

TUSSEY MOUNTAIN SCHOOL DISTRICT

SAXTON, PENNSYLVANIA

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FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED JUNE 30, 2019

**KENDALL, PREBOLA AND JONES**

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TUSSEY MOUNTAIN SCHOOL DISTRICT  
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**Kendall, Prebola and Jones, LLC**  
**Certified Public Accountants**

Board of Education  
Tussey Mountain School District  
199 Front Street  
Saxton, Pennsylvania 16678

Independent Auditor's Report

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Tussey Mountain School District (the "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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinions***

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

***Other Matters******Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the information about retirement and other post-employment benefits - Schedule of District's Proportionate Share of the Net Pension Liability, Schedule of District's Contributions, Schedule of Changes in OPEB Liabilities, Schedule of District's Proportionate Share of the Net OPEB Liability - PSERS Plan and Schedule of District's Contributions for the Net OPEB Liability PSERS Plan, be presented to supplement the basic financial statements. These items are presented in pages 4 to 10 and 58 to 63. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

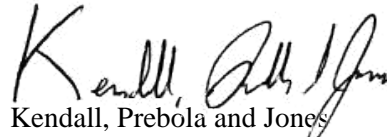
***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Tussey Mountain School District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and 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 May 5, 2020, on our consideration of the Tussey Mountain 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 solely 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 the effectiveness of the Tussey Mountain School District's 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 Tussey Mountain School District's internal control over financial reporting and compliance.



Kendall, Prebola and Jones  
Certified Public Accountants

Bedford, Pennsylvania  
May 5, 2020

TUSSEY MOUNTAIN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019

FINANCIAL HISTORY HIGHLIGHTS

There were, as usual, many items that affected the revenues and expenditures during the 2018-19 fiscal year. There was a decrease in federal funding again this year by approximately 2.4% and an increase in state funding by approximately 1.00%. There was an increase of approximately 1.00% in local funding. The District implemented an on-line learning program beginning with 2011-12, which resulted in a decreased number of students enrolled in cyber charter schools in 2012-13 and 2013-14. However, there was an increase in tuition cost for cyber/charter schools in 2014-15 by \$53,380 and that amount was approximately the same amount for 2015-16. There was another decrease in 2016-17 of \$25,303, 2017-18 of \$38,243, and 2018-19 of \$13,611.

The District's General Fund transferred a total of \$186,710 to the Cafeteria Fund for 2018-19 as compared to a total transfer for previous years as follows:

2017-18	\$212,203
2016-17	\$608,020
2015-16	\$407,890
2014-15	\$302,012
2013-14	\$271,399
2012-13	\$154,910
2011-12	\$269,196
2010-11	\$275,814

The District's Capital Projects Fund had a balance of \$1,245,241 as of June 30, 2019, which is earmarked for future building projects.

The District's share of retirement for 2018-19 increased by approximately .9% from 2017-18. Health insurance premiums increased by approximately 1.5% and salaries increased by approximately .05% due to lower administrative position costs and lower starting wages for support staff new hires. In addition, the district implemented a High Qualified Deductible Plan at the beginning of 2019, which resulted in a decrease of medical insurance premiums.

OVERVIEW OF FINANCIAL STATEMENTS

Government Wide Statements:

The Government-Wide Statement of Activities reports both the gross and net costs of each of the District's governmental functions and business-type activities, for which the governmental functions are supported by general government revenues (property, per capita, occupational, real estate transfer and earned income taxes, intergovernmental revenues, etc.). The government-wide statements include a Statement of Net Position which reflects the financial position, i.e. asset, liability and net position balances at June 30, 2019, and the Statement of Activities which reports Revenues, Expenses and Changes in Net Position for the year ended June 30, 2019. These statements are designed to provide a broad overview of the District's finances, in a manner similar to a private-sector business.

Governmental activities include instruction, administration, and community services, funded mainly by property taxes, state and federal subsidies, and grants. Business type activities consist solely of food service operation, funded mainly by fees paid by staff, students, and visitors, along with operating subsidies.

TUSSEY MOUNTAIN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

Government Wide Statements: (Continued)

Fund Financial Statements:

Governmental Funds - Most of the district's activities are reported in governmental funds, which focus on the financial position, not income determination, using the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. Included in the Governmental Fund Types are the Capital Project Fund, which is used to account for resources for the acquisition or construction of capital facilities, the General Fund, which is the principal operating fund of the District used to account for all financial resources except those required to be accounted for in another fund. The General Fund also includes the Athletic Fund, which is used to account for the proceeds and expenditures of the athletic department.

The Governmental Fund financial statements can be found on pages 14 to 22. These statements provide information regarding asset, liability and fund balances at June 30, 2019, as well as changes in fund balances for the year ended June 30, 2019.

Proprietary Funds - The focus of the Proprietary Fund measurement of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The Proprietary Fund is used to account for the operation of the Food Services Division. The Proprietary Fund financial statements can be found on pages 18 to 20. These statements provide information regarding asset, liability and net asset balances at June 30, 2019, as well as changes in net position and cash flow information for the year ended June 30, 2019.

Fiduciary Funds - The District is the trustee, or fiduciary, for some scholarship funds and student activity funds. All of the District's Fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The Fiduciary Fund financial statements can be found on pages 21 to 22.

TUSSEY MOUNTAIN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table A-1

	<u>Fiscal Year Ended June 30, 2019</u>			<u>Fiscal Year Ended June 30, 2018</u>		
	<u>Changes in Net Position</u>			<u>Changes in Net Position</u>		
	<u>Governmental</u>	<u>Business-type</u>		<u>Governmental</u>	<u>Business-type</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Current Assets	\$ 7,294,161	\$ ( 30,758)	\$ 7,263,403	\$ 6,243,245	\$ (7,946)	\$ 6,235,299
Capital Assets	<u>25,104,711</u>	<u>33,098</u>	<u>25,137,809</u>	<u>26,163,837</u>	<u>15,497</u>	<u>26,179,334</u>
Total Assets	\$ 32,398,872	\$ 2,340	\$ 32,401,212	\$ 32,407,082	\$ 7,551	\$ 32,414,633
Deferred Outflows of Resources	\$ 3,018,553	\$ -	\$ 3,018,553	\$ 3,910,548	\$ -	\$ 3,910,548
Current Liabilities	\$ 1,880,475	\$ 12,068	\$ 1,892,543	\$ 2,934,564	\$ 9,543	\$ 2,944,107
Long-Term Liabilities	<u>42,039,702</u>	<u>-</u>	<u>42,039,702</u>	<u>44,282,278</u>	<u>-</u>	<u>44,282,278</u>
Total Liabilities	<u>\$ 43,920,177</u>	<u>\$ 12,068</u>	<u>\$ 43,932,245</u>	<u>\$ 47,216,842</u>	<u>\$ 9,543</u>	<u>\$ 47,226,385</u>
Deferred Inflows of Resources	\$ 3,064,828	\$ -	\$ 3,064,828	\$ 2,275,214	\$ -	\$ 2,275,214
Net Position Invested in Capital Assets, Net of Related Debt	\$ 6,543,464	\$ 33,098	\$ 6,576,562	\$ 6,467,822	\$ 15,497	\$ 6,483,319
Unrestricted - Designated	1,256,958	-	1,256,958	1,117,006	-	1,117,006
Unrestricted	<u>(19,368,002)</u>	<u>(42,826)</u>	<u>(19,410,828)</u>	<u>(20,759,254)</u>	<u>(17,489)</u>	<u>(20,776,743)</u>
Total Net Position	<u>\$ (11,567,580)</u>	<u>\$ (9,728)</u>	<u>\$ (11,577,308)</u>	<u>\$ (13,174,426)</u>	<u>\$ (1,992)</u>	<u>\$ (13,176,418)</u>

The District's combined (governmental and business activities) net position/(deficit) was \$(11,577,308) at June 30, 2019, a decrease in the deficit of \$1,599,110 from June 30, 2018. This is attributable to Governmental revenues exceeding expenses due to the closure of two elementary buildings. These amounts are shown in Table A-2. As reflected above, \$25,137,809 of the District's net position is invested in capital assets (buildings, land, and equipment).

TUSSEY MOUNTAIN SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

Table A-2

	<u>Fiscal Year Ended June 30, 2019</u>			<u>Fiscal Year Ended June 30, 2018</u>		
	<u>Changes in Net Position</u>			<u>Changes in Net Position</u>		
	<u>Governmental</u>	<u>Business-type</u>		<u>Governmental</u>	<u>Business-type</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Revenues:						
Charges for Services	\$ 94,882	\$ 214,219	\$ 309,101	\$ 110,811	\$ 185,415	\$ 296,226
Operating Grants and Contributions	1,100,986	448,096	1,549,082	988,541	466,221	1,454,762
Property, Per Capita, Occupation and Earned Income Taxes	4,546,959	-	4,546,959	4,472,713	-	4,472,713
Grants, Subsidies and Contributions	11,697,215	-	11,697,215	12,048,301	-	12,048,301
⌘ Other	<u>131,353</u>	<u>236</u>	<u>131,589</u>	<u>39,572</u>	<u>307</u>	<u>39,879</u>
 Total Revenues	 <u>\$ 17,571,395</u>	 <u>\$ 662,551</u>	 <u>\$ 18,233,946</u>	 <u>\$ 17,659,938</u>	 <u>\$ 651,943</u>	 <u>\$ 18,311,881</u>
Expenses:						
Instruction	\$ 8,646,009	\$ -	\$ 8,646,009	\$ 9,178,213	\$ -	\$ 9,178,213
Instructional Student Support	4,815,346	-	4,815,346	5,149,307	-	5,149,307
Operation of Non-Instructional Services	433,155	-	433,155	346,015	-	346,015
Building Services	1,290,106	-	1,290,106	781,137	-	781,137
Interest on Long-Term Debt	593,223	-	593,223	604,815	-	604,815
Food Service	<u>-</u>	<u>856,997</u>	<u>856,997</u>	<u>-</u>	<u>836,330</u>	<u>836,330</u>
 Total Expenses	 <u>\$ 15,777,839</u>	 <u>\$ 856,997</u>	 <u>\$ 16,634,836</u>	 <u>\$ 16,059,487</u>	 <u>\$ 836,330</u>	 <u>\$ 16,895,817</u>
Increase (Decrease) in Net Position Before Transfers	\$ 1,793,556	\$ (194,446)	\$ 1,599,110	\$ 1,600,451	\$ (184,387)	\$ 1,416,064
Transfers	<u>(186,710)</u>	<u>186,710</u>	<u>-</u>	<u>(212,203)</u>	<u>212,203</u>	<u>-</u>
Increase (Decrease) in Net Position	<u>\$ 1,606,846</u>	<u>\$ (7,736)</u>	<u>\$ 1,599,110</u>	<u>\$ 1,388,248</u>	<u>\$ 27,816</u>	<u>\$ 1,416,064</u>

Table A-2 above shows a comparison of revenues and expenditures in summarized format for the fiscal years ended June 30, 2019 and 2018.

Governmental activities revenues exceeded expenditures in 2018-19 by \$1,793,556. Revenues exceeded expenditures in 2017-18 by \$1,600,451.

Business type activities expenditures in 2018-19 exceeded revenue by \$194,446. Expenditures also exceeded revenue in the 2017-18 year by the amount of \$184,387. Personnel salaries and benefits are approximately 52% of the total expenditures for the Food Service Fund.

TUSSEY MOUNTAIN SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

Tables A-3 and A-4 show the District's six largest functions - instruction, instructional student support, operation of non-instructional services, building services, interest on long-term debt and food service, as well as each program's net cost (total cost less revenues generated by activities).

Table A-3  
 Fiscal Year Ended June 30, 2019  
 Governmental Activities

<u>Functions/Programs</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services after Charges for Services and Operating Grants</u>
Instruction	\$ 8,646,009	\$ 7,648,267
Instructional Student Support	4,815,346	4,689,786
Operation of Non-Instructional Services	433,155	360,589
Building Services	1,290,106	1,290,106
Interest on Long-Term Debt	<u>593,223</u>	<u>593,223</u>
 Total Governmental Activities	 <u>\$ 15,777,839</u>	 <u>\$ 14,581,971</u>

Instructional expenses decreased from 2017-18 by approximately 5.8%. This includes wages/fringes, books, supplies, etc. The district closed two of its' elementary buildings and decreased staff at the end of 2016-17. Instructional student support, which includes services such as transportation, guidance, library, etc., also decreased approximately 6.5% from 2017-18 to 2018-19 for this same reason. The total overall cost of services for governmental activities decreased by \$281,648 from the 2017-18 year.

Table A-4 reflects the activities of the Food Service program, the only Business-type activity of the District.

Table A-4  
 Fiscal Year Ended June 30, 2019  
 Business-Type Activities

<u>Functions/Programs</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Food Services	\$ <u>856,997</u>	\$ 194,682
Less: Investment Earnings		<u>(236)</u>
 Total Needs from the General Fund		 <u>\$ 194,446</u>

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

TUSSEY MOUNTAIN SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019

DISTRICT FUNDS

As of June 30, 2019, the District's combined governmental fund balance was reported as \$5,200,621, which is an increase of \$735,265 from 2017-18. Education costs are difficult to estimate and can significantly fluctuate from year to year for various reasons, especially in the areas of special education and charter school tuition. The District applies for federal, state, and local grants, but approval is not always received during the budget process. Transfers between specific categories of expenditures and finance uses occur during the year. However, again, this increase in combined governmental fund balance was a result of two building closures.

