

AUDIT REPORT
of
RIDGWAY AREA SCHOOL DISTRICT

Ridgway, Pennsylvania

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

For the Year Ended June 30, 2014

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INDEPENDENT AUDITOR'S REPORT

William L. Mauthe, CPA
(Retired/Inactive)

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

Members of the Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of Ridgway Area School District, Ridgway, PA as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activity, each major fund, and the aggregate remaining fund information of Ridgway Area School District, Ridgway, PA, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

MEMBER:

*American Institute of Certified Public Accountants
Pennsylvania Institute of Certified Public Accountants*

Other Matters**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.


Other Information

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

The supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 11, 2015, on our consideration of Ridgway Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Ridgway Area School District's internal control over financial reporting and compliance.


Mauthe, Yutzey, Gabler & Troxell, LLC
Certified Public Accountants
May 11, 2015

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, 2014. 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 exceeded its liabilities at the close of the most recent fiscal year by \$13,218,421 (net position). Of this amount, \$5,146,892 (unrestricted) may be used to meet the government's ongoing obligations to citizens and creditors.
- The School District's total net position increased by \$197,064. The increase is attributed to an increase in revenues.
- As of the close of the current year, the School District's governmental funds reported combined ending fund balance of \$5,551,343, an increase of \$282,644 in comparison with the prior year. Approximately \$1,935,108 is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,935,108 or 16.6 percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are 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 13 -16) are designed to provide readers with a broad overview of the School District's finances, in a manner similar to a private-sector business.

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

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

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

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

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

Because the focus on governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government-wide financial statements. By doing so, readers may better understand the long-term impact of the 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 17 - 24 of this report.

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

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

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

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

Notes to the financial statement. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31 to 43 of this report.

Government-wide Financial Analysis

	Governmental Activities		Business-Type Activities		Total	
	2013	2014	2013	2014	2013	2014
Current and other assets	6,676,124	7,141,991	80,860	78,932	6,756,984	7,220,923
Capital assets	8,140,482	8,047,816	31,085	23,714	8,171,567	8,071,530
Total Assets	14,816,606	15,189,807	111,945	102,646	14,928,551	15,292,453
Deferred Outflows	119,998	0	0	0	119,998	0
Total Assets and Deferred Outflows	14,936,604	15,189,807	111,945	102,646	15,048,549	15,292,453
Long Term liabilities Outstanding	1,047,546	1,054,227	20,732	21,288	1,068,278	1,075,515
Other liabilities	983,954	997,181	(25,040)	1,336	958,914	998,517
Total Liabilities	2,031,500	2,051,408	(4,308)	22,624	2,027,192	2,074,032
Net Position:						
Invested in capital assets, Net of related debt	8,140,482	8,047,815	31,085	23,714	8,171,567	8,071,529
Restricted	-	-	-	-	-	-
Unrestricted	4,764,622	5,090,584	85,168	56,308	4,849,790	5,146,892
Total Net Position	12,905,104	13,138,399	116,253	80,022	13,021,357	13,218,421

A portion of the School District's net position (61%) 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 is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

	Governmental		Business-Type		Total	
	Activities		Activities			
	2013	2014	2013	2014	2013	2014
Revenues:						
Program Revenues:						
Charges for service	20,442	41,916	218,836	220,905	239,278	262,821
Operating grants & contributions	2,289,221	2,343,611	282,733	301,594	2,571,954	2,645,205
Capital grants & Contributions	0	0			0	0
General Revenues:						
Property Taxes	3,147,012	3,048,120			3,147,012	3,048,120
Other taxes (OA,P/C, EIT, OPT)	1,221,286	1,252,660			1,221,286	1,252,660
Grants, subsidy	5,193,624	5,261,661			5,193,624	5,261,661
Interest earnings	32,464	23,268	178	176	32,642	23,444
Other	48,489	50,399	38,469	48,659	86,958	99,058
Total Revenues	11,952,538	12,021,635	540,216	571,334	12,492,754	12,592,969
Expenses:						
Unallocated						
Depreciation	33,024	33,024			33,024	33,024
Instruction	6,992,767	7,037,165			6,992,767	7,037,165
Instructional						
Student support	1,034,268	1,058,954			1,034,268	1,058,954
Admin & financial						
Support services	1,328,142	1,315,137			1,328,142	1,315,137
Operation & maint.						
Of plant services	1,392,976	1,379,279			1,392,976	1,379,279
Pupil transportation	619,125	675,059			619,125	675,059
Student activities	227,655	225,857			227,655	225,857
Community services	11,886	15,206			11,886	15,206
Interest on long term debt	52	0			52	0
Other	8271	0			8271	0
Food service	38,469	48,659	575,330	607,565	613,799	656,224
Total Expenses	11,686,635	11,788,340	575,330	607,565	12,261,965	12,395,905
Increase (Decrease) in Net Position	265,903	233,295	(35,114)	(36,231)	230,789	197,064

Governmental activities. Governmental activities increased the School District's net position by \$233,295, thereby accounting for 118% of the increase in the net position of the School District. Key elements of this increase are attributed to increases in revenues and reductions in expenditures.

