

**SOUTHERN HUNTINGDON COUNTY  
SCHOOL DISTRICT**

**FINANCIAL REPORT**

**JUNE 30, 2017**

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## **INDEPENDENT AUDITOR'S REPORT**

Board of School Directors  
Southern Huntingdon County School District  
Three Springs, Pennsylvania

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, the aggregate remaining fund information of Southern Huntingdon County School District, as of and for the year ended June 30, 2017, 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 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 positions of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of Southern Huntingdon County School District, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund 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 Management's Discussion & Analysis on pages 4 through 12 and the required supplementary information as listed in the table of contents, 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 which 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 Southern Huntingdon County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Uniform Guidance, as listed in the table of contents as Supplementary Information, is presented for purposes of additional analysis and is 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 relates 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 21, 2017, on our consideration of Southern Huntingdon County 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 Southern Huntingdon County School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Boyer & Ritten". The signature is written in black ink and is centered on the page.

State College, Pennsylvania  
December 21, 2017

**SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION & ANALYSIS (MD&A)**  
**June 30, 2017**

The discussion and analysis of Southern Huntingdon County School District's (District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to the financial statements to enhance their understanding of the District's financial performance.

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

## **Financial Highlights**

### **Real Estate Tax**

For the July 2016 real estate tax levy, the Southern Huntingdon County School Board millage rate remained at 40.26 mills. The District's current collection rate for real estate taxes is 88.75%, so approximately \$89,614 for each mill of tax levied was collected in the current year.

### **Long-Term Debt**

No changes noted in refunds or issuance of long-term debt.

### **Cafeteria Fund**

The Cafeteria Fund revenue decreased in current year. Overall net position for 2016-2017 was negative (\$13,645).

**Table A-1** summarizes the major features of the District’s financial statements, including the portions of the District that the statements cover and the types of information that the statements contain. The remainder of this overview section of MD&A explains the structure and contents of the statements.

**Table A-1**  
**Major Features of Southern Huntingdon County School District’s**  
**Government-Wide and Fund Financial Statements**

	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
<b><i>Scope</i></b>	Entire District (except fiduciary funds)	Activities of the District <b>that are not proprietary or fiduciary</b> , such as education, administration and community services	Activities the District operates similar to private business - <b>Food Service</b>	Activities in which the District is the trustee or agent for someone else’s resources - <b>Scholarship Funds and Activity Funds</b>
<b><i>Required Financial Information</i></b>	Statement of Net Position	Balance Sheet	Statement of Net Position	Statement of Fiduciary Net Position
	Statement of Activities	Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Revenues, Expenses and Change in Net Position  Statement of Cash Flows	Statement of Changes in Fiduciary Net Position
<b><i>Accounting Basis and Measurement Focus</i></b>	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
<b><i>Type of asset/liability information</i></b>	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up 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
<b><i>Type of inflow/outflow information</i></b>	All revenues and expenses during the 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 the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid



# Overview of Financial Statements

## Government-Wide Statements

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

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

Over time, increases or decreases in the District's net position indicate whether the District's financial health is improving or deteriorating, respectively.

To assess the overall health of the District, additional, non-financial factors, such as changes in the District's property-tax base and the performance of students, must be considered.

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

**Governmental activities** - All of the District's basic services are included here, such as instruction, administration and community services. Property taxes and state and Federal subsidies and grants finance most of these activities.

**Business-Type activity** - The District operates a food-service operation and charges fees to students, staff, and visitors to cover the costs of the food-service operation.

## Fund Financial Statements

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

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

**Proprietary fund** - This fund is used to account for the District's activity that is similar to business operations in the private sector, or where the reporting focuses on determining net income, financial position, changes in financial position, and where a significant portion of funding comes through user charges. When the District charges customers for services it provides - whether to outside customers or to other units within the District - these services are generally reported in the proprietary fund. The Food Service Fund is the District's proprietary fund and is the same as the business-type activity reported in the government-wide statements.

**Fiduciary funds** - The District is the trustee, or fiduciary, for several scholarship funds. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance operations. The District maintains two fiduciary funds, Combined Scholarship Trust Funds and a Student Activity Fund.

## Financial Analysis of the District as a Whole

The District's total net position was a (\$5,087,708) at June 30, 2017, which reflects the District's share of PSERS retirement.

**Table A-2**  
**As of June 30, 2017 and 2016**  
**Net Position**

	Governmental Activities		Business-Type Activity		Total	
	6/30/17	6/30/16	6/30/17	6/30/16	6/30/17	6/30/16
Current and other assets	\$ 11,602,377	\$ 10,632,649	\$ 6,988	\$ 10,275	\$ 11,609,365	\$ 10,642,924
Capital assets	10,296,230	10,659,328	15,166	23,433	10,311,396	10,682,761
<b>Total assets</b>	<b>21,898,607</b>	<b>21,291,977</b>	<b>22,154</b>	<b>33,708</b>	<b>21,920,761</b>	<b>21,325,685</b>
Deferred amounts on pension	4,261,833	1,944,833	141,167	64,167	4,403,000	2,009,000
Deferred amounts on refunding debt	15,379	22,390	-	-	15,379	22,390
<b>Total deferred outflows of resources</b>	<b>4,277,212</b>	<b>1,967,223</b>	<b>141,167</b>	<b>64,167</b>	<b>4,418,379</b>	<b>2,031,390</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 26,175,819</b>	<b>\$ 23,259,200</b>	<b>\$ 163,321</b>	<b>\$ 97,875</b>	<b>\$ 26,339,140</b>	<b>\$ 23,357,075</b>
Current and other liabilities	\$ 1,483,833	\$ 1,894,503	\$ 9,196	\$ 16,055	\$ 1,493,029	\$ 1,910,558
Long-term liabilities	27,707,425	26,393,780	753,394	686,444	28,460,819	27,080,224
<b>Total liabilities</b>	<b>29,191,258</b>	<b>28,288,283</b>	<b>762,590</b>	<b>702,499</b>	<b>29,953,848</b>	<b>28,990,782</b>
Deferred amounts on pension	1,426,778	854,778	46,222	27,222	1,473,000	882,000
<b>Total deferred inflows of resources</b>	<b>1,426,778</b>	<b>854,778</b>	<b>46,222</b>	<b>27,222</b>	<b>1,473,000</b>	<b>882,000</b>
Net investment in capital assets	9,551,609	6,071,718	15,166	23,433	9,566,775	6,095,151
Restricted	3,083,512	2,071,928	-	-	3,083,512	2,071,928
Unrestricted	(17,077,338)	(14,027,507)	(660,657)	(655,279)	(17,737,995)	(14,682,786)
<b>Total net position</b>	<b>(4,442,217)</b>	<b>(5,883,861)</b>	<b>(645,491)</b>	<b>(631,846)</b>	<b>(5,087,708)</b>	<b>(6,515,707)</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 26,175,819</b>	<b>\$ 23,259,200</b>	<b>\$ 163,321</b>	<b>\$ 97,875</b>	<b>\$ 26,339,140</b>	<b>\$ 23,357,075</b>

Most of the District's net position is invested in capital assets (land, site improvements, buildings, and equipment) or are restricted for a specific purpose. The restricted balances are amounts set aside to fund future purchases or capital projects as planned by the District.

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

**Table A-3** presents information from the Statement of Activities in a different format.

**Table A-3**  
**Fiscal Years Ended June 30, 2017 and 2016**  
**Changes in Net Position**

	Governmental Activities		Business-Type Activity		Total	
	6/30/17	6/30/16	6/30/17	6/30/16	6/30/17	6/30/16
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 137,522	\$ 110,529	\$ 304,662	\$ 317,795	\$ 442,184	\$ 428,324
Operating grants and contributions	5,149,345	5,047,768	477,024	455,609	5,626,369	5,503,377
General revenues						
Property taxes	4,086,237	4,073,472	-	-	4,086,237	4,073,472
Other taxes	805,293	752,974	-	-	805,293	752,974
Grants, subsidies and contributions, not restricted	7,106,550	6,950,971	-	-	7,106,550	6,950,971
Miscellaneous	148,892	158,391	978	604	149,870	158,995
<b>Total revenues</b>	<b>17,433,839</b>	<b>17,094,105</b>	<b>782,664</b>	<b>774,008</b>	<b>18,216,503</b>	<b>17,868,113</b>
<b>Expenses</b>						
Instruction	10,181,279	10,984,959	-	-	10,181,279	10,984,959
Instructional student support	1,182,470	1,137,162	-	-	1,182,470	1,137,162
Administration and financial support	1,391,727	1,232,848	-	-	1,391,727	1,232,848
Operation and maint. of plant services	1,610,717	1,636,800	-	-	1,610,717	1,636,800
Pupil transportation	1,218,009	1,146,103	-	-	1,218,009	1,146,103
Student activities	330,291	294,166	-	-	330,291	294,166
Interest on long-term debt	77,702	136,965	-	-	77,702	136,965
Food service	-	-	796,309	765,312	796,309	765,312
<b>Total expenses</b>	<b>15,992,195</b>	<b>16,569,003</b>	<b>796,309</b>	<b>765,312</b>	<b>16,788,504</b>	<b>17,334,315</b>
<b>Changes in net position</b>	<b>\$ 1,441,644</b>	<b>\$ 525,102</b>	<b>\$ (13,645)</b>	<b>\$ 8,696</b>	<b>\$ 1,427,999</b>	<b>\$ 533,798</b>

**Tables A-4 and A-5** below present the expenses of both the Governmental Activities and the Business-Type Activity of the District.

**Table A-4** presents the District's seven (7) largest functions - instruction, instructional student support, administration and financial support, operation and maintenance of plant services, pupil transportation, student activities, and community services and each program's net cost (total cost less revenues generated by the activities). This table also shows the net costs offset by the other unrestricted grants, subsidies, and contributions to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

**Table A-4**  
**Fiscal Years Ended June 30, 2017 and 2016**  
**Governmental Activities**

Functions/Programs	Total Cost of Services		Net Cost of Services	
	6/30/2017	6/30/2016	6/30/2017	6/30/2016
Instruction	\$ 10,181,279	\$ 10,984,959	\$ 6,685,488	\$ 7,263,952
Instructional student support	1,182,470	1,137,162	913,167	905,479
Administration and financial support	1,391,727	1,232,848	1,206,807	1,107,110
Operation and maintenance of plant services	1,610,717	1,636,800	1,276,600	1,554,897
Pupil transportation	1,218,009	1,146,103	316,840	260,389
Student activities	330,291	294,166	228,724	202,766
Interest on long-term debt	77,702	136,965	77,702	116,113
<b>Total governmental activities</b>	<b>\$ 15,992,195</b>	<b>\$ 16,569,003</b>	<b>10,705,328</b>	<b>11,410,706</b>
Less unrestricted grants, subsidies, and contributions			(5,149,345)	(6,950,971)
<b>Total needs for grants, taxes and other revenues</b>			<b>\$ 5,555,983</b>	<b>\$ 4,459,735</b>

**Table A-5** reflects the activities of the Food Service Program, the only business-type activity of the District.

**Table A-5**  
**Fiscal Years Ended June 30, 2017 and 2016**  
**Business-Type Activity**

Functions/Programs	Total Cost of Services		Net Cost of Services	
	6/30/2017	6/30/2016	6/30/2017	6/30/2016
Food services	\$ 796,309	\$ 765,312	\$ (14,623)	\$ 8,092
Add: investment earnings			978	604
<b>Total business-type activity</b>			<b>\$ (13,645)</b>	<b>\$ 8,696</b>

The Statement of Revenues, Expenses and Changes in Net Position for this proprietary fund will provide details of the actual results of operations.

