

**HUNTINGDON AREA SCHOOL DISTRICT**

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

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**YEAR ENDED JUNE 30, 2012**

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# Young, Oakes, Brown & Company, P.C.

*Certified Public Accountants*

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Huntingdon Area School District  
2400 Cassady Avenue  
Huntingdon, Pennsylvania 16652

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, 2012, which collectively comprise the District's basic financial statements as listed in the contents. These financial statements are the responsibility of the Huntingdon Area School District's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, 2012, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2012, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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, on pages 3 through 12, and 52 through 54 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Huntingdon Area School District's financial statements as a whole. The individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information fairly stated in all material respects in relation to the financial statements as a whole.

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

**Huntingdon Area School District**  
**Management's Discussion and Analysis (MD & A)**  
**June 30, 2012**

The Management's Discussion and Analysis (MD&A) of the Huntingdon Area School District is a summary of the District's financial performance and activities for the fiscal year ending June 30, 2012. The 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.

The MD&A document is broken down into 7 sections.

1. Overview of the Financial Statements
2. Brief summary of past year's performance
3. Analysis of the district's overall financial health and how that position has changed during the past year and what management's projections are for the future.
4. Analysis of any significant variations between original and final budgets.
5. Description of significant capital assets and long term debt activities.
6. Discussion of any currently known fact, decisions or conditions that are expected to effect future financial positions.
7. Discussion on how infrastructure assets (building, etc.) are assessed, changes from last year in the condition of these assets and an opinion on the adequacy of resources being used annually by the district to maintain/preserve these assets.

**1. Overview of the Financial Statements**

**Government-wide Statements**

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

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

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

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

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

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

#### Fund Financial Statements

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

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

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

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

### 3. Financial Analysis of the District as a Whole

The District's total net assets were \$ 14,523,826 at June 30, 2012.

Table A-1  
Fiscal Year ended June 30, 2012  
Net Assets

|  | <u>Governmental</u><br><u>Activities</u> | <u>Business-type</u><br><u>Activities</u> | <u>Total</u> |
|--|--|---|--------------|
| Current and other assets                           | 14,897,202                               | 346,136                                   | 15,243,338   |
| Capital assets                                     | 38,984,751                               | 6,913                                     | 38,991,664   |
| Total assets:                                      | 53,881,953                               | 353,049                                   | 54,235,002   |
| Current and other liabilities                      | 4,372,150                                | 50,413                                    | 4,422,563    |
| Long-term liabilities                              | 35,156,753                               | 131,860                                   | 35,288,613   |
| Total liabilities:                                 | 39,528,903                               | 182,273                                   | 39,711,176   |
| Net Assets   |  |   |              |
| Invested in capital assets,<br>net of related debt | 4,314,751                                | 6,913                                     | 4,321,664    |
| Capital projects                                   | 7,344,771                                |   | 7,344,771    |
| Restricted   |  |   |              |
| Unrestricted                                       | 2,693,528                                | 163,863                                   | 2,857,391    |
| Total Net Assets                                   | 14,353,050                               | 170,776                                   | 14,523,826   |

A portion of the District's net assets are invested in capital assets (buildings, land and equipment). The remaining unrestricted net assets are combined of designated and undesignated amounts. The designated balances are amounts set-aside to fund future purchases or planned capital projects.

The results of this year's operations as a whole are reported in the Statement of Activities. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the District's activities that are supported by other general revenues. The two largest general revenues are the Basic Education Subsidy provided by the Commonwealth of Pennsylvania and the local taxes assessed to Huntingdon Area School District taxpayers.

Table A-2 takes the information from that Statement, rearranges slightly, so you can see our total revenues for the year.

Table A-2  
Fiscal Year ended June 30, 2012  
Changes in Net Assets  
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|                                   | <u>Governmental<br/>Activities</u> | <u>Business-type<br/>Activities</u> | <u>Total</u>      |
|-----------------------------------|------------------------------------|-------------------------------------|-------------------|
| <b><u>Revenues</u></b>            |                                    |                                     |                   |
| Program Revenues                  |                                    |                                     |                   |
| Charges for services              | 71,109                             | 398,175                             | 469,284           |
| Operating grants & contributions  | 4,657,045                          | 600,844                             | 5,257,889         |
| Capital grants and contributions  | 183,610                            |                                     | 183,610           |
| General revenues                  |                                    |                                     | 0                 |
| Property taxes                    | 7,694,385                          |                                     | 7,694,385         |
| Other taxes                       | 2,571,582                          |                                     | 2,571,582         |
| Grants, subsidies & contributions | 8,374,337                          |                                     | 8,374,337         |
| Unrestricted                      |                                    |                                     | 0                 |
| Other                             | 235,728                            | 160,000                             | 395,728           |
| Total revenues                    | <u>23,787,796</u>                  | <u>1,159,019</u>                    | <u>24,946,815</u> |
| <b><u>Expenses</u></b>            |                                    |                                     |                   |
| Instruction                       | 13,952,090                         |                                     | 13,952,090        |
| Instructional Student Support     | 1,521,471                          |                                     | 1,521,471         |
| Administration & Financial        | 2,030,063                          |                                     | 2,030,063         |
| Operation & Maintenance           | 1,960,889                          |                                     | 1,960,889         |
| Pupil Transportation              | 1,871,176                          |                                     | 1,871,176         |
| Student Activities                | 386,309                            |                                     | 386,309           |
| Community Services                | 1,694                              |                                     | 1,694             |
| Interest on long-term debt        | 1,251,940                          |                                     | 1,251,940         |
| Depreciation expense              | 307,042                            |                                     | 307,042           |
| Food Service                      |                                    | 1,059,556                           | 1,059,556         |
| Refund of Prior Yr. Receipts      | 2,889                              |                                     | 2,889             |
| Total Expenses                    | <u>23,285,563</u>                  | <u>1,059,556</u>                    | <u>24,345,119</u> |
| Increase (decrease) in net assets | <u>502,233</u>                     | <u>99,463</u>                       | <u>601,696</u>    |

Table A-3 shows the District's eight largest functions - instructional programs, instructional student support, administrative, operation and maintenance of plant, pupil transportation, student activities, community services, food service as well as each program's net cost (total cost less revenues generated by the activities). This table also shows the net costs offset by the other unrestricted grants, subsidies and contributions to show the remaining financial needs supported by local taxes and other miscellaneous revenues.



Table A-3  
Fiscal Year ended June 30, 2012  
Governmental Activities

| <u>Functions/Programs</u>                      | <u>Total Cost of Services</u> | <u>Net cost</u>  |
|--|-------------------------------|------------------|
| Instruction                                    | 13,952,090                    | 10,583,857       |
| Instructional Student Support                  | 1,521,471                     | 1,410,881        |
| Administration & Financial                     | 2,030,063                     | 1,940,760        |
| Operation & Maintenance                        | 1,960,889                     | 1,900,130        |
| Pupil Transportation                           | 1,871,176                     | 852,247          |
| Student Activities                             | 386,309                       | 305,969          |
| Miscellaneous                                  | 2,889                         | 2,889            |
| Community Services                             | 1,694                         | 1,694            |
| Interest on long-term debt                     | 1,251,940                     | 1,068,330        |
| Depreciation expense                           | 307,042                       | 307,042          |
| Total Governmental Activities                  | 23,285,563                    | 18,373,799       |
| Less:  |                               |                  |
| Unrestricted Grants, Subsidies                 |                               | 8,374,337        |
| Total needs from local taxes & other revenues: |                               | <u>9,999,462</u> |

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

Table A-4  
Fiscal Year ended June 30, 2012  
Governmental Activities

| <u>Functions/Programs</u>      | <u>Total Cost of Services</u> | <u>Net cost</u> |
|--------------------------------|-------------------------------|-----------------|
| Food Services                  | 1,059,556                     | 60,537          |
| Total Business-type activities |                               | <u>\$60,537</u> |

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

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## THE DISTRICT FUNDS

The General Fund had a \$3,840,208 fund balance at the beginning of the 2011-12 school year. The crisis facing public school districts for the 2011-12 school year was described as the "perfect storm" for several reasons. 1. The ARRA Federal stimulus funds that school districts were given for the 2009-10 and 2010-11 years ended 6/30/11. The State of Pennsylvania used ARRA Funds to supplant Basic Education Funding to school districts. In 2010-11, total BEF dollars received from the state were \$5,726,086 however, \$992,563 of those dollars came from ARRA and Federal Edujobs Funds. 2. The PSERS rate increased from the 10-11 rate of 5.64% to 8.65% increasing expenses to the HASD by \$352,170. 3. Health care costs for the district were predicted to increase by \$258,332. 4. The Act 1 Index for the HASD was a mere 1.42% which could only generate an additional \$153,654 in local tax revenue.

Faced with declining revenues and increasing expenses, the HASD and School Districts across the State were forced to make some very difficult decisions. Reluctantly, after reviewing all options, the HASD considered closing its two smaller elementary schools, Brady Henderson and Jackson Miller. After extensive evaluation it was determined that the students from these two elementary schools could be successfully educated in the two larger elementary schools, Southside and Standing Stone. Significant savings from the mergers were predicted due to reductions in Utilities, Maintenance, Staffing and Miscellaneous Services. The District narrowly approved two motions at its January 17, 2011 Board Meeting to undertake the necessary steps to advertise for the scheduling of Section 780 Hearings relative to the possible permanent closing of Brady Henderson and Jackson Miller Elementary Schools.

The Section 780 Hearings were held in February 2011. After a 90 day waiting period, the vote was taken on May 25, 2011 to close both schools. This was a very difficult decision which had support of some community members but also faced considerable opposition from parents whose children attended Jackson Miller and Brady Henderson Schools.

On a positive note, every HASD employee voluntarily excepted a salary freeze for the 2011-12 school year to assist in alleviating the financial crisis the District was facing. This freeze saved the District approximately \$350,000 which reduced the number of additional program/position cuts.

During the June 6, 2011 special meeting of the HASD Board of Directors approval was given to an extensive list of furloughs, transfers and retirements due to the school closures.

On June 30, 2012, the HASD held an auction for the sale of Jackson Miller Elementary School and contents of both closed elementary schools. Jackson Miller was sold for \$180,000 and the contents sold for \$41,647.50. After deducting all expenses the District received \$209,793.35 which was transferred to the Capital Reserve Fund.

Due to the very difficult budget year with the furloughs, cuts and closings the district was extremely frugal with all purchases which resulted in a slight surplus of \$302,841 or 1.3% of total expenditures at year end.

Though the original budget permitted expenditures of \$23,669,844 actual expenditures were held at \$22,717,652. As a result, the fund balance increased to \$4,143,049 thus providing a reserve to offset cuts in Federal, State and Local funds and increases in expenses especially PSERS.

The majority of the budget to actual variance in revenues was due to real estate tax collections exceeding the anticipated collection rate. Also ACCESS funds generated \$58,000 more than our projections. In addition, we were awarded \$136,282 in Accountability block grant money after the budget was passed.

When reviewing General Fund Expenses for the 2011-12 School Year the District's revenues exceeded expenses and transfers out by \$302,841. Total expenses were less than budget due to the conservation methods put into place.

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

|                                     |                  |
|-------------------------------------|------------------|
| Future Employee Benefit Costs       | 552,841          |
| Capital Projects                    | 200,000          |
| Special Ed and Charter School Costs | 100,000          |
| Middle School Renovations           | 2,178,720        |
|                                     | <u>3,031,561</u> |

With this designation the District's Unreserved Fund Balance remains at: \$1,111,488 which is 4.34% of the 2012-13 Budget. This number is less than the 8% limit per Act 48 which puts the District in compliance with the Fund Balance limits. The additional fund balance went under the category of Future Employee Benefit Costs due to the increases in the PSERS rate.

The long awaited construction of a new Middle School began during the 2010-11 school year. Funding for the project will consist of two bank qualified issues of approximately ten million dollars each. The 2011 bonds were issued March 2011 the second issue occurred on January 5, 2012 in the amount of \$10,000,000.

#### General Fund Budget

During the fiscal year, the Board of School Directors authorizes revisions to the original budget to accommodate difference from the original budget to the actual expenditures of the District. All adjustments are again confirmed at the time the annual audit is accepted, which is after the end of the fiscal year, which is not prohibited by state law. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided on Page 51.

The District applies for federal and state grants which cannot always be anticipated in the budgeting process. Budgeted expenditures and other financing uses also increased to compensate for the additional approved grants. Transfers between specific categories of expenditures/financing uses occur during the year. Where permissible, grant funds were used to support the District's strategic plan.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### CAPITAL ASSETS

At June 30, 2011, the District had \$58,009,610 invested in a broad range of capital assets, including land, buildings and furniture and equipment. This amount represents a net increase of \$11,942,322 over the \$46,067,288 from last year.

Table A-5  
Governmental Activities  
Capital assets - net of depreciation

|                         | 2011-12           | 2010-11           |
|-------------------------|-------------------|-------------------|
| Land                    | 196,747           | 196,747           |
| Buildings               | 21,368,890        | 22,480,911        |
| Furniture & Equipment   | 188,940           | 185,552           |
| Construction in Process | 15,625,120        | 3,794,025         |
|                         | <u>37,379,697</u> | <u>26,657,235</u> |

### DEBT ADMINISTRATION

On June 15, 2008 the District issued \$9,045,000 of General Obligation Bonds. The proceeds were used to advance refund a portion of the School District's General Obligation Bonds, Series of 2002 and to pay the cost of issuing the 2008 bonds. Bonds were called and redeemed by June 30, 2008. The advance refunding resulted in an economic gain of \$261,451. The balance of the Series 2008 bonds on June 30, 2012 was \$6,385,000.

