

**REDBANK VALLEY SCHOOL DISTRICT
SINGLE AUDIT REPORT PACKAGE
YEAR ENDED JUNE 30, 2016**

**REDBANK VALLEY SCHOOL DISTRICT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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INDEPENDENT AUDITOR'S REPORT

Board of 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, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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, 2016, and the respective changes in financial position and where applicable, cash flows, thereof and for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note O to the financial statements, during the year ending June 30, 2016, the District adopted new accounting guidance, GASB Statement No. 68, Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27. My opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion, analysis and budgetary comparison information on pages 4-15 and 52-53 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 School District's basic financial statements. The management's discussion, analysis, and budgetary comparison and the schedule of expenditures of federal awards and certain state grants are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards and certain state grants 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 prepare 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 and certain state grants 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 January 6, 2017, 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.



Richard M. Troese, C.P.A.

Clarion, Pennsylvania

January 6, 2017

REDBANK VALLEY SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
June 30, 2016

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, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the Single Audit and General Purpose Statements to enhance their understanding of the District's financial performance.

The Management Discussion and Analysis (MD&A) is an element of a 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 2015-16 General Fund Budget was approved at the June 9, 2015 meeting of the Board of Directors. In January 2015, the Board approved a resolution in accordance with Act 1 of 2006 stating that any real estate tax increase contained in the final approved budget will not exceed the allowable index as published by the Pennsylvania Department of Education. The allowable index for 2015-16 is 2.8%. This index is applicable to the District, current real estate millage tax rate for Armstrong of 21.56 mills and Clarion 31.00 mills.

Also in accordance with Act 1 of 2006, since the Board adopted the "not to exceed" resolution, the District was permitted to continue work on its preliminary budget following a traditional timeline with approval of the final proposed budget in May 2015 and final adoption of the budget in June 2015. In addition to the requirements, Act 1 provides for taxpayers relief in the form of state distribution of gaming revenues to school districts. The acceptance of these funds will result in each taxpayer, who has an approved homestead/farmstead exemption on file with Armstrong/Clarion counties, receiving a reduction in their assessed value on their 2015 real estate bill. The net effect to each taxpayer is a reduction of approximately \$111.53 in tax liability for the 2015 tax year. In the district, 2,244 homesteads and farmsteads applied and were 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 tax burden and provide taxpayer relief to homeowners.

With the current economic climate it has made it challenging to develop and implement an annual budget that provides an excellent educational system with the community's ability to support the tax burden. Since state and federal funding for education has not kept up with the cost of providing an education, residents must provide more tax dollars to support the existing programs offered to students in Redbank Valley. The intent of the school district is

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not to deplete the district reserves, but to keep the reserves intact and offset cost were actable. This requires a delicate balance and decision-making process of how and when to tap into the district reserves. The budget for 2015-16 is a very conservative estimation of revenues and expenses. Because of Act 1 the district must project revenues and expenses up to 18 months in the future. Our cost's of educating students are well below the state average and demonstrates our conservative approach to fiscal management to the district.

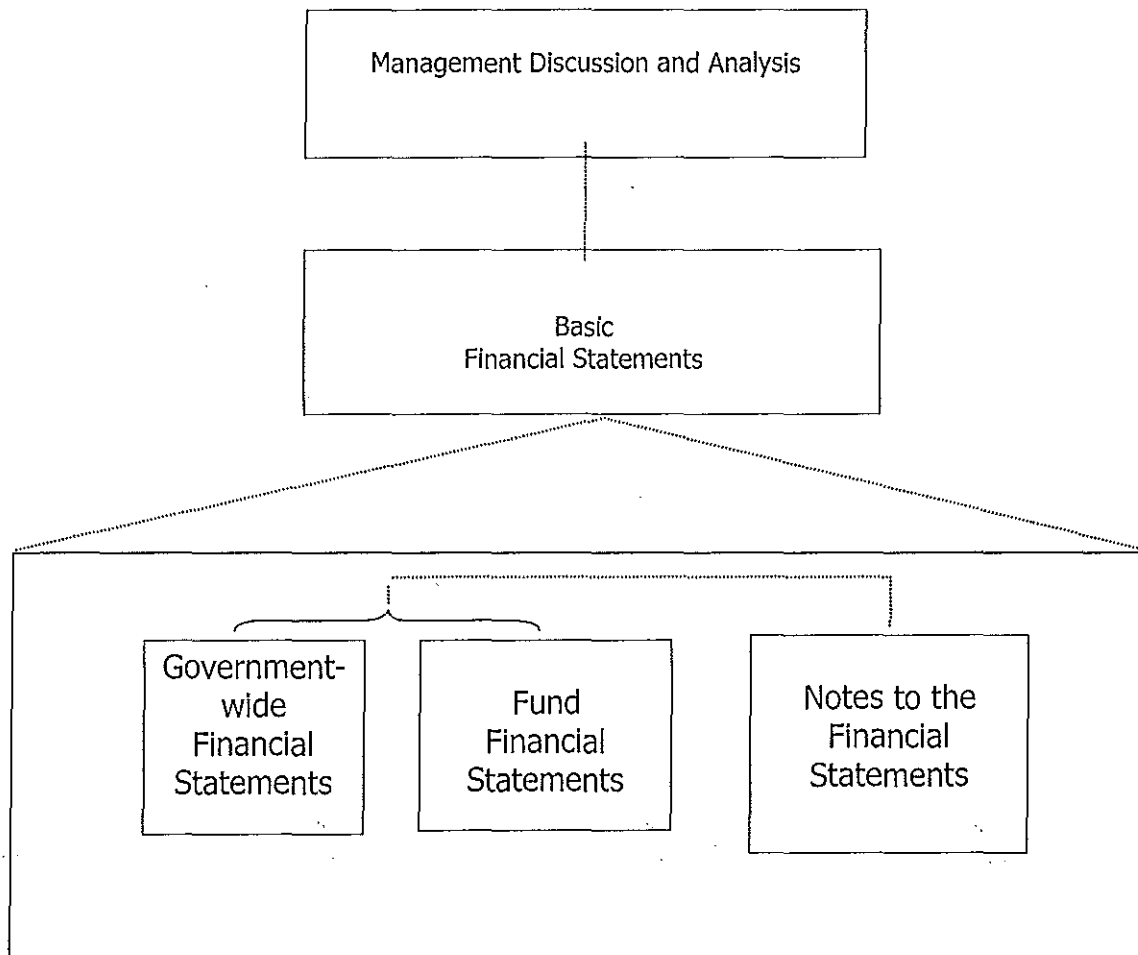
The General Fund Budget for 2015-16 totals \$16,974,394, an increase of \$451,391 or 2.73% over the prior year's budget expenses. Increase to operating expenses were due mainly to pension cost which increased from .2140 to .2580 and increased cost associated with special needs students. Salaries, benefits, transportation, and other contracted services have stabilized as to the stagnate growth in enrollment and economic conditions. The school district elected not to increase tax millage for 2015-16.

The 2015-16 General Fund Budget continues to reflect the difficult task in balancing the educational needs of the students without burdening the local taxpayer.

REDBANK VALLEY SCHOOL DISTRICT
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Chart A-1 shows how the required parts of the Financial Section are arranged and relate to one another:

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



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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.

<p style="text-align: center;">Chart A-2 Major Features of Redbank Valley School District's Government-wide and Fund Financial Statements</p>				
		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 – Scholarship Funds
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

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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 District's 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.