Business-type activities. Business-type activities decreased the School District's net position by \$36,231, thereby accounting for -18% of the increase in the Governmental activities. The decrease is due to increased health insurance and retirement costs.

Financial Analysis of the Governmental Funds

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

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

As of the end of the current year, the School District's governmental funds reported combined ending fund balances of \$5,551,343, an increase of \$282,644 in comparison to the prior year. Of this total amount, \$1,935,108 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 (\$1,866,235), 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 \$1,935,108, while total fund balance reached \$3,685,108. 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 16.5 percent of total General Fund expenditures, while total fund balance represents 31.4 percent of that same amount.

The fund balance of the School District's General Fund increased by \$529,770 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 \$80,022. The total decrease in net position was \$36,231. 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, with the exception of decrease instructional expenses.

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

- Actual revenues were approximately (\$102,217) under budget.
- Actual costs were held to be \$551,489 under budget.

Capital Asset and Debt Administration

Capital assets. The School District's investment in capital assets for its governmental and business type activities as of June 30, 2014, amounts to \$8,071,530 (net of related debt and accumulated depreciation). This investment in capital assets includes land, buildings and improvements and machinery and equipment including Construction in Progress for a new Elementary Roof. The total decrease in the School District's net investment in capital assets for the current fiscal year was 1.2 percent and is mainly attributable to depreciation of those assets. Additional detail is included in Note 7 to the financial statements.

	Governmental		Business-Type		Total	
	Activities		Activities			
	2013	2014	2013	2014	2013	2014
Land & Improvements	232,426	199,402			232,426	199,402
Buildings & Improvements	7,645,524	7,379,637			7,645,524	7,379,637
Machinery & Equipment	262,532	382,052	31,085	23,714	293,617	405,766
Construction in Progress		86,725				86,725
TOTAL	8,140,482	8,047,816	31,085	23,714	8,171,567	8,071,530

Economic Factors and Next Year's Budgets and Rates

The District continues to monitor cost increases closely. Our District continues to battle with the increased costs of Health Insurance as well as rising retirement rates.

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

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

The district's health care costs are at an all-time high we are seeing 15% and 20% increases on the PPO and Indemnity plans putting further strain on controlling costs within the district. The health care costs are a main point of contention in the negotiation process. The District will need to consider additional plans/types of coverage in the future to alleviate some of the soaring costs of this benefit.

As the economy starts to see some positive movement we are hoping that this will result in an increase in the District's local tax collection. We have also contracted with Berkheimer for collection of Occupation and Per Capita tax, we are anticipating growth in collections with this change.

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

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, 2014

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 5,809,909	\$ 62,951	\$ 5,872,860
Taxes receivable, Net	690,515		690,515
Intergovernmental receivables	640,746		640,746
Other receivables	821		821
Inventories		15,981	15,981
Capital assets			
Land and improvements, net of depreciation	199,402		199,402
Building and building improvements, net of depreciation	7,379,637		7,379,637
Fixtures and equipment, net of depreciation	382,052	23,714	405,766
Construction in progress	86,725		86,725
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 15,189,807	\$ 102,646	\$ 15,292,453
Deferred Outflows of Resources	<hr/> -0-	<hr/> -0-	<hr/> -0-
Total Assets and Deferred Outflows of Resources	<hr/> <u>\$ 15,189,807</u>	<hr/> <u>\$ 102,646</u>	<hr/> <u>\$ 15,292,453</u>

The accompanying notes are an integral part of these financial statements

RIDGWAY AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2014

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	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>LIABILITIES</u>			
Internal balances	\$ 6,058	\$ (6,058)	\$ - 0 -
Accounts payable	175,319	989	176,308
Accrued salaries and benefits	798,774		798,774
Payroll deductions and withholdings	17,030		17,030
Student lunch advances		6,405	6,405
Non-current liabilities:			
Compensated absences	627,410	21,288	648,698
Other post employment benefits	426,817		426,817
Total Liabilities	<u>2,051,408</u>	<u>22,624</u>	<u>2,074,032</u>
Deferred Inflows of Resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>NET POSITION</u>			
Invested in Capital Assets, Net of Related Debt	8,047,815	23,714	8,071,529
Unrestricted	<u>5,090,584</u>	<u>56,308</u>	<u>5,146,892</u>
Total Net Position	<u>13,138,399</u>	<u>80,022</u>	<u>13,218,421</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 15,189,807</u>	<u>\$ 102,646</u>	<u>\$ 15,292,453</u>