On June 15, 2010, the District issued \$8,315,000 of general obligation bonds. The proceeds of the 2010 bonds will be used to advance refund a portion of the School District's remaining outstanding General Obligation Bonds, Series A of 2003 being \$7,900,000 principal amount stated to mature on February 1, 2010 to and including February 1, 2024; and to pay the costs of issuing the 2010 bonds. The advance refunding was undertaken to reduce total debt service payments over the next 14 years by \$263,897 and resulted in an economic gain of \$242,234. The balance of the Series 2010 bonds was \$8,310,000 on June 30, 2012.

The District issued \$9,975,000 in general obligation bonds on March 1, 2011. The proceeds will be used to provide a portion of the funds needed for the construction of the new middle school and to pay the costs of issuing the bonds. The balance remained at \$9,975,000 at June 30, 2012 because there were no scheduled principal payments during the 11-12 fiscal year.

The second issue for the middle school project took place January 5, 2012 in the amount of \$10,000,000. In addition to providing funds needed for the construction project, the bond proceeds covered the cost of issuing the bonds.

In summary, the District had outstanding debt totaling \$25,630,000 on 7/1/11 and increased debt by \$10,000,000 and paid off debt of \$960,000 resulting in a debt total of \$34,670,000 at 6/30/12 as charted below:

Table A-6  
Outstanding Debt

| General Obligation Notes/Bonds | 7-1-11     | Increases  | Decreases | 6-30-12    |
|--------------------------------|------------|------------|-----------|------------|
| Bonds, Series of 2008          | 7,340,000  | 0          | (955,000) | 6,385,000  |
| Bonds, Series of 2010          | 8,315,000  | 0          | (5,000)   | 8,310,000  |
| Bonds, Series of 2011          | 9,975,000  | 0          | 0         | 9,975,000  |
| Bonds, Series of 2012          | 0          | 10,000,000 | 0         | 10,000,000 |
| Total Bonds:                   | 25,630,000 | 10,000,000 | (960,000) | 34,670,000 |

Other obligations include accrued vacation pay and sick leave for specific employees of the District. The balance of these compensated absences was \$1,067,962 on 6/30/12. Per actuarial calculation, the District's OPEB (other post employment benefit) liability as of June 30, 2012 is \$413,791.

#### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The budgeting process for the 2012-13 year continued to be a challenge for most school districts due to the governor's budget proposal which introduced the Student Achievement Education Block Grant which consolidated Basic Education Funding, Pupil Transportation and Employees' Social Security line items into one block grant. Concern over this proposal was due to the elimination of the transportation subsidy formula which reimburses Districts for a percentage of actual costs. Another concern was that the state would no longer fund half of the social security expense when it was lumped into the Grant. In addition, the Accountability Block Grant which Huntingdon uses to fund a portion of all day Kindergarten was not funded. For HASD this represented a \$136,000 revenue cut. In the Governor's proposal there was no increase in Component A which represented the Basic Ed Funding portion of the Block Grant.

The Act 1 index held real estate tax increases at a maximum of 2.3% or 1.75 mils. or approximately \$186,000. On the expense side of the budget the District was facing a \$220,630 increase in Retirement expense due to the rate increasing from 8.65% to 12.36%. Debt payments for the District would be increasing \$330,885. Charter School Tuition expense was projected to increase by \$148,000 and contractual obligations increased by \$192,851.

In summary, the District was presented with little to no growth in revenue and approximately \$900,000 increase in expenses for the 2013-14 school year. After months of work on the budget the District was able to pass budget without a real estate tax increase due to savings realized in several areas including retirements, contracted services, and Act 1 earned income tax calculation changes.

The District and the Huntingdon Area Educational Association failed to reach a contract settlement by the August 15, 2012 expiration date. Negotiations continue between the parties with hope of a new contract.

In April of 2011, the HASD welcomed a new Superintendent, Fred Foster.

Below is a chart that illustrates a Budgeted Revenue and Expenditure comparison between years 2011-12 and 2012-13.

Table A-7

## BUDGETED REVENUES

|               | 12-13      | 11-12      |
|---------------|------------|------------|
| Local         | 10,985,747 | 10,599,238 |
| State         | 12,274,024 | 12,231,622 |
| Federal/Other | 752,821    | 694,372    |
|               | 24,012,592 | 23,525,232 |

## BUDGETED EXPENDITURES

|                           | 12-13      | 11-12      |
|---------------------------|------------|------------|
| Instruction               | 13,822,171 | 13,628,996 |
| Support Services          | 7,722,704  | 8,070,682  |
| Non-Instruction/Community | 72,002     | 171,232    |
| Fund Transfers/Debt       | 3,981,431  | 3,329,651  |
|                           | 25,598,308 | 25,200,561 |

## CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Melinda L. Stuck, Business Administrator at Huntingdon Area School District, 2400 Cassady Avenue, Huntingdon, PA 16652, (814) 643-4140.

**HUNTINGDON AREA SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2012**

|   | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> | <u>Total</u>               |
|---|------------------------------------|-------------------------------------|----------------------------|
| <b><u>ASSETS</u></b>                            |                                    |                                     |                            |
| <b><u>Current Assets</u></b>                    |                                    |                                     |                            |
| Cash and Cash Equivalents                       | \$13,350,817                       | \$229,482                           | \$13,580,299               |
| Taxes Receivable, Net                           | 739,076                            | 0                                   | 739,076                    |
| Internal Balances                               | ( 20,082)                          | 20,082                              | 0                          |
| Intergovernmental Receivables                   | 583,337                            | 62,217                              | 645,554                    |
| Other Receivables                               | 244,054                            | 0                                   | 244,054                    |
| Inventories                                     | <u>0</u>                           | <u>34,355</u>                       | <u>34,355</u>              |
| Total Current Assets                            | <u>\$14,897,202</u>                | <u>\$346,136</u>                    | <u>\$15,243,338</u>        |
| <b><u>Noncurrent Assets</u></b>                 |                                    |                                     |                            |
| Land  | \$ 196,747                         | \$ 0                                | \$ 196,747                 |
| Buildings and Improvements, Net of Depreciation | 21,368,880                         | 0                                   | 21,368,880                 |
| Fixtures and Equipment, Net of Depreciation     | 188,940                            | 6,913                               | 195,853                    |
| Construction in Progress                        | 15,625,120                         | 0                                   | 15,625,120                 |
| Deferred Charges - Refunding                    | 292,558                            | 0                                   | 292,558                    |
| Deferred Charges - Issuance Costs               | 681,807                            | 0                                   | 681,807                    |
| Discounts, Net of Amortization                  | <u>630,699</u>                     | <u>0</u>                            | <u>630,699</u>             |
| Total Noncurrent Assets                         | <u>\$38,984,751</u>                | <u>\$ 6,913</u>                     | <u>\$38,991,664</u>        |
| <b>TOTAL ASSETS</b>                             | <u><u>\$53,881,953</u></u>         | <u><u>\$353,049</u></u>             | <u><u>\$54,235,002</u></u> |
| <b><u>LIABILITIES AND NET ASSETS</u></b>        |                                    |                                     |                            |
| <b><u>Current Liabilities</u></b>               |                                    |                                     |                            |
| Accounts Payable                                | \$ 1,354,235                       | \$ 25                               | \$ 1,354,260               |
| Accrued Salaries and Benefits                   | 1,133,020                          | 40,353                              | 1,173,373                  |
| Payroll Deductions and Withholdings             | 469,671                            | 0                                   | 469,671                    |
| Accrued Interest                                | 393,939                            | 0                                   | 393,939                    |
| Other Current Liabilities                       | 26,285                             | 0                                   | 26,285                     |
| Deferred Revenue                                | 0                                  | 10,035                              | 10,035                     |
| Bonds Payable                                   | <u>995,000</u>                     | <u>0</u>                            | <u>995,000</u>             |
| Total Current Liabilities                       | <u>\$ 4,372,150</u>                | <u>\$ 50,413</u>                    | <u>\$ 4,422,563</u>        |
| <b><u>Noncurrent Liabilities</u></b>            |                                    |                                     |                            |
| Bonds Payable                                   | \$33,675,000                       | \$ 0                                | \$33,675,000               |
| Long-Term Portion of Compensated Absences       | 1,067,962                          | 10,717                              | 1,078,679                  |
| Other Postemployment Benefits                   | <u>413,791</u>                     | <u>121,143</u>                      | <u>534,934</u>             |
| Total Noncurrent Liabilities                    | <u>\$35,156,753</u>                | <u>\$131,860</u>                    | <u>\$35,288,613</u>        |
| Total Liabilities                               | <u>\$39,528,903</u>                | <u>\$182,273</u>                    | <u>\$39,711,176</u>        |
| <b><u>Net Assets</u></b>                        |                                    |                                     |                            |
| Invested in Capital Assets, Net of Related Debt | \$ 4,314,751                       | \$ 6,913                            | \$ 4,321,664               |
| Capital Projects                                | 7,344,771                          | 0                                   | 7,344,771                  |
| Unrestricted                                    | <u>2,693,528</u>                   | <u>163,863</u>                      | <u>2,857,391</u>           |
| Total Net Assets                                | <u>\$14,353,050</u>                | <u>\$170,776</u>                    | <u>\$14,523,826</u>        |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>         | <u><u>\$53,881,953</u></u>         | <u><u>\$353,049</u></u>             | <u><u>\$54,235,002</u></u> |

**See Accompanying Notes and Independent Auditor's Report**

**HUNTINGDON AREA SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2012**

| <u>Functions/Programs</u>                            | <u>Expenses</u>     |
|--|---------------------|
| <b><u>Governmental Activities</u></b>                |                     |
| <b><u>Instruction</u></b>                            |                     |
| Regular Instruction                                  | \$ 8,187,805        |
| Special Instruction                                  | 3,458,559           |
| Vocational Instruction                               | 840,716             |
| Other Instructional Programs                         | <u>1,465,010</u>    |
| Total Instructional Services                         | \$13,952,090        |
| <b><u>Support Services</u></b>                       |                     |
| Pupil Services                                       | \$ 707,693          |
| Instructional Services                               | 622,630             |
| Administration                                       | 1,631,981           |
| Pupil Health   | 191,148             |
| Business Services                                    | 398,027             |
| Operation of Plant and Maintenance Services          | 1,960,889           |
| Student Transportation                               | 1,871,176           |
| Central  | <u>55</u>           |
| Total Support Services                               | \$ 7,383,599        |
| <b><u>Noninstructional Services</u></b>              |                     |
| Student Activities                                   | \$ 386,309          |
| Community Services                                   | 1,694               |
| Interest on Long-Term Debt                           | 1,251,940           |
| Unallocated Repairs                                  | 0                   |
| Unallocated Depreciation                             | 307,042             |
| Refund of Prior Year Receipts                        | <u>2,889</u>        |
| Total Noninstructional Services                      | \$ 1,949,874        |
| Total Governmental Activities                        | \$23,285,563        |
| <b><u>Business-Type Activities</u></b>               |                     |
| Food Services  | \$ 1,059,556        |
| Total Primary Government                             | <u>\$24,345,119</u> |
| <b><u>General Revenues</u></b>                       |                     |
| Taxes:   |                     |
| Property Taxes, Levied for General Purposes          |                     |
| Other Taxes  |                     |
| Grants, Subsidies, and Contributions Not Restricted  |                     |
| Investment Earnings                                  |                     |
| Miscellaneous Income                                 |                     |
| Transfers In (Out)                                   |                     |
| Gain on Sale of Fixed Assets                         |                     |
| Total General Revenues, Transfers, and Special Items |                     |
| Change in Net Assets                                 |                     |
| <b><u>Net Assets</u> - Beginning</b>                 |                     |
| <b><u>Net Assets</u> - Ending</b>                    |                     |