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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 scholarship 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

Table A-1
Fiscal Year Ended June 30, 2016
Net Assets

	2014-15			2015-16		
	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
Current and other Assets	\$10,173,085	\$89,352	\$10,262,437	\$9,619,297	\$98,159	\$9,717,456
Capital assets	<u>3,141,818</u>	<u>17,154</u>	<u>3,158,972</u>	<u>3,068,686</u>	<u>23,253</u>	<u>3,091,939</u>
Total assets	<u>\$13,314,903</u>	<u>\$106,506</u>	<u>\$13,421,409</u>	<u>\$12,687,983</u>	<u>\$121,412</u>	<u>\$12,809,395</u>
Deferred Outflows	\$2,427,284	\$0	\$2,427,284	\$ 0	\$0	\$ 0
Current Liabilities	\$2,464,746	0	\$2,464,746	\$1,317,501	0	\$1,317,501
Long-term liabilities	<u>\$9,685,204</u>	<u>0</u>	<u>\$9,685,204</u>	<u>\$8,850,136</u>	<u>0</u>	<u>\$8,850,136</u>
Net Pension Liability	<u>\$22,244,000</u>	<u>0</u>	<u>\$22,244,000</u>	<u>\$23,694,000</u>	<u>0</u>	<u>\$23,694,000</u>
Total Liabilities	<u>\$34,393,950</u>	<u>\$0</u>	<u>\$34,393,950</u>	<u>\$33,861,637</u>	<u>\$0</u>	<u>\$33,861,637</u>
Deferred Inflows	\$1,590,000	0	\$1,590,000	\$ 254,060	0	\$ 254,060
Invest in Cap Assets Net of Related Debt	-7,098,160	0	-7,098,160	-7,469,189	0	-7,469,189
Capital Projects	182,135		182,135	76,616		76,616
Designated/Restrict	7,510,000		7,510,000	6,499,702		6,499,702
Unrestricted/Pension	<u>-20,835,738</u>	<u>106,506</u>	<u>-20,729,232</u>	<u>-20,534,843</u>	<u>121,412</u>	<u>-20,413,431</u>
Total Net Assets	<u>-20,241,763</u>	<u>106,506</u>	<u>-20,135,257</u>	<u>-21,173,654</u>	<u>121,412</u>	<u>-21,052,242</u>
Total Liabilities And Net Assets	<u>\$13,314,903</u>	<u>\$106,506</u>	<u>\$13,421,409</u>	<u>\$12,687,983</u>	<u>\$121,412</u>	<u>\$12,809,395</u>

***2015 Balances reinstated to reflect prior period adjustment for adoption of GASB
Statement #68

REDBANK VALLEY SCHOOL DISTRICT
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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 assigned balances are amounts set-aside to fund future estimated cost increases as planned by the district.

The Redbank Valley School Board assigned funds of an amount of **\$7,350,000.00** to assist and lessen the financial impact to debt service according to debt payment schedule, increases in P.S.E.R.S employer rate and projected increases in health care cost to the school district

The results of this year's operations as a whole are reported in the Statement of Activities. All expenses are reported in the first column. 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 tables below represent the expenses of both the Governmental Activities and the Business-type Activities of the District.

Table A-2 shows the District's sixteen functions - instruction, instructional student support, administrative, operation and maintenance of plant, pupil transportation, student activities, and community services. This table also shows the net costs offset by the other unrestricted grants, subsidies and contributions to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

REDBANK VALLEY SCHOOL DISTRICT
New Bethlehem, PENNSYLVANIA

Table A-2
Fiscal Year Ended June 30, 2016
Governmental Activities

<u>Functions/Programs</u>	<u>2014-15</u>		<u>2015-16</u>	
	<u>Budgeted</u>	<u>Actual</u>	<u>Budgeted</u>	<u>Actual</u>
1100 Regular Programs	\$7,018,165	\$6,992,073	\$7,394,351	\$6,863,471
1200 Special Programs	2,422,491	2,367,081	2,240,664	2,650,770
1300 Vocational Programs	979,063	948,608	1,003,895	996,384
1400 Other Instructional Programs	66,930	122,910	113,423	53,635
1700 Community/Jr. College				
2100 Pupil Personnel Services	337,111	357,973	371,118	369,253
2200 Instructional Staff Services	737,075	751,979	757,611	775,240
2300 Administrative Services	833,426	786,783	807,023	898,485
2400 Pupil Health	190,807	187,353	203,170	184,752
2500 Business Services	160,818	154,667	170,388	172,970
2600 Operational & Maintenance of Plant Services	1,268,207	1,297,503	1,278,182	1,266,739
2700 Student Transp.	1,118,283	1,148,391	1,133,424	1,188,648
2800 Other Support Svcs	0	0	0	0
2900 Other Support Services	13,158	13,020	13,020	13,090
3200 Student Services	377,971	375,782	407,659	365,026
3300 Community Services	0	0	0	0
4000 Capital Outlay	0	0	0	0
5110 Debt Services (Principal & Interest)	999,498	1,001,147	1,080,466	1,080,466
5130 Refund of Prior Yrs Receipts				
5200 Fund Transfers	0	0	0	0
Total Expenditures	\$16,523,003	\$16,505,269	\$16,974,394	\$16,878,929

Table A-3 reflects the activities of the Food Service program, the only Business-type activity of the District.

REDBANK VALLEY SCHOOL DISTRICT
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Table A-3
Fiscal Year Ended June 30, 2016
Business-type Activities

<u>Functions/Programs</u>	<u>2014-15</u>		<u>2015-16</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Food Services	607,530	19,538	578,387	14,906
Less: Investment earnings				
Total business-type activities	<u>607,530</u>	<u>19,538</u>	<u>578,387</u>	<u>14,906</u>

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, 2016, the District governmental funds reported unreserved unassigned fund balance of \$645,016 and an Assigned fund balance of \$7,350,000 for a decrease of \$412,431. The primary reasons for this decrease are specified below:

General Fund: Revenue for 2015-16

The school district's local revenue was decreased as to the prior year local revenue collections. Real Estate taxes collection rated slightly less than budgeted projection, but Earned Income Tax (EIT) and delinquent collections was less than expected due to assessed valuation stagnation in Clarion County area. But when the legislatures adopted 2015-16 budgeted late in January of 2016. Funds were provided to the school at a greater than expected increase in state basic education subsidy. Special education funding was level funded from the previous year and Accountability Block Grant (ABG) remained in the state budget but legislators rolled those funds in the BEF subsidy. Federal program funding as for Title I decreased by 2% but ACCESS funding decreased due to new procedures adopted by state in processing claims under ACCESS. The district reimbursement rate decrease from 25% of claims to 22%. Overall the district revenue increased by 1.9%. Resulting in an increase of \$311,045 than what was budgeted.

General Fund: Expenditures for 2015-16

The school district salaries were held in place due to no contract for professional or support employees. But the district did take necessary measures by accruing for a 2.5% salary increase. This is the second year without staffing contracts. District healthcare cost increased 8.5% which was less than BlueCross BlueShield estimations due to the consortium management. Retirement employer contributions by the district was increased from 21.40 to 25.80. The district Special Education costs increase with contracted services and special needs tuition for the Intermediate Unit 6 and autism agencies servicing students.

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Charter/Cyber schools tuition costs increased by \$112,000. And transportation costs were held in check. The school district was fortunate with utility cost whereas market prices for natural gas were lower thus reducing the cost to maintain facilities. The school district anticipated the use of the fund balance to balance the budget when it developed the 2015-16 budget at \$386,069.