## The District Funds

At June 30, 2017, the District's governmental funds reported a combined fund balance of \$9,709,782, which reflects an increase of \$1,376,053 from June 30, 2016. The primary reason for this increase was cutting the costs in the maintenance area and receiving more earned income taxes during the year than anticipated.

### General Fund Budget

During the fiscal year, the Board of School Directors did not authorize changes to the original budget to accommodate differences from the original budget to actual expenditures of the District. Therefore, the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund report the same numbers in both original and final budget columns. A schedule showing the District's original and final budgeted amounts compared with amounts actually paid and received is provided in the financial statements.

**Table A-6**  
**Fiscal Years Ended June 30, 2017 and 2016**  
**General Fund**  
**Budget Summary**

	Original Budget		Final Budget		Variance	
	6/30/17	6/30/16	6/30/17	6/30/16	6/30/17	6/30/16
Revenues						
Local	\$ 5,304,181	\$ 5,209,972	\$ 5,304,181	\$ 5,209,972	0.00%	0.00%
State	10,338,148	10,110,383	10,338,148	10,110,383	0.00%	0.00%
Federal	325,643	328,643	325,643	328,643	0.00%	0.00%
<b>Total revenues</b>	<b>15,967,972</b>	<b>15,648,998</b>	<b>15,967,972</b>	<b>15,648,998</b>	<b>0.00%</b>	<b>0.00%</b>
Expenditures						
Instruction	10,225,884	9,743,008	10,225,884	9,743,008	0.00%	0.00%
Support services	6,058,541	5,748,855	6,058,541	5,748,855	0.00%	0.00%
Non-instructional/community	302,291	292,314	302,291	292,314	0.00%	0.00%
Debt service	800,000	790,000	800,000	790,000	0.00%	0.00%
Transfers	55,000	55,000	55,000	55,000	0.00%	0.00%
<b>Total expenses</b>	<b>17,441,716</b>	<b>16,629,177</b>	<b>17,441,716</b>	<b>16,629,177</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Budgeted use of fund balance</b>	<b>\$ 1,473,744</b>	<b>\$ 980,179</b>	<b>\$ 1,473,744</b>	<b>\$ 980,179</b>	<b>0.00%</b>	<b>0.00%</b>

## Capital Asset and Debt Administration

### Capital Assets

At June 30, 2017, the District had \$10,311,396 invested in a broad range of capital assets, including land, buildings and furniture and equipment.

**Table A-7**  
**As of June 30, 2016 and 2015**  
**Capital Assets - Net of Depreciation**

	Governmental Activities		Business-Type Activity		Total	
	6/30/17	6/30/16	6/30/17	6/30/16	6/30/17	6/30/16
Land	\$ 269,649	\$ 269,649	\$ -	\$ -	\$ 269,649	\$ 269,649
Site improvements	379,172	412,067	-	-	379,172	412,067
Buildings and improvements	9,233,560	9,641,972	-	-	9,233,560	9,641,972
Furniture and equipment	413,849	335,640	15,166	23,433	429,015	359,073
	<u>\$ 10,296,230</u>	<u>\$ 10,659,328</u>	<u>\$ 15,166</u>	<u>\$ 23,433</u>	<u>\$ 10,311,396</u>	<u>\$ 10,682,761</u>

### Debt Administration

During the fiscal year 2015-2016 the District refunded the General Obligation Bonds Series of 2010 with a General Obligation Note Series 2015 from F&M Trust at an interest rate of 1.89% tax fee for a period of five years. As of July 1, 2016, the District had total outstanding bond principal of \$4,610,000. During the year 2016-2017, the District's outstanding bonds and notes had a net decrease of \$670,000.

**Table A-8**  
**As of June 30, 2017 and 2016**  
**Outstanding Debt**

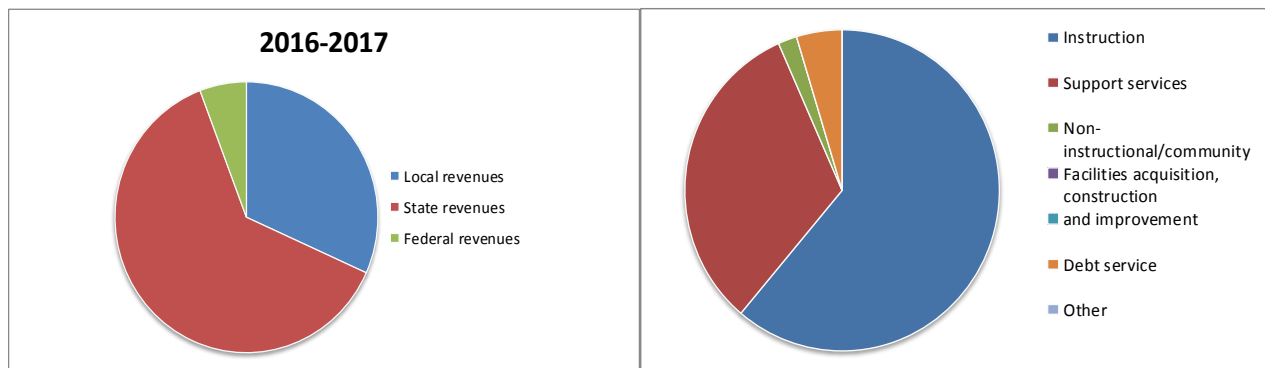
	Governmental Activities		Business-Type Activity		Total	
	6/30/17	6/30/16	6/30/17	6/30/16	6/30/17	6/30/16
General Obligation Note Series of 2015	\$ 3,940,000	\$ 4,610,000	\$ -	\$ -	\$ 3,940,000	\$ 4,610,000
	<u>\$ 3,940,000</u>	<u>\$ 4,610,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,940,000</u>	<u>\$ 4,610,000</u>

Other obligations include accrued sick and personal leave for specific employees of the District, other post-employment benefits for certain retirees, and net pension liability. More detailed information about our long-term liabilities is included in the Notes to Financial Statements.

**Table A-9** reflects the comparisons of revenue and expenditure categories for governmental-fund types by percentages:

**Table A-9**  
**Fiscal Years Ended June 30, 2017, 2016, 2015, 2014 and 2013**  
**Revenues and Expenditures**

	2016-2017	2015-2016	2014-2015	2013-2014	2012-2013
Local revenues	31.70%	31.36%	30.86%	29.92%	30.81%
State revenues	62.53%	60.07%	61.75%	62.53%	61.00%
Federal revenues	5.77%	8.57%	7.40%	7.55%	8.19%
Instruction	61.13%	46.76%	61.91%	57.69%	57.43%
Support services	32.25%	22.95%	30.74%	30.59%	35.52%
Non-instructional/community	1.94%	1.14%	1.46%	1.33%	1.36%
Facilities acquisition, construction and improvement	0.00%	1.17%	0.62%	5.13%	0.00%
Debt service	4.68%	27.98%	5.27%	5.26%	5.69%
Other	0.00%	0.00%	0.00%	0.00%	0.00%



## Contacting the District's Financial Management

Our financial report is designed to provide our citizens, taxpayers, parents, students, 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 LuAnne Keebaugh, Business Manager, at Southern Huntingdon County School District, 10339 Pogue Road, Three Springs, Pennsylvania 17264.

# SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

## STATEMENT OF NET POSITION

June 30, 2017

	Governmental Activities	Business-Type Activity	Total
<b>Assets</b>			
Cash	\$ 3,183,229	\$ 72,238	\$ 3,255,467
Investments	6,614,437	1,934	6,616,371
Receivables			
Taxes - net of allowance for uncollectibles	639,415	-	639,415
Federal subsidies	425,386	-	425,386
State subsidies	569,576	-	569,576
Other	88,833	-	88,833
Internal balances	81,501	(81,501)	-
Inventories	-	14,317	14,317
Capital Assets			
Land and improvements - net	648,821	-	648,821
Buildings and improvements - net	9,233,560	-	9,233,560
Furniture and equipment - net	413,849	15,166	429,015
Total capital assets	10,296,230	15,166	10,311,396
<b>Total assets</b>	<b>21,898,607</b>	<b>22,154</b>	<b>21,920,761</b>
<b>Deferred Outflows of Resources</b>			
Deferred amounts on pension liability	4,261,833	141,167	4,403,000
Deferred amounts on refunding debt	15,379	-	15,379
<b>Total deferred outflows of resources</b>	<b>4,277,212</b>	<b>141,167</b>	<b>4,418,379</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 26,175,819</b>	<b>\$ 163,321</b>	<b>\$ 26,339,140</b>

See Notes to Financial Statements.



	Governmental Activities	Business-Type Activity	Total
<b>Liabilities</b>			
Accounts payable	\$ 245,635	\$ -	\$ 245,635
Deposits payable	-	2,706	2,706
Accrued expenses			
Salaries and benefits	1,174,456	-	1,174,456
Payroll withholdings	22,405	-	22,405
Interest	18,616	-	18,616
Unearned revenue	22,721	6,490	29,211
Long-term liabilities			
Due within one year	760,000	-	760,000
Due in more than one year	26,947,425	753,394	27,700,819
Total long-term liabilities	27,707,425	753,394	28,460,819
<b>Total liabilities</b>	29,191,258	762,590	29,953,848
<b>Deferred Inflows of Resources</b>			
Deferred amounts on pension liability	1,426,778	46,222	1,473,000
<b>Net Position</b>			
Net investment in capital assets	9,551,609	15,166	9,566,775
Restricted for capital projects	3,083,512	-	3,083,512
Unrestricted	(17,077,338)	(660,657)	(17,737,995)
<b>Total net position</b>	(4,442,217)	(645,491)	(5,087,708)
<b>Total liabilities, deferred inflows of resources and net position</b>	\$ 26,175,819	\$ 163,321	\$ 26,339,140

**SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activity	Total
<b>Governmental Activities</b>							
Instructional	\$ 10,181,279	\$ 81,025	\$ 3,414,766	\$ -	\$ (6,685,488)	\$ -	\$ (6,685,488)
Instructional student support	1,182,470	-	269,303	-	(913,167)	-	(913,167)
Administration and financial support	1,391,727	-	184,920	-	(1,206,807)	-	(1,206,807)
Operation and maintenance of plant services	1,610,717	1,305	332,812	-	(1,276,600)	-	(1,276,600)
Pupil transportation	1,218,009	-	901,169	-	(316,840)	-	(316,840)
Student activities	330,291	55,192	46,375	-	(228,724)	-	(228,724)
Interest on long-term debt	77,702	-	-	-	(77,702)	-	(77,702)
<b>Total governmental activities</b>	<b>15,992,195</b>	<b>137,522</b>	<b>5,149,345</b>	<b>-</b>	<b>(10,705,328)</b>	<b>-</b>	<b>(10,705,328)</b>
<b>Business-Type Activity</b>							
Food service	796,309	304,662	477,024	-	-	(14,623)	(14,623)
<b>Total School District</b>	<b>\$ 16,788,504</b>	<b>\$ 442,184</b>	<b>\$ 5,626,369</b>	<b>\$ -</b>	<b>(10,705,328)</b>	<b>(14,623)</b>	<b>(10,719,951)</b>
<b>General Revenues and Transfers</b>							
Property taxes levied for general purposes, net					4,086,237	-	4,086,237
Public utility, realty transfer, earned income, and per capita taxes for general purposes, net					805,293	-	805,293
Grants, subsidies, and contributions, not restricted					7,106,550	-	7,106,550
Investment earnings					58,034	978	59,012
Miscellaneous income					90,858	-	90,858
<b>Total general revenues and transfers</b>					<b>12,146,972</b>	<b>978</b>	<b>12,147,950</b>
<b>Changes in net position</b>					<b>1,441,644</b>	<b>(13,645)</b>	<b>1,427,999</b>
<b>Net Position - July 1, 2016</b>					<b>(5,883,861)</b>	<b>(631,846)</b>	<b>(6,515,707)</b>
<b>Net Position - June 30, 2017</b>					<b>\$ (4,442,217)</b>	<b>\$ (645,491)</b>	<b>\$ (5,087,708)</b>

See Notes to Financial Statements.

# SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

## BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2017

	General	Capital Projects	Total Governmental Funds
<b>Assets</b>			
Cash	\$ 2,672,967	\$ 510,262	\$ 3,183,229
Investments	4,041,187	2,573,250	6,614,437
Receivables			
Taxes - net of allowance for uncollectibles	639,415	-	639,415
Federal subsidies	425,386	-	425,386
State subsidies	569,576	-	569,576
Other	88,833	-	88,833
Due from other funds	81,501	-	81,501
<b>Total assets</b>	<b>\$ 8,518,865</b>	<b>\$ 3,083,512</b>	<b>\$ 11,602,377</b>
<b>Liabilities</b>			
Accounts payable	\$ 245,635	\$ -	\$ 245,635
Accrued expenses			
Salaries and benefits	1,174,456	-	1,174,456
Payroll withholdings	22,405	-	22,405
Unearned revenue	22,721	-	22,721
<b>Total liabilities</b>	<b>1,465,217</b>	<b>-</b>	<b>1,465,217</b>
<b>Deferred Inflows of Resources</b>			
Delinquent property taxes	427,378	-	427,378
<b>Fund Balances</b>			
Restricted			
Capital projects	-	3,083,512	3,083,512
Assigned			
Future retirement increases	2,576,436	-	2,576,436
Future healthcare increases	1,000,000	-	1,000,000
Budget 2017-2018	1,525,989	-	1,525,989
Unassigned	1,523,845	-	1,523,845
<b>Total fund balances</b>	<b>6,626,270</b>	<b>3,083,512</b>	<b>9,709,782</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 8,518,865</b>	<b>\$ 3,083,512</b>	<b>\$ 11,602,377</b>

See Notes to Financial Statements.

## SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

### RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

June 30, 2017

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<b>Total fund balances - governmental funds</b>	<b>\$ 9,709,782</b>
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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 therefore, are not reported as assets in governmental funds. The total cost of capital assets is \$21,705,307, and the accumulated depreciation is \$11,409,077.

	10,296,230
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Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore, they are deferred inflows of resources in the funds.

	427,378
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The difference between the re-acquisition price and the net carrying amount of the old debt is a deferred outflow of resources, which is not reported in the governmental funds.

	15,379
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Deferred inflows and outflows of resources related to pensions are applicable to future periods, and therefore, they are not reported within the funds.

Deferred inflows and outflows related to pensions are as follows:

Deferred inflows	(1,426,778)
Deferred outflows	4,261,833

Long-term liabilities, including bonds payable, compensated absences, and other post-employment benefits, are not due and payable in the current period; therefore, they are not reported as liabilities in the funds. These liabilities at year-end consist of:

Bonds payable	(3,940,000)	
Accrued interest	(18,616)	
Compensated absences	(204,148)	
Net pension liability	(22,476,594)	
Other post-employment benefits	(1,086,683)	
		<u>(27,726,041)</u>

<b>Total net position - governmental activities</b>	<b>\$ (4,442,217)</b>
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See Notes to Financial Statements.

# SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS Year Ended June 30, 2017

	General	Capital Projects	Total Governmental Funds
Revenues			
Local sources	\$ 5,522,364	\$ 11,584	\$ 5,533,948
State sources	10,893,094	-	10,893,094
Federal sources	1,005,618	-	1,005,618
<b>Total revenues</b>	<b>17,421,076</b>	<b>11,584</b>	<b>17,432,660</b>
Expenditures			
Instruction	9,814,988	-	9,814,988
Support services	5,178,473	-	5,178,473
Operation of non-instructional services	312,278	-	312,278
Debt service	750,868	-	750,868
<b>Total expenditures</b>	<b>16,056,607</b>	<b>-</b>	<b>16,056,607</b>
<b>Excess of revenues over expenditures</b>	<b>1,364,469</b>	<b>11,584</b>	<b>1,376,053</b>
Other Financing Sources (Uses)			
Operating transfers in	-	1,000,000	1,000,000
Operating transfers out	(1,000,000)	-	(1,000,000)
<b>Total other financing sources (uses)</b>	<b>(1,000,000)</b>	<b>1,000,000</b>	<b>-</b>
<b>Net changes in fund balances</b>	<b>364,469</b>	<b>1,011,584</b>	<b>1,376,053</b>
Fund Balances - July 1, 2016	6,261,801	2,071,928	8,333,729
Fund Balances - June 30, 2017	<u>\$ 6,626,270</u>	<u>\$ 3,083,512</u>	<u>\$ 9,709,782</u>

See Notes to Financial Statements.

# SOUTHERN HUNTINGDON COUNTY 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, 2017

<b>Net changes in fund balances - governmental funds</b>		<b>\$</b>	<b>1,376,053</b>
Amounts reported for governmental activities in the Statement of Activities are different because:			
Capital outlays are reported in governmental funds as expenditures. However in the Statement of Activities, the costs of those assets are allocated over their useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the period.			
	Capital outlays	271,531	
	Less depreciation expense	(534,751)	(263,220)
The net effect of various miscellaneous transactions involving capital assets (ie. sales, trade-ins, and donations) is to decrease net position.			
			(99,878)
Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred inflows of resources decreased by this amount.			
			1,179
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 in interest accrued reflected in the Statement of Activities is shown here.			
			3,166
Governmental funds report district pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.			
	District pension contributions		1,825,000
	Cost of benefits earned - net of employee contributions (pension expense)		(1,985,000)
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, they are not reported as expenditures in governmental funds. This is the sum of expenditures for compensated absences and other post-employment benefits.			
			(78,645)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effects of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.			
	Repayment of long-term debt	670,000	
	Amortization of refunding loss	(7,011)	662,989
<b>Changes in net position - governmental activities</b>		<b>\$</b>	<b>1,441,644</b>

See Notes to Financial Statements.

**SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND  
Year Ended June 30, 2017**

	Original and Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>Revenues</b>			
Local sources			
Real estate taxes	\$ 3,719,854	\$ 3,567,340	\$ (152,514)
Public utility realty tax	5,300	5,328	28
Payments in lieu of taxes	21,999	21,999	-
Per capita taxes	36,528	30,040	(6,488)
Earned income tax	585,000	663,300	78,300
Real estate transfer taxes	67,000	102,839	35,839
Delinquent real estate taxes	450,000	495,719	45,719
Delinquent per capita taxes	7,000	3,786	(3,214)
Earnings on investments	10,000	46,450	36,450
Student activities	47,000	55,192	8,192
Intermediary sources (pass-through funds)			
KTO Incentive	-	11,163	11,163
IDEA, Part B	200,000	244,549	44,549
IDEA, Part B, Section 619	-	2,452	2,452
21st Century	-	99,019	99,019
Tuition from patrons	86,500	81,025	(5,475)
Rentals	500	1,305	805
Refunds and other miscellaneous revenue	67,500	90,858	23,358
<b>Total revenues from local sources</b>	<b>5,304,181</b>	<b>5,522,364</b>	<b>218,183</b>
State sources			
Basic education	6,693,645	6,822,983	129,338
Section 1305 and 1306	3,000	42,107	39,107
Vocational education	50,000	26,650	(23,350)
Special education	740,004	754,923	14,919
Transportation	950,000	901,169	(48,831)
Building reimbursement subsidy	275,000	237,665	(37,335)
Health services	28,000	25,823	(2,177)
State property tax reduction allocation	285,226	283,567	(1,659)
Ready to learn	238,273	270,148	31,875
Social security reimbursement	265,000	280,364	15,364
Retirement reimbursement	800,000	1,247,695	447,695
Other grants and subsidies	10,000	-	(10,000)
<b>Total revenues from state sources</b>	<b>10,338,148</b>	<b>10,893,094</b>	<b>554,946</b>

(Continued)

**SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND (Continued)**

**Year Ended June 30, 2017**

	Original and Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues (Continued)			
Federal sources			
Title I - Grants to Local Educational Agencies	215,043	290,940	75,897
Keystone to Opportunities (Striving Readers)	-	654,439	654,439
Title II - Improvind Teacher Quality	80,000	59,125	(20,875)
Title V	-	-	-
Federal block grants, ESEA, Title VI	-	-	-
Medical Assistance Programs	13,000	1,114	(11,886)
Other restricted Federal grants	17,600	-	(17,600)
<b>Total revenues from Federal sources</b>	<b>325,643</b>	<b>1,005,618</b>	<b>679,975</b>
<b>Total revenues</b>	<b>15,967,972</b>	<b>17,421,076</b>	<b>1,453,104</b>
Expenditures			
Instruction			
Regular programs	6,959,276	6,712,069	247,207
Special programs	2,422,110	2,150,924	271,186
Vocational educational programs	756,916	744,827	12,089
Other instructional programs	87,582	174,145	(86,563)
Adult education programs	-	33,023	(33,023)
<b>Total instruction</b>	<b>10,225,884</b>	<b>9,814,988</b>	<b>410,896</b>
Support Services			
Pupil personnel	360,017	367,198	(7,181)
Instructional staff	536,089	545,134	(9,045)
Administration	1,185,388	1,005,396	179,992
Pupil health	203,793	197,694	6,099
Business	286,830	270,670	16,160
Operation and maintenance of plant services	2,153,822	1,563,584	590,238
Student transportation services	1,263,600	1,218,009	45,591
Central service	2,070	-	2,070
Other support services	66,932	10,788	56,144
<b>Total support services</b>	<b>6,058,541</b>	<b>5,178,473</b>	<b>880,068</b>
Operation of Non-instructional Services			
Student activities	302,156	312,278	(10,122)
Community services	135	-	135
<b>Total operation of non-instructional services</b>	<b>302,291</b>	<b>312,278</b>	<b>(9,987)</b>

(Continued)



**SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND (Continued)  
Year Ended June 30, 2017**

	Original and Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Expenditures (Continued)			
Debt Service			
Principal	715,000	670,000	45,000
Interest	85,000	80,868	4,132
	<u>800,000</u>	<u>750,868</u>	<u>49,132</u>
<b>Total expenditures</b>	<u>17,386,716</u>	<u>16,056,607</u>	<u>1,330,109</u>
<b>Excess (deficiency) of revenues over expenditures</b>	(1,418,744)	1,364,469	2,783,213
Other Financing Sources (Uses)			
Operating transfers out	(55,000)	(1,000,000)	(945,000)
<b>Total other financing sources (uses)</b>	<u>(55,000)</u>	<u>(1,000,000)</u>	<u>(945,000)</u>
<b>Net changes in fund balance</b>	<u>\$ (1,473,744)</u>	364,469	<u>\$ 1,838,213</u>
Fund Balance - July 1, 2016		<u>6,261,801</u>	
Fund Balance - June 30, 2017		<u>\$ 6,626,270</u>	

See Notes to Financial Statements.

# SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

## STATEMENT OF NET POSITION - PROPRIETARY FUND - FOOD SERVICE June 30, 2017

### ASSETS

#### Current Assets

Cash	\$	72,238
Investments		1,934
Inventories		14,317
<b>Total current assets</b>		<b>88,489</b>

#### Noncurrent Assets

Machinery and equipment - net		15,166
<b>Total assets</b>		<b>103,655</b>

### DEFERRED OUTFLOWS OF RESOURCES

Deferred amounts on pension liability		141,167
<b>Total assets and deferred outflows of resources</b>	\$	<b>244,822</b>

### LIABILITIES

#### Current Liabilities

Due to other funds	\$	81,501
Unearned revenue		9,196
<b>Total current liabilities</b>		<b>90,697</b>

#### Noncurrent Liabilities

Compensated absences		1,625
OPEB and pension		751,769
<b>Total noncurrent liabilities</b>		<b>753,394</b>
<b>Total liabilities</b>		<b>844,091</b>

### DEFERRED INFLOWS OF RESOURCES

Deferred amounts on pension liability		46,222
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### NET POSITION

Invested in capital assets		15,166
Unrestricted		(660,657)
<b>Total net position</b>		<b>(645,491)</b>

<b>Total liabilities, deferred inflows of resources, and net position</b>	\$	<b>244,822</b>
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See Notes to Financial Statements.

## SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

### STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION - PROPRIETARY FUND - FOOD SERVICE

Year Ended June 30, 2017

Operating Revenue	
Food service revenue	\$ 304,662
Operating Expenses	
Labor, taxes and benefits	363,480
Management services	85,201
Supplies	9,272
Food and milk	277,897
Donated commodities used	52,102
Depreciation	8,267
Miscellaneous	90
<b>Total operating expenses</b>	<b>796,309</b>
<b>Operating loss</b>	<b>(491,647)</b>
Nonoperating Revenues	
Investment earnings	978
Federal subsidies	361,960
State subsidies	62,962
Value of donated commodities	52,102
<b>Total nonoperating revenues</b>	<b>478,002</b>
<b>Change in net position</b>	<b>(13,645)</b>
Net Position - July 1, 2016	(631,846)
Net Position - June 30, 2017	<u><u>\$ (645,491)</u></u>

See Notes to Financial Statements.

# SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

## STATEMENT OF CASH FLOWS - PROPRIETARY FUND - FOOD SERVICE Year Ended June 30, 2017

Cash Flows From Operating Activities	
Cash received from meal sales	\$ 300,116
Cash payments for goods and services	(360,298)
Cash payments to employees for services	(354,826)
<b>Net cash used in operating activities</b>	<u>(415,008)</u>
Cash Flows From Noncapital Financing Activities	
Federal subsidies	361,960
State subsidies	62,962
<b>Net cash provided by noncapital financing activities</b>	<u>424,922</u>
Cash Flows From Investing Activities	
Purchase of investments	(1,934)
Investment earnings	978
<b>Net cash used in investing activities</b>	<u>(956)</u>
<b>Net increase in cash</b>	8,958
Cash:	
July 1, 2016	63,280
June 30, 2017	<u><u>\$ 72,238</u></u>

(Continued)

## SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

### STATEMENT OF CASH FLOWS - PROPRIETARY FUND - FOOD SERVICE (Continued) Year Ended June 30, 2017

Reconciliation of Operating Loss to Net Cash	
Used in Operating Activities	
Operating loss	\$ (491,647)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	8,267
Value of donated commodities	52,102
Changes in assets and liabilities:	
(Increase) decrease in:	
Inventories	213
Deferred outflows of resources	(77,000)
(Decrease) increase in:	
Deposits payable	(4,546)
Accrued salaries and benefits	(296)
Due to other funds	13,966
Unearned revenue	(2,017)
Compensated absences	262
OPEB and pension	66,688
Deferred inflows of resources	19,000
<b>Net cash used in operating activities</b>	<u><u>\$ (415,008)</u></u>

See Notes to Financial Statements.

# SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

## STATEMENT OF FIDUCIARY NET POSITION

June 30, 2017

	Combined Scholarship Trust Funds	Activity Fund
<b>ASSETS</b>		
Cash	\$ 33,869	\$ 105,674
Investments	9,124	-
<b>Total assets</b>	<b>\$ 42,993</b>	<b>\$ 105,674</b>
<b>LIABILITIES</b>		
Due to student groups	\$ -	\$ 105,674
<b>NET POSITION</b>		
Reserved for scholarships	42,993	-
<b>Total liabilities and net position</b>	<b>\$ 42,993</b>	<b>\$ 105,674</b>

See Notes to Financial Statements.

**SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -  
COMBINED SCHOLARSHIP TRUST FUNDS  
Year Ended June 30, 2017**

<hr/>	
Additions	
Contributions	\$ 13,629
Interest	182
<b>Total additions</b>	<hr/> 13,811 <hr/>
 Deductions	
Scholarships	<hr/> 5,300 <hr/>
 <b>Change in net position</b>	 8,511
 Net Position - July 1, 2016	 34,482
Net Position - June 30, 2017	<hr/> \$ 42,993 <hr/> <hr/>

See Notes to Financial Statements.

# **SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

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### **Note 1. Summary of Significant Accounting Policies**

Southern Huntingdon County School District operates three elementary schools and one secondary school in the Three Springs Area. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provisions of the School Laws of Pennsylvania. The District operates under a locally-elected, nine-member, Board form of government.

The financial statements of the Southern Huntingdon County School District (the District) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative, standard-setting body for the establishment of governmental-accounting and financial-reporting principles. The more significant of these accounting principles are as follows:

#### **A. Reporting Entity**

Southern Huntingdon County School District's financial statements include the operations of all entities for which the School Board exercises oversight responsibility. Oversight responsibility is demonstrated by financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

Southern Huntingdon County School District is the lowest level of government which has oversight responsibility and control over all activities related to public-school education in the Commonwealth of Pennsylvania. The District receives funding from local, state and Federal-government sources and must comply with the requirements of these funding-source entities. However, the District is not included in any other governmental "reporting entity" since the School Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters. Additionally, the District does not exercise oversight responsibility over any other entities, and consequently, no other entities have been included in the accompanying financial statements.

#### **B. Government-wide and Fund 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 non-fiduciary activities of the primary government. For the most part, the effects of interfund activity have been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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. Taxes and other items not included among program revenues are reported as general revenues.



# **SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

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### **Note 1. Summary of Significant Accounting Policies (Continued)**

#### **B. Government-wide and Fund Financial Statements (Continued)**

Separate fund financial statements are provided in the report for all of the governmental, proprietary, and fiduciary funds of the District, even though the latter are excluded from the government-wide financial statements. Major, individual governmental and proprietary funds are reported in separate columns in the fund financial statements. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

#### **C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The District complies with accounting principles generally accepted in the United States of America (GAAP) and applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The government-wide financial statements are reported using the economic resources-measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. 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 revenues as soon as all eligibility requirements imposed by the providers have been met. Net position (total assets and deferred outflows of resources less total liabilities and deferred inflows of resources) are used as a practical measure of economic resources, and the operating statement includes all transactions and events that increased or decreased net position. Depreciation is charged as an expense against current operations, and accumulated depreciation is reported in the Statement of Net Position.

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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues from Federal, state and other grants designated for payment of specific District expenditures are recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as unearned revenues until earned. Expenditures generally are recorded when liabilities are 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.

When both restricted and unrestricted (including committed, assigned and unassigned) resources are available for use, it is the District's policy to use resources with the most stringent restrictions first, followed by resources in decreasing order of restriction, as funds are needed.

# **SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

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### **Note 1. Summary of Significant Accounting Policies (Continued)**

#### **C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

Governmental funds are those through which most governmental functions of the District are financed. The acquisitions, uses, and balances of the District's expendable financial resources and related liabilities (except for those accounted for in proprietary funds) are accounted for through governmental funds.

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. Revenues are primarily derived from local property, earned income and per capita taxes, and state and Federal distributions. Many of the more important activities of the District, including instruction, administration of the District, and certain non-instructional services are accounted for in this fund.

The Capital Projects Fund is used to account for financial resources available for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary funds are used to account for activities that are similar to those often found in the private sector. The measurement focus is upon determination of net income and capital maintenance. The District operates one proprietary fund, the Food Service Fund. This fund is used for all financial transactions related to food-service operations. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal, on-going operations. The principal operating revenue of the District's proprietary fund is food-service charges. Operating expenses for the District's proprietary fund include food-production costs, supplies, administrative costs, and depreciation of capital assets. All revenues or expenses not meeting these classifications are reported as non-operating revenues and expenses.

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

Fiduciary funds are used to account for assets held by the District in a trustee or agency capacity. There are two major types of fiduciary funds established by a formal trust agreement that place restrictions on the use of the fund's assets; and agency funds that account for the resources of another entity for which the District has custodial responsibility.

# **SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

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### **Note 1. Summary of Significant Accounting Policies (Continued)**

#### **C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

The District accounts for assets held by the District in a trustee capacity in private-purpose trust funds. These funds account for activities of the various scholarship accounts, the sole purposes of which are to award annual scholarships to deserving students as prescribed by donor stipulations.

The Activity Fund accounts for the monies authorized by Section 511 of the Public School Code of 1949 for school publications and organizations. The Activity Fund is an Agency Fund which is separate from other agency funds because of legal requirements. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency funds are also accounted for using the modified-accrual basis of accounting.

