notes to basic financial statements are an integral part of this statement.

RIDGWAY AREA SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUND

YEAR ENDED JUNE 30, 2019

	Enterprise Fund Food Service
Operating Revenues:	
Food service revenue	\$ 145,757
Special function sales	26,468
Total operating revenues	172,225
Operating Expenses:	
Salaries	79,644
Employee benefits	21,629
Food and supplies	94,873
Contracted services	232,502
Depreciation	2,202
Repairs and maintenance	16,859
Total operating expenses	447,709
Net Operating Income (Loss)	(275,484)
Non-Operating Revenues (Expenses):	
Local sources - earnings on investments	12
State sources	23,090
Federal sources	231,623
Total non-operating revenues (expenses)	254,725
Loss before transfers	(20,759)
Interfund Transfers:	
Transfer in	26,571
Change in Net Position	5,812
Net Position:	
Beginning of year	31,773
End of year	\$ 37,585

The notes to basic financial statements are an integral part of this statement.

RIDGWAY AREA SCHOOL DISTRICT

STATEMENT OF CASH FLOWS PROPRIETARY FUND

YEAR ENDED JUNE 30, 2019

	Enterprise Fund Food Service
Cash Flows From Operating Activities:	
Cash received from users	\$ 168,503
Cash payments to employees for services	(116,495)
Cash payments to suppliers for goods and services	(327,436)
Net cash provided by (used in) operating activities	(275,428)
Cash Flows From Noncapital Financing Activities:	
State subsidies	23,090
Federal subsidies	235,283
Transfer from general fund	26,571
Net cash provided by (used in) noncapital financing activities	284,944
Cash Flows From Investing Activities:	
Earnings on investments	12
Net Increase (Decrease) in Cash and Cash Equivalents	9,528
Cash and Cash Equivalents:	
Beginning of year	33,894
End of year	\$ 43,422
Reconciliation of Net Operating Loss to Net Cash Provided by (Used in) Operating Activities:	
Net operating income (loss)	\$ (275,484)
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	2,202
Change in:	
Accounts receivable	1,519
Inventories	5,295
Interfund receivables	1,271
Accounts payable	11,503
Student lunch advance	(5,241)
Compensated absences	(16,493)
Net cash provided by (used in) operating activities	\$ (275,428)
Non-Cash, Non-Capital Financing Transactions:	
The Food Service Fund received donated commodities from the Department Agriculture in the amount of \$23,136 during the year.	

The notes to basic financial statements are an integral part of this statement.

RIDGWAY AREA SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS

JUNE 30, 2019

	Scholarship Private-Purpose Trust Fund	Student Activity Agency Fund	Total Fiduciary Funds
Assets			
Cash and cash equivalents	\$ 5,336	\$ 82,393	\$ 87,729
Investments	-	20,812	20,812
Total Assets	<u>\$ 5,336</u>	<u>\$ 103,205</u>	<u>\$ 108,541</u>
Liabilities and Net Position			
Liabilities:			
Due to student groups	\$ -	\$ 103,205	103,205
Net Position:			
Restricted for scholarships	5,336	-	5,336
Total Liabilities and Net Position	<u>\$ 5,336</u>	<u>\$ 103,205</u>	<u>\$ 108,541</u>

The notes to basic financial statements are an integral part of this statement.

RIDGWAY AREA SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUND

YEAR ENDED JUNE 30, 2019

	Scholarship Private-Purpose Trust Fund
Additions:	
Interest earnings	\$ 272
Deductions:	
Scholarships and other disbursements	196
Change in Net Position	76
Net Position:	
Beginning of year	5,260
End of year	\$ 5,336

The notes to basic financial statements are an integral part of this statement.

RIDGWAY AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

1. Summary of Significant Accounting Policies

The financial statements are prepared in accordance with the accounting system and procedures prescribed for school districts by the Commonwealth of Pennsylvania, Department of Education, which conforms to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity

Ridgway Area School District (School District) is governed by an elected nine-member Board of Directors (Board). A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the School District, this includes general operations, capital reserve, food service, and student-related activities of the School District.

In evaluating the School District as a primary government, management has addressed all potential component units. Component units are to be included within the financial reporting entity of the School District based upon the significance of their operational or financial relationships with the School District. No potential component units meet the criteria for inclusion in the School District reporting entity.

Basic Financial Statements - Government-Wide Statements

The School District's basic financial statements include both government-wide (reporting the School District as a whole) and fund financial statements (reporting the School District's major funds). The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the School District. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the School District's enterprise fund. Separate financial statements are provided for

RIDGWAY AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Basic Financial Statements - Fund Financial Statements

The fund financial statements provide information about the School District's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The School District reports the following major governmental funds:

The *General Fund* is the School District's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The *Capital Reserve Fund* sets aside money for future major purchases and construction projects.

The School District reports the following major enterprise fund:

The *Food Service Fund* accounts for the revenues, food purchases, and other costs and expenses for providing meals to students and/or faculty.

RIDGWAY AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

Additionally, the School District reports the following fund types:

The *Scholarship Fund* was established to account for resources received for the purpose of issuing scholarships to students. All resources of the fund, including any earnings on invested resources, may be used for scholarships. There is no requirement that any portion of these resources be preserved as capital.

