

WARRIOR RUN SCHOOL DISTRICT

**FINANCIAL STATEMENTS
and SUPPLEMENTARY REPORTS
RESULTING FROM SINGLE AUDIT**

FOR THE YEAR ENDED JUNE 30, 2018

EIN: 23-1669490

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TRANSMITTAL LETTER

Members of the School Board
Warrior Run School District
4800 Susquehanna Trail
Turbotville, Pennsylvania 17772

We have performed the single audit of the Warrior Run School District for the fiscal year ended June 30, 2018 and have enclosed the single audit package.

The single audit was done to fulfill the requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). It entailed: 1. an audit of the financial statements and our opinion thereon; 2. an audit of the schedule of expenditures of federal awards and our opinion thereon; 3. a review of the internal control structure based solely on the understanding obtained as part of the audit of the 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*; and 6. a review of compliance with laws and regulations related to the federal financial assistance programs and our opinion thereon.

January 30, 2019



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INDEPENDENT AUDITOR'S REPORT

Members of the School Board
Warrior Run School District
Turbotville, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Warrior Run School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Warrior Run School District, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2018 the District adopted new accounting guidance, *GASBS No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-8, budgetary comparison information on page 15, Schedule of Proportionate Share of the Net Pension Liability and District Contributions on page 50, and the Schedule of Proportionate Share of the Net OPEB Liability-PSERS on page 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Warrior Run School District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2019, on our consideration of the Warrior Run School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Warrior Run School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Warrior Run School District's internal control over financial reporting and compliance.



January 30, 2019

**WARRIOR RUN SCHOOL DISTRICT
TURBOTVILLE, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED**

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

Financial Highlights

Key financial highlights for fiscal year 2018 are as follows:

- In total, net position increased \$3,553,236. Net position of governmental activities increased \$3,580,323 which represents a 39 percent increase from fiscal year 2017. Net position of the business-type activity, which represents food service, decreased \$27,087 or 4 percent from fiscal year 2017.
- General revenues accounted for \$18,850,577 in revenue or 76 percent of all revenues. Program specific revenues, in the form of charges for services and sales, grants, and contributions, accounted for \$5,949,200 or 24 percent of total revenues of \$24,799,777.
- The School District had \$20,405,708 in expenses related to governmental activities; only \$5,135,882 of total expenses were offset by program specific charges for services and sales, grants, and contributions. General revenues (primarily personal and income taxes, property taxes, and grants and entitlements) of \$18,850,149 and net position were adequate to provide for these programs.

Using the Basic Financial Statements

The annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Warrior Run School District as a financial whole, or as an entire operating entity.

The statement of net position and statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in a single column. For Warrior Run School District, the General Fund is the most significant fund.

Reporting the School District as a Whole

Statement of Net Position and Statement of Activities

While this report contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2018?". The statement of net position and the statement of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting systems used by most private sector companies.

**WARRIOR RUN SCHOOL DISTRICT
TURBOTVILLE, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED
(Continued)**

This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash was received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it identifies whether the financial position of the School District has improved or diminished for the School District as a whole. The cause of this change may be the result of many factors, some financial, some not. Nonfinancial factors include the School District's property tax base, facility conditions, required educational programs, and other factors.

In the statement of net position and the statement of activities, the School District is divided into two distinct kinds of activities:

Governmental Activities – Most of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, and extracurricular activities.

Business-Type Activity – This service is provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The Food Service enterprise fund is reported as a business activity.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Capital Projects Fund, and the Capital Reserve Fund.

Governmental Funds

Most of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds 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 School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs. The relationship, or differences, between governmental activities reported in the statement of net position and the statement of activities and the governmental funds is reconciled in the financial statements.

Enterprise Fund

The enterprise fund uses the same basis of accounting as business-type activities; therefore, these statements are essentially the same.

**WARRIOR RUN SCHOOL DISTRICT
TURBOTVILLE, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED
(Continued)**

The School District as a Whole

The perspective of the statement of net position is of the School District as a whole. Table 1 provides a summary of the School District's net position for 2018 compared to 2017.

	Table 1 Net Position (In Thousands)					
	Governmental Activities		Business-Type Activities		Total	
	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>
<u>Assets:</u>						
Current and Other Assets	14,014	26,893	81	28	14,095	26,921
Capital Assets, Net	11,401	11,963	80	80	11,481	12,043
Deferred Outflow	<u>7,169</u>	<u>6,171</u>	<u>292</u>	<u>328</u>	<u>7,461</u>	<u>6,499</u>
Total Assets	32,584	45,027	453	436	33,038	45,463
<u>Liabilities:</u>						
Current and Other Liabilities	2,785	3,528	0	7	2,786	3,535
Long-Term Liabilities	37,082	46,102	1,131	1,096	38,213	47,198
Deferred Inflow	<u>1,085</u>	<u>2,423</u>	<u>35</u>	<u>73</u>	<u>1,120</u>	<u>2,496</u>
Total Liabilities	40,952	52,053	1,166	1,176	42,119	53,229
<u>Net Position:</u>						
Invested in Capital Assets						
Net of Related Debt	9,555	10,792	80	79	9,635	10,871
Unrestricted (Deficit)	<u>(17,923)</u>	<u>(17,818)</u>	<u>(793)</u>	<u>(819)</u>	<u>(18,716)</u>	<u>(18,637)</u>
Total Net Position	(8,368)	(7,026)	(713)	(740)	(9,081)	(7,766)

Net position of the School District's governmental activities increased \$3,580,323 from fiscal year 2017. The net position of the School District's business-type activity decreased \$27,087 from fiscal year 2017.

**WARRIOR RUN SCHOOL DISTRICT
TURBOTVILLE, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED
(Continued)**

Table 2 reflects the change in net position for fiscal year 2018.

Table 2
Change in Net Position (In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>
Revenues:						
Program Revenues:						
Charges for Services and Sales	70	63	358	343	428	406
Operating Grants and Contributions	<u>5,105</u>	<u>5,073</u>	<u>461</u>	<u>470</u>	<u>5,566</u>	<u>5,543</u>
Total Program Revenues	5,175	5,136	819	813	5,994	5,949
General Revenues:						
Property Taxes	7,775	8,077	0	0	7,775	8,077
Income and Personal Taxes	3,879	4,044	0	0	3,879	4,044
Grants and Entitlements	6,412	6,425	0	0	6,412	6,425
Interest	67	228	0	0	67	228
Sale/Compensation for Capital Assets	0	0	0	0	0	0
Miscellaneous	<u>40</u>	<u>75</u>	<u>0</u>	<u>0</u>	<u>40</u>	<u>75</u>
Total General Revenues	18,173	18,849	0	0	18,173	18,849
					0	0
Total Revenues	23,348	23,985	819	813	24,167	24,798
Transfers	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Revenues and Transfers	23,348	23,985	819	813	24,167	24,798
Program Expenses:						
Depreciation Unallocated	542	559	0	0	542	559
Instruction	12,954	12,737	0	0	12,954	12,738
Instructional Student Support	2,004	2,061	0	0	2,004	2,061
Administrative and Financial Support	1,675	1,696	0	0	1,675	1,696
Operation and Maintenance of Plant	1,644	1,420	0	0	1,644	1,420
Pupil Transportation	1,166	1,245	0	0	1,166	1,245
Student Activities	501	502	0	0	501	502
Community Services	1	1	0	0	1	1
Interest on Long-Term Debt	28	184	0	0	28	182
Food Service	<u>0</u>	<u>0</u>	<u>850</u>	<u>840</u>	<u>850</u>	<u>840</u>
Total Expenses	20,515	20,405	850	840	21,365	21,245
Increase (Decrease) in Net Position	2,833	3,580	-31	-27	2,802	3,553

**WARRIOR RUN SCHOOL DISTRICT
TURBOTVILLE, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED
(Continued)**

Governmental Activities

The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. Table 3, for government activities, indicates the total cost of services and the net cost of services. It identifies the cost of these services supported by tax revenues and unrestricted state entitlements.

