

HUNTINGDON AREA SCHOOL DISTRICT

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORT ON
BASIC FINANCIAL STATEMENTS**

YEAR ENDED JUNE 30, 2018

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Young, Oakes, Brown & Company, P.C.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Huntingdon Area School District
2400 Cassady Avenue, Suite 2
Huntingdon, Pennsylvania 16652

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 the Huntingdon Area 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 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 Huntingdon Area 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.

Changes in Accounting Principle

As discussed in Note 8 to the financial statements, as of July 1, 2017, the District adopted new accounting guidance, GASB 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, budgetary comparison information, and the defined benefit postemployment healthcare plan's schedule of funding progress, and the defined benefit pension plan information related to the Pennsylvania Public Employees' Retirement System (PSERS) on pages 3 through 12, 61 through 63, and 66 through 75 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 Huntingdon Area 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 schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 8, 2018 on our consideration of the Huntingdon Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Huntingdon Area School District's internal control over financial reporting and compliance.

Young, Baker, Brown & Company, P.C.

Huntingdon Area School District

Management Discussion and Analysis

for the Fiscal Year Ended June 30, 2018

The *Management, Discussion, and Analysis* (MD&A) of the Huntingdon Area School District provides a reader friendly insight into the financial condition and the financial performance of the School District for the fiscal year ended June 30, 2018. This MD&A looks at the District's financial performance on a district-wide basis and reviews the major funds. Readers should review the financial statements to augment their understanding of the District's financial performance.

Background

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

Previous standards (pre GASB 34) required modified accrual (no receivables/accruals beyond 60 days), no capital asset depreciation and no reports of combined net position. GASB 34 requires fixed asset accounting, properly combining of multiple funds and the realization of the depreciation expense as part of the Statement of Net Position and Statement of Activities.

Various statements required under GASB 34 are:

- ◆ Statement of Net Position
- ◆ Statement of Activities
- ◆ Balance Sheet of Governmental Funds
- ◆ Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position
- ◆ Statement of Revenues, Expenditures, and Changes in Fund Balances
- ◆ Reconciliation of Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities
- ◆ Statement of Revenues, Expenditures and Changes in Fund equity – Budget vs. Actual – General Fund

Overview of the Financial Statements

This section of the comprehensive annual financial report consists of three parts – management's discussion and analysis, basic financial statements (district-wide and fund statements) including notes to the financial statements, and other required supplementary information.

The basic financial statements consist of two kinds of statements that present different views of the district's financial activities.

- Entity-wide Statements:
 - The statement of net position and statement of activities provide information on a district-wide basis. The statements present an aggregate view of the district's finances. District-wide statements contain useful long-term information as well as information for the just-completed fiscal year.

- **Fund Statements:**
 - The remaining statements are fund financial statements that focus on individual parts of the district. Fund statements generally report operations in more detail than the district-wide statements.
- The notes to the financial statements provide further explanation of some of the information in the statements and additional disclosures so statement users have a complete picture of the district's financial activities and position.
- Required supplementary information further explains and supports the financial statements by including a comparison of the district's budget data for the year.

The major features of the district's financial statements, including the portion of the activities reported and the type of information contained is shown in the following table.

Figure A-2 Major Features of Huntingdon Area School District's Entity-Wide and Fund Financial Statements				
		Fund Statements		
	Entity-wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as education, administration and community services	Activities the District operates similar to private business – Food Services	Instances in which the District is the trustee or agent to someone else's resources – Activity Funds
Required financial statements	Statement of net position Statement of activities	Balance Sheet Statement of revenues, expenditures, and changes in fund balance	Statement of net position, Statement of revenues, expenses and changes in net position Statement of cash flows	Statement of fiduciary net position, Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow-outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Entity-Wide Statements

The entity-wide statements report information about the district as a whole using accounting methods similar to those used by private-sector companies. The two entity-wide statements report the district's net position and how they have changed. Net position, the difference between the district's assets and liabilities, is one way to measure the district's overall financial position.

- Increases or decreases in the district's net position is one indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall financial condition of the district additional non-financial factors, such as changes in the district's property tax base and the condition of school buildings and other facilities, should be considered.

In the entity-wide financial statements, the district's activities are divided into two categories:

- Governmental activities – Most of the district's basic services are included here, such as regular and special education, transportation, support services, community programs and administration. Property taxes and state formula aid finance most of these activities.
- Business-type activities – The district charges fees and received federal and state reimbursements to cover the costs of its food service operation. The financial activities of this program are reported as a business-type activity.

Financial Highlights – Entity-Wide Statements

The District's financial status, as reflected in total net position, decreased by (\$1,677,708) for the current fiscal period largely due to the net pension and OPEB liability. Net position of governmental activities decreased (\$1,489,298) while business-type activities decreased (\$188,410).

Business-type activities had a net decrease in capital assets of (\$9,329) as a result of depreciation outpacing acquisition of new equipment. The governmental activities had a net decrease of (\$1,236,160) as a result of depreciation outpacing acquisition of new equipment.

The district repaid \$1,442,000 of long-term general obligation debt. The district adopted a resolution authorizing the issuance General Obligation Note, Series 2017, with proceeds thereof applied for and toward the interim funding of the Huntingdon County Career and Technology Center Project as such project is defined in the resolution approved November 20, 2017. The total amount of potential indebtedness is \$550,000. As of 6/30/2018, the total amount drawn on the loan was \$27,501, with all interest being paid by the Huntingdon County Career and Technology Center. As of 6/30/2018 the district had total general obligation long-term debt of \$28,979,000. Net pension liability, OPEB and long-term compensated absences accounted for \$48,439,322 in additional long-term debt. Total long-term debt for the district as of June 30, 2018 is \$77,418,322.

On the Statement of Activities, the district had a total of \$28,300,926 of general revenues and \$29,790,224 of expenses that resulted in the (\$1,489,298) decrease in net position. Operating grants & contributions provided \$7,253,502 (25.63%), grants, subsidies and contributions \$8,933,826 (31.57%); property and other taxes \$11,989,027 (42.36%), and other revenues accounted for \$124,571 (0.44%).

In governmental activities, general tax revenues are primarily comprised of property taxes that accounted for \$8,761,677 or 73.08% of tax revenue, while all other taxes accounted for \$3,227,350 or 26.92%.

The school food service program, the district's only business-type activity, had a total \$1,196,417 of expenses, of which \$285,542 was financed by charges for services, \$572,465 with subsidies, and a fund transfer of \$150,000 from the General Fund resulting in the (\$188,410) decrease to net position.

Fund Financial Statements

The fund financial statements provide more detailed information about the district's funds, focusing on its most significant or "major" funds – not the district as a whole. Funds are accounting devices the district uses to keep track of sources of funding and spending on particular programs and to demonstrate compliance with various regulatory requirements.

- Some funds are required by state law and by bond covenants.
- The district establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it is properly using certain revenues (like capital project funds).

The District has three kinds of funds:

- Governmental funds – Most of the district's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for funding future basic services. Consequently, the government funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the district's programs. Governmental fund information does not report on long-term commitments as is reported on the district-wide statements. Therefore an explanation of the differences between the governmental funds and the district-wide statements is included as a separate statement.
- Proprietary funds – The food service fund, and activity for which the district charges a fee and for which revenues are expected to cover all expenses is reported as a proprietary fund. Proprietary funds are reported in the same way as the district-wide statements.
- Fiduciary funds – The district serves as a trustee, or fiduciary, for student organizations. The assets of these organizations belong to the organization, and not the district. The district is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and only by those whom the assets belong. These activities are excluded from the district-wide financial statements because the district cannot use these assets to finance its operations.

Financial Highlights – Fund Financial Statements

The general fund ending unassigned fund balance of \$1,104,243 equates to 3.824% of the original operating budget of \$28,871,499. This is lower than the goal stated in Board Policy 620 which directs the school district to strive to maintain an unassigned general fund balance of not less than six percent (6%) and not more than eight percent (8%) of the budgeted expenditures for the fiscal year. Future board action may be considered to increase the unassigned fund balance to 6%.

- Total general fund revenues were \$437,449 or 1.56% more than budgeted.
- Total general fund expenses were \$160,509 or 0.06% less than budgeted.

The net change in fund balance of all governmental funds was (\$603,390). This is comprised of the results from general operations of the General Fund Account (\$254,780); Capital Reserve (#32) Account (\$348,610).

The General Fund had an ending fund balance of \$4,541,872 of which \$1,104,243 is unassigned. This includes athletic activities previously reported separately.

A portion of the District's Fund Balance has been identified as assigned through Board Action as follows:

Committed:

Future Employee Benefit Costs	1,303,579
Assigned: Capital Projects	1,289,370
Special Ed and Charter School Costs	844,680
	<u>\$3,437,629</u>

The Capital Reserve fund had an ending fund balance of \$2,877,816. This entire amount is committed to debt service payments and capital repairs or improvements as defined in Municipal Code Section 1431.

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. The district's liabilities exceeded assets by \$27,394,405 as of June 30, 2018 due mainly to long-term debt obligations.

Capital assets of \$34,336,438 accounted for 74.72% of total assets. The District uses capital assets to provide services; consequently, these assets are not available for future spending. Although the District's \$5,672,057 investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1 summarizes the assets, liabilities, and net position of the District at June 30, 2018.

Table 1 Net Position - (Entity-Wide)						
	As of June 30, 2017			As of June 30, 2018		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Assets						
Current & Other Assets	\$11,045,089	\$304,256	\$11,349,345	\$11,378,160	\$237,850	\$11,616,010
Capital Assets	<u>\$35,557,718</u>	<u>\$24,209</u>	<u>\$35,581,927</u>	<u>\$34,321,558</u>	<u>\$14,880</u>	<u>\$34,336,438</u>
Total Assets	<u>\$46,602,807</u>	<u>\$328,465</u>	<u>\$46,931,272</u>	<u>\$45,699,718</u>	<u>\$252,730</u>	<u>\$45,952,448</u>
Deferred Outflows of Resources	<u>\$8,882,028</u>	<u>\$0</u>	<u>\$8,882,028</u>	<u>\$9,410,529</u>	<u>\$0</u>	<u>\$9,410,529</u>
Liabilities						
Current Liabilities	\$4,387,801	\$51,466	\$4,439,267	\$5,277,964	\$55,766	\$5,333,730
Long-Term Liabilities	<u>\$72,970,840</u>	<u>\$165,955</u>	<u>\$73,136,795</u>	<u>\$76,046,322</u>	<u>\$274,330</u>	<u>\$76,320,652</u>
Total Liabilities	<u>\$77,358,641</u>	<u>\$217,421</u>	<u>\$77,576,062</u>	<u>\$81,324,286</u>	<u>\$330,096</u>	<u>\$81,654,382</u>
Deferred Inflows of Resources	<u>\$710,000</u>	<u>\$0</u>	<u>\$710,000</u>	<u>\$1,103,000</u>	<u>\$0</u>	<u>\$1,103,000</u>
Net Position:						
Invested in Capital Assets Net of Related Debt Restricted for Capital Projects	\$5,136,718	\$24,209	\$5,160,927	\$5,657,177	\$14,880	\$5,672,057
Other Restrictions	\$3,226,427	\$0	\$3,226,427	\$2,877,816	\$0	\$2,877,816
Unrestricted	\$0	\$0	\$0	\$0	\$0	\$0
	<u>(\$30,946,951)</u>	<u>\$86,835</u>	<u>(\$30,860,116)</u>	<u>(\$35,852,032)</u>	<u>(\$92,246)</u>	<u>(\$35,944,278)</u>
Total Net Position	<u>(\$22,583,806)</u>	<u>\$111,044</u>	<u>(\$22,472,762)</u>	<u>(\$27,317,039)</u>	<u>(\$77,366)</u>	<u>(\$27,394,405)</u>

Government Activities

The Statement of Activities shows the cost of program services, revenues from charges for those services and grants that directly offset those services. The table below reflects the cost of program services and the net cost of those services after taking into account the program revenues for the governmental activities. General revenues (consist primarily of tax revenues) support the net cost of the District's services. Table 2 summarizes the changes in Net Position for the year ended June 30, 2018.

Table 2 Changes in Net Position For the Year Ended June 30 (Entity-Wide)						
	2017			2018		
	Governmental Activities	Business-Type	Total	Governmental Activities	Business-Type	Total
Program Revenues:						
Charges for services	\$117,793	\$265,986	\$383,779	\$70,953	\$285,542	\$356,495
Operating grants & Contributions	\$6,736,761	\$584,261	\$7,321,022	\$7,253,502	\$572,465	\$7,825,967
Capital Grants & Contributions	\$0	\$0	\$0	\$0	\$0	\$0
General Revenues:						
Property Taxes	\$8,369,333	\$0	\$8,369,333	\$8,761,677	\$0	\$8,761,677
Other Taxes	\$3,100,923	\$0	\$3,100,923	\$3,227,350	\$0	\$3,227,350
Grants, Subsidies & Contributions	\$8,802,569	\$0	\$8,802,569	\$8,933,826	\$0	\$8,933,826
Investment earnings	\$49,028	\$0	\$49,028	\$112,213	\$0	\$112,213
Transfers In (Out)	(\$150,000)	150,000	\$0	(\$150,000)	150,000	\$0
Other Revenue	<u>\$100,155</u>	<u>\$0</u>	<u>\$100,155</u>	<u>\$91,405</u>	<u>\$0</u>	<u>\$91,405</u>
Total Revenues:	<u>\$27,126,562</u>	<u>\$1,000,247</u>	<u>\$28,126,809</u>	<u>\$28,300,926</u>	<u>\$1,008,007</u>	<u>\$29,308,933</u>
Program Expenses:						
Instruction	\$17,582,270	\$0	\$17,582,270	\$17,945,543	\$0	\$17,945,543
Instructional Student Support	\$2,840,147	\$0	\$2,840,147	\$2,954,459	\$0	\$2,954,459
Administrative Support	\$2,290,136	\$0	\$2,290,136	\$2,303,419	\$0	\$2,303,419
Operation and Maintenance	\$2,509,625	\$0	\$2,509,625	\$2,489,783	\$0	\$2,489,783
Pupil Transportation	\$2,038,341	\$0	\$2,038,341	\$2,155,371	\$0	\$2,155,371
Student Activities	\$597,070	\$0	\$597,070	\$631,258	\$0	\$631,258
Community Services	\$0	\$0	\$0	\$0	\$0	\$0
Interest on Long-Term Debt	\$1,063,247	\$0	\$1,063,247	\$882,927	\$0	\$882,927
Depreciation Expense	\$443,000	\$0	\$443,000	\$426,000	\$0	\$426,000
Debt Issuance Cost	\$156,853	\$0	\$156,853			
Food Service	\$0	\$1,058,790	\$1,054,060	\$0	\$1,196,417	\$1,196,417
Refund of Prior Yr. Receipts	<u>\$3,300</u>	<u>\$0</u>	<u>\$35,680</u>	<u>\$1,464</u>	<u>\$0</u>	<u>\$1,464</u>
Total Expenses	<u>\$29,523,989</u>	<u>\$1,058,790</u>	<u>\$30,582,779</u>	<u>\$29,790,224</u>	<u>\$1,196,417</u>	<u>\$30,986,641</u>
Increase(decrease) in Net Position	(\$2,397,427)	(\$58,543)	(\$2,455,970)	(\$1,489,298)	(\$188,410)	(\$1,677,708)
Prior Period Adjustment	0	0	0	(\$3,243,935)	0	(\$3,243,935)
Beginning Net Position	<u>(\$20,186,379)</u>	<u>\$169,587</u>	<u>(\$20,016,792)</u>	<u>(\$25,827,741)</u>	<u>\$111,044</u>	<u>(\$22,472,762)</u>
Ending Net Position	<u>(\$22,583,806)</u>	<u>\$111,044</u>	<u>(\$22,472,762)</u>	<u>(\$27,317,039)</u>	<u>(\$77,366)</u>	<u>(\$27,394,405)</u>

Factors Bearing on the District's Future

Currently known circumstances that will impact the district financial status in the future are:

- The labor agreement with the Huntingdon Area Education Association (representing teachers) was reached covering the period 2018-19 through 2020-21. Average increase over the three year contract is 3.03%.