The *Student Activity Fund* represents the School District's student activity funds. These funds account for student activities in the high school and elementary school. They are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

During the course of operations, the School District has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds or advances to/from other funds. While these balances are reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured, such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

RIDGWAY AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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 revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are 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 School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences, post-employment healthcare benefits, pension obligations, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, intergovernmental revenues, investment income, rent, and certain miscellaneous revenues associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred, and all other eligibility requirements have been met. State and federal grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Scholarship and Student Activities funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The Student Activities Fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting of its assets and liabilities.

RIDGWAY AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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 a proprietary fund's principal ongoing operations. The principal operating revenues of the School District's proprietary fund are charges to customers for the sale of food. Operating expenses for its proprietary fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

For all financial statements, when both restricted and unrestricted resources are available for use, it is the School District's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and Cash Equivalents

The School District's cash and cash equivalents are considered to be cash on hand and short-term investments with original maturities of three months or less from the date of acquisition. The fair values of the funds approximate cost.

Intergovernmental Receivables

Amounts due from other governments represent receivables for state and federal funding, the majority of which is passed through the Pennsylvania Department of Education.

Fair Value Measurement

The School District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Currently, the School District does not have any investments which require categorization.

Inventory

Materials, supplies, and food commodities of the proprietary fund are recorded at the latest invoice cost and are subsequently charged to expenditures when consumed.

RIDGWAY AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods. The School District follows the purchase method of accounting for prepaid items and recognizes the expenditure at the time of purchase.

Capital Assets

Capital assets, which include property, plant, equipment, and land improvements, 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. Donated capital assets are recorded at estimated fair value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of governmental funds is included as part of the capitalized value of the assets constructed.

Land and construction in progress are not depreciated. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

School buildings	50 years
Building improvements	50 years
Land improvements	20 years
Vehicles	8 years
Equipment	10-20 years
Computer hardware and copiers	5 years

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future

RIDGWAY AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. In addition to deferred inflows related to pensions and OPEBS, as further described below, the School District has one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Deferred Inflows and Outflows of Resources Related to Pensions and OPEBS

In conjunction with pension and OPEB accounting requirements, differences 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 OPEBs on the government-wide financial statements. These amounts are determined based on actuarial valuations performed for each plan. Notes 6 through 8 present additional information about the School District's pension and OPEB plans.

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.

Postemployment Benefits

In the government-wide financial statements, long-term liabilities related to postemployment benefits, including pensions and health insurance, are calculated based on actuarial valuations as described in Notes 6 through 8.

RIDGWAY AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

Fund Balance

In the fund financial statements, governmental funds report fund balance in categories based on the level of restriction placed upon the funds. These levels are as follows:

Nonspendable – This category represents funds that are not in spendable form. The School District does not currently have nonspendable fund balance.

Restricted – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending that are legally enforceable by outside parties. The School District does not currently have restricted fund balance.

Committed – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending imposed by the Board. Such commitment is made via a Board resolution and must be made prior to the end of the fiscal year. Removal of this commitment requires a Board resolution. This category includes funds committed for future retirement contributions of the School District.

Assigned – This category represents intentions of the School District to use the funds for specific purposes. The Board delegates the authority to assign amounts to be used for specific purposes to the Business Manager. This authority is granted solely for the purpose of reporting these amounts in the annual financial statements. This category includes amounts set aside for future OPEB obligations, health insurance increases, the 2020 fiscal year budget, and capital and technology improvement costs.

Unassigned – This category represents all other funds not otherwise defined.

If funds are available in more than one fund balance level, the School District's policy is to use funds in the order of the most restrictive to the least restrictive.

Net Position

The government-wide and proprietary fund financial statements are required to report three components of net position:

Net investment in capital assets – This component of net position consists of capital assets net of accumulated depreciation and is reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of

RIDGWAY AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount is not included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflow of resources is included in the same net position component (restricted or unrestricted) as the unspent amount.

The government-wide and proprietary fund financial statements are required to report three components of net position:

Net investment in capital assets – This component of net position consists of capital assets net of accumulated depreciation and is reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount is not included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflow of resources is included in the same net position component (restricted or unrestricted) as the unspent amount.

Restricted – The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported. The School District does not currently have restricted net position.

Unrestricted – The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of “net investment in capital assets” or the “restricted” components of net position.

RIDGWAY AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

Budgets and Budgetary Accounting

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

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

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

Estimates

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

Adoption of Accounting Pronouncements

The following Governmental Accounting Standards Board (GASB) statements were adopted for the year ended June 30, 2019:

Statement Nos. 83 (Certain Asset Retirement Obligations) and 88 (Certain Debt Disclosures related to Debt, including Direct Borrowings and Direct Placements). These statements had no significant impact on the School District's financial statements for the year ended June 30, 2019.

RIDGWAY AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

Pending Pronouncements

GASB has issued statements that will become effective in future years including Statement Nos. 84 (Fiduciary Activities), 87 (Leases), 89 (Accounting for Interest Cost Incurred before the End of a Construction Period), 90 (Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61), and 91 (Conduit Debt Obligations). Management has not yet determined the impact of these statements on the financial statements.

2. Deposits and Investments

Under Section 440.1 of the Public School Code of 1949, as amended, the School District is permitted to invest funds consistent with sound business practices in the following types of investments:

Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth 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 or time deposits or share accounts of institutions insured by Federal Deposit Insurance Corporation (FDIC) to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral, as provided by law, is pledged by the depository.

