REDBANK VALLEY SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2018

REDBANK VALLEY SCHOOL DISTRICT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

Board of School Directors
Redbank Valley School District
New Bethlehem, Pennsylvania

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Redbank Valley School District ("The District"), as of and for the year ended June 30, 2018, 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my 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 Redbank Valley School District, as of June 30, 2018, and the respective changes in financial position and where applicable, cash flows thereof, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Change in Accounting Principle

As described in Note A to the financial statements, the District adopted new accounting guidance, GASB Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*". My opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

I have previously audited the District's 2017 financial statements, and I expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in my report dated February 25, 2018. In my opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion analysis on pages 4-16 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. I 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 my inquiries, the basic

financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards on page 64 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates 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 prepared the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of expenditures of federal awards 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,* I have also issued my report dated March 18, 2019, on my consideration of the District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of my 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 Redbank Valley School District's internal control over financial reporting and compliance.

Sincerely,

Richard M. Troese, C.P.A
Clarion, Pennsylvania
March 18, 2019

Redbank Valley School District
New Bethlehem, PA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
Fiscal Year Ending June 30, 2018

The discussion and analysis of Redbank Valley School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the transmittal letter, notes to the basic financial statements, and financial statements to enhance their understanding of the District's financial performance.

The Management Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

The Redbank Valley 2017-18 General Fund Budget was approved at the June 5, 2017 meeting of the Board of Directors. In January 2017, the Board approved resolutions in accordance with Act 1 of 2006 stating that any real estate tax increases will exceed the allowable index as published by the Pennsylvania Department of Education (PDE), and authorizing application to PDE for exceptions to the index for Retirement, Special Education and Debt Service. The allowable index for 2017-18 was 3.6% and is applicable to the District's 2016-17 real estate millage tax rate for Armstrong County of 22.00 mills and Clarion County of 30.06 mills. In March 2017, the Board approved a referendum question seeking voter approval of a tax rate increase in excess of the index up to 6.4%. The referendum question was defeated and no millage rate increase was included in the 2017-18 budget.

Act 1 provides for taxpayer relief in the form of state distribution of gaming revenues to school districts. The acceptance of these funds will result in a deduction on the 2017 real estate tax bill for each taxpayer who has an approved homestead/farmstead application. The net effect to each taxpayer is a reduction of approximately $112.03 in tax liability for the 2017 tax year. In the district, 2,234 homesteads and farmsteads applications where approved for this tax credit. The District receives no additional revenue from the receipt of gaming funds. The entire distribution must be utilized to offset the tax burden and provide taxpayer relief to homeowners.

The bottom-line financial results for Redbank Valley School District for the 2017-18 school year netted a $842,606 deficit from operations in the General Fund with total revenues of $17,415,443 for this period. This deficit was expected due to increased expenditures that include Salary increases, Employer retirement, Health Insurance, Cyber Charter tuition, Vocational-Education tuition, Special Education, and Transportation. The minimal increases for Basic Education Funding and Special Education Funding combined with the increases to expenditures have made maintaining a balanced budget challenging when providing an excellent educational system. To keep the school district in a strong financial position, the Board and Superintendent will have to make decisions that will decrease costs given the current revenue. This continues to reflect the difficult task of balancing the educational needs of the students without burdening the local taxpayers.

Chart A-1 shows how the required parts of the Financial Section as arranged and related to one another:

Chart A-1
Required components of
Redbank Valley School District's
Financial Report

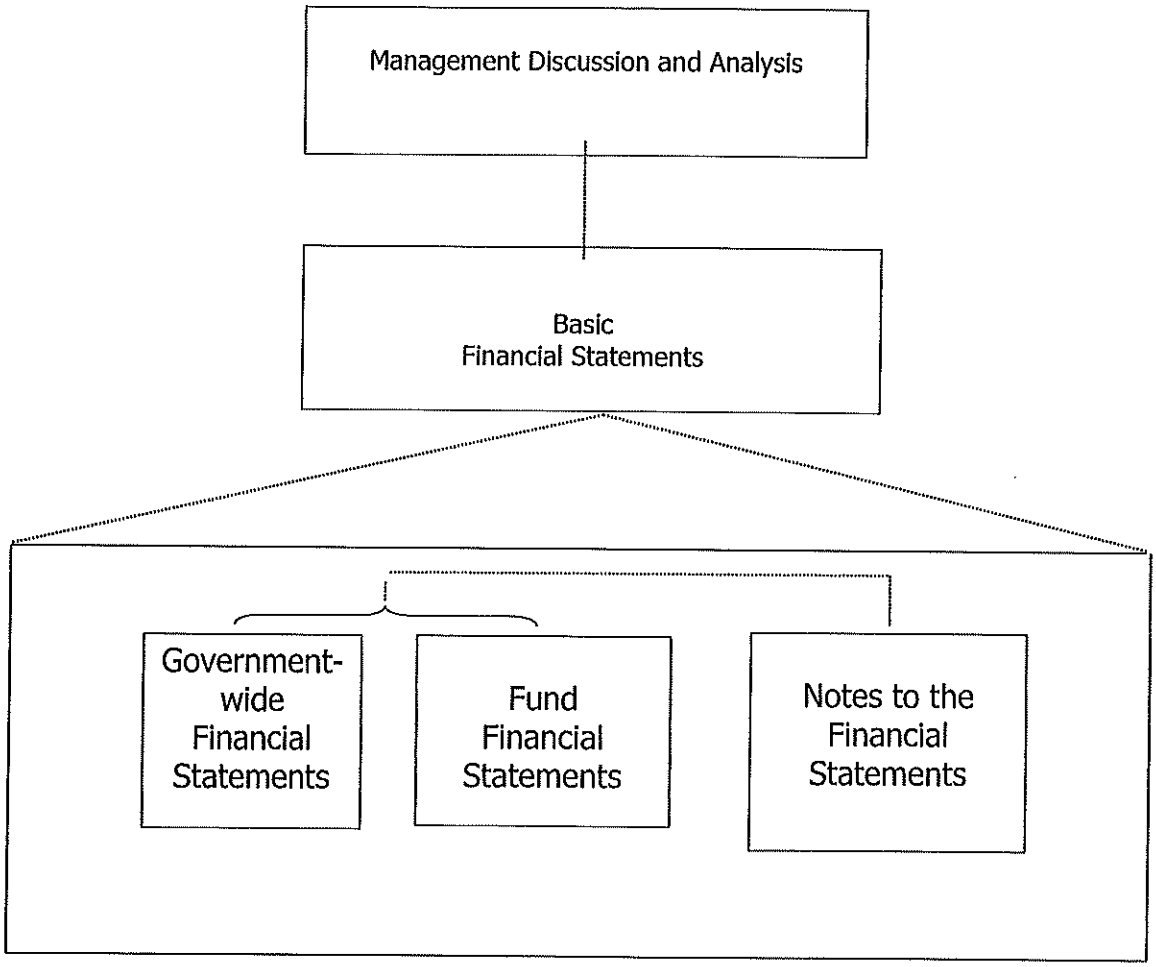

Chart A-2 summarizes the major features of the District's financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of management discussion and analysis explains the structure and contents of each of the statements.

Chart A-2
Major Features of Redbank Valley School District's
Government-wide and Fund Financial Statements

		Fund Statements		
	Government-wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as education, administration and community services	Activities the District operates similar to private business – Food Services	Instances in which the District is the trustee or agent to someone else's resources – Student Activities
Required financial statements	Statement of net assets Statement of activities	Balance Sheet Statement of revenues, expenditures, and changes in fund balance	Statement of net assets Statement of revenues, expenses and changes in net assets Statement of cash flows	Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow-outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

OVERVIEW OF FINANCIAL STATEMENTS

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Districts net assets and how they have changed. Net assets, the difference between the District's assets and liabilities, are one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net assets are an indication of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the District, you need to consider additional non-financial factors, such as changes in the District's property tax base, and student enrollment.

The government-wide financial statements of the District are divided into two categories:

- Governmental activities – All of the District's basic services are included here, such as instruction, administration and community services. Property taxes and state and federal subsidies and grants finance most of these activities.
- Business type activities –The District operates a food service operation and charges fees to staff, students and visitors to help it cover the costs of the food service operation.

Fund Financial Statements

The District's fund financial statements, provide detailed information about the most significant funds – not the District as a whole. Some funds are required by state law and by bond requirements.

Governmental funds – Most of the District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary funds – These funds are used to account for the District activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the District charges customers for services it provides – whether to outside customers or to other units in the District – these services are generally reported in proprietary funds. The Food Service Fund is the District's proprietary fund and is the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows.

Fiduciary funds - The District is the trustee, or fiduciary, for some Student Activity and agency funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets. We exclude these activities from the District's other financial statement because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's Total Net Positions were **($23,599,884)** at June 30, 2018 and **($22,050,719)** at June 30, 2017 as shown in Table A-1.

Most of the District's net assets are invested in capital assets (buildings, land, and equipment). The remaining unrestricted net assets are a combination of designated and undesignated amounts. The designated balances are amounts set aside to fund future expenses, purchases, or capital projects as planned by the district.

The Net Position indicates the financial standing of the District. The Net Position at June 30, 2018 is a deficit of $23,599,884 and is attributable to two recent accounting changes that require the District to accrue the entirety of Pension Liabilities and Long-term Postemployment Benefits on the District's financial statements. The District agrees that these liabilities must be recognized by governmental entities. The District is reimbursed approximately 67% of its Pension expense by the Commonwealth of PA and the Commonwealth of PA always has and continues to legislate and manage the parameters of the Pension system. The District contends the Commonwealth of PA should carry 67% of the Pension Liability currently shown on the District's financial statements. 67% of this Pension Liability would amount to $17,206,940. The Net Position Deficit has increased from June 30, 2017 to June 30, 2018 by $1,549,165. If the mandated increase to the Pension Liability and the Postemployment Benefits Liability were factored out, the effect from remaining operations reports a decrease to Net Position of $711,155. The change in Net Position each year reflects decreasing enrollment, difficult economic conditions within the District and the Commonwealth, and minimal subsidy investment by the Commonwealth in the District.

