

Audited
Financial
Statements

June 30,
2015

Northern York County School District



CONTENTS

	PAGE
LIST OF REPORT DISTRIBUTION	1
INDEPENDENT AUDITOR'S REPORT	2 - 4
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	5 - 13
FINANCIAL STATEMENTS	
Government-wide financial statements	
Statement of net position	14
Statement of activities	15
Fund financial statements	
Balance sheet - governmental funds	16
Reconciliation of the governmental funds balance sheet to the statement of net position	17
Statement of revenues, expenditures, and changes in fund balance - governmental funds	18
Reconciliation of the governmental funds statement of revenues, expenditures, and changes in fund balance to the statement of activities	19
Statement of net position - proprietary fund	20
Statement of revenues, expenses, and changes in fund net position - proprietary fund	21
Statement of cash flows - proprietary fund	22
Statement of fiduciary net position	23
Statement of changes in fiduciary net position	24
Notes to financial statements	25 - 56
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)	
OPEB schedule of funding progress	57
Budgetary comparison schedule - general fund	58
Schedule of District's proportionate share of the net pension liability - Public School Employees' Retirement System	59
Schedule of District's contributions - Public School Employees' Retirement System	60
OTHER SUPPLEMENTARY INFORMATION	
Schedule of expenditures of federal awards	61
Notes to schedule of expenditures of federal awards	62
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 <i>GOVERNMENT AUDITING STANDARDS</i>	63 - 64
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY <i>OMB CIRCULAR A-133</i>	65 - 67
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	68 - 70
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS RELATED TO FEDERAL AWARDS	71

NORTHERN YORK COUNTY SCHOOL DISTRICT

List of Report Distribution

June 30, 2015

1 Report - Federal Audit Clearing House
Bureau of Census
1201 East 10th Street
Jeffersonville, IN 47132
(submitted electronically)

1 Report - Bureau of Audits
Special Audit Services Division
Forum Place - 8th Floor
555 Walnut Street
Harrisburg, PA 17101
(submitted electronically)



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Northern York County School District
Dillsburg, Pennsylvania

REPORT ON 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 Northern York County School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Northern York County School District, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

As discussed in Note 11 and Note 16 to the financial statements, the District adopted new accounting guidance, Government Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions*, as of July 1, 2014. Our opinion has not been modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 - 13, OPEB schedule of funding progress on page 57, budgetary comparison information on page 58, schedule of the District's proportionate share of the net pension liability - PSERS on page 59, and schedule of the District's contributions - PSERS on page 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Northern York County School District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is also not a required part of the basic financial statements.



Smith Elliott Kearns & Company, LLC
Certified Public Accountants & Consultants

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 DATE on our consideration of the Northern York County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northern York County School District's internal control over financial reporting and compliance.

Smith Elliott Kearns & Company, LLC

Chambersburg, Pennsylvania
December 3, 2015

NORTHERN YORK COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2015

The management of the Northern York County School District is pleased to present the following discussion and analysis of the School District's financial activities for the fiscal year ending June 30, 2015. Comparative financial information between fiscal years ending June 30, 2014 and June 30, 2015 is also presented in this report to show changes in the financial position of the School District from prior to current year.

The intent of this discussion and analysis is to provide a narrative summary of the financial position and activities of the School District in order to enhance the reader's understanding of the School District's basic financial statements. The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

FINANCIAL HIGHLIGHTS

- For the year 2014-2015, the School Board adopted a balanced General Fund Budget. In order to balance the budget, a real estate tax rate of 15.6296 mills was required, along with the anticipated use of \$1,211,208 from the fund balance. Included in the budget was a \$40,386 transfer into the Food Service Fund to pay for new and replacement equipment and half of the Food Service Director's salary. The actual General Fund deficit was \$277,866 which was \$933,342 less than expected. Actual revenues exceeded budgeted revenues by \$480,252 primarily in the areas of earned income taxes, delinquent taxes and real estate transfer taxes. General Fund actual expenditures were less than budgeted expenditures by \$294,549. This difference is attributed to cyber charter tuitions being less than anticipated as well as utility costs being less than anticipated.
- The School District received \$720,157 from the State to fund property tax reductions. Property owners in the School District who filed and received approval for a homestead/farmstead exclusion saw their net tax due decrease by this amount.
- The Governmental Accounting Standards Board Statement No. 68 (GASB 68), became effective for fiscal year ending June 30, 2015. This statement addresses accounting and financial reporting for pensions that are provided to employees of state and local government employers. The implementation of this standard had a significant negative impact on the net position of the School District. Further analysis is available in the "Net Position" portion of this MD&A and can also be found in Note 11 of the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

These financial statements consist of three sections – Management's Discussion and Analysis (this section), the basic financial statements, and other required supplementary information. The basic financial statements include two kinds of statements, which present different views of the School District.

