

HUNTINGDON AREA SCHOOL DISTRICT

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

YEAR ENDED JUNE 30, 2019

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Huntingdon Area School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Huntingdon Area School District, as of June 30, 2019, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the defined benefit postemployment healthcare plan's schedule of funding progress, and the defined benefit pension plan information related to the Pennsylvania Public Employees' Retirement System (PSERS) on pages 3 through 12, 58 and 59, and 60 through 71 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 20, 2019 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, Becker, Brown & Company, P.C.

Huntingdon Area School District

Management Discussion and Analysis

for the Fiscal Year Ended June 30, 2019

The *Management, Discussion, and Analysis* (MD&A) of the Huntingdon Area School District provides a reader friendly insight into the financial condition and the financial performance of the School District for the fiscal year ended June 30, 2019. This MD&A looks at the District's financial performance on a district-wide basis and reviews the major funds. Readers should review the financial statements to augment their understanding of the District's financial performance.

Background

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

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

Various statements required under GASB 34 are:

- ◆ Statement of Net Position
- ◆ Statement of Activities
- ◆ Balance Sheet of Governmental Funds
- ◆ Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position
- ◆ Statement of Revenues, Expenditures, and Changes in Fund Balances
- ◆ Reconciliation of Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities
- ◆ Statement of Revenues, Expenditures and Changes in Fund equity

Overview of the Financial Statements

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

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

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

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

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

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

Entity-Wide Statements

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

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

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

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

Financial Highlights – Entity-Wide Statements

The District's financial status, as reflected in total net position, decreased by (\$1,661,069) for the current fiscal period largely due to the net pension and OPEB liability. Net position of governmental activities decreased (\$411,284) while business-type activities decreased (\$1,249,785).

Business-type activities had a net decrease in capital assets of (\$7,757) and governmental activities had a net decrease of (\$2,180,742) in capital assets as a result of depreciation outpacing acquisition of new equipment/capital assets.

The district repaid \$1,467,000 of long-term general obligation debt. In 2017-18, the district adopted a resolution authorizing the issuance General Obligation Note, Series 2017, with proceeds thereof applied for and toward the interim funding of the Huntingdon County Career and Technology Center Project as such project is defined in the resolution approved November 20, 2017. The total amount of potential indebtedness is \$550,000. As of 6/30/2019, the total amount drawn on the loan was \$27,501, with all interest being paid by the Huntingdon County Career and Technology Center. As of 6/30/2019 the district had total general obligation long-term debt of \$27,512,000. Net pension liability, OPEB and long-term compensated absences accounted for \$43,339,179 in additional long-term debt. Total long-term debt for the district as of June 30, 2019 is \$70,851,179.

On the Statement of Activities, the district had a total of \$30,377,874 of program revenues, general revenues, and charge for services and \$31,121,223 of expenses that resulted in the (\$743,349) decrease in net position. Operating grants & contributions and charge for services provided \$16,813,282 (55.35%), grants, subsidies and contributions \$675,268 (2.22%); property and other taxes \$12,441,543 (40.96%), and other revenues accounted for \$447,781 (1.47%).

In governmental activities, general tax revenues are primarily comprised of property taxes that accounted for \$9,494,291 or 76.31% of tax revenue, while all other taxes accounted for \$2,947,252 or 23.69%.

The school food service program, the district's only business-type activity, had a total \$1,170,391 of expenses, of which \$321,008 was financed by charges for services, \$569,289 with subsidies, and a fund transfer of \$150,000 from the General Fund. The beginning net position was adjusted to account for OPEB and PSERS liabilities resulting in an overall net position of (\$1,327,151) as of June 30, 2019.

Fund Financial Statements

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

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

The District has three kinds of funds:

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

Financial Highlights – Fund Financial Statements

The general fund ending unassigned fund balance of \$1,108,226 equates to 3.74% of the adjusted operating budget of \$29,645,010. This is lower than the goal stated in Board Policy 620 which directs the school district to strive to maintain an unassigned general fund balance of not less than six percent (6%) and not more than eight percent (8%) of the budgeted expenditures for the fiscal year. Future board action may be considered to increase the unassigned fund balance to 6%.

- Total general fund revenues were \$274,370 or 0.95% more than budgeted.
- Total general fund expenses were \$375,386 or 1.27% less than budgeted.

The net change in fund balance of all governmental funds was (\$206,189). This is comprised of the results from general operations of the General Fund Account (\$1,167); Capital Reserve (#32) Account (\$205,022).

The General Fund had an ending fund balance of \$4,545,855 of which \$1,108,226 is unassigned. This includes athletic activities previously reported separately.

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

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

The Capital Reserve fund had an ending fund balance of \$2,672,794. This entire amount is committed to debt service payments and capital repairs or improvements as defined in Municipal Code Section 1431.

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. The district's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$29,055,474 as of June 30, 2019 due mainly to long-term debt obligations.

Capital assets of \$32,147,939 accounted for 73.72% of total assets. The District uses capital assets to provide services; consequently, these assets are not available for future spending. Although the District's \$4,932,300 investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1 summarizes the assets, liabilities, and net position of the District at June 30, 2019.

Table 1 Net Position - (Entity-Wide)						
	As of June 30, 2018			As of June 30, 2019		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Assets						
Current & Other Assets	\$11,378,160	\$237,850	\$11,616,010	\$11,326,366	\$134,036	\$11,460,402
Capital Assets	<u>\$34,321,558</u>	<u>\$14,880</u>	<u>\$34,336,438</u>	<u>\$32,140,816</u>	<u>\$7,123</u>	<u>\$32,147,939</u>
Total Assets	<u>\$45,699,718</u>	<u>\$252,730</u>	<u>\$45,952,448</u>	<u>\$43,467,182</u>	<u>\$141,159</u>	<u>\$43,608,341</u>
Deferred Outflows of Resources	<u>\$9,410,529</u>	<u>\$0</u>	<u>\$9,410,529</u>	<u>\$2,824,718</u>	<u>\$23,736</u>	<u>\$2,848,454</u>
Liabilities						
Current Liabilities	\$5,277,964	\$55,766	\$5,333,730	\$3,960,691	\$38,055	\$3,998,746
Non-Current Liabilities	<u>\$76,046,322</u>	<u>\$274,330</u>	<u>\$76,320,652</u>	<u>\$69,416,093</u>	<u>\$1,435,085</u>	<u>\$70,851,178</u>
Total Liabilities	<u>\$81,324,286</u>	<u>\$330,096</u>	<u>\$81,654,382</u>	<u>\$73,376,784</u>	<u>\$1,473,140</u>	<u>\$74,849,924</u>
Deferred Inflows of Resources	<u>\$1,103,000</u>	<u>\$0</u>	<u>\$1,103,000</u>	<u>\$643,439</u>	<u>\$18,906</u>	<u>\$662,345</u>
Net Position:						
Invested in Capital Assets Net of Related Debt Restricted for Capital Projects	\$5,657,177	\$14,880	\$5,672,057	\$4,925,177	\$7,123	\$4,932,300
	\$2,877,816	\$0	\$2,877,816	\$2,672,794	\$0	\$2,672,794
Unrestricted	<u>(\$35,852,032)</u>	<u>(\$92,246)</u>	<u>(\$35,944,278)</u>	<u>(\$35,326,294)</u>	<u>(\$1,334,274)</u>	<u>(\$36,660,568)</u>
Total Net Position	<u>(\$27,317,039)</u>	<u>(\$77,366)</u>	<u>(\$27,394,405)</u>	<u>(\$27,728,323)</u>	<u>(\$1,327,151)</u>	<u>(\$29,055,474)</u>

Government Activities

The Statement of Activities shows the cost of program services, revenues from charges for those services and grants that directly offset those services. The table below reflects the cost of program services and the net cost of those services after taking into account the program revenues for the governmental activities. General revenues (consist primarily of tax revenues) support the net cost of the District's services. Table 2 summarizes the changes in Net Position for the year ended June 30, 2019.

Table 2 Changes in Net Position For the Year Ended June 30 (Entity-Wide)						
	2018			2019		
	Governmental Activities	Business-Type	Total	Governmental Activities	Business-Type	Total
Program Revenues:						
Charges for services	\$70,953	\$285,542	\$356,495	\$129,602	\$321,008	\$450,610
Operating grants & Contributions	\$7,253,502	\$572,465	\$7,825,967	\$15,793,383	\$569,289	\$16,362,672
General Revenues:						
Property Taxes	\$8,761,677	\$0	\$8,761,677	\$9,494,291	\$0	\$9,494,291
Other Taxes	\$3,227,350	\$0	\$3,227,350	\$2,947,252	\$0	\$2,947,252
Grants, Subsidies & Contributions	\$8,933,826	\$0	\$8,933,826	\$675,268	\$0	\$675,268
Investment earnings	\$112,213	\$0	\$112,213	\$227,726	\$0	\$227,726
Transfers In (Out)	(\$150,000)	150,000	\$0	(\$150,000)	150,000	\$0
Other Revenue	<u>\$91,405</u>	<u>\$0</u>	<u>\$91,405</u>	<u>\$220,055</u>	<u>\$0</u>	<u>\$220,055</u>
Total Revenues:	<u>\$28,300,926</u>	<u>\$1,008,007</u>	<u>\$29,308,933</u>	<u>\$29,337,577</u>	<u>\$1,040,297</u>	<u>\$30,377,854</u>
Program Expenses:						
Instruction	\$17,945,543	\$0	\$17,945,543	\$18,261,077	\$0	\$18,261,077
Instructional Student Support	\$2,954,459	\$0	\$2,954,459	\$2,691,914	\$0	\$2,691,914
Administrative Support	\$2,303,419	\$0	\$2,303,419	\$2,541,490	\$0	\$2,541,490
Operation and Maintenance	\$2,489,783	\$0	\$2,489,783	\$2,973,508	\$0	\$2,973,508
Pupil Transportation	\$2,155,371	\$0	\$2,155,371	\$2,034,017	\$0	\$2,034,017
Student Activities	\$631,258	\$0	\$631,258	\$608,484	\$0	\$608,484
Community Services	\$0	\$0	\$0	\$0	\$0	\$0
Interest on Long-Term Debt	\$882,927	\$0	\$882,927	\$802,497	\$0	\$802,497
Depreciation Expense	\$426,000	\$0	\$426,000	\$37,485	\$0	\$37,485
Debt Issuance Cost						
Food Service	\$0	\$1,196,417	\$1,196,417	\$0	\$1,170,391	\$1,170,391
Refund of Prior Yr. Receipts	<u>\$1,464</u>	<u>\$0</u>	<u>\$1,464</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total Expenses	<u>\$29,790,224</u>	<u>\$1,196,417</u>	<u>\$30,986,641</u>	<u>\$29,950,832</u>	<u>\$1,170,391</u>	<u>\$31,121,223</u>
Increase(decrease) in Net Position	(\$1,489,298)	(\$188,410)	(\$1,677,708)	(\$613,255)	(\$130,094)	(\$743,349)
Prior Period Adjustment	(\$3,243,935)	0	(\$3,243,935)	\$201,971	(\$1,119,691)	(\$917,720)
Beginning Net Position	<u>(\$25,827,741)</u>	<u>\$111,044</u>	<u>(\$22,472,762)</u>	<u>(\$27,115,068)</u>	<u>(\$1,197,057)</u>	<u>(\$28,312,125)</u>
Ending Net Position	<u>(\$27,317,039)</u>	<u>(\$77,366)</u>	<u>(\$27,394,405)</u>	<u>(\$27,728,323)</u>	<u>(\$1,327,151)</u>	<u>(\$29,055,474)</u>

CAPITAL ASSETS AND DEBT ADMINISTRATION

As of June 30, 2019, the District had \$32,147,939 (net of accumulated depreciation) invested in a broad range of capital assets as listed below.

Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total School District	
	2019	2018	2019	2018	2019	2018
Land	196,747	196,747	0	0	196,747	196,747
Buildings & Improvements	31,132,891	31,219,726	0	0	31,132,891	31,219,726
Furniture & Equipment	811,178	2,905,085	7,123	14,880	818,301	2,919,965
Total	32,140,816	34,321,558	7,123	14,880	32,147,939	34,336,438

Long-Term Debt

As of June 30, 2019, the District had total long term debt of \$ 70,851,179.

	Governmental Activities		Business-Type Activities	
	2019	2018	2019	2018
General Obligation Bonds	27,512,000	28,979,000	-	
Other Postemployment Benefits	5,413,562	5,555,300	322,476	166,659
Net Pension Liability	35,262,847	41,585,000	1,090,604	1,247,550
Accrued Vacation and Sick Leave	1,227,685	1,299,022	22,005	38,971
TOTAL	69,416,094	77,418,322	1,435,085	1,453,180

The district had total bonded debt outstanding of \$27,512,000 at June 30, 2019. This amount represents the outstanding principal due on these obligations. Payments made on debt service during the year for principal and interest were \$1,467,000.