Redbank Valley School District
New Bethlehem, PA

Table A-1
Fiscal Year Ended June 30, 2018 vs. June 30, 2017

	Governmental Activities	Business-Type Activities	2018 Total	2017 Total
Assets:				
Current Assets	$ 7,827,482	$ 46,095	$ 7,873,577	$ 8,478,519
Non Current Assets	2,921,595	$ -	$ 2,921,595	3,063,166
Total Assets	10,749,077	46,095	10,795,172	11,541,685
Deferred Outflows of Resources	3,817,909	0	3,817,909	4,677,808
Total Assets and Outflows	$ 14,566,986	$ 46,095	$ 14,613,081	$ 16,219,493
Liabilities:				
Current Liabilities	$ 1,940,042	$ 171	$ 1,940,213	$ 2,102,647
Non Current Liabilities	35,116,752	$ -	$ 35,116,752	34,767,565
Total Liabilities	37,056,794	171	37,056,965	36,870,212
Deferred Inflows of Resources	1,156,000	-	1,156,000	1,400,000
Total Liabilities and Inflows	38,212,794	171	38,212,965	38,270,212
Net Position (Deficit):				
Net Investment in Capital Assets	(4,232,405)	-	(4,232,405)	(4,877,080)
Capital Reserve	8	-	8	8
			-	
Restricted	6,116,273		6,116,273	6,514,387
Unrestricted	(25,529,684)	45,924	(25,483,760)	(23,688,034)
Total Net Deficit	(23,645,808)	45,924	(23,599,884)	(22,050,719)
Total Liabilities, Inflows and Net Deficit	$ 14,566,986	$ 46,095	$ 14,613,081	$ 16,219,493

The results of this year's operations as a whole are reported in the Statement of Activities. All expenses are reported in the Expenses section. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the general revenues. The two largest general revenues are the Basic Education Subsidy provided by the State of Pennsylvania, and the local taxes assessed to community taxpayers.

The table below represents the revenues and expenses of both the Governmental Activities and the Business-type Activities of the District.

Table A-2
Statement of Activities

	2018 Governmental Activities	2018 Business Type Activities	2018 Total	2017 Total
Revenues:				
Charges for Services	$ 3,109	$ 269,715	$ 272,824	$ 264,491
Operating Grants and Contributions	13,706,120	376,397	14,082,517	13,654,194
Capital Grants and Contributions			-	-
Taxes	2,966,066		2,966,066	3,035,348
Grants & Entitlements Restricted Specific			-	-
Investment Earnings	74,866	3	74,869	72,887
Miscellaneous Income	170,587		170,587	137,697
Interest of Long-term Debt			-	-
Unallocated Depreciation Expense			-	-
Special Item (e.g. Sale of Fixed Assets)			-	3,174
Other LEA's	332,063		332,063	269,764
Total Revenues	$ 17,252,811	$ 646,115	$ 17,898,926	$ 17,437,555
Expenses:				
Instruction	$ 11,303,863		$ 11,303,863	$ 12,913,879
Instructional Student Support	4,299,336		4,299,336	1,600,608
Administrative and Financial Support Services	1,003,825		1,003,825	906,952
Operation and Maintenance of Plant Services	1,358,242		1,358,242	1,171,762
Pupil Transportation	1,255,318		1,255,318	1,196,375
Student Activities	377,976		377,976	324,668
Community Services	-		-	-
Interest of Long-term Debt	163,844		163,844	228,001
Unallocated Depreciation Expense			-	-
Food Service		654,578	654,578	658,404
Total Expenses	$ 19,762,404	$ 654,578	$ 20,416,982	$ 19,000,649
Increase (Decrease) In Net Position	$ (2,509,593)	$ (8,463)	$ (2,518,056)	$ (1,563,094)

Table A-3 shows the District's four major operational functions - Instruction, Support, Non-Instructional and Other Financing Uses. This table represents the total costs distributed by each major expense category.

Table A-3
Fiscal Year Ended June 30, 2018
Governmental Activities

Function Category	Function Category Description	16-17 Actual	17-18 Actual
1000	Instruction	11,777,619	11,940,763
2000	Support Services	4,758,956	4,898,562
3000	Operation of Non-Instructiona	425,108	475,581
4000	Facilities Acquisition, Contruct	136,051	0
5000	Other Expenditures and Financ	1,078,001	1,038,844
Grand Total		**18,175,735**	**18,353,750**

Table A-4 reflects the activities of the Food Service program, the only Business-type activity of the District.

Table A-4
Fiscal Year Ended June 30, 2018
Business-type Activities

	2017-18		2016-17	
Functions/Programs	**Total Cost of Services**	**Net Cost of Services**	**Total Cost of Services**	**Net Cost of Services**
Food Services	$654,578	$8,463	$658,404	$67,025
Less: Investment earnings	0	0	0	0
Total business-type activities	$654,578	$8,463	$658,404	$67,025

The Statement of Revenues, Expenses and Changes in Fund Net Assets for this proprietary fund will further detail the actual results of operations.

THE DISTRICT FUNDS

At June 30, 2018, the District governmental funds reported a combined fund balance of $6,116,281 which is a decrease of $841,954. The primary reasons for this decrease are outlined as follows:

General Fund:

The deficit was anticipated with the increased expenditures that include Salary increases, Employer retirement, Health Insurance, Cyber Charter tuition, Vocational-Education tuition, Special Education, and Transportation. As stated earlier, the minimal increases for Basic Ed Funding and Special Education Funding combined with the increases to the expenditures have made maintaining a balanced budget challenging when providing an excellent educational system. Salary and Wages in the District are estimated to increase 2.9% annually until the Professional and Support Staff agreements expire June 2019. The School District was limiting the burden on the tax payers in the past due to the amount of the fund balance. With the lack of increase in funding and the increases of all the above mentioned expenses, the school district will be looking into different ways to decrease costs and will have to discuss future tax increases.

Actual expenditures and revenues stated as a percentage are consistent from year to year. A comparison of revenue and expenditure categories from the General Fund is reported as follows in Table A-6:

Redbank Valley School District
New Bethlehem, PA

Table A-6

ACTUAL REVENUES

Function Category	Function Category Description	16-17 Actual	17-18 Actual
6000	Revenue from Local Services	21.33%	21.30%
7000	Revenue from State Sources	76.20%	76.31%
8000	Revenue from Federal Sources	2.01%	2.39%
9000	Other Financial Sources	0.47%	0.00%
Grand Total		**100.00%**	**100.00%**

ACTUAL EXPENDITURES

Function Category	Function Category Description	16-17 Actual	17-18 Actual
1000	Instruction	64.80%	65.06%
2000	Support Services	26.18%	26.69%
3000	Operation of Non-Instructional Services	2.34%	2.59%
4000	Facilities Acquisition, Contruction, and I	0.75%	0.00%
5000	Other Expenditures and Financing Uses	5.93%	5.66%
Grand Total		**100.00%**	**100.00%**

Capital Projects Fund:
The District had replaced roofs and windows in prior years. At this time, the School District does not have any material funds in this category. The School District has plans for track surface renovations in 2018-19 and has discussed compiling a maintenance timeline for each school building.

The fund balances maintained at June 30, 2018 are within acceptable ranges as determined by the Board of School Directors, The PA Dept of Education and the Commonwealth of PA.

General Fund Budget

During the fiscal year, the Board of School Directors (The Board) authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. All adjustments are again confirmed at the time the annual audit is accepted after the end of the fiscal year, which is permitted by state law.

The District applies for federal, state, and local grants and these grants cannot always be anticipated in the budgeting process. Budgeted expenditures and other financing uses also increased to compensate for the additional approved grants. Transfers between specific categories of expenditures and other financing uses occur during the year. The most significant transfers occur from the budget reserve category to specific expenditure areas.

The Budgetary Reserve includes amounts funded by current revenues. These expenditures are unplanned opportunities for improvements and enhancements to the District operations. These amounts will only be appropriated into expenditure categories upon the approval of the Administration and Board of School Directors. The Board is using this method of budgeting to control tax increases while also protecting the integrity of the fund balance.

Capital Assets

At June 30, 2018, the District had $2,921,595 invested in Capital Assets including Land, Site Improvements, Buildings/Building Improvements and Furniture/Equipment. This investment in Capital Assets represents a decrease of $141,571. No capital asset additions were reported for 2017-18. Depreciation expense recorded for the fiscal year amounted to $141,571 for Governmental Activities and $0 for Business Type Activities.

DEBT ADMINISTRATION

As of July 1, 2017, the District maintained a total outstanding bond principal balance of $8,290,000. During the year, the District made payments against principal of $815,000, and issued new general obligation bonds in the amount of $5,750,000 to pay off bond principal of $5,640,000 resulting in an ending outstanding debt principal balance as of June 30, 2018 of $7,585,000. The outstanding bonds were issued in 2012, 2013 and 2017. No other debt or bonds are owed, payable or outstanding for the District.

Other obligations include accrued vacation pay and sick leave for specific employees of the District. More detailed information about our long-term liabilities is included in Statement of Indebtedness financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's general obligation bond rating is a Standard & Poor Ratings Group "A+". The A+ enhanced rating is based upon the additional security for bonds provided by the Commonwealth of Pennsylvania Act 150 School District Intercept Program. The Act provides for undistributed state aid to be diverted to bond holders in the event of default. Standard & Poors cited that the A+ rating reflects "very strong financial reserve levels, and low-to-moderate debt burden with limited additional capital needs." These factors offset the rating factors "low-to-moderate wealth and income indicators" and "projected structural imbalance due to increased pension costs."

The District does not expect significant growth in the near future given the present nature of the local economy and a lack of development within the District. Employment opportunities in surrounding areas within Clarion and Armstrong County does lend concern for the District's long-term operational and financial position. The District is hopeful that enrollments have bottomed out and we will see a more stable level or even increases in subsequent years. For Clarion County the drop of enrollments over the past 25 years are due significantly to the closing of two (2) industries that impacted the District directly. They are the closing of the Glass Manufacturing Plant and Coal Stripping.

The revenue budget for the 2018-19 year is $17,284,308. This represents a 2.61% increase in budgeted revenues over 2017-18. The expenditure budget for the 2018-19 year is $18,483,182. This represents an increase of 3.81% despite a savings of $385,052 in debt payments from the bond refinancing. The budget requires a contribution of $1,198,874 from the fund balance as approved by the Board of School Directors.

