

HUNTINGDON AREA SCHOOL DISTRICT

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

YEAR ENDED JUNE 30, 2014

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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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Huntingdon Area School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Huntingdon Area School District, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**INDEPENDENT AUDITOR'S REPORT
(CONTINUED)**

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the defined benefit postemployment healthcare plan's schedule of funding progress, on pages 3 through 12 and 49 through 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Huntingdon Area School District's basic financial statements. The 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 also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 14, 2014 on our consideration of the Huntingdon Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Huntingdon Area School District's internal control over financial reporting and compliance.

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

Huntingdon Area School District
Management's Discussion and Analysis (MD & A)
June 30, 2014

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, 2014. 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 \$14,413,340 at June 30, 2014

Table A-1
Fiscal Year ended June 30, 2014
Net Assets

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Current and other assets	10,807,569	478,449	11,286,018
Capital assets	39,831,028	11,953	39,842,981
Total assets	50,638,597	490,402	51,128,999
Current and other liabilities	3,841,827	52,721	3,894,548
Long-term liabilities	33,040,364	170,302	33,210,666
Total liabilities	36,882,191	223,023	37,105,214
Net Assets			
Invested in capital assets, net of related debt	7,400,583	11,953	7,412,536
Capital projects	3,293,035		3,293,035
Restricted			
Unrestricted	3,452,343	255,426	3,707,769
Total Net Assets	14,145,961	267,379	14,413,340

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, 2014
Changes in Net Assets

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<u>Revenues</u>			
Program Revenues			
Charges for services	61,966	308,395	370,361
Operating grants & contributions	5,504,444	656,922	6,161,366
Capital grants and contributions	41,444		41,444
General revenues			0
Property taxes	8,046,056		8,046,056
Other taxes	2,959,105		2,959,105
Grants, subsidies & contributions	8,459,711		8,459,711
Unrestricted			0
Other	249,055	150,000	399,055
Total revenues	25,321,781	1,115,317	26,437,098
<u>Expenses</u>			
Instruction	14,931,407		14,931,407
Instructional Student Support	2,142,779		2,142,779
Administration & Financial	1,896,041		1,896,041
Operation & Maintenance	2,286,738		2,286,738
Pupil Transportation	2,073,716		2,073,716
Student Activities	448,966		448,966
Community Services	0		0
Interest on long-term debt	1,219,460		1,219,460
Depreciation expense	464,900		464,900
Food Service		1,039,729	1,039,729
Refund of Prior Yr Receipts	47,617		47,617
Total Expenses	25,511,624	1,039,729	26,551,353
Increase (decrease) in net assets	(189,843)	75,588	(114,255)

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, 2014
Governmental Activities

<u>Functions/Programs</u>	<u>Total Cost of Services</u>	<u>Net cost</u>
Instruction	14,931,407	11,319,061
Instructional Student Support	2,142,779	1,980,074
Administration & Financial	1,896,041	1,768,434
Operation & Maintenance	2,286,738	2,192,455
Pupil Transportation	2,073,716	589,633
Student Activities	448,966	354,580
Miscellaneous	47,617	47,617
Community Services	0	0
Interest on long-term debt	1,219,460	1,178,016
Depreciation expense	464,900	464,900
 Total Governmental Activities	 25,511,624	 19,903,770
Less		
Unrestricted Grants, Subsidies		8,459,711
		 <u>11,444,059</u>
 Total needs from local taxes & other revenues		

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, 2014
Governmental Activities

<u>Functions/Programs</u>	<u>Total Cost of Services</u>	<u>Net cost</u>
Food Services	1,039,729	74,412
 Total Business-type activities		 \$74,412

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

THE DISTRICT FUNDS

The General Fund had a \$4,197,918 fund balance at the beginning of the 2013-14 school year

From the General Fund Budget, the District contributes to three other funds as follows:

- \$150,000 to the Cafeteria Fund
- \$192,201 to the Capital Reserve Fund

Though the original budget permitted expenditures of \$26,073,635 actual expenditures were held at \$24,379,957 As a result, the fund balance increased to \$4,745,005, a \$547,087 increase over the beginning fund balance which will provide a reserve to offset cuts in Federal, State and Local funds and increases in expenses especially PSERS

Revenues were estimated at \$24,473,271 however actual revenues received exceeded this estimate by \$628,552. Though Real Estate Taxes came in at \$7,187,896 which was only \$12,295 less than projected, Delinquent Real Estate was also less than budgeted by \$59,789. In addition, Act 1 Earned Income exceeded the budget by \$14,301 and regular Earned Income tax exceeded the budget by \$9,302 as a result of the new county wide tax collection system with Captax under Act 32.

Both transportation expense and revenues exceeded the budget for 2013-14 The additional costs are due to charter and special transportation increases Rentals, also known as the State Share of Debt Service was short \$278,628 This was due to the continued moratorium the State put on bond payments

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

Future Employee Benefit Costs	1,303,579
Capital Projects	1,289,370
Special Ed and Charter School Costs	844,680
Curriculum/Technology	<u>200,000</u>
	<u>\$3,637,629</u>

At the October 20, 2014 Board Meeting the district received approval to reassign the fund balance that was designated to Middle School Renovations (\$550,000) and the sale of the Brady Henderson property (\$200,000) to Curriculum/Technology - \$200,000, Future Employee Benefit Costs - \$202,479, Capital Reserve - \$192,201 and Special Education and Charter School Costs - \$200,000.

With this designation the District's Unreserved Fund Balance is \$1,107,376 which is 2.33% of the 2013-14 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.

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, 2014, the District had \$57,730,260 invested in a broad range of capital assets, including land, buildings and furniture and equipment. This amount represents a net increase of \$1,108,440 over the \$56,621,820 from last year

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

	2013-14	2012-13
Land	196,747	196,747
Buildings	36,777,587	37,222,020
Furniture & Equipment	2,856,694	3,150,971
Construction in Process	0	0
	39,831,028	40,569,738

DEBT ADMINISTRATION

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 \$8,300,000 on June 30, 2014.

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 of Series 2011 was \$9,965,000 at June 30, 2014.

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. The balance of the Series 2012 bond was \$9,995,000 as June 30, 2014.

On May 8, 2013, the District issued \$5,495,000 in General Obligation Bonds. The proceeds were used to advance refund the School District's GO Bonds, Series 2008 and to pay the cost of issuing the 2013 Bonds. The advance refunding resulted in an economic gain of \$150,236. The balance of the Series 2013 bond was \$4,560,000 at June 30, 2014.

In summary, the District had outstanding debt totaling \$33,770,000 on 7/1/14 with no increase in debt and paid off debt of \$950,000 resulting in a debt total of \$32,820,000 at 6/30/13 as charted below.