#### **D. Budgets and Budgetary Accounting**

An operating budget, prepared in accordance with the modified-accrual basis of accounting, is adopted for the General Fund prior to the beginning of each fiscal year. The General Fund is the only fund for which a budget is legally required. The Pennsylvania School Code dictates specific procedures relative to the adoption of the District's budget and reporting of its financial statements:

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

The District is required to publish notice by advertisement, at least once in two newspapers of general circulation in the municipality in which it is located, and within fifteen days of final action, that the proposed budget has been prepared and is available for public inspection at the administrative office of the 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.

Legal budgetary control is maintained at the sub-function/major-object level. The Board of School Directors may make transfers of appropriated funds for any particular item of expenditure by legislative action in accordance with the Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without Board approval. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effects of approved budget amendments.

## SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity

Cash and Cash Equivalents: For purposes of the Statement of Cash Flows presented for the proprietary fund, the District considers all highly-liquid investments with maturities of three months or less when purchased to be cash equivalents.

Investments: Investments are stated at fair value or at amortized costs, depending on the investment type, consistent with generally accepted accounting principles.

Allowance for Estimated Uncollectible Taxes: The allowance for estimated uncollectible taxes is based upon an historical estimate of delinquent taxes that will not be received within one year of the fiscal year-end. The portion of taxes receivable which is expected to be received within sixty days of June 30 is recorded as revenue in the current year. The remaining amount of taxes receivable which is expected to be received within one year from June 30 is recorded as delinquent property taxes. All other amounts in taxes receivable are written off as estimated uncollectible taxes.

Inventories: Inventories are presented at the lower of cost or market on a first-in, first-out basis, and are expensed when used.

A physical inventory of the Food Service Fund's food and supplies was taken as of June 30, 2016. The inventory consisted of government-donated commodities which were valued at their estimated fair-market values, and purchased commodities and supplies, both of which were valued at cost using the first-in, first-out (FIFO) method. The District has adopted an inventory-recordkeeping system which distinguishes between donated and purchased commodities. Accordingly, unearned revenue for donated commodities has been recorded.

Capital Assets and Depreciation: Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activity column in the government-wide financial statements. Per School Board Policy, capital assets with an original individual cost of \$4,000 or greater are capitalized, unless the assets are acquired by debt proceeds, in which case the assets must be capitalized. Management considers various factors in the capitalization of assets, including the assets' estimated useful lives, costs, and the extent to which the assets are part of larger capital projects. The District's capital assets include library books, classroom texts, computer equipment, classroom furniture, and other instructional equipment, subject to the on-going discretion of management. The costs of normal maintenance and repairs that do not add to the values of the assets or materially extend assets' lives are not capitalized.

# SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

#### Capital Assets and Depreciation (Continued):

Depreciation is provided for capital assets on the straight-line method over the estimated useful lives of the assets or groups of assets as determined by management.

Government Wide Statements: In the government-wide financial statements, depreciation of all exhaustible capital assets is recorded as a direct expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position.

Fund Financial Statements: In the fund-financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the applicable governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for in the same manner as capital assets which are presented in the government-wide statements.

Deferred Outflows of Resources - Deferred Amounts on Refunding Debt: The District recognizes the difference between the re-acquisition price and the net carrying amount of the old debt as a deferred outflow and recognizes it as a component of interest over the remaining life of the old or new debt, whichever is shorter.

Deferred Outflows of Resources - Pensions: The District recognizes the difference between actual employer contributions to its pension plan, the proportionate share of contributions and the contributions to the plan subsequent to the measurement date of June 30, 2016, and changes in proportions as deferred outflows of resources. These amounts are amortized over the average remaining service lives of active and inactive members.

Long-Term Obligations: In the government-wide financial statements and the proprietary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable Statement of Net Position. Bond premiums and discounts are deferred and amortized over the lives of the bonds using the effective-interest method. Bonds payable are reported net of applicable bond premiums or discounts. Bond insurance is deferred as a prepaid expense and amortized over the lives of the bonds. Other issuance costs are expensed at the time the debt is issued.

In the fund financial statements, governmental-fund types recognize bond premiums and discounts during the current period. The face amount of the debt issued and related premiums are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt-service expenditures.

# SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

Compensated Absences: Under the system of financial accounting and reporting for Pennsylvania School Systems, the District accrues certain accumulated employee benefits, such as unpaid vacation and sick pay. Calculation of this amount is determined by the appropriate vacation, sick, and retirement lump-sum payments which would be available to employees if they left or retired from the District. This calculation is adjusted for expected employee-turnover rates. Accrued-benefit days, multiplied by appropriate salary amounts, are reflected as a long-term liability unless retirements are likely within the upcoming fiscal year. Those costs determined to be current-year costs are reflected as a liability of the General Fund.

Post-Employment Benefits: In the government-wide financial statements, the District recognizes the costs and liabilities associated with post-employment benefits other than pension compensation, which is funded through the District's contribution to the statewide Public School Employees' Retirement System, a governmental, cost-sharing, multiple-employer, defined-benefit pension plan. The District provides retiree-health, vision, dental, and prescription-drug coverage to eligible, retired employees and qualified spouses/beneficiaries. The District has estimated the cost of providing these benefits through an actuarial valuation.

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

Interfund Transfers: Advances between funds that are not expected to be repaid are accounted for as transfers. In those cases when repayments are expected, the advances are accounted for through the various "due from" and "due to" accounts.

On fund financial statements, short-term, interfund loans are classified as interfund balances. These amounts are eliminated in the Statement of Net Position, except for amounts due between governmental and business-type activities, which are presented as internal balances

Deferred Inflows of Resources - Pensions: The District recognizes their share of the difference between projected earnings and actual investments of their pension plan and the changes in proportions in the pension plan as deferred inflows of resources. These amounts are amortized over the average remaining service lives of active and inactive members.

## SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

Deferred Inflows of Resources - Delinquent Property Taxes: The District recognizes property tax revenues when they become available. Available includes those property tax receivables expected to be collected within sixty days after year-end. Those property tax receivables expected to be collected after sixty days after year-end are shown as deferred inflows of resources in the fund financial statements. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

Fund Balance: The District's fund balance classifications are defined and described as follows:

Nonspendable: Represents fund balance amounts that cannot be spent because they are not in a spendable form or are contractually required to be maintained intact.

Restricted: Represents fund balance amounts that are constrained for a specific purpose through restrictions of external parties, through constitutional provisions, or by enabling legislation.

Committed: Represents fund balance amounts that can only be used for specific purposes pursuant to the constraints imposed by formal action of the Board of School Directors, the District's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board removes the constraints or changes the specified purpose through the same action used to commit the funds.

Assigned: Represents fund balance amounts that are constrained by the government's intent to use them for specific purposes but are neither restricted nor committed. Through Board policy, the Board has delegated the authority to express intent to the District's Business Manager.

Unassigned: Represents fund balance amounts that have not been restricted, committed, or assigned to specific purposes within the General Fund.

The District has a board policy which prescribes fund balance guidelines. The District will strive to maintain an unassigned, General Fund balance of not less than five percent and not more than eight percent of the budgeted expenditures for that fiscal year.

## **SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **Note 1. Summary of Significant Accounting Policies (Continued)**

##### **F. Other**

Use of Estimates: Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenues and expenditures.

Subsequent Events: In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosures through December 31, 2017, the date the financial statements were available to be issued.



## SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 2. Deposits and Investments

Under Section 440.1 of the Public School Code of 1949, as amended, the District is permitted to invest funds consistent with sound business practices in the following types of investments:

- U.S. Treasury Bills.
- Short-term obligations of the U.S. Government or its agencies or its instrumentalities
- Deposits in savings accounts or time deposits or share accounts of institutions insured by either:
  1. The Federal Deposit Insurance Corporation (FDIC), or
  2. The Federal Savings and Loan Insurance Corporation (FSLIC), or
  3. The National Credit Union Share Insurance Fund (NCUSIF)to the extent that such accounts are so insured, and for any amounts above maximum insurable limits, provided that approved collateral as provided by law shall be pledged by the depository.
- Obligations of (a) the United States of America or its agencies or instrumentalities backed by the full-faith and credit of the United States of America, and (b) the Commonwealth of Pennsylvania or instrumentalities thereof backed by the full-faith and credit of those political subdivisions.
- Shares of investment companies whose investments are restricted to the above categories.

The deposit and investment policies of the District adhere to state statutes and prudent business practices. There were no deposit or investment transactions during the year that violated either state statutes or District policies.

#### Deposits: Custodial-Credit Risk

Custodial-credit risk is the risk that in the event of a bank failure, the District's investments may not be returned to it. A summary of the District's deposits, which include certificates of deposit, at June 30, 2017, are as follows:

	Carrying Amount	Bank Balance	Financial Institution
FDIC Insured	\$ 250,000	\$ 250,000	Community State Bank
FDIC Insured	250,000	250,000	F&M Trust
Uninsured and collateralized by assets maintained in conformity with Act 72	2,622,428	2,855,285	
	<u>\$ 3,122,428</u>	<u>\$ 3,355,285</u>	

Act 72 of 1971, as amended, is an act standardizing the procedures for pledges of assets to secure deposits of public funds with banking institutions pursuant to other laws; establishing a standard rule for the types, amounts, and valuations of assets eligible to be used as collateral for deposits of public funds; permitting assets to be pledged against deposits on a pooled basis; and authorizing the appointment of custodians to act as pledgors of the assets.

## SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 2. Deposits and Investments (Continued)

##### Investments:

As of June 30, 2017, the District had the following investments:

Investments	Credit Rating	Weighted- Average Maturities	Fair Values
Pennsylvania Local Government Investment Trust (PLGIT)			
PLGIT - Class Shares	AAAm	50 days	\$ 1,893,416
PLGIT/PLUS - Class Shares	AAAm	50 days	32
PLGIT PRIME	AAAm	54 days	2,093,186
PLGIT Term	AAAm	220 days	3,000,000
			<u>\$ 6,986,634</u>

##### Portfolio Assets

Certain external pool investments held by the District, based on portfolio maturity, quality, diversification, and liquidity measures, qualify for measurement at amortized cost at both the pool and the participating government levels consistent with GASB Statement No. 79. The District measures those investments, which include PLGIT - Class Shares, PLGIT/PLUS - Class Shares, PLGIT/I - Class Shares, and PLGIT PRIME at amortized cost.

The PLGIT fund invests primarily in U.S. Treasury and Federal-agency securities and repurchase agreements secured by such obligations, as well as certain municipal obligations and collateralized or insured certificates of deposit. The fund maintains a weighted-average maturity to reset of 60 days or less.

The PLGIT - Class Shares is a flexible option, within the PLGIT fund, which requires no minimum balances, no minimum initial investment, and a one day minimum investment period. Dividends are paid monthly.

