

**SOUTHERN HUNTINGDON COUNTY
SCHOOL DISTRICT**

FINANCIAL REPORT

JUNE 30, 2018

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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, 2018, 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.

Opinion

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, 2018, 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.

Emphasis of Matter

As disclosed in Note 1, to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* as of July 1, 2017. The District expanded its note disclosures and required supplementary information related to its other post-employment benefits plans. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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.

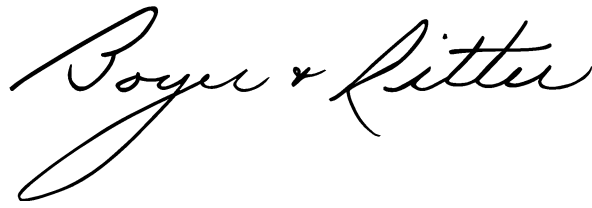
Other Information

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 12, 2018, 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 positioned in the center of the page.

State College, Pennsylvania
December 12, 2018

**SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS (MD&A)
June 30, 2018**

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, 2018. 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 2017 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 89.37%, therefore, approximately \$90,811 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 decreased by \$1,707.

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
<i>Scope</i>	Entire District (except fiduciary funds)	Activities of the District that are not proprietary or fiduciary , such as education, administration and community services	Activities the District operates similar to private business - Food Service	Activities in which the District is the trustee or agent for someone else’s resources - Scholarship Funds and Activity Funds
<i>Required Financial Information</i>	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
<i>Accounting Basis and Measurement Focus</i>	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
<i>Type of asset/liability information</i>	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
<i>Type of inflow/outflow information</i>	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 (\$5,912,703) at June 30, 2018, which reflects the District's share of PSERS retirement.

Table A-2
As of June 30, 2018 and 2017
Net Position

	Governmental Activities		Business-Type Activity		Total	
	6/30/18	6/30/17	6/30/18	6/30/17	6/30/18	6/30/17
Current and other assets	\$ 12,770,178	\$ 11,602,377	\$ 21,311	\$ 6,988	\$ 12,791,489	\$ 11,609,365
Capital assets	9,971,245	10,296,230	19,413	15,166	9,990,658	10,311,396
Total assets	22,741,423	21,898,607	40,724	22,154	22,782,147	21,920,761
Deferred amounts on pension	4,635,833	4,261,833	153,167	141,167	4,789,000	4,403,000
Deferred amounts on OPEB liability	1,094,783	-	4,000	-	1,098,783	-
Deferred amounts on refunding debt	9,637	15,379	-	-	9,637	15,379
Total deferred outflows of resources	5,740,253	4,277,212	157,167	141,167	5,897,420	4,418,379
Total assets and deferred outflows of resources	\$ 28,481,676	\$ 26,175,819	\$ 197,891	\$ 163,321	\$ 28,679,567	\$ 26,339,140
Current and other liabilities	\$ 1,591,853	\$ 1,483,833	\$ 14,709	\$ 9,196	\$ 1,606,562	\$ 1,493,029
Long-term liabilities	30,910,786	27,707,425	791,794	753,394	31,702,580	28,460,819
Total liabilities	32,502,639	29,191,258	806,503	762,590	33,309,142	29,953,848
Deferred amounts on pension	965,778	1,426,778	31,222	46,222	997,000	1,473,000
	284,128		2,000	-	286,128	-
Total deferred inflows of resources	1,249,906	1,426,778	33,222	46,222	1,283,128	1,473,000
Net investment in capital assets	9,210,882	9,551,609	19,413	15,166	9,230,295	9,566,775
Restricted	3,112,376	3,083,512	-	-	3,112,376	3,083,512
Unrestricted	(17,594,127)	(17,077,338)	(661,247)	(660,657)	(18,255,374)	(17,737,995)
Total net position	(5,270,869)	(4,442,217)	(641,834)	(645,491)	(5,912,703)	(5,087,708)
Total liabilities, deferred inflows of resources and net position	\$ 28,481,676	\$ 26,175,819	\$ 197,891	\$ 163,321	\$ 28,679,567	\$ 26,339,140

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, 2018 and 2017
Changes in Net Position

	Governmental Activities		Business-Type Activity		Total	
	6/30/18	6/30/17	6/30/18	6/30/17	6/30/18	6/30/17
Revenues						
Program revenues						
Charges for services	\$ 131,434	\$ 137,522	\$ 301,207	\$ 304,662	\$ 432,641	\$ 442,184
Operating grants and contributions	4,794,825	5,149,345	469,421	477,024	5,264,246	5,626,369
General revenues						
Property taxes	4,111,901	4,086,237	-	-	4,111,901	4,086,237
Other taxes	837,472	805,293	-	-	837,472	805,293
Grants, subsidies and contributions, not restricted	7,159,069	7,106,550	-	-	7,159,069	7,106,550
Miscellaneous	241,581	148,892	2,320	978	243,901	149,870
Total revenues	17,276,282	17,433,839	772,948	782,664	18,049,230	18,216,503
Expenses						
Instruction	10,462,924	10,181,279	-	-	10,462,924	10,181,279
Instructional student support	1,162,647	1,182,470	-	-	1,162,647	1,182,470
Administration and financial support	1,450,084	1,391,727	-	-	1,450,084	1,391,727
Operation and maint. of plant services	1,662,337	1,610,717	-	-	1,662,337	1,610,717
Pupil transportation	1,257,282	1,218,009	-	-	1,257,282	1,218,009
Student activities	262,132	330,291	-	-	262,132	330,291
Interest on long-term debt	63,694	77,702	-	-	63,694	77,702
Food service	-	-	781,599	796,309	781,599	796,309
Total expenses	16,321,100	15,992,195	781,599	796,309	17,102,699	16,788,504
Transfers	(6,944)	-	6,944	-	-	-
Changes in net position	\$ 948,238	\$ 1,441,644	\$ (1,707)	\$ (13,645)	\$ 946,531	\$ 1,427,999

Tables A-4 and A-5 below present the expenses of both the Governmental Activities and the Business-Type Activities 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, 2018 and 2017
Governmental Activities

Functions/Programs	Total Cost of Services		Net Cost of Services	
	6/30/18	6/30/17	6/30/18	6/30/17
Instruction	\$ 10,462,924	\$ 10,181,279	\$ 7,332,045	\$ 6,685,488
Instructional student support	1,162,647	1,182,470	996,284	913,167
Administration and financial support	1,450,084	1,391,727	1,252,512	1,206,807
Operation and maintenance of plant services	1,662,337	1,610,717	1,296,847	1,276,600
Pupil transportation	1,257,282	1,218,009	288,618	316,840
Student activities	262,132	330,291	164,841	228,724
Interest on long-term debt	63,694	77,702	63,694	77,702
Total governmental activities	\$ 16,321,100	\$ 15,992,195	11,394,841	10,705,328
Less unrestricted grants, subsidies and contributions			(4,794,825)	(5,149,345)
Total needs for grants, taxes and other revenues			\$ 6,600,016	\$ 5,555,983

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, 2018 and 2017
Business-Type Activities

Functions/Programs	Total Cost of Services		Net Cost of Services	
	6/30/18	6/30/17	6/30/18	6/30/17
Food services	\$ 781,599	\$ 796,309	\$ (10,971)	\$ (14,623)
Add: investment earnings			2,320	978
Total business-type activity			\$ (8,651)	\$ (13,645)

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, 2018, the District's governmental funds reported a combined fund balance of \$10,764,843, which reflects an increase of \$1,055,061 from June 30, 2017. The primary reason for the increase is additional revenue that was received during the year and cutting costs in the maintenance area.