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, this is after the end of the fiscal year, which is not prohibited by state law. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided on Page 11.

The District applies for federal, state, and local grants and these grants cannot always be anticipated in the budgeting process. Budgeted revenues increased as a result of additional approved subsidy and state grants.

Budgeted expenditures and other financing uses also increased this same amount to compensate for the additional approved grants. Transfers between specific categories of expenditures/financing uses occur during the year. The most significant transfers occur from the general fund balance to specific expenditure areas.

The Designated/Restricted includes amounts that will be funded by a designated fund balance for planned opportunities of expenditures for Salary/Healthcare/Debt Service/Retirement cost to the District operations. These amounts will only be appropriated into expenditure categories if the fiscal results of the prior year end with a positive addition to fund balance, which exceeds the total of these projected expenditures. The Board is using this method of budgeting to control tax increases while also protecting the integrity of the fund balance.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2016, the District had \$45,246,375 invested in a broad range of capital assets, including land, buildings and furniture and equipment. This amount represents a net decrease (including additions, deletions and depreciation) of \$315,826 or 1.0% from last year. This decrease was directly due to cost of reproduction assumptions and the reappraisal of buildings and grounds scheduled by its insurance provider.

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Table A-4
Governmental Activities
Capital assets

	2014-15	2015-16
Land	\$ 337,281	\$ 337,281
Buildings Crn	42,147,865	41,726,386
Furniture & Equipment Crn	3,077,022	3,182,675

The District did have a reappraisal of buildings and grounds on December 2014.

DEBT ADMINISTRATION

As of July 1, 2015, the District had total outstanding bond principal of \$9,975,000. The district did make payments against principal of \$835,000 with ending outstanding debt as of June 30, 2016 of \$9,140,000:

Table A-5
Outstanding Debt

	2014-15	2015-16
General Obligation Notes/Bonds:		
- Notes, Series of 2010	\$2,175,000	\$1,465,000
- Notes, Series of 2012A	\$ 970,000	\$ 940,000
- Notes, Series of 2012B	\$5,760,000	\$5,700,000
- Notes, Series of 2013	\$1,070,000	\$1,035,000

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 & Poor's cited that the A+ rating reflects "the district's stable financial performance, limited tax base and manageable debt position."

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The District does expect to see increase funding in state subsidy for the 2016-16 school year to what extent is not known. District personnel are monitoring ways to reduced cost through its facilities and general operations. The district has approached the personnel unions to assist in any way possible. Issues as to community improvements in water and sewage are being slowly constructed at the local municipalities. Reduced class sizes and reduced tax rolls as to per capita and occupation assessments as well as a minor decreases in available jobs within the District and in surrounding areas within Armstrong and Clarion Counties does show concern to the District financial position, any long-term complications is under advisement for a tax millage increase in the future.

The comparison of revenue and expenditure categories is as follows:

Table A-6
BUDGETED REVENUES

	2014-2015	2015-2016
Local	20.2%	20.7%
State	76.1%	76.1%
Federal/Other	3.7%	3.2%

BUDGETED EXPENDITURES

	2014-2015	2015-2016
Instruction	63.2%	63.4%
Support Services	28.5%	27.8%
Non-Instruction/Community	2.3%	2.4%
Improvement Services	0.0%	0.0%
Fund Transfers/Debt	6.0%	6.4%

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 Jack E. Loughner, Jr., Business Manager/Board Secretary at 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
JUNE 30, 2016**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 991,541	\$ 98,159	\$ 1,089,700
Investments	7,469,189	0	7,469,189
Taxes Receivable, Net	253,793	0	253,793
Due from Other Governments	960,309	0	960,309
Other Receivables	0	0	0
Inventories	0	23,253	23,253
Internal Balances	0	0	0
Total Current Assets	9,674,832	121,412	9,796,244
Noncurrent Assets:			
Land	337,281	0	337,281
Site Improvements (Net of Accumulated Depreciation)	0	0	0
Building and Building Improvements (Net of Accumulated Depreciation)	2,471,899	0	2,471,899
Furniture and Equipment (Net of Accumulated Depreciation)	259,506	0	259,506
Total Noncurrent Assets	3,068,686	0	3,068,686
TOTAL ASSETS	\$ 12,743,518	\$ 121,412	\$ 12,864,930
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amounts Related to Pensions	\$ 2,610,824	\$ 0	\$ 2,610,824
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,610,824	0	2,610,824
LIABILITIES			
Current Liabilities:			
Internal Balances	0	0	0
Accounts Payable	0	0	0
Current Portion of Long-Term Debt	850,000	0	850,000
Accrued Salaries and Benefits	627,759	0	627,759
Payroll Deductions and Withholdings	653,496	0	653,496
Deferred Revenues	0	0	0
Total Current Liabilities	2,131,255	0	2,131,255
Long-Term Liabilities:			
Portion Due or Payable After One Year			
Bonds and Notes Payable	8,290,000	0	8,290,000
Long-Term Portion of Compensated Absences	142,677	0	142,677
Other Postemployment Benefits (OPEB)	402,459	0	402,459
Net Pension Liability	23,694,000	0	23,694,000
Total Long-Term Liabilities	32,529,136	0	32,529,136
TOTAL LIABILITIES	34,660,391	0	34,660,391
DEFERRED INFLOWS OF RESOURCES			
Deferred Amounts Related to Pensions	655,000	0	655,000
NET POSITION			
Invested in Capital Assets, Net of Related Debt	(6,108,793)	0	(6,108,793)
Capital Projects/Capital Reserve	76,616	0	76,616
Restricted	6,499,702	0	6,499,702
Unrestricted	(20,428,574)	121,412	(20,307,162)
TOTAL NET POSITION	(19,961,049)	121,412	(19,839,637)
TOTAL LIABILITIES AND NET POSITION	\$ 12,743,518	\$ 121,412	\$ 12,864,930

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, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities:							
Instruction	\$ 10,564,260	\$ 0	\$ 10,200,705	\$ 0	\$ (363,555)	\$ 0	\$ (363,555)
Instructional Student Support	2,012,352	0	1,487,417	0	(524,935)	0	(524,935)
Administrative and Financial Support Services	1,071,455	0	0	0	(1,071,455)	0	(1,071,455)
Operation and Maintenance of Plant Services	1,266,739	0	0	0	(1,266,739)	0	(1,266,739)
Pupil Transportation	1,188,648	0	994,454	0	(194,194)	0	(194,194)
Student Activities	365,026	16,078	21,321	0	(327,627)	0	(327,627)
Community Services	0	0	0	0	0	0	0
Interest on Long-Term Debt	245,466	0	381,367	0	135,901	0	135,901
Unallocated Depreciation Expense*	0	0	0	0	0	0	0
Food Service	0	0	0	0	0	0	0
Total Governmental Activities	16,713,946	16,078	13,085,264	0	(3,612,604)	0	(3,612,604)
Business-Type Activities:							
Food Services	578,387	239,424	353,869	0	0	14,900	14,900
Total Primary Government	\$ 17,292,333	\$ 255,502	\$ 13,439,133	\$ 0	\$ (3,612,604)	\$ 14,900	\$ (3,597,704)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, Net					2,051,563	0	2,051,563
Public Utility Realty, Earned Income and Per Capita Taxes Levied for General Purposes, Net					906,765	0	906,765
Investment Earnings					60,015	6	60,021
Miscellaneous Income					26,573	0	26,573
Special Item (e.g., Sale of Fixed Assets)					0	0	0
Other LEA's					260,576	0	260,576
Total General Revenues					3,305,492	6	3,305,498
Change in Net Position					(307,112)	14,906	(292,206)
Net Position - July 1, 2015					(19,653,937)	106,506	(19,547,431)
Net Position - June 30, 2016					\$ (19,961,049)	121,412	(19,839,637)