The PLGIT/PLUS - Class Shares is an option, within the PLGIT fund, which requires a minimum investment of \$50,000, a minimum investment period of thirty (30 days), and has a premature withdrawal penalty. Dividends are paid quarterly.

The PLGIT/I - Class Shares is an option, within the PLGIT fund, in which the shares are invested and redeemed by the Investor only through PLGIT's Easy Online Network ("EON"), the Trusts' online account access system. This option requires a minimum initial investment of \$50,000 and limits redemptions or exchanges to two per calendar month. However, there is no minimum investment period.

## **SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **Note 2. Deposits and Investments (Continued)**

PLGIT/PRIME is a variable rate investment portfolio. This fund web-based option requires a minimum initial investment of \$50,000 and limits redemptions or exchanges to two per calendar month.

##### Weighted-Average Maturity

The weighted-average maturity (WAM) method expresses investment time horizons, the time when investments become due and payable, in years or months, weighted to reflect the dollar-size of individual investments within an investment type. WAMs are computed for each investment type. The portfolio's WAM is derived by dollar-weighting the WAM for each investment type.

##### Interest-Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair-value losses arising from increasing interest rates.

##### Credit Risk

As indicated above, Section 440.1 of the Public School Code of 1949, as amended, limits the composition of the District's investments, and the District has no investment policy that would further limit its investment choices.

##### Concentrations-of-Credit Risk

The District places no limit on the amounts invested in any one issuer. The District's investments in Pennsylvania Local Government Investment Trust (PLGIT) represent 100% of the District's total investments.

## SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### **Note 3. Taxes Receivable, Deferred Inflows of Resources, and Unearned Revenues**

A summary of taxes receivable and related accounts at June 30, 2017, is as follows:

	Amount
Taxes Receivable	\$ 656,514
Allowance for uncollectible taxes	(17,099)
Taxes Receivable - Net	<u>\$ 639,415</u>
Taxes to be collected within 60 days	\$ 212,037
Deferred inflows of resources - delinquent property taxes	427,378
Taxes Receivable - Net	<u>\$ 639,415</u>
Deferred Inflows of Resources - General Fund	
Delinquent property taxes	<u>\$ 427,378</u>
Unearned Revenues - Food Service Fund	
Student deposits	\$ 2,706
Donated commodities	6,490
	<u>\$ 9,196</u>

#### **Note 4. Property Taxes**

Based upon assessed valuations, elected, municipal tax collectors bill and collect property taxes on behalf of the District. Property taxes are levied on July 1st. Taxes are collected at a 2.00% discount until August 31<sup>st</sup>; at their face amounts from September 1st until October 31<sup>st</sup>; and include a 10.00% penalty thereafter. The County of Huntingdon collects delinquent real estate taxes for the District.

The District's tax rates for all purposes in 2016-2017 were 40.26 mills (\$40.26 per \$1,000 assessed valuation). Refunds on payments of prior-year taxes are classified as other debt-service items under the Commonwealth of Pennsylvania accounting system. Current tax collections for the District were approximately 88.75% of the total taxes levied.

As of June 30, 2017, the District does not offer any tax abatement programs.

## SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 5. Interfund Accounts

Individual fund receivable and payable balances at June 30, 2017, are as follows:

	Interfund Receivables	Interfund Payables
General	\$ 81,501	\$ -
Food Service	-	81,501
	<u>\$ 81,501</u>	<u>\$ 81,501</u>

All interfund receivable/payable balances resulted from time lags between the dates that (1) interfund goods and services were provided or reimbursable expenditures occurred, (2) transactions were recorded in the accounting system, and (3) payments between funds were made. All balances are expected to be repaid within the following year.

Individual fund transfers during the year ended June30, 2017.

	Transfers In	Transfers Out
General	\$ -	\$ 1,000,000
Capital Projects	1,000,000	-
	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>

Transfers and payments within the District are substantially for purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund to support and simplify the administration of various projects or programs.

#### Note 6. Food Service Fund Inventories

The composition of Food Service Fund inventories at June 30, 2017, is as follows:

	Amount
Materials and supplies	\$ 1,829
Purchased food	5,998
Donated food	6,490
	<u>\$ 14,317</u>

# SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### Note 7. Capital Assets

Capital asset activity for the year ended June 30, 2017, was as follows:

	July 1, 2016	Increases	Decreases	June 30, 2017
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 269,649	\$ -	\$ -	\$ 269,649
Total capital assets, not being depreciated	269,649	-	-	269,649
Capital assets, being depreciated				
Site improvements	1,021,419	-	-	1,021,419
Buildings and improvements	17,068,512	-	-	17,068,512
Furniture and equipment	3,231,037	271,531	156,841	3,345,727
Total capital assets, being depreciated	21,320,968	271,531	156,841	21,435,658
Less accumulated depreciation				
Site improvements	609,352	32,895	-	642,247
Buildings and improvements	7,426,540	408,412	-	7,834,952
Furniture and equipment	2,895,397	93,444	56,963	2,931,878
Total accumulated depreciation	10,931,289	534,751	56,963	11,409,077
Total capital assets, being depreciated, net	10,389,679	(263,220)	99,878	10,026,581
Governmental Activities, Capital Assets - Net	\$ 10,659,328	\$ (263,220)	\$ 99,878	\$ 10,296,230
Business-Type Activity				
Machinery and equipment	\$ 240,883	\$ -	\$ -	\$ 240,883
Accumulated depreciation	(217,450)	(8,267)	-	(225,717)
Business-Type Activity, Capital Assets - Net	\$ 23,433	\$ (8,267)	\$ -	\$ 15,166

## SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 7. Capital Assets (Continued)

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

	Amount
Governmental Activities	
Instructional	\$ 389,969
Instructional student support	44,186
Administration and financial support	58,972
Operation and maintenance of plant services	28,667
Student activities	12,957
Total governmental activities	<u>534,751</u>
Business-Type Activity	
Food service	8,267
Total District	<u><u>\$ 543,018</u></u>

#### Note 8. Accrued Salaries and Benefits

Accrued salaries and benefits at June 30, 2017, consist of the following:

	Amount
Accrued salaries	\$ 435,497
Retirement	133,834
Social security	33,238
	<u><u>\$ 602,569</u></u>

Accrued salaries represent teachers' salaries earned during the 2016-2017 school year which will be paid subsequent to June 30, 2017. Accrued retirement represents the Public School Employees' Retirement Board contribution for the second quarter of calendar year 2017, including the portion pertaining to accrued salaries at June 30, 2017. Accrued social security represents the District's liability arising from accrued salaries at June 30, 2017.

# SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### Note 9. Long-Term Obligations

During the fiscal year ended June 30, 2017, long-term obligations changed as follows:

	July 1, 2016	Increase	Decrease	June 30, 2017	Due Within One Year
<b>Governmental Activities</b>					
General Obligation Notes -					
Series of 2015	\$ 4,610,000	\$ -	\$ 670,000	\$ 3,940,000	\$ 760,000
Compensated absences	208,084	-	3,936	204,148	-
Net pension liability	20,571,594	1,905,000	-	22,476,594	-
Other post-employment benefits	1,004,102	82,581	-	1,086,683	-
Total Long-Term Obligations	<u>\$ 26,393,780</u>	<u>\$ 1,987,581</u>	<u>\$ 673,936</u>	<u>\$ 27,707,425</u>	<u>\$ 760,000</u>
<b>Business-Type Activities</b>					
Compensated absences	\$ 1,363	\$ 262	\$ -	\$ 1,625	\$ -
Net pension liability	652,406	64,000	-	716,406	-
Other post-employment benefits	32,675	2,688	-	35,363	-
Total Long-Term Obligations	<u>\$ 686,444</u>	<u>\$ 66,950</u>	<u>\$ -</u>	<u>\$ 753,394</u>	<u>\$ -</u>

General Obligation Note - Series of 2015 - On July 7, 2015, the District issued General Obligation Note in the principal amount of \$5,315,000. The proceeds were used to currently refund the District's General Obligation Bonds - Series of 2010 and to pay the costs and expenses related to the issuance of the 2015 Note. The economic gain on the current refunding of the 2010 bonds was \$146,795. The note bears annual interest at 1.89%. Interest is payable semi-annually on April 1 and October 1, and the note matures serially in amounts ranging from \$670,000 to \$820,000 through October 1, 2021. Total interest paid on the Series of 2015 Note for the year ended June 30, 2017, was \$80,868.

The District is in compliance with all debt covenants of the outstanding bond issue. Those covenants include the following: the District shall include the annual debt service in its budget for the fiscal year, shall appropriate said annual debt service from its general revenues, and shall punctually cause the payment of the principal and interest of each of the bonds.



## SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 9. Long-Term Obligations (Continued)

Maturities of long-term debt are as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2018	\$ 760,000	\$ 67,284	\$ 827,284
2019	770,000	52,826	822,826
2020	785,000	38,131	823,131
2021	805,000	23,105	828,105
2022	820,000	7,749	827,749
	<u>\$ 3,940,000</u>	<u>\$ 189,095</u>	<u>\$ 4,129,095</u>

Compensated Absences - Under the terms of the District's employment policies, employees are granted sick and personal days per school year, and any unused sick and personal days are permitted to be carried over to future years. Upon retirement from the District, employees having completed 10 years of services with the District are reimbursed for accumulated sick and personal days equal to the number of unused days multiplied by an amount per the employment contract. The total liability for accrued sick and personal leave and retirement bonuses has been reflected in the Statement of Net Position.

## SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### **Note 10. Defined-Benefit Pension Plan**

##### Plan Description

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

##### Benefits Provided

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

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

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

## **SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **Note 10. Defined-Benefit Pension Plan (Continued)**

##### 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 District's contractually required contribution rate is 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. For the fiscal year ended June 30, 2017, the District's contribution rate was 30.03% of covered payroll. The 30.03% rate is composed of a contribution rate of 29.20% for pension benefits and 0.83% for healthcare-insurance premium assistance.

The District is required to pay the entire contribution and will be reimbursed by the Commonwealth in an amount equal to the Commonwealth's share as determined by the income-aid ratio (as defined in Act 29 of 1994), which is at least one half of the total District's rate. The District's contributions to the Plan for the years ended June 30, 2017, 2016, and 2015, were \$1,953,030, \$1,538,468, and \$1,321,128, respectively, and are equal to the required contributions for said years. For the year ended June 30, 2017, the District recognized retirement subsidy revenue from the Commonwealth in the amount of \$1,278,845.

## SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 10. Defined-Benefit Pension Plan (Continued)

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

At June 30, 2017, the District reported a liability of \$23,193,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2015 to June 30, 2016. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2016, the District's proportion was 0.0468%, which was a decrease of 0.0022% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$1,991,000. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources in the governmental and business-type activities:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 193,000
Changes in assumptions	837,000	-
Net difference between projected and actual investment earnings	1,293,000	-
Changes in proportions	331,000	1,280,000
Difference between employer contributions and proportionate share of total contributions	56,000	-
Contributions subsequent to the measurement date	1,886,000	-
	<u>\$ 4,403,000</u>	<u>\$ 1,473,000</u>

\$1,886,000 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, 2017. 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	Total
2018	\$ 72,000
2019	72,000
2020	599,000
2021	300,000
2022	1,000
	<u>\$ 1,044,000</u>

## SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### **Note 10. Defined-Benefit Pension Plan (Continued)**

##### Actuarial Assumptions

The total pension liability as of June 30, 2016, was determined by rolling forward the System's total pension liability as of the June 30, 2015 to June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurements:

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 3.0% 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. The actuarial assumptions used in the June 30, 2016 valuation were based on the experience study that was performed for the five-year period ending June 30, 2015. The recommended assumption changes based on this experience study were adopted by the Board at its June 10, 2016 Board meeting, and were effective beginning with the June 30, 2016 actuarial valuation.

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

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS 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.

## SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 10. Defined-Benefit Pension Plan (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	22.5%	5.3%
Fixed income	28.5%	2.1%
Commodities	8.0%	2.5%
Absolute return	10.0%	3.3%
Risk parity	10.0%	3.9%
Infrastructure/MLPs	5.0%	4.8%
Real estate	12.0%	4.0%
Alternative investments	15.0%	6.6%
Cash	3.0%	0.2%
Financing (LIBOR)	-14.0%	0.5%
	<u>100.0%</u>	

The above was the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2016.

#### 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.

## SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 10. Defined-Benefit Pension Plan (Continued)

##### Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	\$ 28,371,000	\$ 23,193,000	\$ 18,841,000

##### Pension Plan Fiduciary Net Position

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at [www.psers.state.pa.us](http://www.psers.state.pa.us).

##### Plan Payables

At June 30, 2017, the District has payables to the PSERS pension plan of \$705,721 which is comprised of staff payroll accruals and the quarterly PSERS liability for second quarter 2017 retirement contributions.

## SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 11. Post-Employment Benefits Other Than Pensions

Plan Description - Southern Huntingdon County School District administers a single-employer, defined-benefit healthcare plan. The plan provides medical benefits to eligible retirees and their spouses through the District's group-health insurance plan, which covers both active and retired members. Benefit provisions are established through retirement-incentive negotiations between the District and the union representing District instructional-staff employees. Retired employees are allowed to continue coverage for themselves and their dependents in the employer's group-health plan until the retired employees reach Medicare age. Employees are eligible upon retirement with 30 years of PSERS service or upon superannuation retirement (PSERS members prior to July 1, 2011, who are age 60 with 30 years of service, age 62 with 1 year of service, or 35 years of service regardless of age. PSERS members after July 1, 2011, who are age 65 with 3 years of service or upon attainment of a total combination of age plus service equal to or greater than 92 with a minimum of 35 years of service). The plan does not issue a publicly-available financial report.

Funding Policy - Contribution requirements are negotiated between the District and the union representing instructional-staff employees. Retired employees are responsible for payments equal to the premium determined by the District plan. The District funds the plan on a pay-as-you-go basis, and there is no obligation to make contributions in advance of when the insurance premiums or claims are due for payment.

Annual OPEB Cost and Net OPEB Obligation - The District's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents the level of funding that, if paid on an on-going basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. GASB Statement No. 45 was implemented prospectively; therefore, the net OPEB obligation at transition was \$-0-. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the plan.

	Amount
Annual required contribution (ARC)	\$ 336,468
Interest on net OPEB obligation	41,471
Adjustment to annual required contribution	(122,909)
Annual OPEB cost (expense)	255,030
Contributions made (estimated)	(169,761)
Estimated increase in net OPEB obligation	85,269
Net OPEB obligation - beginning of year	1,036,777
Estimated net OPEB obligation - end of year	<u><u>\$ 1,122,046</u></u>



## SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 11. Post-Employment Benefits Other Than Pensions (Continued)

The District's annual OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal years ended June 30, 2017, 2016 and 2015, were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$ 303,884	45.76%	\$ 775,949
6/30/2016	\$ 287,521	52.63%	\$ 895,157
6/30/2017	\$ 255,030	66.57%	\$ 1,122,046

Funded Status and Funding Progress - As of July 1, 2015, the most recent actuarial valuation date, the actuarial-accrued liability for benefits was \$2,057,782, all of which was unfunded. The actuarial-accrued liability was the present value of benefits allocated to periods prior to the valuation date. The present value of benefits allocated to all periods (both prior to and after the valuation date) was \$3,176,447.

Actuarial valuations of an on-going plan involve estimates of the values of the reported amounts and assumptions about the probabilities of occurrences of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare-cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations, and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year, trend information that shows whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial-accrued liability for benefits.

Actuarial Method and Assumptions - Projections of benefits for financial-reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial-accrued liabilities and the actuarial values of assets, consistent with the long-term perspectives of the calculations.

Actuarial-Valuation Date                      July 1, 2015

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

## SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 11. Post-Employment Benefits Other Than Pensions (Continued)

Amortization of Initial Liability	Unfunded Liability is amortized under the level-dollar method over a weighted average of the average future service of active employees for similar plans, which is estimated to be 10 years.
Treatment of Gains (Losses)	Actuarial Gains (Losses), as they occur, generally reduce (increase) the Unfunded Actuarial Accrued Liability.
Asset Valuation Method	The benefits are funded on a pay-as-you-go basis.
Actuarial assumptions	
Discount Rate	Annual rate of 4.00%
Assumed-Retirement Age	<p>100.00% 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 Southern Huntingdon County School District the earlier of:</p> <ul style="list-style-type: none"><li>- Age 60 with 30 years of service with Southern Huntingdon County School District, or</li><li>- At least 35 years of service with Southern Huntingdon County School District, or</li><li>- Age 62 with at least 1 year of service with Southern Huntingdon County School District</li></ul> <p>100.00% 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 Southern Huntingdon County School District, as follows:</p> <ul style="list-style-type: none"><li>- Age 65 with at least 3 years of service with Southern Huntingdon County School District, or</li><li>- Age plus at least 35 years of service with Southern Huntingdon County School District equals 92</li></ul>
Pre-Retirement Mortality	RP-2014 Employee (Male and Female) as published by the Society of Actuaries
Post-Retirement Mortality	RP-2014 Healthy Annuitant (Male and Female) as published by the Society of Actuaries

## SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 11. Post-Employment Benefits Other Than Pensions (Continued)

Mortality Improvement	Scale MP-2015 (Male and Female) as published by the Society of Actuaries								
Turnover before Retirement	Actuary's Turnover Table T-5; the following are sample rates: <table><tr><td>Age</td><td>Rate</td></tr><tr><td>25</td><td>7.70%</td></tr><tr><td>40</td><td>5.20%</td></tr><tr><td>55</td><td>0.90%</td></tr></table>	Age	Rate	25	7.70%	40	5.20%	55	0.90%
Age	Rate								
25	7.70%								
40	5.20%								
55	0.90%								
Marriage Assumption	80% of employees are assumed to be married, with the beneficiary being 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 claims costs.								

## **SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **Note 12. Affiliates**

The District is affiliated with the Tuscarora Intermediate Unit #11 (TIU#11) and Huntingdon County Career and Technology Center (HCCTC). The member school districts participate in providing oversight responsibility to the TIU#11 and HCCTC through appointment of Board members who are also Board members of the participating school districts and approval and funding of operating budgets.

Southern Huntingdon County School District is a member of the Tuscarora Intermediate Unit #11. The Tuscarora Intermediate Unit #11 Board members consist of 9 members from 9 school districts in the region. The members are appointed to the TIU #11 Board by the member districts' Board of School Directors. Through this membership, the District is able to secure various special services, including special education, curriculum development, technology services, and certain internal-service functions. The District paid \$178,549 to the Tuscarora Intermediate Unit #11 for the year 2016-2017.

Southern Huntingdon County School District is served by the Huntingdon County Career and Technology Center. The District is one of four member school districts participating in the operation of HCCTC. HCCTC is operated, administered and managed by a joint-operating committee consisting of board members from the four member school districts. Students of the District are offered courses and curriculums at the Center that are related to various technical-training fields. Costs of the Center are shared with other local school districts. The District paid \$513,542 as its share to the Huntingdon County Career and Technology Center for the year 2016-2017.

Complete financial statements for each of the entities listed above can be obtained from their respective administrative offices.

#### **Note 13. Participation in the Huntingdon County Schools' Insurance Trust**

Southern Huntingdon County School District participates in an insurance trust, which was established to purchase health and medical-insurance coverage and dental and vision coverage from Blue Cross of Western Pennsylvania and Pennsylvania Blue Shield. Dental and vision coverage is purchased on a cost-plus plan in an effort to contain and limit the cost of such coverage, while establishing a Premium Stabilization Fund which will be used to pay settlement charges, and ultimately, to contain such coverage costs. Since charges are currently being levied and paid by Southern Huntingdon County School District, no receivable or payable to the Trust has been reflected in these financial statements. As a result, Southern Huntingdon County School District has expensed all premiums paid through June 30, 2017.

## **SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **Note 14. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets and errors or omissions. Significant losses are covered by commercial insurance for all major programs. For insured programs, there have been no significant reductions in settlement coverage. Settlement amounts have not exceeded insurance coverage for the current or three prior years.

#### **Note 15. Subsequent Event**

On December 21, 2017, the District issued a General Obligation Note, Series 2017 for \$550,000 with proceeds thereof to be applied for and toward the interim funding of the Career Center Project at the Huntingdon County Career and Technical Center.

## **REQUIRED SUPPLEMENTARY INFORMATION**

## SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

### REQUIRED SUPPLEMENTARY INFORMATION

#### POST-EMPLOYMENT BENEFITS PLAN

#### SCHEDULE OF FUNDING PROGRESS

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Actuarial Valuation Date	Actuarial- Value of Assets (a)	Actuarial- Accrued Liability (AAL) - Unit-Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)*	UAAL as a Percentage of Covered Payroll ((b-a) / c)*
7/1/2010	\$ -	\$1,784,087	\$1,784,087	0.00%	N/A	N/A
7/1/2012	\$ -	\$2,094,730	\$2,094,730	0.00%	N/A	N/A
7/1/2015	\$ -	\$2,057,782	\$2,057,782	0.00%	N/A	N/A

- \* The unit-credit method is used under which the benefits (projected or unprojected) of each individual included in an actuarial valuation are allocated by a consistent formula to valuation years. In the unprojected, unit-credit method, benefits already accumulated for years of service are not affected by future salary levels.

For financial-reporting purposes, an actuarial valuation is required at least biennially for OPEB plans with a total membership of 200 or more (including employees in active service; terminated employees who have accumulated benefits, but are not yet receiving them; and retired employees and beneficiaries currently receiving benefits), or at least triennially for plans with a total membership of less than 200.

Trend information is presented only for years in which information is available.