The accompanying notes are an integral part of these financial statements

RIDGWAY AREA SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For The Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction:							
Regular Instruction	\$ 5,708,703	\$ 15,615	\$ 799,789	\$ -	\$ (4,893,299)	\$ -	\$ (4,893,299)
Special Instruction	1,319,871		855,519		(464,352)		(464,352)
Other Instructional Programs	4,980		466		(4,514)		(4,514)
Adult Education Programs	3,611		334		(3,277)		(3,277)
Total Instructional Services	7,037,165	15,615	1,656,108	-0-	(5,365,442)	-0-	(5,365,442)
Support Services:							
Pupil Personnel	464,999		45,553		(419,446)		(419,446)
Instructional Staff	377,866		24,409		(353,457)		(353,457)
Administration	921,224		88,927		(832,297)		(832,297)
Pupil Health	179,154		36,036		(143,118)		(143,118)
Business Services	393,913		27,162		(366,751)		(366,751)
Operation of Plant and Maintenance Services	1,379,279		76,297		(1,302,982)		(1,302,982)
Student Transportation Services	675,059		377,170		(297,889)		(297,889)
Other Support Services	36,935				(36,935)		(36,935)
Total Support Services	4,428,429	-0-	675,554	-0-	(3,752,875)	-0-	(3,752,875)
Non-instructional Services:							
Student Activities	225,857	26,301	11,162		(188,394)		(188,394)
Community Services	15,206		787		(14,419)		(14,419)
Unallocated Depreciation Expense	33,024				(33,024)		(33,024)
Total Non-instructional Services	274,087	26,301	11,949	-0-	(235,837)	-0-	(235,837)
Total Governmental Activities	11,739,681	41,916	2,343,611	-0-	(9,354,154)	-0-	(9,354,154)
Business-Type Activities:							
Food Services	607,565	220,905	301,594	-0-	-0-	(85,066)	(85,066)
Total Primary Government	\$ 12,347,246	\$ 262,821	\$ 2,645,205	\$ -0-	(9,354,154)	(85,066)	(9,439,220)

The accompanying notes are an integral part of these financial statements

RIDGWAY AREA SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For The Year Ended June 30, 2014

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Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Total Primary Government (carried forward)	\$ 12,347,246	\$ 262,821	\$ 2,645,205	-0-	\$ (9,354,154)	\$ (85,066)	\$ (9,439,220)
General Revenues:							
Taxes:							
Property taxes					3,048,120		3,048,120
Occupation Assessment and Per Capita Taxes					505,956		505,956
Earned Income Tax					553,405		553,405
Public Utility Realty, Deed Transfer and In Lieu of Taxes					193,299		193,299
Grants, Subsidies, and Contributions Not Restricted					5,261,661		5,261,661
Investment Earnings					23,268	176	23,444
Miscellaneous Income					50,399		50,399
Transfers					(48,659)	48,659	-0-
Total General Revenues, Special Items, Extraordinary Items, and Transfers					9,587,449	48,835	9,636,284
Change in Net Position					233,295	(36,231)	197,064
Net Position - Beginning					12,905,104	116,253	13,021,357
Net Position - Ending					\$ 13,138,399	\$ 80,022	\$ 13,218,421

The accompanying notes are an integral part of these financial statements

RIDGWAY AREA SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2014

	<u>General</u>	<u>Capital Reserve</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 3,704,925	\$ 2,104,984	\$ 5,809,909
Taxes Receivable, Net	97,048		97,048
Intergovernmental Receivables	640,746		640,746
Other Receivables	821		821
Due from Other Funds	<u>238,749</u>		<u>238,749</u>
Total Assets	<u>\$ 4,682,289</u>	<u>\$ 2,104,984</u>	<u>\$ 6,787,273</u>
<u>LIABILITIES</u>			
Due to Other Funds	\$ 6,058	\$ 238,749	\$ 244,807
Accounts Payable	175,319		175,319
Accrued Salaries and Benefits	798,774		798,774
Payroll Deductions and Withholdings	<u>17,030</u>		<u>17,030</u>
Total Liabilities	<u>997,181</u>	<u>238,749</u>	<u>1,235,930</u>
<u>FUND BALANCES</u>			
Committed	1,750,000	1,866,235	3,616,235
Unassigned	<u>1,935,108</u>		<u>1,935,108</u>
Total Fund Balances	<u>3,685,108</u>	<u>1,866,235</u>	<u>5,551,343</u>
Total Liabilities and Fund Balances	<u>\$ 4,682,289</u>	<u>\$ 2,104,984</u>	<u>\$ 6,787,273</u>

The accompanying notes are an integral part of these financial statements

RIDGWAY AREA SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS

BALANCE SHEET TO THE STATEMENT OF NET POSITION

June 30, 2014

Total Fund Balances - Governmental Funds \$ 5,551,343

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 \$19,671,458 and the accumulated depreciation is \$11,623,642. 8,047,816

Delinquent tax revenues are not considered available and measurable until collected and therefore are not reported as assets in governmental funds. 593,467

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

Compensated Absences	(627,410)	
Other Post Employment Benefits	<u>(426,817)</u>	
		<u>(1,054,227)</u>

Total Net Position - Governmental Activities \$ 13,138,399

The accompanying notes are an integral part of the financial statements

RIDGWAY AREA SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For The Year Ended June 30, 2014