Capital Reserve Fund - The District will continue to actively prepare for unexpected and proposed capital projects when financially feasible.

GENERAL FUND BUDGET

A schedule showing the District's original and final budgets compared with amounts actually paid and received is provided as a required supplementary schedule. There was no variance between the original and final budgeted amounts.

Local revenue was higher than expected during 2018-19 due to better than expected current and delinquent real estate tax, delinquent earned income tax, and real estate transfer tax. State revenue was more than expected. Federal revenue was lower than expected in 2018-19, which was no surprise as federal funds have been gradually decreasing each year. This accounted for actual revenues being higher than budgeted revenues for the year ended June 30, 2019.

CAPITAL ASSET AND DEBT ADMINISTRATION

At June 30, 2019, the total Capital Assets for Governmental Activities, Net of Depreciation was \$25,104,711, which includes land, buildings, and furniture and equipment.

As of June 30, 2019, the District had outstanding bond principal in the amount of \$18,720,000 for renovation of all four district buildings. During the 2011-12 school year, the district borrowed \$100,000 from the Pennsylvania Rural Electric Cooperative for a period of ten (10) years, mainly for the purpose of upgrades to their athletic complex, with a portion being used to purchase educational supplies and equipment. The district paid off this loan in May 2019. The district financed a 2014 Chevy Cruze in 2014-15 for use primarily as the driver education vehicle in the amount of \$15,540 with a remaining balance of \$3,000 owed as of June 30, 2019.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District anticipates some economic growth in the near future due to a new business, Green Leaf Medical, moving into the former Seton building, which resulted in employing approximately 150 employees to start. The company announced that they intent to renovate the additional building on the property and expand their operation, which will result in hiring additional employees that should help the local economy.

TUSSEY MOUNTAIN SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (Continued)

The funds budgeted for supplies, etc., for the 2019-20 budget were about the same as budgeted for 2018-19. However, there was additional money budgeted for computers for both students and staff and for technology needs that had been neglected. The 2019-20 budget also included monies available to allow upgrades at the Tussey Mountain Elementary building. The District continued to operate their own on-line learning program in an attempt to cut tuition costs for non-district operated cyber/charter schools.

The Proprietary Fund (Food Service) finds it more and more difficult for this fund to be self-sustaining with increases each year for wages and fringes. In addition, during the last two years, food purchasing cost has increased significantly with declining local revenue. Each year, the District forgives charges for utilities used and transfers funds to help cover operating expenses. \$186,710 was transferred on June 30, 2019 to the Food Service Fund. The district will continue to budget a transfer over the next several years to attempt to reduce/eliminate the ongoing growing deficit. The district hired a Food Service Management Company to take over the operation of the food service program beginning with the 2015-16 school year, which has improved the overall operation and participation rate of the program. As anticipated, with the closure of two elementary buildings, the annual loss was reduced due to a decrease in food service staff wages and benefits.

CONTACTING THE DISTRICT FINANCIAL ADMINISTRATOR

Our financial report is designed to provide the taxpayers, parents, students, investors, and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Lisa M. Rankin, Business Manager/Board Secretary at Tussey Mountain School District, 199 Front Street, Saxton, PA 16678, (814) 635-3670.

TUSSEY MOUNTAIN SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2019

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS:</u>			
Cash and Cash Equivalents	\$ 2,294,911	\$ 219,166	\$ 2,514,077
Investments	3,268,374	-	3,268,374
Taxes Receivable - Net	477,767	-	477,767
Due from Other Governments	895,100	47,294	942,394
Inventories and Prepaid Expenses	53,160	7,631	60,791
Internal Balances	304,849	(304,849)	-
Capital Assets:			
Land	143,427	-	143,427
Buildings and Improvements	33,441,130	-	33,441,130
Furniture, Equipment and Other Depreciable Assets	1,454,527	157,920	1,612,447
Less Accumulated Depreciation	<u>(9,934,373)</u>	<u>(124,822)</u>	<u>(10,059,195)</u>
Total Capital Assets, Net of Depreciation	<u>\$ 25,104,711</u>	<u>\$ 33,098</u>	<u>\$ 25,137,809</u>
Total Assets	<u>\$ 32,398,872</u>	<u>\$ 2,340</u>	<u>\$ 32,401,212</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>			
Pensions	\$ 2,679,591	\$ -	\$ 2,679,591
Deferred Charge on Bond Refunding	218,599	-	218,599
Other Post-Employment Benefits	<u>120,363</u>	<u>-</u>	<u>120,363</u>
Total Deferred Outflows of Resources	<u>\$ 3,018,553</u>	<u>\$ -</u>	<u>\$ 3,018,553</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 35,417,425</u>	<u>\$ 2,340</u>	<u>\$ 35,419,765</u>

(See Accompanying Notes and Auditor's Report)

TUSSEY MOUNTAIN SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2019

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<u>LIABILITIES:</u>			
Accounts Payable	\$ 229,186	\$ 11,131	\$ 240,317
Accrued Salaries, Benefits and Withholdings	1,390,717	-	1,390,717
Accrued Interest Payable	137,121	-	137,121
Deferred Revenues	96,958	937	97,895
Other Liabilities	26,493	-	26,493
Long-term Liabilities:			
Portion Due or Payable within One Year:			
Bonds Payable	1,285,000	-	1,285,000
Unamortized Bond Discount	(4,173)	-	(4,173)
Unamortized Bond Premium	11,861	-	11,861
Loan Payable	2,575	-	2,575
Compensated Absences	14,976	-	14,976
Portion Due or Payable after One Year:			
Bonds Payable	17,435,000	-	17,435,000
Unamortized Bond Discount	(45,902)	-	(45,902)
Unamortized Bond Premium	95,060	-	95,060
Loan Payable	425	-	425
Compensated Absences	74,880	-	74,880
Other Post-Employment Benefit and Liability	1,760,000	-	1,760,000
Net Pension Liability	<u>21,410,000</u>	<u>-</u>	<u>21,410,000</u>
 Total Liabilities	 <u>\$ 43,920,177</u>	 <u>\$ 12,068</u>	 <u>\$ 43,932,245</u>
 <u>DEFERRED INFLOWS OF RESOURCES:</u>			
Deferred Inflows of Resources, Pensions	\$ 2,691,000	\$ -	\$ 2,691,000
Deferred Inflows of Resources, OPEB	<u>373,828</u>	<u>-</u>	<u>373,828</u>
 Total Deferred Inflows of Resources	 <u>\$ 3,064,828</u>	 <u>\$ -</u>	 <u>\$ 3,064,828</u>
 <u>NET POSITION:</u>			
Invested in Capital Assets, Net of Related Debt	\$ 6,543,464	\$ 33,098	\$ 6,576,562
Unrestricted - Designated for Capital Projects Fund	1,245,241	-	1,245,241
Unrestricted - Designated for Athletic Fund	11,717	-	11,717
Unrestricted	<u>(19,368,002)</u>	<u>(42,826)</u>	<u>(19,410,828)</u>
 Total Net Position/(Deficit)	 <u>\$ (11,567,580)</u>	 <u>\$ (9,728)</u>	 <u>\$ (11,577,308)</u>
 Total Liabilities, Deferred Inflows of Resources and Net Position/(Deficit)	 <u>\$ 35,417,425</u>	 <u>\$ 2,340</u>	 <u>\$ 35,419,765</u>

(See Accompanying Notes and Auditor's Report)

TUSSEY MOUNTAIN SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Charges for Services	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
			Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instruction and Instruction-Related Services	\$ 8,646,009	\$ 25,782	\$ 971,960	\$ -	\$ (7,648,267)	\$ -	\$ (7,648,267)
Support Services	4,815,346	-	125,560	-	(4,689,786)	-	(4,689,786)
Operation of Non-Instructional Services	433,155	69,100	3,466	-	(360,589)	-	(360,589)
Building Services	1,290,106	-	-	-	(1,290,106)	-	(1,290,106)
Debt Services - Interest	<u>593,223</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(593,223)</u>	<u>-</u>	<u>(593,223)</u>
Total Governmental Activities	<u>\$ 15,777,839</u>	<u>\$ 94,882</u>	<u>\$ 1,100,986</u>	<u>\$ -</u>	<u>\$ (14,581,971)</u>	<u>\$ -</u>	<u>\$ (14,581,971)</u>
Business-type Activities:							
Food Service	<u>\$ 856,997</u>	<u>\$ 214,219</u>	<u>\$ 448,096</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (194,682)</u>	<u>\$ (194,682)</u>
Total Primary Government	<u>\$ 16,634,836</u>	<u>\$ 309,101</u>	<u>\$ 1,549,082</u>	<u>\$ -</u>	<u>\$ (14,581,971)</u>	<u>\$ (194,682)</u>	<u>\$ (14,776,653)</u>
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes					\$ 3,820,394	\$ -	\$ 3,820,394
Per Capita and Real Estate Transfer Tax					161,864	-	161,864
Earned Income Taxes					564,701	-	564,701
State Aid - Formula Grants					11,697,215	-	11,697,215
Unrestricted Investment Earnings					55,259	236	55,495
Other Revenues					32,566	-	32,566
Refund of Prior Year Expenditures					<u>43,528</u>	<u>-</u>	<u>43,528</u>
Total General Revenues					\$ 16,375,527	\$ 236	\$ 16,375,763
Transfers					<u>(186,710)</u>	<u>186,710</u>	<u>-</u>
Changes in Net Position					<u>\$ 1,606,846</u>	<u>\$ (7,736)</u>	<u>\$ 1,599,110</u>
Net Position/(Deficit) - Beginning of Year					<u>\$ (13,174,426)</u>	<u>\$ (1,992)</u>	<u>\$ (13,176,418)</u>
Net Position/(Deficit) - End of Year					<u>\$ (11,567,580)</u>	<u>\$ (9,728)</u>	<u>\$ (11,577,308)</u>

(See Accompanying Notes and Auditor's Report)

TUSSEY MOUNTAIN SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2019

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Capital Projects</u>	<u>Totals</u>
<u>ASSETS AND OTHER DEBITS</u>			
<u>ASSETS:</u>			
Cash and Cash Equivalents	\$ 2,294,911	\$ -	\$ 2,294,911
Investments	2,023,133	1,245,241	3,268,374
Taxes Receivable (Net)	477,767	-	477,767
Prepaid Expenses	53,160	-	53,160
Intergovernmental Receivables	895,100	-	895,100
Interfund Receivables	304,849	-	304,849
Total Assets and Other Debits	\$ 6,048,920	\$ 1,245,241	\$ 7,294,161
<u>LIABILITIES, FUND BALANCES AND OTHER CREDITS</u>			
<u>LIABILITIES:</u>			
Accounts Payable	\$ 229,186	\$ -	\$ 229,186
Accrued Salaries, Benefits and Withholdings	1,390,717	-	1,390,717
Deferred Revenue	96,958	-	96,958
Other Liabilities	26,493	-	26,493
Accumulated Compensated Absences	14,976	-	14,976
Total Liabilities	\$ 1,758,330	\$ -	\$ 1,758,330
<u>DEFERRED INFLOWS OF RESOURCES:</u>			
Unavailable Revenue - Property Taxes	\$ 335,210	\$ -	\$ 335,210
Total Deferred Inflows of Resources	\$ 335,210	\$ -	\$ 335,210
<u>FUND BALANCES:</u>			
Nonspendable	\$ 53,160	\$ -	\$ 53,160
Restricted	-	-	-
Committed	-	-	-
Assigned	11,717	1,245,241	1,256,958
Unassigned	3,890,503	-	3,890,503
Total Fund Balances	\$ 3,955,380	\$ 1,245,241	\$ 5,200,621
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 6,048,920	\$ 1,245,241	\$ 7,294,161

(See Accompanying Notes and Auditor's Report)

TUSSEY MOUNTAIN SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2019

<u>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</u>	\$ 5,200,621
Amounts reported for governmental <i>activities</i> 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 cost of the assets is \$35,039,084, and the accumulated depreciation is \$9,934,373.	25,104,711
Property taxes receivable will be collected this year but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	335,210
Bond Discounts and Premium Expenses are amortized over the life of the debt in the government-wide statements but are expensed in the fund statements. This amount represents the net amortized amount at June 30, 2019.	(56,846)
Net OPEB obligation at June 30, 2019.	(1,760,000)
Accrued interest expense recognized as an expenditure in the government-wide financial statements.	(137,121)
Net pension obligations are not due and payable in the current period and therefore are not reported in the funds.	(21,410,000)
Deferred outflows of resources related to bond refunding.	218,599
Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore are not reported in the funds:	
Deferred Outflows of Resources - Pensions	2,679,591
Deferred Inflows of Resources - Pensions	(2,691,000)
Deferred Inflows of Resources - OPEB	(373,828)
Deferred outflows of resources related to Local OPEB	120,363
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Bonds Payable	\$ (18,720,000)
Loan Payable	(3,000)
Compensated Absences	(74,880)
	(18,797,880)
<u>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES</u>	<u>\$ (11,567,580)</u>