Table A-6
Outstanding Debt

General Obligation Notes/Bonds	7-1-13	Increases	Decreases	6-30-14
Bonds, Series of 2008	0	0	0	0
Bonds, Series of 2010	8,305,000	0	(5,000)	8,300,000
Bonds, Series of 2011	9,970,000	0	(5,000)	9,965,000
Bonds, Series of 2012	10,000,000	0	(5,000)	9,995,000
Bonds, Series of 2013	5,495,000		(935,000)	4,560,000
Total Bonds	33,770,000	0	(950,000)	32,820,000

Other obligations include accrued vacation pay and sick leave for specific employees of the District. The balance of these compensated absences was \$1,127,135 on 6/30/14. Per actuarial calculation, the District's OPEB (other post employment benefit) liability as of June 30, 2014 is \$393,531.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Act 1 index held real estate tax increases at a maximum of 2.5% or 1.068 mills or approximately \$202,000. On the expense side of the budget the District was facing a \$277,558 increase in Retirement expense due to the rate increasing from 21.40% to 25.84%.

In summary, the District was presented with little to no growth in revenue and approximately \$900,000 increase in expenses for the 2014-15 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 agreement between the District and the Huntingdon Area Educational Association is in its final year as the District and the Huntingdon Area Education Support Association settled a new contract for the 2014-15 school year.

Below is a chart that illustrates a Budgeted Revenue and Expenditure comparison between years 2012-13 and 2013-14

Table A-7

BUDGETED REVENUES

	13-14	14-15
Local	11,170,686	11,609,202
State	12,650,764	13,062,480
Federal/Other	651,821	582,146
	24,473,271	25,253,828

BUDGETED EXPENDITURES

	13-14	12-13
Instruction	14,161,437	13,822,171
Support Services	8,064,924	7,722,704
Non-Instruction/Community	73,887	72,002
Fund Transfers/Debt	3,773,387	3,981,431
	26,073,635	25,598,308

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 Kammy L. Laird, Acting Business Administrator at Huntingdon Area School District, 2400 Cassady Avenue, Huntingdon, PA 16652, (814) 643-4140

**HUNTINGDON AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets</u>			
<u>Current Assets</u>			
Cash and Cash Equivalents	\$ 9,074,355	\$344,529	\$ 9,418,884
Taxes Receivable, Net	826,495	0	826,495
Internal Balances	(5,525)	5,525	0
Due from Other Governments	872,903	81,580	954,483
Other Receivables	39,341	0	39,341
Inventories	<u>0</u>	<u>46,815</u>	<u>46,815</u>
Total Current Assets	<u>\$10,807,569</u>	<u>\$478,449</u>	<u>\$11,286,018</u>
<u>Noncurrent Assets</u>			
Land	\$ 196,747	\$ 0	\$ 196,747
Buildings and Improvements, Net of Depreciation	36,777,587	0	36,777,587
Fixtures and Equipment, Net of Depreciation	<u>2,856,694</u>	<u>11,953</u>	<u>2,868,647</u>
Total Noncurrent Assets	<u>\$39,831,028</u>	<u>\$ 11,953</u>	<u>\$39,842,981</u>
Total Assets	<u>\$50,638,597</u>	<u>\$490,402</u>	<u>\$51,128,999</u>
<u>Deferred Outflows of Resources</u>			
Deferred Charge on Refunding	\$ 389,555	\$ 0	\$ 389,555
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Accounts Payable	\$ 472,798	\$ 89	\$ 472,887
Accrued Salaries and Benefits	1,200,652	44,406	1,245,058
Payroll Deductions and Withholdings	702,130	0	702,130
Accrued Interest	336,247	0	336,247
Other Current Liabilities	0	0	0
Deferred Revenue	0	8,226	8,226
Bonds Payable	<u>1,130,000</u>	<u>0</u>	<u>1,130,000</u>
Total Current Liabilities	<u>\$ 3,841,827</u>	<u>\$ 52,721</u>	<u>\$ 3,894,548</u>
<u>Noncurrent Liabilities</u>			
Bonds Payable	\$31,690,000	\$ 0	\$31,690,000
Long-Term Portion of Compensated Absences	1,113,064	14,071	1,127,135
Other Postemployment Benefits	<u>237,300</u>	<u>156,231</u>	<u>393,531</u>
Total Noncurrent Liabilities	<u>\$33,040,364</u>	<u>\$170,302</u>	<u>\$33,210,666</u>
Total Liabilities	<u>\$36,882,191</u>	<u>\$223,023</u>	<u>\$37,105,214</u>
<u>Net Position</u>			
Net Investment in Capital Assets	\$ 7,400,583	\$ 11,953	\$ 7,412,536
Restricted for Capital Projects	3,293,035	0	3,293,035
Unrestricted	<u>3,452,343</u>	<u>255,426</u>	<u>3,707,769</u>
Total Net Position	<u>\$14,145,961</u>	<u>\$267,379</u>	<u>\$14,413,340</u>

See Accompanying Notes and Independent Auditor's Report

**HUNTINGDON AREA SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

<u>Functions/Programs</u>	<u>Expenses</u>
<u>Governmental Activities</u>	
<u>Instruction</u>	
Regular Instruction	\$ 8,407,239
Special Instruction	3,800,081
Vocational Instruction	938,562
Other Instructional Programs	<u>1,785,525</u>
Total Instructional Services	<u>\$14,931,407</u>
<u>Support Services</u>	
Pupil Services	\$ 836,612
Instructional Services	1,006,466
Administration	1,445,981
Pupil Health	299,701
Business Services	406,899
Operation of Plant and Maintenance Services	2,286,738
Student Transportation	2,073,716
Central	<u>43,161</u>
Total Support Services	<u>\$ 8,399,274</u>
<u>Noninstructional Services</u>	
Student Activities	\$ 448,966
Community Services	0
Interest on Long-Term Debt	1,219,460
Unallocated Repairs	0
Unallocated Depreciation	464,900
Refund of Prior Year Receipts	<u>47,617</u>
Total Noninstructional Services	<u>\$ 2,180,943</u>
Total Governmental Activities	<u>\$25,511,624</u>
<u>Business-Type Activities</u>	
Food Services	\$ 1,039,729
Total Primary Government	<u>\$26,551,353</u>
<u>General Revenues</u>	
Taxes	
Property Taxes, Levied for General Purposes	
Other Taxes	
Grants, Subsidies, and Contributions Not Restricted	
Investment Earnings	
Miscellaneous Income	
Transfers In (Out)	
Gain on Sale of Fixed Assets	
Total General Revenues, Transfers, and Special Items	
Change in Net Position	
<u>Net Position</u> - Beginning	
Prior Period Adjustment	
<u>Net Position</u> - Ending	