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, 2018 and 2017
General Fund
Budget Summary

	Original Budget		Final Budget		Variance	
	6/30/18	6/30/17	6/30/18	6/30/17	6/30/18	6/30/17
Revenues						
Local	\$ 5,328,042	\$ 5,304,181	\$ 5,328,042	\$ 5,304,181	0.00%	0.00%
State	10,524,940	10,338,148	10,524,940	10,338,148	0.00%	0.00%
Federal	325,643	325,643	325,643	325,643	0.00%	0.00%
Total revenues	16,178,625	15,967,972	16,178,625	15,967,972	0.00%	0.00%
Expenditures						
Instruction	10,652,638	10,225,884	10,652,638	10,225,884	0.00%	0.00%
Support services	6,090,487	6,058,541	6,090,487	6,058,541	0.00%	0.00%
Non-instructional/community	313,750	302,291	313,750	302,291	0.00%	0.00%
Debt service	827,285	800,000	827,285	800,000	0.00%	0.00%
Transfers	55,000	55,000	55,000	55,000	0.00%	0.00%
Total expenses	17,939,160	17,441,716	17,939,160	17,441,716	0.00%	0.00%
Budgeted use of fund balance	\$ 1,760,535	\$ 1,473,744	\$ 1,760,535	\$ 1,473,744	0.00%	0.00%

Capital Asset and Debt Administration

Capital Assets

At June 30, 2018, the District had \$9,990,658 invested in a broad range of capital assets, including land, buildings and furniture and equipment.

Table A-7
As of June 30, 2018 and 2017
Capital Assets - Net of Depreciation

	Governmental Activities		Business-Type Activity		Total	
	6/30/18	6/30/17	6/30/18	6/30/17	6/30/18	6/30/17
Land	\$ 269,649	\$ 269,649	\$ -	\$ -	\$ 269,649	\$ 269,649
Site improvements	348,307	379,172	-	-	348,307	379,172
Buildings and improvements	8,855,155	9,233,560	-	-	8,855,155	9,233,560
Furniture and equipment	498,134	413,849	19,413	15,166	517,547	429,015
	<u>\$ 9,971,245</u>	<u>\$ 10,296,230</u>	<u>\$ 19,413</u>	<u>\$ 15,166</u>	<u>\$ 9,990,658</u>	<u>\$ 10,311,396</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, 2017, the District had total outstanding bond principal of \$3,940,000. During the year 2017-2018, the District's outstanding bonds and notes had a net decrease of \$760,000.

Table A-8
As of June 30, 2018 and 2017
Outstanding Debt

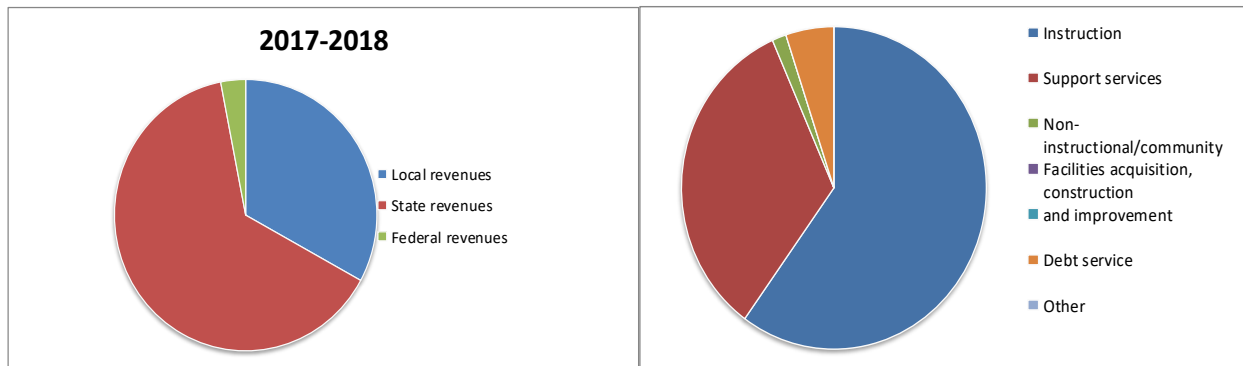
	Governmental Activities		Business-Type Activity		Total	
	6/30/18	6/30/17	6/30/18	6/30/17	6/30/18	6/30/17
General Obligation Note						
Series of 2015	\$ 3,180,000	\$ 3,940,000	\$ -	\$ -	\$ 3,180,000	\$ 3,940,000
	<u>\$ 3,180,000</u>	<u>\$ 3,940,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,180,000</u>	<u>\$ 3,940,000</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, 2018, 2017, 2016, 2015 and 2014
Revenues and Expenditures

	2017-2018	2016-2017	2015-2016	2014-2015	2013-2014
Local revenues	32.99%	31.70%	31.36%	30.86%	29.92%
State revenues	63.95%	62.53%	60.07%	61.75%	62.53%
Federal revenues	3.06%	5.77%	8.57%	7.40%	7.55%
Instruction	59.95%	61.13%	46.76%	61.91%	57.69%
Support services	33.46%	32.25%	22.95%	30.74%	30.59%
Non-instructional/community	1.50%	1.94%	1.14%	1.46%	1.33%
Facilities acquisition, construction and improvement	0.00%	0.00%	1.17%	0.62%	5.13%
Debt service	5.10%	4.68%	27.98%	5.27%	5.26%
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, 2018

	Governmental Activities	Business-Type Activity	Total
Assets			
Cash	\$ 3,457,474	\$ 31,439	\$ 3,488,913
Investments	7,686,546	1,964	7,688,510
Receivables			
Taxes - net of allowance for uncollectibles	626,259	-	626,259
Federal subsidies	128,654	39,341	167,995
State subsidies	694,075	2,574	696,649
Other	103,947	-	103,947
Internal balances	73,223	(73,223)	-
Inventories	-	19,216	19,216
Capital Assets			
Land and improvements - net	617,956	-	617,956
Buildings and improvements - net	8,855,155	-	8,855,155
Furniture and equipment - net	498,134	19,413	517,547
Total capital assets	9,971,245	19,413	9,990,658
Total assets	22,741,423	40,724	22,782,147
Deferred Outflows of Resources			
Deferred amounts on pension liability	4,635,833	153,167	4,789,000
Deferred amounts on OPEB liabilities	1,094,783	4,000	1,098,783
Deferred amounts on refunding debt	9,637	-	9,637
Total deferred outflows of resources	5,740,253	157,167	5,897,420
Total assets and deferred outflows of resources	\$ 28,481,676	\$ 197,891	\$ 28,679,567

See Notes to Financial Statements.