**See Accompanying Notes and Independent Auditor's Report**



**HUNTINGDON AREA SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2012**

| <u>Program Revenues</u>         |   |   | <u>Net (Expenses) Revenues and<br/>Changes in Net Assets</u> |                                     |                     |
|---------------------------------|---|---|--|-------------------------------------|---------------------|
| <u>Charges for<br/>Services</u> | <u>Operating<br/>Grants and<br/>Contributions</u> | <u>Capital<br/>Grants and<br/>Contributions</u> | <u>Governmental<br/>Activities</u>                           | <u>Business-Type<br/>Activities</u> | <u>Total</u>        |
| \$ 0                            | \$ 767,616  | \$ 0  | (\$ 7,420,189)   | \$ 0                                | (\$ 7,420,189)      |
| 0                               | 2,135,889   | 0   | ( 1,322,670)   | 0                                   | ( 1,322,670)        |
| 0                               | 21,009  | 0   | ( 819,707)   | 0                                   | ( 819,707)          |
| <u>6,435</u>                    | <u>437,284</u>                                    | <u>0</u>  | <u>( 1,021,291)</u>  | <u>0</u>                            | <u>( 1,021,291)</u> |
| \$ 6,435                        | \$3,361,798                                       | \$ 0  | (\$10,583,857)   | \$ 0                                | (\$10,583,857)      |
| \$ 0                            | \$ 34,490   | \$ 0  | (\$ 673,203)   | \$ 0                                | (\$ 673,203)        |
| 0                               | 25,016  | 0   | ( 597,614)   | 0                                   | ( 597,614)          |
| 0                               | 70,411  | 0   | ( 1,561,570)   | 0                                   | ( 1,561,570)        |
| 0                               | 51,084  | 0   | ( 140,064)   | 0                                   | ( 140,064)          |
| 0                               | 18,889  | 0   | ( 379,138)   | 0                                   | ( 379,138)          |
| 0                               | 60,759  | 0   | ( 1,900,130)   | 0                                   | ( 1,900,130)        |
| 0                               | 1,018,929   | 0   | ( 852,247)   | 0                                   | ( 852,247)          |
| <u>0</u>                        | <u>3</u>  | <u>0</u>  | <u>( 52)</u>   | <u>0</u>                            | <u>( 52)</u>        |
| \$ 0                            | \$1,279,581                                       | \$ 0  | (\$ 6,104,018)   | \$ 0                                | (\$ 6,104,018)      |
| \$ 64,674                       | \$ 15,666   | \$ 0  | (\$ 305,969)   | \$ 0                                | (\$ 305,969)        |
| 0                               | 0   | 0   | ( 1,694)   | 0                                   | ( 1,694)            |
| 0                               | 0   | 183,610   | ( 1,068,330)   | 0                                   | ( 1,068,330)        |
| 0                               | 0   | 0   | 0  | 0                                   | 0                   |
| 0                               | 0   | 0   | ( 307,042)   | 0                                   | ( 307,042)          |
| <u>0</u>                        | <u>0</u>  | <u>0</u>  | <u>( 2,889)</u>  | <u>0</u>                            | <u>( 2,889)</u>     |
| \$ 64,674                       | \$ 15,666   | \$183,610                                       | (\$ 1,685,924)   | \$ 0                                | (\$ 1,685,924)      |
| \$ 71,109                       | \$4,657,045                                       | \$183,610                                       | (\$18,373,799)   | \$ 0                                | (\$18,373,799)      |
| \$398,175                       | \$ 600,844  | \$ 0  | \$ 0   | (\$ 60,537)                         | (\$ 60,537)         |
| \$469,284                       | \$5,257,889                                       | \$183,610                                       | (\$18,373,799)   | (\$ 60,537)                         | (\$18,434,336)      |
|                                 |   |   |  |                                     |                     |
|                                 |   |   | \$ 7,694,385   | \$ 0                                | \$ 7,694,385        |
|                                 |   |   | 2,571,582  | 0                                   | 2,571,582           |
|                                 |   |   | 8,374,337  | 0                                   | 8,374,337           |
|                                 |   |   | 26,758   | 0                                   | 26,758              |
|                                 |   |   | 153,155  | 0                                   | 153,155             |
|                                 |   |   | ( 160,000)   | 160,000                             | 0                   |
|                                 |   |   | <u>215,815</u>   | <u>0</u>                            | <u>215,815</u>      |
|                                 |   |   | \$18,876,032   | \$160,000                           | \$19,036,032        |
|                                 |   |   |  |                                     |                     |
|                                 |   |   | \$ 502,233   | \$ 99,463                           | \$ 601,696          |
|                                 |   |   | <u>13,850,817</u>  | <u>71,313</u>                       | <u>13,922,130</u>   |
|                                 |   |   | \$14,353,050   | \$170,776                           | \$14,523,826        |

**See Accompanying Notes and Independent Auditor's Report**

**HUNTINGDON AREA SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012**

|  | <u>General</u>     | <u>Capital<br/>Reserve</u> | <u>Nonmajor<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|--------------------|----------------------------|---------------------------|---|
| <b><u>ASSETS</u></b>                           |                    |                            |                           |   |
| Cash and Cash Equivalents                      | \$4,941,768        | \$ 8,349,100               | \$59,949                  | \$13,350,817                            |
| Taxes Receivable, Net                          | 778,776            | 0                          | 0                         | 778,776                                 |
| Due from Other Governments                     | 583,337            | 0                          | 0                         | 583,337                                 |
| Other Receivables                              | <u>244,054</u>     | <u>0</u>                   | <u>0</u>                  | <u>244,054</u>                          |
| <b>TOTAL ASSETS</b>                            | <u>\$6,547,935</u> | <u>\$ 8,349,100</u>        | <u>\$59,949</u>           | <u>\$14,956,984</u>                     |
| <b><u>LIABILITIES AND FUND BALANCES</u></b>    |                    |                            |                           |   |
| <b><u>Liabilities</u></b>                      |                    |                            |                           |   |
| Interfund Payables                             | \$ 20,082          | \$ 0                       | \$ 0                      | \$ 20,082                               |
| Accounts Payable                               | 349,503            | 1,004,329                  | 403                       | 1,354,235                               |
| Accrued Salaries and Benefits                  | 1,133,020          | 0                          | 0                         | 1,133,020                               |
| Payroll Deductions and Withholdings            | 469,671            | 0                          | 0                         | 469,671                                 |
| Deferred Revenue                               | 406,325            | 0                          | 0                         | 406,325                                 |
| Other Current Liabilities                      | <u>26,285</u>      | <u>0</u>                   | <u>0</u>                  | <u>26,285</u>                           |
| Total Liabilities                              | <u>\$2,404,886</u> | <u>\$ 1,004,329</u>        | <u>\$ 403</u>             | <u>\$ 3,409,618</u>                     |
| <b><u>Fund Balances</u></b>                    |                    |                            |                           |   |
| Restricted Fund Balance                        | \$ 0               | \$ 4,861,716               | \$ 0                      | \$ 4,861,716                            |
| Assigned Fund Balances                         | 3,031,561          | 2,483,055                  | 59,546                    | 5,574,162                               |
| Unassigned Fund Balance                        | <u>1,111,488</u>   | <u>0</u>                   | <u>0</u>                  | <u>1,111,488</u>                        |
| Total Fund Balances                            | <u>\$4,143,049</u> | <u>\$ 7,344,771</u>        | <u>\$59,546</u>           | <u>\$11,547,366</u>                     |
| <b>TOTAL LIABILITIES<br/>AND FUND BALANCES</b> | <u>\$6,547,935</u> | <u>\$ 8,349,100</u>        | <u>\$59,949</u>           | <u>\$14,956,984</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 ASSETS  
YEAR ENDED JUNE 30, 2012**

|  |              |
|--|--------------|
| Total Fund Balances - Governmental Funds | \$11,547,365 |
|--|--------------|

Amounts reported for governmental activities in the statement of net assets 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           | \$58,009,610          |            |
| Accumulated Depreciation | ( <u>20,629,923</u> ) | 37,379,687 |

|   |         |
|---|---------|
| 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. | 406,325 |
|---|---------|

Prepaid costs relating to bond issuance, which consists of:

|                              |                |           |
|------------------------------|----------------|-----------|
| Issuance Costs               | \$681,807      |           |
| Unamortized Bond Discount    | 630,699        |           |
| Deferred Charges - Refunding | <u>292,558</u> | 1,605,064 |

|  |            |
|--|------------|
| Establish allowance for doubtful accounts - property taxes receivable. | ( 39,700 ) |
|--|------------|

|                               |             |
|-------------------------------|-------------|
| Other Postemployment Benefits | ( 413,791 ) |
|-------------------------------|-------------|

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             | (\$34,670,000)       |                       |
| Accrued Interest on Bonds | ( 393,939 )          |                       |
| Compensated Absences      | ( <u>1,067,961</u> ) | ( <u>36,131,900</u> ) |

|  |              |
|--|--------------|
| Total Net Assets - Governmental Activities | \$14,353,050 |
|--|--------------|

**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, 2012**

|   | <u>General</u>      | <u>Capital Reserve</u> | <u>Nonmajor Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|------------------------|-----------------------|---------------------------------|
| <b><u>Revenues</u></b>                            |                     |                        |                       |                                 |
| Local Sources                                     | \$10,791,787        | \$ 20,329              | \$ 64,674             | \$10,876,790                    |
| State Sources                                     | 12,056,839          | 0                      | 12,828                | 12,069,667                      |
| Federal Sources                                   | <u>756,052</u>      | <u>0</u>               | <u>0</u>              | <u>756,052</u>                  |
| Total Revenues                                    | <u>\$23,604,678</u> | <u>\$ 20,329</u>       | <u>\$ 77,502</u>      | <u>\$23,702,509</u>             |
| <b><u>Expenditures</u></b>                        |                     |                        |                       |                                 |
| Instructional Services                            | \$13,292,093        | \$ 0                   | \$ 0                  | \$13,292,093                    |
| Support Services                                  | 7,253,687           | 300                    | 0                     | 7,253,987                       |
| Operation of Noninstructional Services            | 53,675              | 0                      | 334,328               | 388,003                         |
| Capital Outlay                                    | 111,227             | 11,831,095             | 0                     | 11,942,322                      |
| Debt Service                                      | 2,004,081           | 0                      | 0                     | 2,004,081                       |
| Refund of Prior Year Receipts                     | <u>2,889</u>        | <u>0</u>               | <u>0</u>              | <u>2,889</u>                    |
| Total Expenditures                                | <u>\$22,717,652</u> | <u>\$11,831,395</u>    | <u>\$ 334,328</u>     | <u>\$34,883,375</u>             |
| Excess (Deficiency) of Revenues Over Expenditures | <u>\$ 887,026</u>   | <u>(\$11,811,066)</u>  | <u>(\$ 256,826)</u>   | <u>(\$11,180,866)</u>           |
| <b><u>Other Financing Sources (Uses)</u></b>      |                     |                        |                       |                                 |
| Bond Discount                                     | \$ 0                | (\$ 244,176)           | \$ 0                  | (\$ 244,176)                    |
| Bond Proceeds                                     | 0                   | 10,000,000             | 0                     | 10,000,000                      |
| Bond Issuance Costs                               | 0                   | ( 193,595)             | 0                     | ( 193,595)                      |
| Sale of Fixed Assets                              | 215,815             | 0                      | 0                     | 215,815                         |
| Operating Transfers In                            | 0                   | 340,000                | 300,000               | 640,000                         |
| Operating Transfers Out                           | ( 800,000)          | 0                      | 0                     | ( 800,000)                      |
| Payments to Escrow Agent - Refunding Bonds        | <u>0</u>            | <u>0</u>               | <u>0</u>              | <u>0</u>                        |
| Total Other Financing Sources (Uses)              | <u>(\$ 584,185)</u> | <u>\$ 9,902,229</u>    | <u>\$ 300,000</u>     | <u>\$ 9,618,044</u>             |
| Net Change in Fund Balances                       | <u>\$ 302,841</u>   | <u>(\$ 1,908,837)</u>  | <u>\$ 43,174</u>      | <u>(\$ 1,562,822)</u>           |
| <b><u>Fund Balances</u></b> - Beginning           | <u>3,840,208</u>    | <u>9,253,608</u>       | <u>16,371</u>         | <u>13,110,187</u>               |
| <b><u>Fund Balances</u></b> - Ending              | <u>\$ 4,143,049</u> | <u>\$ 7,344,771</u>    | <u>\$ 59,545</u>      | <u>\$11,547,365</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, 2012**

Net Change in Fund Balances - Governmental Funds (\$ 1,562,822)

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      | \$11,942,322 |            |
| Depreciation Expense | ( 1,219,870) | 10,722,452 |

Increase in allowance for uncollectibles for real estate taxes. ( 1,400)

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 revenues increased by this amount during the year. 30,871

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 assets. 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 assets. The effect of these transactions in the statement of activities is shown below:

|   |                |              |
|---|----------------|--------------|
| Net Proceeds from Issuance of Debt      | (\$ 9,562,229) |              |
| Refunding Bond Costs, Amortization      | ( 45,798)      |              |
| Repayment of Bond Principal             | 960,000        |              |
| Bond Issuance Costs, Amortization       | ( 51,482)      |              |
| Discount of Bond Issuance, Amortization | ( 43,964)      | ( 8,743,473) |

In the statement of activities, certain operating expenses - other postemployment benefits - are measured by the amounts incurred during the year versus financial resources used. 94,598

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. ( 118,097)

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. 80,104

Change in Net Assets of Governmental Activities \$ 502,233

**See Accompanying Notes and Independent Auditor's Report**

HUNTINGDON AREA SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2012

|   | <u>Food<br/>Service</u> |
|---|-------------------------|
| <b><u>ASSETS</u></b>                      |                         |
| <b><u>Current Assets</u></b>              |                         |
| Cash and Cash Equivalents                 | \$229,482               |
| Intergovernmental Receivables             | 62,217                  |
| Interfund Receivables                     | 20,082                  |
| Inventories                               | <u>34,355</u>           |
| Total Current Assets                      | \$346,136               |
| <b><u>Noncurrent Assets</u></b>           |                         |
| Machinery and Equipment, Net              | <u>\$ 6,913</u>         |
| <b>TOTAL ASSETS</b>                       | <b><u>\$353,049</u></b> |
| <b><u>LIABILITIES AND NET ASSETS</u></b>  |                         |
| <b><u>Current Liabilities</u></b>         |                         |
| Accrued Salaries and Benefits             | \$ 40,353               |
| Accounts Payable                          | 25                      |
| Deferred Revenue                          | <u>10,035</u>           |
| Total Current Liabilities                 | \$ 50,413               |
| <b><u>Noncurrent Liabilities</u></b>      |                         |
| Long-Term Portion of Compensated Absences | \$ 10,717               |
| OPEB                                      | <u>121,143</u>          |
| Total Noncurrent Liabilities              | \$131,860               |
| Total Liabilities                         | \$182,273               |
| <b><u>Net Assets</u></b>                  |                         |
| Invested in Capital Assets                | \$ 6,913                |
| Unrestricted                              | <u>163,863</u>          |
| Total Net Assets                          | \$170,776               |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>   | <b><u>\$353,049</u></b> |