<u>Fiscal Year</u>	<u>Average Increase</u>		<u>Total</u>
	<u>Per Teacher</u>	<u>%</u>	<u>Increase</u>
2018-19	\$1,631	3.40	260,950
2019-20	\$1,497	3.00	239,550
2020-21	\$1,372	2.70	219,520

- The collective bargaining agreements for SEIU and HAESPA support staff will both expire on June 30, 2019. Prior negotiations resulting in the following outcomes:

SEIU			
<u>Fiscal Year</u>	<u>Average Increase</u>		<u>Total</u>
	<u>Per Employee</u>	<u>%</u>	<u>Increase</u>
2016-17	\$702	2.50	14,739
2017-18	\$647	2.25	13,597
2018-19	\$662	2.25	13,903

HAESPA			
<u>Fiscal Year</u>	<u>Average Increase</u>		<u>Total</u>
	<u>Per Employee</u>	<u>%</u>	<u>Increase</u>
2016-17	\$459	2.96	33,526
2017-18	\$544	3.41	39,717
2018-19	\$533	3.23	38,880

The district also negotiated a Qualified High Deductible Health Plan effective with the 2016-17 fiscal year for both collective bargaining units.

- The district is mandated to participate in the Pennsylvania Public School Employees Retirement System (PSERS). The Commonwealth reimburses the school entity for 50% of the Employer Contributions due amount for their existing employees (Initial PSERS Membership date is earlier than 07/01/1994), and Employer Contributions multiplied by the employer's income/aid ratio (or 50%, whichever is greater) for new employees (hired on or after 07/01/1994). All Aid Ratios are calculated by the Department of Education. The Market Value/Personal Income Aid Ratio for 2018-19 is .5739. The following reflects the rate and rate changes over the past seven years, the current year and the next fiscal year.

	<u>Rate</u>	<u>% Change</u>
2011-2012	8.65%	53.4%
2012-2013	12.36%	42.9%
2013-2014	16.93%	37.0%
2014-2015	21.40%	26.4%
2015-2016	25.84%	20.8%
2016-2017	30.03%	16.2%
2017-2018	32.57%	8.46%
2018-2019	33.43%	2.60%
2019-2020	34.29%	2.57%

Act 5 of 2017 made the following changes to the pension plan:

1. Maintains the defined benefit plan for existing employees, but implemented a choice of three options for new employees: two defined benefit/defined contribution plans and a defined contribution plan only option.
 2. Implemented a shared risk/gain provision wherein member's rate can increase or decrease 3% below or 3% above member's basic contribution rate, in increments of 0.75%
 3. Affects new members as of July 1, 2019. Current members who are active on July 1, 2019 will have a one-time, irrevocable right to elect into any of the three new plans within 90 days after notice
 4. Defines the actuarially required contribution as the normal cost plus the amount to fully amortize the unfunded liability in accordance with actuarial standards of practice.
- o The district is a member of the Tuscarora Intermediate Unit Capital Insurance Trust (TIUCIT) for the purpose of providing health insurance to employees in accordance with labor agreements. The rate increase for 2018-19 was 3.18% for Huntingdon Area. Increases are set in the spring of each year and are dependent on claims, expenses and reserves. Renewal history for TIUCIT is as follows:
- | <u>Year</u> | <u>Average Increase</u> |
|-------------|-------------------------|
| 2011-12 | 6.50% |
| 2012-13 | 4.85% |
| 2013-14 | 6.60% |
| 2014-15 | 9.74% |
| 2015-16 | 4.42% |
| 2016-17 | 9.40% |
| 2017-18 | 7.33% |
| 2018-19 | 3.18% |
- o Enrollment Projections - Projected enrollments are a key factor in determining the district's class size and staffing needs. These enrollment projections are included below. Since 2010-2011 Huntingdon Area School District enrollment has decreased by 227. The district completed a demographic/capacity study in 2018 to determine future capital needs.

**HUNTINGDON AREA SCHOOL DISTRICT
ENROLLMENT TRENDS**

Actual Enrollments				Projected Enrollments			
School				School			
<u>Year</u>	<u>Elementary</u>	<u>Secondary</u>	<u>Total</u>	<u>Year</u>	<u>Elementary</u>	<u>Secondary</u>	<u>Total</u>
2010-11	1,142	919	2,061	2019-20	979	839	1,834
2011-12	1,075	1,020	2,095	2020-21	940	836	1,800
2012-13	1,072	1,023	2,095	2021-22	921	850	1,798
2013-14	1,033	937	1,970	2022-23	916	846	1,786
2014-15	1,015	952	1,967	2023-24	916	831	1,765
2015-16	993	953	1,946	2024-25	911	810	1,734
2016-17	1,007	922	1,929	2025-26	879	811	1,703
2017-18	993	870	1,863				
2018-19	982	852	1834				

Website Documents

The district's website huntsd.org provides extensive access for board meeting agendas, minutes and financial transactions updated for each meeting in addition to employment contracts, annual budgets, annual financial reports and audit reports.

Contacting the District Financial Management

The financial report is designed to provide our citizens, taxpayers, parents, student, staff, 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: Faith M. Swanson, Business Manager, Huntingdon Area School District, 2400 Cassady Avenue, Suite 2, Huntingdon, PA 16652.

**HUNTINGDON AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets</u>			
<u>Current Assets</u>			
Cash and Cash Equivalents	\$ 9,765,346	\$146,304	\$ 9,911,650
Taxes Receivable, Net	654,145	0	654,145
Internal Balances	(41,491)	41,491	0
Due from Other Governments	958,727	2,076	960,803
Other Receivables	41,433	0	41,433
Inventories	<u>0</u>	<u>47,979</u>	<u>47,979</u>
Total Current Assets	<u>\$11,378,160</u>	<u>\$237,850</u>	<u>\$11,616,010</u>
<u>Noncurrent Assets</u>			
Land	\$ 196,747	\$ 0	\$ 196,747
Buildings and Improvements, Net of Depreciation	31,219,726	0	31,219,726
Fixtures and Equipment, Net of Depreciation	<u>2,905,085</u>	<u>14,880</u>	<u>2,919,965</u>
Total Noncurrent Assets	<u>\$34,321,558</u>	<u>\$ 14,880</u>	<u>\$34,336,438</u>
Total Assets	<u>\$45,699,718</u>	<u>\$252,730</u>	<u>\$45,952,448</u>
<u>Deferred Outflows of Resources</u>			
Deferred Charge on Refunding	\$ 314,619	\$ 0	\$ 314,619
Deferred Resources Related to Pensions	6,981,635	0	6,981,635
Deferred Resources Related to OPEB	<u>2,114,275</u>	<u>0</u>	<u>2,114,275</u>
Total Deferred Outflows of Resources	<u>\$ 9,410,529</u>	<u>\$ 0</u>	<u>\$ 9,410,529</u>
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Accounts Payable	\$ 885,307	\$ 4,445	\$ 889,752
Accrued Salaries and Benefits	1,561,487	41,460	1,602,947
Payroll Deductions and Withholdings	1,164,085	0	1,164,085
Accrued Interest	271,030	0	271,030
Other Current Liabilities	24,055	0	24,055
Deferred Revenue	0	9,861	9,861
Bonds Payable	<u>1,372,000</u>	<u>0</u>	<u>1,372,000</u>
Total Current Liabilities	<u>\$ 5,277,964</u>	<u>\$ 55,766</u>	<u>\$ 5,333,730</u>
<u>Noncurrent Liabilities</u>			
Bonds Payable	\$27,607,000	\$ 0	\$27,607,000
Net Pension Liability	41,585,000	0	41,585,000
Long-Term Portion of Compensated Absences	1,299,022	16,672	1,315,694
Other Postemployment Benefits	<u>5,555,300</u>	<u>257,658</u>	<u>5,812,958</u>
Total Noncurrent Liabilities	<u>\$76,046,322</u>	<u>\$274,330</u>	<u>\$76,320,652</u>
Total Liabilities	<u>\$81,324,286</u>	<u>\$330,096</u>	<u>\$81,654,382</u>
<u>Deferred Inflows of Resources</u>			
Deferred Resources Related to Pensions	\$ 997,000	\$ 0	\$ 997,000
Deferred Resources Related to OPEB	<u>106,000</u>	<u>0</u>	<u>106,000</u>
Total Deferred Inflows of Resources	<u>\$ 1,103,000</u>	<u>\$ 0</u>	<u>\$ 1,103,000</u>
<u>Net Position</u>			
Net Investment in Capital Assets	\$ 5,657,177	\$ 14,880	\$ 5,672,057
Restricted for Capital Projects	2,877,816	0	2,877,816
Unrestricted	(35,852,032)	(92,246)	(35,944,278)
Total Net Position	<u>(\$27,317,039)</u>	<u>(\$ 77,366)</u>	<u>(\$27,394,405)</u>

See Accompanying Notes and Independent Auditor's Report

**HUNTINGDON AREA SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

<u>Functions/Programs</u>	<u>Expenses</u>
<u>Governmental Activities</u>	
<u>Instruction</u>	
Regular Instruction	\$11,223,111
Special Instruction	5,440,544
Vocational Instruction	1,048,700
Other Instructional Programs	<u>233,188</u>
Total Instructional Services	\$17,945,543
<u>Support Services</u>	
Pupil Services	\$ 1,004,358
Instructional Services	1,553,584
Administration	1,851,871
Pupil Health	396,517
Business Services	449,032
Operation of Plant and Maintenance Services	2,489,783
Student Transportation	2,155,371
Central	<u>2,516</u>
Total Support Services	\$ 9,903,032
<u>Noninstructional Services</u>	
Student Activities	\$ 631,258
Community Services	0
Interest on Long-Term Debt	882,927
Debt Issuance Cost	0
Unallocated Depreciation	426,000
Refund of Prior Year Receipts	<u>1,464</u>
Total Noninstructional Services	\$ 1,941,649
Total Governmental Activities	\$29,790,224
<u>Business-Type Activities</u>	
Food Services	\$ 1,196,417
Total Primary Government	\$30,986,641
<u>General Revenues</u>	
Taxes:	
Property Taxes, Levied for General Purposes	
Other Taxes	
Grants, Subsidies, and Contributions Not Restricted	
Investment Earnings	
Miscellaneous Income	
Transfers In (Out)	
Total General Revenues, Transfers, and Special Items	
Change in Net Position	
<u>Net Position - Beginning</u>	
Prior Period Adjustment	
<u>Net Position - Beginning</u>	
<u>Net Position - Ending</u>	

See Accompanying Notes and Independent Auditor's Report

**HUNTINGDON AREA SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ 14,075	\$2,247,515	\$ 0	(\$ 8,961,521)	\$ 0	(\$ 8,961,521)
0	2,550,239	0	(2,890,305)	0	(2,890,305)
0	39,658	0	(1,009,042)	0	(1,009,042)
0	14,197	0	(218,991)	0	(218,991)
\$ 14,075	\$4,851,609	\$ 0	(\$13,079,859)	\$ 0	(\$13,079,859)
\$ 0	\$ 128,607	\$ 0	(\$ 875,751)	\$ 0	(\$ 875,751)
0	118,890	0	(1,434,694)	0	(1,434,694)
0	201,549	0	(1,650,322)	0	(1,650,322)
0	74,764	0	(321,753)	0	(321,753)
0	42,671	0	(406,361)	0	(406,361)
0	170,311	0	(2,319,472)	0	(2,319,472)
0	1,396,598	0	(758,773)	0	(758,773)
0	0	0	(2,516)	0	(2,516)
\$ 0	\$2,133,390	\$ 0	(\$ 7,769,642)	\$ 0	(\$ 7,769,642)
\$ 56,878	\$ 99,205	\$ 0	(\$ 475,175)	\$ 0	(\$ 475,175)
0	0	0	0	0	0
0	169,298	0	(713,629)	0	(713,629)
0	0	0	0	0	0
0	0	0	(426,000)	0	(426,000)
0	0	0	(1,464)	0	(1,464)
\$ 56,878	\$ 268,503	\$ 0	(\$ 1,616,268)	\$ 0	(\$ 1,616,268)
\$ 70,953	\$7,253,502	\$ 0	(\$22,465,769)	\$ 0	(\$22,465,769)
\$285,542	\$ 572,465	\$ 0	\$ 0	(\$338,410)	(\$ 338,410)
\$356,495	\$7,825,967	\$ 0	(\$22,465,769)	(\$338,410)	(\$22,804,179)
			\$ 8,761,677	\$ 0	\$ 8,761,677
			3,227,350	0	3,227,350
			8,933,826	0	8,933,826
			112,213	0	112,213
			91,405	0	91,405
			(150,000)	150,000	0
			\$20,976,471	\$150,000	\$21,126,471
			(\$ 1,489,298)	(\$188,410)	(\$ 1,677,708)
			(\$22,583,806)	\$111,044	(\$22,472,762)
			(3,243,935)	0	(3,243,935)
			(\$25,827,741)	\$111,044	(\$25,716,697)
			(\$27,317,039)	(\$ 77,366)	(\$27,394,405)

See Accompanying Notes and Independent Auditor's Report

**HUNTINGDON AREA SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018**

	<u>General</u>	<u>Capital Reserve</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$6,566,718	\$3,198,628	\$ 9,765,346
Taxes Receivable, Net	703,645	0	703,645
Due from Other Governments	958,727	0	958,727
Other Receivables	<u>41,424</u>	<u>0</u>	<u>41,424</u>
TOTAL ASSETS	<u>\$8,270,514</u>	<u>\$3,198,628</u>	<u>\$11,469,142</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>			
<u>Liabilities</u>			
Due to Other Funds	\$ 41,482	\$ 0	\$ 41,482
Accounts Payable	564,495	320,812	885,307
Accrued Salaries and Benefits	1,561,487	0	1,561,487
Payroll Deductions and Withholdings	1,164,085	0	1,164,085
Other Current Liabilities	<u>24,055</u>	<u>0</u>	<u>24,055</u>
Total Liabilities	<u>\$3,355,604</u>	<u>\$ 320,812</u>	<u>\$ 3,676,416</u>
<u>Deferred Inflows of Resources</u>			
Unavailable Revenue - Property Taxes	<u>\$ 373,037</u>	<u>\$ 0</u>	<u>\$ 373,037</u>
<u>Fund Balances</u>			
Restricted Fund Balance	\$ 0	\$2,877,816	\$ 2,877,816
Assigned Fund Balances	3,437,629	0	3,437,629
Unassigned Fund Balance	<u>1,104,244</u>	<u>0</u>	<u>1,104,244</u>
Total Fund Balances	<u>\$4,541,873</u>	<u>\$2,877,816</u>	<u>\$ 7,419,689</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u><u>\$8,270,514</u></u>	<u><u>\$3,198,628</u></u>	<u><u>\$11,469,142</u></u>

See Accompanying Notes and Independent Auditor's Report

**HUNTINGDON AREA SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
YEAR ENDED JUNE 30, 2018**

Total Fund Balances - Governmental Funds \$ 7,419,689

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.