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

REDBANK VALLEY SCHOOL DISTRICT
NEW BETHLEHEM, PENNSYLVANIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	Athletic Funds	Capital Reserve	Capital Projects	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 936,006	\$ 15,165	\$ 8	\$ 40,362	\$ 991,541
Investments	7,469,189	0	0	0	7,469,189
Taxes Receivable (Net)	253,793	0	0	0	253,793
Due from Other Funds	0	0	0	36,246	36,246
Due from Other Governments	54,006	0	0	0	54,006
State Revenue Receivable	862,432	0	0	0	862,432
Federal Revenue Receivable	43,871	0	0	0	43,871
Other Receivables	0	0	0	0	0
Prepaid Expenditures	0	0	0	0	0
TOTAL ASSETS	<u>\$ 9,619,297</u>	<u>\$ 15,165</u>	<u>\$ 8</u>	<u>\$ 76,608</u>	<u>\$ 9,711,078</u>
LIABILITIES					
Due to Other Funds	\$ 36,246	\$ 0	\$ 0	\$ 0	\$ 36,246
Due to Other Governments	0	0	0	0	0
Accounts Payable	0	0	0	0	0
Accrued Salaries and Benefits	627,759	0	0	0	627,759
Payroll Deductions and Withholdings	653,496	0	0	0	653,496
TOTAL LIABILITIES	<u>1,317,501</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,317,501</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue-Real Estate Taxes	254,060	0	0	0	254,060
FUND BALANCES					
Reserve for Capital Projects	0	0	0	0	0
Reserve for other	0	0	0	0	0
Committed Fund Balance	0	15,165	0	0	15,165
Unreserved-Designated	6,499,702	0	8	76,608	6,576,318
Unreserved-Undesignated	1,548,034	0	0	0	1,548,034
TOTAL FUND BALANCES	<u>8,047,736</u>	<u>15,165</u>	<u>8</u>	<u>76,608</u>	<u>8,139,517</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES	<u>\$ 9,619,297</u>	<u>\$ 15,165</u>	<u>\$ 8</u>	<u>\$ 76,608</u>	<u>\$ 9,711,078</u>

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, 2016

TOTAL GOVERNMENTAL FUND BALANCES	\$	8,139,517
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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 \$10,254,926 and the accumulated depreciation is \$7,186,240.		3,068,686
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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		254,060
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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		2,610,824
Deferred inflows of resources related to pensions		(655,000)

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	(9,140,000)	
OPEB	(402,459)	
Net Pension Liability	(23,694,000)	
Accumulated compensated absences	(142,677)	
		(33,379,136)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$	(19,961,049)
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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, 2016

	General Fund	Athletic Funds	Capital Reserve	Capital Projects	Total Governmental Funds
REVENUES					
Local Sources	\$ 3,407,596	\$ 88,587	\$ 0	\$ 134	\$ 3,496,317
State Sources	12,749,313	0	0	0	12,749,313
Federal Sources	335,951	0	0	0	335,951
TOTAL REVENUES	16,492,860	88,587	0	134	16,581,581
EXPENDITURES					
Current:					
Instruction	10,564,260	0	0	0	10,564,260
Support Services	4,869,177	0	0	0	4,869,177
Operation of Noninstructional Services	365,026	88,773	0	0	453,799
Total Current	15,798,463	88,773	0	0	15,887,236
Capital Outlay:					
Facilities Acquisition, Construction and Improvement Services	0	0	0	105,653	105,653
Total Capital Outlay	0	0	0	105,653	105,653
Debt Service					
Principal and Interest	1,080,466	0	0	0	1,080,466
Refund of Prior Year Receipts	0	0	0	0	0
Total Debt Service	1,080,466	0	0	0	1,080,466
TOTAL EXPENDITURES	16,878,929	88,773	0	105,653	17,073,355
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(386,069)	(186)	0	(105,519)	(491,774)
OTHER FINANCING SOURCES (USES)					
Bonds Issued	0	0	0	0	0
Interfund Transfers (from Other Funds)	0	0	0	0	0
Transfers Out	0	0	0	0	0
Sale/Compensation for Fixed Assets	0	0	0	0	0
Bond Issue Costs	0	0	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	0	0	0	0	0
Net Change in Fund Balances	(386,069)	(186)	0	(105,519)	(491,774)
Fund Balance - July 1, 2015	8,433,805	15,351	8	182,127	8,631,291
Prior Period Adjustment	0	0	0	0	0
Fund Balance - June 1, 2016	\$ 8,047,736	\$ 15,165	\$ 8	\$ 76,608	\$ 8,139,517

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, 2016

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	(491,774)
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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	105,653	
	Less: Depreciation expense	(178,785)	(73,132)

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.	(174,747)
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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	(402,459)
Repayment of bond principal	<u>835,000</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>(307,112)</u>
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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, 2016

	<u>Food Service</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 98,159
Investments	0
Due from Other Governments	0
Other Receivables	0
Inventories	<u>23,253</u>
Total Current Assets	<u>121,412</u>
Noncurrent Assets:	
Furniture and Equipment (Net of Accumulated Depreciation)	<u>0</u>
Total Noncurrent Assets	<u>0</u>
TOTAL ASSETS	<u><u>\$ 121,412</u></u>
LIABILITIES	
Current Liabilities:	
Due to Other Funds	\$ 0
Accounts Payable	0
Accrued Salaries and Benefits	<u>0</u>
Total Current Liabilities	<u>0</u>
Noncurrent Liabilities:	
	<u>0</u>
TOTAL LIABILITIES	<u>0</u>
NET POSITION	
Investment in Capital Assets, Net of Related Debt	0
Unrestricted	<u>121,412</u>
TOTAL NET POSITION	<u>121,412</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 121,412</u></u>

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, 2016

	Food Service
OPERATING REVENUES:	
Food Service Revenue	\$ 239,424
Charges for Services	0
TOTAL OPERATING REVENUES	<u>239,424</u>
OPERATING EXPENSES:	
Salaries	214,321
Employee Benefits	133,175
Purchased Property Service	0
Other Purchased Service	15,844
Supplies	214,841
Other Operating Expenses	206
Depreciation	0
TOTAL OPERATING EXPENSES	<u>578,387</u>
OPERATING INCOME/(LOSS)	<u>(338,963)</u>
NONOPERATING REVENUES (EXPENSES):	
Earnings on Investments	6
State Sources	25,070
Federal Sources	328,793
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>353,869</u>
TRANSFERS IN	0
CHANGE IN NET POSITION	<u>14,906</u>
TOTAL NET POSITION - JULY 1, 2015	<u>106,506</u>
TOTAL NET POSITION - JUNE 30, 2016	<u><u>\$ 121,412</u></u>