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Cheryl Motter, Business Manager of Redbank Valley School District, 920 Broad Street., New Bethlehem, PA 16242, (814) 275-2426

REDBANK VALLEY SCHOOL DISTRICT
NEW BETHLEHEM, PENNSYLVANIA
STATEMENT OF NET POSITION (DEFICIT)
JUNE 30, 2018
(With Summarized Comparitive Data for June 30, 2017)

	Governmental Activities	Business-Type Activities	Totals 2018	Totals 2017
ASSETS & DEFERRED OUTFLOWS OF RESOURCES				
ASSETS:				
Cash and Cash Equivalents	$ 517,285	$ 34,108	$ 551,393	$ 875,672
Investments	6,024,169	0	6,024,169	6,564,014
Taxes Receivable, Net	249,558	0	249,558	237,983
Due from Other Governments	1,036,299	0	1,036,299	723,648
Other Receivables	0	0	0	57,679
Inventories	0	11,987	11,987	19,352
Internal Balances	171	0	171	171
Land	337,281	0	337,281	337,281
Site Improvements (Net of Accumulated Depreciation)	0	0	0	0
Building and Building Improvements (Net of Accumulated Depreciation)	2,439,297	0	2,439,297	2,455,598
Furniture and Equipment (Net of Accumulated Depreciation)	145,017	0	145,017	270,287
TOTAL ASSETS	10,749,077	46,095	10,795,172	11,541,685
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Amounts Related to Pensions	3,817,909	0	3,817,909	4,677,808
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	$ 14,566,986	$ 46,095	$ 14,613,081	$ 16,219,493
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, & NET POSITION (DEFICIT)				
LIABILITIES:				
Internal Balances	$ 0	$ 171	$ 171	$ 171
Accounts Payable	57,028	0	57,028	0
Current Portion of Long-Term Debt	535,000	0	535,000	875,000
Accrued Salaries and Benefits	463,270	0	463,270	578,327
Payroll Deductions and Withholdings	884,744	0	884,744	649,149
Portion Due or Payable After One Year:				
Bonds and Notes Payable	7,050,000	0	7,050,000	7,415,000
Long-Term Portion of Compensated Absences	356,335	0	356,335	373,575
Other Liabilities	56,334	0	56,334	0
Bond Premium	(162,917)	0	(162,917)	0
Other Postemployment Benefits (OPEB)	2,135,000	0	2,135,000	1,010,990
Net Pension Liabilities	25,682,000	0	25,682,000	25,968,000
TOTAL LIABILITIES	37,056,794	171	37,056,965	36,870,212
DEFERRED INFLOWS OF RESOURCES				
Deferred Amounts Related to Pensions	1,156,000	0	1,156,000	1,400,000
NET POSITION (DEFICIT)				
Invested in Capital Assets, Net of Related Debt	(4,232,405)	0	(4,232,405)	(4,877,080)
Capital Projects/Capital Reserve	8	0	8	8
Restricted	6,116,273	0	6,116,273	6,514,387
Unrestricted (Deficit)	(25,529,684)	45,924	(25,483,760)	(23,688,034)
TOTAL NET POSITION (DEFICIT)	(23,645,808)	45,924	(23,599,884)	(22,050,719)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)	$ 14,566,986	$ 46,095	$ 14,613,081	$ 16,219,493

The accompanying notes are an integral part of these financial statements.

REDBANK VALLEY SCHOOL DISTRICT
NEW BETHLEHEM, PENNSYLVANIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018
(With Summarized Comparative Data for the Year Ended June 30, 2017)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-Type Activities	Totals: 2018	Totals: 2017
Governmental Activities:								
Instruction	$ 11,303,863	$ 0	$ 10,815,109	$ 0	$ (488,754)	$ 0	$ (488,754)	$ (2,103,712)
Instructional Student Support	4,299,336	0	1,474,948	0	(2,824,388)	0	(2,824,388)	(435,310)
Administrative and Financial Support Services	1,003,825	0	0	0	(1,003,825)	0	(1,003,825)	(906,952)
Operation and Maintenance of Plant Services	1,358,242	0	0	0	(1,358,242)	0	(1,358,242)	(1,171,762)
Pupil Transportation	1,255,318	0	1,039,220	0	(216,098)	0	(216,098)	(253,912)
Student Activities	377,976	3,109	0	0	(374,867)	0	(374,867)	(292,277)
Community Services	0	0	0	0	0	0	0	0
Interest on Long-Term Debt	163,844	0	376,843	0	212,999	0	212,999	148,991
Unallocated Depreciation Expense*	0	0	0	0	0	0	0	0
Food Service	0	0	0	0	0	0	0	0
Total Governmental Activities	19,762,404	3,109	13,706,120	0	(6,053,175)	0	(6,053,175)	(5,014,934)
Business-Type Activities:								
Food Services	654,578	269,715	376,397	0	0	(8,466)	(8,466)	(67,030)
Total Primary Government	$ 20,416,982	$ 272,824	$ 14,082,517	$ 0	$ (6,053,175)	$ (8,466)	$ (6,061,641)	$ (5,081,964)
General Revenues:								
Taxes:								
Property Taxes, Levied for General Purposes, Net					$ 2,011,140	$ 0	$ 2,011,140	$ 2,057,150
Public Utility Realty, Earned Income and Per Capita Taxes Levied for General Purposes, Net					954,926	0	954,926	978,198
Investment Earnings					74,866	3	74,869	72,887
Miscellaneous Income					170,587	0	170,587	137,697
Special Item (e.g., Sale of Fixed Assets)					0	0	0	3,174
Other LEA's					332,063	0	332,063	269,764
Total General Revenues					3,543,582	3	3,543,585	3,518,870
Change in Net Position					(2,509,593)	(8,463)	(2,518,056)	(1,563,094)
Net Position - July 1 (Restated)					(21,136,215)	54,387	(21,081,828)	(20,487,625)
Net Position - June 30					$ (23,645,808)	$ 45,924	$ (23,599,884)	$ (22,050,719)

The accompanying notes are an integral part of these financial statements.

REDBANK VALLEY SCHOOL DISTRICT
NEW BETHLEHEM, PENNSYLVANIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018
(With Summarized Comparative Data for the Year Ended June 30, 2017)

	Major Funds			Totals	
	General Fund	Athletic Funds	Capital Reserve	2018	2017
ASSETS					
Cash and Cash Equivalents	$ 501,940	$ 15,337	$ 8	$ 517,285	$ 840,466
Investments	6,024,169	0	0	6,024,169	6,564,014
Taxes Receivable (Net)	249,558	0	0	249,558	237,983
Due from Other Funds	171	0	0	171	171
Due from Other Governments	202,988	0	0	202,988	76,019
State Revenue Receivable	736,136	0	0	736,136	559,809
Federal Revenue Receivable	97,175	0	0	97,175	87,820
Other Receivables	0	0	0	0	57,679
Prepaid Expenditures	0	0	0	0	0
TOTAL ASSETS	$ 7,812,137	$ 15,337	$ 8	$ 7,827,482	$ 8,423,961
LIABILITIES					
Due to Other Funds	$ 0	$ 0	$ 0	$ 0	$ 0
Due to Other Governments	56,334	0	0	56,334	0
Accounts Payable	57,028	0	0	57,028	0
Accrued Salaries and Benefits	463,270	0	0	463,270	578,327
Payroll Deductions and Withholdings	884,744	0	0	884,744	649,149
TOTAL LIABILITIES	1,461,376	0	0	1,461,376	1,227,476
DEFFERED INFLOWS OF RESOURCES					
Unavailable Revenue-Real Estate Taxes	249,825	0	0	249,825	238,250
FUND BALANCES					
Reserve for Capital Projects	0	0	0	0	0
Reserve for other	0	0	0	0	0
Committed Fund Balance	0	15,337	0	15,337	14,685
Unreserved-Designated	6,100,936	0	8	6,100,944	6,499,710
Unreserved-Undesignated	0	0	0	0	443,840
TOTAL FUND BALANCES	6,100,936	15,337	8	6,116,281	6,958,235
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES	$ 7,812,137	$ 15,337	$ 8	$ 7,827,482	$ 8,423,961

The accompanying notes are an integral part of these financial statements.

REDBANK VALLEY SCHOOL DISTRICT
NEW BETHLEHEM, PENNSYLVANIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

TOTAL GOVERNMENTAL FUND BALANCES		$	6,116,281
Amounts reported for governmental activities in the statement of net position are different because of the following:			
Capital Assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is $10,390,977 and the accumulated depreciation is $7,469,382.			2,921,595
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds			249,825
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:			
Deferred outflows of resources related to pensions			3,817,909
Deferred inflows of resources related to pensions			(1,156,000)
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:			
Bonds/note payable	(7,585,000)		
OPEB	(2,135,000)		
Net Pension Liability	(25,682,000)		
Unamortized Bond Premium	162,917		
Accumulated compensated absences	(356,335)		
			(35,595,418)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		$	(23,645,808)

The accompanying notes are an integral part of these financial statements.

REDBANK VALLEY SCHOOL DISTRICT
NEW BETHLEHEM, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR THEN ENDED JUNE 30, 2018
(With Summarized Comparative Data for the Year Ended June 30, 2017)

	General Fund	Athletic Funds	Capital Reserve	Capital Projects	Totals 2018	Totals 2017
REVENUES						
Local Sources	$ 3,709,323	$ 96,353	$ 0	$ 0	$ 3,805,676	$ 3,722,210
State Sources	13,289,966	0	0	0	13,289,966	12,953,709
Federal Sources	416,154	0	0	0	416,154	341,211
TOTAL REVENUES	17,415,443	96,353	0	0	17,511,796	17,017,130
EXPENDITURES						
Current:						
Instruction	11,940,763	0	0	0	11,940,763	11,777,619
Support Services	4,898,562	0	0	0	4,898,562	4,758,956
Operation of Noninstructional Services	379,880	95,701	0	0	475,581	425,108
Total Current	17,219,205	95,701	0	0	17,314,906	16,961,683
Capital Outlay:						
Facilities Acquisition, Construction and Improvement Services	0	0	0	0	0	136,051
Total Capital Outlay	0	0	0	0	0	136,051
Debt Service:						
Principal and Interest	1,038,844	0	0	0	1,038,844	1,078,001
Total Debt Service	1,038,844	0	0	0	1,038,844	1,078,001
TOTAL EXPENDITURES	18,258,049	95,701	0	0	18,353,750	18,175,735
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(842,606)	652	0	0	(841,954)	(1,158,605)
OTHER FINANCING SOURCES (USES)						
Bonds Issued - Refunding	5,750,000	0	0	0	5,750,000	0
Interfund Transfers-In	0	0	0	0	0	76,620
Interfund Transfers-Out	0	0	0	0	0	(76,621)
Debt Service - Refunded Bonds	(5,580,000)	0	0	0	(5,580,000)	0
Sale/Compensation for Fixed Assets	0	0	0	0	0	3,175
Bond Issue Costs	(170,000)	0	0	0	(170,000)	0
TOTAL OTHER FINANCING SOURCES (USES)	0	0	0	0	0	3,174
Net Change in Fund Balances	(842,606)	652	0	0	(841,954)	(1,155,431)
Fund Balance - July 1	6,943,542	14,685	8	0	6,958,235	8,113,666
Fund Balance - June 30	$ 6,100,936	$ 15,337	$ 8	$ 0	$ 6,116,281	$ 6,958,235

The accompanying notes are an integral part of these financial statements.

REDBANK VALLEY SCHOOL DISTRICT
NEW BETHLEHEM, PENNSYLVANIA
RECONCILIATION OF THE GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS			$ (841,954)
Amounts reported for governmental activities in the Statement of Activities are different because of the following:			
Capital outlays are reported in Governmental Funds 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 exceeds capital outlays in the period:	Capital outlays	0	
	Less: Depreciation expense	(141,571)	(141,571)
Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the Governmental Funds. Deferred tax revenues increased by this amount this year.			(258,985)
The issuance of general obligation bonds provides current financial resources to Governmental Funds but has no affect on net position. Also, Governmental Funds report the issuance costs, bond discounts and other similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:			
	OPEB	(2,135,000)	
	Amortization Expense	(7,083)	
	Issuance of Bond Proceeds	(5,750,000)	
	Bond Issuance Cost	170,000	
	Payments - Refunded Bonds	5,580,000	
	Repayment of bond principal	875,000	(1,267,083)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES			$ (2,509,593)

The accompanying notes are an integral part of these financial statements.