The District reports its allocated portion of its defined benefit unfunded benefit obligation related to its participation in PSERS. The District's allocated portion of the net pension liability is an actuarially determined estimate of the unfunded cost of the pension plan obligation which totaled \$36,353,451 as of June 30, 2019.

Other non-current liabilities consist of the District's liabilities for compensated absences, and its net obligation for post-employment benefits, which totaled \$6,985,728

Additional details regarding capital assets and long-term debt are in the accompanying Notes to the Financial Statements.

Factors Bearing on the District's Future

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

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

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

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

SEIU				
<u>Fiscal Year</u>	<u>Average Increase</u>		<u>Pre-2006</u>	<u>Post-2006</u>
	<u>Per Employee</u>	<u>%</u>	<u>%</u>	<u>Total Inc.</u>
2019-20	\$1,131	2.50	4.75	22,628
2020-21	\$957	2.50	4.00	19,147
2021-22	\$871	2.50	3.00	17,411
2022-23	\$840	2.25	3.00	16,805

HAESPA			
<u>Fiscal Year</u>	<u>Average Increase</u>		<u>Total</u>
	<u>Per Employee</u>	<u>%</u>	<u>Increase</u>
2019-20	\$637	3.80	45,243
2020-21	\$637	3.60	45,243
2021-22	\$637	3.50	45,243
2022-23	\$637	3.40	45,243
2023-24	\$637	3.30	45,243

- The district is mandated to participate in the Pennsylvania Public School Employees Retirement System (PSERS). The Commonwealth reimburses the school entity for 50% of the Employer Contributions due amount for their existing employees (Initial PSERS Membership date is earlier than 07/01/1994). and Employer Contributions multiplied by the employer's income/aid ratio (or 50%, whichever is greater) for new employees (hired on or after 07/01/1994). All Aid Ratios are calculated by the Department of Education. The Market Value/Personal Income Aid Ratio for 2019-20 is .5665. The following reflects the rate and rate changes over the past seven years, the current year and the next fiscal year.

	<u>Rate</u>	<u>% Change</u>
2011-2012	8.65%	53.4%
2012-2013	12.36%	42.9%
2013-2014	16.93%	37.0%
2014-2015	21.40%	26.4%
2015-2016	25.84%	20.8%
2016-2017	30.03%	16.2%
2017-2018	32.57%	8.46%
2018-2019	33.43%	2.60%
2019-2020	34.29%	2.57%
2020-2021	34.51%	0.64%

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

1. Maintains the defined benefit plan for existing employees, but implemented a choice of three options for new employees: two defined benefit/defined contribution plans and a defined contribution plan only option.
 2. Implemented a shared risk/gain provision wherein member's rate can increase or decrease 3% below or 3% above member's basic contribution rate, in increments of 0.75%
 3. Affects new members as of July 1, 2019. Current members who were active on July 1, 2019 had a one-time, irrevocable right to elect into any of the three new plans within 90 days after notice
 4. Defines the actuarially required contribution as the normal cost plus the amount to fully amortize the unfunded liability in accordance with actuarial standards of practice.
- The district is a member of the Tuscarora Intermediate Unit Capital Insurance Trust (TIUCIT) for the purpose of providing health insurance to employees in accordance with labor agreements. The rate increase for 2019-20 was 6.24% for Huntingdon Area. Increases are set in the spring of each year and are dependent on claims, expenses and reserves. Renewal history for TIUCIT is as follows:

<u>Year</u>	<u>Increase</u>	<u>Year</u>	<u>Increase</u>
2011-12	6.50%	2016-17	9.40%
2012-13	4.85%	2017-18	7.33%
2013-14	6.60%	2018-19	3.18%
2014-15	9.74%	2019-20	6.24%
2015-16	4.42%		
 - Enrollment Projections - Projected enrollments are a key factor in determining the district's class size and staffing needs. These enrollment projections are included below. Since 2010-2011 Huntingdon Area School District enrollment has decreased by 260. The district completed a demographic/capacity study in 2018 to determine future capital needs.

HUNTINGDON AREA SCHOOL DISTRICT
ENROLLMENT TRENDS

Actual Enrollments				Projected Enrollments			
School				School			
<u>Year</u>	<u>Elementary</u>	<u>Secondary</u>	<u>Total</u>	<u>Year</u>	<u>Elementary</u>	<u>Secondary</u>	<u>Total</u>
2010-11	1,142	919	2,061	2020-21	940	836	1,800
2011-12	1,075	1,020	2,095	2021-22	921	850	1,798
2012-13	1,072	1,023	2,095	2022-23	916	846	1,786
2013-14	1,033	937	1,970	2023-24	916	831	1,765
2014-15	1,015	952	1,967	2024-25	911	810	1,734
2015-16	993	953	1,946	2025-26	879	811	1,703
2016-17	1,007	922	1,929				
2017-18	993	870	1,863				
2018-19	982	852	1,834				
2019-20	953	848	1,801				

Website Documents

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

Contacting the District Financial Management

The financial report is designed to provide our citizens, taxpayers, parents, student, staff, investors and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact: Faith M. Swanson, Business Manager, Huntingdon Area School District, 2400 Cassady Avenue, Suite 2, Huntingdon, PA 16652.

**HUNTINGDON AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets</u>			
Cash and Cash Equivalents	\$ 9,677,152	(\$ 24,790)	\$ 9,652,362
Receivables:			
Taxes - Net	668,392	0	668,392
Internal Balances	(14,485)	14,485	0
Intergovernmental	985,427	73,379	1,058,806
Other Receivables	9,880	60,392	70,272
Inventories	0	10,570	10,570
Prepaid Expenses	0	0	0
Capital Assets:			
Not Depreciated	196,747	0	196,747
Depreciated, Net of Depreciation	<u>31,944,069</u>	<u>7,123</u>	<u>31,951,192</u>
Total Assets	<u>\$43,467,182</u>	<u>\$ 141,159</u>	<u>\$43,608,341</u>
<u>Deferred Outflows of Resources</u>			
Deferred Charge on Refunding	\$ 296,361	\$ 0	\$ 296,361
Deferred Outflows Related to Defined Benefit Pension Plan and OPEB	<u>2,528,357</u>	<u>23,736</u>	<u>2,552,093</u>
Total Deferred Outflows of Resources	<u>\$ 2,824,718</u>	<u>\$ 23,736</u>	<u>\$ 2,848,454</u>
<u>Liabilities</u>			
Accounts Payable	\$ 700,793	\$ 16,494	\$ 717,287
Accrued Salaries and Benefits	1,641,299	0	1,641,299
Payroll Deductions and Withholdings	1,174,346	0	1,174,346
Accrued Interest	258,829	0	258,829
Other Current Liabilities	185,424	21,561	206,985
Noncurrent Liabilities:			
Due Within One Year	1,463,000	0	1,463,000
Due In More than One Year	<u>67,953,093</u>	<u>1,435,085</u>	<u>69,388,178</u>
Total Liabilities	<u>\$73,376,784</u>	<u>\$1,473,140</u>	<u>\$74,849,924</u>
<u>Deferred Inflows of Resources</u>			
Deferred Resources Related to Pension Plan and OPEB	<u>\$ 643,439</u>	<u>\$ 18,906</u>	<u>\$ 662,345</u>
<u>Net Position</u>			
Net Investment in Capital Assets	\$ 4,925,177	\$ 7,123	\$ 4,932,300
Restricted for Capital Projects	2,672,794	0	2,672,794
Unrestricted	(35,326,294)	(1,334,274)	(36,660,568)
Total Net Position	<u>(\$27,728,323)</u>	<u>(\$1,327,151)</u>	<u>(\$29,055,474)</u>

See Accompanying Notes and Independent Auditor's Report

**HUNTINGDON AREA SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

Expenses

Governmental Activities

Unallocated Depreciation, excluding direct depreciation	\$ 37,845
Instructional	18,261,077
Instructional Student Support	2,691,914
Administration and Financial Support	2,541,490
Operation and Maintenance of Facilities	2,973,508
Pupil Transportation	2,034,017
Student Activities	608,484
Interest on Long-Term Debt	<u>802,497</u>

Total Governmental Activities	\$29,950,832
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Business-Type Activities

Food Service	\$ 1,170,391
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Total Business-Type Activities	\$ 1,170,391
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\$31,121,223

General Revenues

Property Tax
Other Tax
Grants, Subsidies, Contributions, Not Restricted
Investment Earnings
Miscellaneous Income
Gain on Disposition of Assets

Total General Revenues

Transfers

Change in Net Position

Net Position - Beginning

Adjustment

Net Position - Beginning (Restated)

Net Position - Ending

See Accompanying Notes and Independent Auditor's Report

**HUNTINGDON AREA SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

Charges for Services	Program Revenues Operating Grants and Contribution	Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Position		Total
			Governmental Activities	Business-Type Activities	
\$ 0	\$ 0	\$0	(\$ 37,845)	\$ 0	(\$ 37,845)
58,403	8,898,300	0	(9,304,374)	0	(9,304,374)
13,550	2,765,690	0	87,326	0	87,326
0	1,245,511	0	(1,295,979)	0	(1,295,979)
0	1,189,888	0	(1,783,620)	0	(1,783,620)
3,255	1,445,594	0	(585,168)	0	(585,168)
54,394	248,400	0	(305,690)	0	(305,690)
<u>0</u>	<u>0</u>	<u>0</u>	<u>(802,497)</u>	<u>0</u>	<u>(802,497)</u>
\$129,602	\$15,793,383	\$0	(\$14,027,847)	\$ 0	(\$14,027,847)
<u> </u>	<u> </u>	<u>—</u>	<u> </u>	<u> </u>	<u> </u>
\$321,008	\$ 569,289	\$0	\$ 0	(\$ 280,094)	(\$ 280,094)
<u> </u>	<u> </u>	<u>—</u>	<u> </u>	<u> </u>	<u> </u>
\$321,008	\$ 569,289	\$0	\$ 0	(\$ 280,094)	(\$ 280,094)
<u> </u>	<u> </u>	<u>—</u>	<u> </u>	<u> </u>	<u> </u>
\$450,610	\$16,362,672	\$0	(\$14,027,847)	(\$ 280,094)	(\$14,307,941)
<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
			\$ 9,494,291	\$ 0	\$ 9,494,291
			2,947,252	0	2,947,252
			675,268	0	675,268
			227,726	0	227,726
			176,390	0	176,390
			<u>43,665</u>	<u>0</u>	<u>43,665</u>
			\$13,564,592	\$ 0	\$13,564,592
			<u> </u>	<u> </u>	<u> </u>
			(\$ 150,000)	\$ 150,000	\$ 0
			<u> </u>	<u> </u>	<u> </u>
			(\$ 613,255)	(\$ 130,094)	(\$ 743,349)
			<u> </u>	<u> </u>	<u> </u>
			(\$27,317,039)	(\$ 77,366)	(\$27,394,405)
			<u>201,971</u>	<u>(1,119,691)</u>	<u>(917,720)</u>
			(\$27,115,068)	(\$1,197,057)	(\$28,312,125)
			<u> </u>	<u> </u>	<u> </u>
			(\$27,728,323)	(\$1,327,151)	(\$29,055,474)
			<u> </u>	<u> </u>	<u> </u>

See Accompanying Notes and Independent Auditor's Report

**HUNTINGDON AREA SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019**

	<u>General</u>	<u>Capital Reserve</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$7,000,097	\$2,677,055	\$ 9,677,152
Taxes Receivable, Net	668,392	0	668,392
Due from Other Governments	985,427	0	985,427
Other Receivables	<u>9,880</u>	<u>0</u>	<u>9,880</u>
TOTAL ASSETS	<u>\$8,663,796</u>	<u>\$2,677,055</u>	<u>\$11,340,851</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>			
<u>Liabilities</u>			
Due to Other Funds	\$ 14,485	\$ 0	\$ 14,485
Accounts Payable	696,532	4,261	700,793
Accrued Salaries and Benefits	1,641,299	0	1,641,299
Payroll Deductions and Withholdings	1,174,346	0	1,174,346
Other Current Liabilities	<u>185,424</u>	<u>0</u>	<u>185,424</u>
Total Liabilities	<u>\$3,712,086</u>	<u>\$ 4,261</u>	<u>\$ 3,716,347</u>
<u>Deferred Inflows of Resources</u>			
Unavailable Revenue - Property Taxes	<u>\$ 405,855</u>	<u>\$ 0</u>	<u>\$ 405,855</u>
<u>Fund Balances</u>			
Committed	\$ 0	\$ 0	\$ 0
Restricted Fund Balance	0	2,672,794	2,672,794
Assigned Fund Balances	3,437,629	0	3,437,629
Unassigned Fund Balance	<u>1,108,226</u>	<u>0</u>	<u>1,108,226</u>
Total Fund Balances	<u>\$4,545,855</u>	<u>\$2,672,794</u>	<u>\$ 7,218,649</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u><u>\$8,663,796</u></u>	<u><u>\$2,677,055</u></u>	<u><u>\$11,340,851</u></u>

See Accompanying Notes and Independent Auditor's Report

**HUNTINGDON AREA SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
YEAR ENDED JUNE 30, 2019**

Total Fund Balances - Governmental Funds	\$ 7,218,649
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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 are not reported as assets in governmental funds.