Capital Assets	\$59,468,974	
Accumulated Depreciation	(<u>25,147,416</u>)	34,321,558

Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and, therefore, are deferred in the funds. 373,037

Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds - Net Pension Liability (41,585,000)

Deferred outflows and inflows or resources related to OPEB are applicable to future periods, and therefore, are not reported in the funds.

Deferred Outflows of Resources OPEB	\$ 2,016,955	
Deferred Outflows of 2018 Employer Contributions Related to OPEB	<u>97,320</u>	2,114,275

Deferred outflows and inflows or resources related to pensions are applicable to future periods, and therefore, are not reported in the funds.

Deferred Outflows of Resources Pension Expense	\$ 3,477,000	
Deferred Outflows of 2018 Employer Contributions Related to Pensions	<u>3,504,635</u>	6,981,635

Deferred inflows of resources related to pensions (997,000)

Deferred inflows of resources related to OPEB (106,000)

Deferred Charge on Refunding 314,619

Establish allowance for doubtful accounts - property taxes receivable (49,500)

Other Postemployment Benefits (5,555,300)

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

Bonds Payable	(\$28,979,000)	
Accrued Interest on Bonds	(271,030)	
Compensated Absences	(<u>1,299,022</u>)	(30,549,052)

Total Net Position - Governmental Activities (\$27,317,039)

See Accompanying Notes and Independent Auditor's Report

**HUNTINGDON AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018**

	<u>General</u>	<u>Capital Reserve</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>			
Local Sources	\$12,675,653	\$ 27,666	\$12,703,319
State Sources	14,779,022	0	14,779,022
Federal Sources	<u>1,003,942</u>	<u>0</u>	<u>1,003,942</u>
Total Revenues	<u>\$28,458,617</u>	<u>\$ 27,666</u>	<u>\$28,486,283</u>
<u>Expenditures</u>			
Instructional Services	\$16,320,761	\$ 0	\$16,320,761
Support Services	9,379,512	3,490	9,383,002
Operation of Noninstructional Services	594,290	0	594,290
Capital Outlay	0	372,787	372,787
Debt Service - Principal	1,442,000	0	1,442,000
Debt Service - Interest	825,369	0	825,369
Debt Service - Issuance Costs	0	0	0
Refund of Prior Year Receipts	<u>1,464</u>	<u>0</u>	<u>1,464</u>
Total Expenditures	<u>\$28,563,396</u>	<u>\$ 376,277</u>	<u>\$28,939,673</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(\$ 104,779)</u>	<u>(\$ 348,611)</u>	<u>(\$ 453,390)</u>
<u>Other Financing Sources (Uses)</u>			
Discount on Refunding Bonds Issued	\$ 0	\$ 0	\$ 0
Refunding Bonds Issued	0	0	0
Bond Issuance Costs	0	0	0
Sale of Fixed Assets	0	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	(150,000)	0	(150,000)
Payments to Escrow Agent - Refunding Bonds	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(\$ 150,000)</u>	<u>\$ 0</u>	<u>(\$ 150,000)</u>
Net Change in Fund Balances	<u>(\$ 254,779)</u>	<u>(\$ 348,611)</u>	<u>(\$ 603,390)</u>
<u>Fund Balances</u> - Beginning	<u>4,796,652</u>	<u>3,226,427</u>	<u>8,023,079</u>
<u>Fund Balances</u> - Ending	<u>\$ 4,541,873</u>	<u>\$ 2,877,816</u>	<u>\$ 7,419,689</u>

See Accompanying Notes and Independent Auditor's Report

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

Net Change in Fund Balances - Governmental Funds (\$ 603,390)

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

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

Capital Outlays	\$ 453,326	
Depreciation Expense	(1,689,486)	(1,236,160)

Decrease in allowance for uncollectibles for real estate taxes.	1,600
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Governmental funds report district pension contributions as expenditures. However in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

District pension contributions	\$3,504,635	
Cost of benefits earned net of employee contributions (pension expense from the pension schedule)	(4,472,196)	(967,561)

Because some property 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. Deferred inflows of resources increased by this amount during the year.	(36,957)
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Issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. However, neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The effect of these transactions in the statement of activities is shown.	1,372,787
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In the statement of activities, certain operating expenses - other postemployment benefits - are measured by the amounts incurred during the year versus financial resources used.	71,551
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Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and, thus, requires the use of current financial resources. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The increase of interest accrued in the statement of activities over the amount due is shown here.	11,655
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In the statement of activities, certain operating expenses-compensated absences (vacations and sick days) are measured by the amounts earned during the year. In the governmental funds; however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used.	(102,823)
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Change in Net Position of Governmental Activities	(\$1,489,298)
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See Accompanying Notes and Independent Auditor's Report

**HUNTINGDON AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2018**

	<u>Food Service</u>
 <u>ASSETS</u>	
<u>Current Assets</u>	
Cash and Cash Equivalents	\$146,304
Intergovernmental Receivables	2,076
Interfund Receivables	41,491
Inventories	<u>47,979</u>
Total Current Assets	\$237,850
<u>Noncurrent Assets</u>	
Machinery and Equipment, Net	\$ 14,880
TOTAL ASSETS	<u><u>\$252,730</u></u>
 <u>LIABILITIES AND NET POSITION</u>	
<u>Current Liabilities</u>	
Accrued Salaries and Benefits	\$ 41,460
Accounts Payable	4,445
Unearned Revenue	<u>9,861</u>
Total Current Liabilities	\$ 55,766
<u>Noncurrent Liabilities</u>	
Long-Term Portion of Compensated Absences	\$ 16,672
OPEB	<u>257,658</u>
Total Noncurrent Liabilities	\$274,330
Total Liabilities	\$330,096
<u>Net Position</u>	
Invested in Capital Assets	\$ 14,880
Unrestricted	(<u>92,246</u>)
Total Net Position	(\$ 77,366)
TOTAL LIABILITIES AND NET POSITION	<u><u>\$252,730</u></u>

See Accompanying Notes and Independent Auditor's Report

**HUNTINGDON AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2018**

	<u>Food Service</u>
<u>Operating Revenues</u>	
Food Service Revenue	\$ 285,542
	<hr/>
<u>Operating Expenses</u>	
Salaries	\$ 487,090
Employee Benefits	313,643
Other Purchased Services	15,488
Supplies	370,867
Depreciation	<u>9,329</u>
Total Operating Expenses	\$1,196,417
	<hr/>
Operating (Loss)	(\$ 910,875)
	<hr/>
<u>Nonoperating Revenues</u>	
State Sources	\$ 27,403
Federal Sources	<u>545,062</u>
Total Nonoperating Revenues	\$ 572,465
	<hr/>
(Loss) Before Operating Transfers	(\$ 338,410)
	<hr/>
<u>Operating Transfers</u>	
Operating Transfers In	\$ 150,000
	<hr/>
Change in Net Position	(\$ 188,410)
<u>Total Net Position</u> - Beginning	<u>111,044</u>
<u>Total Net Position</u> - Ending	(\$ 77,366)
	<hr/>

See Accompanying Notes and Independent Auditor's Report

**HUNTINGDON AREA SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2018**

**Food
Service**

Cash Flows from Operating Activities

Cash Received from Users	\$285,441
Cash Payments to Employees for Services	(686,956)
Cash Payments to Suppliers for Goods and Services	(366,903)
Cash Payments for Other Operating Expenses	(15,488)

Net Cash (Used for) Operating Activities	(\$783,906)
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Cash Flows from Noncapital Financing Activities

State Sources	\$ 27,297
Federal Sources	543,091
Operating Transfers In	150,000

Net Cash Provided by Noncapital Financing Activities	\$720,388
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Cash Flows from Capital and Related Financing Activities

Purchase of Equipment	\$ 0
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Net (Decrease) in Cash and Cash Equivalents	(\$ 63,518)
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<u>Cash and Cash Equivalents</u> - Beginning	<u>209,822</u>
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<u>Cash and Cash Equivalents</u> - Ending	<u>\$146,304</u>
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Reconciliation of Operating (Loss) to Net

Cash (Used for) Operating Activities

Operating (Loss)	(\$910,875)
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Adjustments to Reconcile Operating (Loss)
to Net Cash (Used for) Operating Activities:

Depreciation and Net Amortization	\$ 9,329
Change in Assets and Liabilities:	
Decrease in Inventories	17,998
(Increase) in Interfund Receivables	(13,033)
Increase in Accounts Payable	4,445
(Decrease) in Accrued Salaries and Benefits	(44)
(Decrease) in Deferred Revenue	(101)
Increase in Long-Term Compensated Absences	(5,446)
Increase in OPEB	113,821

Total Adjustments	\$126,969
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Cash (Used for) Operating Activities	(\$783,906)
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See Accompanying Notes and Independent Auditor's Report

HUNTINGDON AREA SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2018

Agency

ASSETS

Cash and Cash Equivalents

\$56,448

LIABILITIES AND NET POSITION

Liabilities

Other Current Liabilities

\$56,448

Net Position

Restricted

\$ 0

TOTAL LIABILITIES AND NET POSITION

\$56,448

See Accompanying Notes and Independent Auditor's Report

**HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Note 1: Summary of Significant Accounting Policies

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the School District unit. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support.

B. Reporting Entity

The school board, a nine-member group constituting an on-going entity, is the level of government, which has governance responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Huntingdon Area School District. The board receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

Governmental Accounting Standards Board Statement #61, *The Financial Reporting Entity* establishes criteria for determining which organizations should be included in a governmental financial reporting entity. The financial reporting entity consists of the primary government and any of its component units.

The financial statements include only those of the Huntingdon Area School District, which is the primary governmental entity.

The criteria used in determining whether other organizations should be included in the School District's financial reporting entity are financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, accountability for fiscal matters, scope of public service and special financing relationships. As of June 30, 2018, it has been determined that there are no other organizations, authorities, or other governmental units that should be included as part of the reporting entity as component units.

The following are not component units of the Huntingdon Area School District and are not included in this report.

Tuscarora Intermediate Unit 11 is a separate legal entity. It was organized by a group of public school districts to provide them specific services. Each public school district appoints one member to serve on the Board of Directors of the Unit. The District contracts with the Unit for special education services for district students.

Huntingdon County Career and Technology Center is a separate legal entity. It was organized by a group of public school districts to provide specific services. Each of the public school districts appoints one member to serve on the Joint Operating Committee and each district has an ongoing financial responsibility to the Center.

**HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(CONTINUED)**

Note 1: Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation - Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the School District's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Basis of Presentation - Fund Financial Statements

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

The School District reports the following major governmental funds:

- The *general fund* is the School District's primary operating fund. It accounts for all financial resources of the School District, except those specifically required to be accounted for in another fund.
- The *capital reserve fund* is used to account for moneys transferred during the year from appropriations made for any particular purpose, which may not be needed or surplus moneys at the end of the year. The moneys in this fund may be expended only for capital improvements and for replacement of and additions to public works and improvements, and for deferred maintenance, and for the purchase or replacement of school buses, and for no other purpose.

The School District reports the following major enterprise fund:

- The *food service fund* accounts for the operation of the School District's cafeterias.

Additionally, the School District reports the following fund types:

- The *agency funds* account for assets held by the School District as an agent for the individual schools, students, and school organizations as well as for the individual schools' faculty.

During the course of operations, the School District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in

HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(CONTINUED)

Note 1: Summary of Significant Accounting Policies (Continued)

D. Basis of Presentation - Fund Financial Statements (Continued)

governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, the net amount is included as internal balances in the business-type activities column.

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

E. Measurement Focus and Basis of Accounting

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures

**HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(CONTINUED)**

Note 1: Summary of Significant Accounting Policies (Continued)

E. Measurement Focus and Basis of Accounting (Continued)

have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the School District.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The School District's cash and cash equivalents are considered to be cash on hand, demand deposits, and pooled funds, which can be immediately converted into cash.

2. Inventories

Food inventories of \$47,979 include \$12,836 of food commodities donated by the federal government, which are valued at an estimated market value. All other food or supply inventories are valued at last unit cost in accordance with the recommendations of the food and nutrition service of the Department of Agriculture and are expensed as used.

3. Capital Assets

Capital assets, which include land, buildings, building improvements, equipment, and improvements other than buildings are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The School District defines capital assets as assets with an initial, individual cost of more than \$4,000. 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. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

Buildings, building improvements, equipment, and improvements other than buildings of the School District and its component unit are depreciated using the straight-line method over the following estimated lives:

**HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(CONTINUED)**

Note 1: Summary of Significant Accounting Policies (Continued)

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Cont.)

3. Capital Assets (Continued)

<u>Assets</u>	<u>Years</u>
Buildings	15 - 40
Building Improvements	5 - 30
Equipment	3 - 20
Improvements other than buildings	10 - 20

4. Net Position Flow Assumption

Sometimes the School District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the School District's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

5. Fund Balance Flow Assumptions

Sometimes the School District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

6. Restricted Net Position

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include bond proceeds to be used for capital construction and amounts required by statute to be set-aside to create a reserve for budget stabilization.