	Governmental Activities	Business-Type Activity	Total
Liabilities			
Accounts payable	\$ 318,892	\$ -	\$ 318,892
Deposits payable	-	3,340	3,340
Accrued expenses			
Salaries and benefits	1,225,576	-	1,225,576
Payroll withholdings	21,833	-	21,833
Interest	15,026	-	15,026
Unearned revenue	10,526	11,369	21,895
Long-term liabilities			
Due within one year	770,000	-	770,000
Due in more than one year	2,630,270	1,388	2,631,658
Net pension liability	23,738,594	758,406	24,497,000
OPEB obligations	3,771,922	32,000	3,803,922
Total long-term liabilities	30,910,786	791,794	31,702,580
Total liabilities	32,502,639	806,503	33,309,142
Deferred Inflows of Resources			
Deferred amounts on pension liability	965,778	31,222	997,000
Deferred amounts on OPEB liabilities	284,128	2,000	286,128
Total deferred inflows of resources	1,249,906	33,222	1,283,128
Net Position			
Net investment in capital assets	9,210,882	19,413	9,230,295
Restricted for capital projects	3,112,376	-	3,112,376
Unrestricted	(17,594,127)	(661,247)	(18,255,374)
Total net position	(5,270,869)	(641,834)	(5,912,703)
Total liabilities, deferred inflows of resources and net position	\$ 28,481,676	\$ 197,891	\$ 28,679,567

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

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
Governmental Activities							
Instructional	\$ 10,462,924	\$ 69,962	\$ 3,060,917	\$ -	\$ (7,332,045)	\$ -	\$ (7,332,045)
Instructional student support	1,162,647	-	166,363	-	(996,284)	-	(996,284)
Administration and financial support	1,450,084	-	197,572	-	(1,252,512)	-	(1,252,512)
Operation and maintenance of plant services	1,662,337	1,970	363,520	-	(1,296,847)	-	(1,296,847)
Pupil transportation	1,257,282	-	968,664	-	(288,618)	-	(288,618)
Student activities	262,132	59,502	37,789	-	(164,841)	-	(164,841)
Interest on long-term debt	63,694	-	-	-	(63,694)	-	(63,694)
Total governmental activities	16,321,100	131,434	4,794,825	-	(11,394,841)	-	(11,394,841)
Business-Type Activity							
Food service	781,599	301,207	469,421	-	-	(10,971)	(10,971)
Total School District	\$ 17,102,699	\$ 432,641	\$ 5,264,246	\$ -	(11,394,841)	(10,971)	(11,405,812)
General Revenues and Transfers							
Property taxes levied for general purposes, net					4,111,901	-	4,111,901
Public utility, realty transfer, earned income, and per capita taxes for general purposes, net					837,472	-	837,472
Grants, subsidies, and contributions, not restricted					7,159,069	-	7,159,069
Investment earnings					133,861	2,320	136,181
Miscellaneous income					107,720	-	107,720
Transfers					(6,944)	6,944	-
Total general revenues and transfers					12,343,079	9,264	12,352,343
Changes in net position					948,238	(1,707)	946,531
Net Position - July 1, 2017, as previously stated					(4,442,217)	(645,491)	(5,087,708)
Prior period adjustment (see Note 12)					(1,776,890)	5,364	(1,771,526)
Net Position - July 1, 2017, as restated					(6,219,107)	(640,127)	(6,859,234)
Net Position - June 30, 2018					\$ (5,270,869)	\$ (641,834)	\$ (5,912,703)

See Notes to Financial Statements.

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2018

	General	Capital Projects	Total Governmental Funds
Assets			
Cash	\$ 2,944,531	\$ 512,943	\$ 3,457,474
Investments	5,087,113	2,599,433	7,686,546
Receivables			
Taxes - net of allowance for uncollectibles	626,259	-	626,259
Federal subsidies	128,654	-	128,654
State subsidies	694,075	-	694,075
Other	103,947	-	103,947
Due from other funds	73,223	-	73,223
Total assets	\$ 9,657,802	\$ 3,112,376	\$ 12,770,178
Liabilities			
Accounts payable	\$ 318,892	\$ -	\$ 318,892
Accrued expenses			
Salaries and benefits	1,225,576	-	1,225,576
Payroll withholdings	21,833	-	21,833
Unearned revenue	10,526	-	10,526
Total liabilities	1,576,827	-	1,576,827
Deferred Inflows of Resources			
Delinquent property taxes	428,508	-	428,508
Fund Balances			
Restricted			
Capital projects	-	3,112,376	3,112,376
Assigned			
Future retirement increases	2,576,436	-	2,576,436
Future healthcare increases	1,000,000	-	1,000,000
Budget 2018-2019	1,413,024	-	1,413,024
Facility maintenance costs	1,525,989	-	1,525,989
Unassigned	1,137,018	-	1,137,018
Total fund balances	7,652,467	3,112,376	10,764,843
Total liabilities, deferred inflows of resources and fund balances	\$ 9,657,802	\$ 3,112,376	\$ 12,770,178

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, 2018

Total fund balances - governmental funds	\$ 10,764,843
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 \$21,938,624, and the accumulated depreciation is \$11,967,379.	9,971,245
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.	428,508
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.	9,637
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 (see footnote detail)	
Deferred inflows	(965,778)
Deferred outflows	4,635,833
Deferred inflows and outflows of resources related to OPEB are applicable to future periods, and therefore, they are not reported within the funds. Deferred inflows and outflows related to OPEB are as follows (see footnote detail)	
Deferred inflows	(284,128)
Deferred outflows	1,094,783
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	(3,180,000)
Accrued interest	(15,026)
Compensated absences	(220,270)
Net pension liability	(23,738,594)
Other post-employment benefits	(3,771,922)
	<u>(30,925,812)</u>
Total net position - governmental activities	\$ (5,270,869)

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, 2018

	General	Capital Projects	Total Governmental Funds
Revenues			
Local sources	\$ 5,688,944	\$ 28,864	\$ 5,717,808
State sources	11,029,706	-	11,029,706
Federal sources	527,638	-	527,638
Total revenues	17,246,288	28,864	17,275,152
Expenditures			
Instruction	9,719,046	-	9,719,046
Support services	5,424,142	-	5,424,142
Operation of non-instructional services	242,675	-	242,675
Debt service	827,284	-	827,284
Total expenditures	16,213,147	-	16,213,147
Excess of revenues over expenditures	1,033,141	28,864	1,062,005
Other Financing Uses			
Operating transfers out	(6,944)	-	(6,944)
Total other financing uses	(6,944)	-	(6,944)
Net changes in fund balances	1,026,197	28,864	1,055,061
Fund Balances - July 1, 2017	6,626,270	3,083,512	9,709,782
Fund Balances - June 30, 2018	<u>\$ 7,652,467</u>	<u>\$ 3,112,376</u>	<u>\$ 10,764,843</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, 2018

Net changes in fund balances - governmental funds		\$	1,055,061
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	233,317	
	Less depreciation expense	(558,302)	(324,985)
The net effect of various miscellaneous transactions involving capital assets (ie. sales, trade-ins, and donations) is to decrease net position.			
			-
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.			
			1,130
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.			
			3,590
Governmental funds report district pension and OPEB contributions as expenditures. However, in the Statement of Activities, the cost of pension and OPEB benefits earned net of employee contributions is reported as pension and OPEB expense.			
	District pension and OPEB contributions		2,023,000
	Cost of benefits earned - net of employee contributions (pension expense)		(2,449,000)
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.			
	Change in compensated absences		(16,122)
	Other post-employment benefits (District Plan)		(98,694)
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	760,000	
	Amortization of refunding loss	(5,742)	754,258
Changes in net position - governmental activities		\$	948,238