Cost	\$58,748,210	
Accumulated Depreciation	(<u>26,607,394</u>)	32,140,816

The net pension liability is not due and payable in the current period and, therefore, is not reported in the funds.	(35,262,846)
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The deferred outflows and inflows of resources related to defined benefit pension plans are not reported in the funds since they are measured on the accrual basis:

Deferred Outflows of Resources	\$ 737,740	
Deferred Inflows of Resources	(<u>543,527</u>)	194,213

The deferred outflows and inflows of resources related to OPEB liability and are not reported in the funds since they are measured on the accrual basis:

Deferred Outflows of Resources	\$ 1,790,617	
Deferred Inflows of Resources	(<u>99,912</u>)	1,690,705

Property taxes receivable will be collected in the future but are not available soon enough to pay for the current period's expenditures; and, therefore, are deferred in the fund's statements.	405,855
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Long-term liabilities, including bonds payable unamortized bond premium, compensated absences, and postretirement benefits (OPEB), are not due and payable in the current period, and, therefore, are not reported as liabilities or deferred inflows in the funds. Long-term liabilities and the related costs at year end consists of:

Bonds Payable	(\$27,512,000)	
Compensated Absences	(1,227,685)	
Postretirement Benefits (OPEB)	(<u>5,413,562</u>)	(34,153,247)

Interest on long-term debt accrued and shown as an expense on the government-wide financial statements, but not recognized on the fund financial statements until paid.	(258,829)
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Payment to refunded bond escrow agent reported as other financing uses in the fund statements and shown on the government-wide financial statements as an increase in deferred outflows of resources, net of accumulated amortization.	<u>296,361</u>
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Total Net Position – Governmental Activities	(\$27,728,323)
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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, 2019

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>			
Local Sources	\$13,177,625	\$ 93,139	\$13,270,764
State Sources	15,133,691	0	15,133,691
Federal Sources	<u>957,142</u>	<u>0</u>	<u>957,142</u>
Total Revenues	<u>\$29,268,458</u>	<u>\$ 93,139</u>	<u>\$29,361,597</u>
<u>Expenditures</u>			
Current:			
Instruction	\$16,710,073	\$ 0	\$16,710,073
Support Services	9,468,818	0	9,468,818
Operation of Noninstructional Services	592,400	0	592,400
Capital Outlays:			
Operation of Noninstructional Services	28,541	0	28,541
Facilities Acquisition, Construction, and Improvement Services	0	298,161	298,161
Debt Service:			
Principal	1,467,000	0	1,467,000
Interest	802,497	0	802,497
Refund of Prior Year Receipts	<u>50,296</u>	<u>0</u>	<u>50,296</u>
Total Expenditures	<u>\$29,119,625</u>	<u>\$ 298,161</u>	<u>\$29,417,786</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 148,833</u>	<u>(\$ 205,022)</u>	<u>(\$ 56,189)</u>
<u>Other Financing Sources (Uses)</u>			
Interfund Transfers In	\$ 0	\$ 0	\$ 0
Interfund Transfers Out	(<u>150,000</u>)	<u>0</u>	(<u>150,000</u>)
Total Other Financing Sources (Uses)	<u>(\$ 150,000)</u>	<u>\$ 0</u>	<u>(\$ 150,000)</u>
Net Change in Fund Balances	(\$ 1,167)	(\$ 205,022)	(\$ 206,189)
<u>Fund Balances</u> - July 1, 2018	<u>4,547,022</u>	<u>2,877,816</u>	<u>7,424,838</u>
<u>Fund Balances</u> - June 30, 2019	<u>\$ 4,545,855</u>	<u>\$2,672,794</u>	<u>\$ 7,218,649</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, 2019**

Total Net Change in Fund Balances - Governmental Funds (\$ 206,189)

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 depreciation exceeds capital outlays in the current period:

Capital Outlays	\$ 326,702	
Less: Depreciation Expense	(1,633,389)	(1,306,687)

Because some property taxes will not be collected for several months after the School District's fiscal year end, they are not considered as "available" revenues in the governmental funds. Deferred revenues increased by this amount during the year.	405,855
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	1,467,000
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The additional pension and OPEB expense associated with the Defined Benefit Pension Plan (PSERS) that does not require the use of current financial resources; and, therefore, is not reported as an expenditure in the governmental funds.	(763,791)
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Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due; and, thus, requires the use of current financial resources. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The decrease of interest accrued in the statement of activities is shown here.	12,201
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In the statement of activities, certain operating expenses (compensated absences - vacations and sick days) are measured by the amounts earned during the year. In the governmental funds; however, expenditures for these items are measured by the amount of financial resources used. These amounts represent the difference between the amount earned versus the amount used.	71,337
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Delinquent real estate taxes which was recognized as revenue in the governmental funds but not in the statement of activities.	(323,537)
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Amortization of deferred charge on refunding which is in the statement of activities.	(18,258)
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Amortization of bond premium which is in the statement of activities.	0
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Gain from the disposition of fixed assets.	43,665
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Adjustment to Fund Balance	<u>5,149</u>
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Changes in Net Position of Governmental Activities	<u>(\$ 613,255)</u>
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See Accompanying Notes and Independent Auditor's Report

**HUNTINGDON AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2019**

**Food
Service**

Assets

Current Assets

Cash and Cash Equivalents	(\$ 24,790)
Intergovernmental Receivables	73,379
Interfund Receivables	14,485
Inventories	10,570
Other Accounts Receivable	<u>60,392</u>

Total Current Assets	\$ 134,036
----------------------	------------

Noncurrent Assets

Machinery and Equipment, Net	\$ 7,123
------------------------------	----------

Deferred Outflows of Resources

Deferred Outflows Related to OPEB	\$ 919
Deferred Outflows Related to Defined Benefit Pension Plan	<u>22,817</u>

	\$ 23,736
--	-----------

Total Assets	\$ 164,895
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Liabilities and Net Position

Current Liabilities

Accrued Salaries and Benefits	\$ 0
Accounts Payable	16,494
Unearned Revenue	10,991
Unearned Revenue - Commodities	<u>10,570</u>

Total Current Liabilities	\$ 38,055
---------------------------	-----------

Noncurrent Liabilities

Long-Term Portion of Compensated Absences	\$ 22,005
OPEB	322,476
Net Pension Liability	<u>1,090,604</u>

Total Noncurrent Liabilities	\$1,435,085
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Total Liabilities	\$1,473,140
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Deferred Inflows of Resources

Deferred Inflows Related to OPEB	\$ 2,096
Deferred Inflows Related to Defined Benefit Pension Plan	<u>16,810</u>

	\$ 18,906
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Net Position

Invested in Capital Assets	\$ 7,123
Unrestricted	(1,334,274)

Total Net Position	(\$1,327,151)
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TOTAL LIABILITIES AND NET POSITION	\$ 164,895
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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, 2019**

	<u>Food Service</u>
<u>Operating Revenues</u>	
Food Service Revenue	\$ 321,008
	<hr/>
<u>Operating Expenses</u>	
Salaries	\$ 350,975
Employee Benefits	382,926
Other Purchased Services	218,860
Supplies	209,873
Depreciation	<u>7,757</u>
Total Operating Expenses	\$1,170,391
	<hr/>
Operating (Loss)	(\$ 849,383)
	<hr/>
<u>Nonoperating Revenues</u>	
State Sources	\$ 27,332
Federal Sources	<u>541,957</u>
Total Nonoperating Revenues	\$ 569,289
	<hr/>
(Loss) Before Operating Transfers	(\$ 280,094)
	<hr/>
<u>Operating Transfers</u>	
Operating Transfers In	\$ 150,000
	<hr/>
Change in Net Position	(\$ 130,094)
	<hr/>
<u>Net Position - Beginning</u>	(\$ 77,366)
Prior Period Adjustment	(1,119,691)
<u>Net Position - Beginning (Restated)</u>	(\$1,197,057)
	<hr/>
<u>Net Position - Ending</u>	(\$1,327,151)
	<hr/> <hr/>

See Accompanying Notes and Independent Auditor's Report

**HUNTINGDON AREA SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2019**

	<u>Food Service</u>
<u>Cash Flows from Operating Activities</u>	
Cash Received from Users	\$288,752
Cash Payments to Employees for Services	(739,127)
Cash Payments to Suppliers for Goods and Services	(308,391)
Net Cash (Used for) Operating Activities	(\$758,766)
<u>Cash Flows from Noncapital Financing Activities</u>	
State Sources	\$ 23,591
Federal Sources	414,081
Operating Transfers In	150,000
Net Cash Provided by Noncapital Financing Activities	\$587,672
<u>Cash Flows from Capital and Related Financing Activities</u>	
Purchase of Equipment	\$ 0
Net (Decrease) in Cash and Cash Equivalents	(\$171,094)
<u>Cash and Cash Equivalents - Beginning</u>	146,304
<u>Cash and Cash Equivalents - Ending</u>	(\$ 24,790)
<u>Reconciliation of Operating (Loss) to Net Cash (Used for) Operating Activities</u>	
Operating (Loss)	(\$849,383)
Adjustments to Reconcile Operating (Loss) to Net Cash (Used for) Operating Activities:	
Depreciation and Net Amortization	\$ 7,757
Donated Commodities	60,314
Change in Assets and Liabilities:	
Decrease in Inventories	47,979
Decrease in Interfund Receivables	27,006
(Increase) in Other Accounts Receivable	(60,392)
Increase in Accounts Payable	12,049
(Decrease) in Accrued Salaries and Benefits	(41,460)
(Decrease) in Deferred Revenue	1,130
Increase in Long-Term Compensated Absences	5,333
Increase in OPEB	13,138
Increase in Net Pension Liability	22,593
(Increase) in Deferred Outflows Related to Defined Benefit Pension Plan	(22,817)
(Increase) in Deferred Outflows Related to OPEB	(919)
Increase in Deferred Inflows Related to Defined Benefit Pension Plan	16,810
Increase in Deferred Inflows Related to OPEB	2,096
Total Adjustments	\$ 90,617
Cash (Used for) Operating Activities	(\$758,766)

See Accompanying Notes and Independent Auditor's Report

HUNTINGDON AREA SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2019

	<u>Agency</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$59,145
	<hr/>
<u>LIABILITIES AND NET POSITION</u>	
<u>Liabilities</u>	
Other Current Liabilities	\$59,145
	<hr/>
<u>Net Position</u>	
Restricted	\$ 0
	<hr/>
TOTAL LIABILITIES AND NET POSITION	\$59,145
	<hr/>

See Accompanying Notes and Independent Auditor's Report

**HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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 Huntingdon Area School District (a Class 2 school district) operates under a nine-member board of education and provides instruction, support services, and certain noninstructional services. The accompanying financial statements present the School District.

Governmental Accounting Standards Board, *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, 2019, it has been determined that there are no other organizations, authorities, or other governmental units that should be included as part of the reporting entity as component units.

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

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

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

HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(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 projects (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, 2019
(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, 2019
(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 and Prepaid Items

Inventories consist of commodities held by the School District's food service fund at cost, if purchased, and market, if donated.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

3. Capital Assets

Capital assets, which include land, buildings, building improvements, equipment, and improvements other than buildings are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The School District defines capital assets as assets with an initial, individual cost of more than \$4,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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

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

HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(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. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represent a consumption of net position that applies to future periods and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government has four items that qualify for reporting in this category. They are the deferred outflows resulting from the net difference between projected and actual investment earnings, changes in proportions, changes in assumptions, and net differences between expected and actual experience related to the School's defined benefit pension plan and are reported in the government-wide statement of net position. These amounts are deferred. The deferred outflows are amortized over the next four years.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has four types of items that qualify for reporting in this category. The deferred inflows resulted from the net difference between expected and actual experience, the net difference between projected and actual investment earnings, changes in proportion, and changes of assumptions and are reported in the government-wide statement of net position. These amounts are deferred and are amortized over the next four years.

5. 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.

HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(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 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.

7. 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).

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 management intends 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 balances are 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.

**HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(CONTINUED)**

Note 1: Summary of Significant Accounting Policies (Continued)

G. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. Compensated Absences

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

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

Note 2: Deposits and Investments

Cash Deposits with Financial Institutions

The School District's carrying amount of bank deposits at June 30, 2019 is \$9,711,507 and the bank balance is \$9,924,739. Of the bank balance, \$500,000 is covered by federal depository insurance and \$6,801,247 is covered by collateral held in the pledging bank's trust department, but not in the School District's name. In addition, \$2,623,492 of the bank balance is invested in an external investment pool, which is rated AAAm, from which the School 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 School District.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the School District's deposits may not be returned or the School District will not be able to recover collateral securities in the possession of an outside party. The School District's policy requires that deposits be insured by the Federal Deposit Insurance Corporation to the

HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(CONTINUED)

Note 2: Deposits and Investments (Continued)

Cash Deposits with Financial Institutions (Continued)

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

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 2019 was 43.0153 mills (\$43.02 per \$1,000 of assessed valuation) as levied by the Board. Assessed valuations of property are determined by the Huntingdon County and the elected tax collectors are responsible for collection. The Board of School Directors also levies per capita taxes based on the census of residents in the School District. The tax rate under Section 679 is \$5/person and under Act 511 is \$10/person. The total per capita tax levied by the District is \$15/person. The schedule for real estate taxes levied for each fiscal year is as follows:

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

The 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.

HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(CONTINUED)

Note 3: Property Taxes (Continued)

Following is a listing of taxes receivable at June 30, 2019:

	<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	\$629,271	\$0	\$629,271	\$223,416	\$405,855
Act 511 and Other	10,119	0	10,119	10,119	0
Real Estate Transfer	<u>29,002</u>	<u>0</u>	<u>29,002</u>	<u>29,002</u>	<u>0</u>
Total	<u>\$668,392</u>	<u>\$0</u>	<u>\$668,392</u>	<u>\$262,537</u>	<u>\$405,855</u>

Note 4: Capital Assets

Capital asset activity for the year ended June 30, 2019 is as follows:

	<u>Beginning Balance 6/30/2018</u>	<u>Adjustments</u>	<u>Adjusted Balance 7/1/2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance 6/30/2019</u>
<u>Capital Assets</u>						
Land	\$ 196,747	\$ 0	\$ 196,747	\$ 0	\$ 0	\$ 196,747
Total Capital Assets, Not Being Depreciated	<u>\$ 196,747</u>	<u>\$ 0</u>	<u>196,747</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 196,747</u>
<u>Capital Assets</u>						
Buildings and Improvements	\$51,505,271	\$2,494,248	\$53,999,519	\$ 298,161	\$ 0	\$54,297,680
Furniture and Equipment	<u>7,766,956</u>	<u>(3,510,974)</u>	<u>4,255,982</u>	<u>28,541</u>	<u>(30,740)</u>	<u>4,253,783</u>
Total Capital Assets Being Depreciated	<u>\$59,272,227</u>	<u>(\$1,016,726)</u>	<u>\$58,255,501</u>	<u>\$ 326,702</u>	<u>(\$30,740)</u>	<u>\$58,551,463</u>
Total Prior to Depreciation	<u>\$59,468,974</u>	<u>(\$1,016,726)</u>	<u>\$58,452,248</u>	<u>\$ 326,702</u>	<u>(\$30,740)</u>	<u>\$58,748,210</u>
Accumulated Depreciation for:						
Buildings and Improvements	(\$20,285,545)	(\$1,414,234)	(\$21,699,779)	(\$1,465,010)	\$ 0	(\$23,164,789)
Furniture and Equipment	<u>(4,861,871)</u>	<u>1,513,240</u>	<u>(3,348,631)</u>	<u>(168,379)</u>	<u>74,405</u>	<u>(3,442,805)</u>
Total Accumulated Depreciation	<u>(\$25,147,416)</u>	<u>\$ 99,006</u>	<u>(\$25,048,410)</u>	<u>(\$1,633,389)</u>	<u>\$74,405</u>	<u>(\$26,607,394)</u>
Total Capital Assets Being Depreciated, Net	<u>\$34,124,811</u>	<u>(\$ 917,720)</u>	<u>\$33,207,091</u>	<u>(\$1,306,687)</u>	<u>\$43,665</u>	<u>\$31,944,069</u>
Governmental Activities, Capital Assets, Net	<u>\$34,321,558</u>	<u>(\$ 917,720)</u>	<u>\$33,403,838</u>	<u>(\$1,306,687)</u>	<u>\$43,665</u>	<u>\$32,140,816</u>
<u>Business-Type Activities</u>						
Furniture and Equipment	\$ 113,228	\$ 0	\$ 113,228	\$ 0	\$ 0	\$ 113,228
Less: Accumulated Depreciation	<u>(98,348)</u>	<u>0</u>	<u>(98,348)</u>	<u>(7,757)</u>	<u>0</u>	<u>(106,105)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 14,880</u>	<u>\$ 0</u>	<u>\$ 14,880</u>	<u>(\$ 7,757)</u>	<u>\$ 0</u>	<u>\$ 7,123</u>

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

Governmental Activities

Instructional Services	\$1,018,441
Supporting Services	577,103
Unallocated Depreciation	<u>37,845</u>
Total Depreciation Expense, Governmental Activities	<u>\$1,633,389</u>

HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(CONTINUED)

Note 5: Pension Plan

Pensions

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

General Information about the Pension Plan

Plan Description

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

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

**HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(CONTINUED)**

Note 5: Pension Plan (Continued)

***General Information about the Pension Plan* (Continued)**

Benefits Provided (Continued)

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

Contributions

Member Contributions:

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

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

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

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

Employer Contributions:

The School District's contractually required contribution rate for fiscal year ended June 30, 2019 was 32.60% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School District were \$3,682,550 for the year ended June 30, 2019.

**HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(CONTINUED)**

Note 5: Pension Plan (Continued)

General Information about the Pension Plan (Continued)

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

At June 30, 2019, the School District reported a liability of \$40,036,000, reduced by \$3,682,550 of contributions made subsequent to the measurement date for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2017 to June 30, 2018. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2018, the School District's proportion was .0834%, which was a decrease of .0008% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the School District recognized pension expense of \$4,239,670. At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	(\$ 97,937)	(\$311,120)
Changes in proportions	274,853	464,176
Changes in assumptions	369,266	0
Net differences between expected and actual experience	<u>214,375</u>	<u>407,281</u>
	<u>\$760,557</u>	<u>\$560,337</u>

The \$3,682,550 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2020	\$825,843
2021	(401,329)
2022	(224,294)

Actuarial Assumptions

The total pension liability as of June 30, 2018 was determined by rolling forward the System's total pension liability as of June 30, 2017 to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

**HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(CONTINUED)**

Note 5: Pension Plan (Continued)

General Information about the Pension Plan (Continued)

Actuarial Assumptions (Continued)

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2015.

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

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Public Equity	20.0%	5.2%
Fixed Income	36.0%	2.2%
Commodities	8.0%	3.2%
Absolute Return	10.0%	3.5%
Risk Parity	10.0%	3.9%
Infrastructure/MLPs	8.0%	5.2%
Real Estate	10.0%	4.2%
Alternative Investments	15.0%	6.7%
Cash	3.0%	0.4%
Financing (LIBOR)	(20.0%)	0.9%
	100.0%	

**HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(CONTINUED)**

Note 5: Pension Plan (Continued)

General Information about the Pension Plan (Continued)

Actuarial Assumptions (Continued)

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2018.

Discount Rate

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

Sensitivity of the School District's Proportionate Share of the Net Pension

Liability to Changes in the Discount Rate

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

	1% Decrease <u>6.25%</u>	Current Discount Rate <u>7.25%</u>	1% Increase <u>8.25%</u>
School District's proportionate share of the net pension liability	\$49,628,000	\$40,036,000	\$31,926,000

Pension Plan Fiduciary Net Position

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at www.psers.pa.gov.

Condensed summary information of the School District's proportionate share of the PSERS assets, liabilities, and net position from the PSERS Comprehensive Annual Financial Report for the year ended June 30, 2018 is as follows:

Assets	\$50,619,000
Liabilities	(<u>3,612,000</u>)
Net Position Held in Trust for Benefits	<u>\$47,007,000</u>

In addition, as of June 30, 2019, the School District had a payable of \$1,301,466 to the PSERS pension plan, of which \$937,056 represents the second quarter 2019 required contribution, while \$364,410 represents the liability related to accrued payroll as of June 30, 2019.

HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(CONTINUED)

Note 5: Pension Plan (Continued)

General Information about the Pension Plan (Continued)

Other Postemployment Benefits - PSERS

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

As of June 30, 2019, the District had the following elements related to its PSERS Plan:

Total Pension Expense	\$4,239,670
	<hr/>
Total Pension Expenditures	\$3,686,805
	<hr/>

General Information about the Health Insurance Premium Assistance Program

Health Insurance Premium Assistance Program

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2018, there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

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

- Have 24 1/2 or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

Pension Plan Description

PSERS is a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours

**HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(CONTINUED)**

Note 5: Pension Plan (Continued)

***General Information about the Health Insurance Premium Assistance Program* (Continued)**

Pension Plan Description

of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.pa.gov.

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2018, there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions

The School Districts' contractually required contribution rate for the fiscal year ended June 30, 2019 was 0.83% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the School District were \$98,424 for the year ended June 30, 2019.

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

At June 30, 2019, the School District reported a liability of \$1,739,000 for its proportionate share of the net OPEB liability, reduced by contributions of \$99,424 made subsequent to the measurement date. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2017 to June 30, 2018. The School District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2019, the School District's proportion was .0834%, which was a decrease of .0008% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the School District recognized OPEB expense of \$55,657. At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net differences between expected and actual experience	\$ 8,250	\$ 0
Changes in assumptions	20,250	44,500
Net difference between projected and actual investment earnings	2,125	0
Changes in proportions	<u>0</u>	<u>25,375</u>
	<u>\$30,625</u>	<u>\$69,875</u>

**HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(CONTINUED)**

Note 5: Pension Plan (Continued)

***General Information about the Health Insurance Premium Assistance Program* (Continued)**

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

The \$99,424 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2020	(\$21,750)
2021	(21,750)
2022	4,250

Actuarial Assumptions

The Total OPEB Liability as of June 30, 2018, was determined by rolling forward the System's Total OPEB Liability as of June 30, 2017 to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 2.98% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Participation Rate:
 - Eligible retirees will elect to participate Pre age 65 at 50%
 - Eligible retirees will elect to participate Post age 65 at 70%

The actuarial assumptions used in the June 30, 2017 valuation are based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2015.

**HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(CONTINUED)**

Note 5: Pension Plan (Continued)

***General Information about the Health Insurance Premium Assistance Program* (Continued)**

Actuarial Assumptions (Continued)

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2016 determined the employer contribution rate for fiscal year 2018.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

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

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

<u>OPEB - Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.9%	0.03%
US Core Fixed Income	92.8	1.20%
Non-US Developed Fixed	<u>1.3%</u>	0.40%
	100.0%	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2018.

**HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(CONTINUED)**

Note 5: Pension Plan (Continued)

***General Information about the Health Insurance Premium Assistance Program* (Continued)**

Discount Rate

The discount rate used to measure the Total OPEB Liability was 2.98%. Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 2.98% which represents the S&P 20-year Municipal Bond Rate at June 30, 2018, was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of the System Net OPEB Liability to Change in Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2018, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2017, 93,380 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2017, 1,077 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the System net OPEB liability for June 30, 2018, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if its health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

<u>Dollar Amounts in Thousands</u>			
	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
System Net OPEB Liability	\$1,739,000	\$1,739,000	\$1,739,000

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

The following presents the net OPEB liability, calculated using the discount rate of 2.98%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower, 1.98%, or 1-percentage-point higher, 3.98%, than the current rate:

	<u>1% Decrease 1.98%</u>	<u>Current Discount Rate 2.98%</u>	<u>1% Increase 3.98%</u>
School District's Proportionate Share of the Net OPEB Liability	\$1,978,000	\$1,739,000	\$1,541,000

HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(CONTINUED)

Note 5: Pension Plan (Continued)

OPEB Plan Fiduciary Net Position

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at www.pasers.pa.gov.

Condensed summary information of the School District's proportionate share of the PSERS assets, liabilities, and net position from the PSERS Comprehensive Annual Financial Report for the year ended June 30, 2018 is as follows:

Assets	\$355,000
Liabilities	(56,000)
Net Position Held in Trust for Benefits	\$299,000

In addition, as of June 30, 2019, the School District had a payable of \$26,561 to the PSERS OPEB plan, of which \$19,124 represents the second quarter 2019 required contribution, while \$7,437 represents the liability related to accrued payroll as of June 30, 2019.