The first two statements of the basic financial statements are government-wide financial statements. These statements on pages 14 and 15 consist of the Statement of Net Position and the Statement of Activities. The government-wide financial statements provide both short-term and long-term information about the School District's overall financial status.

NORTHERN YORK COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2015

The remaining basic financial statements consist of fund financial statements. These statements focus on individual funds of the School District and provide a more detailed presentation of the School District's operations. The governmental funds statements on pages 16 and 18 present how general School District services, such as regular and special education, are financed in the short-term as well as what remains for future spending. The statement of revenues, expenditures and changes in fund balance – budget and actual for the general fund is shown on page 58 and provides the budgetary comparisons to the actual revenues, expenditures and other financing sources (uses). The proprietary fund statements on pages 20 - 22 present both short-term and long-term information about the activities that the School District operates similar to a business, such as food service. Following the proprietary fund statements, the fiduciary fund statements on pages 23 and 24 present information about the financial relationships in which the School District acts solely as a trustee or agent for the benefit of others, such as student activity and trust funds.

Notes to the basic financial statements are included on pages 25 - 56. These notes provide a more detailed explanation of the School District's financial statements. Following the notes to the basic financial statements is supplementary information on pages 57 - 60 that details budgetary information, other post-employment benefit information and pension benefit information.

Government-Wide Statements

The government-wide statements report financial information about the School District as a whole using accounting methods similar to the accounting used by private-sector companies. The Statement of Net Position includes all of the School District's assets and liabilities utilizing the full accrual basis of accounting. The Statement of Activities accounts for all of the School District's revenues and expenses, regardless of when cash is received or paid.

These two government-wide statements report the School District's net position and changes in them. The School District's net position represents the difference between the School District's assets and deferred outflows of resources from liabilities and deferred inflow of resources. The School District's net position is one way to measure the School District's financial position, or financial health, over time. Increases or decreases in the School District's net position is one indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the School District, non-financial factors must also be considered, such as changes in the School District's property tax base and the performance of the students.

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

- Governmental activities – All of the School District's basic services are included here, such as instruction and administration. Real estate and earned income taxes, and state and federal subsidies and grants finance most of these activities.
- Business-type activities – The School District operates a food service operation and charges fees to staff, students and visitors to help it cover the costs of the food service operation.

NORTHERN YORK COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2015

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds, or major funds – not the School District as a whole. Funds are accounting components that the School District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required to be reported as major funds.

- Governmental funds – Most of the School District's activities are reported in governmental funds, and focus on financial position and changes in financial position, rather than upon net income determination. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. The relationship (or differences) between governmental activities (reported in the Statements of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements on pages 17 and 19.
- Proprietary funds – These funds are used to account for the School District activities that are similar to business operations in the private sector. When the School District charges customers for services it provides, these services are generally reported in proprietary funds. The Food Service Fund is the School District's proprietary fund and is the same as the business-type activities reported in the government-wide statements, but provides more detail and additional information, such as cash flows.
- Fiduciary funds – The School District is the trustee or agent for individuals, private organizations and/or governmental units, such as student activity funds. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong; the School District cannot use these assets to finance its operations. The financial statements for the fiduciary funds are shown on pages 23 and 24.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Net Position

The School District's total net position was (\$34,159,059) at June 30, 2015 which includes (\$33,092,412) in Governmental Activities and (\$1,066,647) in Business-Type Activities. This shows a decrease of \$52,048,043 compared to total net position of \$17,888,984 at June 30, 2014. This significant change was caused by the implementation on GASB 68 which required the School District to record the net pension liability, deferred outflows and inflows or resources, and pension expense associated with the proportionate share of the Public School Employees' Retirement System (PSERS) plan. The total School District's net pension liability at June 30, 2015 was \$54,265,163, of which \$53,070,610 was the Governmental Activities share and \$1,194,553 was the Business-Type Activities share. The beginning net position amount of both the Governmental Activities and the Business-Type Activities has been restated as a result of the addition of this previously unrecorded proportionate liability. The result of recording this liability has resulted in a negative net position. While PSERS is not a new pension plan, June 30, 2015 is the first time the proportionate share of the liability is being recorded on the financial statements of the School District.