See Accompanying Notes and Independent Auditor's Report

HUNTINGDON AREA SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2012

|  |                                |
|--|--------------------------------|
|  | <b><u>Food<br/>Service</u></b> |
| <b><u>Operating Revenues</u></b>           |                                |
| Food Service Revenue                       | \$ 398,175                     |
|  | <hr/>                          |
| <b><u>Operating Expenses</u></b>           |                                |
| Salaries                                   | \$ 335,326                     |
| Employee Benefits                          | 276,940                        |
| Other Purchased Services                   | 22,252                         |
| Supplies                                   | 422,668                        |
| Depreciation                               | <u>2,370</u>                   |
| Total Operating Expenses                   | \$1,059,556                    |
|  | <hr/>                          |
| Operating (Loss)                           | (\$ 661,381)                   |
|  | <hr/>                          |
| <b><u>Nonoperating Revenues</u></b>        |                                |
| State Sources                              | \$ 86,304                      |
| Federal Sources                            | <u>514,540</u>                 |
| Total Nonoperating Revenues                | \$ 600,844                     |
|  | <hr/>                          |
| (Loss) Before Operating Transfers          | (\$ 60,537)                    |
|  | <hr/>                          |
| <b><u>Operating Transfers</u></b>          |                                |
| Operating Transfers In                     | \$ 160,000                     |
|  | <hr/>                          |
| Change in Net Assets                       | \$ 99,463                      |
| <b><u>Total Net Assets</u></b> - Beginning | <u>71,313</u>                  |
| <b><u>Total Net Assets</u></b> - Ending    | <u>\$ 170,776</u>              |

See Accompanying Notes and Independent Auditor's Report

**HUNTINGDON AREA SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2012**

|  | <u><b>Food<br/>Service</b></u> |
|--|--------------------------------|
| <u><b>Cash Flows from Operating Activities</b></u>   |                                |
| Cash Received from Users   | \$397,486                      |
| Cash Payments to Employees for Services  | ( 598,480)                     |
| Cash Payments to Suppliers for Goods and Services  | ( 405,701)                     |
| Cash Payments for Other Operating Expenses   | ( 22,252)                      |
| Net Cash (Used for) Operating Activities   | (\$628,947)                    |
| <u><b>Cash Flows from Noncapital Financing Activities</b></u>                                    |                                |
| State Sources  | \$ 87,155                      |
| Federal Sources  | 522,826                        |
| Operating Transfers In   | 160,000                        |
| Net Cash Provided by Noncapital Financing Activities   | \$769,981                      |
| <u><b>Cash Flows from Capital and Related Financing Activities</b></u>                           |                                |
| Purchase of Equipment  | \$ 0                           |
| Net Increase in Cash and Cash Equivalents  | \$141,034                      |
| <u><b>Cash and Cash Equivalents</b></u> - Beginning  | 88,448                         |
| <u><b>Cash and Cash Equivalents</b></u> - Ending   | \$229,482                      |
| <u><b>Reconciliation of Operating Income to Net<br/>Cash (Used for) Operating Activities</b></u> |                                |
| Operating (Loss)   | (\$661,381)                    |
| Adjustments to Reconcile Operating (Loss)<br>to Net Cash (Used for) Operating Activities:        |                                |
| Depreciation and Net Amortization  | \$ 2,370                       |
| Change in Assets and Liabilities:  |                                |
| (Increase) Decrease in Inventories   | 17,001                         |
| (Increase) Decrease in Interfund Receivables   | ( 2,198)                       |
| Increase (Decrease) in Accounts Payable  | ( 34)                          |
| Increase (Decrease) in Accrued Salaries and Benefits   | 4,524                          |
| Increase (Decrease) in Deferred Revenue  | ( 689)                         |
| Increase (Decrease) in Long-Term Compensated Absences  | ( 4,419)                       |
| Increase (Decrease) in OPEB  | 15,879                         |
| Total Adjustments  | \$ 32,434                      |
| Cash (Used for) Operating Activities   | (\$628,947)                    |

**See Accompanying Notes and Independent Auditor's Report**



HUNTINGDON AREA SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2012

|  | <u>Agency</u>   |
|--|-----------------|
| <b><u>ASSETS</u></b>                     |                 |
| Cash and Cash Equivalents                | \$50,763        |
|  | <hr/>           |
| <b><u>LIABILITIES AND NET ASSETS</u></b> |                 |
| <b><u>Liabilities</u></b>                |                 |
| Other Current Liabilities                | \$50,763        |
|  | <hr/>           |
| <b><u>Net Assets</u></b>                 |                 |
| Restricted                               | \$ 0            |
|  | <hr/>           |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>  | <b>\$50,763</b> |
|  | <hr/>           |

See Accompanying Notes and Independent Auditor's Report

HUNTINGDON AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

**Note 1: Summary of Significant Accounting Policies**

**I. 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. However, the board is not included in any other governmental "reporting entity" as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*, since board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

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, 2012, 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.

*Appalachia 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.

**II. Summary of Significant Accounting Policies**

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The School District has elected not to apply Financial Accounting

**HUNTINGDON AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012  
(CONTINUED)**

**Note 1: Summary of Significant Accounting Policies** (Continued)

**II. Summary of Significant Accounting Policies** (Continued)

Standards Board (FASB) Statements and Interpretations issued after November 30, 1989, to its business-type activities and its enterprise funds. The most significant of the School District's accounting policies are described below.

**A. Basis of Presentation**

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

**Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental

The statement of net assets presents the financial condition of the governmental and business-type activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities and for one business-type activity of the School District. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

**Fund Financial Statements**

During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The fiduciary fund is reported by type.

**B. Fund Accounting**

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

HUNTINGDON AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012  
(CONTINUED)

**Note 1: Summary of Significant Accounting Policies** (Continued)

**II. Summary of Significant Accounting Policies** (Continued)

**B. Fund Accounting** (Continued)

**Governmental Funds**

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

**General Fund**

The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund.

**Capital Reserve Fund**

This 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.

**Proprietary Funds**

Proprietary funds focus on the determination of changes in net assets, financial position, and cash flows and are classified as either enterprise or internal service. The School District has no internal service fund.

**Enterprise Funds**

Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The School District's major enterprise fund is:

**Food Service Fund**

This fund accounts for the financial transactions related to the food service operations of the School District.

**Fiduciary Funds**

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations, i.e. the Student Activity accounts.

HUNTINGDON AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012  
(CONTINUED)

**Note 1: Summary of Significant Accounting Policies** (Continued)

**II. Summary of Significant Accounting Policies** (Continued)

**C. Measurement Focus**

**Government-Wide 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 tax revenues are recognized 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.

**Fund Financial Statements**

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. Most 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 (available if they are collected within 60 days of the end of the current fiscal period); however, certain grant revenue from other governmental units are considered available when the corresponding expenditures are incurred, even though collection might occur subsequent to sixty days after 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 are recorded only when payment is due. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activity.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**HUNTINGDON AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012  
(CONTINUED)**

**Note 1: Summary of Significant Accounting Policies** (Continued)

**II. Summary of Significant Accounting Policies** (Continued)

**D. Basis of Accounting** (Continued)

**Revenues - Exchange and Nonexchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of fiscal year-end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied on the government-wide statement. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized on the fund financial statements.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: property taxes available within 60 days of year end, interest, tuition, grants, fees, and rentals.

**Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "cash and cash equivalents" on the statement of net assets. Cash and cash equivalents consist of demand deposit accounts and other cash equivalents with original maturities of three months or less.

**Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., current portion of interfund loans) or "advances from/to other funds" (i.e., the noncurrent portion of interfund loans).

HUNTINGDON AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012  
(CONTINUED)

**Note 1: Summary of Significant Accounting Policies** (Continued)

**Inventories**

**Cafeteria Fund**

Food inventories of \$34,355 include \$2,778 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.

**Capital Assets**

Capital assets, which include land, water stock, buildings and improvements, and furniture and equipment are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$1,500 for furniture and equipment and \$100,000 for buildings and improvements and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

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

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

Buildings and improvements and furniture and equipment of the District are depreciated using the straight-line method over the following estimated lives:

| <b><u>Assets</u></b>           | <b><u>Years</u></b> |
|--------------------------------|---------------------|
| Buildings                      | 40                  |
| Building Improvements          | 20                  |
| Maintenance Equipment          | 15                  |
| Vocational Education Equipment | 15                  |
| Musical Instruments            | 10                  |
| Furniture                      | 10                  |
| Office Equipment               | 8                   |
| Athletic Equipment             | 10                  |
| Vehicles                       | 8                   |
| Audio Visual Equipment         | 6                   |
| Computer Equipment             | 5                   |

**Compensated Absences**

The School District reports compensated absences in accordance with the provisions of GASB No. 16, *Accounting for Compensated Absences*. Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

**HUNTINGDON AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**  
**(CONTINUED)**

**Note 1: Summary of Significant Accounting Policies (Continued)**

**Compensated Absences (Continued)**

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

In the governmental fund financial statements, none of the liability is reported, as it is not expected to be paid using expendable available resources. In proprietary funds, the entire amount of compensated absences related to employees of those funds is reported as a fund liability.

**Vacation**

School District employees who are required to work on a twelve-month schedule are credited with vacation at rates, which vary with length of service or job classification. Vacation (for most employee categories) may be taken or paid within certain limits. The accumulated vacation pay for June 30, 2012 was \$89,252 and for June 30, 2011 was \$85,572.

**Accumulated Sick Days**

Professional employees who have completed twenty (20) or more years of service with ten (10) of those years in the Huntingdon Area School District and who retires while an employee of the School District after such service, shall be compensated for unused sick-leave days at the rate of \$100.00 per day.

Nonprofessionals, who have completed twenty (20) years service, with ten (10) years in the District, shall receive a per diem per day for any accumulated sick leave, up to 100 days. The per diem depends on their classification.

The District has calculated a liability of \$1,020,809 for accumulated leave compensation at June 30, 2012.

**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.



**HUNTINGDON AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**  
**(CONTINUED)**

**Note 1: Summary of Significant Accounting Policies** (Continued)

**Net Assets**

Net assets represent the difference between assets and liabilities. Net assets 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 assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external 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.

**Deferred Revenue**

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

**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) 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;

**HUNTINGDON AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012  
(CONTINUED)**

**Note 1: Summary of Significant Accounting Policies (Continued)**

**Fund Equity (Continued)**

- 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.

**Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

**Subsequent Events**

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through November 6, 2012, the date the financial statements were available to be issued.

**Note 2: Deposits and Investments**

**Deposits**

The District's carrying amount of bank deposits at June 30, 2012 is \$13,631,062 and the bank balance is \$13,890,022. Of the bank balance, \$250,000 is covered by federal depository insurance and \$6,582,597 is covered by collateral held in the pledging bank's trust department, but not in the District's name. In addition, \$7,057,425 of the bank balance and book balance is invested in an external investment pool from which the District purchased a prorata share of all investments and deposits, which are held in the name of the fund, which is considered to be a cash equivalent by the District.

**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 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

HUNTINGDON AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012  
(CONTINUED)

**Note 2: Deposits and Investments** (Continued)

**Deposits** (Continued)

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.

**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, 2012, 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.

**HUNTINGDON AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**  
**(CONTINUED)**

**Note 2: Deposits and Investments (Continued)**

**District's Investment Policies (Continued)**

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 2012 was 76.30 mills (\$76.30 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           |

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, 2012 is \$668,791.

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, 2012.

|                      | <u>Gross<br/>Taxes<br/>Receivable</u> | <u>Allowance<br/>for<br/>Uncollectible<br/>Taxes</u> | <u>Net<br/>Estimated<br/>to be<br/>Collectible</u> | <u>Governmental Funds<br/>Tax<br/>Revenue<br/>Recognized</u> | <u>Deferred<br/>Taxes</u> |
|----------------------|---------------------------------------|--|--|--|---------------------------|
| Real Estate          | \$ 668,791                            | \$37,600   | \$ 631,191   | \$224,866  | \$406,325                 |
| Act 511 and Other    | 102,414                               | 2,100  | 100,314  | 100,314  | 0                         |
| Real Estate Transfer | <u>7,571</u>                          | <u>0</u>   | <u>7,571</u>                                       | <u>7,571</u>   | <u>0</u>                  |
| Total                | <u>\$ 778,776</u>                     | <u>\$39,700</u>                                      | <u>\$ 739,076</u>                                  | <u>\$332,751</u>   | <u>\$406,325</u>          |

**HUNTINGDON AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012  
(CONTINUED)**

**Note 4: Capital Assets**

Capital asset activity for the year ended June 30, 2012 is as follows:

|  | <u>Beginning<br/>Balance</u> | <u>Increases</u>      | <u>Decreases</u> | <u>Ending<br/>Balance</u> |
|--|------------------------------|-----------------------|------------------|---------------------------|
| <b><u>Governmental Activities</u></b>        |                              |                       |                  |                           |
| Capital Assets, not being depreciated:       |                              |                       |                  |                           |
| Land   | \$ 196,747                   | \$ 0                  | \$ 0             | \$ 196,747                |
| Construction in Progress                     | <u>3,794,025</u>             | <u>11,831,095</u>     | <u>0</u>         | <u>15,625,120</u>         |
| Total Capital Assets, not being depreciated  | <u>\$ 3,990,772</u>          | <u>\$11,831,095</u>   | <u>\$ 0</u>      | <u>\$15,821,867</u>       |
| Capital Assets, being depreciated:           |                              |                       |                  |                           |
| Buildings and Improvements                   | \$37,771,727                 | \$ 0                  | \$ 0             | \$37,771,727              |
| Furniture and Equipment                      | <u>4,304,789</u>             | <u>111,227</u>        | <u>0</u>         | <u>4,416,016</u>          |
| Total Capital Assets, being depreciated      | <u>\$42,076,516</u>          | <u>\$ 111,227</u>     | <u>\$ 0</u>      | <u>\$42,187,743</u>       |
| Accumulated Depreciation for:                |                              |                       |                  |                           |
| Buildings and Improvements                   | \$15,290,816                 | \$ 1,112,021          | \$ 0             | \$16,402,837              |
| Furniture and Equipment                      | <u>4,119,237</u>             | <u>107,839</u>        | <u>0</u>         | <u>4,227,076</u>          |
| Total Accumulated Depreciation               | <u>\$19,410,053</u>          | <u>\$ 1,219,860</u>   | <u>\$ 0</u>      | <u>\$20,629,913</u>       |
| Total Capital Assets, being depreciated, net | <u>\$22,666,463</u>          | <u>(\$ 1,108,633)</u> | <u>\$ 0</u>      | <u>\$21,557,830</u>       |
| Governmental Activities Capital Assets, net  | <u>\$26,657,235</u>          | <u>\$10,722,462</u>   | <u>\$ 0</u>      | <u>\$37,379,697</u>       |

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

|   |                    |
|---|--------------------|
| <b><u>Governmental Activities</u></b>               |                    |
| Instructional Services                              | \$ 736,801         |
| Supporting Services                                 | 176,027            |
| Unallocated Depreciation                            | <u>307,042</u>     |
| Total Depreciation Expense, Governmental Activities | <u>\$1,219,870</u> |

**Note 5: Pension Plan**

**Defined Benefit Plans**

The School District contributes to a governmental cost sharing multiple-employer defined benefit pension plan administered by the Public School Employees' Retirement System (PSERS). Benefit provisions of the plan are established under the provisions of the PSERS Code (the Code). The plan provides retirement and disability, legislatively mandated *ad hoc* cost-of-living adjustments, and healthcare insurance premium assistance to qualifying annuitants. PSERS issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to Diane J. Wert, Office of Financial Management, Public School Employees' Retirement System, 5 North Fifth Street, Harrisburg, Pennsylvania 17101-1905. This publication is also available on the PSERS website at [www.psers.state.pa.us/publications/cafr/index.htm](http://www.psers.state.pa.us/publications/cafr/index.htm).