Table 3
Governmental Activities
(In Thousands)

	Total Costs of Services		Net Costs of Services	
	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>
Depreciation Unallocated	542	559	542	559
Instruction	12,954	12,737	9,100	8,889
Instructional Student Support	2,004	2,061	1,802	1,853
Administrative and Financial Support	1,675	1,696	1,473	1,487
Operation and Maintenance of Plant	1,644	1,420	1,546	1,319
Pupil Transportation	1,166	1,245	454	577
Student Activities	501	502	394	400
Community Services	1	1	1	1
Interest on Long-Term Debt	<u>28</u>	<u>184</u>	<u>28</u>	<u>184</u>
Total Expenses	20,515	20,405	15,340	15,269

The dependence upon tax revenues for governmental activities is apparent. Over 90 percent of instruction activities are supported through local taxes. The community, as a whole, is the primary support for Warrior Run School District.

Business-Type Activity

The only business-type activity of the School District is the food service operation. This program had revenues and transfers of \$813,746 and expenses of \$840,833 for fiscal year 2018. Total revenues and transfers decreased \$24,049 and expenses decreased \$9,510 over the prior fiscal year.

The Board of Education continues to examine the food service operation in effort to be self-operating with minimal assistance from the General Fund. The business activity received no additional support from the General Fund in fiscal year 2018.

**WARRIOR RUN SCHOOL DISTRICT
TURBOTVILLE, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED
(Continued)**

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues of \$23,970,860, expenditures of \$20,784,315, and other financing sources of \$8,996,450. Other financing sources is comprised of \$813,550 of debt service expenses and \$9,810,000 of debt proceeds.

General Fund Budgeting Highlights

The School District's budget is prepared according to Pennsylvania law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

For the General Fund, actual revenues, in the amount of \$23,914,844, were above original budgeted revenues of \$22,901,959. Of this \$1,012,885 variance, most was due to increases in earned income taxes collected and grant funding. In addition, budget versus actual spending for stimulus funds impacted original budgeted revenue.

Expenditures and other financing sources were budgeted at \$23,086,588 while the actual expenditures and financing sources were \$12,769,245, which includes \$9,810,000 of debt proceeds. Conservative spending in some areas allowed the district to offset necessary upgrades in other areas.

General Fund revenues were more than expenditures and other financing uses by \$11,145,599. The budget projection was a deficit of (\$184,629) for fiscal year 2018. Due to increase revenues and conservative spending, the School District increased general fund balance by \$11,145,599.

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 Heather N. Burke, Business Manager/Board Secretary at Warrior Run School District, 4800 Susquehanna Trail, Turbotville, PA 17772, (570) 649-5138, extension 5004.

WARRIOR RUN SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2018

ASSETS	Governmental Activities	Business-Type Activities	Total
CURRENT ASSETS			
Cash and cash equivalents	\$ 15,469,054	\$ 18,043	\$ 15,487,097
Certificates of deposit	2,980,000	-	2,980,000
Investments	7,200,000	-	7,200,000
Taxes receivable, net (Note 6)	410,652	-	410,652
Intergovernmental receivables:			
State	300,872	-	300,872
Federal	258,861	-	258,861
Local	248,112	369	248,481
Inventories	-	9,454	9,454
Prepaid expenses	18,030	-	18,030
Due from other funds	2,366	-	2,366
Other Receivables	5,228	-	5,228
TOTAL CURRENT ASSETS	26,893,175	27,866	26,921,041
NON-CURRENT ASSETS			
Capital Assets (Note 4)			
Land and site improvements, net	1,125,615	-	1,125,615
Building and building improvements, net	10,464,950	-	10,464,950
Furniture and equipment, net	372,390	79,530	451,920
TOTAL NON-CURRENT ASSETS	11,962,955	79,530	12,042,485
Deferred outflows of resources- pensions (Note 5)	6,130,045	328,387	6,458,432
Deferred outflows of resources - OPEB (Note 9)	40,472	-	40,472
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 45,026,647	\$ 435,783	\$ 45,462,430
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
CURRENT LIABILITIES			
Due to other funds	\$ -	\$ 2,366	\$ 2,366
Accounts payable	800,797	403	801,200
Accrued Interest	52,325	-	52,325
Current portion of long-term debt (Note 3)	691,000	-	691,000
Accrued salaries and benefits	1,983,508	4,392	1,987,900
TOTAL CURRENT LIABILITIES	3,527,630	7,161	3,534,791
NON-CURRENT LIABILITIES			
Bonds and notes payable (Note 3)	10,290,000	-	10,290,000
Net Pension Liability (Note 5)	33,117,513	1,095,607	34,213,120
Long-term portion of Other Post Employment Benefits (Note 9)	2,331,494	-	2,331,494
Long-term portion of compensated absences (Note 3)	363,267	-	363,267
TOTAL NON-CURRENT LIABILITIES	46,102,274	1,095,607	47,197,881
Deferred inflows of resources- pensions (Note 5)	2,276,181	72,819	2,349,000
Deferred inflows of resources - OPEB (Note 9)	147,000	-	147,000
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	52,053,085	1,175,587	53,228,672
NET POSITION			
Net Investment in capital assets	10,791,955	79,530	10,871,485
Restricted for:			
Capital expenditures	12,843,991	-	12,843,991
Other restrictions	1,880,330	-	1,880,330
Unrestricted	(32,542,714)	(819,334)	(33,362,048)
TOTAL NET POSITION	(7,026,438)	(739,804)	(7,766,242)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 45,026,647	\$ 435,783	\$ 45,462,430

See notes to financial statements
which are an integral part of this statement.

WARRIOR RUN SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
June 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES						
Depreciation unallocated	\$ 559,373	\$ -	\$ -	\$ (559,373)	\$ -	\$ (559,373)
Instruction	12,736,999		3,848,124	(8,888,875)	-	(8,888,875)
Instructional student support	2,061,005	-	207,336	(1,853,669)	-	(1,853,669)
Administrative and financial support service	1,696,204	-	209,043	(1,487,161)	-	(1,487,161)
Operation and maintenance of plant services	1,419,635	-	101,017	(1,318,618)	-	(1,318,618)
Pupil transportation	1,245,369	-	668,666	(576,703)	-	(576,703)
Student activities	501,555	62,851	38,683	(400,021)	-	(400,021)
Community services	1,200	-	162	(1,038)	-	(1,038)
Interest on long-term debt	184,368	-	-	(184,368)	-	(184,368)
TOTAL GOVERNMENTAL ACTIVITIES	20,405,708	62,851	5,073,031	(15,269,826)	-	(15,269,826)
BUSINESS-TYPE ACTIVITIES						
Food services	840,833	343,282	470,036	-	(27,515)	(27,515)
TOTAL PRIMARY GOVERNMENT	21,246,541	406,133	5,543,067	(15,269,826)	(27,515)	(15,297,341)
GENERAL REVENUES AND TRANSFERS						
Taxes:						
Property taxes, levied for general purposes, net				8,077,219		8,077,219
Public utility, realty, earned income and miscellaneous taxes levied for general purposes, net				4,044,188		4,044,188
Grants, subsidies, and contributions not restricted				6,425,200		6,425,200
Investment earnings				228,626	428	229,054
Miscellaneous				74,916		74,916
Interfund Transfers				-	-	-
TOTAL GENERAL REVENUES AND TRANSFERS				18,850,149	428	18,850,577
CHANGE IN NET POSITION				3,580,323	(27,087)	3,553,236
NET POSITION - BEGINNING, RESTATED (Note 11)				(10,606,761)	(712,717)	(11,319,478)
NET POSITION - ENDING				\$ (7,026,438)	\$ (739,804)	\$ (7,766,242)

See notes to financial statements
which are an integral part of this statement.

**WARRIOR RUN SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018**

	General	Capital Reserve	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 10,570,873	\$ 4,898,181	\$ 15,469,054
Certificates of deposit	2,980,000	-	2,980,000
Investments	7,200,000	-	7,200,000
Taxes receivable, net	410,652	-	410,652
Prepaid Expenses	18,030	-	18,030
Due from other funds	2,366	-	2,366
Intergovernmental receivables:			
State	300,872	-	300,872
Federal	258,861	-	258,861
Local	248,112	-	248,112
Other Receivables	5,228	-	5,228
TOTAL ASSETS	\$ 21,994,994	\$ 4,898,181	\$ 26,893,175
 LIABILITIES			
Accounts payable	\$ 800,797	\$ -	\$ 800,797
Accrued salaries and benefits	1,983,508	-	1,983,508
Deferred revenue	410,652	-	410,652
TOTAL LIABILITIES	3,194,957	-	3,194,957
 EQUITY			
FUND BALANCE			
Restricted	9,739,778	-	9,739,778
Assigned	6,535,099	4,898,181	11,433,280
Unassigned			
Major funds	2,525,160	-	2,525,160
TOTAL FUND BALANCES	18,800,037	4,898,181	23,698,218
 TOTAL LIABILITIES AND FUND BALANCE	\$ 21,994,994	\$ 4,898,181	\$ 26,893,175

See notes to financial statements
which are an integral part of this statement.