REDBANK VALLEY SCHOOL DISTRICT
NEW BETHLEHEM, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget Positive
	Original	Final	(GAAP Basis)	(Negative)
REVENUES				
Local Revenues	3,512,925	3,607,924	3,709,323	101,399
State Revenues	12,805,563	12,800,788	13,289,966	489,178
Federal Revenues	431,479	431,479	416,154	(15,325)
TOTAL REVENUES	16,749,967	16,840,191	17,415,443	575,252
EXPENDITURES				
Current:				
Regular Programs	7,799,772	7,799,772	8,059,293	(259,521)
Special Programs	2,500,344	2,500,344	2,849,937	(349,593)
Vocational Programs	1,213,618	1,213,618	920,185	293,433
Other Instructional Programs	93,410	93,410	111,347	(17,937)
Community/Jr. College Programs	0	0	0	0
Support Services:				
Pupil Personnel Services	330,235	330,235	312,351	17,884
Instructional Staff Services	787,383	787,383	740,174	47,209
Administrative Services	761,759	761,759	827,921	(66,162)
Pupil Health	214,034	214,034	181,783	32,251
Business Services	173,417	173,417	176,364	(2,947)
Operation and Maintenance of Plant Services	1,212,189	1,212,189	1,385,610	(173,421)
Student Transportation Services	1,248,439	1,248,439	1,255,320	(6,881)
Central and Other Support Services	0	0	5,898	(5,898)
Other Support Services	13,250	13,250	13,142	108
Operation of Noninstructional Services:				
Student Activities	375,499	375,499	374,630	869
Community Services	0	0	5,250	(5,250)
Capital Outlay	0	0	0	0
Fac Acq., Const. & Imp.	0	0	0	0
Debt Service (Principal & Interest)	1,081,238	1,081,238	1,038,844	42,394
Refund of Prior Year Receipts	0	0	0	0
TOTAL EXPENDITURES	17,804,587	17,804,587	18,258,049	(453,462)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,054,620)	(964,396)	(842,606)	121,790

The accompanying notes are an integral part of these financial statements.

REDBANK VALLEY SCHOOL DISTRICT
NEW BETHLEHEM, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES -
BUDGET AND ACTUAL, (Continued)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget Positive
	Original	Final	(GAAP Basis)	(Negative)
OTHER FINANCING SOURCES (USES)				
Sale of Bonds	$ 0	$ 0	$ 5,750,000	$ 5,750,000
Interfund Transfers	0	0	0	0
Sale/Compensation for Fixed Assets	0	0	0	0
Bond Discounts	0	0	(170,000)	(170,000)
Debt Service (Refunded Bonds)	0	0	(5,580,000)	(5,580,000)
Transfers Out	0	0	0	0
Budgetary Reserve	0	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	0	0	0	0
Net Change in Fund Balances	(1,054,620)	(964,396)	(842,606)	121,790
Fund Balance - July 1, 2017	7,401,764	7,401,764	6,943,542	(458,222)
Fund Balance - June 30, 2018	$ 6,347,144	$ 6,437,368	$ 6,100,936	$ (336,432)

The accompanying notes are an integral part of these financial statements.

REDBANK VALLEY SCHOOL DISTRICT
NEW BETHLEHEM, PENNSYLVANIA
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2018 and 2017

	Food Service Fund	
	2018	2017
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 34,108	$ 35,206
Investments	0	0
Due from Other Governments	0	0
Other Receivables	0	0
Inventories	11,987	19,352
Total Current Assets	46,095	54,558
Noncurrent Assets:		
Furniture and Equipment (Net of Accumulated Depreciation)	0	0
Total Noncurrent Assets	0	0
TOTAL ASSETS	$ 46,095	$ 54,558
LIABILITIES		
Current Liabilities:		
Due to Other Funds	$ 171	$ 171
Accounts Payable	0	0
Accrued Salaries and Benefits	0	0
Total Current Liabilities	171	171
Noncurrent Liabilities:	0	0
TOTAL LIABILITIES	171	171
NET POSITION		
Investment in Capital Assets, Net of Related Debt	0	0
Unrestricted	45,924	54,387
TOTAL NET POSITION	45,924	54,387
TOTAL LIABILITIES AND NET POSITION	$ 46,095	$ 54,558

The accompanying notes are an integral part of these financial statements.

REDBANK VALLEY SCHOOL DISTRICT
NEW BETHLEHEM, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR THEN ENDED JUNE 30, 2018 and 2017

	Food Service Fund	
	2018	2017
OPERATING REVENUES:		
Food Service Revenue	$ 269,715	$ 232,100
Charges for Services	0	0
TOTAL OPERATING REVENUES	269,715	232,100
OPERATING EXPENSES:		
Salaries	225,031	165,683
Employee Benefits	167,584	168,652
Purchased Property Service	17,909	90,377
Other Purchased Service	2,647	8,667
Supplies	241,407	225,025
Other Operating Expenses	0	0
Depreciation	0	0
TOTAL OPERATING EXPENSES	654,578	658,404
OPERATING INCOME/(LOSS)	(384,863)	(426,304)
NONOPERATING REVENUES (EXPENSES):		
Earnings on Investments	3	5
State Sources	25,625	24,988
Federal Sources	350,772	334,286
TOTAL NONOPERATING REVENUES (EXPENSES)	376,400	359,279
TRANSFERS IN	0	0
CHANGE IN NET POSITION (DEFICIT)	(8,463)	(67,025)
TOTAL NET POSITION - JULY 1	54,387	121,412
TOTAL NET POSITION - JUNE 30	$ 45,924	$ 54,387

The accompanying notes are an integral part of these financial statements.

REDBANK VALLEY SCHOOL DISTRICT
NEW BETHLEHEM, PENNSYLVANIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR THEN ENDED JUNE 30, 2018 and 2017

	Food Service Fund	
	2018	2017
Cash Flows from Operating Activities		
Cash Received from Users	$ 269,715	$ 232,100
Cash Payments to Employees for Services	(392,615)	(334,335)
Cash Payments to Suppliers for Goods and Services	(234,042)	(319,997)
Cash Payments for Other Operating Expenses	(20,556)	0
Net Cash (Used for) Operating Activities	(377,498)	(422,232)
Cash Flows from Noncapital Financing Activities		
State Sources	25,625	24,988
Federal Sources	350,772	334,286
Operating Transfers In (Out) Primary Government	0	0
Net Cash Provided by Noncapital Financing Activities	376,397	359,274
Cash Flows from Capital and Related Financing Activities		
Capital Outlay	0	0
Net Cash Provided by Capital and Related Financing Activities	0	0
Cash Flows from Investing Activities		
Proceeds from Sale and Maturity if Inv. Securities	0	0
Earnings on Investments	3	5
Purchase of Inv. Securities/Deposits to Inc. Pools	0	0
Net Cash Provided by Investing Activities	3	5
Net Increase (Decrease) in Cash and Cash Flow	(1,098)	(62,953)
Cash and Cash Equivalents Beginning of Year	35,206	98,159
Cash and Cash Equivalents End of Year	$ 34,108	$ 35,206
Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities:		
Operating Income (Loss)	$ (384,863)	$ (426,304)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:		
Depreciation	0	0
Increase (Decrease) in Accounts Payable	0	171
(Increase) Decrease in Inventories	7,365	3,901
Increase (Decrease) in Advances	0	0
Total Adjustments	7,365	4,072
Net Cash (Used for) Operating Activities	$ (377,498)	$ (422,232)
Supplemental Disclosure		
Noncash, Noncapital Financing Activity:		
USDA Donated Commodities	$ 43,386	$ 46,214

The accompanying notes are an integral part of these financial statements.

REDBANK VALLEY SCHOOL DISTRICT
NEW BETHLEHEM, PENNSYLVANIA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	Private Purpose Trust	Student Activities	Total
ASSETS			
Cash and Cash Equivalents	$ 126	$ 22,813	$ 22,939
Investments	12,345	25,780	38,125
Due from Other Funds	0	0	0
TOTAL ASSETS	$ 12,471	$ 48,593	$ 61,064
LIABILITIES			
Short-Term Payables	$ 0	$ 48,593	48,593
Accrued Salaries & Benefits	0	0	0
TOTAL LIABILITIES	0	48,593	48,593
NET POSITION			
Restricted	12,471	0	12,471
TOTAL LIABILITIES AND NET POSITION	$ 12,471	$ 48,593	$ 61,064

The accompanying notes are an integral part of these financial statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District operates two elementary schools and one high school in New Bethlehem, Pennsylvania. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provision of the School Laws of Pennsylvania. The District operates under a locally elected nine member Board form of government.

The accounting policies of the District conform to generally accepted accounting principles for local government units. The most significant accounting policies are summarized below.

The Governmental Accounting Standards Board (GASB) Statement 14, "The Financial Reporting Entity", as amended by GASB Statement no. 61, established the criteria for determining the activities, organizations and functions of the government to be included in the financial statements of the reporting entity. The criteria used in determining whether such organizations should be included in the District's financial reporting entity are financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, accountability for fiscal matters, scope of public service and special financial relationships.

The District has determined that there are no related organizations which should be included in the general purpose financial statements.

Basis of Presentation – Fund Accounting

Entity-wide financial statements

The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are spent.

The statement of net position and the statement of activities report about the District as a whole. As a general rule the effect of inter-fund activity has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately in the government-wide financial statements from business-type activities, which rely, to a significant extent on fees and charges for support.

The entity-wide statement of activities presents a comparison between expenses and program revenues for each function of the business-type activities of the District and for each governmental activity. Expenses are those that are specifically associated with a service or program and are, therefore, clearly identifiable to a particular function.

Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants, and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the District.

Except for interfund activity and balances between the funds that underlie governmental activities and the funds that underlie business-type activities, which are reported as transfers and internal balances, the effect of interfund activity has been removed from these statements.

The entity-wide financial statements report net position in one of three components. Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of borrowing attributable to acquiring, constructing, or improving those assets. Net position is reported by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Those restrictions affect net position arising from special revenue and capital projects funds. Unrestricted net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

Fund Financial Statements

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

Proprietary funds distinguish operating revenues and expenses from non-operating item. 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 District's enterprise fund are food service charges. Operating expenses for the District's enterprise fund include food production costs, supplies, administrative costs, and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as non-operating revenues and expenses. General fund expenditures which partially benefit the proprietary fund are

not entirely recognized with the proprietary fund. Similarly, the proprietary fund does not recognize a cost for the building space it occupies.

The District reports the following major governmental fund:

General Fund – The principal operating fund of the District used to account for all financial resources except those required to be in another fund.

The District reports the following other major funds:

Proprietary Fund Types – These are the funds that account for the operations of the School District that are financed and operated in a manner similar to those often found in the private sector. The fund included in this category is:

Enterprise Fund – Used to account for the operation of the Food Service Division.

The District reports the following nonmajor governmental funds:

Capital Projects Fund – Used to account for financial resources related to general fixed asset acquisitions, construction and improvements.

Agency Fund – Used to account for assets held by the District as an agent for others. These funds are accounted for in a manner similar to governmental funds and include the Athletic Fund.