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, 2018**

	Original and Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues			
Local sources			
Real estate taxes	\$ 3,743,715	\$ 3,617,014	\$ (126,701)
Public utility realty tax	5,300	4,972	(328)
Payments in lieu of taxes	21,999	27,292	5,293
Per capita taxes	36,528	29,690	(6,838)
Earned income tax	585,000	730,821	145,821
Real estate transfer taxes	67,000	67,627	627
Delinquent real estate taxes	450,000	466,465	16,465
Delinquent per capita taxes	7,000	4,362	(2,638)
Earnings on investments	10,000	104,997	94,997
Student activities	47,000	59,502	12,502
Intermediary sources (pass-through funds)			
KTO Incentive	-	30,969	30,969
IDEA, Part B	200,000	255,292	55,292
IDEA, Part B, Section 619	-	3,906	3,906
21st Century	-	96,383	96,383
Dibels	-	10,000	10,000
Tuition from patrons	86,500	69,962	(16,538)
Rentals	500	1,970	1,470
Refunds and other miscellaneous revenue	67,500	107,720	40,220
Total revenues from local sources	5,328,042	5,688,944	360,902
State sources			
Basic education	6,822,947	6,874,020	51,073
Section 1305 and 1306	3,000	35,431	32,431
Vocational education	50,000	41,647	(8,353)
Special education	747,671	763,731	16,060
Transportation	950,000	959,204	9,204
Building reimbursement subsidy	275,000	261,852	(13,148)
Health services	28,000	21,407	(6,593)
State property tax reduction allocation	285,049	285,049	-
Ready to learn	238,273	238,273	-
Social security reimbursement	265,000	272,361	7,361
Retirement reimbursement	850,000	1,271,178	421,178
Other grants and subsidies	10,000	5,553	(4,447)
Total revenues from state sources	10,524,940	11,029,706	504,766

(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, 2018

	Original and Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues (Continued)			
Federal sources			
Title I - Grants to Local Educational Agencies	215,043	326,236	111,193
Keystone to Opportunities (Striving Readers)	-	117,082	117,082
Title II - Improvind Teacher Quality	80,000	73,170	(6,830)
Title IV	-	10,000	10,000
Medical Assistance Programs	13,000	1,150	(11,850)
Other restricted Federal grants	17,600	-	(17,600)
Total revenues from Federal sources	325,643	527,638	201,995
 Total revenues	 16,178,625	 17,246,288	 1,067,663
Expenditures			
Instruction			
Regular programs	7,355,748	6,562,783	792,965
Special programs	2,402,103	2,092,296	309,807
Vocational educational programs	777,680	850,474	(72,794)
Other instructional programs	117,107	213,493	(96,386)
Total instruction	10,652,638	9,719,046	933,592
Support Services			
Pupil personnel	398,513	372,888	25,625
Instructional staff	544,005	597,823	(53,818)
Administration	1,127,265	1,028,181	99,084
Pupil health	206,805	195,775	11,030
Business	295,405	286,161	9,244
Operation and maintenance of plant services	2,185,839	1,680,319	505,520
Student transportation services	1,263,600	1,257,281	6,319
Central service	2,100	2,104	(4)
Other support services	66,955	3,610	63,345
Total support services	6,090,487	5,424,142	666,345
Operation of Non-instructional Services			
Student activities	313,615	242,675	70,940
Community services	135	-	135
Total operation of non-instructional services	313,750	242,675	71,075

(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, 2018**

	Original and Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Expenditures (Continued)			
Debt Service			
Principal	760,000	760,000	-
Interest	67,285	67,284	1
	<u>827,285</u>	<u>827,284</u>	<u>1</u>
Total expenditures	<u>17,884,160</u>	<u>16,213,147</u>	<u>1,671,013</u>
Excess (deficiency) of revenues over expenditures	<u>(1,705,535)</u>	<u>1,033,141</u>	<u>2,738,676</u>
Other Financing Sources (Uses)			
Operating transfers out	(55,000)	(6,944)	48,056
Total other financing uses	<u>(55,000)</u>	<u>(6,944)</u>	<u>48,056</u>
Net changes in fund balance	<u>\$ (1,760,535)</u>	<u>1,026,197</u>	<u>\$ 2,786,732</u>
Fund Balances - July 1, 2017		<u>6,626,270</u>	
Fund Balances - June 30, 2018		<u>\$ 7,652,467</u>	

See Notes to Financial Statements.

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUND - FOOD SERVICE June 30, 2018

ASSETS

Current Assets

Cash	\$	31,439
Investments		1,964
Receivables		
Federal subsidies		39,341
State subsidies		2,574
Inventories		19,216
Total current assets		<u>94,534</u>

Noncurrent Assets

Machinery and equipment - net		19,413
Total assets		<u>113,947</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred amounts on pension liability		157,167
Total assets and deferred outflows of resources	\$	<u>271,114</u>

LIABILITIES

Current Liabilities

Due to other funds	\$	73,223
Unearned revenue		14,709
Total current liabilities		<u>87,932</u>

Noncurrent Liabilities

Compensated absences		1,388
OPEB and pension		790,406
Total noncurrent liabilities		<u>791,794</u>
Total liabilities		<u>879,726</u>

DEFERRED INFLOWS OF RESOURCES

Deferred amounts on pension liability		<u>33,222</u>
---------------------------------------	--	---------------

NET POSITION

Invested in capital assets		19,413
Unrestricted		(661,247)
Total net position		<u>(641,834)</u>
Total liabilities, deferred inflows of resources, and net position	\$	<u>271,114</u>

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, 2018

Operating Revenue	
Food service revenue	\$ 301,207
Operating Expenses	
Labor, taxes and benefits	376,550
Management services	89,725
Supplies	14,458
Food and milk	253,625
Donated commodities used	44,319
Depreciation	2,697
Miscellaneous	225
Total operating expenses	781,599
Operating loss	(480,392)
Nonoperating Revenues	
Investment earnings	2,320
Federal subsidies	359,924
State subsidies	65,178
Value of donated commodities	44,319
Interfund transfers	6,944
Total nonoperating revenues	478,685
Change in net position	(1,707)
Net Position - July 1, 2017, as previously stated	(645,491)
Prior period adjustment (see Note 12)	5,364
Net Position - July 1, 2017, as restated	(640,127)
Net Position - June 30, 2018	\$ (641,834)

See Notes to Financial Statements.

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUND - FOOD SERVICE
Year Ended June 30, 2018**

<hr/>	
Cash Flows From Operating Activities	
Cash received from meal sales	\$ 301,841
Cash payments for goods and services	(366,331)
Cash payments to employees for services	(361,786)
Net cash used in operating activities	<hr/> (426,276) <hr/>
Cash Flows From Noncapital Financing Activities	
Federal subsidies	320,583
State subsidies	62,604
Interfund transfer	6,944
Net cash provided by noncapital financing activities	<hr/> 390,131 <hr/>
Cash Flows From Investing Activities	
Purchase of property and equipment	(6,944)
Purchase of investments	(30)
Investment earnings	2,320
Net cash used in investing activities	<hr/> (4,654) <hr/>
Net decrease in cash	(40,799)
Cash:	
July 1, 2017	72,238
June 30, 2018	<hr/> \$ 31,439 <hr/>

(Continued)

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUND - FOOD SERVICE (Continued) Year Ended June 30, 2018

Reconciliation of Operating Loss to Net Cash	
Used in Operating Activities	
Operating loss	\$ (480,392)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	2,697
Value of donated commodities	44,319
Changes in assets and liabilities:	
(Increase) decrease in:	
Inventories	(4,899)
Deferred outflows of resources	(14,000)
(Decrease) increase in:	
Deposits payable	634
Due to other funds	(8,278)
Unearned revenue	4,879
Compensated absences	(237)
OPEB and pension	42,001
Deferred inflows of resources	(13,000)
Net cash used in operating activities	<u>\$ (426,276)</u>

See Notes to Financial Statements.

