

**SOUTHERN HUNTINGDON COUNTY  
SCHOOL DISTRICT**

**FINANCIAL REPORT**

**JUNE 30, 2019**

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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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial positions of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of Southern Huntingdon County School District, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion & Analysis on pages 4 through 12 and the required supplementary information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

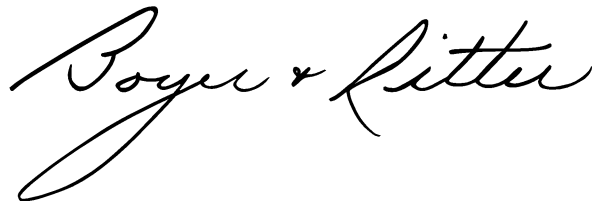
### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Southern Huntingdon County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 16, 2019, 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 16, 2019

# **SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION & ANALYSIS (MD&A)**

### **June 30, 2019**

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, 2019. 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 2018 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 89.50%, therefore, approximately \$91,833 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 2018-2019 decreased by \$12,166.

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

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

	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
<b><i>Scope</i></b>	Entire District (except fiduciary funds)	Activities of the District <b>that are not proprietary or fiduciary</b> , such as education, administration and community services	Activities the District operates similar to private business - <b>Food Service</b>	Activities in which the District is the trustee or agent for someone else’s resources - <b>Scholarship Funds and Activity Funds</b>
<b><i>Required Financial Information</i></b>	Statement of Net Position	Balance Sheet	Statement of Net Position	Statement of Fiduciary Net Position
	Statement of Activities	Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Revenues, Expenses and Change in Net Position  Statement of Cash Flows	Statement of Changes in Fiduciary Net Position
<b><i>Accounting Basis and Measurement Focus</i></b>	Accrual accounting and economic-resources focus	Modified-accrual accounting and current financial-resources focus	Accrual accounting and economic-resources focus	Accrual accounting and economic-resources focus
<b><i>Type of asset/liability information</i></b>	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
<b><i>Type of inflow/outflow information</i></b>	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid



# Overview of Financial Statements

## Government-Wide Statements

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

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

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

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

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

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

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

## Fund Financial Statements

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

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

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

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

## Financial Analysis of the District as a Whole

The District's total net position was (\$5,069,457) at June 30, 2019, which reflects the District's share of PSERS retirement.

**Table A-2**  
**As of June 30, 2019 and 2018**  
**Net Position**

	Governmental Activities		Business-Type Activity		Total	
	6/30/19	6/30/18	6/30/19	6/30/18	6/30/19	6/30/18
Current and other assets	\$ 13,293,886	\$ 12,770,178	\$ 9,970	\$ 21,311	\$ 13,303,856	\$ 12,791,489
Capital assets	9,532,533	9,971,245	17,401	19,413	9,549,934	9,990,658
<b>Total assets</b>	<b>22,826,419</b>	<b>22,741,423</b>	<b>27,371</b>	<b>40,724</b>	<b>22,853,790</b>	<b>22,782,147</b>
Deferred amounts on pension	3,634,833	4,635,833	118,167	153,167	3,753,000	4,789,000
Deferred amounts on OPEB liability	1,033,185	1,094,783	4,000	4,000	1,037,185	1,098,783
Deferred amounts on refunding debt	5,198	9,637	-	-	5,198	9,637
<b>Total deferred outflows of resources</b>	<b>4,673,216</b>	<b>5,740,253</b>	<b>122,167</b>	<b>157,167</b>	<b>4,795,383</b>	<b>5,897,420</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 27,499,635</b>	<b>\$ 28,481,676</b>	<b>\$ 149,538</b>	<b>\$ 197,891</b>	<b>\$ 27,649,173</b>	<b>\$ 28,679,567</b>
Current and other liabilities	\$ 1,608,799	\$ 1,591,853	\$ 15,607	\$ 14,709	\$ 1,624,406	\$ 1,606,562
Long-term liabilities	28,736,799	30,910,786	743,709	791,794	29,480,508	31,702,580
<b>Total liabilities</b>	<b>30,345,598</b>	<b>32,502,639</b>	<b>759,316</b>	<b>806,503</b>	<b>31,104,914</b>	<b>33,309,142</b>
Deferred amounts on pension	1,294,778	965,778	42,222	31,222	1,337,000	997,000
Deferred amounts on OPEB liabilities	274,716	284,128	2,000	2,000	276,716	286,128
<b>Total deferred inflows of resources</b>	<b>1,569,494</b>	<b>1,249,906</b>	<b>44,222</b>	<b>33,222</b>	<b>1,613,716</b>	<b>1,283,128</b>
Net investment in capital assets	8,752,731	9,210,882	17,401	19,413	8,770,132	9,230,295
Restricted	5,189,113	3,112,376	-	-	5,189,113	3,112,376
Unrestricted	(18,357,301)	(17,594,127)	(671,401)	(661,247)	(19,028,702)	(18,255,374)
<b>Total net position</b>	<b>(4,415,457)</b>	<b>(5,270,869)</b>	<b>(654,000)</b>	<b>(641,834)</b>	<b>(5,069,457)</b>	<b>(5,912,703)</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 27,499,635</b>	<b>\$ 28,481,676</b>	<b>\$ 149,538</b>	<b>\$ 197,891</b>	<b>\$ 27,649,173</b>	<b>\$ 28,679,567</b>

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

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

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

**Table A-3**  
**Fiscal Years Ended June 30, 2019 and 2018**  
**Changes in Net Position**

	Governmental Activities		Business-Type Activity		Total	
	6/30/19	6/30/18	6/30/19	6/30/18	6/30/19	6/30/18
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 95,661	\$ 131,434	\$ 284,516	\$ 301,207	\$ 380,177	\$ 432,641
Operating grants and contributions	4,837,475	4,794,825	468,139	469,421	5,305,614	5,264,246
General revenues						
Property taxes	4,140,766	4,111,901	-	-	4,140,766	4,111,901
Other taxes	858,417	837,472	-	-	858,417	837,472
Grants, subsidies and contributions, not restricted	7,208,360	7,159,069	-	-	7,208,360	7,159,069
Miscellaneous	348,991	241,581	3,795	2,320	352,786	243,901
<b>Total revenues</b>	<b>17,489,670</b>	<b>17,276,282</b>	<b>756,450</b>	<b>772,948</b>	<b>18,246,120</b>	<b>18,049,230</b>
<b>Expenses</b>						
Instruction	10,558,137	10,462,924	-	-	10,558,137	10,462,924
Instructional student support	1,271,360	1,162,647	-	-	1,271,360	1,162,647
Administration and financial support	1,452,395	1,450,084	-	-	1,452,395	1,450,084
Operation and maint. of plant services	1,691,982	1,662,337	-	-	1,691,982	1,662,337
Pupil transportation	1,316,281	1,257,282	-	-	1,316,281	1,257,282
Student activities	295,077	262,132	-	-	295,077	262,132
Interest on long-term debt	49,026	63,694	-	-	49,026	63,694
Food service	-	-	768,616	781,599	768,616	781,599
<b>Total expenses</b>	<b>16,634,258</b>	<b>16,321,100</b>	<b>768,616</b>	<b>781,599</b>	<b>17,402,874</b>	<b>17,102,699</b>
Transfers	-	(6,944)	-	6,944	-	-
<b>Changes in net position</b>	<b>\$ 855,412</b>	<b>\$ 948,238</b>	<b>\$ (12,166)</b>	<b>\$ (1,707)</b>	<b>\$ 843,246</b>	<b>\$ 946,531</b>