**HUNTINGDON AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**  
**(CONTINUED)**

**Note 5: Pension Plan (Continued)**

**Funding Policy**

The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, employers, and the Commonwealth. Active members who joined the Public School Employees' Retirement System prior to July 22, 1983, contribute at 5.25 percent (Membership Class T-C) or at 6.50 percent (Membership Class T-D) of the member's qualifying compensation. Members who joined the Public School Employees' Retirement System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25 percent (Membership Class T-C) or at 7.50 percent (Membership Class T-D) of the member's qualifying compensation. Members who joined the Public School Employees' Retirement System after June 30, 2001 contribute at 7.50 percent (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. Contributions required of employers are based upon an actuarial valuation. Before July 1, 1995, local educational agencies and the Commonwealth shared the employer contribution rate equally. Since July 1, 1995, local educational agencies are required to pay the entire employer contribution rate and are reimbursed by the Commonwealth in an amount equal to the Commonwealth's share as determined by the income aid ratio (as defined in Act 29 of 1994), which is at least one-half of the total employer rate. For the fiscal year ended June 30, 2012, the rate of employer's contribution was 8.65 percent of covered payroll. The 8.65 percent rate is composed of a pension contribution rate of 8.00 percent for pension benefits and .65 percent for healthcare insurance premium assistance.

The School District's contributions to the Public School Employees' Retirement System for the years ended June 30, 2012, 2011, and 2010 were \$932,522, \$658,505, and \$577,980, respectively, and employee contributions were \$845,535, \$857,935, and \$886,587, respectively. The School District's contributions were equal to the required contributions for each year.

**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, 2012, (2) the states social security benefit reimbursement accrued for the year ended June 30, 2012.

**State Subsidies**

|                 |              |           |
|-----------------|--------------|-----------|
| Social Security | \$ 44,817    |           |
| Retirement      | 41,737       |           |
| Transportation  | <u>1,527</u> | \$ 88,081 |

**Federal Subsidies**

|          |                |        |
|----------|----------------|--------|
| Title I  | (\$ 70,377)    |        |
| Title II | ( 15,831)      |        |
| Access   | <u>152,457</u> | 66,249 |

HUNTINGDON AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012  
(CONTINUED)

**Note 6: Due from Other Government Receivable** (Continued)

|                                   |                   |
|-----------------------------------|-------------------|
| <u>IDEA B Funds</u>               | \$ 389,271        |
| <u>Other LEAs in PA</u> - Tuition | <u>39,736</u>     |
|                                   | <u>\$ 583,337</u> |

**Note 7: Fund Balance**

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

|                                     |                    |
|-------------------------------------|--------------------|
| Future Employee Benefit Costs       | \$ 552,841         |
| Capital Projects                    | 200,000            |
| Special Ed and Charter School Costs | 100,000            |
| Middle School Renovations           | <u>2,178,720</u>   |
|                                     | <u>\$3,031,561</u> |

**Note 8: Long-Term Debt**

The amount of long-term debt is \$36,151,753, 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:

|  |                     |
|--|---------------------|
| General Obligation Bonds   | \$34,670,000        |
| Long-Term Portion of Compensated Absences (Accumulated Sick Leave) | 1,067,962           |
| OPEB   | <u>413,791</u>      |
| Total Long-Term Debt Obligations                                   | <u>\$36,151,753</u> |

**A. General Obligation Bonds, Series of 2010**

On June 15, 2010, the District issued \$8,315,000 of general obligation bonds.

The proceeds of the 2010 bonds will be used to advance refund a portion of the School District's remaining outstanding General Obligation Bonds, Series A of 2003 being \$7,900,000 principal amount stated to mature on February 1, 2010 to and including February 1, 2024; and to pay the costs of issuing the 2010 bonds.

This advance refunding was undertaken to reduce total debt service payments over the next 14 years by \$263,897 and resulted in an economic gain of \$241,234. Debt service to maturity is as follows:

**HUNTINGDON AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012  
(CONTINUED)**

**Note 8: Long-Term Debt (Continued)**

**A. General Obligation Bonds, Series of 2010 (Continued)**

| <u>Date</u> | <u>Principal</u>      | <u>Coupon</u> | <u>Interest</u>       | <u>Total<br/>P + I</u> | <u>Fiscal Total</u> |
|-------------|-----------------------|---------------|-----------------------|------------------------|---------------------|
| 12/01/12    | \$ 5,000.00           | 2.000%        | \$ 145,368.75         | \$ 150,368.75          |                     |
| 06/01/13    |                       |               | 145,318.75            | 145,318.75             |                     |
| 06/30/13    |                       |               |                       |                        | \$ 295,687.50       |
| 12/01/13    | 5,000.00              | 2.000         | 145,318.75            | 150,318.75             |                     |
| 06/01/14    |                       |               | 145,268.75            | 145,268.75             |                     |
| 06/30/14    |                       |               |                       |                        | 295,587.50          |
| 12/01/14    | 5,000.00              | 2.000         | 145,268.75            | 150,268.75             |                     |
| 06/01/15    |                       |               | 145,218.75            | 145,218.75             |                     |
| 06/30/15    |                       |               |                       |                        | 295,487.50          |
| 12/01/15    | 30,000.00             | 3.10/3.125    | 145,218.75            | 175,218.75             |                     |
| 06/01/16    |                       |               | 144,750.63            | 144,750.63             |                     |
| 06/30/16    |                       |               |                       |                        | 319,969.38          |
| 12/01/16    | 50,000.00             | 3.10/3.125    | 144,750.63            | 194,750.63             |                     |
| 06/01/17    |                       |               | 143,970.00            | 143,970.00             |                     |
| 06/30/17    |                       |               |                       |                        | 338,720.63          |
| 12/01/17    | 55,000.00             | 3.10/3.125    | 143,970.00            | 198,970.00             |                     |
| 06/01/18    |                       |               | 143,111.25            | 143,111.25             |                     |
| 06/30/18    |                       |               |                       |                        | 342,081.25          |
| 12/01/18    | 1,260,000.00          | 3.10/3.125    | 143,111.25            | 1,403,111.25           |                     |
| 06/01/19    |                       |               | 123,484.38            | 123,484.38             |                     |
| 06/30/19    |                       |               |                       |                        | 1,526,595.63        |
| 12/01/19    | 1,305,000.00          | 3.375         | 123,484.38            | 1,428,484.38           |                     |
| 06/01/20    |                       |               | 101,462.50            | 101,462.50             |                     |
| 06/30/20    |                       |               |                       |                        | 1,529,946.88        |
| 12/01/20    | 1,355,000.00          | 3.500         | 101,462.50            | 1,456,462.50           |                     |
| 06/01/21    |                       |               | 77,750.00             | 77,750.00              |                     |
| 06/30/21    |                       |               |                       |                        | 1,534,212.50        |
| 12/01/21    | 1,400,000.00          | 3.500         | 77,750.00             | 1,477,750.00           |                     |
| 06/01/22    |                       |               | 53,250.00             | 53,250.00              |                     |
| 06/30/22    |                       |               |                       |                        | 1,531,000.00        |
| 12/01/22    | 1,460,000.00          | 3.750         | 53,250.00             | 1,513,250.00           |                     |
| 06/01/23    |                       |               | 25,875.00             | 25,875.00              |                     |
| 06/30/23    |                       |               |                       |                        | 1,539,125.00        |
| 12/01/23    | <u>1,380,000.00</u>   | 3.750         | <u>25,875.00</u>      | <u>1,405,875.00</u>    |                     |
| 06/30/24    |                       |               |                       |                        | 1,405,875.00        |
|             | <u>\$8,310,000.00</u> |               | <u>\$2,644,288.77</u> | <u>\$10,954,288.77</u> |                     |

**B. General Obligation Bonds, Series of 2008**

On June 15, 2008, the District issued \$9,045,000 of General Obligation Bonds. The proceeds were used to advance refund a portion of the School District's General Obligation Bonds, Series of 2002 and to pay the cost of issuing the 2008 Bonds.

Bonds were called and redeemed by June 30, 2008. The advance refunding resulted in an economic gain of \$261,451.



**HUNTINGDON AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012  
(CONTINUED)**

**Note 8: Long-Term Debt (Continued)**

**B. General Obligation Bonds, Series of 2008 (Continued)**

Debt service to maturity is as follows:

| <u>Date</u> | <u>Principal</u>      | <u>Coupon</u> | <u>Interest</u>      | <u>Total<br/>P + I</u> | <u>Fiscal Total</u> |
|-------------|-----------------------|---------------|----------------------|------------------------|---------------------|
| 08/01/12    | \$ 490,000.00         | 2.900%        | \$ 105,746.25        | \$ 595,746.25          |                     |
| 02/01/13    | 495,000.00            | 3.050         | 98,641.25            | 593,641.25             |                     |
| 06/30/13    |                       |               |                      |                        | \$1,189,387.50      |
| 08/01/13    | 505,000.00            | 3.050         | 91,092.50            | 596,092.50             |                     |
| 02/01/14    | 510,000.00            | 3.150         | 83,391.25            | 593,391.25             |                     |
| 06/30/14    |                       |               |                      |                        | 1,189,483.75        |
| 08/01/14    | 520,000.00            | 3.150         | 75,358.75            | 595,358.75             |                     |
| 02/01/15    | 525,000.00            | 3.300         | 67,168.75            | 592,168.75             |                     |
| 06/30/15    |                       |               |                      |                        | 1,187,527.50        |
| 08/01/15    | 535,000.00            | 3.300         | 58,506.25            | 593,506.25             |                     |
| 02/01/16    | 540,000.00            | 3.450         | 49,678.75            | 589,678.75             |                     |
| 06/30/16    |                       |               |                      |                        | 1,183,185.00        |
| 08/01/16    | 550,000.00            | 3.450         | 40,363.75            | 590,363.75             |                     |
| 02/01/17    | 560,000.00            | 3.550         | 30,876.25            | 590,876.25             |                     |
| 06/30/17    |                       |               |                      |                        | 1,181,240.00        |
| 08/01/17    | 575,000.00            | 3.550         | 20,936.25            | 595,936.25             |                     |
| 02/01/18    | 580,000.00            | 3.700         | 10,730.00            | 590,730.00             |                     |
| 06/30/18    | 0.00                  |               | 0.00                 | 0.00                   | 1,186,666.25        |
|             | <u>\$6,385,000.00</u> |               | <u>\$ 732,490.00</u> | <u>\$ 7,117,490.00</u> |                     |

**C. General Obligation Bonds, Series of 2011**

On March 1, 2011, the District issued \$9,975,000 of general obligation bonds. The proceeds will be used to provide a portion of the funds needed for the construction of the new middle school and to pay the costs of issuing the bonds. Debt service to maturity is as follows:

| <u>Date</u> | <u>Principal</u> | <u>Coupon</u> | <u>Interest</u> | <u>Total<br/>P + I</u> | <u>Fiscal Total</u> |
|-------------|------------------|---------------|-----------------|------------------------|---------------------|
| 09/01/12    |                  |               | \$ 229,928.13   | \$ 229,928.13          |                     |
| 03/01/13    | \$ 5,000.00      | 3.750%        | 229,928.13      | 234,928.13             | \$ 464,856.26       |
| 09/01/13    |                  |               | 229,834.38      | 229,834.38             |                     |
| 03/01/14    | 5,000.00         | 3.750         | 229,834.38      | 234,834.38             | 464,668.76          |
| 09/01/14    |                  |               | 229,740.63      | 229,740.63             |                     |
| 03/01/15    | 5,000.00         | 3.750         | 229,740.63      | 234,740.63             | 464,481.26          |
| 09/01/15    |                  |               | 229,646.88      | 229,646.88             |                     |
| 03/01/16    | 10,000.00        | 3.750         | 229,646.88      | 239,646.88             | 469,293.76          |
| 09/01/16    |                  |               | 229,459.38      | 229,459.38             |                     |
| 03/01/17    | 10,000.00        | 3.750         | 229,459.38      | 239,459.38             | 468,918.76          |
| 09/01/17    |                  |               | 229,271.88      | 229,271.88             |                     |
| 03/01/18    | 10,000.00        | 3.750         | 229,271.88      | 239,271.88             | 468,543.76          |
| 09/01/18    |                  |               | 229,084.38      | 229,084.38             |                     |
| 03/01/19    | 10,000.00        | 3.750         | 229,084.38      | 239,084.38             | 468,168.76          |
| 09/01/19    |                  |               | 228,896.88      | 228,896.88             |                     |
| 03/01/20    | 10,000.00        | 3.750         | 228,896.88      | 238,896.88             | 467,793.75          |
| 09/01/20    |                  |               | 228,709.38      | 228,709.38             |                     |
| 03/01/21    | 5,000.00         | 3.750         | 228,709.38      | 233,709.38             | 462,418.76          |
| 09/01/21    |                  |               | 228,615.63      | 228,615.63             |                     |