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external

HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(CONTINUED)

Note 1: Summary of Significant Accounting Policies (Continued)

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Cont.)

6. Restricted Net Position (Continued)

restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

7. Fund Equity

Beginning with fiscal year 2011, the District implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications described in the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in a spendable form (such as inventory and prepaid expenditures) or are required to be maintained intact;
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are reported only in the general fund.

The School Board establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the School Board through adoption or amendment of the budget as intended for specific purposes (such as the purchase of fixed assets, construction, debt service, or for other purposes). Committed and assigned fund balance are considered to have been spent when an expenditures is incurred for purposes for which these fund balances as well as unassigned could be used.

HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(CONTINUED)

Note 1: Summary of Significant Accounting Policies (Continued)

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All internally dedicated resources are reported as general revenues rather than as program revenues.

2. Compensated Absences

Under the terms of personnel policies and union contracts, employees of the School District and its component unit accumulate sick, personal, and/or vacation leave hours in varying amounts according to length of service and employee type. These benefits can be available for subsequent use or for payment upon termination or retirement. Accumulated sick, personal, and vacation expense to be paid in future periods is accrued when the benefits are earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for amounts that have become due and are not yet paid.

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

H. Subsequent Events

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through November 8, 2018, the date the financial statements were available to be issued.

I. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government has two items that qualify for reporting in this category. They are the deferred outflows resulting from changes in proportions as well as contributions subsequent to the measurement date related to the School's defined benefit pension plan and are reported in the government-wide statement of net position. These amounts are deferred. The deferred outflow resulting from changes in proportions is amortized over the next four years, while the contributions subsequent to the measurement date are reported in the subsequent year.

HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(CONTINUED)

Note 1: Summary of Significant Accounting Policies (Continued)

I. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item that qualifies for reporting in this category. A deferred inflow resulted from the net difference between projected and actual investment earnings and is reported in the government-wide statement of net position. This amount is deferred and is amortized over the next four years.

Note 2: Deposits and Investments

Deposits

The District's carrying amount of bank deposits at June 30, 2018 is \$9,968,098 and the bank balance is \$10,099,780. Of the bank balance, \$605,826 is covered by federal depository insurance and \$6,473,486 is covered by collateral held in the pledging bank's trust department, but not in the District's name, and \$3,020,468 is held by PLGIT.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. The District's policy require that deposits be insured by the Federal Deposit Insurance Corporation or PLGIT to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law shall be pledged by the depository and obligations of the United States of America, Commonwealth of Pennsylvania, or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or of any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

Deposits of the District's reporting entity are insured or collateralized with securities held by the District, its agent, or by the pledging financial institution's trust department or agent in the name of the District, or collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the District's name.

Investments

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the District or its agent in the District's name.
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the District's name.
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the District's name.

At year-end, the District had no investments.

HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(CONTINUED)

Note 2: Deposits and Investments (Continued)

District's Investment Policies

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the District's investing activities are managed under the custody of the business manager, or designee. Investing is performed in accordance with the investment policies adopted by the District's Board of Directors complying with State Statutes and the Pennsylvania School Code. District funds may be invested in U. S. treasury bills, short-term obligations of the United States Government or its agencies or instrumentalities, deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation or PSDLAF to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law shall be pledged by the depository and obligations of the United States of America, Commonwealth of Pennsylvania, or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or of 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.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. As of June 30, 2018, the District had no investments. **Concentration of credit risk** is the risk of loss attributed to the magnitude of the District's investments in a single issuer.

For investments, **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 securities in the possession of an outside party. Investments of the District's reporting entity are insured or collateralized with securities held by the District, its agent, or by the pledging financial institution's trust department or agent in the name of the District, or collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the District's name. The District's policy regarding collateral follows State Statutes.

Note 3: Property Taxes

Real estate taxes for the School District are collected from thirteen townships and boroughs. The tax on real estate in these municipalities for public school purposes for fiscal year 2018 was 41.6815 mills (\$41.68 per \$1,000 of assessed valuation) as levied by the Board. Assessed valuations of property are determined by the Huntingdon County and the elected tax collectors are responsible for collection. The Board of School Directors also levies per capita taxes based on the census of residents in the School District. The tax rate under Section 679 is \$5/person and under Act 511 is \$10/person. The total per capita tax levied by the District is \$15/person. The schedule for real estate taxes levied for each fiscal year is as follows:

July 1	- Levy Date
July 1 - August 31	- 2% Discount Period
September 1 - October 31	- Face Payment Period
November 1 - December 31	- 5% Penalty Period
January 1	- Lien Date

HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(CONTINUED)

Note 3: Property Taxes (Continued)

The elected tax collectors are required to return any uncollected real estate taxes to the county's tax claim bureau by January 1. It has been determined the amount of outstanding real estate taxes as of June 30, 2018 is \$603,463.

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. A portion of the net amount estimated to be collectible, which was measurable and available within 60 days, was recognized as revenue and the balance deferred in the fund financial statements. All taxes, net of uncollectible amounts, are recognized in the period for which levied in the government-wide financial statements, regardless of when collected.

Following is a listing of taxes receivable at June 30, 2018:

	<u>Gross Taxes Receivable</u>	<u>Allowance for Uncollectible Taxes</u>	<u>Net Estimated to be Collectible</u>	<u>Governmental Funds Tax Revenue Recognized</u>	<u>Deferred Taxes</u>
Real Estate	\$603,463	\$49,300	\$554,163	\$230,426	\$323,737
Act 511 and Other	86,604	200	86,404	86,404	0
Real Estate Transfer	<u>13,578</u>	<u>0</u>	<u>13,578</u>	<u>13,578</u>	<u>0</u>
Total	<u>\$703,645</u>	<u>\$49,500</u>	<u>\$654,145</u>	<u>\$330,408</u>	<u>\$323,737</u>

Note 4: Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Capital Assets, not being depreciated:				
Land	\$ 196,747	\$ 0	\$ 0	\$ 196,747
Total Capital Assets, not being depreciated	<u>\$ 196,747</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 196,747</u>
Capital Assets, being depreciated:				
Buildings and Improvements	\$51,132,484	\$ 372,787	\$ 0	\$51,505,271
Furniture and Equipment	<u>7,686,417</u>	<u>80,539</u>	<u>0</u>	<u>7,766,956</u>
Total Capital Assets, being depreciated	<u>\$58,818,901</u>	<u>\$ 453,326</u>	<u>\$ 0</u>	<u>\$59,272,227</u>
Accumulated Depreciation for:				
Buildings and Improvements	\$18,798,521	\$ 1,487,024	\$ 0	\$20,285,545
Furniture and Equipment	<u>4,659,409</u>	<u>202,462</u>	<u>0</u>	<u>4,861,871</u>
Total Accumulated Depreciation	<u>\$23,457,930</u>	<u>\$ 1,689,486</u>	<u>\$ 0</u>	<u>\$25,147,416</u>
Total Capital Assets, being depreciated, net	<u>\$35,360,971</u>	<u>(\$ 1,236,160)</u>	<u>\$ 0</u>	<u>\$34,124,811</u>
Governmental Activities Capital Assets, net	<u>\$35,557,718</u>	<u>(\$ 1,236,160)</u>	<u>\$ 0</u>	<u>\$34,321,558</u>

**HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(CONTINUED)**

Note 4: Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Business-Type Activities</u>				
Furniture and Equipment	\$ 113,228	\$ 0	\$ 0	\$ 113,228
Less: Accumulated Depreciation	(89,019)	(9,329)	0	(98,348)
 Business-Type Activities Capital Assets, net	 \$ 24,209	 (\$ 9,329)	 \$ 0	 \$ 14,880

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

Governmental Activities

Instructional Services	\$1,020,362
Supporting Services	243,124
Unallocated Depreciation	<u>426,000</u>
 Total Depreciation Expense, Governmental Activities	 \$1,689,486

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' 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. The investments are reported at fair value.

General Information about the Pension Plan

Plan Description

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

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement,

**HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(CONTINUED)**

Note 5: Pension Plan (Continued)

Benefits Provided (Continued)

Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

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

Contributions

Member Contributions:

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

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

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

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

**HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(CONTINUED)**

Note 5: Pension Plan (Continued)

Contributions (Continued)

Employer Contributions:

The school districts' contractually required contribution rate for fiscal year ended June 30, 2018 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 \$3,601,955 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 \$41,585,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2016 to June 30, 2017. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2017, the District's proportion was .0842%, which was a decrease of .0014% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$4,453,000. 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	\$ 434,000	(\$ 251,000)
Changes in assumptions	1,130,000	0
Net difference between project and actual investment earnings	964,000	0
Changes in proportions	949,000	0
Difference between employer contributions and proportionate share of total contributions	0	(746,000)
Contributions subsequent to the measurement date	<u>3,504,635</u>	<u>0</u>
	<u>\$6,981,635</u>	<u>(\$ 997,000)</u>

The \$3,504,635 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(CONTINUED)**

Note 5: Pension Plan (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources
and Deferred Inflows of Resources Related to Pensions (Continued)**

Year Ended June 30:

2019	\$ 695
2020	1,169
2021	876
2022	(262)
2023	0

Changes in Actuarial Assumptions

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

- Actuarial Cost Method - Entry Age Normal - Level % of Pay
- The Investment Rate of Return 7.25%, includes inflation at 2.75%
- Salary Growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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.

HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(CONTINUED)

Note 5: Pension Plan (Continued)

Changes in Actuarial Assumptions (Continued)

<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)	(20.0%)	1.1%
	100.0%	

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

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expended 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 Districts Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	<u>1% Decrease 6.50%</u>	<u>Current Discount Rate 7.50%</u>	<u>1% Increase 8.50%</u>
District's proportionate share of the net pension liability	\$51,188,000	\$41,585,000	\$33,478,000

HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(CONTINUED)

Note 5: Pension Plan (Continued)

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.pa.gov.

Condensed summary information of the District's proportionate share of the PSERS assets, liabilities, and net position from the PSERS Comprehensive Annual Financial Report for the year ended June 30, 2017 is as follows:

Assets	\$48,061,000
Liabilities	(3,085,000)
Net Position Held in Trust for Benefits	\$44,976,000

As of June 30, 2018, the District had the following elements related to its PSERS Plan:

Total Pension Expense	\$4,453,000
Total Pension Expenditures	\$3,504,635

In addition, as of June 30, 2018, the District had a payable of \$903,844 to the PSERS pension plan. The amount of \$561,654 represents the second quarter 2018 required contributions, while \$369,190 represents the liability related to accrued payroll as of June 30, 2018.

Note 6: Due from Other Government Receivable

This account reflects; (1) expenditures made from local monies for various vocational education and federal programs in which final payments of the grant have not been received as of June 30, 2018, (2) the states social security benefit reimbursement accrued for the year ended June 30, 2018.

State Subsidies

Social Security	\$ 55,931	
Retirement	184,595	
Transportation	<u>108,724</u>	\$ 349,250

Federal Subsidies

Title I	\$164,861	
Access	437,059	
Title II	6,609	
Title IV	<u>948</u>	<u>609,477</u>
		\$ 958,727

**HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(CONTINUED)**

Note 7: Fund Balance

A portion of the fund balance of the general fund has been identified as assigned:

Future Employee Benefit Costs	\$1,303,579
Capital Projects	1,289,370
Special Ed and Charter School Costs	<u>844,680</u>
	<u>\$3,437,629</u>

Note 8: Long-Term Debt

The amount of long-term debt is \$77,418,322, which is consistent with the generally accepted accounting principles that exclude interest and administrative expenses payable in future years from debt statements on general obligation bonds or other long-term debts. The total long-term debt represents the following:

Net Pension Liability	\$41,585,000
General Obligation Bonds	28,979,000
Long-Term Portion of Compensated Absences (Accumulated Sick Leave)	1,299,022
OPEB	<u>5,555,300</u>
Total Long-Term Debt Obligations	<u>\$77,418,322</u>

A. General Obligation Bonds, Series of 2015

On June 30, 2015, the District issued \$10,000,000 of general obligation bonds.

The proceeds of the 2015 bonds will be used to advance refund a portion of the School District's remaining outstanding General Obligation Bonds, Series 2011 being \$9,315,000 principal amount stated to mature on March 1, 2025 to and including March 1, 2036; and to pay the costs of issuing the 2015 bonds.

This advance refunding was undertaken to reduce total debt service payments over the next 21 years by \$1,161,119 and resulted in an economic gain of \$739,955. Debt service to maturity is as follows:

<u>Period Ending</u>	<u>Principal</u>	<u>Coupon</u>	<u>Interest</u>	<u>Debt Service</u>	<u>Annual Debt Service</u>
09/01/18	\$ 40,000.00	2.000%	\$ 165,657.50	\$ 205,657.50	
03/01/19			165,257.50	165,257.50	
06/30/19					\$ 370,915.00
09/01/19	40,000.00	2.000	165,257.50	205,257.50	
03/01/20			164,857.50	164,857.50	
06/30/20					370,115.00
09/01/20	40,000.00	2.000	164,857.50	204,857.50	
03/01/21			164,457.50	164,457.50	

HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(CONTINUED)

Note 8: Long-Term Debt (Continued)

A. General Obligation Bonds, Series of 2015 (Continued)

<u>Period Ending</u>	<u>Principal</u>	<u>Coupon</u>	<u>Interest</u>	<u>Debt Service</u>	<u>Annual Debt Service</u>
06/30/21					\$ 369,315.00
09/01/21	\$ 40,000.00	2.125%	\$ 164,457.50	\$ 204,457.50	
03/01/22			164,032.50	164,032.50	
06/30/22					368,490.00
09/01/22	45,000.00	2.500	164,032.50	209,032.50	
03/01/23			163,470.00	163,470.00	
06/30/23					372,502.50
09/01/23	45,000.00	2.500	163,470.00	208,470.00	
03/01/24			162,907.50	162,907.50	
06/30/24					371,377.50
09/01/24	235,000.00	2.750	162,907.50	397,907.50	
03/01/25			159,676.25	159,676.25	
06/30/25					557,583.75
09/01/25	715,000.00	2.750	159,676.25	874,676.25	
03/01/26			149,845.00	149,845.00	
06/30/26					1,024,521.25
09/01/26	730,000.00	3.000	149,845.00	879,845.00	
03/01/27			138,895.00	138,895.00	
06/30/27					1,018,740.00
09/01/27	760,000.00	3.000	138,895.00	898,895.00	
03/01/28			127,495.00	127,495.00	
06/30/28					1,026,390.00
09/01/28	780,000.00	3.250	127,495.00	907,495.00	
03/01/29			114,820.00	114,820.00	
06/30/29					1,022,315.00
09/01/29	810,000.00	3.250	114,820.00	924,820.00	
03/01/30			101,657.50	101,657.50	
06/30/30					1,026,477.50
09/01/30	835,000.00	3.700	101,657.50	936,657.50	
03/01/31			86,210.00	86,210.00	
06/30/31					1,022,867.50
09/01/31	865,000.00	3.700	86,210.00	951,210.00	
03/01/32			70,207.50	70,207.50	
06/30/32					1,021,417.50
09/01/32	895,000.00	3.700	70,207.50	965,207.50	
03/01/33			53,650.00	53,650.00	
06/30/33					1,018,857.50
09/01/33	930,000.00	3.700	53,650.00	983,650.00	
03/01/34			36,445.00	36,445.00	
06/30/34					1,020,095.00
09/01/34	965,000.00	3.700	36,445.00	1,001,445.00	
03/01/35			18,592.50	18,592.50	
06/30/35					1,020,037.50
09/01/35	<u>1,005,000.00</u>	3.700	<u>18,592.50</u>	<u>1,023,592.50</u>	
06/30/36					<u>1,023,592.50</u>
	<u>\$ 9,775,000.00</u>		<u>\$4,250,610.00</u>	<u>\$14,025,610.00</u>	<u>\$14,025,610.00</u>

**HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(CONTINUED)**

Note 8: Long-Term Debt (Continued)

B. General Obligation Bonds, Series of 2016

On July 1, 2014, the District issued \$9,930,000 of general obligation bonds.