See Accompanying Notes and Independent Auditor's Report

**HUNTINGDON AREA SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Position</u>			
<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ 0	\$1,023,586	\$ 0	(\$ 7,383,653)	\$ 0	(\$ 7,383,653)
0	2,081,841	0	(1,718,240)	0	(1,718,240)
0	20,292	0	(918,270)	0	(918,270)
<u>3,000</u>	<u>483,627</u>	<u>0</u>	<u>(1,298,898)</u>	<u>0</u>	<u>(1,298,898)</u>
<u>\$ 3,000</u>	<u>\$3,609,346</u>	<u>\$ 0</u>	<u>(\$11,319,061)</u>	<u>\$ 0</u>	<u>(\$11,319,061)</u>
\$ 0	\$ 58,829	\$ 0	(\$ 777,783)	\$ 0	(\$ 777,783)
0	42,603	0	(963,863)	0	(963,863)
0	99,089	0	(1,346,892)	0	(1,346,892)
0	61,273	0	(238,428)	0	(238,428)
0	26,413	0	(380,486)	0	(380,486)
0	94,283	0	(2,192,455)	0	(2,192,455)
0	1,475,083	0	(598,633)	0	(598,633)
<u>0</u>	<u>2,105</u>	<u>0</u>	<u>(41,056)</u>	<u>0</u>	<u>(41,056)</u>
<u>\$ 0</u>	<u>\$1,859,678</u>	<u>\$ 0</u>	<u>(\$ 6,539,596)</u>	<u>\$ 0</u>	<u>(\$ 6,539,596)</u>
\$ 58,966	\$ 35,420	\$ 0	(\$ 354,580)	\$ 0	(\$ 354,580)
0	0	0	0	0	0
0	0	41,444	(1,178,016)	0	(1,178,016)
0	0	0	0	0	0
0	0	0	(464,900)	0	(464,900)
<u>0</u>	<u>0</u>	<u>0</u>	<u>(47,617)</u>	<u>0</u>	<u>(47,617)</u>
<u>\$ 58,966</u>	<u>\$ 35,420</u>	<u>\$ 41,444</u>	<u>(\$ 2,045,113)</u>	<u>\$ 0</u>	<u>(\$ 2,045,113)</u>
<u>\$ 61,966</u>	<u>\$5,504,444</u>	<u>\$ 41,444</u>	<u>(\$19,903,770)</u>	<u>\$ 0</u>	<u>(\$19,903,770)</u>
<u>\$308,395</u>	<u>\$ 656,922</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>(\$ 74,412)</u>	<u>(\$ 74,412)</u>
<u>\$370,361</u>	<u>\$6,161,366</u>	<u>\$ 41,444</u>	<u>(\$19,903,770)</u>	<u>(\$ 74,412)</u>	<u>(\$19,978,182)</u>
			\$ 8,046,056	\$ 0	\$ 8,046,056
			2,959,105	0	2,959,105
			8,459,711	0	8,459,711
			5,106	0	5,106
			193,792	0	193,792
			(150,000)	150,000	0
			<u>200,157</u>	<u>0</u>	<u>200,157</u>
			\$19,713,927	\$150,000	\$19,863,927
			(\$ 189,843)	\$ 75,588	(\$ 114,255)
			14,335,804	191,791	14,527,595
			<u>0</u>	<u>0</u>	<u>0</u>
			\$14,145,961	\$267,379	\$14,413,340

See Accompanying Notes and Independent Auditor's Report

**HUNTINGDON AREA SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	<u>General</u>	<u>Capital Reserve</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$5,781,320	\$ 3,293,035	\$ 9,074,355
Taxes Receivable, Net	872,995	0	872,995
Due from Other Governments	872,903	0	872,903
Other Receivables	<u>39,341</u>	<u>0</u>	<u>39,341</u>
TOTAL ASSETS	<u>\$7,566,559</u>	<u>\$ 3,293,035</u>	<u>\$10,859,594</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>			
<u>Liabilities</u>			
Interfund Payables	\$ 5,525	\$ 0	\$ 5,525
Accounts Payable	472,798	0	472,798
Accrued Salaries and Benefits	1,200,652	0	1,200,652
Payroll Deductions and Withholdings	702,130	0	702,130
Other Current Liabilities	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>\$2,381,105</u>	<u>\$ 0</u>	<u>\$ 2,381,105</u>
<u>Deferred Inflows of Resources</u>			
Unavailable Revenue - Property Taxes	<u>\$ 440,449</u>	<u>\$ 0</u>	<u>\$ 440,449</u>
<u>Fund Balances</u>			
Restricted Fund Balance	\$ 0	\$ 304,930	\$ 304,930
Assigned Fund Balances	3,637,629	2,988,105	6,625,734
Unassigned Fund Balance	<u>1,107,376</u>	<u>0</u>	<u>1,107,376</u>
Total Fund Balances	<u>\$4,745,005</u>	<u>\$ 3,293,035</u>	<u>\$ 8,038,040</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$7,566,559</u>	<u>\$ 3,293,035</u>	<u>\$10,859,594</u>

See Accompanying Notes and Independent Auditor's Report

**HUNTINGDON AREA SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
YEAR ENDED JUNE 30, 2014**

Total Fund Balances - Governmental Funds \$ 8,038,040

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

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

Capital Assets	\$57,927,007	
Accumulated Depreciation	(18,095,979)	39,831,028

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	440,449
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Deferred Charge on Refunding	389,555
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Establish allowance for doubtful accounts - property taxes receivable	(46,500)
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Other Postemployment Benefits	(237,300)
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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	(\$32,820,000)	
Accrued Interest on Bonds	(336,247)	
Compensated Absences	(1,113,064)	(34,269,311)

Total Net Position - Governmental Activities	\$14,145,961
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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, 2014**

	<u>General</u>	<u>Capital Reserve</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>			
Local Sources	\$11,446,177	\$ 1,853	\$11,448,030
State Sources	12,952,407	0	12,952,407
Federal Sources	<u>703,239</u>	<u>0</u>	<u>703,239</u>
Total Revenues	<u>\$25,101,823</u>	<u>\$ 1,853</u>	<u>\$25,103,676</u>
<u>Expenditures</u>			
Instructional Services	\$13,852,252	\$ 0	\$13,852,252
Support Services	7,809,538	241,538	8,051,076
Operation of Noninstructional Services	448,966	0	448,966
Capital Outlay	75,760	1,032,680	1,108,440
Debt Service - Principal	950,000	0	950,000
Debt Service - Interest	1,195,824	0	1,195,824
Debt Service - Issuance Costs	0	0	0
Refund of Prior Year Receipts	<u>47,617</u>	<u>0</u>	<u>47,617</u>
Total Expenditures	<u>\$24,379,957</u>	<u>\$ 1,274,218</u>	<u>\$25,654,175</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 721,866</u>	<u>(\$ 1,272,365)</u>	<u>(\$ 550,499)</u>
<u>Other Financing Sources (Uses)</u>			
Premium on Refunding Bonds Issued	\$ 0	\$ 0	\$ 0
Refunding Bonds Issued	0	0	0
Bond Issuance Costs	0	0	0
Sale of Fixed Assets	200,157	0	200,157
Operating Transfers In	0	224,936	224,936
Operating Transfers Out	(374,936)	0	(374,936)
Payments to Escrow Agent - Refunding Bonds	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(\$ 174,779)</u>	<u>\$ 224,936</u>	<u>\$ 50,157</u>
Net Change in Fund Balances	\$ 547,087	(\$ 1,047,429)	(\$ 500,342)
<u>Fund Balances</u> - Beginning	<u>4,197,918</u>	<u>4,340,464</u>	<u>8,538,382</u>
<u>Fund Balances</u> - Ending	<u>\$ 4,745,005</u>	<u>\$ 3,293,035</u>	<u>\$ 8,038,040</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, 2014**