**WARRIOR RUN SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2018**

Total fund balances - governmental funds \$ 23,698,218

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Cost of capital assets	30,793,900
Less: accumulated depreciation	(18,830,945)

Long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds.

Bond principal payable	(10,981,000)
Other Post Employment Benefits	(2,331,494)
Compensated absences	(363,267)
Net Pension Liability	(33,117,513)

Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and are, therefore, deferred in the funds.

410,652

Governmental funds do not report a liability for accrued interest until due and payable.

(52,325)

Deferred outflows and inflows of resources related to pensions and other post-employment benefits are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources	6,170,517
Deferred inflows of resources	(2,423,181)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ (7,026,438)

See notes to financial statements
which are an integral part of this statement.

**WARRIOR RUN SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	General	Capital Reserve	Total Governmental Funds
REVENUES			
Local Sources			
Real Estate Taxes	\$ 7,612,227	\$ -	\$ 7,612,227
Other Taxes	4,095,866	-	4,095,866
Interest	172,610	56,016	228,626
Revenue From Intermediate Sources	269,286	-	269,286
Tuition and Fees	139,374	-	139,374
Revenue From Student Activities	62,851	-	62,851
Other Revenue	74,916	-	74,916
Total Local Sources	<u>12,427,130</u>	<u>56,016</u>	<u>12,483,146</u>
State	10,833,441	-	10,833,441
Federal	654,273	-	654,273
TOTAL REVENUES	<u>23,914,844</u>	<u>56,016</u>	<u>23,970,860</u>
EXPENDITURES			
Instruction	12,737,590	-	12,737,590
Support services	7,000,029	-	7,000,029
Operation of non-instructional services	192,028	-	192,028
Capital outlay	854,668	-	854,668
TOTAL EXPENDITURES	<u>20,784,315</u>	<u>-</u>	<u>20,784,315</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>3,130,529</u>	<u>56,016</u>	<u>3,186,545</u>
OTHER FINANCING SOURCES (USES)			
Debt service	(813,550)	-	(813,550)
Debt proceeds	9,810,000	-	9,810,000
Interfund transfers	(981,380)	981,380	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>8,015,070</u>	<u>981,380</u>	<u>8,996,450</u>
NET CHANGE IN FUND BALANCES	11,145,599	1,037,396	12,182,995
FUND BALANCES - BEGINNING	7,654,438	3,860,785	11,515,223
FUND BALANCES - ENDING	<u>\$ 18,800,037</u>	<u>\$ 4,898,181</u>	<u>\$ 23,698,218</u>

See notes to financial statements
which are an integral part of this statement.

**WARRIOR RUN SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 12,182,995
Amounts reported for governmental activities in the Statement of Activities are different because:	
Some property and personal taxes will not be collected for several months after the District's year end, they are not considered as available revenues in the governmental funds.	15,171
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	675,000
Proceeds from extended term financing is included as other financial sources in the governmental funds, but increases long-term liabilities in the Statement of Net Position.	(9,810,000)
Interest is recognized in governmental funds when paid but is accrued in the Statement of Activities.	(45,818)
Governmental funds recognize capital outlays as expenditures versus as capital assets in the Statement of Net Position.	1,121,757
Depreciation is recognized in the Statement of Activities but is not recognized in governmental funds.	(559,373)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	
Decrease in compensated absences	11,721
Increase in other post-employment benefit expense	(12,763)
Decrease in pension expense	1,633
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES	<u>\$ 3,580,323</u>

See notes to financial statements
which are an integral part of this statement.

**WARRIOR RUN SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 11,547,243	\$ 11,547,243	\$ 12,427,130	\$ 879,887
State sources	10,747,830	10,747,830	10,833,441	85,611
Federal sources	606,886	606,886	654,273	47,387
TOTAL REVENUES	<u>22,901,959</u>	<u>22,901,959</u>	<u>23,914,844</u>	<u>1,012,885</u>
EXPENDITURES				
Regular programs	10,401,908	10,401,908	9,472,736	929,172
Special programs	3,026,000	3,026,000	2,887,375	138,625
Vocational programs	380,000	380,000	343,435	36,565
Other instructional programs	81,862	81,862	34,044	47,818
Pupil personnel services	695,696	695,696	685,721	9,975
Instructional staff services	826,784	826,784	772,705	54,079
Administrative services	1,378,692	1,378,692	1,328,782	49,910
Pupil health	234,397	234,397	209,977	24,420
Business services	379,826	379,826	367,422	12,404
Operation and maintenance of plant services	1,715,003	1,715,003	1,615,720	99,283
Student transportation services	1,332,624	1,332,624	1,245,369	87,255
Central and other support services	388,462	388,462	392,602	(4,140)
Student activities	512,601	512,061	380,531	131,530
Community services	2,623	2,623	1,200	1,423
Facilities acquisition, construction	421,000	421,000	1,046,696	(625,696)
TOTAL EXPENDITURES	<u>21,777,478</u>	<u>21,776,938</u>	<u>20,784,315</u>	<u>992,623</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,124,481</u>	<u>1,125,021</u>	<u>3,130,529</u>	<u>2,005,508</u>
OTHER FINANCING SOURCES (USES)				
Refund of prior year expenses	-	-	-	-
Debt service	(1,177,650)	(1,177,650)	(813,550)	364,100
Debt proceeds	-	-	9,810,000	9,810,000
Interfund transfers	(32,000)	(32,000)	(981,380)	(949,380)
Budgetary reserve	(100,000)	(100,000)	-	100,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,309,650)</u>	<u>(1,309,650)</u>	<u>8,015,070</u>	<u>9,324,720</u>
NET CHANGE IN FUND BALANCES	<u>(185,169)</u>	<u>(184,629)</u>	<u>11,145,599</u>	<u>11,330,228</u>
FUND BALANCE - BEGINNING OF YEAR	<u>7,654,438</u>	<u>7,654,438</u>	<u>7,654,438</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 7,469,269</u>	<u>\$ 7,469,809</u>	<u>\$ 18,800,037</u>	<u>\$ 11,330,228</u>

See notes to financial statements
which are an integral part of this statement.

**WARRIOR RUN SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

ASSETS	<u>Food Service</u>
CURRENT ASSETS	
Cash and cash equivalents	\$ 18,043
Intergovernment Receivables	
Local	369
Inventories	9,454
TOTAL CURRENT ASSETS	<u>27,866</u>
NON-CURRENT ASSETS	
Furniture and equipment (net)	<u>79,530</u>
Deferred outflows of resources- pensions	<u>328,387</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 435,783</u></u>
LIABILITIES AND NET POSITION	
CURRENT LIABILITIES	
Accounts Payable	403
Accrued salaries and benefits	4,392
Due to Other Funds	2,366
TOTAL CURRENT LIABILITIES	<u>7,161</u>
NON-CURRENT LIABILITIES	
Net Pension Liability	<u>1,095,607</u>
TOTAL NON-CURRENT LIABILITIES	<u>1,095,607</u>
Deferred Inflows of resources- pensions	<u>72,819</u>
NET POSITION	
Net investment in capital assets	79,530
Unrestricted	<u>(819,334)</u>
TOTAL NET POSITION	<u><u>(739,804)</u></u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u><u>\$ 435,783</u></u>

See notes to financial statements
which are an integral part of this statement.

**WARRIOR RUN SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Food Service
OPERATING REVENUES	
Food service revenue	\$ 343,282
TOTAL OPERATING REVENUES	343,282
OPERATING EXPENSES	
Personnel services - salaries	260,401
Personnel services - employee benefits	157,479
Purchased property services	11,473
Other purchased services	23,117
Supplies	379,748
Depreciation	8,615
TOTAL OPERATING EXPENSES	840,833
OPERATING (LOSS)	(497,551)
NON-OPERATING REVENUES (EXPENSES)	
Earnings on investments	428
State sources	82,308
Federal sources	387,728
Interfund Transfers	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	470,464
CHANGE IN NET POSITION	(27,087)
NET POSITION - BEGINNING OF YEAR	(712,717)
NET POSITION - END OF YEAR	\$ (739,804)

See notes to financial statements
which are an integral part of this statement.