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2018

	Combined Scholarship Trust Funds	Activity Fund
ASSETS		
Cash	\$ 31,931	\$ 91,149
Investments	8,936	-
Total assets	\$ 40,867	\$ 91,149
LIABILITIES		
Due to student groups	\$ -	\$ 91,149
NET POSITION		
Reserved for scholarships	40,867	-
Total liabilities and net position	\$ 40,867	\$ 91,149

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, 2018**

<hr/>	
Additions	
Contributions	\$ 3,028
Interest	146
Total additions	<hr/> 3,174 <hr/>
 Deductions	
Scholarships	<hr/> 5,300 <hr/>
 Change in net position	 (2,126)
 Net Position - July 1, 2017	 42,993
Net Position - June 30, 2018	<hr/> \$ 40,867 <hr/> <hr/>

See Notes to Financial Statements.

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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

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 and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (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

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

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, 2018. 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

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 reacquisition price and the net carrying amount of the old debt as a deferred outflow and recognizes it as a component of interest expense over the remaining life of the old or new debt, whichever is shorter.

Deferred Outflows of Resources - Pensions: The District recognizes the difference between expected and actual experience, changes in assumptions, net difference between projected and actual investment earnings, changes in proportion, the difference between employer contributions and proportionate share of total contributions, and the contributions subsequent to the measurement date as deferred outflows of resources. These amounts are amortized over the average remaining service lives of active and inactive members.

Deferred Outflows of Resources - Other Post-Employment Benefits: The District recognizes changes in assumptions, net difference between projected and actual investment earnings, benefit payments subsequent to the measurement date and contributions subsequent to the measurement date as deferred outflows 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

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)

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.

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.

The District also participates in a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) with PSERS for all eligible retirees who qualify and elect to participate. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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)

Post-Employment Benefits (Continued):

As of July 1, 2017, the District has implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Implementation of GASB No. 75 requires the District to recognize the liability and deferred inflows and outflows of resources resulting from a proportionate share of the net OPEB liability relating to the PSERS Plan and of the total OPEB liability relating to the District's Single Employer Plan as of June 30, 2017. This has resulted in a total decrease in the District's net position of \$1,771,526 as of July 1, 2017.

The balances of the District's OPEB obligations and deferred outflow/inflow of resources at June 30, 2018, are as follows:

OPEB Obligations	Governmental Activities	Business- Type Activity	Total
PSERS Cost Sharing Plan - OPEB Obligation (note 10)	\$ 979,000	\$ 32,000	\$1,011,000
District Plan - OPEB Obligation (note 9)	2,792,922	-	2,792,922
Total	<u>\$3,771,922</u>	<u>\$ 32,000</u>	<u>\$3,803,922</u>
Deferred Outflows of Resources			
PSERS Cost Sharing Plan obligation	\$ 102,000	\$ 4,000	\$ 106,000
District OPEB Plan obligation	992,783	-	992,783
Total	<u>\$1,094,783</u>	<u>\$ 4,000</u>	<u>\$1,098,783</u>
Deferred Inflows of Resources			
PSERS Cost Sharing Plan obligation	\$ 46,000	\$ 2,000	\$ 48,000
District OPEB Plan obligation	\$ 238,128	-	238,128
Total	<u>\$ 284,128</u>	<u>\$ 2,000</u>	<u>\$ 286,128</u>

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.

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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)

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

Internal and Interfund Balances and Activities: In the process of aggregating the financial information for the government-wide Statement of Net Position and Statement of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

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.

Deferred Inflows of Resources - Other Post-Employment Benefits: The District recognizes the difference between projected earnings and actual investments of their 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.

Deferred Inflows of Resources - Unearned Revenues: The District recognizes the 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.

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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)

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.

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 12, 2018, the date the financial statements were available to be issued.

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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, 2018, 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	2,749,834	3,137,592	
	<u>\$ 3,249,834</u>	<u>\$ 3,637,592</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

Note 2. Deposits and Investments (Continued)

Investments:

As of June 30, 2018, the District had the following investments:

Investments	Credit Rating	Weighted- Average Maturities	Fair Values
Pennsylvania Local Government Investment Trust (PLGIT)			
PLGIT - Class Shares	AAAm	85 days	\$ 1,922,195
PLGIT PRIME	AAAm	56 days	5,139,898
PLGIT Term	AAAm	125 days	1,009,410
			<u>\$ 8,071,503</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

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

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

A summary of taxes receivable and related accounts at June 30, 2018, is as follows:

	Amount
Taxes Receivable	\$ 643,734
Allowance for uncollectible taxes	(17,475)
Taxes Receivable - Net	<u>\$ 626,259</u>
Taxes to be collected within 60 days	\$ 197,751
Deferred inflows of resources - delinquent property taxes	428,508
Taxes Receivable - Net	<u>\$ 626,259</u>
Deferred Inflows of Resources - General Fund	
Delinquent property taxes	\$ 428,508
Title II	\$ 10,526
	<u>\$ 439,034</u>
Unearned Revenues - Food Service Fund	
Student deposits	\$ 3,340
Donated commodities	11,369
	<u>\$ 14,709</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 31st; at their face amounts from September 1st until October 31st; 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 2017-2018 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 89.37% of the total taxes levied.

As of June 30, 2018, the District does not offer any tax abatement programs.

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 5. Interfund Accounts

Individual fund receivable and payable balances at June 30, 2018, are as follows:

	Interfund Receivables	Interfund Payables
General	\$ 73,223	\$ -
Food Service	-	73,223
	<u>\$ 73,223</u>	<u>\$ 73,223</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 June 30, 2018, are as follows:

	Transfers In	Transfers Out
General	\$ -	\$ 6,944
Food Service	6,944	-
	<u>\$ 6,944</u>	<u>\$ 6,944</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, 2018, is as follows:

	Amount
Materials and supplies	\$ 4,451
Purchased food	3,396
Donated food	11,369
	<u>\$ 19,216</u>

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 7. Capital Assets

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

	July 1, 2017	Increases	Decreases	June 30, 2018
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	27,020	-	17,095,532
Furniture and equipment	3,345,727	206,297	-	3,552,024
Total capital assets, being depreciated	21,435,658	233,317	-	21,668,975
Less accumulated depreciation				
Site improvements	642,247	30,865	-	673,112
Buildings and improvements	7,834,952	405,425	-	8,240,377
Furniture and equipment	2,931,878	122,012	-	3,053,890
Total accumulated depreciation	11,409,077	558,302	-	11,967,379
Total capital assets, being depreciated, net	10,026,581	(324,985)	-	9,701,596
Governmental Activities, Capital Assets - Net	\$ 10,296,230	\$ (324,985)	\$ -	\$ 9,971,245
Business-Type Activity				
Machinery and equipment	\$ 240,883	\$ 6,944	\$ -	\$ 247,827
Accumulated depreciation	(225,717)	(2,697)	-	(228,414)
Business-Type Activity, Capital Assets - Net	\$ 15,166	\$ 4,247	\$ -	\$ 19,413

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 7. Capital Assets (Continued)

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

	Amount
Governmental Activities	
Instructional	\$ 413,607
Instructional student support	40,955
Administration and financial support	61,827
Operation and maintenance of plant services	30,088
Student activities	11,825
Total governmental activities	<u>558,302</u>
Business-Type Activity	
Food service	2,697
Total District	<u><u>\$ 560,999</u></u>

Note 8. Accrued Salaries and Benefits

Accrued salaries and benefits at June 30, 2018, consist of the following:

	Amount
Accrued salaries	\$ 434,935
Retirement	141,136
Social security	32,454
	<u><u>\$ 608,525</u></u>

Accrued salaries represent teachers' salaries earned during the 2017-2018 school year which will be paid subsequent to June 30, 2018. Accrued retirement represents the Public School Employees' Retirement Board contribution for the second quarter of calendar year 2018, including the portion pertaining to accrued salaries at June 30, 2018. Accrued social security represents the District's liability arising from accrued salaries at June 30, 2018.