Net Change in Fund Balances - Governmental Funds (\$ 500,342)

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	\$ 1,108,440	
Depreciation Expense	(<u>1,847,150</u>)	(738,710)

Increase in allowance for uncollectibles for real estate taxes (5,300)

Because some property taxes will not be collected for several months after the District's year end, they are not considered as "available" revenues in the governmental funds. Deferred inflows of resources increased by this amount during the year. 173,248

Issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. However, neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The effect of these transactions in the statement of activities is shown 945,634

In the statement of activities, certain operating expenses - other postemployment benefits - are measured by the amounts incurred during the year versus financial resources used. 81,893

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 (19,270)

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 (126,996)

Change in Net Position of Governmental Activities (\$ 189,843)

See Accompanying Notes and Independent Auditor's Report

**HUNTINGDON AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2014**

	<u>Food Service</u>
 <u>ASSETS</u>	
<u>Current Assets</u>	
Cash and Cash Equivalents	\$344,529
Intergovernmental Receivables	81,580
Interfund Receivables	5,525
Inventories	<u>46,815</u>
Total Current Assets	\$478,449
 <u>Noncurrent Assets</u>	
Machinery and Equipment, Net	\$ 11,953
 TOTAL ASSETS	
	<u>\$490,402</u>
 <u>LIABILITIES AND NET POSITION</u>	
<u>Current Liabilities</u>	
Accrued Salaries and Benefits	\$ 44,406
Accounts Payable	89
Deferred Revenue	<u>8,226</u>
Total Current Liabilities	\$ 52,721
 <u>Noncurrent Liabilities</u>	
Long-Term Portion of Compensated Absences	\$ 14,071
OPEB	<u>156,231</u>
Total Noncurrent Liabilities	\$170,302
Total Liabilities	\$223,023
 <u>Net Position</u>	
Invested in Capital Assets	\$ 11,953
Unrestricted	<u>255,426</u>
Total Net Position	\$267,379
 TOTAL LIABILITIES AND NET POSITION	
	<u>\$490,402</u>

See Accompanying Notes and Independent Auditor's Report

**HUNTINGDON AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2014**

	<u>Food Service</u>
<u>Operating Revenues</u>	
Food Service Revenue	\$ 308,395
	<hr/>
<u>Operating Expenses</u>	
Salaries	\$ 361,641
Employee Benefits	257,778
Other Purchased Services	10,496
Supplies	406,745
Depreciation	<u>3,069</u>
Total Operating Expenses	\$1,039,729
	<hr/>
Operating (Loss)	(\$ 731,334)
	<hr/>
<u>Nonoperating Revenues</u>	
State Sources	\$ 106,119
Federal Sources	<u>550,803</u>
Total Nonoperating Revenues	\$ 656,922
	<hr/>
(Loss) Before Operating Transfers	(\$ 74,412)
	<hr/>
<u>Operating Transfers</u>	
Operating Transfers In	\$ 150,000
	<hr/>
Change in Net Position	\$ 75,588
<u>Total Net Position</u> - Beginning	<u>191,791</u>
<u>Total Net Position</u> - Ending	<u><u>\$ 267,379</u></u>

See Accompanying Notes and Independent Auditor's Report

**HUNTINGDON AREA SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2014**

**Food
Service**

Cash Flows from Operating Activities

Cash Received from Users	\$308,395
Cash Payments to Employees for Services	(623,004)
Cash Payments to Suppliers for Goods and Services	(407,905)
Cash Payments for Other Operating Expenses	(10,496)
 Net Cash (Used for) Operating Activities	 (\$733,010)

Cash Flows from Noncapital Financing Activities

State Sources	\$105,879
Federal Sources	541,359
Operating Transfers In	150,000
 Net Cash Provided by Noncapital Financing Activities	 \$797,238

Cash Flows from Capital and Related Financing Activities

Purchase of Equipment	(\$ 10,479)
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Net Increase in Cash and Cash Equivalents \$ 53,749

Cash and Cash Equivalents - Beginning 290,780

Cash and Cash Equivalents - Ending \$344,529

Reconciliation of Operating Income to Net

Cash (Used for) Operating Activities

Operating (Loss) (\$731,334)

Adjustments to Reconcile Operating (Loss)

to Net Cash (Used for) Operating Activities:	
Depreciation and Net Amortization	\$ 3,069
<i>Change in Assets and Liabilities</i>	
(Increase) Decrease in Inventories	(83)
(Increase) Decrease in Interfund Receivables	(2,192)
Increase (Decrease) in Accounts Payable	(1,160)
Increase (Decrease) in Accrued Salaries and Benefits	432
Increase (Decrease) in Deferred Revenue	(1,076)
Increase (Decrease) in Long-Term Compensated Absences	(666)
Increase (Decrease) in OPEB	0

Total Adjustments (\$ 1,676)

Cash (Used for) Operating Activities (\$733,010)

See Accompanying Notes and Independent Auditor's Report

HUNTINGDON AREA SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2014

Agency

ASSETS

Cash and Cash Equivalents

\$55,149

LIABILITIES AND NET POSITION

Liabilities

Other Current Liabilities

\$55,149

Net Position

Restricted

\$ 0

TOTAL LIABILITIES AND NET POSITION

\$55,149

See Accompanying Notes and Independent Auditor's Report

**HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Note 1: Summary of Significant Accounting Policies

A. Description of Government-Wide Financial Statements

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

B. Reporting Entity

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

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

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

The criteria used in determining whether other organizations should be included in the School District's financial reporting entity are financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, accountability for fiscal matters, scope of public service and special financing relationships. As of June 30, 2014, 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.

HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(CONTINUED)

Note 1: Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation - Government-Wide Financial Statements

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

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

D. Basis of Presentation - Fund Financial Statements

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

The School District reports the following major governmental funds:

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

The School District reports the following major enterprise fund

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

Additionally, the School District reports the following fund types:

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

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

HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(CONTINUED)

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

E. Measurement Focus and Basis of Accounting

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

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

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

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

HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(CONTINUED)

Note 1: Summary of Significant Accounting Policies (Continued)

E. Measurement Focus and Basis of Accounting (Continued)

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

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

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

1. Cash and Cash Equivalents

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

2. Inventories

Food inventories of \$46,815 include \$14,760 of food commodities donated by the federal government, which are valued at an estimated market value. All other food or supply inventories are valued at last unit cost in accordance with the recommendations of the food and nutrition service of the Department of Agriculture and are expensed as used

3. Capital Assets

Capital assets, which include land, buildings, building improvements, equipment, and improvements other than buildings are reported in the applicable governmental or business-type activities column in the government-wide financial statements The School District defines capital assets as assets with an initial, individual cost of more than \$1,500 and are defined by its component unit as assets with an initial, individual cost of more than \$2,500 Such assets are recorded at historical cost or estimated historical cost if purchased or constructed Donated capital assets are recorded at estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations

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

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

**HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(CONTINUED)**

Note 1: Summary of Significant Accounting Policies (Continued)

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

3. Capital Assets (Continued)

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

4. Net Position Flow Assumption

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

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

5. Fund Balance Flow Assumptions

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

6. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The School District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

In the governmental fund financial statements, fund balances are classified as follows:

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

**HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(CONTINUED)**

Note 1: Summary of Significant Accounting Policies (Continued)

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

6. Fund Balance Policies (Continued)

Restricted - amounts limited by (a) external parties, such as creditors, grantors, and donors, or (b) legislation, such as constitutional provisions or enabling legislation

Committed - amounts limited by School Board (e g , encumbrances or future anticipated costs) The School Board establishes, modifies, and rescinds commitments by passage of an ordinance or resolution, typically through the adoption and amendment of the budget

Assigned - amounts that are intended for a particular purpose, such as a rate stabilization fund or segregation of an amount intended to be used at some time in the future Assigned fund balance is established by the School Board through adoption or amendment of the budget as intended for a specific purpose, such as the purchase of capital assets, construction, debt service, or other purposes

Unassigned - amounts available for consumption or not restricted in any manner

G. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. Compensated Absences

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

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

**HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(CONTINUED)**

Note 1: Summary of Significant Accounting Policies (Continued)

H. Subsequent Events

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through November 14, 2014, 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, 2014 is \$9,474,033 and the bank balance is \$9,786,911. Of the bank balance, \$250,000 is covered by federal depository insurance and \$1,230,334 is covered by collateral held in the pledging bank's trust department, but not in the District's name. In addition, \$8,306,577 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 requires 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 obligations of the United States of America, Commonwealth of Pennsylvania, or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or of any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

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

Investments

Investments are categorized into these three categories of credit risk:

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

At year-end, the District had no investments.

**HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013
(CONTINUED)**

Note 2: Deposits and Investments (Continued)

District's Investment Policies

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

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. As of June 30, 2014, the District had no investments. **Concentration of credit risk** is the risk of loss attributed to the magnitude of the District's investments in a single issuer.

For investments, **custodial credit risk** is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities in the possession of an outside party. Investments of the District's reporting entity are insured or collateralized with securities held by the District, its agent, or by the pledging financial institution's trust department or agent in the name of the District, or collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the District's name. The District's policy regarding collateral follows State Statutes.

Note 3: Property Taxes

Real estate taxes for the School District are collected from thirteen townships and boroughs. The tax on real estate in these municipalities for public school purposes for fiscal year 2014 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

**HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(CONTINUED)**

Note 3: Property Taxes (Continued)

The elected tax collectors are required to return any uncollected real estate taxes to the county's tax claim bureau by January 1. It has been determined the amount of outstanding real estate taxes as of June 30, 2014 is \$726,415.

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, 2014

	<u>Gross Taxes Receivable</u>	<u>Allowance for Uncollectible Taxes</u>	<u>Net Estimated to be Collectible</u>	<u>Governmental Funds Tax Revenue Recognized</u>	<u>Deferred Taxes</u>
Real Estate	\$ 726,415	\$43,900	\$ 682,515	\$242,066	\$440,449
Act 511 and Other	135,048	2,600	132,448	132,448	0
Real Estate Transfer	<u>11,532</u>	<u>0</u>	<u>11,532</u>	<u>11,532</u>	<u>0</u>
Total	\$ 872,995	\$46,500	\$ 826,495	\$386,046	\$440,449

Note 4: Capital Assets

Capital asset activity for the year ended June 30, 2014 is as follows.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Capital Assets, not being depreciated				
Land	\$ 196,747	\$ 0	\$ 0	\$ 196,747
Total Capital Assets, not being depreciated	\$ 196,747	\$ 0	\$ 0	\$ 196,747
Capital Assets, being depreciated				
Buildings and Improvements	\$50,106,982	\$ 1,025,502	\$ 0	\$51,132,484
Furniture and Equipment	<u>6,514,838</u>	<u>82,938</u>	<u>0</u>	<u>6,597,776</u>
Total Capital Assets, being depreciated	\$56,621,820	\$ 1,108,440	\$ 0	\$57,730,260
Accumulated Depreciation for				
Buildings and Improvements	\$12,884,962	\$ 1,469,935	\$ 0	\$14,354,897
Furniture and Equipment	<u>3,363,867</u>	<u>377,215</u>	<u>0</u>	<u>3,741,082</u>
Total Accumulated Depreciation	\$16,248,829	\$ 1,847,150	\$ 0	\$18,095,979
Total Capital Assets, being depreciated, net	\$40,372,991	(\$ 738,710)	\$ 0	\$39,634,281
Governmental Activities Capital Assets, net	\$40,569,738	(\$ 738,710)	\$ 0	\$39,831,028

**HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(CONTINUED)**

Note 4: Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Business-Type Activities</u>				
Furniture and Equipment	\$ 66,583	\$ 10,479	\$ 0	\$ 77,062
Less Accumulated Depreciation	(62,040)	(3,069)	0	(65,109)
 Business-Type Activities Capital Assets, net	 \$ 4,543	 \$ 7,410	 \$ 0	 \$ 11,953

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

<u>Governmental Activities</u>	
Instructional Services	\$1,115,750
Supporting Services	266,500
Unallocated Depreciation	<u>464,900</u>
 Total Depreciation Expense, Governmental Activities	 \$1,847,150

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 emailing contactpsers@pa.gov or calling 1-888-773-7748. This publication is also available on the PSERS website at www.psers.state.pa.us/publications/cafr/index.htm.

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 and before July 1, 2011, 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. Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.30% (base rate) of the member's

**HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(CONTINUED)**

Note 5: Pension Plan (Continued)

Funding Policy (Continued)

qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.30% and 12.30%. Contributions required of employers are based upon an actuarial valuation. For the fiscal year ended June 30, 2014, the rate of employer's contribution was 16.93 percent of covered payroll. The 16.93 percent rate is composed of a pension contribution rate of 16.00 percent for pension benefits and .93 for healthcare insurance premium assistance.