The proceeds of the 2016 bonds will be used to advance refunding of the School District's remaining outstanding General Obligation Bonds, Series 2011 being \$635,000 principal amount stated to mature on March 1, 2017 to and including March 1, 2025; and a partial refunding of Series 2012 bonds being in the amount of \$8,885,000 principal amount stated to mature on March 1, 2027 to and including March 1, 2036; and to pay the costs of issuing the 2016 bonds.

This advance refunding was undertaken to reduce total debt service payments over the next 20 years resulted in an economic gain of \$1,038,561. Debt service to maturity is as follows:

<u>Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Semi-Annual Debt Service</u>	<u>Fiscal Year Debt Service</u>
09/01/18			\$ 139,570.00	\$ 139,570.00	
03/01/19	\$ 50,000	1.250%	139,570.00	189,570.00	\$ 329,140.00
09/01/19			138,820.00	138,820.00	
03/01/20	50,000	1.400	138,820.00	188,820.00	327,640.00
09/01/20			138,070.00	138,070.00	
03/01/21	50,000	1.500	138,070.00	188,070.00	326,140.00
09/01/21			137,320.00	137,320.00	
03/01/22	50,000	1.650	137,320.00	187,320.00	324,640.00
09/01/22			136,570.00	136,570.00	
03/01/23	50,000	1.750	136,570.00	186,570.00	323,140.00
09/01/23			136,070.00	136,070.00	
03/01/24	175,000	1.800	136,070.00	311,070.00	447,140.00
09/01/24			134,320.00	134,320.00	
03/01/25	495,000	1.950	134,320.00	629,320.00	763,640.00
09/01/25			129,370.00	129,370.00	
03/01/26	340,000	2.050	129,370.00	469,370.00	598,740.00
09/01/26			125,885.00	125,885.00	
03/01/27	750,000	2.200	125,885.00	875,885.00	1,001,770.00
09/01/27			117,635.00	117,635.00	
03/01/28	765,000	2.350	117,635.00	882,635.00	1,000,270.00
09/01/28			106,160.00	106,160.00	
03/01/29	790,000	2.500	106,160.00	896,160.00	1,002,320.00
09/01/29			94,310.00	94,310.00	
03/01/30	810,000	2.600	94,310.00	904,310.00	998,620.00
09/01/30			82,160.00	82,160.00	
03/01/31	835,000	2.750	82,160.00	917,160.00	999,320.00
09/01/31			69,635.00	69,635.00	
03/01/32	865,000	3.000	69,635.00	934,635.00	1,004,270.00
09/01/32			56,660.00	56,660.00	
03/01/33	890,000	3.000	56,660.00	946,660.00	1,003,320.00
09/01/33			43,310.00	43,310.00	

**HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(CONTINUED)**

Note 8: Long-Term Debt (Continued)

B. General Obligation Bonds, Series of 2016 (Continued)

<u>Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Semi-Annual Debt Service</u>	<u>Fiscal Year Debt Service</u>
03/01/34	\$ 920,000	3.100%	\$ 43,310.00	\$ 963,310.00	\$ 1,006,620.00
09/01/34			29,280.00	29,280.00	
03/01/35	945,000	3.100	29,280.00	974,280.00	1,003,560.00
09/01/35			14,868.75	14,868.75	
03/01/36	<u>975,000</u>	3.100	<u>14,868.75</u>	<u>989,868.75</u>	<u>1,004,737.50</u>
	\$9,805,000		\$3,660,027.50	\$13,465,027.50	\$13,465,027.50

On December 6, 2016, the District issued Series of 2016 Bonds, of which \$8,885,000 of this issue was used to payoff bonds on the 2012 issue.

<u>Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Semi-Annual Debt Service</u>	<u>Fiscal Year Debt Service</u>
09/01/18			\$ 19,028.13	\$ 19,028.13	
03/01/19	\$ 5,000	2.875%	19,028.13	24,028.13	\$ 43,056.26
09/01/19			18,956.25	18,956.25	
03/01/20	5,000	2.875	18,956.25	23,956.25	42,912.50
09/01/20			18,884.38	18,884.38	
03/01/21	5,000	2.875	18,884.38	23,884.38	42,768.76
09/01/21			18,812.50	18,812.50	
03/01/22	5,000	3.500	18,812.50	23,812.50	42,625.00
09/01/22			18,725.00	18,725.00	
03/01/23	5,000	3.500	18,725.00	23,725.00	42,450.00
09/01/23			18,637.50	18,637.50	
03/01/24	5,000	3.500	18,637.50	23,637.50	42,275.00
09/01/24			18,550.00	18,550.00	
03/01/25	670,000	3.500	18,550.00	688,550.00	707,100.00
09/01/25			6,825.00	6,825.00	
03/01/26	<u>390,000</u>	3.500	<u>6,825.00</u>	<u>396,825.00</u>	<u>403,650.00</u>
	\$1,090,000		\$276,837.52	\$1,366,837.52	\$1,366,837.52

C. General Obligation Bonds, Series of 2014

On July 1, 2014, the District issued \$8,685,000 of general obligation bonds.

The proceeds of the 2014 bonds will be used to advance refunding of the School District's remaining outstanding General Obligation Bonds, Series 2010 being \$8,295,000 principal amount stated to mature on December 1, 2015 to and including December 1, 2023; and to pay the costs of issuing the 2014 bonds.

HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(CONTINUED)

Note 8: Long-Term Debt (Continued)

C. General Obligation Bonds, Series of 2014 (Continued)

This advance refunding was undertaken to reduce total debt service payments over the next 9 years resulted in an economic gain of \$431,375. Debt service to maturity is as follows:

<u>Date</u>	<u>Principal Payments</u>	<u>Assumed Rate</u>	<u>Semi-Annual Interest</u>	<u>Semi-Annual Debt Service</u>	<u>Fiscal Year Debt Service</u>
09/01/18	\$1,372,000	1.990%	\$ 84,511.76	\$1,456,511.76	
03/01/19		1.990	69,406.61	69,406.61	\$1,525,918.37
09/01/19	1,368,000	1.990	70,557.00	1,438,557.00	
03/01/20		3.250	91,501.76	91,501.76	1,530,058.76
09/01/20	1,362,000	3.250	92,507.28	1,454,507.28	
03/01/21		3.750	79,319.48	79,319.48	1,533,826.76
09/01/21	1,390,000	3.750	80,634.17	1,470,634.17	
03/01/22		4.250	60,193.81	60,193.81	1,530,827.98
09/01/22	1,445,000	4.250	61,191.50	1,506,191.50	
03/01/23		4.750	32,766.03	32,766.03	1,538,957.53
09/01/23	<u>1,372,000</u>	4.750	<u>33,309.11</u>	<u>1,405,309.11</u>	
03/01/24					<u>1,405,309.11</u>
	<u>\$8,309,000</u>		<u>\$ 755,898.51</u>	<u>\$9,064,898.51</u>	<u>\$9,064,898.51</u>

D. Long-Term Portion of Compensated Absences

Pursuant to the various employment agreements (AAEA and AFSCME) and employment contracts, unused accumulated sick days will be paid at a fixed, per day amount to employees meeting certain criterion as was described in Note 1.

The long-term portion of compensated absences to be paid in future years is estimated to be \$1,299,022.

E. OPEB Liability

Per actuarial calculation, the other postemployment benefit liability as of June 30, 2018 is \$5,555,300.

F. Changes in Long-Term Debt

	<u>Balance 7/01/17</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 6/30/18</u>	<u>Due Within One Year</u>
Bonds	\$30,421,000	\$ 0	\$ 1,442,000	\$28,979,000	\$1,372,000
Compensated Absences	1,218,317	80,705	0	1,299,022	0
OPEB	518,478	5,036,822	0	5,555,300	0
Net Pension Liability	<u>42,421,000</u>	<u>0</u>	<u>836,000</u>	<u>41,585,000</u>	<u>0</u>
	<u>\$74,578,795</u>	<u>\$ 5,117,527</u>	<u>\$ 2,278,000</u>	<u>\$77,418,322</u>	<u>\$1,372,000</u>

**HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(CONTINUED)**

Note 9: Contingencies

Self-Insurance Contingency

The Commonwealth of Pennsylvania Office of Employment Security, under the Pennsylvania Unemployment Compensation Law, permits nonprofit organizations, including nonprofit educational institutions having a Federal 501(c)(3) exemption or political subdivisions, to reimburse the unemployment compensation fund for the amount of benefits that is attributable to service, in the employ of such organizations, in lieu of paying contributions. This direct payment method has been elected by the District. The District does not use a separate fund or account to handle these claims but rather makes these reimbursements from the general fund on a cash basis. No liabilities are reported for claims not paid as of the fiscal year, should any exist.

Federal and State Compliance under Financial Assistance Grants and Programs

The District is liable for reimbursement of federal and/or state funds relative to any noncompliance with laws, regulations, or contract provisions applicable to these grants and programs.

Litigation

The School District is party to various legal proceedings, which normally occur, in governmental operations. These legal proceedings are not likely to have a material adverse impact on the funds of the District.

Note 10: Related Party Transactions

The District is a member of the Tuscarora Intermediate Unit 11. Through the membership, the District is able to secure various special services including special education, curriculum development, and certain internal service functions. The District paid approximately \$85,956 for these services during fiscal year ended June 30, 2018.

Vocational-Technical School Participation

The District is served by the Huntingdon County Career & Technology Center. Students of the District have available at the Vo-Tech, courses, and curriculums related to various technical training fields. Costs of the Vocational-Technical School are shared with other local school districts with the Huntingdon Area contributing approximately 33% of the total. The Huntingdon Area School District paid approximately \$625,497 as its share to the Huntingdon County Career & Technology Center during 2017-2018.

The District currently has no residual interest in this joint venture; however, it would have an obligation to contribute its prorated share of unfunded obligations estimated in the amount of \$17,500. A copy of the annual financial report can be acquired by contacting the business manager of the Huntingdon County Career and Technology Center.

**HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(CONTINUED)**

Note 11: Tuscarora Intermediate Unit Capital Insurance Trust

The District agreed to participate in a formed insurance trust comprised of local educational agencies, which has been specifically established to purchase health and medical insurance coverage and prescription drug coverage from Highmark Blue Shield and dental and vision coverage on a cost plus plan in an effort to contain and limit the cost of such coverages, while establishing a Premium Stabilization Fund which will be used to pay settlement charges and ultimately contain such coverage's cost. Since charges are currently being levied and paid by the District, and since the contract period ends on June 30, 2018, no receivable or payable to the trust has been reflected on these financial statements. As of June 30, 2018, the trust had a positive funding status; however, final settlement relative to that period has not been made. As a result, the District has expensed all premiums made through June 30, 2018, which amounted to \$2,828,039.

Note 12: Functions and Objects

The expenditures of the District presented on the financial statements are classified first by Function and then by Object. The following is a brief description of same:

Functions

1. Instruction

Instruction includes all those activities dealing directly with the interaction between teachers and students and related costs, which can be directly attributed to a program of instruction.

a. Regular Programs

Activities designed to provide grades K-12 students with learning experiences to prepare them for activities as citizens, family members, and nonvocational workers as contrasted with programs designed to improve or overcome physical, mental, social, and/or emotional handicaps.

b. Special Programs

Activities designed primarily to deal with students having special needs. The special programs include prekindergarten, kindergarten, elementary, and secondary services for the gifted and talented, mentally retarded, physically handicapped, emotionally disturbed, culturally different, students with learning disabilities, bilingual students, and special programs for other types of students.

c. Vocational Education

PDE approved programs under public supervision and control, which provide organized learning experiences designed to develop skills, knowledge, attitudes, and work habits in order to prepare individuals for entrance into and progress through various levels of employment in occupational fields including agriculture, business, distribution, health, gainful and useful home economics and trade and industry.

**HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(CONTINUED)**

Note 12: Functions and Objects

Functions

1. Instruction (Continued)

d. Other Instructional Programs - Elementary/Secondary

Activities that provide grades K-12 students with learning experiences not included in other function codes.

e. Adult Education Programs

Activities designed to develop knowledge and skills to meet immediate and long-range educational objectives of adults. Programs include activities to foster the development of fundamental tools of learning; to prepare for a postsecondary career; or for postsecondary education programs; to upgrade occupational competence, prepare for a new or different career; to develop skills and appreciations for special interests; or to enrich the aesthetic qualities of life. Adult basic education programs are included in this category.

2. Support Services

Support Services are those services, which provide administrative, technical (such as guidance and health), and logistical support to facilitate and enhance instruction. Support services exist as adjuncts for the fulfillment of the objectives of instruction, community services, and enterprise programs, rather than as entities within themselves.

a. Pupil Personnel

Activities designed to assess and improve the wellbeing of students to supplement the teaching process and to meet the applicable provisions of Article XIII of the Public School Code of 1949, as amended, and Chapter 7 of the State Board of Education Regulations. Included in this subfunction are activities designed to provide program coordination, consultation, and services to the pupil personnel staff.

b. Instructional Staff

Activities associated with assisting, supporting, advising, and directing the instructional staff with or on the content and process of providing learning experiences for students.

c. Administration

Activities concerned with establishing and administering policy in connection with operating the LEA.

d. Pupil Health

Physical and mental health services, which are not direct instruction. Included are activities that provide students with appropriate medical, dental and nurse services.

HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(CONTINUED)

Note 12: Functions and Objects (Continued)

Functions (Continued)

2. Support Services (Continued)

e. Business

Activities concerned with paying, transporting, exchanging, and maintaining goods and services for the LEA. Included are the fiscal and internal services necessary for operating the LEA.

f. Maintenance of Plant Services

The activities concerned with keeping the physical plant open, comfortable, and safe for use, and keeping the grounds, buildings, and equipment in effective working condition and state of repair. This includes the activities of maintaining safety in buildings, on the grounds, and in the vicinity of school.

g. Student Transportation Services

It includes those activities concerned with the conveyance of students to and from schools, as provided by State and Federal law. It includes transportation costs only for trips between home and school.

h. Support Services - Central

Activities, other than general administration, which support each of the other instructional and supporting services programs. These activities include planning, research, development, evaluation, information staff, and data processing services. (Expenditures may be charged to this account but if a further breakout is desired, the following subaccounts may be used.)

3. Operation of Noninstructional Services

Operation of noninstructional services are those activities concerned with providing noninstructional services to students, staff, or the community.

a. Food Services

Those activities concerned with providing food to students and staff in a school or LEA. This service area includes the preparation and servicing of regular and incidental meals, lunches, or snacks in connection with school activities and the delivery of food.

b. Student Activities

School sponsored activities under the guidance and supervision of the LEA staff.

c. Community Services

Those activities concerned with providing community services to students, staff, or other community participants.

HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(CONTINUED)

Note 12: Functions and Objects (Continued)

Functions (Continued)

4. Facilities Acquisition and Construction Services

Facilities acquisition and construction services are those activities concerned with the acquisition of land and buildings; remodeling buildings, the construction of buildings and additions to buildings; installation, replacement, or extension of service systems and other built-in equipment and improvements to sites.

5. Other Financing Uses

Other financing uses represent the disbursement of a governmental fund not classified in other functional areas that require budgetary and accounting control. These include debt service payments (principal and interest) and transfers of monies from one fund to another.

a. Debt Service

Servicing of the debt of the LEA including payments on general long-term debt, authority obligations, and interest.

b. Fund Transfers

Included are transactions, which withdraw money from one fund and place it in another without recourse.

Objects

1. Salaries

Gross salaries paid to employees of the LEA who are considered to be in positions of permanent nature or hired temporarily, including personnel substituting for those in permanent positions. This includes gross salary for personal services rendered while on the payroll of the LEA.

2. Personal Services - Employees' Benefits

Amounts paid by the LEA on behalf of employees; these amounts are not included in gross salary, but are in addition to that amount. Such payments are fringe benefit payments; and, while not paid directly to employees, nevertheless, are part of the cost of personal services.

3. Purchased Professional and Technical Services

Services, which by their nature, require persons or firms with specialized skills and knowledge. Included are the services of architects, engineers, auditors, dentists, medical doctors, lawyers, consultants, teachers, accountants, etc.

4. Purchased Property Services

Services purchased to operate, repair, maintain, and rent property owned and/or used by the LEA. These services are performed by persons other than LEA employees.

HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(CONTINUED)

Note 12: Functions and Objects

Objects (Continued)

5. Other Purchased Services

Amounts paid for services not provided by LEA personnel but rendered by organizations or personnel, other than professional and technical services and purchased property services.

6. Supplies

Amounts paid for material items of an expendable nature that are consumed, worn out, or deteriorated in use; or items that lose their identity through fabrication or incorporation into different or more complex units or substances.

7. Property

Expenditures for the acquisition of fixed assets, including expenditures for land or existing buildings and improvements of grounds initial equipment, additional equipment, and replacement of equipment.

8. Other Objects

Amounts paid for goods and services not otherwise classified in Objects 1 through 7.

9. Other Financing Uses

This series of codes is used to classify transactions, which are not recorded as expenditures to the LEA but require budgetary or accounting control. These include redemption of principal on long-term debt, authority obligations, and fund transfers.

Note 13: Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance.

Note 14: Use of Estimates

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

Note 15: Lease Obligations

The District has elected to treat the copier equipment leases as operating leases, and, therefore, the lease items are not reflected in the District's fixed assets account group until the purchase option is exercised.

**HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(CONTINUED)**

Note 15: Lease Obligations (Continued)

The following is a schedule, by years of the future minimum rental payments, required under the leases that have initial or remaining lease terms in excess of one year as of June 30, 2018:

June 30, 2019	\$33,768
June 30, 2020	33,768
June 30, 2021	33,768
June 30, 2022	33,768
June 30, 2023	33,768

Note 16: Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2018 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>For</u>
Cafeteria	General	\$41,491	Miscellaneous

Interfund transfers during the year ended June 30, 2018 are as follows:

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>	<u>For</u>
General Fund	Cafeteria	\$150,000	General Transfer

Note 17: Postretirement Benefits - Single Employer

Name of Plan

Huntingdon Area School District

Funding Policy

The retiree medical plan is operated on a pay-as-you-go basis. There are no assets that have been segregated and restricted to provide for retiree medical benefits.

Plan Description

All school district employees may remain on the District's Health and Dental Plans at their own expense. In addition, the following benefits are available for each group as outlined below:

Teachers

The retirement provision provides that an employee with twenty years of service, ten (10) of which are with the District, will be paid an additional five thousand dollars (\$5,000) upon retirement. The sum will be placed into a 403B or HRA account as designated by the employee. Notification must be made in writing 120 calendar days prior to the employee's retirement date. The payment of unused sick leave at retirement or legal

HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(CONTINUED)

Note 17: Postretirement Benefits - Single Employer (Continued)

Plan Description (Continued)

Teachers (Continued)

disability will be at the rate of fifty dollars (\$100) per day for the duration of the collective bargaining agreement for unlimited accumulation of sick leave. A retiree may elect to remain in the district's health care plan and dental plan at the employee's expense. The district will then deposit the amount of \$100 multiplied by the total number of days of his/her unused sick leave and personal days into a 403B or HRA account as designate by the employee. Restrictions: the employee must be 52 years old or older, have 15 years of service in the district, have at least 25 years in PSERS, may not have taken a sabbatical in his/her last year prior to retirement, and may not be on disability retirement.

Administrators

The District will deposit the amount of \$150 multiplied by the total number of days of his/her unused sick leave and personal days into a 403 B or HRA account as designated by the employee. Restrictions: The employee must be 52 years old or older; have 15 years of service in the district and at least 20 years in education; May not have taken a sabbatical in his/her last year prior to retirement and may not be on disability retirement. Administrators with 20 years of service, ten years of which are with this District, will be paid an additional seven thousand five hundred dollars into the 403B or HRA as described above.

Support Staff

With ninety (90) days' notice, all employees after 15 years of service, within the Pennsylvania Public School System, 10 of which are in the Huntingdon Area School District, will be paid in cash for all unused accumulated sick days at the rate of thirty dollars (\$30) per eight-hour day for the total number of hours accumulated. If an employee dies while on active service, the District shall pay the designated beneficiary for said days/hours.

Custodial Union Members

Providing law permits at the time of retirement, employees with twenty (20) years of service (at least 10 years in the Huntingdon Area School District) shall be paid into a 403B account for all unused accumulated sick days at 50% of daily rate excluding overtime.

Confidential Employees

The District shall pay to any retiring confidential employee with 10 years of service as a confidential employee with the Huntingdon Area School District \$50 per day for any unused sick leave. Notification of retirement must be made in writing 90 days prior to the employees' retirement date.

Valuation of Assets

The plan has no segregated assets.

HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(CONTINUED)

Note 17: Postretirement Benefits - Single Employer (Continued)

Valuation of Assets (Continued)

In order to be considered as an asset under GASB #75, the resource (stock, cash, etc.) must be segregated and restricted in a trust or equivalent arrangement. Employer contributions to the plan must be irrevocables dedicated to providing retiree benefits and protected from creditors.

Annual OPEB Cost and Net OPEB Obligation - Single Employer

The District's annual Other Post Employment Benefit (OPEB) cost (expense is calculated based on the annual required contribution of the employer (ARC)). This is a pay-as-you-go funded plan. The following table shows the components of the District's annual OPEB cost for the years, the estimated amount to be contributed by the employees, and changes in the District's net OPEB obligation to the plan.

Net OPEB Obligation as of June 30, 2018:

Service Cost	\$ 81,891
Changes in Assumption	2,196,779
Interest on Net OPEB Obligation	75,694
Difference Between Expected and Actual	40,087
Projected Pay-As-You-Go Expense	(215,906)
	<u>\$2,178,545</u>
<u>Net OPEB Obligation</u> - Beginning of Year	1,918,413
Prefunding	<u>0</u>
<u>Net OPEB Obligation</u> - End of Year	<u>\$4,096,958</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2018 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>OPEB Expense</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>	<u>Increase in Net OPEB Obligation</u>
June 30, 2018	\$296,205	\$518,116	175%	\$4,096,958	\$3,578,480
June 30, 2017	\$202,219	\$215,906	107%	\$1,918,143	\$ 0
June 30, 2016	\$208,338	\$208,338	100%	\$ 532,165	\$ 0
June 30, 2015	\$395,174	\$312,300	79%	\$ 532,165	\$ 138,634
June 30, 2014	\$402,380	\$484,273	120%	\$ 393,531	\$ 41,510

**HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(CONTINUED)**

Note 17: Postretirement Benefits - Single Employer (Continued)

Actuarial Methods and Assumptions

Actuarial Methods

Actuarial Cost Method	Entry Age Normal actuarial cost method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age. The actuarial present value of the projected benefits allocated to the valuation year is called the Service Cost. The portion of the actuarial present value of the projected benefits not provided for at the valuation date by the actuarial present value of future Service Costs is called the Total OPEB Liability.
Treatment of Gains (Losses) - Other Postretirement Employee Benefits (OPEB) Plan Investments	Gains (losses) due to the difference between projected and actual earnings on OPEB plan investments are recognized in OPEB expense over a closed five-year period.
Treatment of Gains (Losses) - Liabilities and Assumptions	Gains (losses) due to the difference between expected and actual experience and changes of assumptions are recognized in OPEB expense over a closed period equal to the average of the expected remaining service lives of all employees, determined as of the measurement date.
Initial Adoption of GASB	July 1, 2008
Valuation Date	First day of the Fiscal Year (July 1, 2017)
Asset Valuation Method	The benefits are funded on a pay-as-you-go basis.

Actuarial Assumptions

Long-Term Expected Return on OPEB Investments	Not Applicable
Municipal Bond Rate	3.00%; based on 20 Year High-Grade Municipal Rate Index
Discount Rate	An annual rate of 3.00%; previously, an annual rate of 4.00%
Assumed Retirement Age	<p>100% of employees hired before July 1, 2011 are assumed to retire when eligible for unreduced benefits under the Public School Employees' Retirement System of Pennsylvania, or the Huntingdon Area School District at the earlier of:</p> <ul style="list-style-type: none"> • Age 60 with 30 years of service • At least 35 years of service • Age 62 with at least 1 year of service <p>100% of employees hired on or after July 1, 2011 are assumed to retire when eligible for unreduced benefits under the Public School Employees' Retirement System of Pennsylvania, or the Huntingdon Area School District as follows:</p> <ul style="list-style-type: none"> • Age 65 with at least 3 Years of Service • Age plus at least 35 Years of Service equals 92

**HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(CONTINUED)**

Note 17: Postretirement Benefits - Single Employer (Continued)

Actuarial Methods and Assumptions (Continued)

Actuarial Assumptions (Continued)

Pre-Retirement Mortality	RPH-2014 Employee (Male and Female weighted by headcount) as published by the Society of Actuaries; previously RP-2014 Employee (Male and Female weighted by amount) as published by the Society of Actuaries was assumed
Post-Retirement Mortality	RPH-2014 Healthy Annuitant (Male and Female weighted by headcount) as published by the Society of Actuaries; previously RP-2014 Healthy Annuitant (Male and Female weighted by amount) as published by the Society of Actuaries was assumed
Mortality Improvement	Scale MP-2016 (Male and Female) as published by the Society of Actuaries, fully generational; previously Scale MP-2015 (Male and Female) as published by the Society of Actuaries, fully generational, was used

Generational Factors

The following percentages have been applied to reflect the implicit rate subsidy:

Age	Sample Male Factor	Sample Female Factor
0 - 49	100%	100%
50	120%	149%
55	157%	173%

Age	Sample Male Factor	Sample Female Factor
60	202%	202%
64	247%	237%
65+	100%	100%

Based on male and female factors for ages 50-64 from the SOA Health Care Costs - From Birth to Death 2013 (Dale Yamamoto)

The following percentages were used in the prior valuation*:

Age	Generational Factor
0 - 49	100%
50 - 54	120%

Age	Generational Factor
55 - 59	150%
60 - 64	175%

*These factors are a blend of standard tables and actual experience.

Summary of Principal Plan Provisions

Retiree Benefits

The following retirement benefits are valued under GASB 75:

1. Medical Coverage

No other benefits are valued under GASB 75.

**HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(CONTINUED)**

Note 17: Postretirement Benefits - Single Employer (Continued)

Summary of Principal Plan Provisions (Continued)

Medical Coverage

Description	Highmark Blue Cross/Blue Shield fully insured
Eligibility	Employees who retire from active service
Period of Coverage	Until Medicare eligibility
Coverage	Medical coverage provided to active employees is continued for eligible retirees, spouses and dependents

Contributions

Employee	Retiree pays 100% of the cost of the elected coverage
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Other Postemployment Benefits - PSERS

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

General Information about the Health Insurance Premium Assistance Program

Health Insurance Premium Assistance Program

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. 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. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser 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.

Premium Assistance Eligibility Criteria

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

- Have 24½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(CONTINUED)

Note 17: Postretirement Benefits - Single Employer (Continued)

Pension Plan Description

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

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser 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 the fiscal year ended June 30, 2017 was 0.83% 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 OPEB plan from the School District were \$97,320 for the year ended June 30, 2018.

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

At June 30, 2018, the School District reported a liability of \$1,716,000 for its proportionate share of the net OPEB liability, reduced by contributions made subsequent to the measurement date. 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 School 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. At June 30, 2017, the School District's proportion was .0842%, which was a decrease of .0014% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the School District recognized OPEB expense of \$97,320. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(CONTINUED)**

Note 17: Postretirement Benefits - Single Employer (Continued)

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources
and Deferred Inflows of Resources Related to OPEB** (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 0	\$ 80,000
Net difference between projected and actual investment earnings	2,000	0
Changes in proportions	<u>0</u>	<u>26,000</u>
	\$2,000	\$106,000
	<u> </u>	<u> </u>

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	(\$17,000)
2020	(17,000)
2021	(17,000)
2022	(18,000)
2023	(18,000)
Thereafter	0

Actuarial Assumptions

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

- Actuarial cost method - Entry Age Normal - level percent 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 or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

**HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(CONTINUED)**

Note 17: Postretirement Benefits - Single Employer (Continued)

Actuarial Assumptions (Continued)

- 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 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.)