NORTHERN YORK COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2015

Statement of Net Position

	2015			2014		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current assets	\$ 18,248,709	\$ 178,084	\$ 18,279,349 *	\$ 20,353,998	\$ 250,713	\$ 20,411,658 *
Noncurrent assets	44,756,757	129,435	44,886,192	40,352,154	158,619	40,510,773
Deferred outflows of resources	5,603,909	115,613	5,719,522	387,401	-	387,401
Total Assets and Deferred Outflows of Resources	\$ 68,609,375	\$ 423,132	\$ 68,885,063	\$ 61,093,553	\$ 409,332	\$ 61,309,832
Current liabilities	\$ 7,629,563	\$ 184,286	\$ 7,666,405 *	\$ 7,670,702	\$ 230,519	\$ 7,708,168 *
Noncurrent liabilities	90,278,278	1,220,096	91,498,374	35,687,247	25,433	35,712,680
Total Liabilities	97,907,841	1,404,382	99,164,779	43,357,949	255,952	43,420,848
Deferred Inflows of Resources	3,793,946	85,397	3,879,343	-	-	-
Net investment in capital assets	10,504,759	129,435	10,634,194	9,416,634	158,619	9,575,253
Restricted	578,051	-	578,051	406,252	-	406,252
Unrestricted	(44,175,222)	(1,196,082)	(45,371,304)	7,912,718	(5,239)	7,907,479
Total Net Position	(33,092,412)	(1,066,647)	(34,159,059)	17,735,604	153,380	17,888,984
Total Liabilities and Net Position	\$ 68,609,375	\$ 423,132	\$ 68,885,063	\$ 61,093,553	\$ 409,332	\$ 61,309,832

* - Net of eliminations

Statement of Activities

The results of this year's operations as a whole are reported in the Statement of Activities. Direct expenses are listed by programs, and then offset by program revenues to determine net (expense) revenue and changes in net position. General revenues, such as taxes, state subsidies, and investment earnings are then applied prior to transfers, and special items, to determine the change in net position. For the 2014-2015 fiscal year, the change in net position for governmental activities reflects a decrease of \$457,318 and a decrease of \$44,190 for business-type activities, or a total net decrease of \$543,564 as reflected in the chart below.

	2015			2014		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Program Revenues						
Charges for Services	\$ 181,888	\$ 669,732	\$ 851,620	\$ 204,085	\$ 711,516	\$ 915,601
Operating grants and contributions	6,636,295	418,062	7,054,357	5,938,036	406,574	6,344,610
Capital grants and contributions	571,538	-	571,538	528,149	-	528,149
General Revenues						
Taxes	26,439,820	-	26,439,820	25,624,320	-	25,624,320
State Grants and subsidies	7,916,259	-	7,916,259	7,850,101	-	7,850,101
Other local revenue	51,288	-	51,288	134,406	-	134,406
Investment earnings	19,964	13	19,977	20,564	11	20,575
Total revenues	41,817,052	1,087,807	42,904,859	40,299,661	1,118,101	41,417,762
Direct expenses	42,233,984	1,214,439	43,448,423	38,539,985	1,202,413	39,742,398
Excess (deficiency) before transfers	(416,932)	(126,632)	(543,564)	1,759,676	(84,312)	1,675,364
Transfers between activities	(40,386)	40,386	-	(40,122)	40,122	-
Change in net position	\$ (457,318)	\$ (86,246)	\$ (543,564)	\$ 1,719,554	\$ (44,190)	\$ 1,675,364

NORTHERN YORK COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2015

Governmental Activities

Direct expenses represent the actual cost of providing the services while the net cost represents the amount of cost that is not recovered through program revenues, meaning user charges, subsidies, grants, and contributions. The largest source of grants and contributions are state and federal sources, which provided \$15,124,092 for governmental activities. The net cost of services must be recovered through general revenue, primarily taxes. Amounts not recovered will reduce funds available for future years. Direct expenses increased \$3,693,999 or 9.58% over the prior year for governmental activities. This increase was primarily due to retirement costs increasing for all qualified employees as well as health insurance costs. Governmental activities program revenues increased \$719,451 or 10.79% over the prior year. The primary reason was due to the increase in state subsidy for retirement. Business-type activities posted an operating net loss of \$86,246 which is \$42,056 more than the prior year.