**HUNTINGDON AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012  
(CONTINUED)**

**Note 8: Long-Term Debt (Continued)**

**C. General Obligation Bonds, Series of 2011 (Continued)**

| <u>Date</u> | <u>Principal</u>      | <u>Coupon</u> | <u>Interest</u>       | <u>Total<br/>P + I</u> | <u>Fiscal Total</u> |
|-------------|-----------------------|---------------|-----------------------|------------------------|---------------------|
| 03/01/22    | \$ 5,000.00           | 4.125%        | \$ 228,615.63         | \$ 233,615.63          | \$ 462,231.26       |
| 09/01/22    |                       |               | 228,512.50            | 228,512.50             |                     |
| 03/01/23    | 5,000.00              | 4.125         | 228,512.50            | 233,512.50             | 462,025.00          |
| 09/01/23    |                       |               | 228,409.38            | 228,409.38             |                     |
| 03/01/24    | 130,000.00            | 4.125         | 228,409.38            | 358,409.38             | 586,818.76          |
| 09/01/24    |                       |               | 225,728.13            | 225,728.13             |                     |
| 03/01/25    | 635,000.00            | 4.125         | 225,728.13            | 860,728.13             | 1,086,456.26        |
| 09/01/25    |                       |               | 212,631.25            | 212,631.25             |                     |
| 03/01/26    | 660,000.00            | 4.125         | 212,631.25            | 872,631.25             | 1,085,262.50        |
| 09/01/26    |                       |               | 199,018.75            | 199,018.75             |                     |
| 03/01/27    | 685,000.00            | 4.375         | 199,018.75            | 884,018.75             | 1,083,037.50        |
| 09/01/27    |                       |               | 184,034.38            | 184,034.38             |                     |
| 03/01/28    | 720,000.00            | 4.375         | 184,034.38            | 904,034.38             | 1,088,068.76        |
| 09/01/28    |                       |               | 168,284.38            | 168,284.38             |                     |
| 03/01/29    | 750,000.00            | 4.500         | 168,284.38            | 918,284.38             | 1,086,568.76        |
| 09/01/29    |                       |               | 151,409.38            | 151,409.38             |                     |
| 03/01/30    | 785,000.00            | 4.500         | 151,409.38            | 936,409.38             | 1,087,818.76        |
| 09/01/30    |                       |               | 133,746.88            | 133,746.88             |                     |
| 03/01/31    | 820,000.00            | 4.750         | 133,746.88            | 953,746.88             | 1,087,493.76        |
| 09/01/31    |                       |               | 114,271.88            | 114,271.88             |                     |
| 03/01/32    | 855,000.00            | 4.750         | 114,271.88            | 969,271.88             | 1,083,543.76        |
| 09/01/32    |                       |               | 93,965.63             | 93,965.63              |                     |
| 03/01/33    | 895,000.00            | 4.875         | 93,965.63             | 988,965.63             | 1,082,931.26        |
| 09/01/33    |                       |               | 72,150.00             | 72,150.00              |                     |
| 03/01/34    | 940,000.00            | 4.875         | 72,150.00             | 1,012,150.00           | 1,084,300.00        |
| 09/01/34    |                       |               | 49,237.50             | 49,237.50              |                     |
| 03/01/35    | 985,000.00            | 4.875         | 49,237.50             | 1,034,237.50           | 1,083,475.00        |
| 09/01/35    |                       |               | 25,228.13             | 25,228.13              |                     |
| 03/01/36    | <u>1,035,000.00</u>   | 4.875         | <u>25,228.13</u>      | <u>1,060,228.13</u>    | 1,085,456.26        |
|             | <u>\$9,975,000.00</u> |               | <u>\$8,759,631.44</u> | <u>\$18,734,631.44</u> |                     |

**D. General Obligation Bonds, Series of 2012**

On January 5, 2012, the District issued \$10,000,000 of general obligation bonds. The proceeds will be used to provide a portion of the funds needed for the construction of the new middle school and to pay the costs of issuing the bonds. Debt service to maturity is as follows:

| <u>Date</u> | <u>Principal</u> | <u>Coupon</u> | <u>Interest</u> | <u>Total<br/>P + I</u> | <u>Fiscal Total</u> |
|-------------|------------------|---------------|-----------------|------------------------|---------------------|
| 03/01/12    |                  |               | \$ 60,900.00    | \$ 60,900.00           | \$ 60,900.00        |
| 09/01/12    |                  |               | 195,750.00      | 195,750.00             |                     |
| 03/01/13    |                  |               | 195,750.00      | 195,750.00             | 391,500.00          |
| 09/01/13    |                  |               | 195,750.00      | 195,750.00             |                     |
| 03/01/14    | \$ 5,000.00      | 2.875%        | 195,750.00      | 200,750.00             | 396,500.00          |
| 09/01/14    |                  |               | 195,678.13      | 195,678.13             |                     |
| 03/01/15    | 5,000.00         | 2.875         | 195,678.13      | 200,678.13             | 396,356.26          |
| 09/01/15    |                  |               | 195,606.25      | 195,606.25             |                     |
| 03/01/16    | 5,000.00         | 2.875         | 195,606.25      | 200,606.25             | 396,212.50          |
| 09/01/16    |                  |               | 195,534.38      | 195,534.38             |                     |

**HUNTINGDON AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012  
(CONTINUED)**

**Note 8: Long-Term Debt** (Continued)

**D. General Obligation Bonds, Series of 2012** (Continued)

| <u>Date</u> | <u>Principal</u>       | <u>Coupon</u> | <u>Interest</u>       | <u>Total<br/>P + I</u> | <u>Fiscal Total</u> |
|-------------|------------------------|---------------|-----------------------|------------------------|---------------------|
| 03/01/17    | \$ 5,000.00            | 2.875%        | \$ 195,534.38         | \$ 200,534.38          | \$ 396,068.76       |
| 09/01/17    |                        |               | 195,462.50            | 195,462.50             |                     |
| 03/01/18    | 5,000.00               | 2.875         | 195,462.50            | 200,462.50             | 395,925.00          |
| 09/01/18    |                        |               | 195,390.63            | 195,390.63             |                     |
| 03/01/19    | 5,000.00               | 2.875         | 195,390.63            | 200,390.63             | 395,781.26          |
| 09/01/19    |                        |               | 195,318.75            | 195,318.75             |                     |
| 03/01/20    | 5,000.00               | 2.875         | 195,318.75            | 200,318.75             | 395,637.50          |
| 09/01/20    |                        |               | 195,246.88            | 195,246.88             |                     |
| 03/01/21    | 5,000.00               | 2.875         | 195,246.88            | 200,246.88             | 395,493.76          |
| 09/01/21    |                        |               | 195,175.00            | 195,175.00             |                     |
| 03/01/22    | 5,000.00               | 3.500         | 195,175.00            | 200,175.00             | 395,350.00          |
| 09/01/22    |                        |               | 195,087.50            | 195,087.50             |                     |
| 03/01/23    | 5,000.00               | 3.500         | 195,087.50            | 200,087.50             | 395,175.00          |
| 09/01/23    |                        |               | 195,000.00            | 195,000.00             |                     |
| 03/01/24    | 5,000.00               | 3.500         | 195,000.00            | 200,000.00             | 395,000.00          |
| 09/01/24    |                        |               | 194,912.50            | 194,912.50             |                     |
| 03/01/25    | 670,000.00             | 3.500         | 194,912.50            | 864,912.50             | 1,059,825.00        |
| 09/01/25    |                        |               | 183,187.50            | 183,187.50             |                     |
| 03/01/26    | 695,000.00             | 3.500         | 183,187.50            | 878,187.50             | 1,061,375.00        |
| 09/01/26    |                        |               | 171,025.00            | 171,025.00             |                     |
| 03/01/27    | 720,000.00             | 3.625         | 171,025.00            | 891,025.00             | 1,062,050.00        |
| 09/01/27    |                        |               | 157,975.00            | 157,975.00             |                     |
| 03/01/28    | 745,000.00             | 3.625         | 157,975.00            | 902,975.00             | 1,060,950.00        |
| 09/01/28    |                        |               | 144,471.88            | 144,471.88             |                     |
| 03/01/29    | 770,000.00             | 3.875         | 144,471.88            | 914,471.88             | 1,058,943.76        |
| 09/01/29    |                        |               | 129,553.13            | 129,553.13             |                     |
| 03/01/30    | 800,000.00             | 3.875         | 129,553.13            | 929,553.13             | 1,059,106.26        |
| 09/01/30    |                        |               | 114,053.13            | 114,053.13             |                     |
| 03/01/31    | 830,000.00             | 4.000         | 114,053.13            | 944,053.13             | 1,058,106.26        |
| 09/01/31    |                        |               | 97,453.13             | 97,453.13              |                     |
| 03/01/32    | 870,000.00             | 4.000         | 97,453.13             | 967,453.13             | 1,064,906.26        |
| 09/01/32    |                        |               | 80,053.13             | 80,053.13              |                     |
| 03/01/33    | 905,000.00             | 4.125         | 80,053.13             | 985,053.13             | 1,065,106.26        |
| 09/01/33    |                        |               | 61,387.50             | 61,387.50              |                     |
| 03/01/34    | 940,000.00             | 4.125         | 61,387.50             | 1,001,387.50           | 1,062,775.00        |
| 09/01/34    |                        |               | 42,000.00             | 42,000.00              |                     |
| 03/01/35    | 980,000.00             | 4.200         | 42,000.00             | 1,022,000.00           | 1,064,000.00        |
| 09/01/35    |                        |               | 21,420.00             | 21,420.00              |                     |
| 03/01/36    | <u>1,020,000.00</u>    | 4.200         | <u>21,420.00</u>      | <u>1,041,420.00</u>    | <u>1,062,840.00</u> |
|             | <u>\$10,000,000.00</u> |               | <u>\$7,545,883.84</u> | <u>\$17,545,883.84</u> |                     |

**E. 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 \$1,078,678.

**HUNTINGDON AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012  
(CONTINUED)**

**Note 8: Long-Term Debt** (Continued)

**F. OPEB Liability**

Per actuarial calculation, the other postemployment benefit liability as of June 30, 2012 is \$413,791.

**G. Changes in Long-Term Debt**

|                      | <u>Balance</u><br><u>7/01/11</u> | <u>Increase</u>     | <u>Decrease</u>    | <u>Balance</u><br><u>6/30/12</u> | <u>Due Within</u><br><u>One Year</u> |
|----------------------|----------------------------------|---------------------|--------------------|----------------------------------|--------------------------------------|
| Bonds                | \$25,630,000                     | \$10,000,000        | \$ 960,000         | \$34,670,000                     | \$ 995,000                           |
| Compensated Absences | 1,163,201                        | 0                   | 95,239             | 1,067,962                        | 0                                    |
| OPEB                 | <u>613,653</u>                   | <u>0</u>            | <u>199,862</u>     | <u>413,791</u>                   | <u>0</u>                             |
|                      | <u>\$27,406,854</u>              | <u>\$10,000,000</u> | <u>\$1,255,101</u> | <u>\$36,151,753</u>              | <u>\$ 995,000</u>                    |

**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 \$185,099 for these services during fiscal year ended June 30, 2012.

**HUNTINGDON AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012  
(CONTINUED)**

**Note 10: Related Party Transactions (Continued)**

**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 31% of the total. The Huntingdon Area School District paid approximately \$599,682 as its share to the Huntingdon County Career & Technology Center during 2011-2012.

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.

**Note 11: Participation in the Huntingdon County Schools Insurance Trust**

Effective January 1, 1993, the District agreed to participate in a newly formed insurance trust comprised of six local educational agencies, which has been specifically established to purchase health and medical insurance coverage and dental and vision coverage from Blue Cross of Western Pennsylvania and Pennsylvania 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, 2012, no receivable or payable to the trust has been reflected on these financial statements. As of June 30, 2012, 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, 2012, which amounted to \$4,008,028.

**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.

HUNTINGDON AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012  
(CONTINUED)

**Note 12: Functions and Objects** (Continued)

**Functions** (Continued)

**1. Instruction** (Continued)

**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.

**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 well being 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.