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 9. Long-Term Obligations

During the fiscal year ended June 30, 2018, long-term obligations changed as follows:

	July 1, 2017	Increase	Decrease	June 30, 2018	Due Within One Year
Governmental Activities					
General Obligation Notes -					
Series of 2015	\$ 3,940,000	\$ -	\$ 760,000	\$ 3,180,000	\$ 770,000
Compensated absences	204,148	-	(16,122)	220,270	-
Net pension liability	22,476,594	1,262,000	-	23,738,594	-
Other post-employment benefits	3,768,922	3,000	-	3,771,922	-
Total Long-Term Obligations	\$ 30,389,664	\$ 1,265,000	\$ 743,878	\$ 30,910,786	\$ 770,000
Business-Type Activities					
Compensated absences	\$ 1,625	\$ (237)	\$ -	\$ 1,388	\$ -
Net pension liability	716,406	42,000	-	758,406	-
Other post-employment benefits	32,000	-	-	32,000	-
Total Long-Term Obligations	\$ 750,031	\$ 41,763	\$ -	\$ 791,794	\$ -

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, 2018, was \$67,284.

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

Note 9. Long-Term Obligations (Continued)

Maturities of long-term debt are as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
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>\$ 3,180,000</u>	<u>\$ 121,811</u>	<u>\$ 3,301,811</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 service 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

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.

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

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:

Employer Contributions: The District's required contributions are based upon an actuarial valuation. For the fiscal year ended June 30, 2018, the District's rate of contribution was 32.57% of covered payroll. The 32.57% rate is composed of a pension contribution rate of 31.74% 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, 2018, 2017, and 2016, were \$2,086,263, \$1,953,030, and \$1,538,468, respectively, and are equal to the required contributions for said years. For the year ended June 30, 2018, the District recognized retirement subsidy revenue from the Commonwealth in the amount of \$1,304,703.

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 10. Defined-Benefit Pension Plan (Continued)

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

At June 30, 2018, the District reported a liability of \$24,497,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2016 to June 30, 2017. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2016, the District's proportion was 0.0496%, which was a increase of 0.0028% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$2,414,000. At June 30, 2018, 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	\$ 256,000	\$ 148,000
Changes in assumptions	665,000	-
Net difference between projected and actual investment earnings	568,000	-
Changes in proportions	1,238,000	849,000
Difference between employer contributions and proportionate share of total contributions	25,000	-
Contributions subsequent to the measurement date	2,037,000	-
	<u>\$ 4,789,000</u>	<u>\$ 997,000</u>

\$2,037,000 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year	Total
2019	\$ 266,000
2020	813,000
2021	501,000
2022	175,000
2023	-
	<u>\$ 1,755,000</u>

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 10. Defined-Benefit Pension Plan (Continued)

Actuarial Assumptions

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

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	20.0%	5.1%
Fixed income	36.0%	2.6%
Commodities	8.0%	3.0%
Absolute return	10.0%	3.4%
Risk parity	10.0%	3.8%
Infrastructure/MLPs	8.0%	4.8%
Real estate	10.0%	3.6%
Alternative investments	15.0%	6.2%
Cash	3.0%	0.2%
Financing (LIBOR)	-20.0%	0.5%
	<u>100.0%</u>	

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 10. Defined-Benefit Pension Plan (Continued)

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, 2017.

Discount Rate

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

Sensitivity of the 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	\$ 30,153,000	\$ 24,497,000	\$ 19,721,000

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.

Plan Payables

At June 30, 2018, the District has payables to the PSERS pension plan of \$738,866 which is comprised of staff payroll accruals and the quarterly PSERS liability for second quarter 2018 retirement contributions.

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Post-Employment Benefits - Single Employer District Plan

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). Currently, the plan has 161 active participants and 17 retired participants. 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.

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

At June 30, 2018, the District reported a liability of \$2,792,922 for the total OPEB liability. The total OPEB liability was measured as of July 1, 2017 and was determined by an actuarial valuation as of July 1, 2016. The OPEB liability is composed of the following:

	Amount
OPEB liability at 7/1/2016	\$ 2,109,334
Service cost	92,519
Interest	84,679
Differences between Expected and Actual Experience	(268,540)
Changes in assumptions	944,691
Estimated Benefit payments	(169,761)
Net changes	683,588
OPEB liability at 7/1/2017	<u><u>\$ 2,792,922</u></u>

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Post-Employment Benefits – Single Employer District Plan (Continued)

For the year ended June 30, 2018, the District recognized OPEB expense of \$82,129. At June 30, 2018, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ -	\$ 238,128
Changes in assumptions	837,704	-
Benefit payments subsequent to the measurement date	155,079	-
	<u>\$ 992,783</u>	<u>\$ 238,128</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$155,079 resulting from District benefit payments subsequent to the measurement date, and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year	Total
2019	\$ 76,575
2020	76,575
2021	76,575
2022	76,575
2023	76,575
Thereafter	216,701
	<u>\$ 599,576</u>

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Post-Employment Benefits – Single Employer District Plan (Continued)

Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

- General Inflation Rate - 3% less than the ultimate healthcare trend rate
- Salary Increases - 2.5% cost of living adjustment.
- Investment rate of return - 3.00%. Based on Municipal Bond 20-year High Grade Rate Index at 7/1/2017.
- Health care cost trend rate - 5.4% in 2017, and 5.3% in 2018-2023. Rates gradually decrease from 5.2% in 2024 to 4.7% in 20258 and later based on the Society of Actuaries Long-Term Health Cost Trend Model.
- Actuarial value of assets - Equal to the market value of assets
- Retirees' Share of Benefit-Related Costs - Retirees pay the average projected premium for the entire group of retirees.

Mortality rates were separate as pre-retirement mortality and post-retirement mortality. Pre-retirement mortality rates are based on RPH-2014 Employee, as published by the Society of Actuaries. Post-retirement mortality rates are based on the RPH-2014 Healthy Annuitant, as published by the Society of Actuaries. Mortality Improvement adjustments are based on Scale MP-2017, as published by the Society of Actuaries.

Sensitivity of the District's Total OPEB liability to Changes in Discount Rate and Health Care Trend Rate

The following presents the total OPEB liability of the district calculated using the discount rate of 3.00%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.00%) or one percentage higher (4.00%) than the current rate:

	1% Decrease 2.00%	Current Discount Rate 3.00%	1% Increase 4.00%
District's proportionate share of the total OPEB liability	\$ 2,016,054	\$ 2,792,922	\$ 2,582,286

The discount rate used to measure the Total OPEB liability decreased to 3.00% as of June 30, 2017, based on the Bond Buyer 20 Year Bond GO Index.