(See Accompanying Notes and Auditor's Report)

TUSSEY MOUNTAIN SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Governmental Fund Types</u>		<u>Totals</u>
	<u>General</u>	<u>Capital Projects</u>	
<u>REVENUES:</u>			
Local Sources	\$ 4,941,651	\$ 24,237	\$ 4,965,888
State Sources	12,103,727	-	12,103,727
Federal Sources	<u>415,653</u>	<u>-</u>	<u>415,653</u>
 Total Revenues	 <u>\$ 17,461,031</u>	 <u>\$ 24,237</u>	 <u>\$ 17,485,268</u>
 <u>EXPENDITURES:</u>			
Current:			
Instruction and Instruction Related Services	\$ 9,027,452	\$ -	\$ 9,027,452
Support Services	5,013,980	-	5,013,980
Operation of Non-instructional Services	430,802	-	430,802
Capital Outlay:			
Facilities Acquisition, Construction Improvement Services	131,555	94,555	226,110
Debt Service:			
Principal	1,280,432	-	1,280,432
Interest	580,767	-	580,767
Fees	<u>3,750</u>	<u>-</u>	<u>3,750</u>
 Total Expenditures	 <u>\$ 16,468,738</u>	 <u>\$ 94,555</u>	 <u>\$ 16,563,293</u>
 Excess (Deficiency) of Revenues Over Expenditures	 <u>\$ 992,293</u>	 <u>\$ (70,318)</u>	 <u>\$ 921,975</u>
 <u>OTHER FINANCING SOURCES (USES):</u>			
Interfund Transfers	<u>\$ (386,710)</u>	<u>\$ 200,000</u>	<u>\$ (186,710)</u>
 Total Other Financing Sources (Uses)	 <u>\$ (386,710)</u>	 <u>\$ 200,000</u>	 <u>\$ (186,710)</u>
 Net Change in Fund Balances	 \$ 605,583	 \$ 129,682	 \$ 735,265
 Fund Balances - Beginning of Year	 <u>3,349,797</u>	 <u>1,115,559</u>	 <u>4,465,356</u>
 Fund Balances - End of Year	 <u>\$ 3,955,380</u>	 <u>\$ 1,245,241</u>	 <u>\$ 5,200,621</u>

(See Accompanying Notes and Auditor's Report)

TUSSEY MOUNTAIN SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 735,265

Amounts reported for governmental *activities* in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. In the statement of activities the cost of assets is allocated over their estimated useful lives as depreciation expense. Due to the District's capitalization policy, not all items included in the capital outlay in the fund statements are classified as assets and depreciated. Assets included in governmental fund expenses were lower than depreciation expenses by the amount of \$1,059,126.	(1,059,126)
Debt principal is reported in the governmental funds as an expenditure. However, in the government-wide statements these charges offset a liability account. Principal payments made during the year were \$1,280,432.	1,280,432
Accrued interest expense recognized as an expenditure in the government-wide financial statements. Accrued interest decreased by this amount during the year.	7,890
Long-term liabilities are not reported in the governmental funds. Long-term liabilities relating to operating expenses (compensated absences) decreased by this amount during the year.	1,178
Bond discounts, bond premiums, and deferred charge on bond refunding are amortized over the life of the debt in the government-wide statements but are not deferred in the fund statements. The amount amortized during the year amounted to \$16,596.	(16,596)
Some property taxes will not be collected for several months after the District's fiscal year ends and are not considered "available" revenues and are deferred in the fund statements. Such amounts are recognized as revenue in the government-wide statements under the full accrual basis of accounting. Deferred tax revenues increased by this amount during the year.	86,128
Net pension liability is not reported as a liability within the fund statements. This liability is, however, reported in the government-wide financial statements. This amount represents the change in pension liability and the deferred outflows and inflows related to the pension.	561,568
Net OPEB Obligation reported on government-wide statements and not on Fund Statements. This amount decreased by \$229,000 during the year and deferred outflows and inflows changed by \$(239,107) during the year.	<u>10,107</u>
<u>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</u>	<u>\$ 1,606,846</u>

(See Accompanying Notes and Auditor's Report)

TUSSEY MOUNTAIN SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2019

	<u>Enterprise Fund</u> <u>Food Service</u>
<u>ASSETS:</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 219,166
Due from Other Governments	47,294
Inventories	<u>7,631</u>
Total Current Assets	<u>\$ 274,091</u>
Noncurrent Assets:	
Furniture and Equipment	\$ 157,920
Less Accumulated Depreciation	<u>(124,822)</u>
Total Noncurrent Assets	<u>\$ 33,098</u>
TOTAL ASSETS	<u>\$ 307,189</u>
<u>LIABILITIES:</u>	
Current Liabilities:	
Accounts Payable and Accrued Liabilities	\$ 11,131
Due to Other Funds	304,849
Deferred Revenue	<u>937</u>
Total Liabilities	<u>\$ 316,917</u>
<u>NET POSITION:</u>	
Invested in Capital Assets	\$ 33,098
Unrestricted (Deficit)	<u>(42,826)</u>
Total Net Position/(Deficit)	<u>\$ (9,728)</u>
TOTAL LIABILITIES AND NET POSITION/(DEFICIT)	<u>\$ 307,189</u>

(See Accompanying Notes and Auditor's Report)

TUSSEY MOUNTAIN SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Enterprise Fund</u> <u>Food Service</u>
<u>OPERATING REVENUES:</u>	
Food Service Revenue	\$ <u>214,219</u>
Total Operating Revenues	\$ <u>214,219</u>
<u>OPERATING EXPENSES:</u>	
Personnel Services - Salaries	\$ 214,462
Personnel Services - Employee Benefits	189,345
Food Costs, Serving and Supplies	394,558
Utilities	43,987
Repairs and Maintenance	8,019
Depreciation	<u>6,626</u>
Total Operating Expenses	\$ <u>856,997</u>
Operating Income (Loss)	\$ <u>(642,778)</u>
<u>NONOPERATING REVENUES (EXPENSES):</u>	
Interest Earnings	\$ 236
State Sources	20,553
Federal Sources	419,184
Local Source - Contribution	<u>8,359</u>
Total Non-operating Revenues (Expenses)	\$ <u>448,332</u>
Change in Net Position Before Operating	
Transfers In (Out)	\$ (194,446)
Operating Transfers In (Out)	<u>186,710</u>
Change in Net Position	\$ (7,736)
Net Position/(Deficit) - Beginning of Year	<u>(1,992)</u>
Net Position/(Deficit) - End of Year	<u><u>(9,728)</u></u>

(See Accompanying Notes and Auditor's Report)

TUSSEY MOUNTAIN SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2019

	Enterprise Fund Food Service
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	
Received from User Charges	\$ 214,219
Payments to Employees for Services	(201,189)
Payments to Suppliers for Goods and Services	(403,220)
Net Cash from Operating Activities	\$ (390,190)
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</u>	
Nonoperating Grants Received	\$ 361,475
Contributions Received	8,359
Net Cash from Non-Capital Financing Activities	\$ 369,834
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>	
Purchase of Fixed Assets	\$ (6,511)
Net Cash Flows from Capital and Related Financing Activities	\$ (6,511)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>	
Interest on Investments	\$ 236
Net Cash Flows from Investing Activities	\$ 236
Net Change in Cash and Cash Equivalents	\$ 2,947
Cash and Cash Equivalents - Beginning of Year	216,219
Cash and Cash Equivalents - End of Year	\$ 219,166
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES:</u>	
Operating Income (Loss)	\$ (642,778)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used By Operating Activities:	
Depreciation	6,626
Commodities Used	30,968
Other Non-cash Expenses - Utilities and Labor Transferred from General Fund	186,710
Changes in Assets and Liabilities:	
Purchased Inventories - Increase	(2,866)
Due to Other Funds - Increase	76,498
Due from Other Governments - Increase	(47,294)
Accounts Payable and Accrued Liabilities - Increase	1,946
Net Cash Used by Operating Activities	\$ (390,190)

NONCASH NONCAPITAL FINANCING ACTIVITIES:

During the year, the District received \$31,547 of food commodities from the U.S. Department of Agriculture. The proprietary fund purchased fixed assets in the amount of \$17,716, which was a noncash transaction for the proprietary fund, as the transaction was accounted for as a payable to the general fund.

(See Accompanying Notes and Auditor's Report)

TUSSEY MOUNTAIN SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2019

	<u>Private Purpose Trust</u>	<u>Agency Fund</u>
<u>Assets:</u>		
Cash and Cash Equivalents	\$ 46,508	\$ 90,361
Investments	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 46,508</u>	<u>\$ 90,361</u>
<u>Liabilities:</u>		
Due to Student Groups	\$ -	\$ 90,361
Total Liabilities	<u>\$ -</u>	<u>\$ 90,361</u>
<u>Net Position:</u>		
Reserved for Scholarships	\$ 6,078	
Unreserved	-	
Net Position Held in Trust for Health Insurance Benefits	<u>40,430</u>	
Total Net Position	<u>\$ 46,508</u>	

(See Accompanying Notes and Auditor's Report)

TUSSEY MOUNTAIN SCHOOL DISTRICT  
STATEMENT OF CHANGES IN NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Private Purpose Trust</u>
<u>Additions:</u>	
Interest	\$ 33
Employer Contributions	18,000
 <u>Deductions:</u>	
Health Benefits	(26,584)
Scholarships	<u>(450)</u>
Change in Net Position	\$ (9,001)
Net Position - Beginning of Year	<u>55,509</u>
Net Position - End of Year	<u><u>\$ 46,508</u></u>

(See Accompanying Notes and Auditor's Report)

TUSSEY MOUNTAIN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

The Tussey Mountain School District is a Pennsylvania School District and part of Intermediate Unit 08. The School District is operating under the guidelines established by the Pennsylvania Department of Education. The District is governed by a nine-member board that is locally elected.

1 - Summary of Significant Accounting Policies:

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP), as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The following is a summary of the significant policies:

A. Reporting Entity:

The criteria used in determining whether other organizations should be included in the District's financial statements as a component unit is financial accountability. The following circumstances set forth a primary government's financial accountability for a legally separate organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

Based upon the School District's evaluation and the above criteria, there are no related organizations, which should be included in the financial statements as either a blended component unit or a discreetly presented component unit of the District.

B. Basic Financial Statements - Government-Wide Statements:

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The District's capital projects and general administrative services are classified as governmental activities. The District's cafeteria fund is classified as a business-type activity.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts: invested in capital assets, net of related debt; restricted net position; and unrestricted net position. When applicable, the District first utilizes restricted resources to finance qualifying activities. During the year ended June 30, 2019, the District had no restricted net position.

TUSSEY MOUNTAIN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

1 - Summary of Significant Accounting Policies: (Continued)

B. Basic Financial Statements - Government-Wide Statements: (Continued)

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions and business-type activities. The functions are also supported by general government revenues (property, per capita, occupational, real estate transfer and earned income taxes, intergovernmental revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants.

Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property, per capita, occupational, real estate transfer and earned income taxes, intergovernmental revenues, interest, etc.).

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

C. Basic Financial Statements - Fund Financial Statements:

The accounts of the Tussey Mountain School District are organized on the basis of separate funds, each of which is considered a separate accounting entity. The transactions of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A brief description of the funds and each major fund type is presented below:

Governmental Fund Types - The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the District:

Major Funds:

General Fund - The principal operating fund of the District used to account for all financial resources except those required to be accounted for in another fund. The General Fund also includes the Athletic Fund, which is used to account for the proceeds and expenditures of the athletic department.

Capital Project Fund - Used to account for resources for the acquisition or construction of capital facilities. This fund is considered a major fund based on meeting the two criteria listed above.

TUSSEY MOUNTAIN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

1 - Summary of Significant Accounting Policies: (Continued)

C. Basic Financial Statements - Fund Financial Statements: (Continued)

Proprietary Fund Types - The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. For purposes of the Proprietary Fund cash flow statement, cash equivalents are short-term, highly liquid investments with maturities of three months or less. The following is a description of the proprietary fund of the District:

Major Fund:

Enterprise Fund - Used to account for the operation of the Food Services Division. This fund is considered a major fund as it was determined by District officials to be “particularly important to financial statement users.”

Fiduciary Fund Types - Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support District programs. The reporting focus is on net position and changes in net position and are reported using accounting principles similar to proprietary funds. The following is a description of the fiduciary funds of the District:

Agency Fund - Used to account for the Student Activities Fund and is custodial in nature (assets equal liabilities).

Private Purpose Trust Fund - Used to account for assets the District holds in a trustee capacity for others when both the principal and the income earned by the principal may be used for the purpose specified in the trust agreement.

The District's fiduciary funds are presented in the fiduciary fund financial statements by type (private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

D. Basis of Accounting:

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurement made, regardless of the measurement focus applied.