**WARRIOR RUN SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Food Service
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from users	\$ 344,220
Cash payments to employees for services	(447,583)
Cash payments to suppliers for goods and services	(383,557)
NET CASH USED BY OPERATING ACTIVITIES	(486,920)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State sources	82,308
Federal sources	387,728
Operating transfers in from General Fund	-
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	470,036
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of equipment	(8,000)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(8,000)
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on investments	428
NET CASH PROVIDED BY INVESTING ACTIVITIES	428
NET DECREASE IN CASH AND CASH EQUIVALENTS	(24,456)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	42,499
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 18,043
OPERATING (LOSS)	\$ (497,551)
ADJUSTMENTS TO RECONCILE OPERATING (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES:	
Depreciation and net amortization	8,615
(Increase) Decrease in other receivables	938
(Increase) Decrease in inventories	28,012
(Increase) Decrease in deferred outflows of resources	(36,419)
Increase (Decrease) in accounts payable and accrued salaries and benefits	4,211
Increase (Decrease) in due to other funds	2,366
Increase (Decrease) in net pension liability	(35,253)
Increase (Decrease) in deferred inflows of resources	38,161
TOTAL ADJUSTMENTS	10,631
TOTAL CASH USED BY OPERATING ACTIVITIES	\$ (486,920)

See notes to financial statements
which are an integral part of this statement.

**WARRIOR RUN SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Activity	Total Fiduciary Funds
ASSETS		
Cash	\$ 124,603	\$ 124,603
Certificates of Deposit	11,000	11,000
TOTAL ASSETS	\$ 135,603	\$ 135,603
LIABILITIES AND NET POSITION		
LIABILITIES		
Due to Student Groups	\$ 135,603	\$ 135,603
TOTAL LIABILITIES	135,603	135,603
NET POSITION	-	-
TOTAL NET POSITION	-	-
TOTAL LIABILITIES AND NET POSITION	\$ 135,603	\$ 135,603

See notes to financial statements
which are an integral part of this statement.

**WARRIOR RUN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Warrior Run School District (the "District") is governed by the Warrior Run School District Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District provides public education to the residents of three boroughs and five townships with two elementary schools, one middle school, and one high school in the following three Counties: Union, Northumberland, and Montour County, Pennsylvania. The District is managed under current standards prescribed by the Pennsylvania Department of Education in accordance with the provision of the School Laws of Pennsylvania. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

The financial statements of the Warrior Run School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) approved Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis -for State and Local Governments.

The financial statements include:

- Management's Discussion and Analysis (MD&A), providing an analysis of the District's overall financial position and results of operations.
- Financial statements prepared using full-accrual accounting for all of the District's activities.
- A change in the fund financial statements to focus on major funds.

In February 2009, the Governmental Accounting Standards Board (GASB) approved Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The financial statements include designation under this statement in the following categories: Restricted, Committed, Assigned and Unassigned.

The School District adopted Statement of Governmental Accounting Standards (GASB Statement) No. 68, *"Accounting and Financial Reporting for Pensions- an amendment of GASB Statement No. 27"* in the fiscal year ended June 30, 2015. The School District also adopted the provisions of GASB Statement No. 71, *"Pension Transition for Contributions made Subsequent to the Measurement Date- an amendment of GASB Statement No. 68"*.

The School District adopted the provisions of GASB Statement No. 75, *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"* for the fiscal year ended June 30, 2018. The adoption of this statement resulted in a restatement of net position (see Note 11).

**WARRIOR RUN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

DEFINING THE REPORTING ENTITY

The reporting entity was defined by applying the following criteria which were established by the Governmental Accounting Standards Board Statement Number 14, "The Financial Reporting Entity":

- (A) Financial interdependency
- (B) Selection of governing authority
- (C) Designation of management
- (D) Ability to significantly influence operations
- (E) Accountability for fiscal matters.

The District participates in the Lycoming Career and Technology Center (Lyco CTC) located in Hughesville, Pennsylvania. This joint venture does not meet the criteria for inclusion within the reporting entity because they Lyco CTC is separately chartered from the school districts it serves; its joint operating committee controls the employment of personnel; its joint operating committee has the power to approve all operating expenditures of the Lyco CTC; and the Lyco CTC is maintained as a separate operating unit.

The District has one member on the joint operating committee which governs the Lyco CTC. The committee is comprised of one member from each of the member school districts who are appointed annually. The Lyco CTC provides vocational and technical education for students of the member school districts. Each member school district pays tuition to the Lyco CTC based upon its enrollment percentage. The member school districts approve the budget of the Lyco CTC.

Audited financial statements for the year ended June 30, 2018 for the Lyco CTC are available at its business office.

The District's Intermediate Unit is the Central Susquehanna Intermediate Unit #16 located in Montandon, Pennsylvania.

In defining the reporting entity, all known federal program awards received by the entity have been included and have been subjected to the terms and requirements of the Uniform Guidance.

In applying the above criteria, the District does not have any component units nor is the District a component unit of any other primary government.

BASIS OF PRESENTATION

Government-wide statements - The statement of net position and the statement of activities provide information about the financial activities of the overall district, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-Type activities are financed in whole or in part by fees charged to external parties.

**WARRIOR RUN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

BASIS OF PRESENTATION - continued

The statement of activities presents a comparison between direct expenses and program revenues for each business-type activity of the District and for each function of the District's governmental activities.

- Direct Expenses are those that are clearly identifiable with a specific program.
- Program revenues include 1) charges to students or recipients who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.
- Taxes and other items not properly included among program revenues are reported as general revenues.

Depreciation expense is not allocated by function and is included on a separate line of the direct expenses. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. The effect of interfund activity has been removed from these statements.

Fund Financial Statements - The fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category - *governmental, proprietary and fiduciary*-are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. Enterprise fund operating revenues are related to charges for food in the District's cafeteria. The primary non-operating revenues are federal nutrition program grants and commodities received from the U.S. Department of Agriculture.

The fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the District, these funds are not incorporated into the District-wide statements.

**WARRIOR RUN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

BASIS OF PRESENTATION - continued

The District reports the following major governmental fund:

General Fund - The General Fund is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The District reports the following major proprietary fund type:

Food Service Fund - The Food Service Fund is used to account for all financial transactions related to the food service operation.

Other fund types:

Agency Funds - These funds account for assets held by the District as an agent for various student groups and clubs.

BASIS OF ACCOUNTING

The district-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities are reported as other financing sources.

All business-type activities and enterprise funds of the district follow FASB Statements and Interpretations on or before December 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

**WARRIOR RUN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

BUDGETS AND BUDGETARY ACCOUNTING

The District follows these procedures in establishing the budgetary data reflected in the financial statements.

An operating budget is adopted prior to the beginning of 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.

Notice that public hearing will be held on the proposed operating budget must be included in the advertisement; such hearings are required to be scheduled at least ten days prior to when final action on adoption is taken by the Board.

Legal budgetary control is maintained at the sub-function/major object level. The Board of School Directors may make transfers of funds appropriated to any particular item of expenditure by legislative action in accordance with the Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without Board approval. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments. The Board of School Directors made several supplemental budgetary appropriations throughout the year which resulted in an increase in the general fund budget. The entire supplemental budgetary appropriation was a result of program budgets prescribed by federal and state agencies.

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, if any, are reported in the fund financial statements as reservations of fund balances.

Included in the General Fund budget are program budgets as prescribed by the federal and state agencies funding program. These budgets are approved on a program by program basis by the federal and state funding agencies.

**WARRIOR RUN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

DEPOSITS

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

INVENTORY

On government-wide financial statements and in the proprietary fund, 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 Food Service food and supplies was taken as of June 30, 2018. The inventory consisted of government donated commodities and purchased food and supplies. Government donated commodities were valued at cost figures provided by the U.S. Department of Agriculture while purchased food and supplies were valued at cost, both using the first-in first-out (FIFO) method.