The School District's contributions to the Public School Employees' Retirement System for the years ended June 30, 2014, 2013, and 2012 were \$1,802,170, \$1,324,254, and \$932,522, respectively, and employee contributions were \$936,738, \$934,065, and \$845,535, 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, 2014, (2) the states social security benefit reimbursement accrued for the year ended June 30, 2014.

State Subsidies

Social Security	\$ 47,188	
Retirement	82,542	
Sec 1305/06	78,366	
Rental	<u>31,022</u>	\$ 239,118

Federal Subsidies

Title I	\$ 46,463	
Access	<u>111,895</u>	158,358

IDEA B Funds

349,954

IU 11

22,011

Other LEAs in PA - Tuition

103,462

\$ 872,903

Note 7: Fund Balance

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

Future Employee Benefit Costs	\$1,303,579
Capital Projects	1,289,370
Special Ed and Charter School Costs	844,680
Curriculum/Technology	<u>200,000</u>
	<u>\$3,637,629</u>

**HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(CONTINUED)**

Note 8: Long-Term Debt

The amount of long-term debt is \$35,246,229, 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	\$32,820,000
Long-Term Portion of Compensated Absences (Accumulated Sick Leave)	1,127,135
OPEB	<u>393,531</u>
Total Long-Term Debt Obligations	<u><u>\$34,340,666</u></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:

<u>Date</u>	<u>Principal</u>	<u>Coupon</u>	<u>Interest</u>	<u>Total P + I</u>	<u>Fiscal Total</u>
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>\$8,300,000 00</u>		<u>\$2,063,013 77</u>	<u>\$10,363,013.77</u>	

**HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(CONTINUED)**

Note 8: Long-Term Debt (Continued)

B. General Obligation Bonds, Series of 2013

On May 8, 2013, the District issued \$5,495,000 of General Obligation Bonds. The proceeds were used to advance refund the School District's General Obligation Bonds, Series of 2008 and to pay the cost of issuing the 2013 Bonds

The advance refunding resulted in an economic gain of \$150,236.

Debt service to maturity is as follows

<u>Date</u>	<u>Principal</u>	<u>Coupon</u>	<u>Interest</u>	<u>Total P + I</u>	<u>Fiscal Total</u>
06/30/14					\$ 989,067.81
08/01/14	\$1,115,000.00	400%	\$ 36,680 00	\$ 1,151,680 00	
02/01/15			34,450 00	34,450 00	
06/30/15					1,186,130 00
08/01/15	1,125,000 00	2 000	34,450 00	1,159,450.00	
02/01/16			23,200 00	23,200.00	
06/30/16					1,182,650 00
08/01/16	1,145,000 00	2 000	23,200 00	1,168,200 00	
02/01/17			11,750 00	11,750 00	
06/30/17					1,179,950 00
08/01/17	1,175,000.00	2 000	11,750 00	1,186,750.00	
06/30/18	<u>0 00</u>		<u>0 00</u>	<u>0 00</u>	1,186,750 00
	<u>\$4,560,000.00</u>		<u>\$ 175,480 00</u>	<u>\$ 4,735,480.00</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 P + I</u>	<u>Fiscal Total</u>
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	
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	

**HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(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 P + I</u>	<u>Fiscal Total</u>
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>\$9,965,000 00</u>		<u>\$7,840,106 42</u>	<u>\$17,805,106 42</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 P + I</u>	<u>Fiscal Total</u>
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	
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	

**HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(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 P + I</u>	<u>Fiscal Total</u>
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>	1,062,840 00
	<u>\$ 9,995,000 00</u>		<u>\$6,701,983 84</u>	<u>\$16,696,983.84</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 \$1,127,135

F. OPEB Liability

Per actuarial calculation, the other postemployment benefit liability as of June 30, 2014 is \$393,531

**HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(CONTINUED)**

Note 8: Long-Term Debt (Continued)

G. Changes in Long-Term Debt

	<u>Balance</u> <u>7/01/13</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>6/30/14</u>	<u>Due Within</u> <u>One Year</u>
Bonds	\$33,770,000	\$ 0	\$ 950,000	\$32,820,000	\$1,130,000
Compensated Absences	1,000,805	126,330	0	1,127,135	0
OPEB	<u>475,424</u>	<u>0</u>	<u>81,893</u>	<u>393,531</u>	<u>0</u>
	<u>\$35,246,229</u>	<u>\$ 126,330</u>	<u>\$1,031,893</u>	<u>\$34,340,666</u>	<u>\$1,130,000</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 \$120,941 for these services during fiscal year ended June 30, 2014.

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 \$723,132 as its share to the Huntingdon County Career & Technology Center during 2013-2014.

**HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(CONTINUED)**

Note 10: Related Party Transactions (Continued)

Vocational-Technical School Participation (Continued)

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, 2014, no receivable or payable to the trust has been reflected on these financial statements. As of June 30, 2014, 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, 2014, which amounted to \$3,578,826.

Note 12: Functions and Objects

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

Functions

1. Instruction

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

a. Regular Programs

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

b. Special Programs

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

HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(CONTINUED)

Note 12: Functions and Objects (Continued)

Functions (Continued)

1. Instruction (Continued)

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.

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.

HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(CONTINUED)

Note 12: Functions and Objects (Continued)

Functions (Continued)

2. Support Services (Continued)

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.

b. Student Activities

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

c. Community Services

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

HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(CONTINUED)

Note 12: Functions and Objects

Functions (Continued)

4. Facilities Acquisition and Construction Services

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

5. Other Financing Uses

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

a. Debt Service

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

b. Fund Transfers

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

Objects

1. Salaries

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

2. Personal Services - Employees' Benefits

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

3. Purchased Professional and Technical Services

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

4. Purchased Property Services

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

HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(CONTINUED)

Note 12: Functions and Objects (Continued)

Objects (Continued)

5. Other Purchased Services

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

6. Supplies

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

7. Property

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

8. Other Objects

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

9. Other Financing Uses

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

Note 13: Risk Management

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

Note 14: Use of Estimates

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

Note 15: Lease Obligations

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

**HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(CONTINUED)**

Note 15: Lease Obligations (Continued)

The following is a schedule, by years of the future minimum rental payments, required under the leases that have initial or remaining lease terms in excess of one year as of June 30, 2014

June 30, 2015	\$87,456
June 30, 2016	87,456
June 30, 2017	0
June 30, 2018	0
June 30, 2019	0

Note 16: Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2014 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>For</u>
Cafeteria	General	\$5,527	Miscellaneous

Interfund transfers during the year ended June 30, 2014 are as follows

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>	<u>For</u>
General Fund	Cafeteria Fund	\$150,000	General Transfer
General Fund	Capital Reserve	192,201	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 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

**HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(CONTINUED)**

Note 17: Postretirement Benefits (Continued)

Plan Description (Continued)

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, 2014
(CONTINUED)**

Note 17: Postretirement Benefits (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

Net OPEB Obligation as of June 30, 2014:

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	(484,273)
<u>Net OPEB Obligation</u> - Beginning of Year	475,424
Prefunding	<u>0</u>
<u>Net OPEB Obligation</u> - End of Year	<u>\$393,531</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 2014 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, 2014	\$423,850	100%	\$423,850

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, 2014
(CONTINUED)

Note 17: Postretirement Benefits

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, 2014
(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

Note 18: Subsequent Event

The School District signed a commercial term loan with Jersey Shore State Bank for the refunding of the Series of 2010 General Obligation Bonds. The settlement date is July 1, 2014.