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The governmental funds utilize the modified accrual basis of accounting. Under this method of accounting, revenues are recognized when received except for revenues subject to accrual which are recorded as receivable when measurable and available to finance current period expenditures.

TUSSEY MOUNTAIN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

1 - Summary of Significant Accounting Policies: (Continued)

D. Basis of Accounting: (Continued)

Property taxes are billed and collected within the same period in which the taxes are levied. The District considers property, earned income taxes, and similar revenue streams as available if they are collected by the District within 60 days after year end. Revenues from federal, state, and other grants designated for payment of specific District expenditures are recognized when the related expenditures are incurred. Any excess of revenues or expenditures at the year end is recorded as deferred revenue or a receivable.

Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except expenditures for principal and interest on long-term debt and certain other long-term obligations which are recognized when paid. Accrued Compensated Assets are recorded to the financial statements at the amount estimated to be used in the subsequent period.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the School District's proprietary funds are food service charges. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non-operating revenue.

E. Cash and Cash Equivalents and Investments:

For the purpose of financial statement presentation, cash equivalents are short-term, highly liquid investments with maturities of three months or less.

Investments - Investments are stated at fair value, except for investments held in a 2a7-like pools (Pennsylvania Local Government Investment Trust and Pennsylvania School District Liquid Asset Fund) are recorded at the pool's share price.

The Tussey Mountain School District may invest in the following:

1. United States Treasury bills.
2. Short-Term obligations of the United States Government or its agencies or instrumentalities.
3. Deposits in savings accounts or time deposits with institutions having their principal place of business in the Commonwealth of Pennsylvania, and insured by the Federal Deposit Insurance Corporation (FDIC), the Federal Savings and Loan Insurance Corporation (FSLIC), the National Credit Union Share Insurance Fund, the Pennsylvania Deposit Insurance Corporation, or the Pennsylvania Savings Association Insurance Corporation to the extent that such deposits are insured and/or collateralized by pledging of assets, in accordance with law.
4. Obligations of the United States of America, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities that are backed by the full faith and credit of the political subdivision.

TUSSEY MOUNTAIN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

1 - Summary of Significant Accounting Policies: (Continued)

E. Cash and Cash Equivalents and Investments: (Continued)

Investments - (Continued)

5. Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, provided the only investments of that company are in the authorized investments for funds listed in (1) through (4).
6. Certificates of Deposit purchased from institutions insured by Federal Deposit Insurance Corporation (FDIC), the Federal Savings and Loan Insurance Corporation (FSLIC), the National Credit Union Share Insurance Fund, the Pennsylvania Deposit Insurance Corporation, or the Pennsylvania Savings Association Insurance Corporation to the extent that such deposits are insured and/or collateralized by pledging of assets, in accordance with law.

F. Inventories:

Inventories shown in the food service fund consist of food and supplies held for consumption at cost using the first-in/first-out (FIFO) method, with the exception of donated commodities, which are valued based on the U.S.D.A. commodity price list. Purchased food inventory amounted to \$6,694 and U.S.D.A. Donated Commodities Inventory amounted to \$937 at June 30, 2019, for a total of \$7,631. In the general fund the cost of inventory has been recorded as an expenditure at the time purchased.

G. Prepaid Expenses:

Prepaid expenses are for payments made by the District in the current year to provide services occurring in the subsequent fiscal year. As has been the policy of the District, only prepaid fringe benefits and operating expenses are recognized in the governmental funds along with a corresponding reserve of the fund balance. In addition to the prepaid fringe benefits, prepaid operating expenses are also recognized in the governmental-wide statements.

H. Capital Assets:

Capital assets purchased or acquired with an original cost of \$500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20-50 years
Machinery and Equipment	5-10 years
Improvements	10-20 years

TUSSEY MOUNTAIN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

1 - Summary of Significant Accounting Policies: (Continued)

I. Deferred Outflows/Inflows of Resources:

*Deferred Outflows of Resources:*

Deferred outflows of resources represent a consumption of net position that applies to future periods and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflow of resources is related to pensions, which primarily results from changes in the total pension liability and the pension plans fiduciary net position. This also results from contributions made to the plan between measurement date of the net pension liability and the end of the District's fiscal year, as well as the difference between District contributions and proportionate share of contributions. The deferred outflow amounted to \$2,679,591 as of June 30, 2019, and is reported in the statement of net position. The second item, deferred charge on refunding, results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. In the fund financial statements, governmental fund types recognize the deferred charge on refunding as an expense during the current period. The amount of deferred charge on refunding, net of amortization, as of June 30, 2019, was \$218,599. The third item is related to other postemployment benefits (OPEB), which primarily results from changes in OPEB liability assumptions and contributions made to the plan between the measurement date of the OPEB liability and the end of the District's fiscal year. This deferred outflow amounted to \$120,363 as of June 30, 2019.

*Deferred Inflows of Resources:*

The District's government-wide statement of net position and its governmental fund balance sheet report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and, therefore, will not be recognized as an inflow of resources (revenue) until that time. The District has several of these items. In the statement of net position, deferred inflows of resources related to pensions are reported for actual pension plan investment earnings in excess of the expected amount included in determining pension expense, and relatively minor changes in estimates. The deferred inflow of resources is attributed to pension expense over a total of five years, including the current year. This deferred inflow amounted to \$2,691,000 and is reported in the Statement of Net Position at June 30, 2019. In the statement of net position, deferred inflows of resources related to other postemployment benefits (OPEB) are attributed to changes in assumptions and proportions related to the OPEB liability calculation. This deferred inflow amounted to \$373,828 as of June 30, 2019. In the governmental funds, the deferred inflows of resources are for revenues that are not considered available. The District will not recognize the related revenues until they are available (collected no later than 60 days after the end of the District's fiscal year) under the modified accrual basis of accounting. Accordingly, this item, unavailable revenue from property taxes, is reported only in the governmental funds balance sheet. As of June 30, 2019, the amount of deferred inflows of resources is \$335,210 for the governmental funds.

TUSSEY MOUNTAIN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

1 - Summary of Significant Accounting Policies: (Continued)

J. Tax Levies:

The following tax levies for the school year were approved by board resolution:

- a) 50.06 Mills - Real Estate in Huntingdon County
- b) 10.67 Mills - Real Estate in Bedford County
- c) \$5.00 - Section 679, Per Capita Tax
- d) \$5.00 - Section 511, Per Capita Tax
- e) 1% - Act 511, Earned Income Tax
- f) 1% Property or 1/2 of 1% Property where preempted - Real Estate Transfer Tax
- g) \$10.00 - Act 511, Local Services Tax or \$5.00 where shared with a political subdivision

The schedule for real estate taxes levied for each year is generally as follows:

Huntingdon County:

July 1	- Levy Date
July 1 - August 31	- 2% Discount Period
September 1 - October 31	- Face Payment Period
November 1 - December 31	- 5% Penalty Period
June 30	- Lien Date

Bedford County:

July 1	- Levy Date
July 1 - September 30	- 2% Discount Period
October 1 - November 30	- Face Payment Period
December 1 - December 31	- 5% Penalty Period
June 30	- Lien Date

K. Budgetary Process:

An operating budget is adopted prior to the beginning of each year for the General and Special Revenue Funds on the modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required. The final budget shall include any necessary changes from the adopted preliminary budget. The final budget shall be made available for public inspection at least 20 days prior to final adoption. The School Board shall annually adopt the final budget by a majority vote of all members of the Board prior to June 30. At least 30 days prior to adoption of the final budget the Board shall prepare a proposed budget. The proposed budget shall be available for public inspection at least 20 days prior to adoption of the budget. The Board shall give public notice of its intent to adopt at least 10 days prior to adoption of the proposed budget.

TUSSEY MOUNTAIN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

1 - Summary of Significant Accounting Policies: (Continued)

K. Budgetary Process: (Continued)

Legal budgetary control is maintained at the sub-function/major object level. The PA School Code allows the School Board to make budgetary transfers between major function and major object codes only within the last nine months of the fiscal year, unless there is a two-thirds majority of the Board approving the transfer. 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 effect of approved budget amendments, if any.

L. Accrued Compensated Absences:

Vacation Leave:

The District accrues accumulated unpaid vacation when earned (or estimated to be earned) by the employee. The non-current portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations. Twelve-month employees of the District are granted vacation leave as detailed in their respective contracts. Unused leave may be accumulated from year to year subject to maximum carryover provisions. Employees may be paid for unused leave at termination or retirement. Leave is earned and may be carried over as follows:

<u>Contract</u>	<u>Earned Per Year</u>	<u>Maximum Carryover</u>
Administrative/Support	10-20 Days	30-40 Days
Confidential Secretaries	10-15 Days	40 Days
Superintendent	20 Days	40 Days
Tussey Mountain Educational Support Personnel	5-15 Days	0 Days

M. Governmental Fund Balances:

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement defines the types of fund balances that a governmental entity must use for financial reporting purposes. These classifications are defined as follows:

**Nonspendable Fund Balance -**

The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

TUSSEY MOUNTAIN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

1 - Summary of Significant Accounting Policies: (Continued)

M. Governmental Fund Balances: (Continued)

**Restricted Fund Balance -**

The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

**Committed Fund Balance -**

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the District's highest level of decision-making authority.

In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the highest level of decision-making authority.

**Assigned Fund Balance -**

The assigned fund balance classification reflects amounts that the District *intends* to be used for specific purposes. Assignments may be established either by the governing body or by a designee of the governing body, and are subject to neither the restricted nor committed levels of constraint.

In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the highest level of decision-making authority. The action does not require the same level of formality and may be delegated to another body or official.

**Unassigned Fund Balance -**

In the general fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes.

In any fund other than the general fund, a positive unassigned fund balance is never reported because amounts in any other fund are assumed to have been assigned, at least, to the purpose of that fund. However, deficits in any fund, including the general fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

TUSSEY MOUNTAIN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

1 - Summary of Significant Accounting Policies: (Continued)

M. Governmental Fund Balances: (Continued)

**Unassigned Fund Balance -** (Continued)

Fund Balances for the year ended June 30, 2019, consisted of the following:

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
Nonspendable:			
Prepaid Expenses	\$ 53,160	\$ -	\$ 53,160
Restricted	-	-	-
Committed	-	-	-
Assigned for:			
Capital Improvements	-	1,245,241	1,245,241
Athletic Fund	11,717	-	11,717
Unassigned	<u>3,890,503</u>	<u>-</u>	<u>3,890,503</u>
Total	<u>\$ 3,955,380</u>	<u>\$ 1,245,241</u>	<u>\$ 5,200,621</u>

Classification Policies and Procedures

Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the District’s Board of Education through a board resolution. A resolution also must be passed by the Board to modify or rescind committed fund balances. Assigned fund balances are constrained by an intent to be used for specific purposes but are neither restricted or committed. Through resolution, the Board of Education has delegated assignment authority to the business manager but it retains the right to undo any assignments created by the business manager.

Order of Fund Balance Spending Policy

The District’s policy is to apply expenditures against restricted fund balances first when both restricted and unrestricted fund balances are available. When resources are available from multiple sources for a specific purpose, expenditures are applied against fund balances in the following order: Committed Fund Balance, Assigned Fund Balance and Unassigned Fund Balance.

TUSSEY MOUNTAIN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

1 - Summary of Significant Accounting Policies: (Continued)

N. 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 amount of assets, liabilities, revenues and expenses at the date of the financial statements. Actual results could differ from these estimates.

2 - Cash, Cash Equivalents and Investments:

Cash and Cash Equivalents:

All of the deposits at June 30, 2019, consisted of checking, savings accounts, and a certificate of deposit. This was the nature of the accounts that were maintained throughout the year. All of these deposits are carried at cost. The carrying amounts of deposits are separately displayed on the balance sheet as "Cash and Cash Equivalents." At June 30, 2019, the carrying amount of the District's deposits was \$2,650,946 and the bank balance was \$2,712,213. The carrying amount of the deposits of \$2,650,946 consists of:

Governmental Funds	\$ 2,294,911
Proprietary Fund	219,166
Private Purpose Trust Fund	46,508
Agency Fund	<u>90,361</u>
Total	<u>\$ 2,650,946</u>

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Tussey Mountain School District has not adopted policies pertaining to deposits subject to custodial credit risk. The Tussey Mountain School District maintains the majority of its cash in one financial institution. Federal Deposit Insurance Corporation (FDIC) Insurance coverage was \$250,000 per bank institution where accounts are maintained. Of the total bank balance, \$296,508 was insured by the Federal Depository Insurance Corporation (FDIC). Of the remaining bank balance, \$2,415,705 is collateralized by securities held by the pledging financial institution, but not in the School District's name.

Due to increased cash flows at certain times during the year, the Tussey Mountain School District's deposits for which securities were held by the pledging financial institutions may have increased significantly. As a result, these amounts may have been substantially higher than at year end.