CAPITAL ASSETS

Capital assets, which include land, buildings and improvements, and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets 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 value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets 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 capital value of the assets constructed.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Useful Life</u>
Land	Not depreciated
Land Improvements	15 years
Buildings and Improvements	15-40 years
Furniture and Equipment	5-15 years
Vehicles	5-15 years

**WARRIOR RUN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

COMPENSATED ABSENCES

Compensated absences are those for which employees receive pay. A liability is recorded through the use of estimates, which apply historical data to current factors. The District maintains records of unused absences and applies current and/or contracted compensation rates to the various types of compensated absences. Sick leave is recorded using the termination payment method. Vacation leave does not accumulate. The District allows only restricted sabbatical leave and therefore, has no recorded liability in advance of the sabbatical.

ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

In government-wide financial statements as well as proprietary fund financial statements, all accrued liabilities and long-term debt are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In 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. Premiums received on debt issuances are 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.

RESTRICTED ASSETS

Restricted assets are cash and cash equivalents whose use is limited by legal requirements such as a bond indenture.

ASSIGNED ASSETS

Assigned assets are cash and cash equivalents whose use is intended to be used for a specific purpose but does not meet the criteria to be classified as restricted or committed. These amounts are assigned by the board of directors.

FUND EQUITY

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a restricted purpose.

**WARRIOR RUN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

NET POSITION

Net position represents the difference between assets and liabilities in the District-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets.

FOOD SERVICE FUND - UNALLOCATED COSTS

The District does not attempt to allocate "Building-Wide Costs" to the Food Service Fund. Thus, General Fund expenditures (utilities, janitorial services, insurance, etc.) which partially benefit the Food Service Fund are not proportionately recognized within the Food Service Fund. Similarly, the Food Service Fund does not recognize a cost for the building space it occupies (no facilities rental expense).

ESTIMATES

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

SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 30, 2019, the date on which the financial statements were available to be issued.

NOTE 2- CASH, CASH EQUIVALENTS, CERTIFICATES OF DEPOSIT, AND INVESTMENTS:

CASH AND CASH EQUIVALENTS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The deposit policy of the school district adheres to state statutes and prudent business practice. Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and include investments with original maturities of three months or less. Cash and cash equivalents consist of demand deposits at various financial institutions, the Pennsylvania Local Government Investment Trust (PLGIT) and Pennsylvania Treasurer's Invest Program. The market values of deposits are equal to the cost of the deposits.

Under Section 440.1 of the Public School Code of 1949, as amended, the District is permitted to: Deposit in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured and, for

**WARRIOR RUN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 2- CASH, CASH EQUIVALENTS, CERTIFICATES OF DEPOSIT, AND INVESTMENTS - continued:

any amounts above the insured maximum, provided that approved collateral as provided by law is pledged by the depository.

At June 30, 2018, the carrying amount of the District's deposits was \$15,611,700 and the bank balance was \$15,699,675. Of the total bank balance, \$705,171 was covered by federal depository insurance coverage and \$14,994,504 was exposed to custodial credit risk because it was uninsured but collateralized with securities held by the depository's agent.

INVESTMENTS

The District follows the GASB's guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets.

Fair Value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. U.S. generally accepted accounting principles (US GAAP) establish the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are as follows:

- ✓ Level 1 inputs have the highest reliability and are related to quoted prices (unadjusted) in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date.
- ✓ Level 2 inputs relate to assets or liability with other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- ✓ Level 3 inputs are unobservable inputs for the asset or liability.

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. It is the practice of the District to limit its interest rate risk by investing in securities with maturity dates under one year. At June 30, 2018, the District's investments in certificates of deposit had maturity dates of less than one year.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The District has no investments subject to custodial credit risk.

**WARRIOR RUN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 2- CASH, CASH EQUIVALENTS AND INVESTMENTS - continued:

Credit Risk

Under Section 4440.1 of the Public School Code of 1949, as amended, the District is permitted to invest its monies as follows: Obligations of (1) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (2) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (3) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

Concentration of Credit Risk

The District places no limits on the amount the District may invest in any one issuer. 100% of the Districts investments are in certificates of deposit.

CERTIFICATE OF DEPOSITS AND INVESTMENTS:

As of June 30, 2018, the District had certificates of deposits and PLGIT Term investments with a total balance of \$10,191,000, which had interest rates of .10% to 2.30% and maturity dates of July 19, 2018 to November 27, 2020. \$11,000 of these certificates of deposit are reported in the fiduciary funds.

The following table sets forth by level, within the fair value hierarchy, the investments at fair value as of June 30, 2018:

	Level 1	Level 2	Level 3
Certificates of Deposit/PLGIT Term	<u>\$ 10,191,000</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS

The classification of cash and cash equivalents on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between classifications of cash and cash equivalents on the combined financial statements and the classifications per GASB Statement No. 3 is as follows:

	Cash & Cash <u>Equivalents</u>
Cash and Cash Equivalents	\$15,611,700
GASB Statement No. 3	\$15,611,700

**WARRIOR RUN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 3- GENERAL LONG-TERM DEBT:

A summary of General Long-Term Debt is as follows:

	Accrued Compensated Absences	General Obligation Note Series of 2014	General Obligation Bonds Series of 2017	Total
BALANCE - JULY 1, 2017	374,988	1,846,000	-	2,220,988
ADDITIONS	16,660	-	9,810,000	9,826,660
REDUCTIONS	(28,381)	(675,000)	-	(703,381)
BALANCE - JUNE 30, 2018	<u>363,267</u>	<u>1,171,000</u>	<u>9,810,000</u>	<u>11,344,267</u>

A summary of general long-term debt, principal maturities and interest requirements follows:

Year Ending <u>June 30,</u>	Principal	Interest	Total
2019	691,000	300,829	991,829
2020	490,000	292,510	782,510
2021	345,000	282,160	627,160
2022	360,000	268,060	628,060
2023	375,000	253,360	628,360
2024-2028	2,000,000	1,129,613	3,129,613
2029-2033	2,275,000	854,825	3,129,825
2034-2038	2,650,000	486,050	3,136,050
2039- 2043	1,795,000	86,540	1,881,540
Totals	<u>10,981,000</u>	<u>3,953,947</u>	<u>14,934,947</u>

See notes to financial statements
which are an integral part of this statement.

**WARRIOR RUN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 3- GENERAL LONG-TERM DEBT- continued:

GENERAL OBLIGATION NOTE - SERIES OF 2014

During the fiscal year ended June 30, 2015, the District secured a General Obligation Note, Series of 2014 in the amount of \$3,639,000. Proceeds of this note were used for the refunding of the General Obligation Bonds, Series of 2009A and to pay cost of issuance. The General Obligation Bonds, Series of 2009A were used to plan, design, acquire, construct, equip and furnish alterations, additions, renovations and/or improvements to the Warrior Run Middle School/High School buildings and related facilities and grounds to pay the costs and expenses related to the issuance of the bonds.

GENERAL OBLIGATION BONDS - SERIES OF 2017

During the fiscal year ended June 30, 2018, the District secured a General Obligation Note, Series of 2017 in the amount of \$9,810,000. Proceeds of the Bonds will be used for: (1) providing funds for the acquisition, design, construction, furnishing and equipping of a new elementary school and improvements to related facilities and grounds and (2) paying related costs and expenses, including the costs and expenses of issuing the Bonds.

COMPENSATED ABSENCES

Administrative

Administrative personnel will be granted twelve (12) days sick leave per year. Sick days will accumulate to an unlimited amount. Administrative personnel, upon retirement, will be granted a cash settlement of seventy-five (\$75.00) for each sick day accumulated to date of retirement. The superintendent will be granted a cash settlement of one hundred twenty-five (\$125) for each sick day accumulated to date of retirement.

A lump sum payment of five thousand (\$5,000) dollars will be paid at retirement as follows:

- (A) For thirty-five (35) or more years of service with at least ten (10) years to the Warrior Run School District.
- (B) For thirty (30) or more years of service with at least fifteen (15) years to the Warrior Run School District.
- (C) For twenty-five (25) or more years of service with at least ten (10) years to the Warrior Run School District and fifty-five (55) years of age.
- (D) Those employees that do not qualify under (A), (B), or (C) will receive \$100 per year of service to Warrior Run School District.

**WARRIOR RUN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 3- GENERAL LONG-TERM DEBT - continued

COMPENSATED ABSENCES – continued

Classified Personnel

Classified personnel shall be entitled to sick leave accrued according to length of employment with the District.