Special Revenue Fund – Used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes. The District's Special Revenue Fund is the Capital Reserve Fund.

Measurement Focus & Basis of Accounting

The government-wide, proprietary and fiduciary fund 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 the related liability is incurred. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue when provider eligibility requirements have been met. Net assets (total assets less total liabilities) are used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net assets. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the statement of net assets.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues

are recognized when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenues from federal, state and other grants designated for payment of specific School District expenditures are recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as deferred revenues until earned. Expenditures, generally are recorded when the related fund liability is incurred, if measurable. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Reporting Entity

The Redbank Valley School District Board of Education ("Board") is the basic level of government, which has oversight responsibility and control over all activities related to the public school education in the Boroughs of New Bethlehem and Hawthorn, and the Townships of Porter, Oak Hall Independent, and Redbank in Clarion County; and the Borough of South Bethlehem and the Townships of Madison, Mahoning, and Redbank in Armstrong County. The Board received funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined in GASB pronouncements, since Board members are elected by the public and have decision making authority, the ability to significantly influence operations and primary accountability for fiscal matters. The Board does not exercise sufficient control over any other governmental agency or authority that should be included as part of the District's reporting entity.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments are recorded at fair value.

In establishing the fair value of investments, the District uses the following hierarchy. The lowest available level of valuation available is used for all investments.

Level 1 – Valuations based on quoted market prices in active markets for identical assets or liabilities that the entity has the ability to access.

Level 2 – Valuations based on quoted prices of similar products in active markets or identical products in markets that are not active or for which all significant inputs are observable, directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Receivables and Payables
Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Inventories
On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis, and are expensed when used.

A physical inventory of the Cafeteria Fund food and supplies was taken as of June 30, 2018. The inventory of $6,608 consisted of government donated commodities, which were valued at estimated fair market value, and purchased commodities and supplies, both valued at cost using the first-in, first-out (FIFO) method. Any unused commodities donated by the federal government at June 30, 2018 are reported as inventory.

Prepaid Expenses
Prepaid expenses reflect certain payments to vendors that benefit future reporting periods and are reported on the consumption basis.

Capital Assets
Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), 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. Management has elected to include certain homogeneous asset categories with individual assets less than $1,500 as composite groups for financial reporting purposes. In addition, 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 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 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:

Assets	Years
Buildings & Building Improvements	45
Site Improvements	20
Furniture & Equipment	5-20
Vehicles	8-20
Library Books	7

Proprietary fund equipment purchases are capitalized in the proprietary fund at cost and depreciated on a straight-line basis over 12 years at the rate of 8.33% per year.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activity columns in the statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method.

Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Amounts to be Provided for Retirement of Long-Term Debt

The balance in this account represents the amount to be provided from future taxes or other general revenues to retire long-term obligations.

Amount to be Provided for Compensated Absences

The balance in this account represents the amount to be provided from future taxes and other revenues to retire compensated absences obligations relating to the District's retirement policy. This amount includes compensation due for sick, vacation and sabbatical time. This amount for fiscal year 2017-2018 was $356,335.

Deferred Revenues

Deferred revenues represent receivables which will be collected and included in revenues of future fiscal years. In the General Fund, deferred revenues of $249,825 consist of delinquent taxes receivable which are levied in the current and prior years but were not available to pay liabilities of the current period.

Deferred Inflows and Deferred Outflows of Resources
In addition to assets and liabilities, the statement of net position and fund level statements will sometimes report separate sections for deferred inflows and deferred outflows of resources. These separate financial statement elements represent acquisition or use of net position that applies to a future period(s) and so will not be recognized as an inflow or outflow of resources (revenue or expense/expenditure) until that time. The District currently has four types of items that qualify for reporting in this category. Pension contributions made subsequent to the measurement date and therefore, not reflected in the net pension liability under full accrual basis reporting, are reported as a deferred outflow of resources on the entity-wide and proprietary fund statements of net position. Certain changes to the net pension liability are required to be amortized over a period of years; the unamortized portions of these changes are reflected as deferred outflows and inflows of resources on the entity-wide and proprietary fund statements of net position.

Deferred amounts on the refunding of bonds are reflected as deferred outflows of resources on the entity-wide statement of net position. Delinquent taxes and notes receivable not collected within 60 days of year end and, therefore, not available under modified accrual reporting are reflected as deferred inflows of resources on the general fund balance sheet.

Fund Balances
Fund balances of the governmental funds are classified, if applicable, as follows:

Nonspendable – amounts that cannot be spent because they are in nonspendable form (e.g., inventory) or legally or contractually required to be maintained intact (e.g., principal of a permanent fund).

Restricted – amounts limited by external parties or legislation (e.g., grants or donations and constraints imposed through a debt covenant).

Committed – amounts limited by Board policy (e.g., future anticipated costs). These constraints can be removed or changed by equal levels of action. Action or constraint resources should occur prior to fiscal year end.

Assigned – amounts that are intended for a particular purpose such as future benefits funding or segregation of an amount intended to be used at some time in the future. Funds can be assigned by the School Board of Directors or by an official to which the School Board of Directors delegates the authority.

Unassigned – amounts available for consumption or not restricted in any manner.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund

balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds and, finally, unassigned funds, as needed, unless the Board or official with the appropriate authority has provided otherwise in its commitment or assignment actions.

Implementation of New Accounting Pronouncements

During the year ended June 30, 2017, the District implemented GASB Statement No. 72, "Fair Value Measurement and Application." GASB Statement No. 72 provides guidance for determining a fair value measurement for financial reporting purposes and applying fair value to certain investments, as well as improving disclosures related to all fair value measurements. The effects of this statement have been included in the District's financial statement footnotes.

During the year ended June 30, 2018, the District implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefit Plans other than Pension Plans", was implemented by the District. The objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits of OPEB). The impact of this statement has been reflected in these financial statements.

New Accounting Pronouncements

GASB Statement No. 83, "Certain Asset Retirement Obligations", will be effective for the District for the year ended June 30, 2019. This statement addresses accounting and financial reporting for certain asset retirement obligations ("AROs"). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement.

GASB Statement No. 84, "Fiduciary Activities", will be effective for the District for the year ended June 30, 2020. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

GASB Statement No. 87, "Leases", will be effective for the District for the year ended June 30, 2021. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, presentation of prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the District's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Total Columns on Combined Statements

The total columns on the combined statements are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Such data is not comparable to a consolidation. Interfund eliminations have been made in the aggregation of this data.

NOTE B – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and district-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

Explanation of Differences between Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities

Capital related differences include (1) non-facility related fixed asset purchases are recorded as an expenditure in the functional categories listed under current expenditures in the government fund statements and capitalization and recording of depreciation expense in the statement of activities.

NOTE C– STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Accounting

An operating budget is adopted each year for the General Fund on a modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required.

The Pennsylvania School code dictates specific procedures relative to adoption of the District's budget and reporting of its financial statements, specifically:

NOTE C– STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, Continued

- The District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.
- The District is required to publish notice by advertisement, at least once in two newspapers of general circulation in the municipality in which it is located, and within fifteen days of final action, that the proposed budget has been prepared and is available for public inspection at the administrative office of the District. Notice that public hearings will be held on the proposed operating budget must be included in the advertisements; such hearings are required to be scheduled at least ten days prior to when final action on adoption is taken by the Board.
- The Board of Directors may make transfers of funds appropriated to any particular item of expenditure by legislative action. An affirmative vote of two-thirds of all members of the Board is required.
- Fund balances in Budgetary Funds may be appropriated based on resolutions passed by the Board of Education, which authorize the District to make expenditures. Appropriations lapse at the end of the fiscal period. In order to preserve a portion of an appropriation for which an expenditure has been committed by a purchase order, contract or other form of commitment, an encumbrance is recorded. Encumbrances outstanding at year end are reported in the fund financial statements as reservations of fund balances.
- Included in the General Fund budget are programs budgets as prescribed by the state and federal agencies funding the program. These budgets are approved on a program by program basis by the state or federal funding agency.

NOTE D – CASH DEPOSITS AND INVESTMENTS

Deposits were with the contracted depository bank in interest bearing accounts, which were secured at the balance sheet date by FDIC coverage and by pledged government securities held in the name of the depository bank.

Funds were secured at all times.

The cash and investments of Redbank Valley District were classified as follows:

General Fund	Cash	Investments
Regular Checking	$ 289,199	
Payroll Checking	195,359	
Petty Cash	26	
Green Plan		$ 750,017
Credit Card Account	1,688	
Special MS Account	15,669	0
Money Market		39,191
High Yield Investments		0

NOTE D – CASH DEPOSITS AND INVESTMENTS, Continued

Certificates of Deposit		5,234,956
PA INVEST		5
	$ 501,940	$ 6,024,169
Special Revenue		
Capital Reserve Fund		
PA INVEST		8
		$ 8
Food Service		
Regular Checking	$ 34,108	
Certificates of Deposit		$ 0
	$ 34,108	$ 0
Athletic Fund		
Checking	$ 15,337	
	$ 15,337	
Total- Net Position	$ 551,385	$6,024,177
Trust Funds		
Patricia A. Kundick Memorial Scholarship	$ 126	
Certificates of Deposit		$ 12,345
	$ 126	$ 12,345
Agency – Student Activities Fund		
Checking-Activities	$ 22,813	
Certificates of Deposit		$ 25,780
	$ 22,813	$ 25,780

PA Local Government Investment Trust; $12; variable interest rate. PLGIT is a common law trust established to allow local government entities in Pennsylvania to pool their funds for investment in money market instruments under provisions of the Intergovernmental Cooperation Act. Authorized investments are comprised exclusively of investments in U.S. Treasury bills, U.S. Treasury notes or bonds, and obligations of certain agencies and instrumentalities of the U.S. Government with a remaining maturity of one year or less and Certificates of Deposit in banks or savings and loans which are fully insured or collateralized as provided by Pennsylvania law.

The cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels of risk are as follows:

Category 1 Deposits which are insured or collateralized with securities held by the District or by its agent in the District's name.

NOTE D – CASH DEPOSITS AND INVESTMENTS, Continued

Category 2 Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3 Deposits which are not collateralized or insured

Based on these three levels of risk, all of the District's cash deposits are classified as Category 1.

Investments

Statutes authorize the District to invest in U.S. Treasury bills, time or share accounts of institutions insured by the Federal Deposit Insurance Corporation, or in certificates of deposit when they are secured by proper bond or collateral, repurchase agreements, State Treasurer's investment pools, or mutual funds. During the year ended June 30, 2018, permitted investments were expanded to include highly-rated commercial paper, bankers' acceptances, and negotiable certificates of deposit.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The District has the following recurring fair value measurements as of June 30, 2018:

Investment Type	Fair Value	Level 1	Matures in Less Than One Year	Matures in One to Five Years
Certificates of Deposit	$5,273,081	$5,273,081	$5,234,956	$ 38,125

Interest Rate Risk

The manages its exposure to fair value losses arising from increasing interest rates by investing in securities with maturity dates under five years.