**HUNTINGDON AREA SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION (RSI)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2014**

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Local Sources	\$11,170,686	\$11,170,686	\$11,446,177	\$ 275,491
State Sources	12,650,764	12,650,764	12,952,407	301,643
Federal Sources	<u>651,821</u>	<u>651,821</u>	<u>703,239</u>	<u>51,418</u>
Total Revenues	<u>\$24,473,271</u>	<u>\$24,473,271</u>	<u>\$25,101,823</u>	<u>\$ 628,552</u>
Expenditures				
Regular Programs	\$ 7,870,977	\$ 7,800,447	\$ 7,799,613	\$ 834
Special Programs	3,923,654	3,553,654	3,525,433	28,221
Vocational Programs	842,484	872,484	870,728	1,756
Other Instructional Programs	1,524,322	1,660,187	1,656,478	3,709
Nonpublic School Programs	0	0	0	0
Pre-Kindergarten	0	0	0	0
Adult Education Programs	0	0	0	0
Pupil Personnel Services	788,224	803,224	801,930	1,294
Instructional Staff Services	699,622	725,842	723,204	2,638
Administration Services	1,780,920	1,387,475	1,386,037	1,438
Pupil Health	255,972	290,972	287,277	3,695
Business Services	451,443	391,443	390,031	1,412
Operation and Maintenance of Plant Services	2,255,380	2,195,380	2,191,940	3,440
Student Transportation Services	1,780,000	1,990,000	1,987,749	2,251
Central and Other Support Services	53,363	53,363	41,370	11,993
Other Support Services	0	0	0	0
Student Activities	58,887	463,892	448,966	14,926
Community Services	0	1,500	0	1,500
Facilities Acquisition and Construction	15,000	110,000	75,760	34,240
Debt Service	<u>2,145,824</u>	<u>2,145,824</u>	<u>2,145,824</u>	<u>0</u>
Total Expenditures	<u>\$24,446,072</u>	<u>\$24,445,687</u>	<u>\$24,332,340</u>	<u>\$ 113,347</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 27,199</u>	<u>\$ 27,584</u>	<u>\$ 769,483</u>	<u>\$ 741,899</u>
Other Financial Sources (Uses)				
Interfund Transfers In	\$ 0	\$ 0	\$ 0	\$ 0
Interfund Transfers Out	(1,290,000)	(1,290,000)	(374,936)	915,064
Sale of Fixed Assets	0	0	200,157	200,157
Refund of Prior Year Receipts	0	0	(47,617)	(47,617)
Budgetary Reserve	<u>(337,563)</u>	<u>(337,563)</u>	<u>0</u>	<u>337,563</u>
Total Other Financing Sources (Uses)	<u>(\$ 1,627,563)</u>	<u>(\$ 1,627,563)</u>	<u>(\$ 222,396)</u>	<u>\$1,405,167</u>
Net Change in Fund Balances	<u>(\$ 1,600,364)</u>	<u>(\$ 1,599,979)</u>	<u>\$ 547,087</u>	<u>\$2,147,066</u>
Fund Balances - July 1, 2013	<u>4,031,561</u>	<u>4,031,561</u>	<u>4,197,918</u>	<u>166,357</u>
Fund Balances - June 30, 2014	<u>\$ 2,431,197</u>	<u>\$ 2,431,582</u>	<u>\$ 4,745,005</u>	<u>\$2,313,423</u>

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

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
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, 2014**

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 2014

HUNTINGDON AREA SCHOOL DISTRICT
ATHLETIC FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2014

Revenues

Football Gate Receipts	\$ 25,940
Basketball Gate Receipts	13,393
Wrestling Gate Receipts	2,714
Volleyball Gate Receipts	4,829
Soccer Gate Receipts	3,499
Field Hockey	314
All Sport and Season Tickets	1,800
Other	56
Social Security Reimbursement	6,713
Pay to Play	6,420
Retirement Reimbursement	<u>24,414</u>
 Total Revenues	 \$ 90,092

Expenditures

Salaries	\$170,309
Employee Benefits	43,031
Contracted Services	55,183
Repairs and Maintenance	3,456
Transportation and Conferences	66,265
Supplies and Equipment	41,626
Dues and Fees	3,125
Rent	<u>7,755</u>
 Total Expenditures	 \$390,750

Net Operating (Loss) (\$300,658)

Operating Transfer In 300,000

Net Gain (\$ 658)

Fund Balances - July 1, 2013 36,769

Fund Balances - June 30, 2014 \$ 36,111

HUNTINGDON AREA SCHOOL DISTRICT
 STUDENT ACTIVITIES FUND
 STATEMENT OF ASSETS AND LIABILITIES
 AS OF JUNE 30, 2014

Baseball Club	\$ 377
Ski Club	1
Argus Fund	7,841
Band Fund	552
Belles and Beaus Fund	146
Boys Basketball	30
County Band	500
Boys Volleyball	39
Choral Club	766
Bio Club	139
Class of 2014	681
Class of 2015	2,124
Class of 2016	2,014
Class of 2017	1,602
FFA	1,096
Cheer Team	113
Field Hockey Club	22
Student Field Trips	972
Key Club	3,042
Lyceum Fund	8,712
Musical	6,827
National Honor Society	114
Boys Soccer	17
Stage Crew	39
Student Council	2,115
Volleyball Club	268
Varsity Club	2,466
District/County/Regional Chorus	1,448
Leadership	6
Middle School Student Council	9,482
Middle School Cheerleaders	286
Middle School Yearbook	<u>1,290</u>
 Total	 \$ 55,127