Classified personnel shall be entitled to unlimited accumulation of sick leave. At retirement, classified personnel will be granted a cash settlement of one thousand (\$1,000.00) dollars for each 280 hours of accumulated sick leave to date to a maximum of five thousand (\$5,000.00) dollars.

All employees will have three (3) personal days per year. These days can be taken in a minimum of ½ hour increments. Unused personal days will convert to sick leave if not used June 30th of each year.

A severance at retirement will be paid on the following schedule. An employee will be paid the larger sum of the percentage of the last year's calendar W-2 wage or the stated minimum:

<u>Years of Service</u>	<u>% of Last Calendar W-2 Wage</u>	<u>Minimum</u>
20	3% of Last Calendar W-2 Wage	\$ 500
25	4% of Last Calendar W-2 Wage	\$ 750
30	5% of Last Calendar W-2 Wage	\$ 1,000

Professional

Teachers who will be 52 years of age or older by the date of retirement will be granted a cash settlement of sixty (\$60) dollars for each sick day accumulated to date plus one hundred ten (\$110) dollars for each year of service to the district.

Two (2) days personal leave will be available in each year per full-time, full-time substitute, and regular part-time professional employee. Employees hired during the school year will be provided two (2) days if employed prior to December 31 and one (1) day if employed thereafter. Part-time professional employees will be paid pro rata.

Personal days not used in any one year of the agreement period by employee may be accumulated in the next year of the agreement.

Any professional employee who has not used up his accumulated personal days on the date of retirement will receive sixty-five dollars (\$65.00) for each unused personal day. Regular part-time professional employees will receive thirty-two dollars and fifty cents (\$32.50) for each unused personal day.

The liability for compensated absences at June 30, 2018 was \$363,267.

**WARRIOR RUN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 4 - CAPITAL ASSETS:

A summary of capital asset activity during the fiscal year follows:

	<u>Balance June 30, 2017</u>	<u>Changes</u>	<u>Balance June 30, 2018</u>
Governmental Activities:			
Capital Assets, Being Depreciated:			
Site Improvements	2,367,452	-	2,367,452
Buildings and Improvements	21,587,382	902,899	22,490,281
Furniture and Equipment	<u>5,750,777</u>	<u>185,390</u>	<u>5,936,167</u>
Total Capital Assets, Being Depreciated	29,705,611	1,088,289	30,793,900
Accumulated Depreciation For:			
Site Improvements	1,206,062	35,775	1,241,837
Buildings and improvements	11,605,646	419,685	12,025,331
Furniture and Equipment	<u>5,493,332</u>	<u>70,445</u>	<u>5,563,777</u>
Total Accumulated Depreciation	18,305,040	525,905	18,830,945
Governmental Activities			
Capital Assets, Net	<u><u>11,630,293</u></u>	<u><u>562,384</u></u>	<u><u>11,962,955</u></u>
Business-type Activities:			
Furniture and Equipment	530,342	6,809	537,151
Less: Accumulated Depreciation	<u>450,197</u>	<u>7,424</u>	<u>457,621</u>
Business-type Activities			
Capital Assets, Net	<u><u>80,145</u></u>	<u><u>(615)</u></u>	<u><u>79,530</u></u>

Depreciation expense charged to governmental activities during the year ended June 30, 2018 was \$559,373.

See notes to financial statements
which are an integral part of this statement.

**WARRIOR RUN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 5- PENSION PLAN

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 for 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 (3) 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.

**WARRIOR RUN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 5- PENSION PLAN- continued

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, 2017 was 31.74% 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 \$3,250,193 for the year ended June 30, 2018.

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

At June 30, 2018, the District reported a liability of \$34,213,120 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2016 to June 30, 2017. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2017, the District's proportion was 0.0692 percent, which was a decrease of 0.0044 from its proportion measured as of June 30, 2016.

**WARRIOR RUN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 5- PENSION PLAN- continued

For the fiscal year ended June 30, 2018, the District recognized pension expense of \$3,186,000. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 357,000	\$ 207,000
Changes in assumptions	928,000	-0-
Net difference between projected and actual investment earnings	792,000	-0-
Changes in proportions	587,000	2,142,000
Difference between employer contributions and proportionate share of total contributions	544,239	-0-
Contributions subsequent to the measurement date	<u>3,250,193</u>	<u>-0-</u>
	<u>\$ 6,458,432</u>	<u>\$ 2,349,000</u>

\$3,250,193 reported as deferred outflows and inflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$ 220,382
2020	412,465
2021	255,192
2022	(28,800)
2023	-0-
Thereafter	-0-

Actuarial assumptions:

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

Assumptions used in measurement of the Total Pension Liability beginning June 30, 2017:

- The Investment Rate of Return was 7.25%.
- The inflation assumption was 2.75%.

**WARRIOR RUN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 5- PENSION PLAN- continued

- Salary growth was an effective average of 5.50%, which was comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. For disabled annuitants, the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to the RP-2014 Mortality Table for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

The actuarial assumptions used in the June 30, 2017 valuation were based on the experience study that was performed for the five-year period ending June 30, 2015. The recommended assumption changes based on this experience study were adopted by the Board at its June 10, 2016 Board meeting, and were effective beginning with the June 30, 2016 actuarial valuation.

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

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the 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>
Global public equity	20.0%	5.1%
Fixed Income	36.0%	2.6%
Commodities	8.0%	3.0%
Absolute return	10.0%	3.4%
Risk parity	10.0%	3.8%
Infrastructure/MLPs	8.0%	4.8%
Real estate	10.0%	3.6%
Alternative investments	15.0%	6.2%
Cash	3.0%	0.6%
Financing (LIBOR)	<u>(20.0%)</u>	1.1%
	<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, 2017.

**WARRIOR RUN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 5- PENSION PLAN- continued

Discount rate

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

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

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

	1% Decrease <u>6.25%</u>	Current Discount Rate <u>7.25%</u>	1% Increase <u>8.25%</u>
District's proportionate share of the net pension liability	\$42,069,000	\$34,177,000	\$27,514,000

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 6- TAXES ASSESSED AND DEFERRED REVENUE:

The following is a listing of the taxes assessed along with their respective assessed valuations:

<u>Tax Type</u>	<u>Millage/Rate</u>	<u>Assessed Valuation</u>
Real estate – Union County	12.86 mills	\$709,685
Real estate – Montour County	12.88 mills	2,029,785
Real estate – Northumberland County	65.99 mills	5,732,366
Per Capita tax – Act 511	\$5.00/person	<u>72,130</u>
Total Assessed Valuation		<u>\$8,543,966</u>

The following is the tax calendar showing levy date, payment periods and delinquent dates

For the above listed taxes:

Levy date	July 1
Discount (2%) payment period	July 1 to August 31
Face payment period	September 1 to October 31
Penalty (10%) payment period	December 1 to December 31
Delinquent date	January 1

**WARRIOR RUN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 6- TAXES ASSESSED AND DEFERRED REVENUE- continued:

The School District, in accordance with GAAP, recognized the delinquent and unpaid taxes receivable reduced by an allowance for uncollectible taxes as determined by the administration. All taxes, net of uncollectible amounts, are recognized in the period for which levied in the government-wide financial statements, regardless of when collected.

The balances at June 30, 2018, are as follows:

	<u>Governmental Funds</u>			
	Gross	Allowance	Net	
	Taxes	for	Estimated	
<u>Tax</u>	<u>Receivable</u>	<u>Uncollectible</u>	<u>to be</u>	<u>Deferred</u>
		<u>Taxes</u>	<u>Collectible</u>	<u>Taxes</u>
Real Estate	\$386,188	-	\$386,188	\$386,188
Per Capita	32,618	8,154	24,464	24,464
Occupation	-	-	-	-
Total	<u>\$418,806</u>	<u>\$8,154</u>	<u>\$410,652</u>	<u>\$410,652</u>

The amounts due represent taxes levied on 2012 to 2017. As discussed in Note 1, revenue related to taxes receivable is recognized on a modified accrual basis. As of June 30, 2018, the balance of taxes receivable has been recorded as deferred revenue in the fund financial statements.

NOTE 7- COMMITMENTS AND CONTINGENCIES:

During the normal course of business, the District is subject to numerous disputes and claims. At June 30, 2018, there were no items of pending or threatened litigation which management feels would have a material effect on the District's financial condition.