In March 2016, Act 10 was passed, which expanded the scope of investment options available to school districts, including repurchase agreements, commercial paper, negotiable certificates of deposit, and bankers' acceptances. The School District elected to maintain its current investment policy due to the additional risk and oversight associated with the expanded investment options under Act 10.

The deposit and investment policy of the School District adheres to state statutes and prudent business practices. Deposits are either maintained in demand deposits or savings accounts, certificates of deposit, or cash equivalents held by a Trustee of the School District. There were no deposits or investments made during the year, which violated either the state statutes or the policy of the School District.

RIDGWAY AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

Throughout the year ended June 30, 2019, the School District invested its funds only in one or more of the above-authorized investments. At June 30, 2019, the School District's deposits and investments were as follows:

	Bank Balance		Carrying Amount
	Deposits	PLGIT	
General Fund	\$ 2,282,845	\$ 2,114,362	\$ 4,322,926
Capital Reserve Fund	947,814	-	947,814
Proprietary Fund	43,389	-	43,422
Scholarship Fund	5,336	-	5,336
Student Activity Fund	104,102	-	103,205
	<u>\$ 3,383,486</u>	<u>\$ 2,114,362</u>	<u>\$ 5,422,703</u>

Included within the deposits noted above are \$2,995,994 of certificates of deposits and money market funds, which are considered investments for presentation on the statement of net position, government funds balance sheet, and fiduciary net position.

The following is a description of the School District's deposit and investment risks:

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the School District'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. As of June 30, 2019, \$390,175 of the School District's bank balance was exposed to custodial credit risk, of which the entire amount is collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name.

Credit Risk. The risk that an issuer or another counterparty to an investment will not fulfill its obligations is called credit risk. The School District's policy in regard to credit risk authorizes the School District to make temporary investments of funds in U.S. Treasury Bills, to place such funds with institutions insured by the FDIC or the Federal Savings and Loan Insurance Corporation, or in certificates of deposits to the extent such certificates are secured by a proper bond or collateral. Investments in the Pennsylvania Local Government Investment Trust (PLGIT, described below) have received an AAAM rating from Standard & Poor's.

RIDGWAY AREA SCHOOL DISTRICT

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YEAR ENDED JUNE 30, 2019

Interest Rate Risk. The School District's policy in regard to interest rate risk places limits on investment maturities as a means of managing its exposure to fair value losses arising from changes to interest rates. All of the School District's investments in PLGIT (described below) have a maturity of less than one year.

Concentration of Credit Risk. The School District places no limit on the amount it may invest in any one issue.

The School District's investments in PLGIT cannot be classified by risk category because they are not evidenced by securities that exist in physical or book-entry form. The fair value of the School District's position in the external investment pool is the same as the value of the pool shares. All investments in an external investment pool that is not SEC-registered are subject to oversight by the Commonwealth of Pennsylvania.

The School District can withdraw funds from the external investment pools. However, there are certain limitations placed on these withdrawals. For PLGIT-Class and PLGIT-Prime accounts, there is a one-day holding period.

As of June 30, 2019, the entire PLGIT carrying balance of \$2,114,362 is considered to be an investment for presentation on the statement of net position and the governmental fund balance sheet.

3. Tax Revenue

Property Taxes

The municipal tax collectors bill and collect real estate taxes on behalf of the School District based upon assessed values provided by Elk County. The assessed value effective for the 2019 fiscal year was \$103,666,980 for Elk County. The School District's tax rate in the fiscal year 2019 was 36.6 mills on the value of real estate and 70 mills on the value of the oil/gas/mineral property. The tax calendar for real estate taxes levied for the fiscal year 2019 is as follows:

July 1	- tax levy date
Through August 31	- 2% discount period
Through October 31	- face payment period
Beginning November 1	- 10% penalty period
January 15	- lien filing date

RIDGWAY AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

Other Tax Revenues

In addition to real estate taxes, the School 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%

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

The amount reported for taxes receivable on the statement of net position is comprised of real estate taxes totaling \$411,694 along with other taxes receivable totaling \$337,063.

4. Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

RIDGWAY AREA SCHOOL DISTRICT

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YEAR ENDED JUNE 30, 2019

	Balance at July 1, 2018	Additions	Deletions/ Transfers	Balance at June 30, 2019
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 112,436	\$ -	\$ -	\$ 112,436
Total capital assets, not being depreciated	112,436	-	-	112,436
Capital assets, being depreciated:				
Land improvements	660,472	-	-	660,472
Building and improvements	18,757,140	48,690	-	18,805,830
Equipment	2,470,754	120,678	-	2,591,432
Total capital assets, being depreciated	21,888,366	169,368	-	22,057,734
Less: accumulated depreciation for:				
Land improvements	(607,537)	(5,006)	-	(612,543)
Building and improvements	(10,621,404)	(304,638)	-	(10,926,042)
Equipment	(1,936,085)	(104,892)	-	(2,040,977)
Total accumulated depreciation	(13,165,026)	(414,536)	-	(13,579,562)
Governmental activities, capital assets, net	\$ 8,835,776	\$ (245,168)	\$ -	\$ 8,590,608
	Balance at July 1, 2018	Additions	Deletions	Balance at June 30, 2019
Business-Type Activities:				
Equipment	\$ 368,440	\$ -	\$ -	\$ 368,440
Less: accumulated depreciation	365,180	2,202	-	367,382
Business-type activities capital assets, net	\$ 3,260	\$ (2,202)	\$ -	\$ 1,058