HUNTINGDON AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012  
(CONTINUED)

**Note 12: Functions and Objects** (Continued)

**Functions** (Continued)

**2. Support Services** (Continued)

**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.

**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.

HUNTINGDON AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012  
(CONTINUED)

**Note 12: Functions and Objects** (Continued)

**Functions** (Continued)

**3. Operation of Noninstructional Services** (Continued)

**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.

**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.



**HUNTINGDON AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**  
**(CONTINUED)**

**Note 12: Functions and Objects (Continued)**

**Objects (Continued)**

**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.

**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.

**HUNTINGDON AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012  
(CONTINUED)**

**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.

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, 2012:

|               |          |
|---------------|----------|
| June 30, 2013 | \$86,413 |
| June 30, 2014 | 0        |
| June 30, 2015 | 0        |
| June 30, 2016 | 0        |
| June 30, 2017 | 0        |

**Note 16: Interfund Receivables and Payables**

The composition of interfund balances as of June 30, 2012 is as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> | <u>For</u>    |
|------------------------|---------------------|---------------|---------------|
| Cafeteria              | General             | \$20,082      | Miscellaneous |

Interfund transfers during the year ended June 30, 2012 are as follows:

| <u>Transfers Out</u> | <u>Transfers In</u> | <u>Amount</u> | <u>For</u>       |
|----------------------|---------------------|---------------|------------------|
| General Fund         | Cafeteria Fund      | \$160,000     | General Transfer |
| General Fund         | Athletic            | 300,000       | General Transfer |
| General Fund         | Capital Reserve     | 340,000       | General Transfer |

**Note 17: Postretirement Benefits**

**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:

For 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

**HUNTINGDON AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**  
**(CONTINUED)**

**Note 17: Postretirement Benefits (Continued)**

**Plan Description (Continued)**

legal disability will be at the rate of fifty dollars (\$50) 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.

For Administrators the District will deposit the amount of \$125 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.

For Retiring Support Union Members with 90 days' notice, all employees after 15 years of service, within the PA Public School System, 10 of which are in the Huntingdon Area School District, will be paid in cash for all unused sick days at the rate of twenty-five dollars (\$25) per eight-hour day.

For Custodial Union members, employees with 10 years in the Huntingdon Area School District will be paid in cash for all unused accumulated sick days at 2500 of daily rate excluding overtime.

For Confidential employees, the District shall pay a retirement provision in the sum of \$2,000 to any confidential employee with 15 years of service, ten years of which are with this District.

**Valuation of Assets**

The plan has no segregated assets.

In order to be considered as an asset under GASB #45, 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**

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.

HUNTINGDON AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012  
(CONTINUED)

**Note 17: Postretirement Benefits** (Continued)

**Annual OPEB Cost and Net OPEB Obligation** (Continued)

Net OPEB Obligation as of June 30, 2012:

|   |                  |
|---|------------------|
| Annual Required Contribution (ARC)                    | \$418,026        |
| Interest on Net OPEB Obligation                       | 20,352           |
| Adjustment to Annual Required Contribution            | ( 35,998)        |
| Annual OPEB Cost                                      | \$402,380        |
| Projected pay-as-you-go Expense                       | ( 481,099)       |
| <b><u>Net OPEB Obligation</u></b> - Beginning of Year | 613,653          |
| Prefunding  | <u>0</u>         |
| <b><u>Net OPEB Obligation</u></b> - End of Year       | <u>\$534,934</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 2012 were as follows:

| <u>Fiscal Year Ended</u> | <u>Annual OPEB Cost</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|--------------------------|-------------------------|---|----------------------------|
| June 30, 2012            | \$402,380               | 100%  | \$402,380                  |

**Actuarial Methods and Assumptions**

**Actuarial Methods**

Actuarial Cost Method

Unit Credit under which the benefits (projected or unprojected) of each individual included in an Actuarial Valuation are allocated by a consistent formula to valuation years. The Actuarial Present Value of benefits allocated to a valuation year is called the Normal Cost. The Actuarial Present Value of benefits allocated to all periods prior to a valuation year is called the Actuarial Accrued Liability. The attribution period ends when a Participant is eligible for benefits.

Amortization of Unfunded Liability

Unfunded Liability is amortized under the level dollar method using an amortization period of 20 years.

Treatment of Gains (Losses)

Actuarial Gains (Losses), as they occur, generally reduce (increase) the Unfunded Actuarial Accrued Liability

Initial Adoption of GASB 45

July 1, 2008

Valuation Date

First day of the Fiscal Year (July 1, 2011)

Asset Valuation Method

The benefits are funded on a pay-as-you-go basis.

HUNTINGDON AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012  
(CONTINUED)

**Note 17: Postretirement Benefits** (Continued)

**Actuarial Methods and Assumptions** (Continued)

**Actuarial Assumptions**

Discount Rate

An annual rate of 4.00%

Assumed Retirement Age

100% of employees are assumed to retire when eligible for unreduced benefits under the Public School Employees' Retirement System of Pennsylvania at the earlier of:

- Age 60 with 30 years of service with Huntingdon Area School District, or
- At least 35 years of service with Huntingdon Area School District, or
- Age 62 with at least 1 year of service

Pre-Retirement Mortality

RP-2000 Employee Mortality Table (Male and Female)

Post-Retirement Mortality

RP-2000 Healthy Annuitant Mortality Table (Male and Female)

Turnover before Retirement

Actuary's Turnover Table T-5: the following are sample rates:

| <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 assumed 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 pays 100% of the full cost of dependent coverage. It is also assumed that the participant pays the full cost of dental coverage; therefore dental coverage is not included in this valuation. After Medicare eligibility, it is assumed that the participant pays the full cost for coverage.

Expenses

Expenses are included in the claim costs.

HUNTINGDON AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012  
(CONTINUED)

**Note 17: Postretirement Benefits** (Continued)

**Summary of Principal Plan Provisions**

**Retiree Benefits**

The following retirement benefits are valued under GASB 45:

1. Medical Coverage

No other benefits are valued under GASB 45

**Medical Coverage**

Description

Highmark Blue Cross/Blue Shield, fully insured

Eligibility

Employees who retire from active service

Period of Coverage

For the life of the retiree

Coverage

Medical coverage provided to active employees is continued for eligible retirees, spouses and dependents

**Contributions**

Employee

Retiree pays the full active cost of the elected coverage

One retired administrator pays ½ of the family premium until age 62 and full cost after age 62

Two retirees pay only the \$100 received from PSERS for single coverage until age 65

Employer

District pays a maximum of one half of the family premium for one retired administrator until the retiree's age 62 (2017)

District pays full single premium less \$1,200 per year for 2 retirees

For all other retirees: None

**HUNTINGDON AREA SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION (RSI)**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**YEAR ENDED JUNE 30, 2012**

|  | <u>Original<br/>Budgeted<br/>Amounts</u> | <u>Final<br/>Budgeted<br/>Amounts</u> | <u>Actual<br/>(Budgetary Basis)</u> | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|--|--|---------------------------------------|-------------------------------------|---|
| <b><u>Revenues</u></b>                               |  |                                       |                                     |   |
| Local Sources  | \$10,599,238                             | \$10,599,238                          | \$10,791,787                        | \$ 192,549  |
| State Sources  | 12,231,622                               | 12,231,622                            | 12,056,839                          | ( 174,783)  |
| Federal Sources                                      | <u>694,372</u>                           | <u>694,372</u>                        | <u>756,052</u>                      | <u>61,680</u>   |
| Total Revenues                                       | <u>\$23,525,232</u>                      | <u>\$23,525,232</u>                   | <u>\$23,604,678</u>                 | <u>\$ 79,446</u>  |
| <b><u>Expenditures</u></b>                           |  |                                       |                                     |   |
| Regular Programs                                     | \$ 8,037,070                             | \$ 7,838,367                          | \$ 7,800,484                        | \$ 37,883   |
| Special Programs                                     | 3,449,805                                | 3,491,692                             | 3,294,953                           | 196,739   |
| Vocational Programs                                  | 807,122                                  | 817,428                               | 800,947                             | 16,481  |
| Other Instructional Programs                         | 1,461,428                                | 1,481,509                             | 1,395,707                           | 85,802  |
| Nonpublic School Programs                            | 0  | 0                                     | 0                                   | 0   |
| Pre-Kindergarten                                     | 0  | 0                                     | 0                                   | 0   |
| Adult Education Programs                             | 0  | 0                                     | 0                                   | 0   |
| Pupil Personnel Services                             | 766,897                                  | 767,090                               | 689,524                             | 77,566  |
| Instructional Staff Services                         | 706,457                                  | 745,986                               | 606,644                             | 139,342   |
| Administration Services                              | 1,694,570                                | 1,825,007                             | 1,650,037                           | 174,970   |
| Pupil Health   | 158,997                                  | 194,068                               | 186,240                             | 7,828   |
| Business Services                                    | 390,802                                  | 395,416                               | 387,508                             | 7,908   |
| Operation and Maintenance of<br>Plant Services       | 2,428,489                                | 2,247,911                             | 1,910,545                           | 337,366   |
| Student Transportation Services                      | 1,599,328                                | 1,824,408                             | 1,823,135                           | 1,273   |
| Central and Other Support Services                   | 87,574                                   | 70,796                                | 55                                  | 70,741  |
| Other Support Services                               | 0  | 0                                     | 0                                   | 0   |
| Student Activities                                   | 55,529                                   | 55,575                                | 51,981                              | 3,594   |
| Community Services                                   | 230                                      | 4,430                                 | 1,694                               | 2,736   |
| Facilities Acquisition and Construction              | 15,000                                   | 111,227                               | 111,227                             | 0   |
| Debt Service   | <u>2,010,546</u>                         | <u>2,006,971</u>                      | <u>2,006,971</u>                    | <u>0</u>  |
| Total Expenditures                                   | <u>\$23,669,844</u>                      | <u>\$23,877,881</u>                   | <u>\$22,717,652</u>                 | <u>\$1,160,229</u>  |
| Excess (Deficiency) of<br>Revenues Over Expenditures | <u>(\$ 144,612)</u>                      | <u>(\$ 352,649)</u>                   | <u>\$ 887,026</u>                   | <u>\$1,239,675</u>  |
| <b><u>Other Financial Sources (Uses)</u></b>         |  |                                       |                                     |   |
| Interfund Transfers In                               | \$ 0                                     | \$ 0                                  | \$ 0                                | \$ 0  |
| Interfund Transfers Out                              | ( 1,290,000)                             | ( 1,322,680)                          | ( 800,000)                          | 522,680   |
| Sale of Fixed Assets                                 | 0  | 0                                     | 215,815                             | 215,815   |
| Refund of Prior Year Receipts                        | 0  | 0                                     | 0                                   | 0   |
| Budgetary Reserve                                    | <u>( 333,900)</u>                        | <u>0</u>                              | <u>0</u>                            | <u>0</u>  |
| Total Other Financing Sources (Uses)                 | <u>(\$ 1,623,900)</u>                    | <u>(\$ 1,322,680)</u>                 | <u>(\$ 584,185)</u>                 | <u>\$ 738,495</u>   |
| Net Change in Fund Balances                          | <u>(\$ 1,768,512)</u>                    | <u>(\$ 1,675,329)</u>                 | <u>\$ 302,841</u>                   | <u>\$1,978,170</u>  |
| <b><u>Fund Balances</u></b> - July 1, 2011           | <u>2,875,000</u>                         | <u>2,875,000</u>                      | <u>3,840,208</u>                    | <u>965,208</u>  |
| <b><u>Fund Balances</u></b> - June 30, 2012          | <u>\$ 1,106,488</u>                      | <u>\$ 1,199,671</u>                   | <u>\$ 4,143,049</u>                 | <u>\$2,943,378</u>  |

**HUNTINGDON AREA SCHOOL DISTRICT  
HUNTINGDON COUNTY, PENNSYLVANIA  
DEFINED BENEFIT POSTEMPLOYMENT HEALTHCARE PLAN  
REQUIRED SUPPLEMENTARY INFORMATION**

**Schedule of Funding Progress**

| <b>Actuarial<br/>Valuation<br/>Date</b> | <b>Actuarial<br/>Value of<br/>Assets<br/>(a)</b> | <b>Actuarial Accrued<br/>Liability (AAL)<br/>Entry Age<br/>(b)</b> | <b>Unfunded<br/>AAL<br/>(UAAL)<br/>(b-a)</b> | <b>Funded<br/>Ratio<br/>(a/b)</b> | <b>Covered<br/>Payroll<br/>(c)</b> | <b>UAAL as a<br/>Percentage<br/>of Covered<br/>Payroll<br/>((b-a)/c)</b> |
|---|--|--|--|-----------------------------------|------------------------------------|--|
| 7/1/11                                  | \$0  | \$3,874,104  | \$3,874,104                                  | 0%                                | TBD                                | TBD  |

TBD=To be determined



**HUNTINGDON AREA SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
JUNE 30, 2012**

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 2012.