Custodial Credit Risk

The District's investment strategy follows the Pennsylvania School Code in limiting its investment choices to those with certain credit ratings. All certificates of deposit are fully covered by FDIC insurance.

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At June 30, 2018, the carrying amount of the District's deposits was $7,094,971 and the bank balance was $6,636,618. Of the bank balance, $1,862,446 was covered by federal depository insurance, while $4,774,172 was covered through collateral held by financial institutions but not in the District's name.

The remaining cash deposits of $13 of the District are in the Pennsylvania School District Liquid Asset Fund ("PSDLAF"), the Pennsylvania Local Government Investment Trust ("PLGIT"), and the Pennsylvania Invest Program ("Invest"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF, PLGIT, and Invest act like money market mutual funds in that their objective

NOTE D – CASH DEPOSITS AND INVESTMENTS, Continued

is to maintain a stable net asset value of $1 per share, are rated by a nationally recognized rating organization, and are subject to an independent annual audit. At June 30, 2018, PSDLAF, PLGIT, and Invest were rated AAAM.

Similar to cash deposits, investments held at a financial institution can be categorized according to three levels, of risk. These three levels are:

Category 1	Investments that are insured, registered, or held by the entity or by its agent in the District's name.
Category 2	Investments that are uninsured and unregistered held by the counter- party's trust department or agent in the District's name.
Category 3	Uninsured and unregistered investments held by the counter-party, its trust or its agent, but not in the District's name.

Based on these three levels or risk, all of the District's investments are classified as Category 1.

NOTE E – REAL ESTATE TAXES

Real Estate taxes for the School District are collected from the Boroughs of New Bethlehem, Hawthorn, and South Bethlehem, and the Townships of Porter, Madison, Redbank, and Mahoning. The tax on real estate for public school purposes for fiscal year 2017 – 2018 was 32.08 mills for Clarion County and 23.03 mills for Armstrong County, as levied by the Board. Assessed valuations of property are determined by Clarion County and the elected tax collectors are responsible for collection. The schedule for real estate taxes levied for each fiscal year is as follows.

July 1	-Levy Date
July 1 – August 31	-2% Discount Period
September 1 – October 31	-Face Payment Period
November 1 – December 31	-10% Penalty Period --Clarion County
November 1 – December 31	-10% Penalty Period --Armstrong County
January 1	-Lien Date—Clarion County
January 1	-Lien Date—Armstrong County

NOTE F – INTERGOVERNMENTAL RECEIVABLES

Amounts due from other governments represent receivables for revenues earned by the District or collections made by another governmental unit on behalf of the District. At June 30, 2018, the following amounts are due from other governmental units:

NOTE F – INTERGOVERNMENTAL RECEIVABLES, Continued

Due From	General Fund
State Government	$ 736,136
Federal Government	97,175
Due From Other Governments	202,988
	$1,036,299

NOTE G – DUE TO/FROM OTHER FUNDS

Interfund receivable and payable balances as of June 30, 2018 are as follows:

Due To	Due From	Amount
General	Food Service	$ 171

NOTE H - CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	$ 337,281	$ 0	$ 0	$ 337,281
Total Capital Assets Not Being Depreciated	337,281	0	0	337,281
Capital Assets, Being Depreciated				
Buildings & Building Improvements	5,530,051	0	0	5,530,051
Site Improvements	1,204,919	0	0	1,204,919
Machinery & Equipment	3,318,726	0	0	3,318,726
Total Assets Being Depreciated	10,053,696	0	0	10,053,696
Less Accumulated Depreciation For:				
Buildings & Building Improvements	3,074,453	16,301	0	3,090,754
Site Improvements	1,204,919	0	0	1,204,919
Machinery & Equipment	3,048,439	125,270	0	3,173,709
Total Accumulated Depreciation	7,327,811	141,571	0	7,469,382
Total Capital Assets, Being Depreciated, Net	2,725,885	(141,571)	0	2,584,314
Governmental Activities, Capital Assets, Net	$ 3,063,166	$ (141,571)	$ 0	$ 2,921,595
Business-Type Activities				
Capital Assets Being Depreciated				
Furniture & Equipment	$ 35,445	$ 0	$ 0	$ 35,445
Total Capital Assets, Being Depreciated	35,445	0	0	35,445
Less Accumulated Depreciation For:				
Furniture & Equipment	35,445	0	0	35,445
Total Accumulated Depreciation	35,445	0	0	35,445
Total Capital Assets, Being Depreciated, Net	0	0	0	0
Business-Type Activities Capital Assets, Net	$ 0	$ 0	$ 0	$ 0

The accompanying notes are an integral part of these financial statements.

NOTE H- CHANGES IN CAPITAL ASSETS (Continued)

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

Governmental Activities:

Instruction	$ 86,700
Instructional Student Support	30,532
Administrative & Financial Support Services	19,005
Operation & Maintenance of Plant Services	5,334
Student Activities	0
Total Depreciation Expense - Governmental Activities	$ 141,571
Total Business-Type Activities	$ 0

The accompanying notes are an integral part of these financial statements.

NOTE I - GENERAL LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2018, general long-term debt changed as follows:

	Bonds/Loans Payable	Compensated Absences	OPEB	Net Pension Liability	Total General Long-Term Liabilities	Due Within One Year
Beginning of Year-July 1, 2017	$8,290,000	$373,575	$413,562	$25,968,000	$35,045,137	$0
Additional Debt Incurred	5,750,000	230,898	11,103	2,274,000	8,266,001	0
Principal Retirement	6,455,000	0	0	0	6,455,000	535,000
Decrease in Compensated Absences	0	0	0	0	0	0
End of Year-June 30, 2018	$7,585,000	$604,473	$424,665	$28,242,000	$36,856,138	$535,000

The 2009 Bond Series was paid off during the 2014-2015 year by the issue of the 2013 Bond Series.
The 2010 Bond Series was paid off during the 2017-2018 year. The Bond Series B of 2012 was paid off by the issue of the 2017 Bond Series.
The future annual payments required to amortize all outstanding debt and obligations, except compensated absences, as of June 30, 2018 including total interest payments are as follows:

Year Ended June 30,	General Obligation Bonds Series of 2017		
	Principal	Interest	Total
2019	95,000	123,088	218,088
2020	95,000	118,087	213,087
2021	405,000	108,888	513,888
2022	515,000	98,487	613,487
2023	525,000	124,987	649,987
Therafter	4,115,000	400,062	4,515,062
	$ 5,750,000	$ 973,599	$ 6,723,599

	General Obligation Bonds Series of 2013		
	Principal	Interest	Total
2019	50,000	24,449	74,449
2020	50,000	23,737	73,737
2021	45,000	22,979	67,979
2022	50,000	22,096	72,096
2023	45,000	21,118	66,118
Therafter	715,000	113,371	828,371
	$ 955,000	$ 227,750	$ 1,182,750

General Obligation Bonds Series A of 2012		
Principal	Interest	Total
0	0	0
390,000	11,750	401,750
390,000	5,412	395,412
100,000	1,000	101,000
0	0	0
0	0	0
$ 880,000	$ 18,162	$ 898,162

General Obligation Bonds Series B of 2012		
Principal	Interest	Total
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
$ 0	$ 0	$ 0

NOTE I – LONG-TERM DEBT OBLIGATIONS, Continued

General Obligation Bonds, Series of 2010
In 2010, the School District issued general obligation bonds in the amount of $5,455,000. This bond issue was used to refinance the 2005 bonds. The bonds bear interest rates ranging from .85% to 3.0% with principal maturities from September 30, 2010 through September 1, 2018. The principal balance outstanding at June 30, 2018 was $0. This Bond Series was paid off during the 2017-2018 year.

General Obligation Bonds, Series of 2012
In 2012, the School District issued general obligation bonds in the amount of $985,000 for Series A and $5,775,000 for Series B. This bond issue was used to refinance the 2007 bonds. The bonds bear interest rates ranging from 1% to 3.25% with principals maturities from September 1, 2012 through September 1, 2020. The principal balance outstanding at June 30, 2018 was $880,000 for Series A and $0 for Series B. The Bond Series B was paid off with the Bond Series of 2017.

General Obligation Bonds, Series of 2013
In 2013, the School District issued general obligation bonds in the amount of $1,135,000. The bonds bear interest rates ranging from 1.0% to 3.0% with principal maturities from September 1, 2013 through September 1, 2030. The principal balance outstanding at June 30, 2018 was $955,000.

General Obligation Bonds, Series of 2017
In 2017, the School District issued general obligation bonds in the amount of $5,750,000. This bond issue paid off the Bond Series of 2010 and Bond Series of 2012 part B in full. The bonds bear interest rates ranging from 1.1% to 2.85% with principal maturities from September 1, 2018 through September 1, 2030. The principal balance outstanding at June 30, 2018 was $5,750,000.

NOTE J – COMPENSATED ABSENCES

District employees are entitled to paid vacation, personal and sick days off, depending on job status, length of service and other factors. Sick leave and personal days may accumulate. The District's policy is to expense the cost of compensated absences when paid to the employee.

For fiscal year 2017-2018 the District has accrued a liability for compensated absences and the related employers' share of FICA and retirement in noncurrent liabilities. This amount for fiscal year 2017-2018 is $356,335.

NOTE K – POST-RETIREMENT BENEFITS

Employees who retire after thirty years of credited service in the Public School Retirement System, of which fifteen years were earned as an employee of the School District, receive Blue Cross/Blue Shield coverage. Coverage will be continued until age

NOTE K – POST-RETIREMENT BENEFITS, Continued

65 or until eligible for Medicare, whichever occurs first. Spousal coverage will cease when the spouse has reached his/her 65th birthday, or after five years, whichever occurs first.

As of and for the year ended June 30, 2018, eighteen (19) retirees were receiving such benefits. The total premiums paid by the District, throughout the fiscal year, for those benefits totaled $135,334.90.

NOTE L – CONTINGENT LIABILITIES

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

NOTE M - PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

1. Summary of Significant Accounting Policies

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

General Information about the Pension Plan

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

NOTE M - PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM, Continued

Benefits provided

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

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

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

Contributions

Member contributions:

Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.

NOTE M - PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM, Continued

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

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Employer Contributions:

The District's contractually required annual contribution is based on an actuarially determined amount that, when combined with the employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2018, the rate of the employer contribution was 32.57 percent of covered payroll, allocated 31.74 percent to pensions and 0.83 percent to health insurance assistance. The District's contribution to PSERS for the year ended June 30, 2018 was $2,137,377.

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

At June 30, 2018, the District reported a liability of $25,682,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2016 to June 30, 2017. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2017, the District's proportion was 0.052 percent, which was an decrease of 0.0004 from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of $2,082,909. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE M - PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM, Continued

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 268,000	$ 155,000
Changes in assumptions	698,000	0
Changes in proportions	174,000	1,001,000
Net difference between projected and actual investment earnings	595,000	0
Difference between employer Contributions and proportionate Share of total contributions	0	0
Contributions subsequent to the Measurement date	2,082,909	0
	$3,817,909	$1,156,000

$2,082,909 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	$ 118,000
2019	358,000
2020	221,000
2021	(119,000)
	$ 578,000

Changes in Actuarial Assumptions

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

Changes in assumptions used in measurement of the Total Pension Liability beginning June 30, 2017

- The Investment Rate of Return was adjusted from 7.50% to 7.25%
- The inflation assumption was decreased from 3.0% to 2.75%.
- Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50%, to an effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.