GRANT PROGRAMS

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2018 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

**WARRIOR RUN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 8- OPERATING LEASES:

The District leases its copiers under several lease agreements all having terms of four to five years. It is the procedure of the District to regularly upgrade the copiers before the lease terms expire. These continually revolving copier leases are classified as operating leases. Current year rental costs are \$44,655. Future annual lease payments are estimated at \$45,000 per year for the next five years.

NOTE 9 -OTHER POST-EMPLOYMENT BENEFITS

District Specific Plan

Plan Description:

The School District provides a single-employer defined benefit post-employment benefit (OPEB) plan. The plan provides healthcare insurance for eligible retirees and their spouses through the District's group health insurance plan, which covers both active and retired members. Employer contribution rates for retirees vary based on the type of retirement, years of service, and type of coverage.

Plan Membership:

As of June 30, 2018, the Plan's membership consisted of the following:

Active Participants	189
Retired Participants	<u>12</u>
Total	201

Contributions:

The contribution requirements of the plan members and the District are established and may be amended by the School Board of Directors. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75. The plan is funded on a pay-as-you-go basis, i.e. premiums are paid annually to fund the healthcare benefits provided to current retirees, primarily through annual appropriations from the General Fund. Retiree contribution rates and amount vary depending on classification and years of service with the District.

Total OPEB Liability

The District's total OPEB liability of \$921,494 was measured as of July 1, 2016 and was rolled forward using actuarial assumptions to the valuation date of July 1, 2017.

Actuarial Assumptions and Other Inputs:

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%
Salary Increases	3.50% average, including inflation
Discount Rate	3.13%
Healthcare Cost Trend Rates	6.00% for 2017, decreasing to an ultimate rate of 3.9% by 2075

The discount rate was based on the S&P Municipal Bond 20 Year High Grade Rate Index at 7/1/2017.

**WARRIOR RUN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 9 -OTHER POST-EMPLOYMENT BENEFITS

District Specific Plan (Continued)

Total OPEB Liability (Continued)

Mortality rates are assumed using the rates assumed in the PSERS defined benefit pension plan actuarial valuation with projections incorporated based on the Buck Modified 2016 projection scale to reflect mortality improvement.

The actuarial assumptions used in the July 1, 2017 valuation were based on historical results, as a recent experience study was not completed.

Changes in the District's total OPEB liability for the plan for the fiscal year ended June 30, 2018 was as follows:

	Total OPEB Liability
Balance at 7/1/2016	\$ 840,259
Service Cost	83,049
Interest	22,611
Changes in Assumptions	3,707
Benefit Payments	<u>(28,132)</u>
Net Changes	<u>81,235</u>
Balance at 7/1/2017	<u>\$ 921,494</u>

Changes in assumptions reflect a change in the discount rate from 2.49% to 3.13%, an update of trend assumptions, and an update of assumptions for salary, mortality, and retirement based on the new PSERS assumptions.

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower (2.13%) or 1-percentage higher (4.13%) than the current discount rate:

	1% Decrease 2.13%	Current Discount Rate 3.13%	1% Increase 4.13%
District's Total OPEB Liability	\$ 781,556	\$ 921,494	\$ 1,093,144

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.13%) or 1-percentage higher (4.13%) than the current discount rate:

	1% Decrease 2.13%	Current Discount Rate 3.13%	1% Increase 4.13%
District's Total OPEB Liability	\$ 1,007,944	\$ 921,494	\$ 840,593

**WARRIOR RUN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 9 -OTHER POST-EMPLOYMENT BENEFITS

District Specific Plan (Continued)

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended June 30, 2017, the District recognized OPEB expense of \$105,907. At June 30, 2017, the District reported deferred outflows related to OPEB from the following sources:

	Deferred Outflows of Resources
Changes in assumptions	\$ 3,460
Benefit payments subsequent to the measurement date	<u>36,012</u>
	<u>\$ 39,472</u>

Amounts, other than benefits payments subsequent to the measurement date, reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2019	\$ 247
2020	247
2021	247
2022	247
2023	247
Thereafter	2,225

PSERS Healthcare Insurance Premium Assistance Plan

Plan Description:

In addition, the Pennsylvania Public School Employees' Retirement System ("PSERS") provides a Health Insurance Premium Assistance Plan ("PSERS Plan"). The PSERS Plan is a governmental cost-sharing multi-employer postretirement benefits plan that provides premium assistance to eligible public school employees of the Commonwealth of Pennsylvania. Under the PSERS Plan, employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of premium assistance benefits for each succeeding year. The administrative staff of PSERS administers the PSERS Plan. The control and management of PSERS, including the investment of its assets, is vested in the 15 member Board of Trustees (Board). The Commonwealth General Assembly has the authority to amend the benefit terms of the PSERS Plan by passing a bill in the Senate and House of Representatives and sending the bills to the Governor for approval. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

**WARRIOR RUN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 9 -OTHER POST-EMPLOYMENT BENEFITS

PSERS Healthcare Insurance Premium Assistance Plan (Continued)

Premium Assistance Eligibility Criteria:

Retirees of the System can participate in the PSERS Plan if they satisfy the following criteria:

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of services and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

Benefits Provided:

Participating eligible retirees are entitled to receive premium assistance payments equal to the lessor of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2017, there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions.

The school districts' contractually required contribution rate for fiscal year ended June 30, 2018 was 0.83% of covered payroll, an actuarially determined 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.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows or Resources Related to OPEB:

At June 30, 2018, the District reported a liability of \$1,410,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2016 to June 30, 2017. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll of all School Districts in the PSERS Plan. At June 30, 2018, the District's proportion was 0.0692 percent, which was a decrease of 0.0044 from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the District recognized OPEB expense of \$47,000. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ 1,000	\$ -0-
Changes in assumptions	-0-	66,000
Changes in proportions	-0-	81,000
	<u>\$ 1,000</u>	<u>\$ 147,000</u>

**WARRIOR RUN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 9 -OTHER POST-EMPLOYMENT BENEFITS

PSERS Healthcare Insurance Premium Assistance Plan (Continued)

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

Year ended June 30:	
2019	\$ (24,000)
2020	(24,000)
2021	(24,000)
2022	(24,000)
2023	(24,000)
Thereafter	(26,000)

Actuarial Assumptions:

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

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

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2015 determined the employer contribution rate for fiscal year 2017.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits).

**WARRIOR RUN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 9 -OTHER POST-EMPLOYMENT BENEFITS

PSERS Healthcare Insurance Premium Assistance Plan (Continued)

A recent actuarial experience study was not performed.

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

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the Program, as defined in the retirement code employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. The Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2017 were:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	76.4%	0.6%
Fixed Income	23.6%	1.5%
	<u>100%</u>	

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

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates:

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2017, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2016, 91,797 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2016, 1,354 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

**WARRIOR RUN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 9 -OTHER POST-EMPLOYMENT BENEFITS

PSERS Healthcare Insurance Premium Assistance Plan (Continued)

The following presents the District's Proportionate Share of the net OPEB liability as well as what the District's Proportionate Share of the net OPEB liability would be if it was calculated using health cost trends that are 1-percentage point lower or 1-percentage higher than the current rate:

	1% Decrease <u>2.13%</u>	Current Discount Rate <u>3.13%</u>	1% Increase <u>4.13%</u>
District's proportionate share of net OPEB liability	\$ 1,410,000	\$ 1,410,000	\$ 1,410,000

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate:
The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.13 percent) or higher (4.13 percent) than the current discount rate:

	1% Decrease <u>2.13%</u>	Current Discount Rate <u>3.13%</u>	1% Increase <u>4.13%</u>
District's proportionate share of net OPEB liability	\$ 1,603,000	\$ 1,410,000	\$ 1,250,000

OPEB 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.pa.gov.

The following is a summary of the OPEB liability and deferred inflows and deferred outflows resulting from OPEB:

	Other Post Employment Benefits (OPEB) Liability	Deferred Inflows- OPEB	Deferred Outflows- OPEB
District Specific Plan	\$ 921,494	\$ -	\$ 39,472
PSERS Healthcare Insurance Premium Assistance Plan	<u>1,410,000</u>	<u>147,000</u>	<u>1,000</u>
	<u>\$ 2,331,494</u>	<u>\$ 147,000</u>	<u>\$ 40,472</u>

**WARRIOR RUN SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 10 –RISK MANAGEMENT

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

NOTE 11 –RESTATEMENT OF NET POSITION

The following restatement was necessary to reflect the adoption of the provisions of GASB Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions” in which the District changed its manner of accounting for other postemployment benefits.