HUNTINGDON AREA SCHOOL DISTRICT  
ATHLETIC FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2012

**Revenues**

|                               |              |
|-------------------------------|--------------|
| Football Gate Receipts        | \$ 26,505    |
| Basketball Gate Receipts      | 15,584       |
| Wrestling Gate Receipts       | 4,343        |
| Volleyball Gate Receipts      | 5,094        |
| Soccer Gate Receipts          | 4,694        |
| Field Hockey                  | 270          |
| All Sport and Season Tickets  | 1,855        |
| Other                         | 20           |
| Social Security Reimbursement | 12,828       |
| Pay to Play                   | <u>6,310</u> |
| Total Revenues                | \$ 77,503    |

**Expenditures**

|                                |              |
|--------------------------------|--------------|
| Salaries                       | \$158,540    |
| Employee Benefits              | 27,172       |
| Contracted Services            | 48,510       |
| Repairs and Maintenance        | 6,311        |
| Transportation and Conferences | 49,617       |
| Supplies and Equipment         | 34,363       |
| Dues and Fees                  | 1,250        |
| Rent                           | <u>8,565</u> |

|                    |           |
|--------------------|-----------|
| Total Expenditures | \$334,328 |
|--------------------|-----------|

|                      |             |
|----------------------|-------------|
| Net Operating (Loss) | (\$256,825) |
|----------------------|-------------|

|                       |                |
|-----------------------|----------------|
| Operating Transfer In | <u>300,000</u> |
|-----------------------|----------------|

|          |           |
|----------|-----------|
| Net Gain | \$ 43,175 |
|----------|-----------|

**Fund Balances** - July 1, 2011

16,372

**Fund Balances** - June 30, 2012

\$ 59,547

HUNTINGDON AREA SCHOOL DISTRICT  
STUDENT ACTIVITIES FUND  
STATEMENT OF ASSETS AND LIABILITIES  
AS OF JUNE 30, 2012

|                               |            |
|-------------------------------|------------|
| Baseball Club                 | \$ 671     |
| Ski Club                      | 1          |
| Argus Fund                    | 10,803     |
| Band Fund                     | 969        |
| Belles and Beaus Fund         | 473        |
| Boys Basketball               | 30         |
| County Band                   | 1,131      |
| Boys Volleyball               | 39         |
| Choral Club                   | 642        |
| Bio Club                      | 139        |
| Class of 2013                 | 3,758      |
| Class of 2014                 | 2,271      |
| Class of 2015                 | 1,285      |
| Class of 2012                 | 2,201      |
| FFA                           | 418        |
| Cheer Team                    | 113        |
| Field Hockey Club             | 22         |
| Student Field Trips           | 919        |
| Key Club                      | 1,612      |
| Lyceum Fund                   | 9,605      |
| Musical                       | 4,548      |
| National Honor Society        | 2,342      |
| Boys Soccer                   | 17         |
| Stage Crew                    | 39         |
| Student Council               | 508        |
| Volleyball Club               | 268        |
| Varsity Club                  | 1,175      |
| Bowling Club                  | 247        |
| Middle School Student Council | 3,976      |
| Middle School Art Club        | 300        |
| Middle School Yearbook        | <u>242</u> |
| Total                         | \$ 50,764  |

**HUNTINGDON AREA SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2012**

| <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> |
|---|--------------------|----------------------------|--------------------------------------|---------------------|
| <b><u>U.S. Department of Education</u></b>                  |                    |                            |                                      |                     |
| (Passed Through the Pennsylvania Department of Education)   |                    |                            |                                      |                     |
| Title I   | I                  | 84.010                     | 013-110195                           | 07/01/10-09/30/11   |
| Title I   | I                  | 84.010                     | 013-120195                           | 07/01/11-09/30/12   |
| Total Title I   |                    |                            |                                      |                     |
| ARRA - Fiscal Stabilization                                 | I                  | 84.394                     | 126-110195                           | 07/01/10-09/30/11   |
| Title II  | I                  | 84.367                     | 020-101195                           | 07/01/10-09/30/11   |
| Title II  | I                  | 84.281                     | 020-120195                           | 07/01/11-09/30/12   |
| Total Title II  |                    |                            |                                      |                     |
| (Passed Through the Intermediate Unit 11)                   |                    |                            |                                      |                     |
| ARRA - IDEA-B   | I                  | 84.391                     | 128-100011                           | 02/07/09-09/30/11   |
| Individuals with Disabilities Education Act                 | I                  | 84.027                     | H027A110093                          | 07/01/11-06/30/12   |
| Total IDEA-B  |                    |                            |                                      |                     |
| Total U.S. Department of Education                          |                    |                            |                                      |                     |
| <b><u>U.S. Department of Agriculture</u></b>                |                    |                            |                                      |                     |
| (Passed Through the Pennsylvania Department of Education)   |                    |                            |                                      |                     |
| National School Lunch                                       | I                  | 10.555                     | N/A                                  | 07/01/11-06/30/12   |
| National School Lunch                                       | I                  | N/A                        | N/A                                  | 07/01/11-06/30/12   |
| Total National School Lunch                                 |                    |                            |                                      |                     |
| Breakfast Program   | I                  | 10.553                     | N/A                                  | 07/01/11-06/30/12   |
| Breakfast Program   | I                  | N/A                        | N/A                                  | 07/01/11-06/30/12   |
| Total Breakfast Program                                     |                    |                            |                                      |                     |
| (Passed Through the Pennsylvania Department of Agriculture) |                    |                            |                                      |                     |
| Value of USDA Commodities                                   | I                  | 10.550                     | N/A                                  | 07/01/11-06/30/12   |
| Value of USDA Commodities                                   | I                  | 10.550                     | N/A                                  | 07/01/10-06/30/11   |
| Total Value of USDA Donated Commodities                     |                    |                            |                                      |                     |
| Total U.S. Department of Agriculture                        |                    |                            |                                      |                     |
| Less: State Share of Assistance                             |                    |                            |                                      |                     |
| <b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>                 |                    |                            |                                      |                     |

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, 2012**

| <u>Program<br/>or Award<br/>Amount</u> | <u>Total<br/>Received<br/>for the<br/>Year</u> | <u>Accrued or<br/>(Deferred)<br/>Revenue at<br/>July 1, 2011</u> | <u>Revenue<br/>Recognized</u> | <u>Expenditures</u> | <u>Accrued or<br/>(Deferred)<br/>Revenue at<br/>June 30, 2012</u> |
|--|--|--|-------------------------------|---------------------|---|
| \$ 380,970                             | \$ 228,492                                     | \$ 111,750   | \$ 116,742                    | \$ 116,742          | \$ 0  |
| <u>367,302</u>                         | <u>350,582</u>                                 | <u>0</u>   | <u>280,205</u>                | <u>280,205</u>      | <u>( 70,377)</u>  |
| \$ 748,272                             | \$ 579,074                                     | \$ 111,750   | \$ 396,947                    | \$ 396,947          | (\$ 70,377)   |
| <u>          </u>                      | <u>          </u>                              | <u>          </u>  | <u>          </u>             | <u>          </u>   | <u>          </u>   |
| \$ 930,101                             | \$ 465,050                                     | \$ 465,050   | \$ 0                          | \$ 0                | \$ 0  |
| <u>          </u>                      | <u>          </u>                              | <u>          </u>  | <u>          </u>             | <u>          </u>   | <u>          </u>   |
| \$ 143,794                             | \$ 47,848                                      | \$ 11,297  | \$ 36,551                     | \$ 36,551           | \$ 0  |
| <u>127,523</u>                         | <u>128,129</u>                                 | <u>0</u>   | <u>112,298</u>                | <u>112,298</u>      | <u>( 15,831)</u>  |
| \$ 271,317                             | \$ 175,977                                     | \$ 11,297  | \$ 148,849                    | \$ 148,849          | (\$ 15,831)   |
| <u>          </u>                      | <u>          </u>                              | <u>          </u>  | <u>          </u>             | <u>          </u>   | <u>          </u>   |
| \$ 516,890                             | \$ 364,368                                     | \$ 364,368   | \$ 0                          | \$ 0                | \$ 0  |
| <u>375,058</u>                         | <u>375,058</u>                                 | <u>0</u>   | <u>375,058</u>                | <u>375,058</u>      | <u>0</u>  |
| \$ 891,948                             | \$ 739,426                                     | \$ 364,368   | \$ 375,058                    | \$ 375,058          | \$ 0  |
| <u>          </u>                      | <u>          </u>                              | <u>          </u>  | <u>          </u>             | <u>          </u>   | <u>          </u>   |
|  | \$1,959,527                                    | \$ 952,465   | \$ 920,854                    | \$ 920,854          | (\$ 86,208)   |
|  | <u>          </u>                              | <u>          </u>  | <u>          </u>             | <u>          </u>   | <u>          </u>   |
| N/A                                    | \$ 394,102                                     | \$ 54,934  | \$ 386,951                    | \$ 386,951          | \$ 47,783 F   |
| N/A                                    | <u>31,863</u>                                  | <u>4,547</u>   | <u>31,118</u>                 | <u>31,118</u>       | <u>3,802 S</u>  |
|  | \$ 425,965                                     | \$ 59,481  | \$ 418,069                    | \$ 418,069          | \$ 51,585   |
|  | <u>          </u>                              | <u>          </u>  | <u>          </u>             | <u>          </u>   | <u>          </u>   |
| N/A                                    | \$ 70,805                                      | \$ 11,093  | \$ 69,670                     | \$ 69,670           | \$ 9,958 F  |
| N/A                                    | <u>4,771</u>                                   | <u>779</u>   | <u>4,667</u>                  | <u>4,667</u>        | <u>675 S</u>  |
|  | \$ 75,576                                      | \$ 11,872  | \$ 74,337                     | \$ 74,337           | \$ 10,633   |
|  | <u>          </u>                              | <u>          </u>  | <u>          </u>             | <u>          </u>   | <u>          </u>   |
| N/A                                    | \$ 60,696                                      | \$ 0   | \$ 57,917                     | \$ 57,917           | (\$ 2,779)  |
| N/A                                    | <u>0</u>                                       | <u>( 16,949)</u>   | <u>16,949</u>                 | <u>16,949</u>       | <u>0</u>  |
|  | \$ 60,696                                      | (\$ 16,949)  | \$ 74,866                     | \$ 74,866           | (\$ 2,779)  |
|  | <u>          </u>                              | <u>          </u>  | <u>          </u>             | <u>          </u>   | <u>          </u>   |
|  | \$ 562,237                                     | \$ 54,404  | \$ 567,272                    | \$ 567,272          | \$ 59,439   |
|  | <u>          </u>                              | <u>          </u>  | <u>          </u>             | <u>          </u>   | <u>          </u>   |
|  | (\$ 36,634)                                    | (\$ 5,326)   | (\$ 35,785)                   | (\$ 35,785)         | (\$ 4,477)  |
|  | <u>          </u>                              | <u>          </u>  | <u>          </u>             | <u>          </u>   | <u>          </u>   |
|  | \$2,485,130                                    | \$1,001,543  | \$1,452,341                   | \$1,452,341         | (\$ 31,426)   |
|  | <u>          </u>                              | <u>          </u>  | <u>          </u>             | <u>          </u>   | <u>          </u>   |

**HUNTINGDON AREA SCHOOL DISTRICT  
NOTES TO SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2012**

**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 25% test was satisfied as follows:

|                 |                                     |
|-----------------|-------------------------------------|
| \$ 396,947      | Title I                             |
| 386,951         | National School Lunch Program       |
| 74,866          | Value of USDA Donated Commodities   |
| 148,849         | Title II                            |
| 69,670          | Breakfast Program                   |
| <u>375,058</u>  | IDEA                                |
| <br>\$1,452,341 |                                     |
| <u>X</u>        | 25%                                 |
| <br>\$ 363,085  | Minimum Amount which Must Be Tested |

Extensive compliance tests, as required by the Single Audit Act of 1996, were performed on Title I and IDEA which represents 53% 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 \$108,187 for the Medical Assistance reimbursements for the ACCESS program as of June 30, 2011. 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 \$254,526, with a receivable of \$152,457 as of June 30, 2012.

# Young, Oakes, Brown & Company, P.C.

*Certified Public Accountants*

## **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  
Huntingdon, Pennsylvania 16652

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Huntingdon Area School District, as of and for the year ended June 30, 2012, which collectively comprise the Huntingdon Area School District's basic financial statements and have issued our report thereon dated November 6, 2012. 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.

### **Internal Control over Financial Reporting**

Management of the Huntingdon Area School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Huntingdon Area School District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Huntingdon Area School District's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 of 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*.

This report is intended solely for the information and use of management, Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Young, Parker, Brown & Company, P.C.*



# Young, Oakes, Brown & Company, P.C.

*Certified Public Accountants*

## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

### **Compliance**

We have audited the Huntingdon Area School District's compliance with the types of compliance requirements described in the OMB Circular A-133 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, 2012. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Huntingdon Area School District's management. Our responsibility is to express an opinion on the Huntingdon Area School District's compliance based on our audit.

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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 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. Our audit does not provide a legal determination of the Huntingdon Area School District's compliance with those requirements.

In our opinion, the Huntingdon Area School District, complied, in all material respects, with the 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, 2012.

### **Internal Control over Compliance**

Management of the Huntingdon Area School District, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Huntingdon Area School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT  
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133  
(CONTINUED)**

**Internal Control Over Compliance** (Continued)

the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The Huntingdon Area School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Huntingdon Area School District's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, Board of Directors, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

**HUNTINGDON AREA SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**A. Summary of Audit Results**

1. The report issued on the financial statements of the Huntingdon Area School District was an unqualified opinion.
2. There were no significant deficiencies in the internal control disclosed by the audit of the financial statements. There were no material weaknesses.
3. The audit did not disclose any noncompliance, which was material to the financial statements of the Huntingdon Area School District.
4. There was one significant deficiency in the internal control over major programs disclosed by the audit. There were no material weaknesses.
5. The report issued on compliance for major programs was an unqualified opinion.
6. The audit disclosed no questioned costs required to be reported.
7. The major programs selected for testing were National School Lunch Cluster, ARRA - Fiscal Stabilization, and ARRA - Education Jobs Fund. We tested 56% of the total federal assistance expended.
8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
9. The auditee did qualify as a low risk auditee.

**HUNTINGDON AREA SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2012**

The prior year finding has been resolved.

# YOBCO

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

## COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of the Huntingdon Area School District for the year ended June 30, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB Circular A-133, 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 May 22, 2010. 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 the Huntingdon Area School District are described in Note 1 to the financial statements. We noted no transactions entered into by the governmental unit 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 estimate affecting the financial statements was:

Management's estimate of the cost allocation is based on applicable bases. We evaluated the key factors and assumptions used to develop the cost allocations in determining that it is reasonable in relation to the financial statements taken as a whole.

#### *Difficulties Encountered in Performing the Audit*

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

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

**Significant Audit Findings** (Continued)

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are 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, professional standards define a disagreement with management as 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 6, 2012.

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 governmental unit'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 governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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, Becker, 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 |              |               |