NOTE M - PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM, Continued

- Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. The actuarial assumptions used in the June 30, 2016 valuation were based on the experience study that was performed for the five-year period ending June 30, 2015. The recommended assumption changes based on this experience study were adopted by the Board at its June 10, 2016 Board meeting, and were effective beginning with the June 30, 2016 actuarial valuation.

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

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Public Equity	20.0%	5.1%
Real Estate	10.0%	3.6%
Fixed Income	36.0%	2.6%
Alternative Investments	15.0%	6.2%
Cash	3.0%	0.6%
Absolute Return	10.0%	3.4%
Risk Parity	10.0%	3.8%
Infrastructure/MLPs	8.0%	4.8%
Commodities	8.0%	3.0%
Financing (LIBOR)	(20.0%)	1.1%
	100%	

NOTE M - PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM, Continued

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2017.

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

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate

The following presents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of The net pension liability	$31,612,000	$25,682,000	$20,675,000

Pension plan fiduciary net position

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at www.psers.state.pa.us.

NOTE N –POSTEMPLOYMENT HEALTH CARE BENEFITS

Plan Description

The District has adopted Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension*, for certain postemployment health care benefits and life insurance benefits provided by the District.

This statement generally provides for prospective implementation-that is, that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year.

NOTE N –POSTEMPLOYMENT HEALTH CARE BENEFITS, Continued

Accordingly, for financial reporting purposes, no liability is reported for the postemployment benefits liability at the date of transition.

The District's Postemployment Health Care Benefit (OPEB) Plan is administered by the School Board of Directors. The District is an agent in a multiple employer plan with a consortium of School Districts and Intermediate Units in this area. The consortium issues the financial statement and a copy can be obtained by the District.

Funding Policy

The contribution requirements of plan members are established and may be amended by the Board. The required contribution is based on projected pay-as-you-go financing requirements, with any additional amount to prefund as determined annually by the Board. For fiscal year 2018, the District contributed $135,335 to the plan for current premiums.

CHANGE IN THE TOTAL OPEB LIABILITY

	Total OPEB Liability
Balance at 6/30/17	$ 1,010,980
Balance at 6/30/17 (Restated)	$2,394,000
Changes for the year:	
Service Cost	$ 127,000
Interest on Total OPEB Liability	83,000
Changes of benefit terms	0
Differences between expected and actual experience	0
Changes of assumptions or other inputs	(296,000)
Benefit payments	(137,000)
Net Changes	$ (259,000)
Balance at 6/30/18	$ 2,135,000

Changes of Assumptions and Other Inputs

- Changed the discount rate from 2.85% to 3.87%
- Changed the aging factors to utilize the morbidity factors developed by Dale H. Yamamoto in "Health Care Costs-From Birth to Death: (June 2013).
- Changed the mortality table to RPH-2014 Total Dataset using Improvement Projection Scale MP-2016
- Changed the cost method from projected unit credit to entry age normal as a level percentage of pay.

OPEB EXPENSE FOR THE FISCAL YEAR ENEDED JUNE 30, 2018

	Amount
Service Cost	$ 127,000
Interest on Total OPEB Liability	83,000
Changes of benefit terms	0
Differences between expected and actual experience	0
Changes of assumptions or other inputs	(37,000)
OPEB expense	$ 173,000

ACTUARIAL ASSUMPTIONS AND METHODS

Actuarial Assumptions

Mortality: RPH-2014 mortality table projected using scale MP-2017

Discount Rate: 3.87% - based on the bond buyers 20-bond index.

Health Care Trend: Health care trend rates are assumed to increase as shown in the following table:

Fiscal Year Ending June 30	Increase in Health Cost over Prior Year
2019	6.80%
2020	6.60%
2021	5.40%
2022	5.10%
2023	5.10%
2027	4.90%
2033	5.00%
2076 & later	4.10%

Statement No. 75 of the GASB requires that certain supplemental information be disclosed about an employer's obligation and cost to provide postretirement benefits other than pensions. The disclosures presented below are in compliance with Statement No. 75.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and Actual experience	$ 0	$ 0
Changes of assumptions	(259,000)	0
Total	$ (259,000)	$ 0

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30	
2019	$ (37,000)
2020	(37,000)
2021	(37,000)
2022	(37,000)
2023	(37,000)
Thereafter	(74,000)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following is the Total OPEB Liability to the District, as well as the Total OPEB Liability using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB Liability	$ 2,326,000	$ 2,135,000	$ 1,958,000

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following is the Total OPEB Liability to the District, as well as the Total OPEB Liability using healthcare cost trend rates that are 1-percentage-point or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Discount Rate	1% Increase
Total OPEB Liability	$ 1,855,000	$ 2,135,000	$ 2,472,000

Statement No. 75 of the GASB requires that a 10-year schedule of the changes in the Total OPEB Liability be disclosed. Note that only the years where this information is known is required until 10 years of information is compiled.

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

	2018	2017
Service Cost	$ 127,000	$ 0
Interest on Total OPEB Liability	83,000	0
Changes of benefit terms	0	0
Differences between expected and actual experience	0	0
Changes of assumptions or other inputs	(296,000)	0
Benefit payments	(173,000)	0
Net change in total OPEB liability	(259,000)	0
Total OPEB liability-beginning of year	2,394,000	0
Total OPEB liability-end of year	$ 2,135,000	$ 0

Notes to schedule:

- GASB 75 was implemented beginning with the fiscal year ended June 30, 2017.
- Assumption Changes:
  - Discount rate used for fiscal year ending:
    2018 3.87%

ACTUARIAL ASSUMPTIONS AND METHODS

Actuarial Assumptions

Discount Rate: 3.87% as of June 30, 2018.

Health Cost Trend: Medical and pharmacy costs and premium rates are assumed to increase as shown in the following table (selected years shown):

Fiscal Year Ending June 30	Increase in Health Cost over Prior Year
2019	6.80%
2020	6.10%
2021	5.40%
2022	5.10%
2023	5.10%
2028	4.90%
2033	5.00%
2038	5.00%
2043	6.00%
2048	5.50%
2058	5.20%
2076 and Later	4.10%

The Society of Actuaries (SOA) Long-Run Medical Cost Trend Model was used to develop the medical trend schedule used in projecting per capita claim costs and premiums for this report. The model's projections are based on an econometric analysis of historical US medical expenditures and the judgments of experts in the field. The long-run baseline projection and input variables have been developed under the guidance of an SOA Project Oversight Group and have been modified slightly to reflect Milliman's expectations for long term inflation. In addition the estimated impact of the excise tax due to healthcare reform is incorporated through an adjustment to the healthcare trend assumption.

Monthly Per Capita Claims Cost: Expected claim costs vary by age, gender and employee versus spouse. The claim costs shown below represent medical and pharmacy benefits and also include a provision for reinsurance premiums and administrative expenses. Also refer to the development of per capita claims cost at the end of this section.

ACTUARIAL ASSUMPTIONS AND METHODS (Continued)

	QHDHP Plans			
Age Group	Male Retirees	Female Retirees	Male Spouses	Female Spouses
60-64	$1327	$1293	$1067	$1056
55-59	1077	1068	844	944
50-54	952	1013	727	829

Coverage Election Rates:

Teachers: 100% of current active members who are eligible for the incentive at retirement are assumed to elect coverage, and to purchase coverage until age 65 if the incentive period expires before then. 25% of current active members who do not retire with an incentive are assumed to elect to purchase coverage. (Based on continuous review of experience and actual judgement.)

Administrators: 100% of current active members who are eligible for the incentive upon retirement at age 55 or later are assumed to elect coverage, and to purchase coverage until age 65 if the incentive period expires before then. 25% of current active members who do not retire with an incentive are assumed to elect to purchase coverage. (Based on continuous review of experience and actual judgement.)

Support: 100% of current active members who are eligible for the incentive at retirement are assumed to elect coverage, and to purchase coverage until age 65 if the incentive period expires before then. 10% of current active members who do not retire with an incentive are assumed to elect to purchase coverage. (Based on continuous review of experience and actual judgement.)

For all groups, actual elections are used for current retirees.

Dependent Coverage:

Teachers: 30% of current active members who elect coverage upon retirement are assumed to cover a spouse, with wives three years younger than husbands. 100% of surviving spouses are assumed to elect to purchase coverage. (Based on continuous review of experience and actual judgement.)

Administrators: 30% of current active members who elect to purchase coverage upon retirement are assumed to cover a spouse, with wives three years younger than husbands. 100% of surviving spouses are assumed to elect to purchase coverage. (Based on continuous review of experience and actual judgement.)

Support: 10% of current active members who elect to purchase coverage upon retirement are assumed to cover a spouse, with wives three years younger than husbands. 100% of surviving spouses are assumed to elect to purchase coverage. (Based on continuous review of experience and actual judgement.

For all groups, actual elections are used for current retirees.

Mortality:

RP-2014 Mortality Tables adjusted to reflect Mortality Improvement Scale MP-2017 from 2006 base year and projected forward on a generational basis with Scale MP-2017 (based on recommendation of Society of Actuaries' Retirement Plans Experience Committee). As a generational table, it reflects mortality improvements both before and after the measurement date.

Termination: Withdrawal rates are based on the rates utilized in the Actuarial Valuation for the Pennsylvania Public School Employees' Retirement System and vary by age, service and gender. Illustrative rates are shown below.

Males

Age	<5 Years	5-9 Years	10+Years
25	15.0%	6.0%	3.0%
35	13.0	3.0	2.0
45	14.0	5.0	1.0
55	12.0	4.0	3.0

Females

25	13.0%	7.0%	5.0%
35	14.0	6.0	3.0
45	12.0	5.0	2.0
55	12.0	4.0	3.0

ACTUAL ASSUMPTIONS AND METHODS

Retirement: Retirement rates are based on the rates utilized in the Actuarial Valuation for the Pennsylvania Public School Employees' Retirement System and vary by age, service and gender. No employee is assumed to work beyond age 65.

Sample Early Retirement Rates

Age	Male	Female
55	19.0%	19.0%
60	14.0%	17.0%

Sample Superannuation Retirement Rates

Age	Male	Female
55	27.0%	10.0%
60	31.0%	36.0%
62	51.0%	61.0%

DEVELOPMENT OF PER CAPITA CLAIMS COST

We received information regarding the District's benefit programs as of July 1, 2017 and actual payments during July 1, 2015 to June 30, 2017 for claims incurred during the current and prior periods. Additional payment lag analysis was performed in conjunction with a prior valuation on a large body of representative data over a 3 year period for similarly situated Districts. We also received information on premium rates and actual premiums paid by the District for actives and retirees and on stop-loss payments. Based on this information and the current demographics of the covered population and utilizing Milliman's Healthcare Cost Guidelines, claim costs by age for males and females were developed. Separate costs were developed for spouses. No costs were included for dependent children.