	<u>General</u>	<u>Capital Reserve</u>	<u>Total Governmental Funds</u>
Revenues:			
Local Sources	\$ 4,677,782	\$ 8,000	\$ 4,685,782
State Sources	7,212,725		7,212,725
Federal Sources	<u>73,129</u>		<u>73,129</u>
Total Revenues	<u>11,963,636</u>	<u>8,000</u>	<u>11,971,636</u>
Expenditures:			
Instructional Services	6,872,234		6,872,234
Support Services	4,272,967		4,272,967
Non-instructional Services	240,006		240,006
Facility Acquisition, Construction and Improvement Services		<u>255,126</u>	<u>255,126</u>
Total Expenditures	<u>11,385,207</u>	<u>255,126</u>	<u>11,640,333</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>578,429</u>	<u>(247,126)</u>	<u>331,303</u>
Other Financing Sources (Uses):			
Operating transfers out	<u>(48,659)</u>		<u>(48,659)</u>
Total Other Financing Sources (Uses)	<u>(48,659)</u>	<u>- 0 -</u>	<u>(48,659)</u>
Net Change in Fund Balances	529,770	(247,126)	282,644
Fund Balances - Beginning	<u>3,155,338</u>	<u>2,113,361</u>	<u>5,268,699</u>
Fund Balances - Ending	<u>\$ 3,685,108</u>	<u>\$ 1,866,235</u>	<u>\$ 5,551,343</u>

The accompanying notes are an integral part of the financial statements

RIDGWAY AREA SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

For The Year Ended June 30, 2014

Net Change in Fund Balances - Governmental Funds \$ 282,644

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

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

Capital Outlays	278,623	
Less: Depreciation Expense	<u>(371,289)</u>	(92,666)

Because some tax revenues will not be collected for several months after the District's year end, they are not considered as "available" revenues in the governmental funds. This represents the net adjustment for tax revenues. 49,998

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

Compensated absences	46,678	
Other post employment benefits	<u>(53,359)</u>	<u>(6,681)</u>

Change in Net Position of Governmental Activities \$ 233,295

The accompanying notes are an integral part of the financial statements

RIDGWAY AREA SCHOOL DISTRICT

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL

For The Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Local Sources:				
Taxes:				
Current real estate tax	\$ 2,817,736	\$ 2,817,736	\$ 2,807,315	\$ (10,421)
Public utility realty tax	6,000	6,000	5,277	(723)
Current per capita tax - Sec 679	16,800	16,800	16,786	(14)
Current per capita tax - Act 511	16,800	16,800	16,786	(14)
Current earned income tax	525,000	525,000	572,282	47,282
Occupation tax	276,000	276,000	265,317	(10,683)
Local service tax	15,000	15,000	14,891	(109)
Real estate transfer tax	45,000	45,000	37,286	(7,714)
Payment in lieu of taxes	165,000	165,000	150,736	(14,264)
Delinquent taxes	450,000	450,000	364,105	(85,895)
	<u>4,333,336</u>	<u>4,333,336</u>	<u>4,250,781</u>	<u>(82,555)</u>
Total Taxes				
Other Local Sources:				
Interest income	31,000	31,000	15,268	(15,732)
Revenue from Intermediate Unit	280,000	280,000	319,418	39,418
Rentals	10,000	10,000	12,250	2,250
Athletic Events	24,500	24,500	26,301	1,801
Other local sources	15,100	15,100	53,764	38,664
	<u>360,600</u>	<u>360,600</u>	<u>427,001</u>	<u>66,401</u>
Total Other Local Sources				
Total Local Sources	<u>4,693,936</u>	<u>4,693,936</u>	<u>4,677,782</u>	<u>(16,154)</u>
State Sources:				
Basic instructional subsidy	4,841,285	4,841,285	4,909,265	67,980
Tuition for orphans and children placed in private homes	- 0 -	- 0 -	15,523	15,523

The accompanying notes are an integral part of the financial statements

RIDGWAY AREA SCHOOL DISTRICT

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCE - BUDGET AND ACTUAL

For The Year Ended June 30, 2014

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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Property tax relief payment	352,396	352,396	352,396	- 0 -
Special education of exceptional pupils	588,730	588,730	591,688	2,958
Transportation	420,000	420,000	377,170	(42,830)
Medical and dental services	21,000	21,000	18,646	(2,354)
Accountability grant	57,000	57,000	57,471	471
Social security tax reimbursement	259,451	259,451	263,947	4,496
Retirement reimbursement	<u>566,055</u>	<u>566,055</u>	<u>626,619</u>	<u>60,564</u>
 Total State Sources	 <u>7,105,917</u>	 <u>7,105,917</u>	 <u>7,212,725</u>	 <u>106,808</u>
 Federal Sources:				
Medical assistance - access	115,000	115,000	71,069	(43,931)
Medical assistance - fees	1,000	1,000	2,060	1,060
Grant contingency	<u>150,000</u>	<u>150,000</u>	<u>- 0 -</u>	<u>(150,000)</u>
 Total Federal Sources	 <u>266,000</u>	 <u>266,000</u>	 <u>73,129</u>	 <u>(192,871)</u>
 Total Revenues	 <u>12,065,853</u>	 <u>12,065,853</u>	 <u>11,963,636</u>	 <u>(102,217)</u>