RIDGWAY AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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

Governmental Activities:

Instructional services	\$ 271,929
Support services	135,691
Non-instructional services	<u>6,916</u>
Total depreciation expense - governmental activities	<u>\$ 414,536</u>

Business-type activities:

Food services	<u>\$ 2,202</u>
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5. Long-Term Liabilities

Changes to the School District's long-term liabilities were as follows:

	Balance at July 1, 2018	Additions	Deletions	Balance at June 30, 2019	Due Within One Year
Net pension liability	\$ 22,274,000	\$ -	\$ (1,584,000)	\$ 20,690,000	\$ -
Other post-employment benefits	1,784,234	19,091	-	1,803,325	-
Compensated absences	<u>610,010</u>	<u>-</u>	<u>(133,585)</u>	<u>476,425</u>	<u>-</u>
Total long-term liabilities	<u>\$ 24,668,244</u>	<u>\$ 19,091</u>	<u>\$ (1,717,585)</u>	<u>\$ 22,969,750</u>	<u>\$ -</u>

6. 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 OPEB plan (Premium Assistance), 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.

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.

RIDGWAY AREA SCHOOL DISTRICT

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YEAR ENDED JUNE 30, 2019

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

- Have 24 ½ 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.

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. Detailed information about PSERS' fiduciary net position related to pension and OPEBs is available in the PSERS Comprehensive Annual Financial Report, which can be found on the PSERS website at www.psers.pa.gov.

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

RIDGWAY AREA SCHOOL DISTRICT

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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.

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 eligible out-of-pocket monthly health insurance premium. As of June 30, 2018, 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-C5.25%
 - Membership Class T-D6.50%
- Members who joined PSERS on or after July 22, 1983, and who were active or inactive as of July 1, 2001:
 - Membership Class T-C6.25%
 - Membership Class T-D7.50%

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- 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%.

Effective with Act 5, which was enacted 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.

Employer Contributions

The School District's contractually required PSERS contribution rate for fiscal year ended June 30, 2019 was 33.43% 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 32.60% rate for the Pension Plan and a 0.83% rate for the Premium Assistance.

The combined rate for the fiscal year ended June 30, 2019, was an increase from the fiscal year ended June 30, 2018 combined rate of 32.57%. The combined contribution rate will increase to 34.29% in the fiscal year 2020 and is projected to grow to 36.30% by the fiscal year 2024.

The School District remits contributions to PSERS on a quarterly basis. Approximately \$523,654 is owed to PSERS as of June 30, 2019, 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, 2019, were as follows:

RIDGWAY AREA SCHOOL DISTRICT

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Pension Plan	\$ 1,705,009
Premium Assistance	<u>43,410</u>
Total	<u><u>\$ 1,748,419</u></u>

In accordance with Act 29, the Commonwealth of Pennsylvania reimburses school districts for approximately one-half of contributions made to PSERS. The School District recorded reimbursements from the Commonwealth, approximating \$1.3 million during the current year. Because the Commonwealth payments are received as reimbursements 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, 2018 (measurement date), the School District's proportion was 0.0431%, which was a decrease of 0.0020% from its proportion measured as of June 30, 2017.

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

At June 30, 2019, the School District reported a liability of \$20,690,000 for its proportionate share of PSERS' net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017 to June 30, 2018.

For the year ended June 30, 2019, the School District recognized pension expense of \$1,513,859.

At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

RIDGWAY AREA SCHOOL DISTRICT

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 167,000	\$ 320,000
Changes in assumptions	386,000	-
Net difference between projected and actual earnings on pension plan investments	101,000	-
Changes in proportion	157,000	1,297,000
School District contributions subsequent to the measurement date	1,705,009	-
Total	<u>\$ 2,516,009</u>	<u>\$ 1,617,000</u>

\$1,705,009 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2020	\$ (41,000)
2021	(80,000)
2022	(607,000)
2023	<u>(78,000)</u>
Total	<u>\$ (806,000)</u>

Actuarial Assumptions

The following methods and assumptions were used in the actuarial valuation for the June 30, 2018 measurement date:

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 7.25%, includes inflation at 2.75%
- Salary growth – Effective average of 5.00%, comprised of 2.75% for inflation and 2.25% for real wage growth and merit or seniority increases

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- 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.
- Experience study – July 1, 2010 through June 30, 2015

Changes in Assumptions

There were no changes in assumptions for the June 30, 2018 valuation.

Changes in Benefit Terms

There were no changes in benefit terms for the June 30, 2018 valuation.

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 geometric real rates of return for each major asset class are summarized in the following table:

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NOTES TO FINANCIAL STATEMENTS

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public entity	20.0%	5.2%
Fixed income	36.0%	2.2%
Commodities	8.0%	3.2%
Absolute return	10.0%	3.5%
Risk parity	10.0%	3.9%
Infrastructure/MLPs	8.0%	5.2%
Real estate	10.0%	4.2%
Alternative investments	15.0%	6.7%
Cash	3.0%	0.4%
Financing (LIBOR)	-20.0%	0.9%
	<u>100.0%</u>	

For PSERS' year ended June 30, 2018, the annual money-weighted rate of return on the pension plan investments, net of pension plan investment expenses, was 9.30%.