Reconciliation to government-wide Statement of Net Position:

Unrestricted Cash	\$ 2,514,077
Fiduciary Fund Cash	
(Not included in government-wide statements)	<u>136,869</u>
Total	<u>\$ 2,650,946</u>

TUSSEY MOUNTAIN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

2 - Cash, Cash Equivalents and Investments: (Continued)

Investments:

The District's investments as of June 30, 2019, are \$3,268,374, which are invested in the Pennsylvania Local Government Investment Trust. As of June 30, 2019, PLGIT was rated as AAAM by a nationally recognized statistical rating organization.

Funds deposited with the Pennsylvania Local Government Investment Trust (PLGIT) are valued at amortized cost, which approximates fair value, and is determined by the pools share price. This trust invests in obligations backed by the full faith and credit of the United States Government and the Commonwealth of Pennsylvania and its agencies, instrumentalities and political subdivisions. This trust also invests in certificates of deposit which are insured by the Federal Deposit Insurance Corporation or which are collateralized as provided by law. The trust is considered to be an external investment pool. Their annual audit report can be accessed through their website.

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 - State law limits investments of school district's to certain types of investments as disclosed in Note 1.E. to these financial statements. The District has no investment policy that would further limit its investment choices.

Concentration of Credit Risk - The District places no limit on the amount the District may invest in any one issuer. More than 5 percent of the District's investments are in the Pennsylvania Local Government Investment Trust.

Reconciliation to government-wide Statement of Net Position:

Investments - General Fund	\$ 2,023,133
Investments - Capital Projects Fund	<u>1,245,241</u>
Sub-Total Government-Wide Statements	<u>\$ 3,268,374</u>
Total Investments	<u>\$ 3,268,374</u>

Investments per the Fund Financial Statements are reported as follows:

Investments - General Fund	\$ 2,023,133
Investments - Capital Projects Fund	<u>1,245,241</u>
Total Government Funds	<u>\$ 3,268,374</u>

TUSSEY MOUNTAIN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

3 - Taxes Receivable:

Real Estate and Per Capita Taxes:

Balance of Taxes Receivable - July 1, 2018		\$	556,537
Add: Current Taxes Returned to Counties			
Real Estate	\$		590,354
Per Capita		13,430	603,784
Deduct: Current Year Collection of Delinquent Taxes			<u>(570,921)</u>
Outstanding Balances Delinquent Taxes Receivable - June 30, 2019		\$	589,400
Less: Estimated Uncollectible Taxes			<u>(141,352)</u>
Estimated Collectible Delinquent Taxes Receivable - June 30, 2019			\$ 448,048

Earned Income Taxes

Balance of Taxes Receivable - June 30, 2019			<u>29,719</u>
Total			<u>\$ 477,767</u>

The above as presented are considered to be fully collectible by management.

4 - Internal Balances and Interfund Receivable/Payable/Transfers:

Interfund activity is reported as loans, services provided reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers within governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements. Individual fund interfund receivable and payable balances at June 30, 2019, were as follows:

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ 304,849	\$ -
Proprietary Fund - Food Service	<u>-</u>	<u>304,849</u>
Total	<u>\$ 304,849</u>	<u>\$ 304,849</u>

TUSSEY MOUNTAIN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

4 - Internal Balances and Interfund Receivable/Payable/Transfers: (Continued)

The amount due from the cafeteria fund consists of reimbursements due to the general fund for wages and benefits. Approximately \$50,000 is expected to be repaid within one year. Interfund transfers for the year ended June 30, 2019, were as follows:

	<u>Transfers from</u>	<u>Transfers to</u>
General Fund	\$ 386,710	\$ -
Capital Projects Fund	-	200,000
Proprietary Fund - Food Service	-	186,710
Total	<u>\$ 386,710</u>	<u>\$ 386,710</u>

The proprietary fund transfer consisted of expenditures incurred by the general fund on behalf of the proprietary fund that were in turn relieved by the general fund. This transfer also included a portion of the interfund balance from the prior year that is not going to be repaid by the proprietary fund.

5 - Intergovernmental Receivables:

Intergovernmental Receivables as of June 30, 2019, consisted of:

General Fund:

Federal:

21 <sup>st</sup> Century Grant	\$ 31,957
Title I	20,345
IDEA	110,982
Title II	5,493

State and Local:

Subsidies Due from the Commonwealth of Pennsylvania	662,811
Tuition from Other Districts	59,581
Strengthening Families	3,931

Total General Fund	<u>\$ 895,100</u>
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Total Intergovernmental Receivables	<u>\$ 895,100</u>
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All of the above receivables are considered to be fully collectible by management.

TUSSEY MOUNTAIN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

6 - Deferred Revenue:

General Fund - Grants	\$ 96,958
Proprietary Fund - Federal USDA Donated Food Commodities	<u>937</u>
Total	<u>\$ 97,895</u>

The deferred federal funds represent grant funds and USDA donated food received for restricted purposes in excess of expenditures incurred.

7 - Capital Assets:

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental Activities:</u>				
Capital Assets				
Not being Depreciated:				
Land	\$ 143,427	\$ -	\$ -	\$ 143,427
Total Capital Assets				
Not being Depreciated	\$ 143,427	\$ -	\$ -	\$ 143,427
Other Capital Assets:				
Buildings, Improvements and Land Improvements	\$ 34,910,502	\$ 193,684	\$ (1,663,056)	\$ 33,441,130
Furniture, Equipment and Other Depreciable Assets	<u>1,437,375</u>	<u>83,296</u>	<u>(66,144)</u>	<u>1,454,527</u>
Total Other Capital Assets	<u>\$ 36,347,877</u>	<u>\$ 276,980</u>	<u>\$ (1,729,200)</u>	<u>\$ 34,895,657</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	\$ (9,171,751)	\$ (695,699)	\$ 1,111,652	\$ (8,755,798)
Furniture, Equipment and Other Depreciable Assets	<u>(1,155,716)</u>	<u>(78,426)</u>	<u>55,567</u>	<u>(1,178,575)</u>
Total Accumulated Depreciation	<u>\$ (10,327,467)</u>	<u>\$ (774,125)</u>	<u>\$ 1,167,219</u>	<u>\$ (9,934,373)</u>
Other Capital Assets, Net	<u>\$ 26,020,410</u>	<u>\$ (497,145)</u>	<u>\$ (561,981)</u>	<u>\$ 24,961,284</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 26,163,837</u>	<u>\$ (497,145)</u>	<u>\$ (561,981)</u>	<u>\$ 25,104,711</u>

TUSSEY MOUNTAIN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

7 - Capital Assets: (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-type Activities:</u>				
Furniture and Equipment	\$ 133,693	\$ 24,227	\$ -	\$ 157,920
Less Accumulated Depreciation for:				
Furniture and Equipment	(118,196)	(6,626)	-	(124,822)
Business-type Activities				
Capital Assets, Net	\$ 15,497	\$ 17,601	\$ -	\$ 33,098

Depreciation expense was charged to functions as follows:

Governmental Activities:

Instruction	\$ 50,977
Support Services	25,096
Operation of Non Instructional Services	2,353
Building Services	695,699

Total Governmental Activities Depreciation Expense \$ 774,125

Business-type Activities:

Food Service	\$ 6,626
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Total Business-type Activities Depreciation Expense \$ 6,626

Total Depreciation Expense \$ 780,751

8 - Long-Term Liabilities:

The following is a summary of the changes of long-term liabilities for the year ended June 30, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year	Amounts Due Thereafter
<u>Governmental Activities:</u>						
2017A Bond Issue	\$ 5,085,000	\$ -	\$ 30,000	\$ 5,055,000	\$ 545,000	\$ 4,510,000
2017 Bond Issue	9,090,000	-	550,000	8,540,000	60,000	8,480,000
2015 Bond Issue	5,785,000	-	660,000	5,125,000	680,000	4,445,000
2012 Loan	37,857	-	37,857	-	-	-
Loan - Vehicle	5,575	-	2,575	3,000	2,575	425
Compensated Absences	91,269	-	1,413	89,856	14,976	74,880
Total	\$ 20,094,701	\$ -	\$ 1,281,845	\$ 18,812,856	\$ 1,302,551	\$ 17,510,305

TUSSEY MOUNTAIN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

8 - Long-Term Liabilities: (Continued)

The above liabilities will be liquidated by the general fund of the District. The above compensated absences represent the net change in accumulated unpaid vacation.

On February 23, 2017, the Tussey Mountain School District issued \$9,750,000 in General Obligation Bonds series of 2017 with interest rates ranging between 0.95% and 3.5%. These bonds were issued at a net premium of \$103,522. The District issued the bonds to partially refund, on a current refunding basis, the District's General Obligation Bonds, Series of 2011, outstanding in the aggregate principal amount of \$9,710,000, and pay all allocable costs of the issuance of the bonds. The premium in the amount of \$103,522 is being amortized as interest expense over the 12-year life of the bonds. As of June 30, 2019, the unamortized bond premium is \$79,633. Of this amount, \$7,963 is considered current. There is a deferred charge on refunding in the amount of \$132,175 which is being amortized as interest expense over the 12-year life of the bonds. As of June 30, 2019, the unamortized deferred charge on refunding is \$101,674 which is recorded in the Government Wide Statement of Net Position as a Deferred Outflow of Resources. There were also bond issue costs in the amount of \$94,067 related to this bond. During the year a principal payment of \$550,000 has been made, therefore the principal balance is \$8,540,000 at June 30, 2019. The following is a bond maturity schedule as of June 30, 2019:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 60,000	\$ 268,263	\$ 328,263
2021	60,000	267,063	327,063
2022	640,000	265,263	905,263
2023	665,000	246,063	911,063
2024	690,000	226,113	916,113
2025-2029	<u>6,425,000</u>	<u>723,700</u>	<u>7,148,700</u>
Total	<u>\$ 8,540,000</u>	<u>\$ 1,996,465</u>	<u>\$ 10,536,465</u>

On May 31, 2017, the Tussey Mountain School District issued \$5,140,000 in General Obligation Bonds series of A 2017 with interest rates ranging between 2.00% and 3.0%. These bonds were issued at a discount of \$62,594. The District issued the bonds to refund, on a current refunding basis, the District's General Obligation Bonds, Series of 2012, outstanding in the aggregate principal amount of \$5,380,000, and pay all allocable costs of the issuance of the bonds. The discount in the amount of \$62,594 is being amortized as interest expense over the 14-year life of the bonds. As of June 30, 2019, the unamortized bond discount is \$50,075. Of this amount, \$4,173 is considered current. There is a deferred charge on refunding in the amount of \$78,458 which is being amortized as interest expense over the 14-year life of the bonds. As of June 30, 2019, the unamortized deferred charge on refunding is \$60,353 which is recorded in the Government Wide Statement of Net Position as a Deferred Outflow of Resources. There were also bond issue costs in the amount of \$78,584 related to this bond. The principal balance is \$5,055,000 at June 30, 2019.

TUSSEY MOUNTAIN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

8 - Long-Term Liabilities: (Continued)

The following is a bond maturity schedule as of June 30, 2019:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 545,000	\$ 151,075	\$ 696,075
2021	570,000	134,725	704,725
2022	20,000	117,625	137,625
2023	20,000	117,125	137,125
2024	25,000	116,625	141,625
2025-2029	125,000	573,375	698,375
2030-2031	<u>3,750,000</u>	<u>169,800</u>	<u>3,919,800</u>
Total	<u>\$ 5,055,000</u>	<u>\$ 1,380,350</u>	<u>\$ 6,435,350</u>

On July 9, 2015, the Tussey Mountain School District issued \$7,600,000 in General Obligation Bonds series of 2015 with interest rates ranging between 2.00% and 3.00%. These bonds were issued at a premium of \$42,881. The District issued the bonds to partially refund, on a current refunding basis, the District's General Obligation Bonds, Series of 2010, outstanding in the aggregate principal amount of \$7,375,000, and pay all allocable costs of the issuance of the bonds. The premium in the amount of \$42,881 is being amortized as interest expense over the 10-year life of the bonds. As of June 30, 2019, the unamortized bond premium is \$27,288. Of this amount, \$3,898 is considered current. There is a deferred charge on refunding in the amount of \$88,900 which is being amortized as interest expense over the 10-year life of the bonds. As of June 30, 2019, the unamortized deferred charge on refunding is \$56,572 which is recorded in the Government Wide Statement of Net Position as a Deferred Outflow of Resources. There were also bond issue costs in the amount of \$153,337 related to this bond. During the year a principal payment of \$660,000 has been made, therefore the principal balance is \$5,125,000 at June 30, 2019. The following is a bond maturity schedule as of June 30, 2019:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 680,000	\$ 129,148	\$ 809,148
2021	700,000	108,748	808,748
2022	715,000	94,048	809,048
2023	730,000	77,960	807,960
2024	745,000	60,623	805,623
2025-2026	<u>1,555,000</u>	<u>63,723</u>	<u>1,618,723</u>
Total	<u>\$ 5,125,000</u>	<u>\$ 534,250</u>	<u>\$ 5,659,250</u>

During the year ended June 30, 2012, the Tussey Mountain School District entered into a loan agreement with Allegheny Electric Cooperative, from its Rural Electric Community Assistance Fund. The amount of the loan agreement is \$100,000. Funds were used for the purchase and installation of improvements to the athletic field complex at the high school. The loan was scheduled to be paid in 20 semi-annual installments each in the amount of \$5,682. The effective interest rate of this loan was 2.50 percent per annum. Interest expense was \$882 for the year. This loan was paid off during the year and, therefore, there was no principal balance at June 30, 2019.