## **SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT**

### **REQUIRED SUPPLEMENTARY INFORMATION -**

#### **SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

**Year Ended June 30,**

	<b>2017</b>	<b>2016</b>	<b>2015</b>
District's proportion of the net pension liability	0.0468%	0.0490%	0.0490%
District's proportionate share of the net pension liability	<u>\$ 23,193,000</u>	<u>\$ 21,224,000</u>	<u>\$ 21,224,000</u>
District's covered-employee payroll	<u>\$ 6,064,133</u>	<u>\$ 6,307,703</u>	<u>\$ 6,307,703</u>
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	382.46%	336.48%	336.48%
Plan fiduciary net position as a percentage of the total pe	50.14%	54.36%	54.36%

Because 2015, was the year of transition for GASB No. 68, requirements of GASB No. 68 have been implemented prospectively; therefore, the above illustration does not reflect similar information for years preceding 2015.



## SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

### REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF DISTRICTS CONTRIBUTIONS Year Ended June 30,

	2017	2016	2015
Contractually required contribution	\$ 1,885,863	\$ 1,524,302	\$ 1,524,302
Contributions in relation to the contractually required contribution	(1,885,863)	(1,524,302)	(1,524,302)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 6,599,623	\$ 6,045,074	\$ 6,045,074
Contributions as a percentage of covered-employee payroll	28.58%	25.22%	25.22%

Because 2015, was the year of transition for GASB No. 68, requirements of GASB No. 68 have been implemented prospectively; therefore, the above illustration does not reflect similar information for years preceding 2015.

## **SUPPLEMENTARY INFORMATION**

**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***

Board of School Directors  
Southern Huntingdon County School District  
Three Springs, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of Southern Huntingdon County School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Southern Huntingdon County School District's basic financial statements, and have issued our report thereon dated December 21, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Southern Huntingdon County 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 Southern Huntingdon County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Southern Huntingdon County School District's internal control.

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Southern Huntingdon County 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, reading "Boyer & Ritten". The signature is written in a cursive, flowing style with a large loop at the end of the word "Ritten".

State College, Pennsylvania  
December 21, 2017

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

Board of School Directors  
Southern Huntingdon County School District  
Three Springs, Pennsylvania

**Report on Compliance for Each Major Federal Program**

We have audited Southern Huntingdon County 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 Southern Huntingdon County School District's major Federal programs for the year ended June 30, 2017. Southern Huntingdon County School District's major Federal programs are identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Southern Huntingdon County 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 District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe 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 Southern Huntingdon County School District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, Southern Huntingdon County 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, 2017.

## Report on Internal Control Over Compliance

Management of Southern Huntingdon County 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 Southern Huntingdon County 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 Southern Huntingdon County School District's internal control over compliance.

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

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

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

A handwritten signature in black ink, appearing to read "Boyer & Ritten". The signature is written in a cursive, flowing style with a large loop at the end.

State College, Pennsylvania  
December 21, 2017

**SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2017**

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**Section I -- Summary of Auditor's Results**

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**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? \_\_\_\_\_ Yes      X   No
- Significant deficiencies? \_\_\_\_\_ Yes      X   None reported

Noncompliance material to financial statements  
noted?

\_\_\_\_\_ Yes      X   No

**Federal Awards**

Internal control over major programs:

- Material weaknesses identified? \_\_\_\_\_ Yes      X   No
- Significant deficiencies? \_\_\_\_\_ Yes      X   None reported

Type of auditor's report issued on compliance for major programs: Qualified

- Any audit findings disclosed that are  
required to be reported in accordance with  
Section 2 CFR 200.516(a)? \_\_\_\_\_ Yes      X   No

Identification of the major program:

C.F.D.A. Numbers	Name of Federal Program
84.010	Title I - Grants to Local Educational Agencies
84.371C	Striving Readers Comprehensive Literacy Program

Dollar threshold used to distinguish between  
type A and type B programs

\$750,000

Auditee qualified as low-risk auditee?

\_\_\_\_\_ Yes      X   No

**SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2017**

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**Section II – Financial Statement Findings**

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A. Significant Deficiencies in Internal Control

There were no findings relating to the financial statement audit required to be reported.

B. Compliance Findings

There were no findings relating to the Financial Statement audit required to be reported.

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**Section III -- Findings and Questioned Costs for Federal Awards**

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A. Significant Deficiencies in Internal Control

There were no findings relating to the Federal awards required to be reported in accordance with Section 2 CFR 200.516(a).

B. Compliance Findings

There were no findings relating to the Federal awards required to be reported in accordance with Section 2 CFR 200.516(a).



**SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Year Ended June 30, 2017**

Grantor/Program Title	Source Code	Federal C.F.D.A. Number	Pass-Through Grantor's Number	Grant Period
<b>U. S. Department of Education</b>				
Passed through Pennsylvania Department of Education				
Title I - Grants to Local Educational Agencies	I	84.010	013-160406	07/15-09/16
Title I - Grants to Local Educational Agencies	I	84.010	013-170406	07/16-09/17
Title I - Program Improvement Set Aside	I	84.010	042-150406	07/15-09/16
Title I - Program Improvement Set Aside	I	84.010	042-160406	07/16-09/17
 Title II - Improving Teacher Quality	 I	 84.367	 020-160406	 07/15-09/16
Title II - Improving Teacher Quality	I	84.367	020-170406	07/16-09/17
 Striving Readers Comprehensive Literacy Program	 I	 84.371C	 143-150406	 04/15-09/16
Striving Readers Comprehensive Literacy Program	I	84.371C	143-160406	04/16-09/17
 Total passed through the Pennsylvania Department of Education				
Passed through Mount Union School District				
Twenty-First Century Community Learning Centers	I	84.287	N/A	14-15
Twenty-First Century Community Learning Centers	I	84.287	N/A	14-15
Passed through Tuscarora Intermediate Unit #11				
Special Education - Grants to States	I	84.027	N/A	16-17
Special Education - Preschool Grants	I	84.173	N/A	15-16
Special Education - Preschool Grants	I	84.173	N/A	16-17
Total Special Education Cluster				
 <b>Total U. S. Department of Education</b>				

(Continued)

Program or Annual Award	Total Received (Refunded) in Fiscal Year	Accrued (Deferred) Revenue at 7/1/2016	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue at 6/30/2017	Amount Passed Through to Subrecipients
\$ 203,508	\$ 13,143	\$ 13,143	\$ -	\$ -	\$ -	\$ -
\$ 207,701	176,517	-	207,701	207,701	31,184	-
\$ 86,654	21,663	6,384	15,279	15,279	-	-
\$ 74,832	44,019	-	67,960	67,960	23,941	-
	<u>255,342</u>	<u>19,527</u>	<u>290,940</u>	<u>290,940</u>	<u>55,125</u>	<u>-</u>
\$ 74,280	24,723	(32,106)	55,410	55,410	(1,419)	-
\$ 73,292	21,008	-	3,715	3,715	(17,293)	-
	<u>45,731</u>	<u>(32,106)</u>	<u>59,125</u>	<u>59,125</u>	<u>(18,712)</u>	<u>-</u>
\$ 1,195,130	391,116	310,536	80,580	80,580	-	-
\$ 690,940	287,892	-	573,858	573,858	285,966	-
	<u>679,008</u>	<u>310,536</u>	<u>654,438</u>	<u>654,438</u>	<u>285,966</u>	<u>-</u>
	<u>980,081</u>	<u>297,957</u>	<u>1,004,503</u>	<u>1,004,503</u>	<u>322,379</u>	<u>-</u>
\$ 64,750	32,765	26,661	6,104	6,104	-	-
\$ 106,011	64,719	-	92,915	92,915	28,196	-
	<u>97,484</u>	<u>26,661</u>	<u>99,019</u>	<u>99,019</u>	<u>28,196</u>	<u>-</u>
\$ 244,549	188,877	-	244,549	244,549	55,672	-
\$ 445	445	445	-	-	-	-
\$ 2,452	2,452	-	2,452	2,452	-	-
	<u>191,774</u>	<u>445</u>	<u>247,001</u>	<u>247,001</u>	<u>55,672</u>	<u>-</u>
	<u>1,269,339</u>	<u>325,063</u>	<u>1,350,523</u>	<u>1,350,523</u>	<u>406,247</u>	<u>-</u>

**SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**

**Year Ended June 30, 2017**

Grantor/Program Title	Source Code	Federal C.F.D.A. Number	Pass-Through Grantor's Number	Grant Period
<b>U. S. Department of Health and Human Services</b>				
Passed through Pennsylvania Department of Human Services				
Title XIX - Medical Assistance Program	I	93.778	N/A	15-16
Title XIX - Medical Assistance Program	I	93.778	N/A	16-17
<b>Total U. S. Department of Health and Human Services</b>				
<b>U. S. Department of Agriculture</b>				
Child Nutrition Cluster				
Passed through Pennsylvania Department of Education				
National School Lunch Program	I	10.555	N/A	16-17
School Breakfast Program	I	10.553	N/A	16-17
Passed through Pennsylvania Department of Agriculture - Food Donation	I	10.555	N/A	16-17
<b>Total Child Nutrition Cluster</b>				
<b>Total U. S. Department of Agriculture</b>				
<b>Total Expenditures of Federal Awards</b>				

Source Codes:

D - Direct Funding

I - Indirect Funding

See Notes to Schedule of Expenditures of Federal Awards.

Program or Annual Award	Total Received (Refunded) in Fiscal Year	Accrued (Deferred) Revenue at 7/1/2016	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue at 6/30/2017	Amount Passed Through to Subrecipients
\$ 3,809	1,056	1,056	-	-	-	-
\$ 1,114	687	-	1,114	1,114	427	-
	1,743	1,056	1,114	1,114	427	-
N/A	277,571	-	277,571	277,571	-	-
	277,571	-	277,571	277,571	-	-
N/A	84,389	-	84,389	84,389	-	-
	84,389	-	84,389	84,389	-	-
N/A	50,084	(8,507)	52,102	52,102	(6,489)	-
	412,044	(8,507)	414,062	414,062	(6,489)	-
	412,044	(8,507)	414,062	414,062	(6,489)	-
	\$ 1,683,126	\$ 317,612	\$ 1,765,699	\$ 1,765,699	\$ 400,185	\$ -

## **SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT**

### **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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#### **Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Southern Huntingdon County School District under programs of the Federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of Central Fulton School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of Central Fulton School District.

#### **Note 2. 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Southern Huntingdon County School District has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

#### **Note 3. Sub-recipients**

With respect to the Federal expenditures presented in the Schedule, Southern Huntingdon County School District did not provide any Federal awards to sub-recipients.

## **SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT**

### **SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS** **Year Ended June 30, 2017**

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#### IC 2016-001 - Bank Reconciliations

Audit Finding: Several months of bank statements, applicable to various funds, were not reconciled to the general ledger.

Corrective Action Taken: The Business Offices with the approval of the School Board has implemented changes with the hiring of a substitute business office employee. The full time staff member has since returned and the Business Office is in the process of re-evaluating positions and making sure the problems are corrected. The Business Office is also working with the accounting software vendor to make sure the system is fully functional for the District's needs.