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 rate 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:

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	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
School District's proportionate share of PSERS' net pension liability	<u>\$ 25,647,000</u>	<u>\$ 20,690,000</u>	<u>\$ 16,499,000</u>

8. 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 7 and the School District's retiree plan (retiree plan) described below. At June 30, 2019, the School District reported a net OPEB liability composed of the following:

School District's proportionate share of PSERS' net OPEB liability	\$ 899,000
School District's total OPEB liability for its retiree plan	<u>904,325</u>
Net OPEB liability	<u>\$ 1,803,325</u>

PSERS' net OPEB liability was measured as of June 30, 2018, 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, 2017 to June 30, 2018. 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, 2019.

For the year ended June 30, 2019, the School District recognized OPEB expense as follows:

OPEB expense related to PSERS	
Premium Assistance	\$ 28,752
OPEB expense related to School District's retiree plan	<u>90,704</u>
Total OPEB expense	<u>\$ 119,456</u>

RIDGWAY AREA SCHOOL DISTRICT

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At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Outflows of Resources:	PSERS Premium Assistance	School District's Retiree Plan	Total Deferred Outflows of Resources
Differences between expected and actual experience	\$ 6,000	\$ -	\$ 6,000
Changes in assumptions	14,000	6,259	20,259
Net difference between projected and actual earnings on OPEB plan investments	2,000	-	2,000
Changes in proportion	-	-	-
School District contributions subsequent to the measurement date	43,410	39,564	82,974
Total	<u>\$ 65,410</u>	<u>\$ 45,823</u>	<u>\$ 111,233</u>
Deferred Inflows of Resources:	PSERS Premium Assistance	School District's Retiree Plan	Total Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -	\$ -
Changes in assumptions	34,000	6,671	40,671
Net difference between projected and actual earnings on OPEB plan investments	-	-	-
Changes in proportion	61,000	-	61,000
Total	<u>\$ 95,000</u>	<u>\$ 6,671</u>	<u>\$ 101,671</u>

RIDGWAY AREA SCHOOL DISTRICT

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\$43,410 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>PSERS Premium Assistance</u>	<u>School District's Retiree Plan</u>	<u>Total</u>
2020	\$ (14,000)	\$ 20	\$ (13,980)
2021	(14,000)	20	(13,980)
2022	(14,000)	20	(13,980)
2023	(15,000)	20	(14,980)
2024	(16,000)	20	(15,980)
Thereafter	-	(512)	(512)
Total	<u>\$ (73,000)</u>	<u>\$ (412)</u>	<u>\$ (73,412)</u>

Additional Required Disclosures for PSERS Premium Assistance

Actuarial Assumptions

The following methods and assumptions were used in the actuarial valuation for the June 30, 2018 measurement date:

- Actuarial Investment return – 2.98% - 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
- Experience study – July 1, 2010 through June 30, 2015
- Participation rate –
 - Eligible retirees will elect to participate pre-age 65 at 50%
 - Eligible retirees will elect to participate post-age 65 at 70%.

RIDGWAY AREA SCHOOL DISTRICT

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Changes in Assumptions

The discount rate decreased from 3.13% to 2.98% for the June 30, 2018 valuation.

Changes in Benefit Terms

There were no changes in benefit terms for the June 30, 2018 valuation.

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.

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>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.9%	0.03%
US Core Fixed Income	92.8%	1.2%
Non-US Developed Fixed	1.3%	0.04%
	<u>100.0%</u>	

For PSERS' year ended June 30, 2018, the annual money-weighted rate of return on the Premium Assistance plan investments, net of plan investment expenses, was 1.63%.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.98%. 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 the

RIDGWAY AREA SCHOOL DISTRICT

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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 2.98%, which represents the S&P 20-year Municipal Bond Rate at June 30, 2018, was applied to all projected benefit payments to measure the total OPEB liability.

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:

	1% Decrease (1.98%)	Current Discount Rate (2.98%)	1% Increase (3.98%)
School District's proportionate share of PSERS' net OPEB liability	\$ 1,022,000	\$ 899,000	\$ 796,000

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, 2018, 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 healthcare cost trends, as depicted below.

RIDGWAY AREA SCHOOL DISTRICT

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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>\$ 898,000</u>	<u>\$ 899,000</u>	<u>\$ 899,000</u>

Additional Required Disclosures for the School District's Retiree Plan

Plan Description

The School District administers a single-employer defined benefit healthcare plan to provide additional postemployment benefits to eligible retirees (retiree plan). The School District has not accumulated assets for the retiree plan in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided

The benefit limits and employee and employer contributions are established through employee contracts and past practices. Details of the benefits provided are as follows:

Eligibility: All employees are eligible for this benefit upon retirement with 30 years of PSERS service or upon superannuation retirement.

Coverage: 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. Coverage is paid entirely by the employee.

Contributions: In order to obtain coverage, retired employees must provide payment equal to the premium determined for the purpose of COBRA.