TUSSEY MOUNTAIN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

8 - Long-Term Liabilities: (Continued)

During the year ended June 30, 2015, the Tussey Mountain School District entered into a loan for a vehicle. The amount of the loan is \$15,450. The loan is expected to be paid in 72 monthly installments each in the amount of \$215. The loan payments began on August 26, 2015, and the loan is secured by the vehicle. There is no interest on this loan. The principal balance as of June 30, 2019, is \$3,000. The following is a loan maturity schedule as of June 30, 2019:

<u>Year Ending June 30</u>	<u>Principal</u>
2020	\$ 2,575
2021	<u>425</u>
Total	<u>\$ 3,000</u>

The interest expense reported in the government-wide statements is \$593,223, which is reported in the Statement of Activities as a separate line item.

9 - Retirement Plan:

Summary of Significant Accounting Policies:

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

Plan Description:

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

Benefits Provided:

Benefits are provided by PSERS by statute, therefore financial statement amounts are affected by PSERS activity. The District's reported amounts will vary over time depending on the pension results of PSERS. 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 credited service regardless of age.

TUSSEY MOUNTAIN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

9 - Retirement Plan: (Continued)

Benefits Provided: (Continued)

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 Retirement 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. Benefit terms may be adjusted by passing bills in the Pennsylvania Senate and House of Representatives and sending them to the Governor for approval.

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 Retirement 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.

**Contributions**

Member Contributions:

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

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

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

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

TUSSEY MOUNTAIN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

9 - Retirement Plan: (Continued)

**Contributions** (Continued)

Member Contributions: (Continued)

Membership Class T-E and Class T-F are affected by a “shared risk” provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.30% and 12.30%.

Employer Contributions:

The District’s contractually required contribution rate for fiscal year ended June 30, 2019, was 32.60% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$1,938,828 for the year ended June 30, 2019.

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

At June 30, 2019, the District reported a liability of \$21,410,000 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, 2018, the District’s proportion was .045%, which was a decrease of .002% from its proportion measured as of June 30, 2017. For the year ended June 30, 2019, the District recognized pension expense of \$1,305,670. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net Difference between Projected and Actual Earnings on Pension Plan Investment	\$ 105,000	\$ -
Net Different between Projected and Actual Experience	172,000	331,000
Changes in Assumptions	399,000	-
Changes in Proportions	39,000	2,360,000
Difference between District Contributions and Proportionate Share of Contributions	25,763	-
District Contributions subsequent to the Measurement Date	<u>1,938,828</u>	<u>-</u>
Balance at June 30, 2019	<u>\$ 2,679,591</u>	<u>\$ 2,691,000</u>

TUSSEY MOUNTAIN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

9 - Retirement Plan: (Continued)

Pensions Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: (Continued)

An amount of \$1,938,828 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, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2020	\$ (2,459,229)
2021	(1,288,902)
2022	1,335,267
2023	<u>462,627</u>
Total	<u>\$ (1,950,237)</u>

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, actuarial valuation 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 - 7.25%, includes inflation at 2.75%
- Salary increases - Effective average of 5.00%, which reflects an allowance for inflation of 2.75%, real wage growth of 2.25%, and merit or seniority increases of 2.25%
- Mortality rates were based on the RP-2014 Mortality Tables (male and female) 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 weighing 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.

TUSSEY MOUNTAIN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

9 - Retirement Plan: (Continued)

Actuarial Assumptions: (Continued)

Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

A schedule of plan investments by asset class, target allocations, and long-term expected real rate of return is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Public Equity	20.0%	5.1%
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)	<u>(20.0%)</u>	0.9%
	<u>100.00%</u>	

For the year ended June 30, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 9.30%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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 plans 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.

TUSSEY MOUNTAIN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

9 - Retirement Plan: (Continued)

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

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

	<u>Net Pension Liability 1% Decrease - 6.25%</u>	<u>Net Pension Liability Current Discount Rate - 7.25%</u>	<u>Net Pension Liability 1% Increase - 8.25%</u>
District's Proportionate Share of the net Pension Liability	<u>\$ 26,540,000</u>	<u>\$ 21,410,000</u>	<u>\$ 17,073,000</u>

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).

As of June 30, 2019, \$559,932 is payable to the plan for the last quarter of the year, which is the quarterly billed contribution amount.

10 - Tax Sheltered Annuity:

The District also has an optional contributory retirement plan that covers employees electing to be included in the plan. This plan is administered by a third party. The School District does not contribute to this plan as all contributions are made by the employees. The amount contributed to the plan by the employees during the year was \$94,154.

11 - Post-employment Benefits:

**District Plan**

Plan Description:

The District's postemployment benefit plan covers medical benefits and cash payments. The District insures the healthcare benefits as part of a local consortium consisting of other local school districts. The retiree's premium for the group insurance is payable in advance on a monthly basis. The plan does not issue a publicly available financial report. As of July 1, 2018, there were 137 participants in the plan. Eligibility for benefits and benefit amounts are determined by the Plan Administrator and are based on the full and complete plan provisions. The benefits are established in accordance with the requirements set forth by the School Board and Pennsylvania Act 11.

TUSSEY MOUNTAIN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

11 - Post-employment Benefits: (Continued)

**District Plan** (Continued)

Plan Description: (Continued)

*Eligibility for Healthcare Benefits* - Eligible for incentive upon retirement under PSERS superannuation or early retirement provisions with either of the following age and service combinations:

- Teachers
  - Age 55 with 30 years of PSERS service
  - Age 60 with 15 years of PSERS service
- Administrators and Support Staff
  - Age 55 with 25 years of service
  - Age 62 with 1 year of service

*Duration of Healthcare Benefits* - Retiree coverage ends at age 65, death or qualification for Medicare if earlier. Spousal coverage ends at age 65, death, qualification for Medicare or cessation of retiree's coverage if earlier.

*Participant Contributions for Healthcare Coverage*

- Teachers - Retirees who meet the eligibility for the incentive contribute the PSERS premium assistance amount plus any amount by which the monthly premium exceeds \$350. Spouses contribute the full premium amount. Under Act 110/43, participants submit the entire premium amount to the Insurance Consortium.
- Administrators and Support Staff - Participants submit the entire premium amount to the Insurance Consortium.

*Monthly Premium Rate for 2018-19 Plan Year*

<u>Plan</u>	<u>Retiree</u>	<u>Retiree/Spouse</u>
PPO	\$ 541	\$ 1,476

Employees Covered by Benefit Terms:

At June 30, 2019, the following employees were covered by the benefit term:

Current Retirees	16
Active Employees	<u>121</u>
Total	<u><u>137</u></u>

TUSSEY MOUNTAIN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

11 - Post-employment Benefits: (Continued)

**District Plan** (Continued)

OPEB Liability:

The District's local OPEB liability of \$830,000 was measured as of June 30, 2019, and was determined by an actuarial valuation as of July 1, 2019.

Actuarial Assumptions and Other Inputs:

The local OPEB liability in the July 1, 2019, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry age normal
Salary Increases	Percentages vary by age
Discount Rate	3.50%
Healthcare Cost Trend Rates	Rates gradually decrease from 6.9% in 2020 to 4.0% in 2076, and later based on the Society of Actuaries Long- Run Medical Cost Trend Model.

The discount rate was based on the Bond Buyer 20-Year Bond GO Index at June 30, 2019.

Mortality rates are based on the RP-2014 Mortality Tables adjusted to reflect mortality improvement.

Original Local OPEB Liability as of July 1, 2018	\$ 1,023,000
Changes for the Year:	
Service Cost	47,000
Interest	37,000
Effect of Economic/Demographic (Gains) or Losses	56,000
Changes of Assumptions or Other Inputs	(238,000)
Benefit Payments	<u>(95,000)</u>
Total Changes	<u>\$ (193,000)</u>
Local OPEB Liability as of June 30, 2019	<u>\$ 830,000</u>

TUSSEY MOUNTAIN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

11 - Post-employment Benefits: (Continued)

**District Plan** (Continued)

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

The following presents the local OPEB liability of the District, as well as what the District's local OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50%) or 1-percentage-point higher (4.50%) than the current discount rate:

	<u>1% Decrease 2.50%</u>	<u>Discount Rate 3.50%</u>	<u>1% Increase 4.50%</u>
OPEB Liability	\$ <u>904,000</u>	\$ <u>830,000</u>	\$ <u>760,000</u>

Sensitivity of the OPEB Liability to Changes in the Healthcare Costs Trend Rates:

The following presents the local OPEB liability of the District, as well as what the District's local OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current trend rate:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
OPEB Liability	\$ <u>723,000</u>	\$ <u>830,000</u>	\$ <u>959,000</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:

For the year ended June 30, 2019, the District recognized local OPEB expense of \$58,000. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to the local OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
	<u>Governmental Activities</u>	<u>Governmental Activities</u>
Change of Assumptions	\$ -	\$ 226,000
Net Difference Between Projected and Actual Experience	<u>49,000</u>	<u>-</u>
Total	<u>\$ 49,000</u>	<u>\$ 226,000</u>

TUSSEY MOUNTAIN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

11 - Post-employment Benefits: (Continued)

**District Plan** (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: (Continued)

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

<u>Fiscal Year Ended June 30,</u>	<u>Governmental Activities</u>
2020	\$ (26,000)
2021	(26,000)
2022	(26,000)
2023	(26,000)
2024	(26,000)
Thereafter	<u>(47,000)</u>
Total	<u>\$ (177,000)</u>

**Healthcare Insurance Premium Assistant Plan - PSERS**

Plan Description:

In addition, the Pennsylvania Public School Employees' Retirement System ("PSERS") provides a Health Insurance Premium Assistant Plan ("PSERS Plan"). The PSERS Plan is a governmental cost-sharing, multi-employer, postretirement benefits plan that provides premium assistance to eligible public school employees of the Commonwealth of Pennsylvania. Under the PSERS Plan, 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.

The administrative staff of PSERS administers the PSERS Plan. The control and management of PSERS, including the investment of its assets, is vested in the 15-member Board of Trustees (Board). The Commonwealth General Assembly has the authority to amend the benefit terms of the PSERS Plan by passing a bill in the Senate and House of Representative and sending the bills to the Governor for approval. PSERS issues a publicly available financial report that can be obtained at [www.psers.state.pa.us](http://www.psers.state.pa.us).

Premium Assistance Eligibility Criteria:

Retirees of the System can participate in the PSERS Plan 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 services and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

TUSSEY MOUNTAIN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

11 - Post-employment Benefits: (Continued)

**Healthcare Insurance Premium Assistant Plan - PSERS** (Continued)

Benefits Provided:

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

*Employer Contributions* - The school districts' contractually required contribution rate for fiscal year ended June 30, 2019, was 0.83% of covered payroll, an actuarially determined 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 PSERS Plan from the District were \$49,363 for the year ended June 30, 2019.

Employees Covered by Benefit Terms:

At June 30, 2019, the following employees were covered by the benefit term:

Current Retirees	16
Active Employees	<u>121</u>
 Total	 <u>137</u>

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

At June 30, 2019, the District reported a liability of \$930,000 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 of all School Districts in the PSERS Plan. At June 30, 2018, the District's proportion was 0.045 percent, which was a decrease of .002 from its proportion measured as of June 30, 2017. For the year ended June 30, 2019, the District recognized OPEB expenses of \$23,000.

TUSSEY MOUNTAIN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

11 - Post-employment Benefits: (Continued)

**Healthcare Insurance Premium Assistant Plan - PSERS** (Continued)

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

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
Net Difference Between Projected and Actual Investment Earnings	\$ 2,000	\$ -
Change in the Proportionate Share of the Net Pension Liability	-	107,000
Changes in Assumptions	15,000	35,000
Difference Between Expected and Actual Experience	5,000	-
Difference Between Employer Contributions and Proportionate Share	-	5,828
Contributions Subsequent to the Measurement Date	49,363	-
Total	\$ 71,363	\$ 147,828

The amount of \$49,363 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended June 30,

2020	\$ (23,720)
2021	(23,720)
2022	(23,720)
2023	(25,522)
2024	(27,098)
Thereafter	25,315
Total	(98,465)

TUSSEY MOUNTAIN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

11 - Post-employment Benefits: (Continued)

**Healthcare Insurance Premium Assistant Plan - PSERS** (Continued)

Actuarial Assumptions:

The total OPEB liability as of June 30, 2018, was determined by rolling forward the System's total OPEB liability actuarial valuation as of June 30, 2017, to the June 30, 2018, measurement date 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 and seniority increases
- Premium Assistance Reimbursement - Capped at \$1,200 per year
- Assumed Healthcare Cost Trends - Applied to retirees with less than \$1,200 in premium assistance per year
- Mortality Rates - Based on the RP-2014 Mortality Tables for Males and Females adjusted to reflect PSERS' experience and projected using a modified version of the RP-2015 Mortality Improvement Scale
- Participation Rate
  - Eligible retirees will elect to participate pre age 65 at 50%
  - Eligible retirees will elect to participate post age 65 at 70%

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2018, 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 were based on the RP-2014 Mortality Table for Males and Females, adjusted to reflect PSERS experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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.