As of June 30, 2019, the District had the following elements related to its PSERS Plan:

Total OPEB Expense	\$55,657
Total OPEB Expenditures	\$98,511

Other Postemployment Benefits - Single Employer

Separate financial statements are not prepared for the defined healthcare plan described below:

Plan Description

Retiree Benefits	The following retirement benefits are valued under GASB:
	1. Medical Coverage
	No other benefits are valued under GASB
Medical Coverage	
Description	Highmark Blue Cross/Blue Shield, fully insured
Eligibility	Employees who retire from active service
Period of Coverage	Until Medicare Eligibility
Coverage	Medical coverage provided to active employees is continued for eligible retirees, spouses, and dependents
Contributions:	
Employee	Retiree pays 100% of the active cost of elected coverage
Employer	None

HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(CONTINUED)

Note 5: Pension Plan (Continued)

Other Postemployment Benefits - Single Employer (Continued)

Medical Assumptions

Premium Rates

The following monthly premium rates were used to determine the starting costs:

<u>Single</u>	<u>Spouse</u>
\$541.33	\$914.97

Starting Costs

Sample Male Retiree / Female Spouse:

<u>Age</u>	<u>Estimated Full Annual Cost Retiree/Spouse</u>	<u>Annual Cost Paid by Employer for Retiree/Spouse</u>	<u>Annual Cost Paid by Retiree/Spouse</u>	<u>Implicit Rate Subsidy Paid by Employer for Retiree/Spouse</u>
0-49	\$6,496 / \$10,980	\$0 / \$0	\$6,496 / \$10,980	\$0 / \$0
50	\$7,795 / \$16,360	\$0 / \$0	\$6,496 / \$10,980	\$1,299 / \$5,380
55	\$10,199 / \$18,995	\$0 / \$0	\$6,496 / \$10,980	\$3,703 / \$8,015
60	\$13,122 / \$22,179	\$0 / \$0	\$6,496 / \$10,980	\$6,626 / \$11,199
64	\$16,045 / \$26,022	\$0 / \$0	\$6,496 / \$10,980	\$9,549 / \$15,042

Sample Female Retiree / Male Spouse:

<u>Age</u>	<u>Estimated Full Annual Cost Retiree/Spouse</u>	<u>Annual Cost Paid by Employer for Retiree/Spouse</u>	<u>Annual Cost Paid by Retiree/Spouse</u>	<u>Implicit Rate Subsidy Paid by Employer for Retiree/Spouse</u>
0-49	\$6,496 / \$10,980	\$0 / \$0	\$6,496 / \$10,980	\$0 / \$0
50	\$9,679 / \$13,176	\$0 / \$0	\$6,496 / \$10,980	\$3,183 / \$2,196
55	\$11,238 / \$17,238	\$0 / \$0	\$6,496 / \$10,980	\$4,742 / \$6,258
60	\$13,122 / \$22,179	\$0 / \$0	\$6,496 / \$10,980	\$6,626 / \$11,199
64	\$15,395 / \$27,120	\$0 / \$0	\$6,496 / \$10,980	\$8,899 / \$16,140

Health Care Cost Trend

The following health care cost trend rate assumptions used in the valuation recognize increases due to health care inflation, utilization and intensity, technology and quality of care changes and regulatory requirements.

<u>Year</u>	<u>Trend</u>	<u>Year</u>	<u>Trend</u>
2018/2019	5.5%	2045/2046 - 2046/2047	5.0%
2019/2020	5.4%	2047/2048- 2049/2050	4.9%
2020/2021	5.3%	2050/2051 - 2053/2054	4.8%
2021/2022 - 2043/2044	5.2%	2054/2055 - 2057/2058	4.7%
2044/2045	5.1%	2058/2059+	4.7%

**HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(CONTINUED)**

Note 5: Pension Plan (Continued)

Other Postemployment Benefits - Single Employer (Continued)

Medical Assumptions (Continued)

The following health care cost trend rate assumptions were used in the prior valuations:

<u>Year</u>	<u>Trend</u>	<u>Year</u>	<u>Trend</u>
2015/2016	10.0%	2018/2019	7.0%
2016/2017	9.0%	2019/2020	6.0%
2017/2018	8.0%	2020+	5.0%

Generational Factors

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

<u>Age</u>	<u>Sample Male Factor</u>	<u>Sample Female Factor</u>	<u>Age</u>	<u>Sample Male Factor</u>	<u>Sample Female Factor</u>
0-49	100%	100%	60	202%	202%
50	120%	149%	64	247%	237%
55	157%	173%	65+	100%	100%

The following percentages were used in the prior valuation*:

<u>Age</u>	<u>Generational Factor</u>	<u>Age</u>	<u>Generational Factor</u>
0-49	100%	55-59	150%
50-54	120%	60-64	175%

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

Actuarial Methods and Assumptions

Actuarial Methods

Actuarial Cost Method	Entry Age Normal actuarial cost method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age. The actuarial present value of the projected benefits allocated to the valuation year is called the Service Cost. The portion of the actuarial present value of the projected benefits not provided for at the valuation date by the actuarial present value of future Service Costs is called the Total OPEB Liability.
Treatment of Gains (Losses) - Other Postretirement Employee Benefits (OPEB) Plan Investments	Gains (losses) due to the difference between projected and actual earnings on OPEB plan investments are recognized in OPEB expense over a closed five-year period.

HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(CONTINUED)

Note 5: Pension Plan (Continued)

Other Postemployment Benefits - Single Employer (Continued)

Actuarial Methods and Assumptions (Continued)

Actuarial Methods (Continued)

Treatment of Gains (Losses) - Liabilities and Assumptions	Gains (losses) due to the difference between expected and actual experience and changes of assumptions are recognized in OPEB expense over a closed period equal to the average of the expected remaining service lives of all employees, determined as of the measurement date.
Initial Adoption of GASB	July 1, 2008
Adoption of GASBs 74 and 75	July 1, 2017
Valuation Date	First day of the Fiscal Year (July 1, 2017)
Asset Valuation Method	The benefits are funded on a pay-as-you-go basis

Actuarial Assumptions

Long-Term Expected Return on OPEB Investments	Not Applicable
Municipal Bond Rate	3.00%; based on 20 Year High-Grade Municipal Rate Index
Discount Rate	An annual rate of 3.00%; previously, an annual rate of 4.00%
Assumed Retirement Age	<p>100% of employees hired before July 1, 2011 are assumed to retire when eligible for unreduced benefits under the Public School Employees' Retirement System of Pennsylvania, or the Huntingdon Area School District at the earlier of:</p> <ul style="list-style-type: none"> • Age 60 with 30 years of service • At least 35 years of service • Age 62 with at least 1 year of service <p>100% of employees hired on or after July 1, 2011 are assumed to retire when eligible for unreduced benefits under the Public School Employees' Retirement System of Pennsylvania, or the Huntingdon Area School District as follows:</p> <ul style="list-style-type: none"> • Age 65 with at least 3 Years of Service • Age plus at least 35 Years of Service equals 92
Pre-Retirement Mortality	RPH-2014 Employee (Male and Female weighted by headcount) as published by the Society of Actuaries; previously RP-2014 Employee (Male and Female weighted by amount) as published by the Society of Actuaries was assumed
Post-Retirement Mortality	RPH-2014 Healthy Annuitant (Male and Female weighted by headcount) as published by the Society of Actuaries; previously RP-2014 Healthy Annuitant (Male and Female weighted by amount) as published by the Society of Actuaries was assumed
Mortality Improvement	Scale MP-2016 (Male and Female) as published by the Society of Actuaries, fully generational; previously Scale MP-2015 (Male and Female) as published by the Society of Actuaries, fully generational, was used

HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(CONTINUED)

Note 5: Pension Plan (Continued)

Other Postemployment Benefits - Single Employer (Continued)

Actuarial Methods and Assumptions (Continued)

Actuarial Assumptions (Continued)

Turnover Before Retirement	Actuary's Turnover Table T-5; the following are sample rates:								
	<table> <tr> <th><u>Age</u></th><th><u>Rate</u></th></tr> <tr> <td>25</td><td>7.7%</td></tr> <tr> <td>40</td><td>5.2%</td></tr> <tr> <td>55</td><td>0.9%</td></tr> </table>	<u>Age</u>	<u>Rate</u>	25	7.7%	40	5.2%	55	0.9%
<u>Age</u>	<u>Rate</u>								
25	7.7%								
40	5.2%								
55	0.9%								
Marriage Assumption	80% of employees are assumed to be married, with the beneficiary being the opposite sex and the same age as the retiree.								
Coverage	It is 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.								
Expenses	Expenses are included in the claim costs.								
Rate of Salary Increase	An annual rate of 2.50%; previously none was assumed								

Plan Descriptions, Contribution Information, and Funding Policies

Plan Membership

Inactive plan members or beneficiaries currently receiving benefits	26
Inactive plan members entitled to but not yet receiving benefits	0
Active plan members	<u>254</u>
	280
	=====

Components of the Net OPEB Liability

Total OPEB liability	\$4,096,462
Plan fiduciary net position	<u>0</u>
Net OPEB Liability	<u>\$4,096,462</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%

HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(CONTINUED)

Note 5: Pension Plan (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

	1% Decrease <u>2.00%</u>	Current Discount Rate <u>3.00%</u>	1% Increase <u>4.00%</u>
Net OPEB Liability (Asset)	\$4,451,367	\$4,096,462	\$3,776,024

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

	1% Decrease 4.40%% Decreasing to <u>3.70%</u>	Current Healthcare Cost Trend Rates 5.40% Decreasing to <u>4.70%</u>	1% Increase 6.40% Decreasing to <u>5.70%</u>
Net OPEB Liability (Asset)	\$3,334,744	\$4,096,462	\$4,994,629

Annual OPEB Expense

1. Service Cost	\$ 168,352
2. Interest on the Total OPEB Liability	
a. Beginning Total OPEB Liability	\$4,096,462
b. Service Cost	168,352
c. Benefit Payments	(297,185)
d. Average OPEB Liability = (a) + ½(b) + ½(c)	\$4,032,046
e. Discount Rate	<u>3.00%</u>
Interest on the Total OPEB Liability = (d) x (e)	\$ 120,961
3. Differences Between Expected and Actual Experience	\$ 3,977
4. Changes in Assumptions	\$ 217,934
Total OPEB Expense	<u>\$ 511,224</u>

Deferred Outflows and Deferred Inflows of Resources

Arising from Differences Between Expected and Actual Experience:

	<u>Initial Amount</u>	<u>Remaining Period</u>	<u>Original Period</u>	<u>Unrecognized Balance 06/30/19</u>	<u>Annual Amortization</u>
Experience Loss (Gain) 2017	\$40,087	8.08	10.08	\$32,133	\$3,977

HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(CONTINUED)

Note 5: Pension Plan (Continued)

Deferred Outflows and Deferred Inflows of Resources (Continued)

Arising from Changes in Assumptions:

	<u>Initial Amount</u>	<u>Remaining Period</u>	<u>Original Period</u>	<u>Unrecognized Balance 06/30/19</u>	<u>Annual Amortization</u>
Experience Loss (Gain) 2017	\$2,196,779	8.08	10.08	\$1,760,911	\$217,934

Arising from Differences Between Projected and Actual Earnings of OPEB Investments:

	<u>Initial Amount</u>	<u>Remaining Period</u>	<u>Original Period</u>	<u>Unrecognized Balance 06/30/19</u>	<u>Annual Amortization</u>
Experience Loss (Gain) 2017	\$0	3	5	\$0	\$0

A positive unrecognized balance is a deferred outflow of resources and a negative unrecognized balance is a deferred inflow of resources.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 0	\$32,133
Changes in assumptions	1,760,911	0
Net differences between projected and actual earnings on OPEB investments	<u>0</u>	<u>0</u>
	<u>\$1,760,911</u>	<u>\$32,133</u>

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

<u>Year Ended June 30</u>	<u>Amount</u>
2020	\$221,911
2021	221,911
2022	221,911
2023	221,911
2024	211,911
Thereafter	683,489

HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(CONTINUED)

Note 6: Long-Term Debt

The amount of long-term debt is \$70,851,179, which is consistent with the generally accepted accounting principles that exclude interest and administrative expenses payable in future years from debt statements on general obligation bonds or other long-term debts. The total long-term debt represents the following:

Net Pension Liability	\$36,353,451
General Obligation Bonds	27,512,000
Long-Term Portion of Compensated Absences (Accumulated Sick Leave)	1,249,690
OPEB	<u>5,736,038</u>
 Total Long-Term Debt Obligations	 <u>\$70,851,179</u>

A. General Obligation Bonds, Series of 2015

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

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

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

<u>Period Ending</u>	<u>Principal</u>	<u>Coupon</u>	<u>Interest</u>	<u>Debt Service</u>	<u>Annual Debt Service</u>
09/01/19	\$ 40,000.00	2.000%	\$ 165,257.50	\$ 205,257.50	
03/01/20			164,857.50	164,857.50	
06/30/20					\$ 370,115.00
09/01/20	40,000.00	2.000	164,857.50	204,857.50	
03/01/21			164,457.50	164,457.50	
06/30/21					369,315.00
09/01/21	40,000.00	2.125	164,457.50	204,457.50	
03/01/22			164,032.50	164,032.50	
06/30/22					368,490.00
09/01/22	45,000.00	2.500	164,032.50	209,032.50	
03/01/23			163,470.00	163,470.00	
06/30/23					372,502.50
09/01/23	45,000.00	2.500	163,470.00	208,470.00	
03/01/24			162,907.50	162,907.50	
06/30/24					371,377.50
09/01/24	235,000.00	2.750	162,907.50	397,907.50	
03/01/25			159,676.25	159,676.25	
06/30/25					557,583.75
09/01/25	715,000.00	2.750	159,676.25	874,676.25	
03/01/26			149,845.00	149,845.00	
06/30/26					1,024,521.25
09/01/26	730,000.00	3.000	149,845.00	879,845.00	

HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(CONTINUED)

Note 6: Long-Term Debt (Continued)

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

<u>Period Ending</u>	<u>Principal</u>	<u>Coupon</u>	<u>Interest</u>	<u>Debt Service</u>	<u>Annual Debt Service</u>
03/01/27			\$ 138,895.00	\$ 138,895.00	
06/30/27					\$ 1,018,740.00
09/01/27	\$ 760,000.00	3.000%	138,895.00	898,895.00	
03/01/28			127,495.00	127,495.00	
06/30/28					1,026,390.00
09/01/28	780,000.00	3.250	127,495.00	907,495.00	
03/01/29			114,820.00	114,820.00	
06/30/29					1,022,315.00
09/01/29	810,000.00	3.250	114,820.00	924,820.00	
03/01/30			101,657.50	101,657.50	
06/30/30					1,026,477.50
09/01/30	835,000.00	3.700	101,657.50	936,657.50	
03/01/31			86,210.00	86,210.00	
06/30/31					1,022,867.50
09/01/31	865,000.00	3.700	86,210.00	951,210.00	
03/01/32			70,207.50	70,207.50	
06/30/32					1,021,417.50
09/01/32	895,000.00	3.700	70,207.50	965,207.50	
03/01/33			53,650.00	53,650.00	
06/30/33					1,018,857.50
09/01/33	930,000.00	3.700	53,650.00	983,650.00	
03/01/34			36,445.00	36,445.00	
06/30/34					1,020,095.00
09/01/34	965,000.00	3.700	36,445.00	1,001,445.00	
03/01/35			18,592.50	18,592.50	
06/30/35					1,020,037.50
09/01/35	<u>1,005,000.00</u>	3.700	<u>18,592.50</u>	<u>1,023,592.50</u>	
06/30/36					<u>1,023,592.50</u>
	<u>\$ 9,735,000.00</u>		<u>\$3,919,695.00</u>	<u>\$13,654,695.00</u>	<u>\$13,654,695.00</u>

B. General Obligation Bonds, Series of 2016

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

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

HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(CONTINUED)

Note 8: Long-Term Debt (Continued)

B. General Obligation Bonds, Series of 2016

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

<u>Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Semi-Annual Debt Service</u>	<u>Fiscal Year Debt Service</u>
09/01/19			\$ 138,820.00	\$ 138,820.00	
03/01/20	\$ 50,000	1.400%	138,820.00	188,820.00	\$ 327,640.00
09/01/20			138,070.00	138,070.00	
03/01/21	50,000	1.500	138,070.00	188,070.00	326,140.00
09/01/21			137,320.00	137,320.00	
03/01/22	50,000	1.650	137,320.00	187,320.00	324,640.00
09/01/22			136,570.00	136,570.00	
03/01/23	50,000	1.750	136,570.00	186,570.00	323,140.00
09/01/23			136,070.00	136,070.00	
03/01/24	175,000	1.800	136,070.00	311,070.00	447,140.00
09/01/24			134,320.00	134,320.00	
03/01/25	495,000	1.950	134,320.00	629,320.00	763,640.00
09/01/25			129,370.00	129,370.00	
03/01/26	340,000	2.050	129,370.00	469,370.00	598,740.00
09/01/26			125,885.00	125,885.00	
03/01/27	750,000	2.200	125,885.00	875,885.00	1,001,770.00
09/01/27			117,635.00	117,635.00	
03/01/28	765,000	2.350	117,635.00	882,635.00	1,000,270.00
09/01/28			106,160.00	106,160.00	
03/01/29	790,000	2.500	106,160.00	896,160.00	1,002,320.00
09/01/29			94,310.00	94,310.00	
03/01/30	810,000	2.600	94,310.00	904,310.00	998,620.00
09/01/30			82,160.00	82,160.00	
03/01/31	835,000	2.750	82,160.00	917,160.00	999,320.00
09/01/31			69,635.00	69,635.00	
03/01/32	865,000	3.000	69,635.00	934,635.00	1,004,270.00
09/01/32			56,660.00	56,660.00	
03/01/33	890,000	3.000	56,660.00	946,660.00	1,003,320.00
09/01/33			43,310.00	43,310.00	
03/01/34	920,000	3.100	43,310.00	963,310.00	1,006,620.00
09/01/34			29,280.00	29,280.00	
03/01/35	945,000	3.100	29,280.00	974,280.00	1,003,560.00
09/01/35			14,868.75	14,868.75	
03/01/36	<u>975,000</u>	3.100	<u>14,868.75</u>	<u>989,868.75</u>	<u>1,004,737.50</u>
	<u>\$9,755,000</u>		<u>\$3,380,887.50</u>	<u>\$13,135,887.50</u>	<u>\$13,135,887.50</u>

**HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(CONTINUED)**

Note 8: Long-Term Debt (Continued)

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

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

<u>Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Semi-Annual Debt Service</u>	<u>Fiscal Year Debt Service</u>
09/01/19			\$ 18,956.25	\$ 18,956.25	
03/01/20	\$ 5,000	2.875%	18,956.25	23,956.25	\$ 42,912.50
09/01/20			18,884.38	18,884.38	
03/01/21	5,000	2.875	18,884.38	23,884.38	42,768.76
09/01/21			18,812.50	18,812.50	
03/01/22	5,000	3.500	18,812.50	23,812.50	42,625.00
09/01/22			18,725.00	18,725.00	
03/01/23	5,000	3.500	18,725.00	23,725.00	42,450.00
09/01/23			18,637.50	18,637.50	
03/01/24	5,000	3.500	18,637.50	23,637.50	42,275.00
09/01/24			18,550.00	18,550.00	
03/01/25	670,000	3.500	18,550.00	688,550.00	707,100.00
09/01/25			6,825.00	6,825.00	
03/01/26	<u>390,000</u>	3.500	<u>6,825.00</u>	<u>396,825.00</u>	<u>403,650.00</u>
	\$1,085,000		\$238,781.26	\$1,323,781.26	\$1,323,781.26

C. General Obligation Bonds, Series of 2014

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

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

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

<u>Date</u>	<u>Principal Payments</u>	<u>Assumed Rate</u>	<u>Semi-Annual Interest</u>	<u>Semi-Annual Debt Service</u>	<u>Fiscal Year Debt Service</u>
09/01/19	\$1,368,000	1.990%	\$ 70,557.00	\$1,438,557.00	
03/01/20		3.250	91,501.76	91,501.76	\$1,530,058.76
09/01/20	1,362,000	3.250	92,507.28	1,454,507.28	
03/01/21		3.750	79,319.48	79,319.48	1,533,826.76
09/01/21	1,390,000	3.750	80,634.17	1,470,634.17	
03/01/22		4.250	60,193.81	60,193.81	1,530,827.98
09/01/22	1,445,000	4.250	61,191.50	1,506,191.50	
03/01/23		4.750	32,766.03	32,766.03	1,538,957.53
09/01/23	<u>1,372,000</u>	4.750	<u>33,309.11</u>	<u>1,405,309.11</u>	
03/01/24					<u>1,405,309.11</u>
	\$6,937,000		\$ 601,980.14	\$7,538,980.14	\$7,538,980.14

**HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(CONTINUED)**

Note 8: Long-Term Debt (Continued)

D. Long-Term Portion of Compensated Absences

Pursuant to the various employment agreements (HAEA, HAESPA, and SEIU) 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 \$1,227,685.

E. OPEB Liability

Per actuarial calculation, the other postemployment benefit liability as of June 30, 2019 is \$5,413,562.

F. Changes in Long-Term Debt

	6/30/2018	Adjustments	Restated 7/1/2018	Increases	Decreases	6/30/2019	Due Within One Year
Governmental Activities							
General Obligation Bonds:							
Series of 2014	\$ 8,309,000	\$ 0	\$ 8,309,000	\$ 0	(\$1,372,000)	\$ 6,937,000	\$1,368,000
Series of 2015	9,775,000	0	9,775,000	0	(40,000)	9,735,000	40,000
Series of 2016	9,805,000	0	9,805,000	0	(50,000)	9,755,000	50,000
Series of 2016	<u>1,090,000</u>	<u>0</u>	<u>1,090,000</u>	<u>0</u>	<u>(5,000)</u>	<u>1,085,000</u>	<u>5,000</u>
Total General Obligation Bonds	\$28,979,000	\$ 0	\$28,979,000	\$ 0	(\$1,467,000)	\$27,512,000	\$1,463,000
Other Postemployment Benefits	5,555,300	(166,659)	5,388,641	24,921		5,413,562	0
Net Pension Liability	41,585,000	(1,247,550)	40,337,450	0	(5,074,603)	35,262,847	0
Other Long-Term Obligations:							
Accrued Vacation and Sick Leave	<u>1,299,022</u>	<u>(38,971)</u>	<u>1,260,051</u>	<u>0</u>	<u>(32,366)</u>	<u>1,227,685</u>	<u>0</u>
Total Governmental Activities	\$77,418,322	(\$1,453,180)	\$75,965,142	\$ 24,921	(\$6,573,969)	\$69,416,094	\$1,463,000
Business-Type Activities							
Other Long-Term Obligations:							
Accrued Vacation and Sick Leave	\$ 38,971	\$ 0	\$ 38,971	\$ 0	(\$ 16,966)	\$ 22,005	\$ 0
Other Postemployment Benefits	166,659	0	166,659	155,817		322,476	0
Net Pension Liability	<u>1,247,550</u>	<u>0</u>	<u>1,247,550</u>	<u>0</u>	<u>(156,946)</u>	<u>1,090,604</u>	<u>0</u>
Total Business-Type Activities	\$ 1,453,180	\$ 0	\$ 1,453,180	\$155,817	(\$ 173,912)	\$ 1,435,085	\$ 0

Note 9: Other Significant Commitments

Encumbrances

Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

General Fund \$0

Note 10: Risk Management

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

**HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(CONTINUED)**

Note 11: Lease Obligations

The School District has entered into a number of operating leases which contain cancellation provisions and are subject to annual appropriations. These leases primarily support governmental activities.

Rent expense for the year was \$274,014.

Note 12: Fund Balances

As of June 30, 2019, the governmental fund financial statements fund balances are comprised of the following:

<u>Restricted Fund Balance</u>	
Capital Projects	\$2,672,794
<hr/>	
<u>Assigned Fund Balance</u>	
Future Employee Benefit Costs	\$1,303,579
Capital Projects	1,289,370
Special Ed and Charter School Costs	<u>844,680</u>
	\$3,437,629
<hr/>	

Note 13: Interfund Receivables and Payables

Interfund balances at June 30, 2019, consisted of the following.

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Cafeteria	\$39,841
Cafeteria	General	54,326

Due to/from transactions are used for short-term interfund loans. The outstanding balances for the food service and agency funds are the result of a time lag between the date the expenditure was incurred and when the reimbursement was made.

Note 14: Interfund Transfers

The composition of interfund transfers for the year ended June 30, 2019 is as follows.

Interfund Transfers:

<u>From</u>	<u>To</u>	<u>Amount</u>	<u>Purpose</u>
General	Cafeteria Fund	\$150,000	General Transfer

**HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(CONTINUED)**

Note 15: Details of General Fund Local Revenues

Taxes Levied by District	\$10,877,515
Delinquent Taxes Levied by District	1,481,710
Earnings on Investments	149,274
Revenues from Student Activities	54,394
Revenues from Intermediate Sources	397,956
Other Revenue from Local Sources	<u>216,776</u>
	<u>\$13,177,625</u>

Note 16: Economic Dependency

The School District is economically dependent on the Commonwealth of Pennsylvania to provide both pass-through federal funds and direct state funds.

Note 17: On-Behalf Payments

The amount recognized from revenues and expenditures for on-behalf payments relative to social security and retirement for the year ended June 30, 2019 were \$562,633 and \$2,091,854, respectively.

Note 18: Contingencies

The School District participates in various federal and state grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the School District's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the School District anticipates such amounts, if any, will be immaterial.

Note 19: Subsequent Events

Subsequent events were evaluated through December 20, 2019, which is the date the financial statements were available to be issued.

Note 20: External Investment Pools

The School District participates in (2) External Investment Pools - the Pennsylvania School District Liquid Asset Fund (PSDLAF) and the Pennsylvania Local Government Investment Trust (PLGIT).

PSDLAF's and PLGIT's financial statements are available on their respective websites, www.psdlaf.org and www.plgit.com.

HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(CONTINUED)

Note 20: External Investment Pools (Continued)

Per PSDLAF's latest available financial statements (September 30, 2018), all investments consist solely of instruments permitted pursuant to Section 440.1 of the School Code. In addition, all cash was fully collateralized by an irrevocable letter of credit from the Federal Home Loan Bank of Pittsburgh. Portfolio securities are valued at amortized cost, which approximates market value. Per PLGIT's latest financial statements (December 31, 2018), all investments consist only of securities which are permitted under Pennsylvania law for borough's, towns, townships, counties, cities, school districts, and authorities of the Commonwealth of Pennsylvania. Portfolio securities are valued at amortized costs, which approximates fair value.

Note 21: Changes in Beginning Fund Balance

There was a change in the beginning fund balance of the general fund because of an adjustment to consolidate the athletic and general funds.

The following is the detail change to the beginning fund balance of the general fund in the statement of revenues, expenditures, and changes in fund balances governmental funds.

<u>Fund Balance</u> - June 30, 2018	\$4,541,873
Adjustment	<u>5,149</u>
<u>Fund Balance</u> - June 30, 2018 (Restated)	<u>\$4,547,022</u>

Note 22: Changes in Beginning Net Position

There was a change in the beginning balance of net position of the governmental funds because of an adjustment to fixed assets and the write-off of cost and associated accumulated depreciation.

The following is the detail change to beginning balance of net position of the governmental funds in the statement of activities.

<u>Net Position</u> - June 30, 2018	(\$27,317,039)
Adjustment	<u>201,971</u>
<u>Net Position</u> - June 30, 2018 (Restated)	<u>(\$27,115,068)</u>

There was a change in the beginning balance of net position of the enterprise fund (food service) because of GASB 68, which is a statement of accounting and financial reporting for pensions.

**HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(CONTINUED)**

Note 22: Changes in Beginning Net Position (Continued)

The following is the detail change to the beginning balance of net position of the enterprise fund (food service).

<u>Net Position</u> - June 30, 2018	(\$ 77,366)
Adjustment	(<u>1,119,691</u>)
<u>Net Position</u> - June 30, 2018 (Restated)	<u>(\$1,197,057)</u>

**HUNTINGDON AREA SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION (RSI)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2019**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual (Budgetary Basis)	Variance w/ Final Budget Positive (Negative)
<u>Revenues</u>				
Local Sources	\$12,997,462	\$13,001,444	\$13,177,625	\$ 176,181
State Sources	15,017,775	15,017,775	15,133,691	115,916
Federal Sources	<u>974,869</u>	<u>974,869</u>	<u>957,142</u>	(<u>17,727</u>)
Total Revenues	<u>\$28,990,106</u>	<u>\$28,994,088</u>	<u>\$29,268,458</u>	<u>\$ 274,370</u>
<u>Expenditures</u>				
Regular Programs	\$10,631,817	\$10,635,799	\$10,444,841	\$ 190,958
Special Programs	4,738,966	4,738,966	5,070,103	(331,137)
Vocational Programs	948,488	946,508	904,439	42,069
Other Instructional Programs	227,454	227,454	290,690	(63,236)
Pupil Personnel Services	978,142	978,142	967,752	10,390
Instructional Staff Services	1,794,019	1,794,019	1,654,794	139,225
Pupil Health	398,664	398,664	382,066	16,598
Administration Services	1,849,715	1,851,695	1,645,728	205,967
Business Services	416,796	416,796	416,825	(29)
Operation and Maintenance of Plant Services	2,472,161	2,472,161	2,349,222	122,939
Student Transportation Services	2,000,700	2,000,700	2,034,017	(33,317)
Central and Other Support Services	17,900	17,900	18,413	(513)
Student Activities	91,536	91,536	620,941	(529,405)
Debt Service	<u>2,269,030</u>	<u>2,269,030</u>	<u>2,319,793</u>	(<u>50,763</u>)
Total Expenditures	<u>\$28,835,388</u>	<u>\$28,839,370</u>	<u>\$29,119,624</u>	<u>(\$ 280,254)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 154,718</u>	<u>\$ 154,718</u>	<u>\$ 148,834</u>	<u>(\$ 5,884)</u>
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In	\$ 0	\$ 0	\$ 0	\$ 0
Operating Transfers Out	(705,640)	(705,640)	(150,000)	555,640
Budgetary Reserve	(100,000)	(100,000)	<u>0</u>	<u>100,000</u>
Total Other Financing Sources (Uses)	<u>(\$ 805,640)</u>	<u>(\$ 805,640)</u>	<u>(\$ 150,000)</u>	<u>\$ 655,640</u>
Net Change in Fund Balances	<u>(\$ 650,922)</u>	<u>(\$ 650,922)</u>	<u>(\$ 1,166)</u>	<u>\$ 649,756</u>
<u>Fund Balances - July 1, 2018</u>	<u>\$ 3,227,223</u>	<u>\$ 3,224,817</u>	<u>\$ 4,541,873</u>	<u>\$1,317,056</u>
Adjustment	<u>0</u>	<u>0</u>	<u>5,149</u>	<u>5,149</u>
<u>Fund Balance - July 1, 2018 (Restated)</u>	<u>\$ 3,227,223</u>	<u>\$ 3,224,817</u>	<u>\$ 4,547,022</u>	<u>\$1,322,205</u>
<u>Fund Balances - June 30, 2019</u>	<u>\$ 2,576,301</u>	<u>\$ 2,573,895</u>	<u>\$ 4,545,856</u>	<u>\$1,971,961</u>

**HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (RSI)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
JUNE 30, 2019**

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

The Pennsylvania School Code dictates specific procedures relative to adoption of the School District's budget and reporting of its financial statements, specifically:

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

The School District is required to publish notice by advertisement, at least once in two newspapers of general circulation in the municipality in which it is located, and within fifteen days of final action, that the proposed budget has been prepared and it is available for public inspection at the Administrative Office of the School District. Notice that public hearings will be held on the proposed operating budget must be included in the advertisement; such hearings are required to be scheduled at least ten days prior to when final action on adoption is taken by the board.

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

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

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

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

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

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

	As of June 30, 2018 Measurement <u>Date</u>
District's Proportion of the Collective Net Pension Liability	.0834%
District's Proportionate Share of the Collective Net Pension Liability	\$40,036,000
District's Covered Employee Payroll	\$11,235,703
District's Proportionate Share of the Collective Net Pension Liability as a Percentage of its Covered Employee Payroll	356.33%
PSERS' Fiduciary Net Position as a Percentage of the Total Pension Liability	54.00%
	As of June 30, 2017 Measurement <u>Date</u>
District's Proportion of the Collective Net Pension Liability	.0842%
District's Proportionate Share of the Collective Net Pension Liability	\$41,585,000
District's Covered Employee Payroll	\$11,206,060
District's Proportionate Share of the Collective Net Pension Liability as a Percentage of its Covered Employee Payroll	371.09%
PSERS' Fiduciary Net Position as a Percentage of the Total Pension Liability	51.84%

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

	As of June 30, 2016 Measurement Date
District's Proportion of the Collective Net Pension Liability	.0856%
District's Proportionate Share of the Collective Net Pension Liability	\$42,421,000
District's Covered Employee Payroll	\$11,086,783
District's Proportionate Share of the Collective Net Pension Liability as a Percentage of its Covered Employee Payroll	382.63%
PSERS' Fiduciary Net Position as a Percentage of the Total Pension Liability	50.10%

	As of June 30, 2015 Measurement Date
District's Proportion of the Collective Net Pension Liability	.0826%
District's Proportionate Share of the Collective Net Pension Liability	\$35,778,000
District's Covered Employee Payroll	\$10,632,429
District's Proportionate Share of the Collective Net Pension Liability as a Percentage of its Covered Employee Payroll	336.50%
PSERS' Fiduciary Net Position as a Percentage of the Total Pension Liability	54.36%

	As of June 30, 2014 Measurement Date
District's Proportion of the Collective Net Pension Liability	.0840%
District's Proportionate Share of the Collective Net Pension Liability	\$33,248,000
District's Covered Employee Payroll	\$10,713,000
District's Proportionate Share of the Collective Net Pension Liability as a Percentage of its Covered Employee Payroll	310.35%
PSERS' Fiduciary Net Position as a Percentage of the Total Pension Liability	57.24%

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

	<u>For the Year Ended June 30, 2019</u>
Contractually Required Employer Contribution	\$ 3,682,550
Contributions in Relation to the Contractually Required Contribution	<u>3,682,550</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>
 District's Covered Employee Payroll	 <u>\$11,327,523</u>
 Employer's Contributions in Relation to the Contractually Required Contribution as a Percentage of Covered Employee Payroll	 32.60%
	 <u>For the Year Ended June 30, 2018</u>
Contractually Required Employer Contribution	\$ 3,504,635
Contributions in Relation to the Contractually Required Contribution	<u>3,504,635</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>
 District's Covered Employee Payroll	 <u>\$11,253,368</u>
 Employer's Contributions in Relation to the Contractually Required Contribution as a Percentage of Covered Employee Payroll	 31.74%

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

	<u>For the Year Ended June 30, 2017</u>
Contractually Required Employer Contribution	\$ 3,249,196
Contributions in Relation to the Contractually Required Contribution	<u>3,249,196</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>
District's Covered Employee Payroll	<u>\$11,086,783</u>
Employer's Contributions in Relation to the Contractually Required Contribution as a Percentage of Covered Employee Payroll	29.3%
	<u>For the Year Ended June 30, 2016</u>
Contractually Required Employer Contribution	\$ 2,840,796
Contributions in Relation to the Contractually Required Contribution	<u>2,840,796</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>
District's Covered Employee Payroll	<u>\$11,045,969</u>
Employer's Contributions in Relation to the Contractually Required Contribution as a Percentage of Covered Employee Payroll	25.72%
	<u>For the Year Ended June 30, 2015</u>
Contractually Required Employer Contribution	\$ 2,178,820
Contributions in Relation to the Contractually Required Contribution	<u>2,178,820</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>
District's Covered Employee Payroll	<u>\$10,824,694</u>
Employer's Contributions in Relation to the Contractually Required Contribution as a Percentage of Covered Employee Payroll	20.13%

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

Changes in benefit terms

With the passage of Act 5 class TB and TF members are now permitted to elect a lump sum payment of member contributions upon retirement.

Changes in assumptions used in measurement of the Total Pension Liability beginning June 30, 2017 and beginning June 30, 2018.

None.

Changes in assumptions used in measurement of the Total Pension Liability beginning June 30, 2016

The Investment Rate of Return was adjusted from 7.50% to 7.25%. The inflation assumption was decreased from 3.00% to 2.75%.

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

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

Method and assumptions used in calculations of actuarially determined contributions

The actuarially determined contributions are calculated as of the June 30 preceding the fiscal year in which contributions are made. That is, the contribution calculated as of the June 30, 2017 actuarial valuation will be made during the fiscal year ending June 30, 2019. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

- Investment return - 7.25%, includes inflation at 2.75% and the real rate of return 4.50%.
- Salary growth - Effective average of 5.00%, which reflects an allowance for inflation of 2.75%, real wage growth and merit or seniority of 2.25%.
- Benefit payments - no postretirement benefit increases assumed in the future.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

10-year reporting requirements

Required Supplementary Schedules 1-3 and 7, as related to pensions, are intended to show information for 10 years. Additional years will be displayed as they become available,

The Accounting Valuation

The GASB 67 accounting valuation can be found on PSERS' website at www.psers.pa.gov.

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

	<u>As of and for the Year Ended June 30, 2019</u>
<u>Total OPEB Liability</u>	
Service Cost	\$ 175,120
Interest	121,085
Benefit Payments	(296,701)
Change in Assumption	0
Difference in Experience	<u>0</u>
Net Change in Total Pension Liability	(\$ 496)
<u>Total Pension Liability</u> - Beginning	<u>4,096,958</u>
<u>Total Pension Liability</u> - Ending	<u>\$4,096,462</u>
	<u>As of and for the Year Ended June 30, 2019</u>
<u>Plan's Fiduciary Net Position</u>	
Net Change in Plan's Fiduciary Net Position	\$ 0
<u>Plan's Fiduciary Net Position</u> - Beginning	<u>0</u>
<u>Plan's Fiduciary Net Position</u> - Ending	<u>\$ 0</u>
<u>School District's Net OPEB Liability</u> - Ending	<u>\$4,096,462</u>
Plan's Fiduciary Net Position as a Percentage of Total OPEB Liability	0%
Estimated Covered Employee Payroll	\$10,245,117
Net Pension Liability as a Percentage of Covered Employee Payroll	39.98%

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

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

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

**Fiscal
Year Ending
June 30, 2019**

Schedule of Contributions

Actuarially Determined Contribution	N/A
District Contribution	<u>N/A</u>
Contribution Deficiency	N/A
	=
Covered Employee Payroll	\$10,245,117
	=
Contribution as a Percentage of Covered Employee Payroll	N/A
	=

Schedule of Investment Returns

Annual Money-Weighted Rate of Return, Net of Investment Expense	N/A
	=

**Fiscal
Year Ending
June 30, 2018**

Schedule of Contributions

Actuarially Determined Contribution	N/A
District Contribution	<u>N/A</u>
Contribution Deficiency	N/A
	=
Covered Employee Payroll	\$ 9,995,236
	=
Contribution as a Percentage of Covered Employee Payroll	N/A
	=

Schedule of Investment Returns

Annual Money-Weighted Rate of Return, Net of Investment Expense	N/A
	=

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

Determination of the Discount Rate

The discount rate used to measure the Total OPEB Liability was 3.00%.