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11. Other Post-Employment Benefits – Single Employer District Plan (Continued)

The following presents the total OPEB liability of the District calculated using the health care cost trend rate (5.40% in 2017 decreasing to 4.70% in 2075), as well as what the total OPEB liability would be if it were calculated using a health care cost trend rate that is one percentage point lower or one percentage higher than the current rate:

	Health Care Cost Trend Rates		
	1% Decrease (4.40% decreasing to 3.70%)	(5.40% decreasing to 4.70%)	1% Increase (6.40% increasing to 5.70%)
District's proportionate share of the total OPEB liability	\$ 2,522,641	\$ 2,795,922	\$ 3,111,111

Note 12. Other Post-Employment Benefits – PSERS Plan

The administrative staff of the Pennsylvania Public School Employees' Retirement System (PSERS or the System) administers a defined benefit pension plan, and two postemployment healthcare programs, the Health Insurance Premium Assistance Program (Premium Assistance) and the Health Options Program (HOP) for its retirees. The System is a governmental cost-sharing, multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania (Commonwealth). 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. The HOP is a PSERS sponsored voluntary health insurance program for the sole benefit of PSERS retirees, spouses of retirees, and survivor annuitants and their dependents who participate in HOP. The HOP is funded exclusively by the premiums paid by its participants for the benefit coverage they elect.

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Post-Employment Benefits – PSERS Plan (Continued)

The control and management of the System, including the investment of its assets is vested in the Board of Trustees (Board). The Commonwealth's General Assembly has the authority to amend the benefit terms of the System by passing bills in the Senate and House of Representatives and sending them to the Governor for approval.

Plan Description and Benefits Provided - Health Insurance Premium Assistance Program

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2017, there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

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

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

Employer Contributions

The Districts' contractually required contribution rate for the fiscal year ended June 30, 2018, was 0.83% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$54,000 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$979,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2016 to June 30, 2017. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2018, the District's proportion was .0496% percent, which was an increase of .0028% from its proportion measured as of June 30, 2017.

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Post-Employment Benefits – PSERS Plan (Continued)

For the year ended June 30, 2018, the District recognized OPEB expense of \$50,000. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	47,000
Net difference between projected and actual investment earnings	1,000	-
Changes in proportions	52,000	-
Difference between employer contributions and proportionate share of total contributions	-	1,000
Contributions subsequent to the measurement date	53,000	-
	<u>\$ 106,000</u>	<u>\$ 48,000</u>

\$53,000 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year	Total
2019	\$ 1,000
2020	1,000
2021	1,000
2022	1,000
2023	1,000
	<u>\$ 5,000</u>

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Post-Employment Benefits – PSERS Plan (Continued)

Actuarial Assumptions

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

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 3.13% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate Pre-age 65 at 50%
 - Eligible retirees will elect to participate Post age 65 at 70%

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2015, determined the employer contribution rate for fiscal year 2017.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Post-Employment Benefits – PSERS Plan (Continued)

Investments

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

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

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

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

Discount Rate

The discount rate used to measure the Total OPEB Liability was 3.13%. Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 3.13% which represents the S&P 20 year Municipal Bond Rate at June 30, 2017, was applied to all projected benefit payments to measure the total OPEB liability.

Change in Actuarial Assumptions

The discount rate used to measure the Total OPEB liability increased from 2.71% as of June 30, 2016 to 3.13% as of June 30, 2017.

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 12. Other Post-Employment Benefits – PSERS Plan (continued)

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate

	1% Decrease 2.13%	Current Discount Rate 3.13%	1% Increase 4.13%
District's proportionate share of the net OPEB liability	\$ 1,149,000	\$ 1,011,000	\$ 896,000

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

The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates (between 5% to 8%) that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate	1% Increase
System net OPEB liability	\$ 1,010,000	\$ 1,011,000	\$ 1,011,000

OPEB Plan Fiduciary Net Position

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

Plan Payables

At June 30, 2018, the District has payables to the OPEB plan of \$19,321.

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 13. 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 \$95,216 to the Tuscarora Intermediate Unit #11 for the year 2017-2018.

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 \$553,402 as its share to the Huntingdon County Career and Technology Center for the year 2017-2018.

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

Note 14. 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, 2018.

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 15. 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 16. Commitments

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

SCHEDULE OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS - SINGLE EMPLOYER PLAN

Year Ended June 30, 2018

Service cost	\$ 92,519
Interest	84,679
Differences between Expected and Actual Experience	(268,540)
Changes in assumptions	944,691
Benefit payments	<u>(169,761)</u>
Net changes	683,588
 Total OPEB Liability - Beginning	 <u>2,109,334</u>
Total OPEB Liability - Ending	<u><u>\$ 2,792,922</u></u>
 District's Covered-Employee Payroll	 <u><u>\$ 5,839,532</u></u>
 Total OPEB Liability as a % of Covered-Employee Payroll	 47.83%

The schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only information for those years for which information is available is shown.

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB

LIABILITY - PSERS COST SHARING PLAN

Year Ended June 30, 2018

District's proportion of the net OPEB liability	0.4960%
District's proportionate share of the net OPEB liability	<u>\$ 1,011,000</u>
District's covered employee payroll	<u>\$ 6,601,057</u>
District's proportionate share of net OPEB liability as a percentage of its covered employee payroll	15.32%
Plan fiduciary net position as a percentage of the total OPEB liability	5.73%

The schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only information for those years for which information is available is shown.

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF DISTRICT'S CONTRIBUTIONS - OPEB PSERS COST SHARING PLAN Year Ended June 30, 2018

Contractually required contribution	\$ 53,280
Contributions in relation to the contractually required contribution	(53,280)
Contribution deficiency (excess)	<u>\$ -</u>
District's covered employee payroll	<u>\$ 6,601,057</u>
Contributions as a percentage of covered employee payroll	0.81%

The schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only information for those years for which information is available is shown.

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Year Ended June 30,**

	2018	2017	2016	2015
District's proportion of the net pension liability	0.0496%	0.0468%	0.0490%	0.0490%
District's proportionate share of the net pension liability	<u>\$ 24,497,000</u>	<u>\$ 23,193,000</u>	<u>\$ 21,224,000</u>	<u>\$ 21,224,000</u>
District's covered-employee payroll	<u>\$ 6,601,057</u>	<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	371.11%	382.46%	336.48%	336.48%
Plan fiduciary net position as a percentage of the total pension liability	51.84%	50.14%	54.36%	54.36%

The schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only information for those years for which information is available is shown.

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

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

	2018	2017	2016	2015
Contractually required contribution	\$ 2,037,464	\$ 1,885,863	\$ 1,524,302	\$ 1,524,302
Contributions in relation to the contractually required contribution	(2,037,464)	(1,885,863)	(1,524,302)	(1,524,302)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 6,601,057	\$ 6,599,623	\$ 6,045,074	\$ 6,045,074
Contributions as a percentage of covered-employee payroll	30.87%	28.58%	25.22%	25.22%

The schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only information for those years for which information is available is shown.

SUPPLEMENTARY INFORMATION

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF THE 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, 2018, 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 12, 2018.

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.