TUSSEY MOUNTAIN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

11 - Post-employment Benefits: (Continued)

**Healthcare Insurance Premium Assistant Plan - PSERS** (Continued)

Actuarial Assumptions: (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.9%	0.3%
US Core Fixed Income	92.8%	1.2%
Non-US Developed Fixed	<u>1.3%</u>	0.4%
Total	<u>100.00%</u>	

Discount Rate:

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

Sensitivity in the District's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates:

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

TUSSEY MOUNTAIN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

11 - Post-employment Benefits: (Continued)

**Healthcare Insurance Premium Assistant Plan - PSERS** (Continued)

Sensitivity in the District's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates: (Continued)

The following represents 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 was calculated using health cost trends that are 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
District's Proportionate Share of Net OPEB Liability	\$ <u>930,000</u>	\$ <u>930,000</u>	\$ <u>930,000</u>

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, 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 (1.98%) or 1-percentage-point higher (3.98%) than the current discount rate:

	<u>1% Decrease 1.98%</u>	<u>Current Discount Rate 2.98%</u>	<u>1% Increase 3.98%</u>
District's Proportionate Share of Net OPEB Liability	\$ <u>1,058,000</u>	\$ <u>930,000</u>	\$ <u>824,000</u>

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).

At June 30, 2019, the District reported a payable of \$14,256 for the outstanding amount of contributions to the OPEB plan.

12 - Litigation:

There are potential claims and lawsuits against the Tussey Mountain School District. In the opinion of the District, the potential loss on all claims will not be significant to the Tussey Mountain School District's financial statements.

TUSSEY MOUNTAIN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

13 - Contingencies:

The School District receives Federal and State grants for specific purposes that are subject to review and audit by federal and state agencies. Such audits could result in a request for reimbursement by the agency for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of District management, such disallowances, if any, would not be significant.

14 - Commitments:

Bond and loan payment commitments are discussed in Note 8 to these Financial Statements. The School District completed a building project for improvements and additions to the Junior/Senior High School building during the 2011-2012 fiscal year. These costs were financed by the bond issues as discussed in Note 8.

During the year ended June 30, 2018, the Tussey Mountain School District entered into an operating lease agreement for five (5) copiers. The lease began on May 22, 2018, and continues for sixty (60) months with monthly payments in the amount of \$2,375. The future minimum payments are as follows on this copier operating lease:

<u>Year Ended June 30,</u>	
2020	\$ 28,500
2021	28,500
2022	28,500
2023	<u>26,125</u>
Total	<u>\$ 111,625</u>

During the year ended June 30, 2019, total payments in the amount of \$28,500 were made on this lease.

15- Risk Management:

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The District carries commercial insurance for all risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance in any of the past three years.

16 - Concentration - Proprietary Fund:

Based on the nature and purpose of the Tussey Mountain School - Propriety Food Service Fund, which accounts for the lunch and breakfast program of the School District, there is a significant concentration of revenues from federal and state subsidies.

TUSSEY MOUNTAIN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

17 - Related Parties:

Joint Ventures:

Bedford Somerset Health Insurance Consortium - The District and other surrounding educational institutions created a joint venture, the Bedford Somerset Health Insurance Consortium (the Consortium), to provide adequate and affordable health, hospitalizations, medical services and other insurance coverage to the District's employees and to stabilize the cost of this insurance over the long term. The governing body of the joint venture is comprised of a Director from each participating educational institution. The District pays an estimated monthly premium to the Consortium for health insurance coverage calculated by an annual actuarial assessment. The District's payments of monthly premiums amounted to \$1,690,557 for the year ended June 30, 2019. The Consortium self-funds all claims and utilizes a third party to manage the claims.

18 - Subsequent Events:

The District has evaluated events through May 5, 2020, the date the financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements. Subsequent to the date of these financial statements, during March 2020, the Pennsylvania governor closed school districts, businesses, and other organizations from in-person operations due to the COVID-19 virus. The Tussey Mountain School District continued its educational services to students by providing these services remotely via the internet. This will continue for the remainder of the 19-20 school year. Management does not expect this to have a significant financial impact on the operations of the District.

TUSSEY MOUNTAIN SCHOOL DISTRICT  
(REQUIRED SUPPLEMENTARY INFORMATION)  
(UNAUDITED)  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
FUND BALANCE, BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive - (Negative)
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Local Sources	\$ 4,389,108	\$ 4,389,108	\$ 4,941,651	\$ 552,543
State Sources	11,767,256	11,767,256	12,103,727	336,471
Federal Sources	<u>445,193</u>	<u>445,193</u>	<u>415,653</u>	<u>(29,540)</u>
Total Revenues	<u>\$ 16,601,557</u>	<u>\$ 16,601,557</u>	<u>\$ 17,461,031</u>	<u>\$ 859,474</u>
<u>Expenditures:</u>				
Current:				
Instruction and Instruction Related Services	\$ 9,340,494	\$ 9,340,494	\$ 9,027,452	\$ 313,042
Support Services	5,335,778	5,335,778	5,013,980	321,798
Operation of Non-instructional Services	394,630	394,630	430,802	(36,172)
Debt Service	1,853,885	1,853,885	1,864,949	(11,064)
Capital Outlay	<u>640,300</u>	<u>640,300</u>	<u>131,555</u>	<u>508,745</u>
Total Expenditures	<u>\$ 17,565,087</u>	<u>\$ 17,565,087</u>	<u>\$ 16,468,738</u>	<u>\$ 1,096,349</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (963,530)</u>	<u>\$ (963,530)</u>	<u>\$ 992,293</u>	<u>\$ 1,955,823</u>
<u>Other Financing Sources (Uses):</u>				
Interfund Transfers	<u>\$ (384,000)</u>	<u>\$ (384,000)</u>	<u>\$ (386,710)</u>	<u>\$ (2,710)</u>
Total Other Financing Sources (Uses)	<u>\$ (384,000)</u>	<u>\$ (384,000)</u>	<u>\$ (386,710)</u>	<u>\$ (2,710)</u>
Net Change in Fund Balances	<u>\$ (1,347,530)</u>	<u>\$ (1,347,530)</u>	<u>\$ 605,583</u>	<u>\$ 1,953,113</u>
Fund Balances, Beginning of Year	<u>2,945,525</u>	<u>2,945,525</u>	<u>3,349,797</u>	<u>404,272</u>
Fund Balances, End of Year	<u>\$ 1,597,995</u>	<u>\$ 1,597,995</u>	<u>\$ 3,955,380</u>	<u>\$ 2,357,385</u>

GAAP is the budgetary basis used in the preparation of this schedule.

(See Accompanying Notes and Auditor's Report)

TUSSEY MOUNTAIN SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
(REQUIRED SUPPLEMENTARY INFORMATION)  
(UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's Proportion of the Net Pension Liability	0.0446%	0.0474%	0.0510%	0.0526%	0.0540%	0.0507%
School District's Proportionate Share of the Net Pension Liability	\$ 21,410,000	\$ 23,410,000	\$ 25,274,000	\$ 22,784,000	\$ 21,374,000	\$ 20,755,000
School District's Covered Employee Payroll	\$ 6,010,190	\$ 6,310,851	\$ 6,606,159	\$ 6,769,857	\$ 6,885,694	\$ 6,510,080
School District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	356.23%	370.94%	382.58%	336.55%	310.41%	318.81%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	54.00%	51.84%	50.14%	54.36%	57.24%	54.49%

Note: Data is not available for years prior to June 30, 2014.

(See Accompanying Notes and Auditor's Report)

TUSSEY MOUNTAIN SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS  
(REQUIRED SUPPLEMENTARY INFORMATION)  
(UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 1,988,191	\$ 1,916,065	\$ 1,872,214	\$ 1,608,007	\$ 1,453,658	\$ 1,143,819
Contribution in Relation to the Contractually Required Contribution	<u>1,988,191</u>	<u>1,916,065</u>	<u>1,872,214</u>	<u>1,608,007</u>	<u>1,453,658</u>	<u>1,143,819</u>
Contribution Deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Employee Payroll	\$ 6,010,190	\$ 6,310,851	\$ 6,606,159	\$ 6,769,857	\$ 6,885,694	\$ 6,510,080
Contribution as a Percentage of Covered Employee Payroll	33.08%	30.36%	28.34%	23.75%	21.11%	17.57%

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information is presented for as many years as are available.

(See Accompanying Notes and Auditor's Report)

TUSSEY MOUNTAIN SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB  
LIABILITY AND RELATED RATIOS - DISTRICT OPEB PLAN  
(REQUIRED SUPPLEMENTARY INFORMATION)  
(UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2019

	<u>2019</u>	<u>2018</u>
<u>Local:</u>		
Total OPEB Liability:		
Service Cost	\$ 47,000	\$ 45,000
Interest	37,000	40,000
Effect of Economic (Gains) or Losses	56,000	-
Changes of Benefit Terms	-	-
Differences Between Expected and Actual Experience	-	-
Changes of Assumptions or Other Inputs	(238,000)	(24,000)
Benefit Payments	<u>(95,000)</u>	<u>(120,000)</u>
Net Change in Total OPEB Liability	\$ (193,000)	\$ (59,000)
Total OPEB Liability - Beginning	<u>1,023,000</u>	<u>1,023,000</u>
Total OPEB Liability - Ending	<u>\$ 830,000</u>	<u>\$ 1,023,000</u>
Covered Payroll	\$ 6,162,335	\$ 5,855,940
Total OPEB Liability as a Percentage of Covered Payroll	13.47%	17.47%

Notes to schedule:

Changes of Assumptions - Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The discount rate used for the 2019 and 2018 year was 3.87% and 3.50%, respectively. This schedule is presented to illustrate the requirement to show information for 10 years. However, information is presented for those years that are available.

(See Accompanying Notes and Auditor's Report)

TUSSEY MOUNTAIN SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE  
OF THE NET OPEB LIABILITY - PSERS PLAN  
(REQUIRED SUPPLEMENTARY INFORMATION)  
(UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's Proportion of the Net OPEB Liability	0.0446%	0.0474%	0.510%
District's Proportionate Share of the PSERS OPEB Liability	\$ 930,000	\$ 966,000	\$ 1,099,000
District's Covered Payroll	\$ 6,010,190	\$ 6,310,851	\$ 6,606,159
District's Proportionate Share of the PSERS OPEB Liability as a Percentage of its Covered Payroll	15%	15%	17%
Plan Fiduciary Net Position as a Percentage of the Total PSERS OPEB Liability	6%	6%	5%

Note: Data is not available for years prior to June 30, 2017.

(See Accompanying Notes and Auditor's Report)

TUSSEY MOUNTAIN SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
FOR THE NET OPEB LIABILITY - PSERS PLAN  
(REQUIRED SUPPLEMENTARY INFORMATION)  
(UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually Required Contribution	\$ 49,363	\$ 48,828	\$ 51,746
Contributions in Relation to the Contractually Required Contribution	<u>(49,363)</u>	<u>(48,828)</u>	<u>(51,746)</u>
Contribution Deficiency/(Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 6,010,190	\$ 6,310,851	\$ 6,606,159
Contribution as a Percentage of Covered Payroll	1%	1%	1%

Note: Data is not available for years prior to June 30, 2017.

This schedule is required for cost-sharing plans and not single employer plans. Therefore, no disclosure for the District local OPEB plan is included.