**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, 2019 and 2018**  
**Governmental Activities**

Functions/Programs	Total Cost of Services		Net Cost of Services	
	6/30/19	6/30/18	6/30/19	6/30/18
Instruction	\$ 10,558,137	\$ 10,462,924	\$ 7,486,841	\$ 7,332,045
Instructional student support	1,271,360	1,162,647	1,080,978	996,284
Administration and financial support	1,452,395	1,450,084	1,239,080	1,252,512
Operation and maintenance of plant services	1,691,982	1,662,337	1,327,711	1,296,847
Pupil transportation	1,316,281	1,257,282	323,970	288,618
Student activities	295,077	262,132	193,516	164,841
Interest on long-term debt	49,026	63,694	49,026	63,694
<b>Total governmental activities</b>	<b>\$ 16,634,258</b>	<b>\$ 16,321,100</b>	<b>11,701,122</b>	<b>11,394,841</b>
Less unrestricted grants, subsidies and contributions			(4,837,475)	(4,794,825)
<b>Total needs for grants, taxes and other revenues</b>			<b>\$ 6,863,647</b>	<b>\$ 6,600,016</b>

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

**Table A-5**  
**Fiscal Years Ended June 30, 2019 and 2018**  
**Business-Type Activities**

Functions/Programs	Total Cost of Services		Net Cost of Services	
	6/30/19	6/30/18	6/30/19	6/30/18
Food services	\$ 768,616	\$ 781,599	\$ (15,961)	\$ (10,971)
Add: investment earnings			3,795	2,320
<b>Total business-type activity</b>			<b>\$ (12,166)</b>	<b>\$ (8,651)</b>

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

## The District Funds

At June 30, 2019, the District's governmental funds reported a combined fund balance of \$11,270,457, which reflects an increase of \$505,614 from June 30, 2018. The primary reason for the increase is additional revenue that was received during the year and cutting costs in the instruction and support areas.

### 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, 2019 and 2018**  
**General Fund**  
**Budget Summary**

Table A-6

	Original Budget		Final Budget		Variance	
	6/30/19	6/30/18	6/30/19	6/30/18	6/30/19	6/30/18
Revenues						
Local	\$ 5,575,442	\$ 5,328,042	\$ 5,575,442	\$ 5,328,042	0.00%	0.00%
State	10,672,077	10,524,940	10,672,077	10,524,940	0.00%	0.00%
Federal	296,043	325,643	296,043	325,643	0.00%	0.00%
<b>Total revenues</b>	<b>16,543,562</b>	<b>16,178,625</b>	<b>16,543,562</b>	<b>16,178,625</b>	<b>0.00%</b>	<b>0.00%</b>
Expenditures						
Instruction	10,615,647	10,652,638	10,615,647	10,652,638	0.00%	0.00%
Support services	6,121,614	6,090,487	6,121,614	6,090,487	0.00%	0.00%
Non-instructional/community	341,500	313,750	341,500	313,750	0.00%	0.00%
Debt service	822,826	827,285	822,826	827,285	0.00%	0.00%
Transfers	55,000	55,000	55,000	55,000	0.00%	0.00%
<b>Total expenses</b>	<b>17,956,587</b>	<b>17,939,160</b>	<b>17,956,587</b>	<b>17,939,160</b>	<b>0.00%</b>	<b>0.00%</b>

## Capital Asset and Debt Administration

### Capital Assets

At June 30, 2019, the District had \$9,549,934 invested in a broad range of capital assets, including land, buildings and furniture and equipment.

**Table A-7**  
**As of June 30, 2019 and 2018**  
**Capital Assets - Net of Depreciation**

	Governmental Activities		Business-Type Activity		Total	
	6/30/19	6/30/18	6/30/19	6/30/18	6/30/19	6/30/18
Land	\$ 269,649	\$ 269,649	\$ -	\$ -	\$ 269,649	\$ 269,649
Site improvements	319,471	348,307	-	-	319,471	348,307
Buildings and improvements	8,453,392	8,855,155	-	-	8,453,392	8,855,155
Furniture and equipment	490,021	498,134	17,401	19,413	507,422	517,547
	<u>\$ 9,532,533</u>	<u>\$ 9,971,245</u>	<u>\$ 17,401</u>	<u>\$ 19,413</u>	<u>\$ 9,549,934</u>	<u>\$ 9,990,658</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, 2018, the District had total outstanding bond principal of \$3,180,000. During the year 2018-2019, the District's outstanding bonds and notes had a net decrease of \$770,000.

**Table A-8**  
**As of June 30, 2019 and 2018**  
**Outstanding Debt**

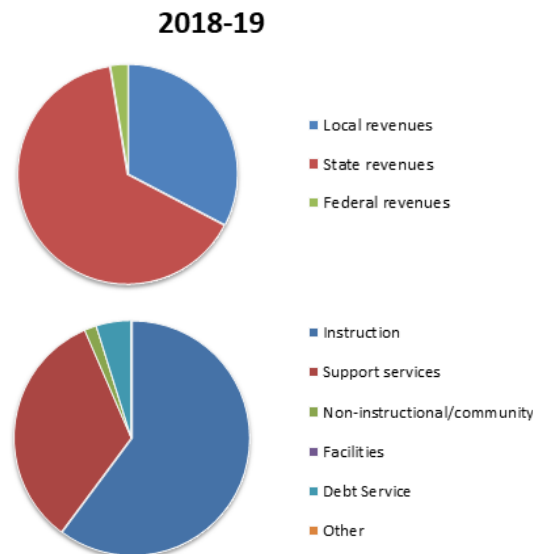
	Governmental Activities		Business-Type Activity		Total	
	6/30/19	6/30/18	6/30/19	6/30/18	6/30/19	6/30/18
General Obligation Note						
Series of 2015	\$ 2,410,000	\$ 3,180,000	\$ -	\$ -	\$ 2,410,000	\$ 3,180,000
	<u>\$ 2,410,000</u>	<u>\$ 3,180,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,410,000</u>	<u>\$ 3,180,000</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, 2019, 2018, 2017, 2016 and 2015**  
**Revenues and Expenditures**

	2018-2019	2017-2018	2016-2017	2015-2016	2014-2015
Local revenues	32.69%	32.99%	31.70%	31.36%	30.86%
State revenues	64.72%	63.95%	62.53%	60.07%	61.75%
Federal revenues	2.59%	3.06%	5.77%	8.57%	7.40%
Instruction	60.19%	59.95%	61.13%	46.76%	61.91%
Support services	33.30%	33.46%	32.25%	22.95%	30.74%
Non-instructional/community	1.67%	1.50%	1.94%	1.14%	1.46%
Facilities acquisition, construction and improvement	0.00%	0.00%	0.00%	1.17%	0.62%
Debt service	4.84%	4.68%	4.68%	27.98%	5.27%
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, 2019

	Governmental Activities	Business-Type Activity	Total
<b>Assets</b>			
Cash	\$ 2,628,279	\$ 14,512	\$ 2,642,791
Investments	9,055,029	2,746	9,057,775
Receivables			
Taxes - net of allowance for uncollectibles	619,133	-	619,133
Federal subsidies	85,181	49,599	134,780
State subsidies	790,622	3,445	794,067
Other	42,690	-	42,690
Internal balances	72,952	(72,952)	-
Inventories	-	12,620	12,620
Capital Assets			
Land and improvements - net	589,120	-	589,120
Buildings and improvements - net	8,453,392	-	8,453,392
Furniture and equipment - net	490,021	17,401	507,422
Total capital assets	9,532,533	17,401	9,549,934
<b>Total assets</b>	<b>22,826,419</b>	<b>27,371</b>	<b>22,853,790</b>
<b>Deferred Outflows of Resources</b>			
Deferred amounts on pension liability	3,634,833	118,167	3,753,000
Deferred amounts on OPEB liabilities	1,033,185	4,000	1,037,185
Deferred amounts on refunding debt	5,198	-	5,198
<b>Total deferred outflows of resources</b>	<b>4,673,216</b>	<b>122,167</b>	<b>4,795,383</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 27,499,635</b>	<b>\$ 149,538</b>	<b>\$ 27,649,173</b>

See Notes to Financial Statements.