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.

<u>OPEB - Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	76.4%	0.6%
Fixed Income	<u>23.6%</u>	1.5%
	100.0%	

**HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(CONTINUED)**

Note 17: Postretirement Benefits - Single Employer (Continued)

Actuarial Assumptions (Continued)

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

Discount Rate

The discount rate used to measure the Total 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 System Net OPEB Liability to Change in 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.

The following presents the System net OPEB liability for June 30, 2017, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if it health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Dollar Amounts in Thousands</u>		
	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
System Net OPEB Liability	\$1,715	\$1,716	\$1,716
	<u> </u>	<u> </u>	<u> </u>

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability, calculated using the discount rate of 3.13%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.13%) or 1-percentage-point higher (4.13%) than the current rate:

**HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
(CONTINUED)**

Note 17: Postretirement Benefits - Single Employer (Continued)

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate (Continued)

	1% Decrease <u>2.13%</u>	Current Discount Rate <u>3.13%</u>	1% Increase <u>4.13%</u>
School District's Proportionate Share of the Net OPEB Liability	\$1,950,000	\$1,716,000	\$1,521,000

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.

Condensed summary information of the School District's proportionate share of the PSERS assets, liabilities, and net position from the PSERS Comprehensive Annual Financial Report for the year ended June 30, 2017 is as follows:

Assets	\$346,000
Liabilities	(<u>50,000</u>)
Net Position Held in Trust for Benefits	<u>\$296,000</u>

In addition, as of June 30, 2018, the School District had a payable of \$31,444 to the PSERS OPEB plan, of which \$22,100 represents the second quarter 2018 required contribution, while \$9,388 represents the liability related to accrued payroll as of June 30, 2018.

Note 18: Change in Accounting Principle

As of July 1, 2017, the School District adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As required by this Statement, the measurement of the other postemployment benefit other than pension (OPEB) has changed from prior authoritative guidance. Effective with the adoption of this Statement, additional OPEB liability of \$1,936,724 deferred outflows of resources related to OPEB of \$2,114,275, and deferred inflows of resources related to OPEB of \$106,000 were required to be recognized.

Note 19: District - General Obligation Note Guarantee

The Huntingdon Area School District is a Guarantor on the Huntingdon County Career and Technology Center's General Obligation Notes, Series of 2017 in the amount of \$550,000 towards the Career Center Building Project. The General Obligation Note bears an interest rate of 1.70% with a maturity date on July 1, 2019.

**HUNTINGDON AREA SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION (RSI)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2018**

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Revenues</u>				
Local Sources	\$12,669,396	\$12,669,396	\$12,675,653	\$ 6,257
State Sources	14,694,152	14,694,152	14,779,022	84,870
Federal Sources	<u>657,621</u>	<u>657,621</u>	<u>1,003,942</u>	<u>346,321</u>
Total Revenues	\$28,021,169	\$28,021,169	\$28,458,617	\$ 437,448
<u>Expenditures</u>				
Regular Programs	\$10,212,804	\$10,229,888	\$10,229,871	\$ 17
Special Programs	4,720,394	4,938,933	4,929,430	9,503
Vocational Programs	948,256	950,256	950,179	77
Other Instructional Programs	226,143	226,143	211,281	14,862
Nonpublic School Programs	0	0	0	0
Pre-Kindergarten	0	0	0	0
Adult Education Programs	0	0	0	0
Pupil Personnel Services	964,669	977,076	975,186	1,890
Instructional Staff Services	1,521,307	1,521,307	1,467,887	53,420
Administration Services	1,771,938	1,781,823	1,749,720	32,103
Pupil Health	376,270	377,761	371,154	6,607
Business Services	423,647	424,647	424,263	384
Operation and Maintenance of				
Plant Services	2,487,692	2,352,692	2,352,445	247
Student Transportation Services	2,007,247	2,037,247	2,036,479	768
Central and Other Support Services	1,100	2,600	2,377	223
Other Support Services	0	0	0	0
Student Activities	786,332	629,832	594,290	35,542
Community Services	0	0	0	0
Facilities Acquisition and Construction	0	0	0	0
Debt Service	<u>2,273,700</u>	<u>2,273,700</u>	<u>2,268,834</u>	<u>4,866</u>
Total Expenditures	\$28,721,499	\$28,723,905	\$28,563,396	\$ 160,509
Excess (Deficiency) of Revenues Over Expenditures	(\$ 700,330)	(\$ 702,736)	(\$ 104,779)	\$ 597,957
<u>Other Financial Sources (Uses)</u>				
Interfund Transfers In	\$ 0	\$ 0	\$ 0	\$ 0
Interfund Transfers Out	(150,000)	(150,000)	(150,000)	0
Sale of Fixed Assets	0	0	0	0
Refund of Prior Year Receipts	0	0	0	0
Discount on Refunding Bonds Issued	0	0	0	0
Bond Issuance Costs	0	0	0	0
Refunding Bonds Issued	0	0	0	0
Payment to Escrow Agent	0	0	0	0
Budgetary Reserve	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)	(\$ 150,000)	(\$ 150,000)	(\$ 150,000)	\$ 0
Net Change in Fund Balances	(\$ 850,330)	(\$ 852,736)	(\$ 254,779)	\$ 597,957
<u>Fund Balances - July 1, 2017</u>	<u>4,077,553</u>	<u>4,077,553</u>	<u>4,796,652</u>	<u>719,099</u>
<u>Fund Balances - June 30, 2018</u>	<u>\$ 3,227,223</u>	<u>\$ 3,224,817</u>	<u>\$ 4,541,873</u>	<u>\$1,317,056</u>

**HUNTINGDON AREA SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION (RSI)
DEFINED BENEFIT POSTEMPLOYMENT HEALTHCARE PLAN**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/17	\$0	\$3,631,238	(\$3,631,238)	0%	\$11,086,783	32.76%
7/1/15	\$0	\$1,965,809	(\$1,965,809)	0%	\$11,583,025	16.97%
7/1/13	\$0	\$3,560,526	(\$3,560,526)	0%	\$ 9,378,561	41.31%
7/1/11	\$0	\$3,874,104	(\$3,874,104)	0%	\$ 8,877,416	40.11%

Schedule of Employer Contributions

Fiscal Year End	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2018	\$296,205	7.2%	\$4,096,958
June 30, 2017	\$202,219	10.5%	\$1,918,143
June 30, 2016	\$205,870	38.9%	\$529,697
June 30, 2015	\$399,578	75.1%	\$572,165
June 30, 2014	\$391,171	82.9%	\$472,077
June 30, 2013	\$406,882	104.5%	\$389,206

**HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (RSI)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
JUNE 30, 2018**

An operating budget is adopted each year for the general fund on a modified accrual basis of accounting.

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 it is available for public inspection at the Administrative Office of the School District. Notice that public hearings 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.

The board of directors may make transfers of funds appropriated to any particular item of expenditure by legislative action. An affirmative vote of two thirds of all members of the board is required.

Fund balances in budgetary funds may be appropriated based on resolutions passed by the Board of Education, which authorize the School District to make expenditures.

Included in the general fund budget are program budgets as prescribed by the state and federal agencies funding the program. These budgets are approved on a program-by-program basis by the state or federal funding agency.

At the end of the year, any remaining amount in a budgeted item must be closed, as it is not permissible to carry the balance into the next year.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during the fiscal year 2018.

HUNTINGDON AREA SCHOOL DISTRICT
ATHLETIC FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2018

Revenues

Football Gate Receipts	\$ 29,900
Basketball Gate Receipts	11,193
Wrestling Gate Receipts	5,894
Volleyball Gate Receipts	3,489
Soccer Gate Receipts	2,375
All Sport and Season Tickets	16,632
Other - Donations	6,595
Pay to Play	<u>8,567</u>
 Total Revenues	 \$ 84,645

Expenditures

Salaries	\$207,583
Employee Benefits	86,335
Contracted Services	71,789
Transportation and Conferences	87,737
Supplies and Equipment	54,400
Dues and Fees	<u>5,639</u>
 Total Expenditures	 \$513,483
 Net (Loss)	 <u>(\$428,838)</u>

**HUNTINGDON AREA SCHOOL DISTRICT
STUDENT ACTIVITIES FUND
STATEMENT OF ASSETS AND LIABILITIES
AS OF JUNE 30, 2018**

Argus	\$ 9,223.95
Band/Concert Band	1,264.23
County Band	500.55
Belles and Beaus	620.88
Class of 2019	804.71
Choral Club	2,200.66
Class of 2017	0.00
Class of 2020	1,462.96
FFA	2,825.95
District/County/Regional Chorus	909.02
Field Hockey Club	21.76
MS Positive School Wide - Student	1,500.70
Key Club	1,641.57
Class of 2018	0.00
MS Student Council	3,330.12
Lyceum Fund	8,080.02
Varsity Club	3,636.33
Honor Society	3,145.05
Musical	3,165.33
MS Field Trips	3,873.13
MS Yearbook	1,855.47
HS Positive School Wide	1,093.07
HS Accel Field Trips	5.22
HAHS Council	1,275.57
MS Stem	1,116.20
Girls Volleyball	268.01
Class of 2015	0.00
Leadership	1,399.00
Class of 2021	<u>1,228.92</u>
 Total	 \$56,448.38

**HUNTINGDON AREA SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PENSION PLAN INFORMATION
RELATED TO THE PENNSYLVANIA PUBLIC SCHOOL
EMPLOYEES' RETIREMENT SYSTEM (PSERS)
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**

	As of June 30, 2017 Measurement <u>Date</u>	As of June 30, 2016 Measurement <u>Date</u>	As of June 30, 2015 Measurement <u>Date</u>	As of June 30, 2014 Measurement <u>Date</u>
District's Proportion of the Collective Net Pension Liability	.0842%	.0856%	.0826%	.0840%
District's Proportionate Share of the Collective Net Pension Liability	\$41,585,000	\$42,421,000	\$35,778,000	\$33,248,000
District's Covered Employee Payroll	\$11,206,060	\$11,086,783	\$10,632,429	\$10,713,000
District's Proportionate Share of the Collective Net Pension Liability as a Percentage of its Covered Employee Payroll	371.09%	382.63%	336.50%	310.35%
PSERS' Fiduciary Net Position as a Percentage of the Total Pension Liability	51.87%	50.10%	54.36%	57.24%

**HUNTINGDON AREA SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PENSION PLAN INFORMATION
RELATED TO THE PENNSYLVANIA PUBLIC SCHOOL
EMPLOYEES' RETIREMENT SYSTEM (PSERS)
SCHEDULE OF DISTRICT'S CONTRIBUTION**

	For the Year Ended <u>6/30/18</u>	For the Year Ended <u>6/30/17</u>	For the Year Ended <u>6/30/16</u>	For the Year Ended <u>6/30/15</u>
Contractually Required Employer Contribution	\$ 3,504,635	\$ 3,249,196	\$ 2,840,796	\$ 2,178,820
Contributions in Relation to the Contractually Required Contribution	<u>3,504,635</u>	<u>3,249,196</u>	<u>2,840,796</u>	<u>2,178,820</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's Covered Employee Payroll	<u>\$11,253,368</u>	<u>\$11,086,783</u>	<u>\$11,045,969</u>	<u>\$10,824,694</u>
Employer's Contributions in Relation to the Contractually Required Contribution as a Percentage of Covered Employee Payroll	31.74%	29.3%	25.72%	20.13%

**HUNTINGDON AREA SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PENSION PLAN INFORMATION
RELATED TO THE PENNSYLVANIA PUBLIC SCHOOL
EMPLOYEES' RETIREMENT SYSTEM (PSERS)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

Changes in Benefit Terms

None

Changes in Actuarial Assumptions

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

Changes in assumptions used in measurement of the total pension liability beginning June 30, 2017 -

- Actuarial Cost Method - Entry Age Normal
- The Investment Rate of Return 7.25, includes inflation of 2.75%
- Salary growth effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

**HUNTINGDON AREA SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT OPEB PLAN INFORMATION - SINGLE EMPLOYER
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS**

<u>Total OPEB Liability</u>	<u>As of and for the Year Ended June 30, 2018</u>
Service Cost	\$ 81,891
Interest	75,694
Benefit Payments	(215,906)
Change in Assumption	2,196,779
Difference in Experience	<u>40,087</u>
Net Change in Total Pension Liability	\$2,178,545
<u>Total Pension Liability</u> - Beginning	<u>1,918,413</u>
<u>Total Pension Liability</u> - Ending	<u>\$4,096,958</u>
<u>Plan's Fiduciary Net Position</u>	<u>As of and for the Year Ended June 30, 2018</u>
Net Change in Plan's Fiduciary Net Position	\$ 0
<u>Plan's Fiduciary Net Position</u> - Beginning	<u>0</u>
<u>Plan's Fiduciary Net Position</u> - Ending	<u>\$ 0</u>
<u>School District's Net OPEB Liability</u> - Ending	<u>\$4,096,958</u>
Plan's Fiduciary Net Position as a Percentage of Total OPEB Liability	0%
Estimated Covered Employee Payroll	\$11,086,783
Net Pension Liability as a Percentage of Covered Employee Payroll	36.95%

**HUNTINGDON AREA SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT OPEB PLAN INFORMATION - SINGLE EMPLOYER
SCHEDULES OF EMPLOYER CONTRIBUTIONS AND INVESTMENT RETURNS**

**Fiscal
Year Ending
June 30, 2018**

Schedule of Contributions

Actuarially Determined Contribution	N/A
District Contribution	<u>N/A</u>
Contribution Deficiency	N/A
	<u> </u>
Covered Employee Payroll	\$11,086,783
	<u> </u>
Contribution as a Percentage of Covered Employee Payroll	N/A
	<u> </u>

Schedule of Investment Returns

Annual Money-Weighted Rate of Return, Net of Investment Expense	N/A
	<u> </u>

**HUNTINGDON AREA SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT OPEB PLAN INFORMATION - SINGLE EMPLOYER
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

Actuarial Methods and Assumptions

Actuarial Methods

Actuarial Cost Method	Entry Age Normal actuarial cost method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age. The actuarial present value of the projected benefits allocated to the valuation year is called the Service Cost. The portion of the actuarial present value of the projected benefits not provided for at the valuation date by the actuarial present value of future Service Costs is called the Total OPEB Liability.
Treatment of Gains (Losses) - Other Postretirement Employee Benefits (OPEB) Plan Investments	Gains (losses) due to the difference between projected and actual earnings on OPEB plan investments are recognized in OPEB expense over a closed five-year period.
Treatment of Gains (Losses) - Liabilities and Assumptions	Gains (losses) due to the difference between expected and actual experience and changes of assumptions are recognized in OPEB expense over a closed period equal to the average of the expected remaining service lives of all employees, determined as of the measurement date.
Initial Adoption of GASB	July 1, 2008
Adoption of GASB 74 and 75	July 1, 2017
Valuation Date	First day of the Fiscal Year (July 1, 2017)
Asset Valuation Method	The benefits are funded on a pay-as-you-go basis.