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, 2016

	Food Service
Cash Flows from Operating Activities	
Cash Received from Users	\$ 239,424
Cash Payments to Employees for Services	(347,496)
Cash Payments to Suppliers for Goods and Services	(236,784)
Cash Payments for Other Operating Expenses	(206)
Net Cash (Used for) Operating Activities	<u>(345,062)</u>
Cash Flows from Noncapital Financing Activities	
State Sources	25,070
Federal Sources	328,793
Operating Transfers In (Out) Primary Government	0
Net Cash Provided by Noncapital Financing Activities	<u>353,863</u>
Cash Flows from Capital and Related Financing Activities	
Capital Outlay	0
Net Cash Provided by Capital and Related Financing Activities	<u>0</u>
Cash Flows from Investing Activities	
Proceeds from Sale and Maturity of Inv. Securities	\$ 0
Earnings on Investments	6
Purchase of Inv. Securities/Deposits to Inc. Pools	0
Net Cash Provided by Investing Activities	<u>6</u>
Net Increase (Decrease) in Cash and Cash Flow	8,807
Cash and Cash Equivalents Beginning of Year	<u>89,352</u>
Cash and Cash Equivalents End of Year	<u><u>\$ 98,159</u></u>
Reconciliation of Operating Income to Net Cash Provided by (Used for)	
Operating Activities:	
Operating Income (Loss)	<u>\$ (338,963)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for)	
Operating Activities:	
Depreciation	0
(Increase) Decrease in Accounts Receivable	0
(Increase) Decrease in Inventories	(6,099)
Increase (Decrease) in Advances	0
Total Adjustments	<u>(6,099)</u>
Net Cash (Used for) Operating Activities	<u><u>\$ (345,062)</u></u>

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, 2016

	Private Purpose Trust	Student Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 126	\$ 12,649	\$ 12,775
Investments	12,180	25,150	37,330
Due from Other Funds	0	0	0
TOTAL ASSETS	<u>\$ 12,306</u>	<u>\$ 37,799</u>	<u>\$ 50,105</u>
LIABILITIES			
Short-Term Payables	\$ 0	\$ 37,799	37,799
Accrued Salaries & Benefits	0	0	0
TOTAL LIABILITIES	<u>0</u>	<u>37,799</u>	<u>37,799</u>
NET POSITION			
Restricted	12,306	0	12,306
TOTAL LIABILITIES AND NET POSITION	<u>\$ 12,306</u>	<u>\$ 37,799</u>	<u>\$ 50,105</u>

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

REDBANK VALLEY SCHOOL DISTRICT
NEW BETHLEHEM, PENNSYLVANIA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Scholarship Trust Fund</u>
ADDITIONS	
Local contributions	\$ 12
Interest earnings	<u>121</u>
TOTAL ADDITIONS	133
DEDUCTIONS	
Fees paid and scholarships awarded	<u>3,044</u>
TOTAL DEDUCTIONS	3,044
CHANGE IN NET POSITION	(2,911)
NET POSITION AT BEGINNING OF YEAR	<u>15,217</u>
NET POSITION AT END OF YEAR	<u><u>\$ 12,306</u></u>

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

REDBANK VALLEY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation – Fund Accounting

Government-wide financial statements

The accounts of the School 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 information on all of the non-fiduciary activities of the School District. 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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

The statement of activities presents a comparison between direct expenses and program revenues for business-type activities and for each function of the District's governmental activities. Direct expenses are those that are clearly identifiable within a specific function or segment. Program revenues include charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. In addition, program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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 School 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 items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the School District's enterprise fund are food service charges. Operating expenses for the School 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.

The District reports the following major governmental fund:

General Fund – The principal operating fund of the School 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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 School 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 School 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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

For purposes of the statement of cash flows, the proprietary fund types consider all bank checking accounts to be cash equivalents.

Investments

Investments are recorded at cost, which approximates market value.

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 School District’s budget and reporting of its financial statements, specifically:

- * The School District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.
- * The School 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 School District.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 School 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 basis by the state or federal funding agency.

Short-Term Interfund 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".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

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, 2016. The inventory of \$18,366 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, 2016 are reported as inventory.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 \$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 \$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:

<u>Assets</u>	<u>Years</u>
Buildings & Building Improvements	45
Site Improvements	20
Furniture & Equipment	5-20

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 School District's retirement policy. This amount includes compensation due for sick, vacation and sabbatical time and the related share of employer FICA taxes and retirement. This amount for fiscal year 2015-2016 was \$142,677.

Unavailable and Unearned Revenue

Unavailable revenues represent receivables which will be collected and included in revenues of future fiscal years. In the General Fund, unavailable revenues of \$254,060 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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Estimates

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.

Proprietary Fund FASB Usage

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed for proprietary activity financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

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 – 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	\$ 719,343	
Payroll Checking	214,682	
Petty Cash	600	
Green Plan		\$ 2,337,903
Credit Card Account	1,381	
Savings Account	0	0
Money Market		39,014
High Yield Investments		0
Certificates of Deposit		5,092,268
PA INVEST		4
	<u>\$ 936,006</u>	<u>\$ 7,469,189</u>
Major Fund		
Capital Construction		
Checking	\$ 35,276	
Checking-Mahoning	5,086	
Certificates of Deposits-Mahoning		\$ 0
	<u>\$ 40,362</u>	<u>\$ 0</u>
Special Revenue		
Capital Reserve Fund		
PA INVEST		8
		<u>\$ 8</u>
Athletic Fund		
Checking	<u>\$ 15,165</u>	
	<u>\$ 15,165</u>	
Trust Funds		
Patricia A. Kundick Memorial Scholarship	\$ 125	
Certificates of Deposit		\$ 12,180
	<u>\$ 125</u>	<u>\$ 12,180</u>
Eugene G. Smith Memorial Scholarship		
Funds	<u>\$ 0</u>	
	<u>\$ 0</u>	

NOTE C – CASH DEPOSITS AND INVESTMENTS (Continued)

Certificates of Deposit		\$ 0
		<u>\$ 0</u>
Food Service		
Regular Checking	\$ 98,159	
Certificates of Deposit		\$ 0
	<u>\$ 98,159</u>	<u>\$ 0</u>
Agency – Student Activities Fund		
Checking-Activities	\$ 12,649	
Certificates of Deposit		\$ 25,150
	<u>\$ 12,649</u>	<u>\$ 25,150</u>

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.
- 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.

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.

NOTE C – CASH DEPOSITS AND INVESTMENTS (Continued)

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 of risk, all of the District's investments are classified as Category 1.

NOTE D – 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 2015 – 2016 was 31.06 mills for Clarion County and 21.56 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 – January 31	-10% Penalty Period
	--Clarion County
November 1 – April 30	-10% Penalty Period
	--Armstrong County
February 1	-Lien Date—Clarion County
May 1	-Lien Date—Armstrong County

NOTE E – INTERGOVERNMENTAL RECEIVABLES

Amounts due from other governments represent receivables for revenues earned by the School District or collections made by another governmental unit on behalf of the School District. At June 30, 2016, the following amounts are due from other governmental units:

<u>Due From</u>	<u>General Fund</u>
State Government	\$ 862,432
Federal Government	43,871
Due From Other Governments	54,006
	<u>\$ 960,309</u>

NOTE F – DUE TO/FROM OTHER FUNDS

Interfund receivable and payable balances as of June 30, 2016 are as follows:

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>
Capital Projects	General	<u>\$ 36,246</u>

NOTE G - CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 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	3,077,022	105,653	0	3,182,675
Total Assets Being Depreciated	9,811,992	105,653	0	9,917,645
Less Accumulated Depreciation For:				
Buildings & Building Improvements	3,041,851	16,301	0	3,058,152
Site Improvements	1,167,705	37,214	0	1,204,919
Machinery & Equipment	2,797,899	125,270	0	2,923,169
Total Accumulated Depreciation	7,007,455	178,785	0	7,186,240
Total Capital Assets, Being Depreciated, Net	2,804,537	(73,132)	0	2,731,405
Governmental Activities, Capital Assets, Net	\$ 3,141,818	\$ (73,132)	\$ 0	\$ 3,068,686
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

NOTE H - LONG-TERM DEBT OBLIGATIONS

During the fiscal year ended June 30, 2016, general long-term debt changed as follows:

	Bonds/Loans Payable	Compensated Absences	Other Postemployment Benefits (OPEB)	Total General Long-Term Debt
Beginning of Year	\$9,975,000	\$171,030	\$374,174	\$10,520,204
Additional Debt Incurred	0	0	28,285	28,285
Principal Retirement	835,000	0	0	835,000
Decrease in Compensated Absences	0	28,353	0	28,353
End of Year	<u>\$9,140,000</u>	<u>\$142,677</u>	<u>\$402,459</u>	<u>\$9,685,136</u>

The 2009 Bond Series was paid off during the 2014-2015 year by the issue of the 2013 Bond Series.