ACTUARIAL COST METHOD

The plan's actuarial cost method is the entry age normal method. Under this method, a projected benefit is determined at each active participant's assumed retirement age. The plan's normal cost is the sum of each active participant's annual cost for the current year of service determined such that, if it were calculated as a level percentage of his compensation each year, it would accumulate at the valuation interest rate over his total prior and future years of service to his assumed retirement date into an amount sufficient to fund his projected benefit. The plan's accrued liability is the sum of (a) the accumulation of each active participant's normal cost attributable to all prior years of service plus (b) the present value of each inactive participant's future benefits.

NOTE O – RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has purchased various insurance policies to safeguard its assets from risk of loss. Insurance coverage appears to be consistent with previous years. During the year ended June 30, 2018 no settlements exceeded insurance coverage.

NOTE P – CHANGE IN ACCOUNTING PRINCIPLE

During the prior year the District implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27. This statement changes the accounting for pensions by recording the District's portion of net pension liability and deferred inflows and outflows related to pensions. As a result of implementing this statement, a prior period adjustment was required for the beginning net pension liability and deferred outflows for the District's contributions made during fiscal year 2014.

NOTE Q – SUBSEQUENT EVENTS

Management has determined that there are no additional events subsequent to the issue date of the Independent Auditor's report date, which is the date the financial statements were available to be issued, that require additional disclosure in the financial statements.

NOTE R – JOINT VENTURE

The District is a participating member of the Clarion County Career Center ("the Vo-Tech"). The board of directors from each member district must approve the Vo-Tech's annual budget. Each member pays an allocated share of operating costs of the Vo-Tech based on the number of students attending from each district. For fiscal year ended June 30, 2018, the District's share of operating costs was $419,536. The financial statements of the Vo-Tech are available from the Clarion County Career Center located at 447 Career Road, Shippenville, PA 16254.

The District has entered into a lease agreement with the Vo-Tech to provide rental payments to retire the Vo-Tech's outstanding debt obligations. The lease agreement provides that in the event the Vo-Tech either retires all of its outstanding obligations which were issued to finance school facilities construction or acquisition, or accumulates sufficient reserves to cover such obligations prior to the expiration of the applicable schedules, there will be no subsequently scheduled rental payments made. The balance owed as of June 30, 2018 is $0.

NOTE S – CONTINGENCIES AND COMMITMENTS

Government Grants and Awards

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

REQUIRED SUPPLEMENTARY INFORMATION

REDBANK VALLEY SCHOOL DISTRICT
NEW BETHLEHEM, PENNSYLVANIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILTY
Pennsylvania Public School Employees' Retirement System (PSERS)

	Measurement Date			
	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension liability	0.0520%	0.0524%	0.0524%	0.0547%
District's proportion of the net pension liability - dollar value	$ 25,682,000	$ 25,968,000	$ 23,694,000	$ 22,694,000
District's covered employee payroll	6,923,304	6,785,774	7,041,151	6,966,379
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	370.95%	382.68%	336.51%	325.76%
Plan fiduciary net position as a percentage of the total pension liabiltiy	51.84%	50.14%	54.36%	57.24%

In accordance with GASB Statement No. 68, this schedule has ben prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

The accompanying notes are an integral part of these financial statements.

REDBANK VALLEY SCHOOL DISTRICT
NEW BETHLEHEM, PENNSYLVANIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT PENSION PLAN CONTRIBUTIONS
Pennsylvania Public School Employees' Retirement System (PSERS)

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution	$ 2,082,909	$ 1,968,806	$ 1,773,412	$ 1,458,142
Contributions in relation to the contractually required contribution	2,082,909	1,968,806	1,773,412	1,458,142
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0
District's covered - employee payroll	$ 6,562,410	$ 6,742,486	$ 7,182,714	$ 7,161,798
Contributions as a percentage of covered - employee payroll	31.74%	29.20%	24.69%	20.36%

In accordance with GASB Statement No. 68, this schedule has ben prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

The accompanying notes are an integral part of these financial statements.

REDBANK VALLEY SCHOOL DISTRICT
SINGLE AUDIT SUPPLEMENT
YEAR ENDED JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Redbank Valley School District
New Bethlehem, Pennsylvania

I 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 Redbank Valley School District ("the District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated March 18, 2019.

Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered the District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of District internal control. Accordingly, I do not express an opinion on the effectiveness of the 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 District'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.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control weaknesses or that might be material or significant

deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I 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 the District's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion.

The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Richard M. Troese, C.P.A.
Clarion, Pennsylvania
March 18, 2019

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Redbank Valley School District
New Bethlehem, Pennsylvania

Report on Compliance for Each Major Federal Program
I have audited Redbank Valley School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with federal statutes, regulations, contracts, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility
My responsibility is to express an opinion on compliance for the District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence the District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for the District's major federal program. However, my audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In my opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Redbank Valley School District's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over compliance.

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weakness or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Richard M. Troese, C.P.A.
Clarion, Pennsylvania
March 18, 2019

REDBANK VALLEY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

FEDERAL GRANTOR PROGRAM TITLE	SOURCE CODE	FEDERAL CFDA NO.	PASS THROUGH GRANTOR'S #	GRANT PERIOD BEGINNING/ ENDING DATE	PROGRAM OR AWARD AMOUNT	TOTAL RECEIVED FOR THE YEAR	ACCRUED (DEFERRED) REVENUE AT 07/01/17	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (DEFERRED) REVENUE AT 06/30/18	AMOUNT PASSED THRU TO SUB-RECIPIENTS
US Department of Education:											
Passed through PA Dept of Education											
Title I Improving Basic	I	84.010	013-180357	7/1/17-6/30/18	$ 351,905	$ 176,743	$ 0	$ 251,812	$ 251,812 *	$ 75,069	$ 0
Title I Improving Basic	I	84.010	013-170357	7/1/16-6/30/17	293,322	154,218	77,109	77,109	77,109 *	0	0
Total CFDA #84.010						330,961	77,109	328,921	328,921	75,069	0
Title II Improving Teacher	I	84.367	020-180357	7/1/17-6/30/18	54,072	19,425	0	38,673	38,673	19,248	0
Title II Improving Teacher	I	84.367	020-170357	7/1/16-6/30/17	80,737	53,557	10,711	42,846	42,846	0	0
Total CFDA #84.367						72,982	10,711	81,519	81,519	19,248	0
Title IV Student Support	I	84.424	144-180357	7/1/17-6/30/18	10,000	2,857	0	5,714	5,714	2,857	0
Total CFDA #84.424						2,857	0	5,714	5,714	2,857	0
Passed through the Clarion IU #6											
IDEA		84.027	N/A	7/1/17-6/30/18	N/A	0	0	202,908	202,908	202,908	0
Total CFDA #84.027						0	0	202,908	202,908	202,908	0
TOTAL U.S. DEPARTMENT OF EDUCATION						406,800	87,820	619,062	619,062	300,082	0
U.S. Department of Agriculture:											
Passed though PA Dept of Agriculture:											
Value of USDA Donated Commodities	I	10.555	N/A	7/1/17-6/30/18	N/A	43,339	(14,574)	51,305	51,305	(6,608)	0
Passed through PA Dept of Education:											
National School Lunch Program:											
Federal Lunch	I	10.555	362	7/1/17-6/30/18	N/A	243,833	0	243,833	243,833	0	0
Total CFDA #10.555						287,172	(14,574)	295,138	295,138	(6,608)	0
Federal Free/Red	I	10.553	365	7/1/17-6/30/18	N/A	106,939	0	106,939	106,939	0	0
Federal Severe	I	10.553	367	7/1/17-6/30/18	N/A	0	0	0	0	0	0
Total CFDA #10.553						106,939	0	106,939	106,939	0	0
Total Nutrition Cluster						394,111	(14,574)	402,077	402,077	(6,608)	0
TOTAL U.S. DEPARTMENT OF AGRICULTURE					N/A	394,111	(14,574)	402,077	402,077	(6,608)	0
TOTAL FEDERAL AWARDS						$ 800,911	$ 73,246	$ 1,021,139	$ 1,021,139	$ 293,474	$ 0

Source Code:
I = Indirect Funding

20% Coverage Rule Used
Total Expenses per above $ 1,021,139

*** Selected for Audit**

Title I Improving Basic 328,921
Total Federal Expenditure $ 1,021,139 = 32.21%

REDBANK VALLEY SCHOOL DISTRICT
NEW BETHLEHEM, PENNSYLVANIA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 – SCOPE OF SCHEDULE

The Schedule of Expenditures of Federal Awards reflects federal expenditures for all individual grants which were active during the fiscal year.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting except as noted for accounting of donated commodities in Note 3. Revenues are recorded when measurable and available. Expenditures are recorded when incurred.

NOTE 3 – VALUE OF USDA DONATED COMMODITIES LEGEND

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed under CFDA #10.555. As of June 30, 2018, the district had food commodities totaling $6,608 in inventory.

a) Total commodities received from the Pennsylvania Department of Agriculture valued at fair market value.
b) Beginning inventory at July 1, 2017.
c) Total amount of commodities used.
d) Ending inventory at June 30, 2018.

NOTE 4 – INDIRECT COST RATE

The District has not elected to use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

REDBANK VALLEY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

PART A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued (unmodified, qualified, adverse, or disclaimer):

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____Yes ___X__No
- Significant deficiency(ies) identified? _____Yes ___X__None reported
- Noncompliance material to financial Statements noted? _____Yes ___X__No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____Yes ___X__No
- Significant deficiency(ies) identified? _____Yes ___X__None reported

Type of auditor's report issued on compliance for major programs (unmodified, qualified, adverse, or disclaimer):

Unmodified

Any audit findings disclosed that are required to be reported in accordance with "2 CFR 200.516 (A) of the Uniform Guidance?" _____Yes ___X__No

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
84.010	Title I Improving Basic

Dollar threshold used to distinguish between Type A and Type B programs: $750,000

Auditee qualified as low-risk auditee? ___X__Yes _____No

PART B. FINDINGS RELATED TO FINANCIAL STATEMENTS

Status of Prior Year Findings

None.

Current Year Findings and Recommendations

None.

PART C. FINDINGS RELATED TO FEDERAL AWARDS

Status of Prior Year Findings

None.

Current Year Findings and Recommendations

None.

REDBANK VALLEY SCHOOL DISTRICT
LIST OF REPORT DISTRBUTION
YEAR ENDED JUNE 30, 2018

Online -	Bureau of Census Data Preparation Division 1201 East 10th Street Jeffersonville, Indiana 47132 Attention: Single Audit Clearing House
Online -	Office of the Budget/Bureau of Audits 303 Walnut Street Bell Tower – Strawberry Square 6th Floor Harrisburg, Pennsylvania 17101
15 Reports -	Redbank Valley School District PO Box 370 New Bethlehem, Pennsylvania 16242

These reports are due by March 31, 2019.