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At July 1, 2017, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefit payments	12
Active employees	<u>117</u>
	<u><u>129</u></u>

Actuarial Assumptions

The total OPEB liability was determined as of the July 1, 2017 actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal
- Discount rate – 2.98%, based on S&P Municipal Bond 20-Year High Grade Rate Index
- 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 0% to 2.75%
- Assumed healthcare cost trends: 5.5% in 2019 through 2021. Rates gradually decrease from 5.4% in 2022 to 3.8% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model
- Mortality – Buck Modified 2016 projection scale
- Participation rates – 70% of employees are assumed to elect coverage. Spouses paying the full premium are assumed to cease coverage upon attainment of Medicare age.

Changes in Assumptions

The discount rate changed from 3.13% to 2.98%. The trend assumption was updated.

Changes in Benefit Terms

None noted

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, 2019 were as follows:

RIDGWAY AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

Total OPEB liability, July 1, 2018	\$	865,234
Changes for the year:		
Service cost		62,400
Interest on the total OPEB liability		28,284
Changes of benefit terms		-
Differences between expected and actual experience		-
Changes of assumptions		(7,277)
Benefit payments		(44,316)
Total OPEB liability, June 30, 2019	\$	<u>904,325</u>

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:

	1% Decrease (1.98%)	Current Discount Rate (2.98%)	1% Increase (3.98%)
School District's total OPEB liability	\$ <u>975,128</u>	\$ <u>904,325</u>	\$ <u>837,514</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:

	1% Decrease	Current Trend	1% Increase
School District's total OPEB liability	\$ <u>788,832</u>	\$ <u>904,325</u>	\$ <u>1,042,921</u>

RIDGWAY AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

9. Commitments and Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the state and federal governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the School District expects such amounts, if any, to be immaterial.

The School District maintains insurance through independent insurance carriers for all types of business losses. Settlement claims for these risks have not materially exceeded commercial insurance coverage for the past three years. Management believes the insurance coverage is sufficient to cover the School District against potential losses.

10. Health Consortium

The School District participants in a multiple employer trust for self-insuring hospitalization expenses. The insurance trust is a public entity risk pool operated for the benefit of individual governmental units located within the Seneca Highlands Intermediate Unit Nine. The plan provides health coverage for its members and all claims are paid from the total premiums contributed by the members of the consortium. The trust makes monthly premium payments to its program administrator who pays claims submitted. Monthly premiums are based on claims paid experience provided by the administrator, plus a premium stabilization. Excess claims over premiums are funded from the insurance trust's reserve, while premiums in excess of the claims are refunded to the insurance trust. The School District paid approximately \$1.9 million to the trust during fiscal year 2019.

**REQUIRED SUPPLEMENTARY
INFORMATION**

RIDGWAY AREA SCHOOL DISTRICT

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF PSERS' NET PENSION LIABILITY

Last 10 Fiscal Years¹

	<u>2019</u>		<u>2018</u>		<u>2017</u>		<u>2016</u>		<u>2015</u>
School District's proportion of PSERS' net pension liability	0.0431%		0.0451%		0.0467%		0.0458%		0.0476%
School District's proportionate share of PSERS' net pension liability	\$ 20,690,000	\$	22,274,000	\$	23,143,000	\$	19,839,000	\$	18,840,000
School District's covered payroll	\$ 5,802,067	\$	6,002,535	\$	6,044,399	\$	5,889,647	\$	6,071,248
School District's proportionate share of PSERS' net pension liability as a percentage of its covered payroll	356.5971%		371.0766%		382.8834%		336.8453%		310.3151%
PSERS' plan fiduciary net position as a percentage of PSERS' total pension liability	54.00%		51.84%		50.14%		54.36%		57.24%

¹ The amounts presented for each fiscal year were determined as of the measurement date, which is June 30 of the immediately preceding fiscal year. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the School District is presenting information for those years only for which information is available.

SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS TO THE PSERS PENSION PLAN

Last 10 Fiscal Years²

	<u>2019</u>		<u>2018</u>		<u>2017</u>		<u>2016</u>		<u>2015</u>
Contributions recognized by PSERS	\$ 1,705,009	\$	1,789,859	\$	1,646,774	\$	1,461,597	\$	1,183,977
School District's covered payroll	\$ 5,707,716	\$	5,802,067	\$	6,002,535	\$	6,044,399	\$	5,889,647
Contributions as a percentage of covered payroll	29.87%		30.85%		27.43%		24.18%		20.10%

² The amounts presented for each fiscal year were determined as of the fiscal year-end date. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the School District is presenting information for those years only for which information is available.

See accompanying notes to schedules of required supplementary information.

RIDGWAY AREA SCHOOL DISTRICT

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF PSERS' NET OPEB LIABILITY

Last 10 Fiscal Years¹

	<u>2019</u>	<u>2018</u>
School District's proportion of PSERS' net OPEB liability	0.0431%	0.0451%
School District's proportionate share of PSERS' net OPEB liability	\$ 899,000	\$ 919,000
School District's covered payroll	\$ 5,802,067	\$ 6,002,535
School District's proportionate share of PSERS' net OPEB liability as a percentage of its covered payroll	15.4945%	15.3102%
PSERS' plan fiduciary net position as a percentage of PSERS' total OPEB liability	5.56%	5.73%

¹ The amounts presented for each fiscal year were determined as of the measurement date, which is June 30 of the immediately preceding fiscal year. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the School District is presenting information for those years only for which information is available.

SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS TO THE PSERS PREMIUM ASSISTANCE

Last 10 Fiscal Years²

	<u>2019</u>	<u>2018</u>
Contributions recognized by PSERS	\$ 43,410	\$ 46,752
School District's covered payroll	\$ 5,707,716	\$ 5,802,067
Contributions as a percentage of covered payroll	0.76%	0.81%

² The amounts presented for each fiscal year were determined as of the fiscal year-end date. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the School District is presenting information for those years only for which information is available.

See accompanying notes to schedules of required supplementary information.

RIDGWAY AREA SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE SCHOOL DISTRICT'S TOTAL OPEB LIABILITY FOR ITS RETIREE PLAN

Last 10 Fiscal Years¹

	<u>2019</u>	<u>2018</u>
Total OPEB Liability:		
Service cost	\$ 62,400	\$ 63,494
Interest	28,284	21,411
Changes of benefit terms	-	-
Differences between actual and expected experience	-	-
Changes of assumptions	(7,277)	7,511
Benefit payments	<u>(44,316)</u>	<u>(51,409)</u>
Net Changes in Total OPEB Liability	39,091	41,007
Total OPEB Liability - Beginning	<u>865,234</u>	<u>824,227</u>
Total OPEB Liability - Ending	<u><u>\$ 904,325</u></u>	<u><u>\$ 865,234</u></u>

¹ The amounts presented for each fiscal year were determined as of the fiscal year-end date. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the School District is presenting information for those years only for which information is available.

See accompanying notes to schedules of required supplementary information.

RIDGWAY AREA SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND

YEAR ENDED JUNE 30, 2019

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes:				
Real estate tax	\$ 3,510,000	\$ 3,510,000	\$ 3,470,797	\$ (39,203)
Public utility realty tax	6,000	6,000	4,610	(1,390)
Per capita tax - Sec 679	18,000	18,000	23,330	5,330
Per capita tax - Act 511	18,000	18,000	23,330	5,330
Earned income tax	600,000	600,000	683,587	83,587
Occupation tax	280,000	280,000	317,079	37,079
Local services tax	15,000	15,000	17,243	2,243
Real estate transfer tax	45,000	45,000	64,909	19,909
Payment in lieu of taxes	165,000	165,000	114,229	(50,771)
Total taxes	4,657,000	4,657,000	4,719,114	62,114
Local sources:				
Interest income	25,000	25,000	81,515	56,515
Athletics and other fees	24,000	24,000	36,459	12,459
Revenue from Riverview I.U. #6:				
IDEA - federal funds	230,000	230,000	299,430	69,430
Contributions from private sources	1,500	1,500	15,546	14,046
Other local sources	44,000	44,000	131,940	87,940
Total local sources	324,500	324,500	564,890	240,390
State sources:				
Basic instructional subsidy	5,093,323	5,093,323	5,132,257	38,934
Tuition-court placed/institutional children	8,000	8,000	-	(8,000)
Special education	646,204	646,204	651,453	5,249
Transportation	450,000	450,000	419,380	(30,620)
Medical and Nurse Services	20,000	20,000	-	(20,000)
School safety and security	-	-	25,000	25,000
Property tax reduction	352,396	352,396	352,377	(19)
Ready to Learn Grant	165,000	165,000	159,261	(5,739)
Social Security tax reimbursement	231,172	231,172	161,858	(69,314)
Retirement reimbursement	1,102,055	1,102,055	1,279,862	177,807
Total state sources	8,068,150	8,068,150	8,181,448	113,298
Federal sources:				
Education of disadvantaged children	120,000	120,000	-	(120,000)
Medical Assistance - Access	30,000	30,000	65,000	35,000
Medical Assistance - adm. Reimb.	1,000	1,000	1,788	788
Other grants	150,000	150,000	-	(150,000)
Total federal sources	301,000	301,000	66,788	(234,212)
Total revenues	13,350,650	13,350,650	13,532,240	181,590

(Continued)

See accompanying notes to required supplementary information.

RIDGWAY AREA SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND

YEAR ENDED JUNE 30, 2019
(Continued)

	Budget		Actual	Variance with Final Budget
	Original	Final		
Expenditures:				
Instruction:				
Regular programs	6,791,414	6,791,414	6,575,131	216,283
Special programs	1,763,534	1,763,534	2,227,374	(463,840)
Other instructional programs	12,313	12,313	6,434	5,879
Community/Jr. College Educ. programs	500	500	-	500
Total instruction	<u>8,567,261</u>	<u>8,567,761</u>	<u>8,808,939</u>	<u>(241,178)</u>
Support services:				
Pupil personnel	541,478	541,478	514,767	26,711
Instructional staff	439,281	439,281	360,473	78,808
Administration	914,922	914,922	904,948	9,974
Pupil health	198,090	198,090	211,457	(13,367)
Business office	316,312	316,312	345,994	(29,682)
Operation and maint. of plant	1,328,272	1,328,272	1,409,483	(81,211)
Transportation	650,000	650,000	713,301	(63,301)
Other support services	43,650	43,650	43,301	349
Total support services	<u>4,432,005</u>	<u>4,432,005</u>	<u>4,503,724</u>	<u>(71,719)</u>
Non-instructional services:				
Student activities	211,689	211,689	210,078	1,611
Community services	12,201	12,201	12,373	(172)
Total non-instructional services	<u>223,890</u>	<u>223,890</u>	<u>222,451</u>	<u>1,439</u>
Total expenditures	<u>13,223,156</u>	<u>13,223,656</u>	<u>13,535,114</u>	<u>(311,458)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>127,494</u>	<u>126,994</u>	<u>(2,874)</u>	<u>493,048</u>
Other Financing Sources (Uses):				
Transfers out	(399,933)	(399,933)	(276,571)	(123,362)
Budgetary reserve	(144,730)	(144,730)	-	(144,730)
Total Other Financing Sources (Uses)	<u>(544,663)</u>	<u>(544,663)</u>	<u>(276,571)</u>	<u>(268,092)</u>
Net Change in Fund Balance	<u>\$ (417,169)</u>	<u>\$ (417,669)</u>	<u>(279,445)</u>	<u>\$ 224,956</u>
Fund Balance - Beginning of Year			<u>3,967,176</u>	
Fund Balance - End of Year			<u>\$ 3,687,731</u>	