	<u>Governmental Activities</u>
Net Position, beginning of year as previously stated	\$ (8,368,494)
Understatement of OPEB liability due to GASB 75	<u>(2,238,267)</u>
Net Position, beginning of year as restated	<u>\$ (10,606,761)</u>

SUPPLEMENTAL INFORMATION

**Warrior Run School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018**

Program/Cluster Title	Source Code	CFDA Number	Grantor's Pass Thru Number	Program or Award Amt.	Grant Period Beginning/Ending Date	Total Received For Year	Accrued or (Deferred) July 1, 2017	Revenue Recognized	Expenditures	Accrued or (Deferred) June 30, 2018
U.S. Department of Education-										
Passed Through the Pennsylvania Department of Education-										
* Title I Improving Basic Programs	(I)	84.010	013-17-0460	\$489,763	10/1/16-9/30/17	\$ 63,786	\$ 63,786	\$ -	\$ -	\$ -
* Title I Improving Basic Programs	(I)	84.010	013-18-0460	447,794	10/1/17-9/30/18	417,941	-	447,794	447,794	29,853
Total - Title I, Part A Cluster						481,727	63,786	447,794	447,794	29,853
Title II Improving Teacher Quality	(I)	84.367	020-17-0460	87,751	10/1/16-9/30/17	11,604	11,604	-	-	-
Title II Improving Teacher Quality	(I)	84.367	020-18-0460	72,842	10/1/17-9/30/18	72,842	-	72,842	72,842	-
Total - Title I, Part A Cluster						84,446	11,604	72,842	72,842	-
Total Pennsylvania Department of Education						566,173	75,390	520,636	520,636	29,853
Passed through CSIU										
IDEA Part B	(I)	84.027	062-17-0016	244,840	16-17	171,875	171,875	-	-	-
IDEA Part B	(I)	84.027	062-18-0016	240,931	17-18	138,346	-	240,931	240,931	102,585
IDEA 619	(I)	84.173	131-17-0016	10,375	16-17	9,996	9,996	-	-	-
IDEA 619	(I)	84.173	131-17-0016	10,375	17-18	-	-	5,355	5,355	5,355
Total CSIU						320,217	181,871	246,286	246,286	107,940
Passed through IU13										
IDEA Part B	(I)	84.027		17,000	17-18	17,000	-	17,000	17,000	-
Total U.S. Department of Education						903,390	257,261	783,922	783,922	137,793
U.S. Department of Health and Human Services-										
Passed Through the Pennsylvania Department of Public Welfare										
Medical Assistance Program	(I)	93.778	N/A	N/A		115,160	113,955	122,273	122,273	121,068
Total U.S. Department of Health and Human Services						115,160	113,955	122,273	122,273	121,068
U.S. Department of Agriculture-										
Passed Through the Pennsylvania Department of Education-										
Child Nutrition Cluster										
School Breakfast Program	(I)	10.553	N/A	N/A		50,530	-	50,530	50,530	-
National School Lunch Program	(I)	10.555	N/A	N/A		280,648	-	280,648	280,648	-
National School Lunch Program **	(I)	10.555	N/A	N/A		54,258	-	54,258	54,258	-
Total U.S. Department of Agriculture						385,436	-	385,436	385,436	-
Total Federal Awards						<u>\$ 1,403,986</u>	<u>\$ 371,216</u>	<u>\$ 1,291,631</u>	<u>\$ 1,291,631</u>	<u>\$ 258,861</u>

* Denotes Major Program

** Value of USDA Commodities

Source Codes-

D = Direct Funding

I = Indirect Funding

The Accompanying Notes to the Schedule of Expenditures of Federal Awards are an Integral Part of this Statement.

**WARRIOR RUN SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES:

The accompanying Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – DEFERRED REVENUES:

Deferred Revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Federal funds received before the eligibility requirements are met are recorded as deferred revenue.

NOTE C – DONATED COMMODITIES:

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. The second GASB 34 implementation guide clarified the recognition of donated commodities on the financial statements. Donated commodities are recognized as revenue when received and not deferred.

NOTE D – MEDICAL ASSISTANCE-ACCESS:

Access reimbursements are classified as fee-for-service revenues and are not considered federal financial assistance. Therefore, the District is not required to report district Access funds on the Schedule of Expenditures of Federal Awards.

**WARRIOR RUN SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY AND DISTRICT CONTRIBUTIONS**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY				
District's Proportion of the Net Pension Liability	0.0755%	0.0723%	0.0736%	0.0692%
District's Proportionate Share of Net Pension Liability	29,883,000	31,317,000	36,474,000	34,213,120
District's Covered-Employee Payroll	9,631,740	9,300,475	9,537,630	9,218,317
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	310%	337%	382%	371%
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
DISTRICT CONTRIBUTIONS				
Statutorily Required Contribution	2,006,541	2,511,370	2,789,953	3,250,193
Contributions in Relation to the Statutorily Required Contribution	<u>-2,006,541</u>	<u>-2,511,370</u>	<u>-2,789,953</u>	<u>-3,250,193</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	9,631,740	9,300,475	9,537,630	9,218,317
Contributions as a Percentage of Covered-Employee Payroll	20.83%	27.00%	29.13%	35.26%

The District adopted GASB 68 on a prospective basis in 2015; therefore only four years are presented in the above schedule.

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

The Public School Employees' Retirement System Trust Fund's net pension liability and associated amounts are measured annually at June 30, based on an actuarial valuation as of the previous June 30. The School's contributions and related ratios represent cash contributions and any related accruals that coincide with the School's fiscal year ending June 30.

**WARRIOR RUN SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB
 LIABILITY- PSERS PLAN**

	<u>2017</u>	<u>2018</u>
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY		
District's Proportion of the PSERS OPEB Liability	0.0736%	0.0692%
District's Proportionate Share of the PSERS OPEB Liability	1,585,000	1,410,000
District's Covered-Employee Payroll	9,537,630	9,218,317
District's Proportionate Share of the PSERS OPEB Liability as a Percentage of Covered-Employee Payroll	17%	15%
Plan fiduciary net position as a percentage of the total PSERS OPEB liability	5%	6%

The District adopted GASB 75 on a prospective basis; therefore, information is presented for those years for which information is available.



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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*

Members of the School Board
Warrior Run School District
Turbotville, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Warrior Run School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Warrior Run School District's basic financial statements, and have issued our report thereon dated January 30, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Warrior Run School District's financial statements are free

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Hering, Roll + Solomon". The signature is written in dark ink on a light-colored background.

January 30, 2019



Randall G. Herring, CPA (1980-2015)
William J. Roll, CPA
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Members of the School Board
Warrior Run School District
Turbotville, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited Warrior Run School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Warrior Run School District's major federal programs for the year ended June 30, 2018. Warrior Run 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Warrior Run School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we 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 Warrior Run School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Warrior Run School District's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

Our 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 weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



January 30, 2019

OTHER INFORMATION

**WARRIOR RUN SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

No prior audit findings for year ending June 30, 2017.

**WARRIOR RUN SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

A. SUMMARY OF AUDIT RESULTS

1. Auditor's report expresses an unmodified opinion on the financial statements of Warrior Run School District.
2. No deficiencies relating to the audit of the financial statements are reported in the 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.
3. No instances of noncompliance material to the financial statements of Warrior Run School District, which would be required to be reported in accordance with Government Auditing Standards were disclosed during the audit.
4. No deficiencies relating to the audit of internal controls over major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for Warrior Run School District expresses an unmodified opinion on all major federal programs.
6. There were no audit findings that are required to be reported in accordance with the Uniform Guidance.
7. The programs tested as a major program included: Title I Improving Basic Programs CFDA #84.010
8. The threshold for distinguishing Types A and B Programs was \$750,000.
9. Warrior Run School District was determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

No findings related to the financial statement are required to be reported under generally accepted Government Auditing Standards.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

No findings for federal awards are present as reportable conditions.

**WARRIOR RUN SCHOOL DISTRICT
REPORT DISTRIBUTION LIST**

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