The future annual payments required to amortize all outstanding debt and obligations, except compensated absences, as of June 30, 2016 including total interest payments are as follows:

Year Ended June 30,	General Obligation Bonds Series of 2010		
	Principal	Interest	Total
2017	720,000	31,350	751,350
2018	745,000	11,175	756,175
2019	0	0	0
2020	0	0	0
2021	0	0	0
Therafter	0	0	0
	<u>\$ 1,465,000</u>	<u>\$ 42,525</u>	<u>\$ 1,507,525</u>

General Obligation Bonds Series A of 2012		
Principal	Interest	Total
30,000	15,260	45,260
30,000	14,878	44,878
390,000	11,750	401,750
390,000	5,412	395,412
0	0	0
100,000	1,000	101,000
<u>\$ 940,000</u>	<u>\$ 48,300</u>	<u>\$ 988,300</u>

	General Obligation Bonds Series of 2013		
	Principal	Interest	Total
2017	40,000	25,466	65,466
2018	40,000	25,026	65,026
2019	50,000	24,449	74,449
2020	50,000	23,737	73,737
2021	45,000	22,979	67,979
Therafter	810,000	156,585	966,585
	<u>\$ 1,035,000</u>	<u>\$ 278,242</u>	<u>\$ 1,313,242</u>

General Obligation Bonds Series B of 2012		
Principal	Interest	Total
60,000	155,925	215,925
60,000	155,160	215,160
65,000	154,268	219,268
65,000	153,211	218,211
375,000	148,892	523,892
5,075,000	758,964	5,833,964
<u>\$ 5,700,000</u>	<u>\$ 1,526,420</u>	<u>\$ 7,226,420</u>

NOTE H – 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, 2016 was \$1,465,000.

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, 2016 was \$940,000 for Series A and \$5,700,000 for Series B.

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, 2016 was \$1,035,000.

NOTE I – 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 2015-2016 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 2015-2016 is \$142,677.

NOTE J – 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 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, 2016, twenty-four (24) retirees were receiving such benefits. The total premiums paid by the District, throughout the fiscal year, for those benefits totaled \$125,879.04.

NOTE K – 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 L - 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.

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.

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 school districts' contractually required contribution rate for fiscal year ended June 30, 2016 was 24.58% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$1,773,412 for the year ended June 30, 2016.

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

At June 30, 2016, the District reported a liability of \$23,694,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2014 to June 30, 2015. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2015, the District's proportion was 0.0547 percent, which was an decrease of 0.0015 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$1,773,412.09. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportions	\$ 476,000	\$ 509,000
Net difference between projected and actual investment earnings	0	48,000
Difference between employer contributions and proportionate share of total contributions	361,412	0
Net difference between expected and actual experience	0	98,000
Contributions subsequent to the measurement date	<u>1,773,412</u>	<u>0</u>
	<u>\$2,610,824</u>	<u>\$ 655,000</u>

\$1,773,412.09 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (109,000)
2017	(109,000)
2018	(109,000)
2019	149,000
2020	0

Actuarial assumptions

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

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 7.50% includes inflation at 3.00%
- Salary increases – Effective average of 5.50%, which reflects an allowance for inflation of 3.00%, real wage growth of 1%, and merit or seniority increases of 1.50%

- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females.

The actuarial assumptions used in the June 30, 2013 valuation were based on the experience study that was performed for the five-year period ending June 30, 2010. The recommended assumption changes based on this experience study were adopted by the Board at its March 11, 2011 Board meeting, and were effective beginning with the June 30, 2011 actuarial valuation.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public markets global equity	22.5%	4.8%
Private markets (equity)	15.0%	6.6%
Private real estate	12.0%	4.5%
Global fixed income	7.5%	2.4%
U.S. long treasuries	3.0%	1.4%
TIPS	12.0%	1.1%
High yield bonds	6.0%	3.3%
Cash	3.0%	0.7%
Absolute return	10.0%	4.9%
Risk parity	10.0%	3.7%
MLPs/Infrastructure	5.0%	5.2%
Commodities	8.0%	3.1%
Financing (LIBOR)	<u>(14.0%)</u>	1.1%
	<u>100%</u>	

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

Discount rate

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

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

The following presents the net pension liability, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percentage point higher (8.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current</u> <u>Discount</u> <u>Rate</u>	<u>1%</u> <u>Increase</u>
	<u>6.50%</u>	<u>7.50%</u>	<u>8.50%</u>
District's proportionate share of The net pension liability	\$29,204,000	\$23,694,000	\$19,061,000

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 M – GASB 45 OTHER POSTEMPLOYMENT BENEFITS

The plan is the Redbank Valley School District Other Postemployment Benefit (OPEB) Plan and is administered by the School Board of Directors. Redbank Valley School 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 School District.

FISCAL YEAR 2015-2016 ANNUAL OPEB COST

OPEB obligation as of July 1, 2015	\$ 682,269
Net Annual OPEB contributions for Fiscal year ending June 30, 2016	<u>445,469</u>
Net OPEB obligation as of June 30, 2016	402,459

Notes

- 1) Amortization method is closed 20-year level dollar amortization.
- 2) Annual OPEB Cost (AOC) is amount expensed under GASB 45.

GASB 45 SCHEDULE OF FUNDING PROGRESS

(\$ 000s)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (b)	Unfunded Accrued Liability (UAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2008	\$0	\$3,111	\$3,111	0.0%	to be determined	to be determined
July 1, 2011	0	3,222	3,222	0.0	to be determined	to be determined
July 1, 2014	0	3,111	3,111	0.0	to be determined	to be determined

GASB 45 SCHEDULE OF EMPLOYER CONTRIBUTIONS

(\$ 000s)

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$372	68.2%	\$237
June 30, 2011	\$383	67.9%	\$359
June 30, 2012	\$381	79.5%	\$437
June 30, 2013	\$390	79.4%	\$518
June 30, 2014	\$400	74.9%	\$618
June 30, 2015	\$393	83.7%	\$682

ACTUARIAL ASSUMPTIONS AND METHODS

Actuarial Assumptions

Discount Rate: 4.0% per annum, compounded annually.

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	Increase in Health Cost
June 30	over Prior Year
2010	7.2%
2011	6.8
2012	6.40
2013	6.00
2014	5.8
2019	5.8
2024	5.7
2029	5.6
2034	5.50
2039	5.3
2044	5.2
2049	5.10
2059	5.10

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.

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.