Actuarial Assumptions

Long-Term Expected Return on OPEB Investments	Not Applicable
Municipal Bond Rate	3.00%; based on 20 Year High-Grade Municipal Rate Index
Discount Rate	An annual rate of 3.00%; previously, an annual rate of 4.00%
Assumed Retirement Age	<p>100% of employees hired before July 1, 2011 are assumed to retire when eligible for unreduced benefits under the Public School Employees' Retirement System of Pennsylvania, or the Huntingdon Area School District at the earlier of:</p> <ul style="list-style-type: none"> • Age 60 with 30 years of service • At least 35 years of service • Age 62 with at least 1 year of service <p>100% of employees hired on or after July 1, 2011 are assumed to retire when eligible for unreduced benefits under the Public School Employees' Retirement System of Pennsylvania, or the Huntingdon Area School District as follows:</p> <ul style="list-style-type: none"> • Age 65 with at least 3 Years of Service • Age plus at least 35 Years of Service equals 92

**HUNTINGDON AREA SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT OPEB PLAN INFORMATION - SINGLE EMPLOYER
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
(CONTINUED)**

Actuarial Methods and Assumptions (Continued)

Actuarial Assumptions (Continued)

Pre-Retirement Mortality	RPH-2014 Employee (Male and Female weighted by headcount) as published by the Society of Actuaries; previously RP-2014 Employee (Male and Female weighted by amount) as published by the Society of Actuaries was assumed.								
Post-Retirement Mortality	RPH-2014 Healthy Annuitant (Male and Female weighted by headcount) as published by the Society of Actuaries; previously RP-2014 Healthy Annuitant (Male and Female weighted by amount) as published by the Society of Actuaries was assumed.								
Mortality Improvement	Scale MP-2016 (Male and Female) as published by the Society of Actuaries, fully generational; previously Scale MP-2015 (Male and Female) as published by the Society of Actuaries, fully generational, was used.								
Turnover before Retirement	<p>Actuary's Turnover Table T-5; the following are sample rates:</p> <table> <tr> <th><u>Age</u></th><th><u>Rate</u></th></tr> <tr> <td>25</td><td>7.7%</td></tr> <tr> <td>40</td><td>5.2%</td></tr> <tr> <td>55</td><td>0.9%</td></tr> </table>	<u>Age</u>	<u>Rate</u>	25	7.7%	40	5.2%	55	0.9%
<u>Age</u>	<u>Rate</u>								
25	7.7%								
40	5.2%								
55	0.9%								
Marriage Assumption	80% of employees are assumed to be married, with the beneficiary being the opposite sex and the same age as the retiree.								
Coverage	It is assume that 65% of future retirees and 15% of spouses will participate in the retiree medical program. All current participating retirees and spouses are assumed to continue participation in the medical program. Dependents of retirees may be covered; however, it is assumed that the participant paus 100% of the full cost of dependent coverage.								
Expenses	Expenses are included in the claim costs.								
Rate of Salary Increase	An annual rate of 2.50%; previously none was assumed.								

**HUNTINGDON AREA SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT OPEB PLAN INFORMATION
COST SHARING PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

	<u>Fiscal Year Ending June 30, 2017</u>
Contractually Required Contributions	\$ 93,000
Contributions in Relation to the Contractually Required Contribution	(<u>93,000</u>)
Contribution Deficiency (Excess)	\$ 0
	<hr/>
School District's Covered Employee Payroll	\$11,206,060
Contributions as a Percentage of Covered Employee Payroll	.0083%

**HUNTINGDON AREA SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT OPEB PLAN INFORMATION
COST SHARING PLAN
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY**

	<u>Fiscal Year Ending June 30, 2017</u>
School District's Proportion of the Net OPEB Liability	.0842%
School District's Proportionate Share of the Net OPEB Liability	\$1,716,000
School District's Covered Employee Payroll	\$11,206,060
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Employee Payroll	15.30%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	51.84%

**HUNTINGDON AREA SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
TOTAL OPEB LIABILITY INFORMATION RELATED TO THE
PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

Changes in Benefit Terms

None

Changes in Assumptions Used in Measurement of the Total OPEB Liability Beginning June 30, 2017

The Discount Rate increased from 2.71% to 3.13%.

Changes in Assumptions Used in Measurement of the Total OPEB Liability Beginning June 30, 2016

Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50%, to an effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.

Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-20 15 Mortality Improvement Scale. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age setback 7 years for males and 3 years for females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

Method and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contributions are calculated as of the June 30 preceding the fiscal year in which contributions are made. That is, the contribution calculated as of the June 30, 2016 actuarial valuation will be made during the fiscal year ended June 30, 2018. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

- Investment return - 3.13% - 20 year S&P Municipal Bond Rate.
- Salary growth - Effective average of 5.00%, which reflects an allowance for inflation of 2.75%, real wage growth and merit or seniority of 2.25%.
- Benefit payments - no postretirement benefit increases assumed in the future.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.

10-Year Reporting Requirements

Required Supplementary Schedules, as related to OPEB, are intended to show information for 10 years. Additional years will be displayed as they become available.

The Accounting Valuation

The GASB 74 accounting valuation can be found on PSERS' website at www.psers.pa.gov.

**HUNTINGDON AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018**

<u>Federal Grantor Project Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period</u>
<u>U.S. Department of Education</u>				
(Passed Through the Pennsylvania Department of Education)				
Title I	I	84.010	013-170195	07/01/16-09/30/17
Title I	I	84.010	013-180195	07/01/17-09/30/18
Total Title I				
Title II	I	84.367	020-170195	07/01/16-09/30/17
Title II	I	84.367	020-160195	10/11/17-09/30/18
Total Title II				
Title IV	I	84.424	144-180195	10/11/17-09/30/18
(Passed Through the Intermediate Unit 11)				
Individuals with Disabilities Education Act	I	84.027	H027A140093	07/01/17-06/30/18
Total U.S. Department of Education				
<u>U.S. Department of Agriculture</u>				
(Passed Through the Pennsylvania Department of Education)				
National School Lunch	I	10.555	N/A	07/01/17-06/30/18
National School Lunch	I	N/A	N/A	07/01/17-06/30/18
Total National School Lunch				
Breakfast Program	I	10.553	N/A	07/01/17-06/30/18
Breakfast Program	I	N/A	N/A	07/01/17-06/30/18
Total Breakfast Program				
(Passed Through the Pennsylvania Department of Agriculture)				
Value of USDA Commodities	I	10.550	N/A	07/01/17-06/30/18
Value of USDA Commodities	I	10.550	N/A	07/01/16-06/30/17
Total Value of USDA Donated Commodities				
Total U.S. Department of Agriculture				
Less: State Share of Assistance				
TOTAL EXPENDITURES OF FEDERAL AWARDS				

I - Indirect Funding
F - Federal Share
S - State Share
* - Designates Major Program

**HUNTINGDON AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018**

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2017</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2018</u>
\$ 414,621	\$ 104,638	\$ 68,093	\$ 36,545	\$ 36,545	\$ 0
<u>628,382</u>	<u>419,874</u>	<u>0</u>	<u>584,735</u>	<u>584,735</u>	<u>164,861</u>
\$1,043,003	\$ 524,512	\$ 68,093	\$ 621,280	\$ 621,280	\$ 164,861
\$ 120,854	\$ 7,964	\$ 8,429	(\$ 465)	(\$ 465)	\$ 0
<u>122,506</u>	<u>93,124</u>	<u>0</u>	<u>99,733</u>	<u>99,733</u>	<u>6,609</u>
\$ 243,360	\$ 101,088	\$ 8,429	\$ 99,268	\$ 99,268	\$ 6,609
\$ 14,220	\$ 13,272	\$ 0	\$ 14,220	\$ 14,220	\$ 948
\$ 391,330	\$ 391,330	\$ 0	\$ 391,330	\$ 391,330	\$ 0
	\$1,030,202	\$ 76,522	\$1,126,098	\$1,126,098	\$ 172,418
N/A	\$ 405,845	\$ 0	\$ 405,845	\$ 405,845	\$ 0 F
N/A	<u>23,218</u>	<u>0</u>	<u>23,218</u>	<u>23,218</u>	<u>0 S</u>
	\$ 429,063	\$ 0	\$ 429,063	\$ 429,063	\$ 0
N/A	\$ 72,734	\$ 0	\$ 72,734	\$ 72,734	\$ 0 F
N/A	<u>4,079</u>	<u>0</u>	<u>4,079</u>	<u>4,079</u>	<u>0 S</u>
	\$ 76,813	\$ 0	\$ 76,813	\$ 76,813	\$ 0
N/A	\$ 64,512	\$ 0	\$ 51,676	\$ 51,676	(\$ 12,836)
N/A	<u>0</u>	<u>(15,755)</u>	<u>15,755</u>	<u>15,755</u>	<u>0</u>
	\$ 64,512	(\$ 15,755)	\$ 67,431	\$ 67,431	(\$ 12,836)
	\$ 570,388	(\$ 15,755)	\$ 573,307	\$ 573,307	(\$ 12,836)
	(\$ 27,297)	\$ 0	(\$ 27,297)	(\$ 27,297)	\$ 0
	\$1,573,293	\$ 60,767	\$1,672,108	\$1,672,108	\$ 159,582

**HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018**

Note 1: The Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting. Revenues were adjusted to balance the expenditures incurred for each project.

Note 2: The 20% test was satisfied as follows:

\$ 621,280	Title I
405,845	National School Lunch Program
67,431	Value of USDA Donated Commodities
99,268	Title II
72,734	Breakfast Program
391,330	IDEA
<u>14,220</u>	Title IV
\$1,672,108	
<u>X</u>	20%
\$ 334,421	Minimum Amount which Must Be Tested
<u> </u>	

Extensive compliance tests, as required by the Single Audit Act of 1996, were performed on the Title I, which represents 37% of the total expenditures reflected on the schedule of expenditures of federal awards.

Note 3: The commodities are valued at market value, which represents the costs to replace these commodities.

Note 4: The School District had a receivable of \$177,802 for the Medical Assistance reimbursements for the ACCESS program as of June 30, 2017. The ACCESS program is the medical assistance (MA) program that reimburses school entities for direct, eligible health related services provided to MA enrolled special needs children. These reimbursements are classified as federal money in the School's account code structure; however, these funds are not restricted in use like other federal monies. ACCESS reimbursements are classified as fee-for-service revenues, and are not considered federal financial assistance, which results in ACCESS funds not being reported on the School District's schedule of expenditures of federal awards. During the current year, the School Districted earned \$259,257, with a receivable of \$437,059 as of June 30, 2018.

Note 5: The School District has elected not to use 10% de minimis indirect cost rate.

**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**

The Board of Directors
Huntingdon Area School District
2400 Cassady Avenue, Suite 2
Huntingdon, Pennsylvania 16652

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 the Huntingdon Area School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Huntingdon Area School District's basic financial statements, and have issued our report thereon dated November 8, 2018.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

**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
(CONTINUED)**

Compliance and Other Matters

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

Purpose of this Report

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

Young, DeLee, Brown & Company, P.C.

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

The Board of Directors
Huntingdon Area School District
2400 Cassady Avenue, Suite 2
Huntingdon, Pennsylvania 16652

Report on Compliance for Each Major Federal Program

We have audited the Huntingdon Area 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 the Huntingdon Area School District's major federal programs for the year ended June 30, 2018. The Huntingdon Area School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Huntingdon Area 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 the Huntingdon Area 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 the Huntingdon Area School District's compliance.

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

Opinion on Each Major Federal Program

In our opinion, the Huntingdon Area 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 the Huntingdon Area 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 the Huntingdon Area 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 the Huntingdon Area 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.

Young, Becker, Brown & Company, P.C.

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

A. Summary of Audit Results

1. An unqualified opinion was issued on the Huntingdon Area School District's financial statements.
2. There were no material weaknesses in internal control identified by the audit of the financial statements.
3. The audit did not disclose any noncompliance, which was material to the basic financial statements of the Huntingdon Area School District.
4. There were no material weaknesses in the internal control over major federal programs identified by the audit.
5. An unqualified opinion was issued on the School District's compliance for major federal programs.
6. No audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) are reported in this schedule.
7. The major program selected for testing was the Title I.
8. The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
9. The auditee did qualify as a low-risk auditee.

B. Financial Statements Findings

There were no findings relative to the financial statements noted during the audit.

C. Federal Awards Findings and Questioned Cost

There were no findings relative to the federal awards noted during the audit.

**HUNTINGDON AREA SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

There were no prior year findings.

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

The Board of Directors
Huntingdon Area School District
2400 Cassady Avenue, Suite 2
Huntingdon, Pennsylvania 16652

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Huntingdon Area School District for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 8, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Huntingdon Area School District are described in Note 1 to the financial statements. We noted no transactions entered into by the Huntingdon Area School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Huntingdon Area School District's financial statements were:

Management's estimate of the compensated absences is based on accumulated sick days and related per diem rate. We evaluated the key factors and assumptions used to develop the compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Appraisals and other estimates related to the GASB #34, GASB #68, and GASB #75 compliance and disclosure.

The financial statement disclosures are neutral, consistent, and clear.

**COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE
(CONTINUED)**

Significant Audit Findings (Continued)

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 8, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Huntingdon Area School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Huntingdon Area School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis, Defined Benefit Post-Employment Health Plan, Defined Benefit Pension Plan Information related to the Pennsylvania Public School Employees' Retirement System (PSERS), and Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE
(CONTINUED)

Restriction on Use

This information is intended solely for the use of the Board of Directors and management of the Huntingdon Area School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Young, Baker, Brown & Company, P.C.

**COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE
(CONTINUED)**

SCHEDULE OF CORRECTED FINANCIAL MISSTATEMENTS

	<u>Debit</u>	<u>Credit</u>
None		

SCHEDULE OF UNCORRECTED FINANCIAL STATEMENT MISSTATEMENTS

	<u>Debit</u>	<u>Credit</u>
None		