	Governmental Activities	Business-Type Activity	Total
<b>Liabilities</b>			
Accounts payable	\$ 262,566	\$ 5,141	\$ 267,707
Deposits payable	-	5,596	5,596
Accrued expenses			
Salaries and benefits	1,292,865	-	1,292,865
Payroll withholdings	22,749	-	22,749
Interest	11,388	-	11,388
Unearned revenue	19,231	4,870	24,101
Long-term liabilities			
Due within one year	785,000	-	785,000
Due in more than one year	1,824,341	303	1,824,644
Net pension liability	22,330,594	711,406	23,042,000
OPEB obligations	3,796,864	32,000	3,828,864
Total long-term liabilities	28,736,799	743,709	29,480,508
<b>Total liabilities</b>	30,345,598	759,316	31,104,914
<b>Deferred Inflows of Resources</b>			
Deferred amounts on pension liability	1,294,778	42,222	1,337,000
Deferred amounts on OPEB liabilities	274,716	2,000	276,716
<b>Total deferred inflows of resources</b>	1,569,494	44,222	1,613,716
<b>Net Position</b>			
Net investment in capital assets	8,752,731	17,401	8,770,132
Restricted for capital projects	5,189,113	-	5,189,113
Unrestricted	(18,357,301)	(671,401)	(19,028,702)
<b>Total net position</b>	(4,415,457)	(654,000)	(5,069,457)
<b>Total liabilities, deferred inflows of resources and net position</b>	\$ 27,499,635	\$ 149,538	\$ 27,649,173

**SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activity	Total
<b>Governmental Activities</b>							
Instruction	\$ 10,558,137	\$ 38,377	\$ 3,032,919	\$ -	\$ (7,486,841)	\$ -	\$ (7,486,841)
Instructional student support	1,271,360	-	190,382	-	(1,080,978)	-	(1,080,978)
Administration and financial support	1,452,395	-	213,315	-	(1,239,080)	-	(1,239,080)
Operation and maintenance of plant services	1,691,982	1,680	362,591	-	(1,327,711)	-	(1,327,711)
Pupil transportation	1,316,281	-	992,311	-	(323,970)	-	(323,970)
Student activities	295,077	55,604	45,957	-	(193,516)	-	(193,516)
Interest on long-term debt	49,026	-	-	-	(49,026)	-	(49,026)
<b>Total governmental activities</b>	<b>16,634,258</b>	<b>95,661</b>	<b>4,837,475</b>	<b>-</b>	<b>(11,701,122)</b>	<b>-</b>	<b>(11,701,122)</b>
<b>Business-Type Activity</b>							
Food service	768,616	284,516	468,139	-	-	(15,961)	(15,961)
<b>Total School District</b>	<b>\$ 17,402,874</b>	<b>\$ 380,177</b>	<b>\$ 5,305,614</b>	<b>\$ -</b>	<b>(11,701,122)</b>	<b>(15,961)</b>	<b>(11,717,083)</b>
<b>General Revenues and Transfers</b>							
Property taxes levied for general purposes, net					4,140,766	-	4,140,766
Public utility, realty transfer, earned income, and per capita taxes for general purposes, net					858,417	-	858,417
Grants, subsidies, and contributions, not restricted					7,208,360	-	7,208,360
Investment earnings					258,199	3,795	261,994
Miscellaneous income					90,792	-	90,792
<b>Total general revenues and transfers</b>					<b>12,556,534</b>	<b>3,795</b>	<b>12,560,329</b>
<b>Changes in net position</b>					<b>855,412</b>	<b>(12,166)</b>	<b>843,246</b>
<b>Net Position - July 1, 2018</b>					<b>(5,270,869)</b>	<b>(641,834)</b>	<b>(5,912,703)</b>
<b>Net Position - June 30, 2019</b>					<b>\$ (4,415,457)</b>	<b>\$ (654,000)</b>	<b>\$ (5,069,457)</b>

See Notes to Financial Statements.

# SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

## BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2019

	General	Capital Projects	Total Governmental Funds
<b>Assets</b>			
Cash	\$ 2,069,539	\$ 558,740	\$ 2,628,279
Investments	4,424,656	4,630,373	9,055,029
Receivables			
Taxes - net of allowance for uncollectibles	619,133	-	619,133
Federal subsidies	85,181	-	85,181
State subsidies	790,622	-	790,622
Other	42,690	-	42,690
Due from other funds	72,952	-	72,952
<b>Total assets</b>	<b>\$ 8,104,773</b>	<b>\$ 5,189,113</b>	<b>\$ 13,293,886</b>
<b>Liabilities</b>			
Accounts payable	\$ 262,566	\$ -	\$ 262,566
Accrued expenses			
Salaries and benefits	1,292,865	-	1,292,865
Payroll withholdings	22,749	-	22,749
Unearned revenue	19,231	-	19,231
<b>Total liabilities</b>	<b>1,597,411</b>	<b>-</b>	<b>1,597,411</b>
<b>Deferred Inflows of Resources</b>			
Delinquent property taxes	426,018	-	426,018
<b>Fund Balances</b>			
Restricted			
Capital projects	-	5,189,113	5,189,113
Assigned			
Future retirement increases	2,245,500	-	2,245,500
Future healthcare increases	1,000,000	-	1,000,000
Budget 2019-20	1,488,844	-	1,488,844
Unassigned	1,347,000	-	1,347,000
<b>Total fund balances</b>	<b>6,081,344</b>	<b>5,189,113</b>	<b>11,270,457</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 8,104,773</b>	<b>\$ 5,189,113</b>	<b>\$ 13,293,886</b>

See Notes to Financial Statements.

## SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

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

June 30, 2019

<b>Total fund balances - governmental funds</b>	<b>\$ 11,270,457</b>
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 \$22,072,791, and the accumulated depreciation is \$12,540,258.	9,532,533
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.	426,018
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.	5,198
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	(1,294,778)
Deferred outflows	3,634,833
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	(274,716)
Deferred outflows	1,033,185
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	(2,410,000)
Accrued interest	(11,388)
Compensated absences	(199,341)
Net pension liability	(22,330,594)
Other post-employment benefits	(3,796,864)
	(28,748,187)
<b>Total net position - governmental activities</b>	<b>\$ (4,415,457)</b>

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, 2019**

	General	Capital Projects	Total Governmental Funds
Revenues			
Local sources	\$ 5,692,246	\$ 76,737	\$ 5,768,983
State sources	11,271,642	-	11,271,642
Federal sources	451,535	-	451,535
<b>Total revenues</b>	<b>17,415,423</b>	<b>76,737</b>	<b>17,492,160</b>
Expenditures			
Instruction	10,223,528	-	10,223,528
Support services	5,656,824	-	5,656,824
Operation of non-instructional services	282,932	-	282,932
Debt service	822,664	-	822,664
<b>Total expenditures</b>	<b>16,985,948</b>	<b>-</b>	<b>16,985,948</b>
<b>Excess of revenues over expenditures</b>	<b>429,475</b>	<b>76,737</b>	<b>506,212</b>
Other Financing Sources (Uses)			
Operating transfers out	(2,000,000)	-	(2,000,000)
Operating transfers in	-	2,000,000	2,000,000
Refund of prior year revenue	(598)	-	(598)
<b>Total other financing sources (uses)</b>	<b>(2,000,598)</b>	<b>2,000,000</b>	<b>(598)</b>
<b>Net changes in fund balances</b>	<b>(1,571,123)</b>	<b>2,076,737</b>	<b>505,614</b>
Fund Balances - July 1, 2018	7,652,467	3,112,376	10,764,843
Fund Balances - June 30, 2019	<u>\$ 6,081,344</u>	<u>\$ 5,189,113</u>	<u>\$ 11,270,457</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, 2019