(See Accompanying Notes and Auditor's Report)

TUSSEY MOUNTAIN SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019  
(IN WHOLE DOLLARS)

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period</u>	<u>Program or Award Amount</u>	<u>Grant Receivable at July 1, 2018</u>	<u>Deferred Revenue at July 1, 2018</u>	<u>Receipts</u>	<u>Revenues and Expenditures</u>	<u>Adjustments</u>	<u>Grant Receivable at June 30, 2019</u>	<u>Deferred Revenue at June 30, 2019</u>
<b>U.S. Department of Education:</b>											
Passed Through the Pennsylvania Department of Education:											
Title I Grants to Local Educational Agencies	84.010	013-170438	07/01/17 - 09/30/18	\$ 305,864	\$ 22,011	\$ -	\$ 65,543	\$ 43,532	\$ -	\$ -	\$ -
Title I Grants to Local Educational Agencies	84.010	013-190438	07/01/18 - 09/30/19	282,727	-	-	262,382	282,727	-	20,345	-
Improving Teacher Quality State Grants	84.367	020-180438	07/01/17 - 09/30/18	43,822	2,455	-	12,523	10,068	-	-	-
Improving Teacher Quality State Grants	84.367	020-190438	07/01/18 - 09/30/19	40,975	-	-	29,249	34,742	-	5,493	-
Career and Technical Education - Basic Grants to States	84.048	38-19-0037	07/01/18 - 09/30/19	23,657	-	-	23,657	23,657	-	-	-
Student Support and Academic Enrichment Program	84.424	144-18-0438	07/01/17 - 09/30/18	10,000	-	155	-	155	-	-	-
Student Support and Academic Enrichment Program	84.424	144-19-0438	07/01/18 - 09/30/19	22,128	-	-	22,128	22,128	-	-	-
Total U.S. Department of Education Passed Through the Pennsylvania Department of Education					<u>\$ 24,466</u>	<u>\$ 155</u>	<u>\$ 415,482</u>	<u>\$ 417,009</u>	<u>\$ -</u>	<u>\$ 25,838</u>	<u>\$ -</u>
Passed Through the Pennsylvania Department of Education and Passed Through the Bedford County School District:											
21 <sup>st</sup> Century Community Centers	84.287	N/A	10/01/17 - 09/30/18	N/A	\$ 41,646	\$ -	\$ 52,207	\$ 10,561	\$ -	\$ -	\$ -
21 <sup>st</sup> Century Community Centers	84.287	N/A	10/01/18 - 09/30/19	N/A	-	-	47,034	78,991	-	31,957	-
Total U.S. Department of Education Passed Through the Pennsylvania Department of Education and the Bedford County School District					<u>\$ 41,646</u>	<u>\$ -</u>	<u>\$ 99,241</u>	<u>\$ 89,552</u>	<u>\$ -</u>	<u>\$ 31,957</u>	<u>\$ -</u>
Passed Through the Pennsylvania Department of Education and Passed Through the Appalachia Intermediate Unit 8:											
<b>Special Education Cluster:</b>											
Special Education - Grants to States	84.027	062-17-0-008	07/01/17 - 09/30/18	165,408	\$ 111,504	\$ -	\$ 111,504	\$ -	\$ -	\$ -	\$ -
Special Education - Grants to States	84.027	062-19-0-008	07/01/18 - 09/30/19	184,836	-	-	73,854	184,836	-	110,982	-
Special Education - Preschool Grants	84.173A	131-18-0-008	07/01/18 - 06/30/19	3,078	-	-	3,078	3,078	-	-	-
Total Special Education Cluster					<u>\$ 111,504</u>	<u>\$ -</u>	<u>\$ 188,436</u>	<u>\$ 187,914</u>	<u>\$ -</u>	<u>\$ 110,982</u>	<u>\$ -</u>
Total Passed Through the Pennsylvania Department of Education and Passed Through the Appalachia Intermediate Unit 8					<u>\$ 111,504</u>	<u>\$ -</u>	<u>\$ 188,436</u>	<u>\$ 187,914</u>	<u>\$ -</u>	<u>\$ 110,982</u>	<u>\$ -</u>
Total U.S. Department of Education					<u>\$ 177,616</u>	<u>\$ 155</u>	<u>\$ 703,159</u>	<u>\$ 694,475</u>	<u>\$ -</u>	<u>\$ 168,777</u>	<u>\$ -</u>

TUSSEY MOUNTAIN SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019  
(IN WHOLE DOLLARS)

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period</u>	<u>Program or Award Amount</u>	<u>Grant Receivable at July 1, 2018</u>	<u>Deferred Revenue at July 1, 2018</u>	<u>Receipts</u>	<u>Revenues and Expenditures</u>	<u>Adjustments</u>	<u>Grant Receivable at June 30, 2019</u>	<u>Deferred Revenue at June 30, 2019</u>
<u>U.S. Department of Agriculture:</u>											
Passed Through the Pennsylvania Department of Education:											
<b>Child Nutrition Cluster:</b>											
National School Lunch Program	10.555	N/A	07/01/18 - 06/30/19	N/A	\$ -	\$ -	\$ 235,565	\$ 268,434	\$ -	\$ 32,869	\$ -
School Breakfast Program	10.553	N/A	07/01/18 - 06/30/19	N/A	-	-	82,288	94,186	-	11,898	-
Passed Through the Pennsylvania Department of Agriculture:											
National School Lunch Program (Food Distribution)	10.555	N/A	07/01/17 - 06/30/18	N/A	\$ -	\$ 358 <sup>(B)</sup>	\$ -	\$ 358 <sup>(D)</sup>	\$ -	\$ -	\$ -
National School Lunch Program (Food Distribution)	10.555	N/A	07/01/18 - 06/30/19	N/A	-	-	31,547 <sup>(C)</sup>	30,610 <sup>(D)</sup>	-	-	937 <sup>(E)</sup>
Total Child Nutrition Cluster					\$ -	\$ 358	\$ 349,400	\$ 393,588	\$ -	\$ 44,767	\$ 937
Passed Through the Pennsylvania Department of Education:											
Child and Adult Care Food Program	10.558	N/A	07/01/18 - 06/30/19	N/A	\$ -	\$ -	\$ 25,597	\$ 25,597	\$ -	\$ -	\$ -
Total U.S. Department of Agriculture					\$ -	\$ 358	\$ 374,997	\$ 419,185	\$ -	\$ 44,767	\$ 937
<u>U.S. Department of Justice:</u>											
Passed Through the Pennsylvania Coalition on Criminal Delinquency and the Bedford County School District:											
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	16.803	N/A	07/01/17 - 06/30/18	N/A	\$ 3,949	\$ -	\$ 3,949	\$ -	\$ -	\$ -	\$ -
Total U.S. Department of Justice					\$ 3,949	\$ -	\$ 3,949	\$ -	\$ -	\$ -	\$ -
<b>TOTAL</b>					\$ 181,565	\$ 513	\$ 1,082,105	\$ 1,113,660	\$ -	\$ 213,544	\$ 937

TUSSEY MOUNTAIN SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019  
(IN WHOLE DOLLARS)

Summary by CFDA

<u>Program</u>	<u>CFDA Number</u>	<u>Amount of Expenditures</u>
Title I Grants to Local Educational Agencies	84.010	\$ 326,259 A
Improving Teacher Quality State Grants	84.367	44,810
Career and Technical Education - Basic Grants to States	84.048	23,657
Student Support and Academic Enrichment Program	84.424	22,283
Twenty-First Century Community Learning Centers	84.287	89,552
Special Education - Grants to States	84.027	184,836
Special Education - Preschool Grants	84.173A	3,078
National School Lunch Program	10.555	268,434 A
School Breakfast Program	10.553	94,186 A
National School Lunch Program (Food Distribution)	10.555	30,968 A
Child and Adult Care Food Program	10.558	<u>25,597 A</u>
 Total Federal Awards		 <u>\$ 1,113,660</u>

Note: Total Federal Revenues are \$1,113,660. Federal Revenues in the Statement of Revenues, Expenditures and Changes in Fund Balances amounted to \$415,653. Federal Revenues in the Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund amounted to \$419,184. The remaining \$278,823 of Federal Revenues are included in the State and Local Revenue line due to being pass-through revenues.

(See Accompanying Notes and Auditor's Report)

TUSSEY MOUNTAIN SCHOOL DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019

Note 1: Basis of Accounting:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Tussey Mountain School District (the 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 the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

Note 2: Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The District has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3: Food Commodities:

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed.

Note 4: Pass-Through Funds:

The District did not pass through any federal funds to subrecipients.

Note 5: Major Program Selection:

The major Federal Award Programs selected for testing are as follows:

U.S. Department of Education

Title I Grants to Local Educational Agencies

U.S. Department of Agriculture

Child Nutrition Cluster

- School Breakfast and National School Lunch Programs
- Donated Commodities

The requirements of the Office of Management and Budget Uniform Guidance requires all major programs as determined by the auditor on a risk-based approach and/or at least 40% (20% for low risk auditees) of all federal awards be subject to specific control and compliance testing. For the District, the programs subject to these requirements are as listed above. The total expenditures of these programs represent 66.9% of the total federal expenditures.

TUSSEY MOUNTAIN SCHOOL DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019

Note 6: Major Program Disclosure:

I. U.S. Department of Education

- Title I Grants to Local Educational Agencies

The objective of this program is to improve the teaching and learning of children who are at risk of not meeting challenging academic standards and who reside in areas with high concentrations of children from low-income families.

II. U.S. Department of Agriculture

- School Breakfast and National School Lunch Programs and Donated Commodities

The objectives of the child nutrition cluster are to: (1) assist states in administering food services that provide healthful, nutritious meals to eligible children in public and non-profit private schools, residential childcare institutions, and summer recreation programs; and (2) encourage the domestic consumption of nutritious agricultural commodities.

Note 7: Footnotes to Schedule of Expenditures of Federal Awards:

- (A) Major Federal Award Program
- (B) Beginning Inventory of USDA Donated Commodities at July 1, 2018
- (C) Total Amount of USDA Commodities Received
- (D) Total Amount of USDA Commodities Used
- (E) Ending Inventory of USDA Donated Commodities at June 30, 2019

**Kendall, Prebola and Jones, LLC**  
**Certified Public Accountants**

Board of Education  
Tussey Mountain School District  
199 Front Street  
Saxton, Pennsylvania 16678

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Tussey Mountain School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Tussey Mountain School District's basic financial statements and have issued our report thereon dated May 5, 2020.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Tussey Mountain School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Tussey Mountain School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Tussey Mountain 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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001, that we consider to be a material weakness.

***Compliance and Other Matters***

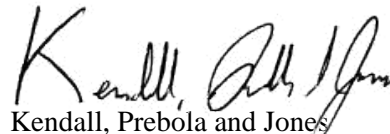
As part of obtaining reasonable assurance about whether the Tussey Mountain School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have 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*.

***Tussey Mountain School District's Response to Findings***

Tussey Mountain School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Tussey Mountain School District's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

***Purpose of this Report***

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



Kendall, Prebola and Jones  
Certified Public Accountants

Bedford, Pennsylvania  
May 5, 2020

**Kendall, Prebola and Jones, LLC**  
**Certified Public Accountants**

Board of Education  
Tussey Mountain School District  
199 Front Street  
Saxton, Pennsylvania 16678

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

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

We have audited the Tussey Mountain 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 Tussey Mountain School District's major federal programs for the year ended June 30, 2019. The Tussey Mountain School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Award Program***

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

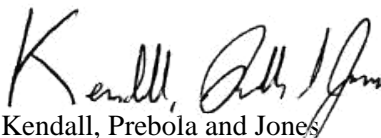
***Report on Internal Control Over Compliance***

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



Kendall, Prebola and Jones  
Certified Public Accountants

Bedford, Pennsylvania  
May 5, 2020

TUSSEY MOUNTAIN SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2019

There were no findings reported in the prior year.

TUSSEY MOUNTAIN SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019

I. Summary of Auditor's Results

- a. The auditor's report expresses an unmodified opinion on whether the financial statements of the District were prepared in accordance with generally accepted accounting principles.
- b. One material weakness in internal control relating to the audit of the financial statements has been reported.
- c. No instances of noncompliance material to the financial statements of the District, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- d. No significant deficiencies relating to the audit of the major federal award programs have been reported.
- e. The Auditor's report on compliance for the major federal award programs for the Tussey Mountain School District expresses an unmodified opinion.
- f. There are no audit findings that are required to be reported in accordance with 2 CFR Section 200.516 (a) of the Uniform Guidance in the schedule of findings and questioned costs.
- g. The following programs were tested as a major program:

Title	<u>CFDA Number</u>
Title I Grants to Local Educational Agencies	84.010
Child Nutrition Cluster	
School Breakfast Program	10.553
National School Lunch Program	10.555
Donated Commodities	10.555

- h. The dollar threshold utilized to determine between Type A and Type B programs was \$750,000.
- i. The Tussey Mountain School District did not qualify as a low-risk auditee.

II. Findings relating to the financial statements which are required to be reported in accordance with *Government Auditing Standards*

2019-001 Criteria and Condition: During the year, the interfund payable account between the general fund and the cafeteria proprietary fund were not completely reconciled with the correct balances reflected. The amounts were balanced between the funds however, the amounts reported needed to be adjusted.

Context: The District charges labor and other goods paid for by general fund to the cafeteria fund during the year. These charges and any reimbursements are then accounted for through a due to/from asset and liability account in each of the two funds. This due to/from account should not only balance but it should also reflect the correct amount owed between funds at any given point in time.

TUSSEY MOUNTAIN SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019

II. Findings relating to the financial statements which are required to be reported in accordance with Government Auditing Standards (Continued)

2019-001 (Continued)

Effect: If there are incorrect amounts reflected in the accounting general ledger for these interfund balance accounts, this will not allow for accurate financial reporting.

Cause: The account balanced between funds, however, the proper amounts were not charged by the general fund to the cafeteria fund.

Auditor's Recommendation: During the year, these accounts should be reviewed and reconciled on an ongoing basis while ensuring that the labor, fringes and other charges paid by the general fund are properly recorded to the cafeteria fund through the due to/from account.

Views of Responsible Officials: We agree with the above issue. The Business Manager will be reconciling the due to/from asset and liability account for both funds on a monthly basis to ensure all payments and purchases made by the general fund and reimbursements and amounts due from the cafeteria fund are reflected.

III. Findings relating to federal awards, which are required to be reported in accordance with the Uniform Guidance

There were no findings in the current year.