The accompanying notes are an integral part of the financial statements

RIDGWAY AREA SCHOOL DISTRICT

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCE - BUDGET AND ACTUAL

For The Year Ended June 30, 2014

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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Expenditures:				
Instruction:				
Regular programs	\$ 5,954,500	\$ 5,861,000	\$ 5,582,469	\$ 278,531
Special programs	1,342,303	1,344,703	1,283,402	61,301
Other instructional programs	4,380	4,380	3,863	517
Other adult education programs	<u>6,877</u>	<u>6,877</u>	<u>2,500</u>	<u>4,377</u>
Total Instruction	<u>7,308,060</u>	<u>7,216,960</u>	<u>6,872,234</u>	<u>344,726</u>
Support Services:				
Pupil personnel	473,298	476,298	464,999	11,299
Instructional staff	398,038	420,538	326,031	94,507
Administration	1,005,306	986,306	941,287	45,019
Pupil health	178,152	178,152	179,154	(1,002)
Business office	309,970	393,970	393,913	57
Operation and maintenance of plant	1,284,381	1,280,981	1,255,589	25,392
Transportation	641,500	675,500	675,059	441
Other support services	<u>40,000</u>	<u>40,000</u>	<u>36,935</u>	<u>3,065</u>
Total Support Services	<u>4,330,645</u>	<u>4,451,745</u>	<u>4,272,967</u>	<u>178,778</u>
Noninstructional Services:				
Student activities	244,856	248,856	224,848	24,008
Community services	<u>19,135</u>	<u>19,135</u>	<u>15,158</u>	<u>3,977</u>
Total Noninstructional Services	<u>263,991</u>	<u>267,991</u>	<u>240,006</u>	<u>27,985</u>

The accompanying notes are an integral part of the financial statements

RIDGWAY AREA SCHOOL DISTRICT

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCE - BUDGET AND ACTUAL

For The Year Ended June 30, 2014

Page 4

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Total Expenditures	<u>11,902,696</u>	<u>11,936,696</u>	<u>11,385,207</u>	<u>551,489</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>163,157</u>	<u>129,157</u>	<u>578,429</u>	<u>449,272</u>
Other Financing Sources (Uses):				
Transfer out	(75,000)	(75,000)	(48,659)	26,341
Budgetary reserve	<u>(186,000)</u>	<u>(152,000)</u>	<u>- 0 -</u>	<u>152,000</u>
Total Other Financing Sources (Uses)	<u>(261,000)</u>	<u>(227,000)</u>	<u>(48,659)</u>	<u>178,341</u>
Net Change in fund balance	<u>\$ (97,843)</u>	<u>\$ (97,843)</u>	529,770	<u>\$ 627,613</u>
Fund balance - beginning of year			<u>3,155,338</u>	
Fund balance - end of year			<u>\$ 3,685,108</u>	

The accompanying notes are an integral part of the financial statements

RIDGWAY AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUND

June 30, 2014

	<u>Enterprise Fund</u> <u>Food Service</u>
<u>ASSETS</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 62,951
Due from General Fund	6,058
Inventories	<u>15,981</u>
Total Current Assets	84,990
Noncurrent Assets:	
Machinery and Equipment, Net	<u>23,714</u>
Total Assets	108,704
Deferred Outflows of Resources	<u>- 0 -</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 108,704</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	\$ 989
Student Lunch Advances	6,405
Noncurrent Liabilities:	
Long-Term Portion of Compensated Absence	<u>21,288</u>
Total Liabilities	<u>28,682</u>
Deferred Inflows of Resources	<u>- 0 -</u>
<u>NET POSITION</u>	
Invested in Capital Assets	23,714
Unrestricted	<u>56,308</u>
Total Net Position	<u>80,022</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 108,704</u>

The accompanying notes are an integral part of the financial statements

RIDGWAY AREA SCHOOL DISTRICT

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

PROPRIETARY FUND

For The Year Ended June 30, 2014

	<u>Enterprise Fund</u> <u>Food Service</u>
Operating Revenues:	
Food service revenue	\$ 209,197
Special function sales	11,708
	<hr/>
Total Operating Revenues	220,905
	<hr/>
Operating Expenses:	
Salaries	193,352
Employee benefits	124,228
Food and supplies	267,865
Other costs	1,052
Repairs and maintenance	13,697
Depreciation	7,371
	<hr/>
Total Operating Expenses	607,565
	<hr/>
Operating Income (Loss)	(386,660)
	<hr/>
Non-Operating Revenues:	
Local Sources - Earnings on Investments	176
State Sources	40,462
Federal Sources	261,132
	<hr/>
Total Non-Operating Revenues	301,770
	<hr/>
Income (Loss) before Transfers	(84,890)
	<hr/>
Transfer from General Fund	48,659
	<hr/>
Changes in Net Position	(36,231)
	<hr/>
Total Net Position - Beginning	116,253
	<hr/>
Total Net Position - Ending	\$ 80,022
	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements

RIDGWAY AREA SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

For The Year Ended June 30, 2014

		Enterprise Fund <u>Food Service</u>
Cash Flows From Operating Activities:		
Cash Received from Users	\$ 210,234	
Cash Received from Other Operating Services	11,708	
Cash Payments to Employees for Services	(292,673)	
Cash Payments to Suppliers for Goods and Services	(268,168)	
Cash Payments for Other Operating Expenses	<u>(14,749)</u>	
Net Cash (Used) By Operating Activities		(353,648)
Cash Flows From Non-Capital Financing Activities:		
State Sources	40,462	
Federal Sources	261,132	
Transfer from General Fund	<u>48,659</u>	
Net Cash Provided By Non-Capital Financing Activities		350,253
Cash Flows From Capital and Related Financing Activities		- 0 -
Cash Flows From Investing Activities:		
Earnings on Investments	<u>176</u>	
Net Cash Provided by Investing Activities		<u>176</u>
Net (Decrease) in Cash and Cash Equivalents		(3,219)
Cash and Cash Equivalents - Beginning of Year		<u>66,170</u>
Cash and Cash Equivalents - End of Year		<u>\$ 62,951</u>