<b>Net changes in fund balances - governmental funds</b>		<b>\$</b>	<b>505,614</b>
Amounts reported for governmental activities in the Statement of Activities are different because:			
Capital outlays are reported in governmental funds as expenditures. However in the Statement of Activities, the costs of those assets are allocated over their useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the period.			
	Capital outlays	134,167	
	Less depreciation expense	(572,879)	(438,712)
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.			
			(2,490)
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.			
			3,638
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		2,133,000
	Cost of benefits earned - net of employee contributions (pension expense)		(2,050,000)
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		20,929
	Other post-employment benefits (District Plan)		(82,128)
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	770,000	
	Amortization of refunding loss	(4,439)	765,561
<b>Changes in net position - governmental activities</b>		<b>\$</b>	<b>855,412</b>

See Notes to Financial Statements.

**SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND  
Year Ended June 30, 2019**

	Original and Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>Revenues</b>			
Local sources			
Real estate taxes	\$ 3,916,556	\$ 3,655,683	\$ (260,873)
Public utility realty tax	5,300	5,658	358
Payments in lieu of taxes	21,999	27,836	5,837
Per capita taxes	31,334	29,460	(1,874)
Earned income tax	620,603	731,606	111,003
Real estate transfer taxes	81,339	85,525	4,186
Delinquent real estate taxes	479,162	459,737	(19,425)
Delinquent per capita taxes	4,776	6,168	1,392
Earnings on investments	59,032	181,462	122,430
Student activities	52,881	55,604	2,723
Intermediary sources (pass-through funds)			
IDEA, Part B	200,000	224,488	24,488
IDEA, Part B, Section 619	-	2,502	2,502
21st Century	-	85,258	85,258
Dibels	-	10,410	10,410
Tuition from patrons	77,764	38,377	(39,387)
Rentals	1,970	1,680	(290)
Refunds and other miscellaneous revenue	22,726	90,792	68,066
<b>Total revenues from local sources</b>	<b>5,575,442</b>	<b>5,692,246</b>	<b>116,804</b>
State sources			
Basic education	6,822,983	6,922,517	99,534
Section 1305 and 1306	3,000	70,873	67,873
Vocational education	25,034	29,381	4,347
Special education	747,671	770,108	22,437
Transportation	880,668	982,368	101,700
Building reimbursement subsidy	260,441	260,390	(51)
Health services	25,000	21,485	(3,515)
State property tax reduction allocation	285,843	285,843	-
Safe Schools	-	25,000	25,000
Ready to learn	238,273	238,273	-
Social security reimbursement	267,439	302,532	35,093
Retirement reimbursement	1,115,725	1,358,368	242,643
Other grants and subsidies	-	4,504	4,504
<b>Total revenues from state sources</b>	<b>10,672,077</b>	<b>11,271,642</b>	<b>599,565</b>

(Continued)

**SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND (Continued)  
Year Ended June 30, 2019**

	Original and Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>Revenues (Continued)</b>			
Federal sources			
Title I - Grants to Local Educational Agencies	215,043	361,685	146,642
Title II - Improvind Teacher Quality	70,000	67,369	(2,631)
Title IV	10,000	19,538	9,538
Medical Assistance Programs	1,000	2,943	1,943
<b>Total revenues from Federal sources</b>	<b>296,043</b>	<b>451,535</b>	<b>155,492</b>
 <b>Total revenues</b>	 <b>16,543,562</b>	 <b>17,415,423</b>	 <b>871,861</b>
<b>Expenditures</b>			
Instruction			
Regular programs	7,122,102	6,735,760	386,342
Special programs	2,415,402	2,406,947	8,455
Vocational educational programs	960,154	867,002	93,152
Other instructional programs	117,989	213,819	(95,830)
<b>Total instruction</b>	<b>10,615,647</b>	<b>10,223,528</b>	<b>392,119</b>
 Support Services			
Pupil personnel	485,070	458,117	26,953
Instructional staff	659,503	611,879	47,624
Administration	1,190,528	1,080,689	109,839
Pupil health	201,078	197,446	3,632
Business	314,225	300,005	14,220
Operation and maintenance of plant services	1,916,698	1,690,129	226,569
Student transportation services	1,307,395	1,316,283	(8,888)
Central service	2,117	2,116	1
Other support services	45,000	160	44,840
<b>Total support services</b>	<b>6,121,614</b>	<b>5,656,824</b>	<b>464,790</b>
 Operation of Non-instructional Services			
Student activities	341,500	282,932	58,568
<b>Total operation of non-instructional services</b>	<b>341,500</b>	<b>282,932</b>	<b>58,568</b>

(Continued)



**SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND (Continued)  
Year Ended June 30, 2019**

	Original and Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Expenditures (Continued)			
Debt Service			
Principal	770,000	770,000	-
Interest	52,826	52,664	162
	<u>822,826</u>	<u>822,664</u>	<u>162</u>
<b>Total expenditures</b>	<u>17,901,587</u>	<u>16,985,948</u>	<u>915,639</u>
<b>Excess (deficiency) of revenues over expenditures</b>	(1,358,025)	429,475	1,787,500
Other Financing Sources (Uses)			
Operating transfers out	(55,000)	(2,000,000)	(1,945,000)
Refund of prior year revenue	-	(598)	(598)
<b>Total other financing uses</b>	<u>(55,000)</u>	<u>(2,000,598)</u>	<u>(1,945,598)</u>
<b>Net changes in fund balance</b>	<u>\$ (1,413,025)</u>	<u>(1,571,123)</u>	<u>\$ (158,098)</u>
Fund Balances - July 1, 2018		7,652,467	
Fund Balances - June 30, 2019		<u>\$ 6,081,344</u>	

See Notes to Financial Statements.

# SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

## STATEMENT OF NET POSITION - PROPRIETARY FUND - FOOD SERVICE June 30, 2019

<b>ASSETS</b>	
Current Assets	
Cash	\$ 14,512
Investments	2,746
Receivables	
Federal subsidies	49,599
State subsidies	3,445
Inventories	12,620
<b>Total current assets</b>	<b>82,922</b>
Noncurrent Assets	
Machinery and equipment - net	17,401
<b>Total assets</b>	<b>100,323</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred amounts on pension liability	122,167
<b>Total assets and deferred outflows of resources</b>	<b>\$ 222,490</b>
<b>LIABILITIES</b>	
Current Liabilities	
Due to other funds	\$ 72,952
Unearned revenue	10,466
Accounts Payable	5,141
<b>Total current liabilities</b>	<b>88,559</b>
Noncurrent Liabilities	
Compensated absences	303
OPEB and pension	743,406
Total noncurrent liabilities	743,709
<b>Total liabilities</b>	<b>832,268</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred amounts on pension liability	44,222
<b>NET POSITION</b>	
Invested in capital assets	17,401
Unrestricted	(671,401)
<b>Total net position</b>	<b>(654,000)</b>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 222,490</b>

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, 2019

Operating Revenue	
Food service revenue	\$ 284,516
Operating Expenses	
Labor, taxes and benefits	355,941
Management services	95,673
Supplies	18,868
Food and milk	247,197
Donated commodities used	48,880
Depreciation	2,012
Miscellaneous	45
<b>Total operating expenses</b>	<b>768,616</b>
<b>Operating loss</b>	<b>(484,100)</b>
Nonoperating Revenues	
Investment earnings	3,795
Federal subsidies	353,901
State subsidies	65,358
Value of donated commodities	48,880
<b>Total nonoperating revenues</b>	<b>471,934</b>
<b>Change in net position</b>	<b>(12,166)</b>
Net Position - July 1, 2018	(641,834)
Net Position - June 30, 2019	\$ (654,000)

See Notes to Financial Statements.

**SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT**

**STATEMENT OF CASH FLOWS -  
PROPRIETARY FUND - FOOD SERVICE  
Year Ended June 30, 2019**

<hr/>	
Cash Flows From Operating Activities	
Cash received from meal sales	\$ 275,643
Cash payments for goods and services	(356,816)
Cash payments to employees for services	(358,026)
<b>Net cash used in operating activities</b>	<u>(439,199)</u>
Cash Flows From Noncapital Financing Activities	
Federal subsidies	353,901
State subsidies	65,358
<b>Net cash provided by noncapital         financing activities</b>	<u>419,259</u>
Cash Flows From Investing Activities	
Purchase of investments	(782)
Investment earnings	3,795
<b>Net cash provided by investing activities</b>	<u>3,013</u>
<b>Net decrease in cash</b>	(16,927)
Cash:	
July 1, 2018	31,439
June 30, 2019	<u><u>\$ 14,512</u></u>

(Continued)

**SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT**

**STATEMENT OF CASH FLOWS -  
PROPRIETARY FUND - FOOD SERVICE (Continued)  
Year Ended June 30, 2019**

<b>Reconciliation of Operating Loss to Net Cash</b>	
Used in Operating Activities	
Operating loss	\$ (484,100)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	2,012
Value of donated commodities	48,880
Changes in assets and liabilities:	
(Increase) decrease in:	
Receivables	(11,129)
Inventories	6,596
Deferred outflows of resources	35,000
(Decrease) increase in:	
Accounts payable	5,141
Deposits payable	2,256
Due to other funds	(271)
Unearned revenue	(6,499)
Compensated absences	(1,085)
OPEB and Pension	(47,000)
Deferred inflows of resources	11,000
<b>Net cash used in operating activities</b>	<b>\$ (439,199)</b>

See Notes to Financial Statements.

# SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

## STATEMENT OF FIDUCIARY NET POSITION

June 30, 2019

	Combined Scholarship Trust Funds	Activity Fund
<b>ASSETS</b>		
Cash	\$ 30,591	\$ 83,727
Investments	8,746	-
<b>Total assets</b>	<b>\$ 39,337</b>	<b>\$ 83,727</b>
<b>LIABILITIES</b>		
Due to student groups	\$ -	\$ 83,727
<b>NET POSITION</b>		
Reserved for scholarships	39,337	-
<b>Total liabilities and net position</b>	<b>\$ 39,337</b>	<b>\$ 83,727</b>

See Notes to Financial Statements.

**SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -  
COMBINED SCHOLARSHIP TRUST FUNDS**

**Year Ended June 30, 2019**

Additions	
Contributions	\$ 3,629
Interest	141
<b>Total additions</b>	<u>3,770</u>
Deductions	
Scholarships	<u>5,300</u>
<b>Change in net position</b>	(1,530)
Net Position - July 1, 2018	<u>40,867</u>
Net Position - June 30, 2019	<u><u>\$ 39,337</u></u>

See Notes to Financial Statements.

# **SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

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

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

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

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

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

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

#### **B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effects of interfund activity have been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.



# **SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

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

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

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

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

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

The government-wide financial statements are reported using the economic resources-measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the providers have been met. Net position (total assets and deferred outflows of resources less total liabilities and deferred inflows of resources) are used as a practical measure of economic resources, and the operating statement includes all transactions and events that increased or decreased net position. Depreciation is charged as an expense against current operations, and accumulated depreciation is reported in the Statement of Net Position.

Governmental-fund financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues from Federal, state and other grants designated for payment of specific District expenditures are recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as unearned revenues until earned. Expenditures generally are recorded when liabilities are incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

# **SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

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

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

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use 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**

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

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

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

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

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

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

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

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

Notice that public hearings will be held on the proposed operating budget must be included in the advertisement; such hearings are required to be scheduled at least ten days prior to when final action on adoption is taken by the Board.

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

## SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

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

A physical inventory of the Food Service Fund's food and supplies was taken as of June 30, 2019. The inventory consisted of government-donated commodities which were valued at their estimated fair market values, and purchased commodities and supplies, both of which were valued at cost using the first-in, first-out (FIFO) method. The District has adopted an inventory-recordkeeping system which distinguishes between donated and purchased commodities. Accordingly, unearned revenue for donated commodities has been recorded.

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

## SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

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

Deferred Outflows of Resources - Deferred Amounts on Refunding Debt: The District recognizes the difference between the 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

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

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

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

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

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

##### Post-Employment Benefits (Continued):

The balances of the District's OPEB obligations and deferred outflow/inflow of resources at June 30, 2019, are as follows:

	Governmental Activities	Business- Type Activity	Total
<u>OPEB Obligations</u>			
PSERS Cost Sharing Plan - OPEB Liabilities (note 12)	\$ 969,000	\$ 32,000	\$1,001,000
District Plan - OPEB Liabilities (note 11)	2,827,864	-	2,827,864
Total	<u>\$ 3,796,864</u>	<u>\$ 32,000</u>	<u>\$3,828,864</u>
<u>Deferred Outflows of Resources</u>			
PSERS Cost Sharing Plan Liability	\$ 118,000	\$ 4,000	\$ 122,000
District OPEB Plan Liability	915,185	-	915,185
Total	<u>\$ 1,033,185</u>	<u>\$ 4,000</u>	<u>\$1,037,185</u>
<u>Deferred Inflows of Resources</u>			
PSERS Cost Sharing Plan Liability	\$ 67,000	\$ 2,000	\$ 69,000
District OPEB Plan Liability	\$ 207,716	-	207,716
Total	<u>\$ 274,716</u>	<u>\$ 2,000</u>	<u>\$ 276,716</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 to 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

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

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

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

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

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

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

Non-spendable: 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: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events: In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosures through December 16, 2019, the date the financial statements were available to be issued.

## SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 2. Deposits and Investments

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

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

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

#### Deposits: Custodial-Credit Risk

Custodial-credit risk is the risk that in the event of a bank failure, the District's investments may not be returned to it. A summary of the District's deposits, which include certificates of deposit, at June 30, 2019, 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	1,127,062	1,408,468	Community State Bank
Uninsured and collateralized by assets maintained in conformity with Act 72	1,828,797	1,828,797	F&M Trust
	<u>\$ 3,455,859</u>	<u>\$ 3,737,265</u>	

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

## SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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

##### Investments:

As of June 30, 2019, the District had the following investments:

Investments	Credit Rating	Weighted- Average Maturities	Fair Values
Pennsylvania Local Government Investment Trust (PLGIT)			
PLGIT - Class Shares	AAAm	103 days	\$ 916,031
PLGIT PRIME	AAAm	77 days	7,489,920
			<u>\$ 8,405,951</u>

##### Portfolio Assets

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

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

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

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

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

## **SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS**

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

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

##### Weighted-Average Maturity

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

##### Interest-Rate Risk

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

##### Credit Risk

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

##### Concentrations of Credit Risk

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

## SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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

A summary of taxes receivable and related accounts at June 30, 2019, is as follows:

	Amount
Taxes Receivable	\$ 633,263
Allowance for uncollectible taxes	(14,130)
Taxes Receivable - Net	<u>\$ 619,133</u>
Taxes to be collected within 60 days	\$ 193,115
Deferred inflows of resources - delinquent property taxes	426,018
Taxes Receivable - Net	<u>\$ 619,133</u>
Deferred Inflows of Resources - General Fund	
Delinquent property taxes	<u>\$ 426,018</u>
	<u>\$ 426,018</u>
Unearned Revenues - General Fund	
Title I Intervention	<u>\$ 19,231</u>
Unearned Revenues - Food Service Fund	
Student deposits	5,596
Donated commodities	4,870
	<u>\$ 10,466</u>

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

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

The District's tax rates for all purposes in 2018-2019 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 89.50% of the total taxes levied.