**HUNTINGDON AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014**

<u>Federal Grantor Project Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period</u>
<u>U.S. Department of Education</u>				
(Passed Through the Pennsylvania Department of Education)				
Title I	I	84.010	013-130195	07/01/12-09/30/13
Title I	I	84 010	013-140195	07/01/13-09/30/14
Total Title I				
Title II	I	84 367	020-131195	07/01/12-09/30/13
Title II	I	84 281	020-120195	07/01/11-09/30/12
Title II	I	84 367	020-140195	07/01/13-09/30/14
Total Title II				
(Passed Through the Intermediate Unit 11)				
Individuals with Disabilities Education Act	I	84 027	H027A130093	07/01/13-06/30/14
Race to the Top	I	84 413A	B413A120004	07/01/13-09/30/14
Total Intermediate Unit II				
Total U.S. Department of Education				
<u>U.S. Department of Agriculture</u>				
(Passed Through the Pennsylvania Department of Education)				
National School Lunch	I	10 555	N/A	07/01/13-06/30/14
National School Lunch	I	N/A	N/A	07/01/13-06/30/14
Total National School Lunch				
Breakfast Program	I	10 553	N/A	07/01/13-06/30/14
Breakfast Program	I	N/A	N/A	07/01/13-06/30/14
Total Breakfast Program				
(Passed Through the Pennsylvania Department of Agriculture)				
Value of USDA Commodities	I	10 550	N/A	07/01/13-06/30/14
Value of USDA Commodities	I	10.550	N/A	07/01/12-06/30/13
Total Value of USDA Donated Commodities				
Total U.S. Department of Agriculture				
Less State Share of Assistance				
TOTAL EXPENDITURES OF FEDERAL AWARDS				

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

**HUNTINGDON AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014**

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2013</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2014</u>
\$ 424,657	\$ 34,508	(\$ 40,393)	\$ 74,901	\$ 74,901	\$ 0
<u>386,696</u>	<u>310,506</u>	<u>0</u>	<u>356,969</u>	<u>356,969</u>	<u>46,463</u>
\$ 811,353	\$ 345,014	(\$ 40,393)	\$ 431,870	\$ 431,870	\$ 46,463
\$ 127,630	\$ 0	(\$ 6,918)	\$ 6,918	\$ 6,918	\$ 0
127,523	(606)	(606)	0	0	0
<u>122,713</u>	<u>122,713</u>	<u>0</u>	<u>122,713</u>	<u>122,713</u>	<u>0</u>
\$ 377,866	\$ 122,107	(\$ 7,524)	\$ 129,631	\$ 129,631	\$ 0
\$ 349,854	\$ 349,955	\$ 0	\$ 349,955	\$ 349,955	\$ 0
<u>22,011</u>	<u>22,011</u>	<u>0</u>	<u>22,011</u>	<u>22,011</u>	<u>0</u>
\$ 371,865	\$ 371,966	\$ 0	\$ 371,966	\$ 371,966	\$ 0
	\$ 839,087	(\$ 47,917)	\$ 933,467	\$ 933,467	\$ 46,463
N/A	\$ 412,690	\$ 56,477	\$ 420,049	\$ 420,049	\$ 63,836 F
N/A	<u>26,523</u>	<u>3,886</u>	<u>26,644</u>	<u>26,644</u>	<u>4,007 S</u>
	\$ 439,213	\$ 60,363	\$ 446,693	\$ 446,693	\$ 67,843
N/A	\$ 65,278	\$ 10,858	\$ 67,363	\$ 67,363	\$ 12,943 F
N/A	<u>3,993</u>	<u>675</u>	<u>4,112</u>	<u>4,112</u>	<u>794 S</u>
	\$ 69,271	\$ 11,533	\$ 71,475	\$ 71,475	\$ 13,737
N/A	\$ 78,149	\$ 0	\$ 63,389	\$ 63,389	(\$ 14,760)
N/A	<u>0</u>	<u>(8,613)</u>	<u>8,613</u>	<u>8,613</u>	<u>0</u>
	\$ 78,149	(\$ 8,613)	\$ 72,002	\$ 72,002	(\$ 14,760)
	\$ 586,633	\$ 63,283	\$ 590,170	\$ 590,170	\$ 66,820
	(\$ 30,516)	(\$ 4,561)	(\$ 30,756)	(\$ 30,756)	(\$ 4,801)
	<u>\$1,395,204</u>	<u>\$ 10,805</u>	<u>\$1,492,881</u>	<u>\$1,492,881</u>	<u>\$ 108,482</u>

**HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014**

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:

\$ 22,011	Race to the Top
431,870	Title I
420,049	National School Lunch Program
72,002	Value of USDA Donated Commodities
129,631	Title II
67,363	Breakfast Program
<u>349,955</u>	IDEA
\$1,492,881	
<u>X</u>	25%
\$ 373,220	Minimum Amount which Must Be Tested
<u> </u>	

Extensive compliance tests, as required by the Single Audit Act of 1996, were performed on the Title I and IDEA which represent 52% 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 \$51,233 for the Medical Assistance reimbursements for the ACCESS program as of June 30, 2013. 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 \$112,973, with a receivable of \$111,895 as of June 30, 2014.

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Huntingdon Area School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Huntingdon Area School District's basic financial statements, and have issued our report thereon dated November 14, 2014.

Internal Control over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the Huntingdon Area School District's compliance with the types of compliance requirements described in the *OMB 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, 2014. The Huntingdon Area School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Huntingdon Area School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Huntingdon Area School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Huntingdon Area School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133
(CONTINUED)**

Report on Internal Control over Compliance

Management of the Huntingdon Area School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Huntingdon Area School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

HUNTINGDON AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

A. Summary of Audit Results

1. An unqualified opinion was issued on the Huntingdon Area School District's financial statements.
2. There were no material weaknesses in internal control identified by the audit of the financial statements.
3. The audit did not disclose any noncompliance, which was material to the basic financial statements of the Huntingdon Area School District.
4. There were no material weaknesses in the internal control over major federal programs identified by the audit.
5. An unqualified opinion was issued on the School District's compliance for major federal programs.
6. No audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule
7. The major programs selected for testing were Title I and IDEA
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.

B. Financial Statements Findings

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

C. Federal Awards Findings and Questioned Cost

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

**HUNTINGDON AREA SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

The prior year finding has been resolved.

Young, **YOBCCO**, 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, each major fund, and the aggregate remaining fund information of the Huntingdon Area School District for the year ended June 30, 2014. 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 June 3, 2013. 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 allowance for uncollectible taxes receivable is based on the age of the account as maintained by various tax collectors. We evaluated the key factors and assumptions used to develop the allowance for uncollectible taxes receivable in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate of depreciation expense on capital assets is based on the estimated useful lives of the capital assets. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that they are reasonable in relation to the financial statements taken as a whole.

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

Significant Audit Findings (Continued)

Qualitative Aspects of Accounting Practices (Continued)

Management's estimate of the net postemployment benefits obligation is based on an actuarial valuation of the plan performed in accordance with generally accepted accounting principles and methods. We evaluated the key factors and assumptions used to develop the net postemployment benefits obligation in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were

The disclosure of other postemployment benefits obligation of \$393,531 to the financial statements is material and determined by actuarial valuation.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are 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 14, 2014.

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.

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

Significant Audit Findings (Continued)

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.

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis; Budgetary Comparison Schedule - General Fund; and the Defined Benefit Postemployment Healthcare Plan information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI

We were engaged to report on the Schedule of Expenditures of Federal Awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves

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, Oberly, 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		