The accompanying notes are an integral part of the financial statements

RIDGWAY AREA SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

For The Year Ended June 30, 2014

Page 2

	<u>Enterprise Fund</u> <u>Food Service</u>
<u>Reconciliation of Operating Income to Net Cash</u> <u>Provided by (Used for) Operating Activities</u>	
Operating Income (Loss)	\$ (386,660)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) in Operating Activities:	
Depreciation	7,371
Change in Assets and Liabilities:	
(Increase) Decrease in Due from General Fund	24,351
(Increase) Decrease in Inventories	(1,291)
Increase (Decrease) in Accounts Payables	988
Increase (Decrease) in Student Lunch Advances	1,037
Increase (Decrease) in Compensated Absences	<u>556</u>
Total Adjustments	<u>33,012</u>
Cash Provided (Used) by Operating Activities	<u>\$ (353,648)</u>

The accompanying notes are an integral part of the financial statements

RIDGWAY AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION

FIDUCIARY FUNDS

June 30, 2014

	<u>Student Activity</u>	<u>Scholarship Funds</u>	<u>Total Fiduciary Funds</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	<u>\$ 48,817</u>	<u>\$ 5,110</u>	<u>\$ 53,927</u>
Total Assets	<u>\$ 48,817</u>	<u>\$ 5,110</u>	<u>\$ 53,927</u>
<u>LIABILITIES</u>			
Due to student groups	\$ 48,817	\$	\$ 48,817
<u>NET POSITION</u>			
Restricted for Scholarships	<u> </u>	<u>5,110</u>	<u>5,110</u>
Total Liabilities and Net Position	<u>\$ 48,817</u>	<u>\$ 5,110</u>	<u>\$ 53,927</u>

The accompanying notes are an integral part of the financial statements

RIDGWAY AREA SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION
SCHOLARSHIP FUNDS (FIDUCIARY)

For the Year Ended June 30, 2014

Additions:		
Interest and dividend earnings	\$	173
Deductions:		
Scholarships awarded		(399)
Transfer to Elk County Community Foundation		<u>(10,013)</u>
Change in Net Position		(10,239)
Net Position - Beginning of Year		<u>15,349</u>
Net Position - End of Year	\$	<u><u>5,110</u></u>

The accompanying notes are an integral part of the financial statements

RIDGWAY AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Fund Accounting

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

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

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

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

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

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

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

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

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

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

Basis of Presentation

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the School District's enterprise fund are food service charges. Operating expenses for the District's enterprise fund include salaries and benefits, contracted services, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Measurement Focus and Basis of Accounting

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

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

Use of Estimates

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

Budgetary Data

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

The following procedures are followed to enact the budget:

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

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

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

Subsequent Events

Management has evaluated subsequent events through May 11, 2015, the date the financial statements were available.

Investments and Cash Equivalents

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

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

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

Deposits in savings accounts, time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation or approved collateral as provided by law.

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

Inventory

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

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

Capital Assets

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

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

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

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

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

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

Compensated Absences

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

Long-Term Obligations

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

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

Custodial credit risk related to deposits is risk that in the event of a bank failure, the government's deposits may not be returned to it. The School District policy for custodial credit risk is that all accounts are insured to the maximum limit as provided by law and amounts invested in excess of the insured amount must be collateralized as provided by law. At year-end, \$5,710,984 of the School District's bank balance of \$5,960,984 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

Reconciliation to Financial Statements

Uncollateralized amount above	\$ 5,710,984
Plus: Insured amount	250,000
Deposits in transit/adjustments	- 0 -
Less: Outstanding checks	<u>(34,197)</u>
Carrying amount – book balance	5,926,787
Less: Cash and equivalents in Fiduciary Funds	<u>(53,927)</u>
Total cash per statement of net position	<u>\$ 5,872,860</u>

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

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

NOTE 3 - TAX REVENUES

Current real estate taxes were levied in July, 2013 and payment dates were as follows:

- Face less 2% discount - July 1, 2013 to August 31, 2013
- At face - September 1, 2013 to October 31, 2013
- Face plus 10% penalty - After October 31, 2013

The total assessed value of taxable real estate was \$101,051,665 and the value of oil/gas/mineral property was \$51,057. Tax was assessed at 34.6 mills on the value of real estate and 70.0 mills on the value of the oil/gas/mineral property. The total tax assessed was \$3,143,923 (net of Homestead/Farmstead credits of \$352,465).

Unpaid current year real estate taxes of \$314,905 were returned by the elected tax collectors to the Elk County Tax Claim Bureau during January, 2014.