As of June 30, 2019, the District does not offer any tax abatement programs.

## SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 5. Interfund Accounts

Individual fund receivable and payable balances at June 30, 2019, are as follows:

	Interfund Receivables	Interfund Payables
General	\$ 72,952	\$ -
Food Service	-	72,952
	<u>\$ 72,952</u>	<u>\$ 72,952</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, 2019, are as follows:

	Transfers In	Transfers Out
General	\$ -	\$ 2,000,000
Capital Projects	2,000,000	-
	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>

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

#### Note 6. Food Service Fund Inventories

The composition of Food Service Fund inventories at June 30, 2019, is as follows:

	Amount
Materials and supplies	\$ 5,261
Purchased food	2,489
Donated food	4,870
	<u>\$ 12,620</u>

# SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### Note 7. Capital Assets

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

	July 1, 2018	Increases	Decreases	June 30, 2019
<b>Governmental Activities</b>				
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	17,095,532	-	-	17,095,532
Furniture and equipment	3,552,024	134,167	-	3,686,191
Total capital assets being depreciated	21,668,975	134,167	-	21,803,142
Less accumulated depreciation				
Site improvements	673,112	28,836	-	701,948
Buildings and improvements	8,240,377	401,763	-	8,642,140
Furniture and equipment	3,053,890	142,280	-	3,196,170
Total accumulated depreciation	11,967,379	572,879	-	12,540,258
Total net capital assets being depreciated	9,701,596	(438,712)	-	9,262,884
Governmental Activities, Capital Assets - Net	\$ 9,971,245	\$ (438,712)	\$ -	\$ 9,532,533
<b>Business-Type Activities</b>				
Capital assets, being depreciated				
Machinery and equipment	\$ 247,827	\$ -	\$ -	\$ 247,827
Less accumulated depreciation	(228,414)	(2,012)	-	(230,426)
Total Business-Type Activities, Capital Assets - Net	\$ 19,413	\$ (2,012)	\$ -	\$ 17,401

## SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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

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

	Amount
Governmental Activities	
Instruction	\$ 420,570
Instructional student support	45,878
Administration and financial support	63,525
Operation and maintenance of plant services	29,083
Student activities	13,823
Total governmental activities	<u>572,879</u>
Business-Type Activity	
Food service	2,012
Total District	<u><u>\$ 574,891</u></u>

#### Note 8. Accrued Salaries and Benefits

Accrued salaries and benefits at June 30, 2019, consist of the following:

	Amount
Accrued salaries	\$ 454,096
Retirement	149,844
Social security	33,959
	<u><u>\$ 637,899</u></u>

Accrued salaries represent teachers' salaries earned during the 2018-2019 school year which will be paid subsequent to June 30, 2019. Accrued retirement represents the Public School Employees' Retirement Board contribution for the second quarter of calendar year 2019, including the portion pertaining to accrued salaries at June 30, 2019. Accrued social security represents the District's liability arising from accrued salaries at June 30, 2019.



# SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### Note 9. Long-Term Obligations

During the fiscal year ended June 30, 2019, long-term obligations changed as follows:

	July 1, 2018	Increase	Decrease	June 30, 2019	Due Within One Year
<b>Governmental Activities</b>					
General Obligation Notes -					
Series of 2015	\$ 3,180,000	\$ -	\$ 770,000	\$ 2,410,000	\$ 785,000
Compensated absences	220,270	-	20,929	199,341	-
Net pension liability	23,738,594	-	1,408,000	22,330,594	-
Other post-employment benefits	3,771,922	24,942	-	3,796,864	-
Total Long-Term Obligations	<u>\$ 30,910,786</u>	<u>\$ 24,942</u>	<u>\$ 2,198,929</u>	<u>\$ 28,736,799</u>	<u>\$ 785,000</u>
<b>Business-Type Activities</b>					
Compensated absences	\$ 1,388	\$ -	\$ 1,085	\$ 303	\$ -
Net pension liability	758,406	-	47,000	711,406	-
Other post-employment benefits	32,000	-	-	32,000	-
Total Long-Term Obligations	<u>\$ 791,794</u>	<u>\$ -</u>	<u>\$ 48,085</u>	<u>\$ 743,709</u>	<u>\$ -</u>

General Obligation Note - Series of 2015 - On July 7, 2015, the District issued General Obligation Note in the principal amount of \$5,315,000. The proceeds were used to currently refund the District's General Obligation Bonds - Series of 2010 and to pay the costs and expenses related to the issuance of the 2015 Note. The economic gain on the current refunding of the 2010 bonds was \$146,795. The Note bears annual interest at 1.89%. Interest is payable semi-annually on April 1 and October 1, and the note matures serially in amounts ranging from \$670,000 to \$820,000 through October 1, 2021. Total interest paid on the Series of 2015 Note for the year ended June 30, 2019, was \$52,664.

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

## SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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

Maturities of long-term debt are as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2020	\$ 785,000	\$ 38,131	\$ 823,131
2021	805,000	23,105	828,105
2022	820,000	7,749	827,749
	<u>\$ 2,410,000</u>	<u>\$ 68,985</u>	<u>\$ 2,478,985</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**

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

##### Plan Description

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

##### Benefits Provided

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

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

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

## **SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS**

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

##### Contribution Rates

##### **Member Contributions:**

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

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

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

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

##### **Employer Contributions:**

The District's contractually required contribution rate for the fiscal year ended June 30, 2019, was 33.43% 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. The 33.43% rate is composed of a pension contribution rate of 32.60% 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 year ended June 30, 2019, was \$2,146,069, and is equal to the required contributions for the year. For the year ended June 30, 2019, the District recognized retirement subsidy revenue from the Commonwealth in the amount of \$1,392,087.

## SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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

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

At June 30, 2019, the District reported a liability of \$23,042,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2017 to June 30, 2018. The 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, 2019, the District's proportion was 0.0480%, which was a decrease of 0.0016% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the District recognized pension expense of \$2,001,000. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources in the governmental and proprietary funds:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 185,000	\$ 357,000
Changes in assumptions	429,000	-
Net difference between projected and actual investment earnings	873,000	980,000
Changes in proportions	113,000	-
Difference between employer contributions and proportionate share of total contributions	7,000	-
Contributions subsequent to the measurement date	2,146,000	-
	<u>\$ 3,753,000</u>	<u>\$ 1,337,000</u>

\$2,146,000 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year	Amount
2020	\$ 426,000
2021	122,000
2022	(188,000)
2023	(90,000)
	<u>\$ 270,000</u>

## SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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

##### Actuarial Assumptions

The total pension liability as of June 30, 2018, was determined by rolling forward the System's total pension liability as of the June 30, 2017 to June 30, 2018, 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%	5.2%
Fixed income	36.0%	2.2%
Commodities	8.0%	3.2%
Absolute return	10.0%	3.5%
Risk parity	10.0%	3.9%
Infrastructure/MLPs	8.0%	5.2%
Real estate	10.0%	4.2%
Alternative investments	15.0%	6.7%
Cash	3.0%	0.4%
Financing (LIBOR)	-20.0%	0.9%
	<u>100.0%</u>	

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

## SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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

##### 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 7.25%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	\$ 28,563,000	\$ 23,042,000	\$ 18,375,000

##### Pension Plan Fiduciary Net Position

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

##### Plan Payables

At June 30, 2019, the District has payables to the PSERS pension plan of \$784,828 which is comprised of staff payroll accruals and the quarterly PSERS payment amount for retirement contributions for the second quarter 2019.

## SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### **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). As of the last valuation date, 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, 2019, the District reported a liability of \$2,827,864 for the total OPEB liability. The total OPEB liability was measured as of July 1, 2018 and was determined by an actuarial valuation as of July 1, 2017. The OPEB liability is composed of the following:

	Amount
Total OPEB Liability, beginning	\$ 2,792,922
Service cost	106,956
Interest	83,065
Estimated Benefit payments	(155,079)
Net changes	34,942
Total OPEB Liability, ending	<u><u>\$ 2,827,864</u></u>



## SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$82,128. At June 30, 2019, 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	\$ -	\$ 207,716
Changes in assumptions	730,717	-
Benefit payments subsequent to the measurement date	184,468	-
	<u>\$ 915,185</u>	<u>\$ 207,716</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, 2020. 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
2020	\$ 76,575
2021	76,575
2022	76,575
2023	76,575
2024	76,575
Thereafter	140,126
	<u>\$ 523,001</u>

## SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### 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 2058 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	\$ 3,063,914	\$ 2,827,864	\$ 2,614,594

## 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% decreasing to 5.70%)
District's proportionate share of the total OPEB liability	\$ 2,554,202	\$ 2,827,864	\$ 3,150,035

#### Note 12. Other Post-Employment Benefits - PSERS Cost Sharing 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

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#### **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, 2018, there were no assumed future benefit increases to participating eligible retirees.

#### Premium Assistance Eligibility Criteria

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

- Have 24 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, 2019, was 0.83% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$54,639 for the year ended June 30, 2019.

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

At June 30, 2019, the District reported a liability of \$1,001,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2017 to June 30, 2018. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2019, the District's proportion was .0480% percent, which was a decrease of .0016% from its proportion measured as of June 30, 2018.

## SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$5,000. At June 30, 2019, 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	\$ 6,000	\$ -
Changes in assumptions	16,000	38,000
Changes in proportion	43,000	29,000
Net difference between projected and actual investment earnings	2,000	-
Difference between employer contributions and proportionate share of total contributions	-	2,000
Contributions subsequent to the measurement date	55,000	-
	<u>\$ 122,000</u>	<u>\$ 69,000</u>

\$55,000 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, 2019. 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
2023	\$ (1,000)
2024	(1,000)
	<u>\$ (2,000)</u>

## SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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

##### Actuarial Assumptions

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

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

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

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2016, determined the employer contribution rate for fiscal year 2018.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back three 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 seven years for males and three years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back three 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

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#### 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	5.9%	0.3%
Fixed Income	92.8%	1.2%
Non-US Developed Fixed	1.3%	0.4%
	<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, 2018.

##### Discount Rate

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

##### Change in Actuarial Assumptions

The discount rate used to measure the Total OPEB liability decreased from 3.13% as of June 30, 2017 to 2.98% as of June 30, 2018.

## SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### 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

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

	1% Decrease 1.98%	Current Discount Rate 2.98%	1% Increase 3.98%
District's proportionate share of the net OPEB liability	\$ 1,138,000	\$ 1,001,000	\$ 887,000

##### 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 7.75%) 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	\$ 1,001,000	\$ 1,001,000	\$ 1,001,000

##### 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](http://www.psers.pa.gov).

##### Plan Payables

At June 30, 2019, the District has payables to the OPEB plan of \$19,982.



## **SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **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 nine members from nine 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 \$124,443 to the Tuscarora Intermediate Unit #11 for the year 2018-2019.

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 \$557,186 as its share to the Huntingdon County Career and Technology Center for the year 2018-2019.

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, 2019.

## **SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **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. During the year ended June 30, 2019, the District did not incur any significant losses that were not covered by insurance.

#### **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 - DISTRICT SINGLE EMPLOYER PLAN

Years Ended June 30,	2018	2019
Service cost	\$ 92,519	\$ 106,956
Interest	84,679	83,065
Difference between Expected and Actual Experience	(268,540)	-
Changes in assumptions	944,691	-
Benefit payments	(169,761)	(155,079)
Net changes	683,588	34,942
Total OPEB Liability - Beginning	2,109,334	2,792,922
Total OPEB Liability - Ending	<u>\$ 2,792,922</u>	<u>\$ 2,827,864</u>
District's Covered-Employee Payroll	<u>\$ 5,839,532</u>	<u>\$ 6,466,592</u>
Total OPEB Liability as a % of Covered-Employee Payroll	47.83%	43.73%

### Note to Schedule:

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**

<b>Years Ended June 30,</b>	<b>2018</b>	<b>2019</b>
District's proportion of the net OPEB liability	0.0496%	0.0480%
District's proportionate share of the net OPEB liability	<u>\$1,011,000</u>	<u>\$1,001,000</u>
District's covered employee payroll	<u>\$6,601,057</u>	<u>\$6,466,592</u>
District's proportionate share of net OPEB liability as a percentage of its covered employee payroll	15.32%	15.48%
Plan fiduciary net position as a percentage of the total OPEB liability	5.73%	5.56%

**Note to Schedule:**

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 OPEB CONTRIBUTIONS - PSERS  
COST SHARING PLAN**

<b>Years Ended June 30,</b>	<b>2018</b>	<b>2019</b>
Contractually required contribution	\$ 53,280	\$ 54,639
Contributions in relation to the contractually required contribution	(53,280)	(54,639)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	<u>\$ 6,601,057</u>	<u>\$ 6,466,592</u>
Contributions as a percentage of covered employee payroll	0.81%	0.84%

**Note to Schedule:**

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**

<b>Years Ended June 30,</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
District's proportion of the net pension liability	0.0490%	0.0490%	0.0468%	0.0496%	0.0480%
District's proportionate share of the net pension liability	\$ 21,224,000	\$ 21,224,000	\$ 23,193,000	\$ 24,497,000	\$ 23,042,000
District's covered-employee payroll	\$ 6,307,703	\$ 6,307,703	\$ 6,064,133	\$ 6,601,057	\$ 6,466,592
District's proportionate share of net pension liability as a percentage of its covered employee payroll	336.48%	336.48%	382.46%	371.11%	356.32%
Plan fiduciary net position as a percentage of the total pension liability	54.36%	54.36%	50.14%	51.84%	54.00%

**Note to Schedule:**

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**

<b>Years Ended June 30,</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Contractually required contribution	\$ 1,524,302	\$ 1,524,302	\$ 1,885,863	\$ 2,037,464	\$ 2,146,069
Contributions in relation to the contractually required contribution	(1,524,302)	(1,524,302)	(1,885,863)	(2,037,464)	(2,146,069)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 6,045,074	\$ 6,045,074	\$ 6,599,623	\$ 6,601,057	\$ 6,466,592
Contributions as a percentage of covered-employee payroll	5.22%	25.22%	28.58%	30.87%	33.19%

**Note to Schedule:**

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, 2019, 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 16, 2019.

**Internal Control over Financial Reporting**

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

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

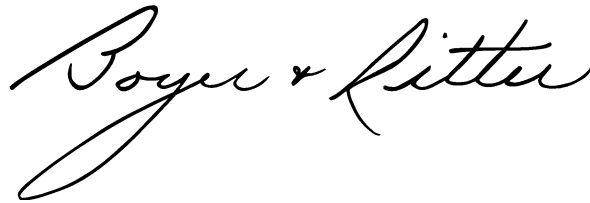
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

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

State College, Pennsylvania  
December 16, 2019

**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, 2019. 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, 2019.