Under GASB 74 and GASB 75, the discount rate used to determine the disclosed liabilities is based on a combination of a 20-year municipal bonds index and the rate of return expected on the plan assets. These rates are blended based on the value of trust assets and trust contributions compared to expected benefit payments.

Since there are no plan assets, the discount rate is based on a 20-Year High-Grade Municipal Rate Index.

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

	<u>Fiscal Year Ending June 30, 2019</u>
Contractually Required Contributions	\$ 94,424
Contributions in Relation to the Contractually Required Contribution	(<u>94,424</u>)
Contribution Deficiency (Excess)	<u>\$ 0</u>
 School District's Covered Employee Payroll	 \$11,327,523
 Contributions as a Percentage of Covered Employee Payroll	 .0083%
	 <u>Fiscal Year Ending June 30, 2018</u>
Contractually Required Contributions	\$ 93,000
Contributions in Relation to the Contractually Required Contribution	(<u>93,000</u>)
Contribution Deficiency (Excess)	<u>\$ 0</u>
 School District's Covered Employee Payroll	 \$11,206,060
 Contributions as a Percentage of Covered Employee Payroll	 .0083%

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

	<u>Fiscal Year Ending June 30, 2018</u>
School District's Proportion of the Net OPEB Liability	.0834%
School District's Proportionate Share of the Net OPEB Liability	\$1,739,000
School District's Covered Employee Payroll	\$11,235,703
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Employee Payroll	15.48%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	5.56%

	<u>Fiscal Year Ending June 30, 2017</u>
School District's Proportion of the Net OPEB Liability	.0842%
School District's Proportionate Share of the Net OPEB Liability	\$1,716,000
School District's Covered Employee Payroll	\$11,206,060
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Employee Payroll	15.30%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	5.73%

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

Changes in Benefit Terms

None

Changes in Assumptions Used in Measurement of the Total OPEB Liability Beginning June 30, 2018

The Discount Rate decreased from 3.13% to 2.98%.

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

The Discount Rate increased from 2.71% to 3.13%.

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

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

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

Method and Assumptions Used in Calculations of Actuarially Determined Contributions

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

- Investment return - 2.98% - 20-year S&P Municipal Bond Rate.
- Salary growth - Effective average of 5.00%, which reflects an allowance for inflation of 2.75%, real wage growth and merit or seniority of 2.25%.
- Benefit payments - no postretirement benefit increases assumed in the future.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.

10-Year Reporting Requirements

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

The Accounting Valuation

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

**HUNTINGDON AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019**

<u>Grantor Program Title</u>	<u>Source Code</u>	<u>Federal CFDA</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period</u>
<u>US Department of Education</u>				
(Passed Through Pennsylvania Department of Education)				
Title I	I	84.010	013-180195	07/1/17 - 09/30/18
Title I	I	84.010	013-190195	07/1/18 - 09/30/19
Subtotal				
Title II	I	84.367	020-180195	07/1/17 - 09/30/18
Title II	I	84.367	020-190195	10/1/18 - 09/30/19
Subtotal				
Title IV	I	84.424	144-180195	10/11/17 - 09/30/18
Title IV	I	84.424	144-190195	10/01/18 - 09/30/19
Subtotal				
Rural and Low-Income Schools	I	84.358	007-190195	1/15/19 - 09/30/19
(Passed Through IU 8)				
Individuals with Disabilities Education Act	I	84.027	H027A189903	07/1/18 - 6/30/19
Total US Department of Education				
<u>US Department of Agriculture</u>				
(Passed Through Pennsylvania Department of Education)				
Child Nutrition Cluster:				
National School Lunch Program	I	10.555	N/A	07/1/18 - 6/30/19
National School Lunch Program	I	N/A	N/A	07/1/18 - 6/30/19
Total National School Lunch				
National School Breakfast	I	10.553	N/A	07/1/18 - 6/30/19
National School Breakfast	I	N/A	N/A	07/1/18 - 6/30/19
Total Breakfast Program				
Summer Food Program	I	10.559	N/A	07/1/18 - 6/30/19
(Passed Through Pennsylvania Department of Agriculture)				
Value of USDA Donated Commodities	I	10.555	N/A	07/1/18 - 6/30/19
Total Child Nutrition Cluster				
Total US Department of Agriculture				
Total Federal Awards				

Source Code

D - Direct Funding
I - Indirect Funding

Footnotes

A - Total Amount of Commodities Received from Department of Agriculture
B - Beginning Inventory at July 1
C - Total Amount of Commodities Used
D - Ending Inventory June 30

F - Federal Share
S - State Share

**HUNTINGDON AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019**

<u>Program Or Award Amount</u>		<u>Total Received For The Year</u>	<u>Accrued or Deferred Revenue July 1, 2018</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or Deferred Revenue June 30, 2019</u>
\$628,382		\$ 164,861	\$164,861	\$ 0	\$ 0	\$ 0
626,145		<u>502,833</u>	<u>0</u>	<u>586,145</u>	<u>586,145</u>	<u>83,312</u>
		\$ 667,694	\$164,861	\$ 586,145	\$ 586,145	\$ 83,312
\$122,506		\$ 6,609	\$ 6,609	\$ 0	\$ 0	\$ 0
90,184		<u>78,143</u>	<u>0</u>	<u>90,184</u>	<u>90,184</u>	<u>12,041</u>
		\$ 84,752	\$ 6,609	\$ 90,184	\$ 90,184	\$ 12,041
\$ 14,220		\$ 948	\$ 948	\$ 0	\$ 0	\$ 0
45,558		<u>42,521</u>	<u>0</u>	<u>45,558</u>	<u>45,558</u>	<u>3,037</u>
		\$ 43,469	\$ 948	\$ 45,558	\$ 45,558	\$ 3,037
\$ 8,941		\$ 0	\$ 0	\$ 8,941	\$ 8,941	\$ 8,941
\$397,956		\$ 397,956	\$ 0	\$ 397,956	\$ 397,956	\$ 0
		<u>\$1,193,871</u>	<u>\$172,418</u>	<u>\$1,128,784</u>	<u>\$1,128,784</u>	<u>\$107,331</u>
N/A	F	\$ 347,277	\$ 0	\$ 406,002	\$ 406,002	\$ 58,725
N/A	S	<u>19,984</u>	<u>0</u>	<u>23,221</u>	<u>23,221</u>	<u>3,237</u>
		\$ 367,261	\$ 0	\$ 429,223	\$ 429,223	\$ 61,962
N/A	F	\$ 64,834	\$ 0	\$ 75,641	\$ 75,641	\$ 10,807
N/A	S	<u>3,612</u>	<u>0</u>	<u>4,220</u>	<u>4,220</u>	<u>608</u>
		\$ 68,446	\$ 0	\$ 79,861	\$ 79,861	\$ 11,415
N/A	F	\$ 1,965	\$ 1,965	\$ 1,965	\$ 1,965	\$ 0
N/A		\$ 58,048 A	(\$ 12,836) B	\$ 60,314	\$ 60,314 C	(\$ 10,570) D
		\$ 495,720	(\$ 10,871)	\$ 571,363	\$ 571,363	\$ 62,807
		\$ 495,720	(\$ 10,871)	\$ 571,363	\$ 571,363	\$ 62,807
		<u>\$1,689,591</u>	<u>\$161,547</u>	<u>\$1,700,147</u>	<u>\$1,700,147</u>	<u>\$170,138</u>

**HUNTINGDON AREA SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019**

Note 1: Basis of Accounting

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: Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the uniform guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Huntingdon Area School District has elected to not use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3: Major Federal Programs

An extensive compliance test, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) was performed on the Child Nutrition Cluster, comprised of the National School Lunch Program, School Breakfast Program, Summer Food Program, and USDA Donated Commodities, which represent 32.5% of the total expenditures reflected on the Schedule of Expenditures of Federal Awards.

The 20% test for a low-risk auditee was satisfied as follows:

<u>Project Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
Title I	84.010	\$ 586,145
Child Nutrition Cluster:		
National School Lunch Program	10.555	429,223
School Breakfast Program	10.553	79,861
Summer Food Program	10.559	1,965
USDA Donated Commodities	10.555	60,314
IDEA	84.027	397,956
Title II	84.367	90,184
Title IV	84.424	45,558
Rural and Low-Income Schools	84.358	<u>8,941</u>
		\$1,700,147
Less State Share of the Following:		
National School Lunch		(23,221)
Breakfast		(<u>4,220</u>)
		\$1,672,706
		x <u>20%</u>
Minimum Amount Which Must Be Tested		<u>\$ 334,541</u>

The Child Nutrition Cluster, comprised of the National School Lunch Program, School Breakfast Program, Summer Food Program, and USDA Donated Commodities, exceed \$334,541, and, therefore, represent the only program to which the specific compliance requirements must be applied.

Note 4: In-Kind Federal Support

USDA Donated Commodities are valued at market value, which represents the costs to replace those commodities.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Huntingdon Area School District, as of and for the year ended June 30, 2019, 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 December 20, 2019.

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, Baker, Brown & Company, P.C.

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

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

Report on Compliance for Each Major Federal Program

We have audited the Huntingdon Area School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Huntingdon Area School District's major federal programs for the year ended June 30, 2019. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Huntingdon Area School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Huntingdon Area School District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

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

Opinion on Each Major Federal Program

In our opinion, the Huntingdon Area School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as we consider item 2019-001 to be a significant deficiency.

Huntingdon Area School District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Huntingdon Area School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

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

**Altoona, Pennsylvania
December 20, 2019**

**HUNTINGDON AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

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 was one (1) significant deficiency in the internal control over major federal programs identified by the audit.
5. An unqualified opinion was issued on the School District's compliance for major federal programs.
6. No audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) are reported in this schedule.
7. The major program selected for testing was the Child Nutrition Cluster.
8. The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
9. The auditee did qualify as a low-risk auditee.

B. Financial Statements Findings

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

C. Federal Awards Findings and Questioned Cost

Internal Control Over Compliance

U.S. Department of Agriculture (Passed through the Pennsylvania Department of Agriculture)

Finding #2019-001

Child Nutrition Cluster - CFDA# 10.555/10.553/10.559; Year Ended June 30, 2019

Condition

We identified a student incorrectly classified as eligible for Reduced Breakfast/Lunch instead of being classified as Denied due to the household's monthly income exceeding the Reduced Breakfast/Lunch threshold during the 2018-2019 School Year

Criteria

Student applications are received by the Business Office. The applications are evaluated using Federal Income guidelines, and students are either classified as Free, Reduced, or Denied based on income levels.

**HUNTINGDON AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019
(CONTINUED)**

C. Federal Awards Findings and Questioned Cost (Continued)

Cause

The Student's application was reviewed and incorrectly classified as reduced lunch/breakfast eligible.

Effect

The error resulted in the School District receiving more reimbursement money.

Context

The District receives a \$2.93 reimbursement for each reduced lunch provided and a \$0.33 reimbursement for each paid lunch provided. Therefore, for each lunch provided, the School District received an additional \$2.60 reimbursement for each lunch provided to the student. The District also receives a \$1.84 reimbursement for each reduced breakfast provided and a \$0.31 reimbursement for each paid breakfast provided. Therefore, for each breakfast provided, the School District received an additional \$1.53 reimbursement for each breakfast provided to the student.

Recommendation

We recommend that the School District establish a policy and procedure to ensure that student applications are reviewed by the Business Office in order to ensure that correct classification (Free, Reduced or Denied) is given to each student.

Views of Responsible Officials and Planned Corrective Action

We concur with the finding and the recommendation.

2019-001 National School Lunch Program - CFDA No. 10.555/10.553/10.559

Name of contact person - Faith Swanson, Business Manager

Recommendation

The District should designate someone in the Business Office to review the free and reduced lunch applications and ensure that the classification in the system is correct.

Action Taken

We concur with the recommendation and have developed a plan to improve the internal controls over free and reduced lunch compliance and are in the process of having the Business Office review all free and reduced breakfast/lunch applications.

1. The Business Office has added to its current duties to have financial assistant perform a review over the free and reduced breakfast/lunch applications by spot checking the calculations and ensuring that the students are correctly designated as free, reduced or denied.

Proposed Completion Date

December 10, 2019

**HUNTINGDON AREA SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

There were no prior year findings.