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

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

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

NOTE 4 - TAXES RECEIVABLE

The balance of taxes receivable is comprised of the following:

	Fund Statement Taxes <u>Receivable</u>	Gross GASB 34 Taxes <u>Receivable</u>	Allowance for Uncollectible <u>Taxes</u>	Net GASB 34 Taxes <u>Receivable</u>
Real estate transfer tax	\$ 2,962	\$ 2,962	\$ -	\$ 2,962
Earned income tax	2,487	19,188	4,175	15,013
Delinquent real estate	89,526	527,985	-	527,985
Delinquent per capita and Occupation assessment	<u>2,073</u>	<u>234,614</u>	<u>90,059</u>	<u>144,555</u>
	<u>\$ 97,048</u>	<u>\$ 784,749</u>	<u>\$ 94,234</u>	<u>\$ 690,515</u>

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

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

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

- 1.) Due from Capital Reserve Fund (Long-Term Maintenance) to the General Fund to reimburse for costs paid in fiscal year 2013/2014 for various facility improvement projects in the amount of \$238,749.
- 2.) Due from the General Fund to the Proprietary Fund (Food Service) for health insurance coverage for Food Service employees in the amount of \$6,058.

NOTE 6 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables represent revenues earned by the School District as of June 30, 2014 but not yet received. The following summarizes the amounts due:

Governmental Activities

Federal Subsidies

Due from the PA Dept. of Education for:		
Medical Assistance – Access funds	\$	100,097
Due from Seneca Highlands I.U. #9 for:		
Idea Grant – regular program		104,050
Idea Grant – Sec. 619 program		<u>1,783</u>
Total Federal Subsidies		205,930

State Subsidies

Due from the PA Dept. of Education for:		
1. Social security reimbursement		13,071
2. Retirement reimbursement		<u>190,065</u>
Total State Subsidies		203,136

Other Revenues

Due from Seneca Highlands I.U. #9 for		
miscellaneous reimbursable costs		228,186
Other miscellaneous revenues		<u>3,494</u>
Total Other Revenues		<u>231,680</u>

Total Governmental Activities	\$	<u>640,746</u>
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NOTE 7 - CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

Governmental Activities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets not being Depreciated:				
Land	\$ 112,436	\$ -	\$ -	\$ 112,436
Construction in Progress	-	86,725	-	86,725
Total Capital Assets not being Depreciated	<u>112,436</u>	<u>86,725</u>	<u>-</u>	<u>199,161</u>
Capital Assets being depreciated:				
Land Improvements	660,472	-	-	660,472
Buildings and Improvements	16,827,576	-	-	16,827,576
Equipment	1,792,351	191,898	-	1,984,249
Total at Recorded Cost	<u>19,280,399</u>	<u>191,898</u>	<u>-</u>	<u>19,472,297</u>
Less Accumulated Depreciation:				
Land Improvements	540,482	33,024	-	573,506
Buildings and Improvements	9,182,052	265,887	-	9,447,939
Equipment	1,529,819	72,378	-	1,602,197
Total Accumulated Depreciation	<u>11,252,353</u>	<u>371,289</u>	<u>-</u>	<u>11,623,642</u>
Total Capital Assets being Depreciated, Net	<u>8,028,046</u>	<u>(179,391)</u>	<u>-</u>	<u>7,848,655</u>
Governmental Activities, Capital Assets, Net	<u>\$ 8,140,482</u>	<u>\$ (92,666)</u>	<u>\$ -</u>	<u>\$ 8,047,816</u>

Business Type Activities:

Capital assets being Depreciated:				
Equipment	\$ 368,440	\$ -	\$ -	\$ 368,440
Less Accumulated Depreciation:				
Equipment	<u>337,355</u>	<u>7,371</u>	<u>-</u>	<u>344,726</u>
Business Type Activities, Capital Assets, Net	<u>\$ 31,085</u>	<u>\$ (7,371)</u>	<u>\$ -</u>	<u>\$ 23,714</u>

Depreciation expense was charged to functions/programs as follows:

Instruction:			
Regular	\$ 185,230		
Special	30,509		
Other Instructional Programs	1,089		
Adult	<u>1,090</u>		
		217,918	
Instructional Support:			
Instructional Staff	45,673		
Administration	26,201		
Operation & Maintenance Services	<u>48,131</u>		
		120,005	
Non-instructional Support:			
Student Activities		342	
Unallocated		<u>33,024</u>	
Total Depreciation Expense		<u>\$ 371,289</u>	

NOTE 8 - LONG-TERM LIABILITIES

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Compensated absences	\$ 627,410	\$ 21,288
Other post-employment benefits	<u>426,817</u>	<u>- 0 -</u>
	<u>\$ 1,054,227</u>	<u>\$ 21,288</u>

Compensated Absences

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

Other Post-Employment Benefits

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

NOTE 9 - PENSION PLAN

Plan Description

The Ridgway Area School District is a member of the state-administered Public School Employees' Retirement System (PSERS). PSERS is a governmental cost sharing multiple-employer defined benefit plan. PSERS provides retirement and disability benefits, legislatively mandated ad hoc cost-of-living adjustments, and health care insurance premium assistance to qualifying annuitants. The obligation to contribute to the plan is established by authority of the Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended) (24Pa.C.S.8101-8535). PSERS issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to: Beth Girman, Office of Financial Management, Public School Employees' Retirement System, 5 N. 5th Street, Harrisburg, PA 17101-1905. The report is also available in the publications section of the PSERS website.