<u>Age Group</u>	<u>PPO Plan</u>			
	<u>Male</u> <u>Retirees</u>	<u>Female</u> <u>Retirees</u>	<u>Male</u> <u>Spouses</u>	<u>Female</u> <u>Spouses</u>
60-64	\$1,012	\$978	\$899	\$813
55-59	803	822	702	678
50-54	722	766	535	568

ACTUARIAL ASSUMPTIONS AND METHODS, Continued

Coverage Election Rates:

Teachers: 100% of current active members who are eligible for the incentive upon retirement at age 50 or later are assumed to elect coverage, and 25% of current active members who are eligible for Act 110/43 are assumed to elect coverage at retirement.

Administrators: 100% of current active members who are eligible for the incentive upon retirement at age 50 or later are assumed to elect coverage. 25% of current active members who are eligible for Act 110/43 are assumed to elect coverage at retirement.

Support: 25% of current active members who are eligible to purchase insurance upon retirement at age 55 or later are assumed to elect coverage.

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

Dependent Coverage:

Teachers: Of active members who elect coverage at retirement, 25% are assumed to cover a spouse, with wives three years younger than husbands.

Administrators: Of active members who elect coverage at retirement, 25% are assumed to cover a spouse, with wives three years younger than husbands.

Support: Of active members who elect coverage at retirement, 25% are assumed to cover a spouse, with wives three years younger than husbands.

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

Termination: Withdrawal rates are based on the rates utilized in the June 30, 2007 Actuarial Valuation for the Pennsylvania Public School Employees' Retirement System and vary by age, service and gender. Illustrative rates are shown below.

	<u>Males</u>		
<u>Age</u>	<u><5 Years</u>	<u>5-9 Years</u>	<u>10+Years</u>
25	12.4%	5.5%	1.4%
35	11.0	3.0	1.1
45	11.0	3.0	0.5
55	10.5	3.0	3.5
	<u>Females</u>		
25	14.1%	9.5%	4.0%
35	14.1	5.5	2.0
45	10.9	3.0	0.6
55	10.9	3.0	3.0

ACTUAL ASSUMPTIONS AND METHODS

Retirement: Retirement rates are based on the rates utilized in the June 30, 2007 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

<u>Age</u>	<u>Male</u>	<u>Female</u>
55	10.0%	10.0%
60	10.0%	15.0%

Sample Superannuation Retirement Rates

<u>Age</u>	<u>Male</u>	<u>Female</u>
55	24.0%	10.0%
60	28.0%	25.0%
62	30.0%	30.0%

Retirement rates are multiplied by 1.1 for Teachers with 25 or more years of PSERS service who superannuate or take early retirement after attaining age 60 and also for Administrators who retire with 25 or more years of PSERS service after attaining age 50 (subject to a maximum annual retirement rate of 50%).

Mortality: RP-2000 Healthy Annuitant Mortality Table projected on a generational basis using Scale AA to allow for future improvements in morality. The Employee table is used pre-retirement. Rates vary by age and gender.

DEVELOPMENT OF PER CAPITA CLAIMS COST

We received information regarding the District's benefit programs as of July 1, 2008 and actual payments during July 2007 to June 30, 2008 for claims incurred during the period from October 1, 2004 to June 30, 2008. Additional payment lag analysis was performed 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 Projected Unit Credit Method was used for determining service costs and the actuarial accrued liability known as the Accumulated Postretirement Benefit Obligation. The Accumulated Postretirement Benefit Obligation is the Actuarial Present Value of Benefits attributed to an employee's service as of the measurement date based on the employee's projected service to his or her expected retirement age. The Service Cost is the Actuarial Present Value of Benefits attributed to the employee's upcoming year of service.

NOTE N – 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, 2015 no settlements exceeded insurance coverage.

NOTE O – 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 P - PRIOR PERIOD ADJUSTMENT

The prior period adjustment is due to reversing last year's retirement out of current revenues received from the state this year, and recording the amount received in September of 2016 as a state subsidy receivable as of June 30, 2016 per guidance from state.

NOTE Q – SUBSEQUENT EVENTS

Management has determined that there are no additional events subsequent to June 30, 2016 through 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.

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, 2016

	Budgeted Amounts		Actual	Variance With
	Original	Final	Budgetary	Final Budget
			Basis	Positive
				(Negative)
REVENUES				
Local Revenues	3,398,084	3,398,084	3,407,596	9,512
State Revenues	12,678,744	12,678,744	12,749,313	70,569
Federal Revenues	335,951	335,951	335,951	0
TOTAL REVENUES	16,412,779	16,412,779	16,492,860	80,081
EXPENDITURES				
Current:				
Regular Programs	7,394,351	7,394,351	7,017,939	376,412
Special Programs	2,240,664	2,240,664	2,527,457	(286,793)
Vocational Programs	1,003,895	1,003,895	965,229	38,666
Other Instructional Programs	113,423	113,423	53,635	59,788
Community/Jr. College Programs	0	0	0	0
Support Services:				
Pupil Personnel Services	371,118	371,118	369,253	1,865
Instructional Staff Services	757,611	757,611	775,240	(17,629)
Administrative Services	807,023	807,023	898,485	(91,462)
Pupil Health	203,170	203,170	184,752	18,418
Business Services	170,388	170,388	172,970	(2,582)
Operation and Maintenance of Plant Services	1,278,182	1,278,182	1,266,739	11,443
Student Transportation Services	1,133,424	1,133,424	1,188,648	(55,224)
Central and Other Support Services	0	0	0	0
Other Support Services	13,020	13,020	13,090	(70)
Operation of Noninstructional Services:				
Student Activities	407,659	407,659	365,026	42,633
Community Services	0	0	0	0
Capital Outlay	0	0	0	0
Fac Acq., Const. & Imp.	0	0	0	0
Debt Service (Principal & Interest)	1,080,466	1,080,466	1,080,466	0
Refund of Prior Year Receipts	0	0	0	0
TOTAL EXPENDITURES	16,974,394	16,974,394	16,878,929	95,465
EXCESS (DEFICIENCY) OF REVENUES				
OVER EXPENDITURES	(561,615)	(561,615)	(386,069)	175,546

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, 2016

	Budgeted Amounts		Actual	Variance With
	Original	Final	Budgetary	Final Budget
			Basis	Positive
				(Negative)
OTHER FINANCING SOURCES (USES)				
Sale of Bonds	\$ 0	\$ 0	\$ 0	\$ 0
Interfund Transfers	0	0	0	0
Sale/Compensation for Fixed Assets	0	0	0	0
Transfers from Comp Unit/Primary Govt	0	0	0	0
Debt Service (Refunded Bonds)	0	0	0	0
Transfers Out	0	0	0	0
Budgetary Reserve	0	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	0	(561,615)	(386,069)	175,546
Fund Balance - July 1, 2015	<u>8,294,881</u>	<u>8,294,881</u>	<u>8,433,805</u>	<u>138,924</u>
Fund Balance - June 30, 2016	<u>\$ 8,294,881</u>	<u>\$ 7,733,266</u>	<u>\$ 8,047,736</u>	<u>\$ 314,470</u>

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

REDBANK VALLEY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016

1. Budgetary Data

The District follows the following procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to May 31, the School District Board submits a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the General Fund.
- b. Public hearings are conducted at the Redbank Valley School District building to obtain taxpayer comments.
- c. Prior to June 30, the budget is legally enacted through passage of an ordinance.
- d. Legal budgetary control is maintained by the District Board at the departmental level. Transfers between departments, whether between funds or within a fund, or revisions that alter the total revenues and expenditures of any fund must be approved by the School District Board as provided by school code.
- e. Budgetary data are included in the District's management information system and are employed as a management control device during the year.
- f. A budget for the General Fund is adopted substantially on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

2. Pension Data

The amounts reported in the schedule of the District's proportionate share of the net pension liability are determined as of June 30, 2015 by the Commonwealth of Pennsylvania Public School Employees' Retirement System (the cost-sharing plan). There were no changes in benefit terms and no changes in assumptions.