## 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 fluid and cursive, with a large loop at the end of the last word.

State College, Pennsylvania  
December 16, 2019

**SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2019**

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

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**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes      X   No

**Federal Awards**

Internal control over major programs:

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

Type of auditor's report issued on compliance for major programs: 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
<b>Child Nutrition Cluster</b>	
10.553	School Breakfast Program
10.555	National School Lunch Program

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, 2019**

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**Section II – Financial Statement Findings**

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A. Significant Deficiencies in Internal Control

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

B. Compliance Findings

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

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

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A. Significant Deficiencies in Internal Control

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

B. Compliance Findings

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

# SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2019

Grantor/Program Title	Source Code	Federal C.F.D.A. Number	Pass-Through Grantor's Number	Grant Period
<b>U. S. Department of Education</b>				
Passed through Pennsylvania Department of Education				
Title I - Grants to Local Educational Agencies	I	84.010	013-180406	17-18
Title I - Grants to Local Educational Agencies	I	84.010	013-190406	18-19
Title I - Program Improvement Set Aside	I	84.010	042-180406	17-18
Title I - Program Improvement Set Aside	I	84.010	042-190406	18-19
Title I - Program Improvement Set Aside	I	84.010	152-190406	18-19
 Title II - Improving Teacher Quality	 I	 84.367	 020-170406	 16-17
Title II - Improving Teacher Quality	I	84.367	020-180406	17-18
Title II - Improving Teacher Quality	I	84.367	020-190406	18-19
 Title IV - Student Support and Academic Enrichment	 I	 84.424	 144-180406	 17-18
Title IV - Student Support and Academic Enrichment	I	84.424	144-190406	18-19
 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	17-18
Twenty-First Century Community Learning Centers	I	84.287	N/A	18-19
Passed through Tuscarora Intermediate Unit #11				
Special Education - Grants to States	I	84.027	N/A	17-18
Special Education - Grants to States	I	84.027	N/A	18-19
Special Education - Preschool Grants	I	84.173	N/A	17-18
Special Education - Preschool Grants	I	84.173	N/A	18-19
Total Special Education Cluster				
 <b>Total U. S. Department of Education</b>				

(Continued)



Program or Annual Award	Total Received (Refunded) in Fiscal Year	Accrued (Deferred) Revenue at 7/1/2018	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue at 6/30/2019	Amount Passed Through to Subrecipients
\$ 268,512	\$ 34,951	\$ 32,768	\$ 2,183	\$ 2,183	\$ -	\$ -
\$ 268,494	231,264	-	263,749	263,749	32,485	-
\$ 75,630	28,361	5,767	22,594	22,594	-	-
\$ 77,665	59,742	-	73,158	73,158	13,416	-
\$ 50,000	19,231	-	-	-	(19,231)	-
	<u>373,549</u>	<u>38,535</u>	<u>361,684</u>	<u>361,684</u>	<u>26,670</u>	<u>-</u>
\$ 73,292	5,229	5,229	-	-	-	-
\$ 47,426	34,726	(10,527)	45,253	45,253	-	-
\$ 42,066	13,686	-	22,117	22,117	8,431	-
	<u>53,641</u>	<u>(5,298)</u>	<u>67,370</u>	<u>67,370</u>	<u>8,431</u>	<u>-</u>
\$ 10,000	7,333	7,333	-	-	-	-
\$ 19,538	16,933	-	19,538	19,538	2,605	-
	<u>24,266</u>	<u>7,333</u>	<u>19,538</u>	<u>19,538</u>	<u>2,605</u>	<u>-</u>
	<u>451,456</u>	<u>40,570</u>	<u>448,592</u>	<u>448,592</u>	<u>37,706</u>	<u>-</u>
\$ 96,328	29,496	16,455	13,041	13,041	-	-
\$ 85,783	46,083	-	72,217	72,217	26,134	-
	<u>75,579</u>	<u>16,455</u>	<u>85,258</u>	<u>85,258</u>	<u>26,134</u>	<u>-</u>
\$ 255,292	57,197	57,197	-	-	-	-
\$ 224,488	222,378	-	224,488	224,488	2,110	-
\$ 3,906	3,906	3,906	-	-	-	-
\$ 2,502	2,502	-	2,502	2,502	-	-
	<u>285,983</u>	<u>61,103</u>	<u>226,990</u>	<u>226,990</u>	<u>2,110</u>	<u>-</u>
	<u>813,018</u>	<u>118,128</u>	<u>760,840</u>	<u>760,840</u>	<u>65,950</u>	<u>-</u>

# SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

Year Ended June 30, 2019

Grantor/Program Title	Source Code	Federal C.F.D.A. Number	Pass-Through Grantor's Number	Grant Period
<b>U. S. Department of Health and Human Services</b>				
Passed through Pennsylvania Department of Human Services				
Title XIX - Medical Assistance Program	I	93.778	N/A	18-19
<b>Total U. S. Department of Health and Human Services</b>				
<b>U. S. Department of Agriculture</b>				
Child Nutrition Cluster				
Passed through Pennsylvania Department of Education				
National School Lunch Program	I	10.555	N/A	17-18
National School Lunch Program	I	10.555	N/A	18-19
School Breakfast Program	I	10.553	N/A	17-18
School Breakfast Program	I	10.553	N/A	18-19
Passed through Pennsylvania Department of Agriculture - Food Donation	I	10.555	2-05-31-750	18-19
<b>Total Child Nutrition Cluster</b>				
<b>Total U. S. Department of Agriculture</b>				
<b>Total Expenditures of Federal Awards</b>				

Source Codes:

D - Direct Funding

I - Indirect Funding

See Notes to Schedule of Expenditures of Federal Awards.

Program or Annual Award	Total Received (Refunded) in Fiscal Year	Accrued (Deferred) Revenue at 7/1/2018	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue at 6/30/2019	Amount Passed Through to Subrecipients
\$ 2,943	<u>2,943</u>	<u>-</u>	<u>2,943</u>	<u>2,943</u>	<u>-</u>	<u>-</u>
	<u>2,943</u>	<u>-</u>	<u>2,943</u>	<u>2,943</u>	<u>-</u>	<u>-</u>
N/A	29,324	29,324	-	-	-	-
N/A	<u>232,387</u>	<u>-</u>	<u>268,807</u>	<u>268,807</u>	<u>36,420</u>	<u>-</u>
	<u>261,711</u>	<u>29,324</u>	<u>268,807</u>	<u>268,807</u>	<u>36,420</u>	<u>-</u>
N/A	10,017	10,017	-	-	-	-
N/A	<u>71,916</u>	<u>-</u>	<u>85,095</u>	<u>85,095</u>	<u>13,179</u>	<u>-</u>
	<u>81,933</u>	<u>10,017</u>	<u>85,095</u>	<u>85,095</u>	<u>13,179</u>	<u>-</u>
N/A	<u>42,381</u>	<u>(11,369)</u>	<u>48,880</u>	<u>48,880</u>	<u>(4,870)</u>	<u>-</u>
	<u>386,025</u>	<u>27,972</u>	<u>402,782</u>	<u>402,782</u>	<u>44,729</u>	<u>-</u>
	<u>386,025</u>	<u>27,972</u>	<u>402,782</u>	<u>402,782</u>	<u>44,729</u>	<u>-</u>
	<u>\$ 1,201,986</u>	<u>\$ 146,100</u>	<u>\$ 1,166,565</u>	<u>\$ 1,166,565</u>	<u>\$ 110,679</u>	<u>\$ -</u>

## **SOUTHERN HUNTINGDON COUNTY SCHOOL DISTRICT**

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

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

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Southern Huntingdon County School District under programs of the Federal government for the year ended June 30, 2019. 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, 2019**

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There were no prior year's audit findings.