(Concluded)

See accompanying notes to required supplementary information.

RIDGWAY AREA SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2019

1. Budgetary Data

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund. All annual appropriations lapse at year-end.

2. Factors and Trends in Actuarial Assumptions Used Under GASB Statement No. 68 for the PSERS Pension Plan

Actuarial Date/ Measurement Date	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013
School District Fiscal Year	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Discount Rate	7.25%	7.25%	7.25%	7.50%	7.50%	N/A
Salary Increases	5.00%	5.00%	5.00%	5.50%	5.50%	N/A
Mortality	RP-2014, Scale MP-2015	RP-2014, Scale MP-2015	RP-2014, Scale MP-2015	RP-2000	RP-2000	N/A
Changes in Benefits	None	Vested Class T-E and T-F members can withdraw their accumulated contributions and interest	None	None	None	N/A
Actuarially Calculated Contribution Rate from Actuarial Date Shown Above	33.36%	32.60%	31.74%	29.20%	25.00%	20.50%
Fiscal Year in Which Actuarially Calculated Contribution Rate Is Applied	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015

RIDGWAY AREA SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2019

N/A – Years pre-date required implementation date of GASB Statement No. 68; thus, actuarial valuation assumptions for these years are not presented.

3. Factors and Trends in Actuarial Assumptions Used Under GASB Statement No. 75 for the PSERS Premium Assistance (OPEBs)

Actuarial Date/ Measurement Date	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013
School District Fiscal Year	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Discount Rate	2.98%	3.13%	N/A	N/A	N/A	N/A
Salary Increases	5.00%	5.00%	N/A	N/A	N/A	N/A
Mortality	RP-2014, Scale MP-2015	RP-2014, Scale MP-2015	N/A	N/A	N/A	N/A
Changes in Benefits	None	Vested Class T-E and T-F members can withdraw their accumulated contributions and interest	N/A	N/A	N/A	N/A
Actuarially Calculated Contribution Rate from Actuarial Date Shown Above	0.84%	0.83%	0.83%	N/A	N/A	N/A
Fiscal Year in Which Actuarially Calculated Contribution Rate Is Applied	6/30/2020	6/30/2019	6/30/2018	N/A	N/A	N/A

N/A – Years pre-date required implementation date of GASB Statement No. 75; thus, actuarial valuation assumptions for these years are not presented.

RIDGWAY AREA SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2019

4. Factors and Trends in Actuarial Assumptions Used Under GASB Statement No. 75 for the Retiree OPEB Plan

The retiree plan is not administered through a trust and assets are not accumulated in a trust to pay related benefits.

Actuarial Date	6/30/2017	6/30/2017				
Measurement Date	6/30/2019	6/30/2018				
School District Fiscal Year	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Discount Rate	S&P Municipal Bond 20-Year High Grade Rate Index – 2.98%	S&P Municipal Bond 20-Year High Grade Rate Index – 2.98%	N/A	N/A	N/A	N/A
Salary Increases	2.5% cost of living adjustment, 1% real wage growth, and merit increases for teachers and administrators varying by age from 0-2.75%	2.5% cost of living adjustment, 1% real wage growth, and merit increases for teachers and administrators varying by age from 0-2.75%	N/A	N/A	N/A	N/A
Mortality	Buck Modified 2016 projection scale	Buck Modified 2016 projection scale	N/A	N/A	N/A	N/A
Assumed Healthcare Trend Rates	5.5% in 2019 – 2021. Rates gradually decrease from 5.4% in 2022 to 3.8% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model	6.0% in 2018 and 5.5% in 2019 – 2021. Rates gradually decrease from 5.4% in 2022 to 3.8% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model	N/A	N/A	N/A	N/A
Changes in Benefits	None	None	N/A	N/A	N/A	N/A

N/A – Years pre-date required implementation date of GASB Statement No. 75; thus, actuarial valuation assumptions for these years are not presented.

Ridgway Area School District

Independent Auditor's Report in Accordance with *Government Auditing Standards*

Year Ended June 30, 2019

**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**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ridgway Area School District (School District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated December 13, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or 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.

Board of Directors
Ridgway Area School District
Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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.

Mahe Duessel

Pittsburgh, Pennsylvania
December 13, 2019