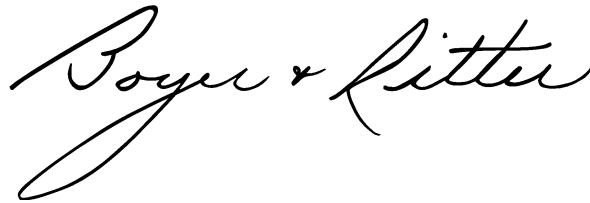
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 cursive script that reads "Boyer & Ritten". The signature is written in black ink and is positioned centrally on the page.

State College, Pennsylvania
December 12, 2018

**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, 2018. 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, 2018.

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 12, 2018

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

Section I -- Summary of Auditor's Results

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: Unmodified

- 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
Special Education Cluster	
84.027	Special Education - Grants to States
84.173	Special Education - Preschool Grants

Dollar threshold used to distinguish between type A and type B programs \$750,000

Auditee qualified as low-risk auditee? X Yes _____ No

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

Section II – Financial Statement Findings

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.

Section III -- Findings and Questioned Costs for Federal Awards

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, 2018

Grantor/Program Title	Source Code	Federal C.F.D.A. Number	Pass-Through Grantor's Number	Grant Period
U. S. Department of Education				
Passed through Pennsylvania Department of Education				
Title I - Grants to Local Educational Agencies	I	84.010	013-170406	07/16-09/17
Title I - Grants to Local Educational Agencies	I	84.010	013-180406	07/17-09/18
Title I - Program Improvement Set Aside	I	84.010	042-160406	07/16-09/17
Title I - Program Improvement Set Aside	I	84.010	042-170406	07/17-09/18
 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
Title II - Improving Teacher Quality	I	84.367	020-180406	07/17-09/18
 Striving Readers Comprehensive Literacy Program	 I	 84.371C	 143-160406	 04/16-09/17
 Title IV - Student Support and Academic Enrichment	 I	 84.424	 144-180406	 07/17-09/18
 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	16-17
Twenty-First Century Community Learning Centers	I	84.287	N/A	17-18
Passed through Tuscarora Intermediate Unit #11				
Special Education - Grants to States	I	84.027	N/A	16-17
Special Education - Grants to States	I	84.027	N/A	17-18
Special Education - Preschool Grants	I	84.173	N/A	17-18
Total Special Education Cluster				
 Total U. S. Department of Education				

(Continued)

Program or Annual Award	Total Received (Refunded) in Fiscal Year	Accrued (Deferred) Revenue at 7/1/2017	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue at 6/30/2018	Amount Passed Through to Subrecipients
\$ 207,701	\$ 31,184	\$ 31,184	\$ -	\$ -	\$ -	\$ -
\$ 268,512	233,561	-	266,329	266,329	32,768	-
\$ 74,832	30,813	23,941	6,872	6,872	-	-
\$ 75,630	47,269	-	53,036	53,036	5,767	-
	<u>342,827</u>	<u>55,125</u>	<u>326,237</u>	<u>326,237</u>	<u>38,535</u>	<u>-</u>
\$ 74,280	-	(1,419)	1,419	1,419	-	-
\$ 73,292	47,055	(17,293)	69,577	69,577	5,229	-
\$ 47,426	12,700	-	2,174	2,174	(10,526)	-
	<u>59,755</u>	<u>(18,712)</u>	<u>73,170</u>	<u>73,170</u>	<u>(5,297)</u>	<u>-</u>
\$ 690,940	403,048	285,966	117,082	117,082	-	-
	<u>403,048</u>	<u>285,966</u>	<u>117,082</u>	<u>117,082</u>	<u>-</u>	<u>-</u>
\$ 10,000	2,667	-	10,000	10,000	7,333	-
	<u>2,667</u>	<u>-</u>	<u>10,000</u>	<u>10,000</u>	<u>7,333</u>	<u>-</u>
	<u>808,297</u>	<u>322,379</u>	<u>526,489</u>	<u>526,489</u>	<u>40,571</u>	<u>-</u>
\$ 106,011	41,292	28,196	13,096	13,096	-	-
\$ 93,628	66,832	-	83,287	83,287	16,455	-
	<u>108,124</u>	<u>28,196</u>	<u>96,383</u>	<u>96,383</u>	<u>16,455</u>	<u>-</u>
\$ 244,549	55,672	55,672	-	-	-	-
\$ 255,292	198,095	-	255,292	255,292	57,197	-
\$ 3,906	-	-	3,906	3,906	3,906	-
	<u>253,767</u>	<u>55,672</u>	<u>259,198</u>	<u>259,198</u>	<u>61,103</u>	<u>-</u>
	<u>1,170,188</u>	<u>406,247</u>	<u>882,070</u>	<u>882,070</u>	<u>118,129</u>	<u>-</u>

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

Year Ended June 30, 2018

Grantor/Program Title	Source Code	Federal C.F.D.A. Number	Pass-Through Grantor's Number	Grant Period
U. S. Department of Health and Human Services				
Passed through Pennsylvania Department of Human Services				
Title XIX - Medical Assistance Program	I	93.778	N/A	16-17
Title XIX - Medical Assistance Program	I	93.778	N/A	17-18
Total U. S. Department of Health and Human Services				
U. S. Department of Agriculture				
Child Nutrition Cluster				
Passed through Pennsylvania Department of Education				
National School Lunch Program	I	10.555	N/A	17-18
School Breakfast Program	I	10.553	N/A	17-18
Passed through Pennsylvania Department of Agriculture - Food Donation	I	10.555	2-05-31-750	17-18
Total Child Nutrition Cluster				
Total U. S. Department of Agriculture				
Total Expenditures of Federal Awards				

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 7/1/2017	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue at 6/30/2018	Amount Passed Through to Subrecipients
\$ 1,114	427	427	-	-	-	-
\$ 1,150	<u>1,150</u>	<u>-</u>	<u>1,150</u>	<u>1,150</u>	<u>-</u>	<u>-</u>
	<u>1,577</u>	<u>427</u>	<u>1,150</u>	<u>1,150</u>	<u>-</u>	<u>-</u>
N/A	<u>247,997</u>	<u>-</u>	<u>277,321</u>	<u>277,321</u>	<u>29,324</u>	<u>-</u>
	<u>247,997</u>	<u>-</u>	<u>277,321</u>	<u>277,321</u>	<u>29,324</u>	<u>-</u>
N/A	<u>72,586</u>	<u>-</u>	<u>82,603</u>	<u>82,603</u>	<u>10,017</u>	<u>-</u>
	<u>72,586</u>	<u>-</u>	<u>82,603</u>	<u>82,603</u>	<u>10,017</u>	<u>-</u>
N/A	<u>49,198</u>	<u>(6,490)</u>	<u>44,319</u>	<u>44,319</u>	<u>(11,369)</u>	<u>-</u>
	<u>369,781</u>	<u>(6,490)</u>	<u>404,243</u>	<u>404,243</u>	<u>27,972</u>	<u>-</u>
	<u>369,781</u>	<u>(6,490)</u>	<u>404,243</u>	<u>404,243</u>	<u>27,972</u>	<u>-</u>
	<u>\$ 1,541,546</u>	<u>\$ 400,184</u>	<u>\$1,287,463</u>	<u>\$1,287,463</u>	<u>\$ 146,101</u>	<u>\$ -</u>

SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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, 2018. 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, 2018

There were no prior year's audit findings.