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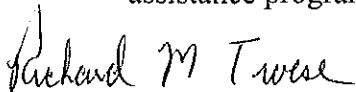
AUDITOR'S TRANSMITTAL LETTER

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

I have performed the Single Audit of the Redbank Valley School District for the fiscal year ended June 30, 2016, and have enclosed the Single Audit reporting package.

The Single Audit was done to fulfill the requirements of the OMB Circular A-128. It entailed:

1. An audit of the financial statements and my opinion thereon;
2. An examination of the schedule of federal financial assistance and my opinion thereon;
3. A review of the internal control structure based solely on the understanding obtained as part of the audit of the general purpose financial statements;
4. A review of the internal control structure made as a part of the audit of the federal financial assistance programs;
5. A review of compliance based on an audit of the financial statements in accordance with *Government Auditing Standards*;
6. A review of compliance with laws and regulations related to federal financial assistance programs and my opinion thereon.



Richard M. Troese, C.P.A.
Clarion, Pennsylvania
January 6, 2017

**REDBANK VALLEY SCHOOL DISTRICT
LIST OF REPORT DISTRIBUTION
YEAR ENDED JUNE 30, 2016**

- 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, 2017.

REDBANK VALLEY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

GRANTOR TITLE PROGRAM	SOURCE CODE	FEDERAL CFDA NO.	Pass Through GRANTOR#	Grant Period Beginning/ Ending Date	Grant Amount	Total Received For The Year	Accrued (Deferred) Revenue at 07/01/15	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue at 06/30/16
<u>US Department of Education:</u>										
Passed through the Pennsylvania Department of Education										
Title I Improving Basic	I	84.010	013-160357	7/1/15-6/30/16	\$ 310,141	\$ 206,492	\$ 0	\$ 247,952	\$ 247,952 *	\$ 41,460
Title I Improving Basic	I	84.010	013-150357	7/1/14-6/30/15	333,968	131,176	133,587	(2,411)	(2,411)	0
Title II Improving Teacher	I	84.367	020-160357	7/1/15-6/30/16	81,641	54,494	0	54,494	54,494	0
Title II Improving Teacher	I	84.367	020-150357	7/1/14-6/30/15	81,564	54,273	54,376	(103)	(103)	0
Total Department of Education					\$ 807,314	\$ 446,435	\$ 187,963	\$ 299,932	\$ 299,932	\$ 41,460
Passed through the Clarion IU #6										
IDEA		84.027	N/A	7/1/15-6/30/16	N/A	\$ 158,356	\$ 0	\$ 158,356	\$ 158,356	\$ 0
<u>U.S. Department of Agriculture</u>										
Passed through the Pennsylvania Department of Education										
National School Lunch Program										
Program: Federal Lunch	I	10.555	362	7/1/15-6/30/16	N/A	\$ 234,246	\$ 0	\$ 234,246	\$ 234,246 *	\$ 0
Federal Free/Red	I	10.553	365	7/1/15-6/30/16	N/A	94,547	0	94,547	94,547	0
Federal Severe	I	10.553	367	7/1/15-6/30/16	N/A	0	0	0	0	0
State Nutrition		N/A	510	7/1/15-6/30/16	N/A	17,256	0	17,256	17,256	0
State Nutrition		N/A	511	7/1/15-6/30/16	N/A	7,814	0	7,814	7,814	0
State Nutrition		N/A	512	7/1/15-6/30/16	N/A	0	0	0	0	0
State Nutrition		N/A	513	7/1/15-6/30/16	N/A	0	0	0	0	0
Passed through the Pennsylvania Department of Agriculture										
Value of USDA Donated										
Commodities	I	10.555	N/A	7/1/15-6/30/16	N/A	a) 49,815	b) (11,937)	43,386	c) 43,386 *	d) (18,366)
Total Department of Agriculture					N/A	403,678	(11,937)	397,249	397,249	(18,366)
Total Federal Financial Assistance					\$ 807,314	\$ 1,008,469	\$ 176,026	\$ 855,537	\$ 855,537	\$ 23,094
Source Codes I = Indirect Funding										

Total Expenses per above	\$ 855,537
Less: State's share of National School Lunch Program Expenditures (State)	(25,070)
	\$ 830,467

* Selected for Testing

Title I Improving Basic & National School Lunch	525,584
Total Federal Expenditure	\$ 830,464 = 63.29%

**REDBANK VALLEY SCHOOL DISTRICT
NEW BETHLEHEM, PENNSYLVANIA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirement of OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 – 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. As of June 30, 2016, the district had food commodities totaling \$18,366 in inventory.

- a) Total commodities received from the Pennsylvania Department of Agriculture valued at fair market value.
- b) Beginning inventory at July 1, 2015.
- c) Total amount of commodities used.
- d) Ending inventory at June 30, 2016.

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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 the financial statements of Redbank Valley School District, as of and for the year ended June 30, 2016, and have issued my report thereon dated January 6, 2017. 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.

Internal Control Over Financial Reporting

Management of Redbank Valley School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered Redbank Valley School 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 the Redbank Valley School District internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Redbank Valley School District's internal control over financial reporting.

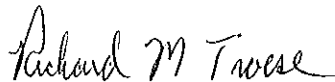
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination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

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 over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Redbank Valley School 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*.

This report is intended solely for the information of the audit committee, management, others within the organization, the School Board, U.S. Department of Education, and other federal and state audit agencies, and is not intended to be, and should not be, used by anyone other than those specified parties.



Richard M. Troese, C.P.A.
Clarion, Pennsylvania
January 6, 2017

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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT ON
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE
SCHEDULE OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

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 the compliance of the Redbank Valley School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Redbank Valley School District's major federal programs for the year ended June 30, 2016. The Redbank Valley School 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of Redbank Valley '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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 about Redbank Valley'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 each major federal program. However, my audit does not provide a legal determination of Redbank Valley's compliance.

Opinion on Each Major Federal Program

In my opinion, Redbank Valley School District, complied, in all material respects, with the 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, 2016.

Report on Internal Control Over Compliance

The management of Redbank Valley School District is responsible for establishing and maintaining effective internal control over compliance with the type 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 OMB Circular A-133, 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 Redbank Valley School 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

I have audited the financial statements of Redbank Valley as of and for the year ended June 30, 2016, and have issued my report thereon dated January 6, 2017, which contained an unmodified opinion on those financial statements. My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Richard M. Troese, C.P.A.
Clarion, Pennsylvania
January 6, 2017

**REDBANK VALLEY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the basic financial statements of the Redbank Valley School District.
2. No reportable conditions relating to the audit of the financial statements are reported in the Report on Compliance and on Internal Control over Financial Reporting, Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of the Redbank Valley School District were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs is reported in the Report on Compliance and on Internal Control over Financial Reporting, Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
5. The auditors report on compliance for the major federal award programs for the Redbank Valley School District expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for the Redbank Valley School District that were disclosed during the audit.
7. The programs tested as major programs include:

Title I - Improving Basic, CFDA #84.010 Project #013-160357
National School Lunch, CFDA #10.555
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. The Redbank Valley School District was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT:

None

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS
PROGRAM AUDIT:**

None

D. STATUS OF PRIOR YEARS COMPLIANCE FINDING:

None