Funding Policy

Authority

The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, employers, and the Commonwealth of Pennsylvania.

Member Contribution

Active members who joined the System prior to July 22, 1983, contribute at a rate of 5.25 percent (Membership Class TC) or at 6.50 percent (Membership Class TD) of the member's qualifying compensation.

Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at a rate of 6.25 percent (Membership Class TC) or at 7.50 percent (Membership Class TD) of the member's qualifying compensation.

Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at a rate of 7.50 percent (automatic Membership Class TD). For all new hires and for members who elected Class TD membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the System after June 30, 2011, automatically contribute at the rate of 7.50 percent (Membership Class TE). All new hires after June 30, 2011, who elect Class TF membership contribute at 10.3 percent (base rate) of the member's qualifying compensation. Membership Class TE and TF are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the membership class TE contribution rate to fluctuate between 7.5 percent and 9.5 percent and membership class TF contribution rate to fluctuate between 10.3 percent and 12.3 percent.

Employer Contribution

Contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 30, 2014, the rate of employer's contribution was 16.93 percent of covered payroll. The 16.93 percent rate is composed of a pension contribution rate of 16.00 percent for pension benefits and .93 percent for healthcare insurance premium assistance.

According to the provisions of Act 29 of 1994, school entities are to pay 100 percent of the required employer contribution to PSERS and the Commonwealth will reimburse the school entity its' share of the employer contribution based upon the formula provided in Act 29 of 1994, but not less than one-half of the school entity's contribution.

Ridgway Area School District's pension costs for the June 30, 2014 fiscal year totaled \$1,022,769, which includes accrued pension costs of \$317,112.

NOTE 10 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

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

Funding Policy

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

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

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution (ARC)	\$ 234,543
Interest on net OPEB obligation	16,806
Adjustment to ARC	<u>(72,405)</u>
Annual OPEB cost (expense)	178,944
Estimated Contributions made	<u>125,585</u>
Increase in net OPEB obligation	53,359
Net OPEB obligation – beginning of year	<u>373,458</u>
Net OPEB obligation – end of year	<u>\$ 426,817</u>

Funding Status and Funding Progress

As of March 1, 2011, the date of the most recent actuarial report, the actuarial accrued liability for benefits was \$997,158, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$6,177,013, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 16.14 percent.

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

Actuarial Methods and Assumptions

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

In the March 1, 2011 actuarial valuation, the following actuarial assumptions were used:

Actuarial cost method	Entry Age Normal Cost Method
Investment rate of return	4.50 percent
Projected salary increases	3.0 percent living adjustment, 1.0 percent real wage growth and for teachers and administrators a merit increase which varies by age from 3.0 percent to 0.25 percent
Amortization method	Level dollars, 7 year open period
Amortization period	7 years
Asset valuation method	N/A – the plan is unfunded

NOTE 11 - FUND BALANCE

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

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

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

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

Committed:	
General Fund:	
Projected increases in retirement costs	\$ 1,750,000
Capital Reserve Fund:	
Future capital projects of the district	<u>1,866,235</u>
Total Committed Fund Balance on the balance sheet	<u>\$ 3,616,235</u>

NOTE 12 - CONTRACTS, COMMITMENTS AND CONTINGENCIES

The School District has entered into a contract for renovations to the elementary school roof. Total cost of the project is approximately \$1,300,000. Total costs incurred and paid as of June 30, 2014 is \$86,725. Costs of the project are to be paid out of the Capital Reserve (Long-Term Maintenance) Fund.

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

NOTE 13 - RISK MANAGEMENT

General Insurance

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

Medical Benefits

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

RIDGWAY AREA SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2014

GASB 45 SCHEDULE OF FUNDING PROGRESS

(\$000'S)

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

GASB 45 SCHEDULE OF EMPLOYER CONTRIBUTIONS

(\$000'S)

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2009	\$ 248	49%	\$ 126
June 30, 2010	\$ 232	64%	\$ 209
June 30, 2011	\$ 222	60%	\$ 298
June 30, 2012	\$ 190	80%	\$ 336
June 30, 2013	\$ 184	80%	\$ 373
June 30, 2014	\$ 179	70%	\$ 427

The accompanying notes are an integral part of the financial statements

RIDGWAY AREA SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended June 30, 2014

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

MAUTHE, YUTZEY, GABLER & TROXELL, LLC

Certified Public Accountants

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Megan R. Troxell, CPA

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER

P.O. Box 1029

2882 Oklahoma-Salem Road

DuBois, PA 15801

William L. Mauthe, CPA

(Retired/Inactive)

FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN

ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors

Ridgway Area School District

P.O. Box 447, Boot Jack Road

Ridgway, PA 15853

Members of the Board:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of Ridgway Area School District, Ridgway, PA, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Ridgway Area School District's basic financial statements, and have issued our report thereon dated May 11, 2015.

Internal Control over Financial Reporting

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

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

MEMBER:

*American Institute of Certified Public Accountants
Pennsylvania Institute of Certified Public Accountants*


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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Mauthe, Yutzey, Gabler & Troxell, LLC
Certified Public Accountants
May 11, 2015