	2015			2014		
	Direct Expenses	Program Revenues	Net Cost	Direct Expenses	Program Revenues	Net Cost
Governmental Activities						
Instruction	\$ 26,369,932	\$ 4,697,974	\$ 21,671,958	\$ 24,291,009	\$ 4,202,347	\$ 20,088,662
Instructional student support	2,928,569	277,899	2,650,670	2,356,283	257,873	2,098,410
Administrative and financial support	4,592,791	300,987	4,291,804	4,000,685	242,120	3,758,565
Operation and maintenance of plant	3,808,179	177,675	3,630,504	3,546,224	142,703	3,403,521
Pupil transportation	2,039,094	1,140,499	898,595	1,968,818	1,124,042	844,776
Student activities	1,371,900	220,049	1,151,851	1,252,909	172,623	1,080,286
Community services	2,420	3,100	(680)	3,286	413	2,873
Interest on long-term debt	<u>1,121,099</u>	<u>571,538</u>	<u>549,561</u>	<u>1,120,771</u>	<u>528,149</u>	<u>592,622</u>
Total Governmental Activities	<u>\$ 42,233,984</u>	<u>\$ 7,389,721</u>	<u>\$ 34,844,263</u>	<u>\$ 38,539,985</u>	<u>\$ 6,670,270</u>	<u>\$ 31,869,715</u>
Unrestricted grants and subsidies			(7,916,259)			(7,850,101)
Transfers			40,386			40,122
Investment earnings			<u>(19,964)</u>			<u>(20,564)</u>
Total needs from taxes and other local sources			<u>\$ 26,948,426</u>			<u>\$ 24,039,172</u>
Business-type Activities						
Food services	\$ 1,214,439	\$ 1,087,794	\$ 126,645	\$ 1,202,413	\$ 1,118,090	\$ 84,323
Transfers			(40,386)			(40,122)
Investment earnings			<u>(13)</u>			<u>(11)</u>
Total business-type activities			<u>\$ 86,246</u>			<u>\$ 44,190</u>

NORTHERN YORK COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2015

Governmental Fund Balance

At June 30, 2015, the School District governmental funds reported a combined fund balance of \$12,623,678, which is a decrease of \$2,422,080 from the June 30, 2014 combined fund balance.

	Governmental Fund Balance			
	2015	2014	\$ Change	% Change
General Fund - Nonspendable	\$ 146,090	\$ 198,969	\$ (52,879)	(26.58%)
General Fund - Restricted	1,000	1,000	-	100.00%
General Fund - Committed	1,676,249	1,996,249	(320,000)	(16.03%)
General Fund - Assigned	2,577,350	1,304,492	1,272,858	97.57%
General Fund - Unassigned	3,896,102	5,073,947	(1,177,845)	(23.21%)
Capital Reserve Fund - Restricted	577,051	405,252	171,799	42.39%
Capital Project Fund - Restricted	<u>3,938,836</u>	<u>6,065,849</u>	<u>(2,127,013)</u>	<u>100.00%</u>
	<u>\$ 12,812,678</u>	<u>\$ 15,045,758</u>	<u>\$ (2,233,080)</u>	<u>(14.84%)</u>
Total spendable	\$ 8,149,701	\$ 8,374,688	\$ (224,987)	(2.69%)
Total restricted	4,516,887	6,472,101	(1,955,214)	(30.21%)
Total nonspendable	<u>146,090</u>	<u>198,969</u>	<u>(52,879)</u>	<u>(26.58%)</u>
	<u>\$ 12,812,678</u>	<u>\$ 15,045,758</u>	<u>\$ (2,233,080)</u>	<u>(14.84%)</u>

Governmental Funds - Reconciliation

The decrease in the General Fund committed fund balance was anticipated. In prior years, the School District committed funds for future use of PSERS and Debt payments. Commitments for PSERS were uncommitted in 2015 and it is anticipated that more committed for PSERS and also for Debt will be uncommitted in fiscal year June 30, 2016.

The increase in the Capital Reserve Fund restricted fund balance was anticipated. The School District has decided to slowly build this fund for future use for items that are not built into the General Fund budget. A transfer is budgeted for 2015-2016 and this fund will continue to be used for significant, planned capital projects and for emergency, unplanned capital projects.

The decrease in the Capital Project Fund restricted fund balance was anticipated. The School District is in the process of two construction projects at June 30, 2015. One project was for an addition and renovation to an Elementary School, expected to be finished in Fall 2015, and another project was for an energy savings project at the Middle School and a separate Elementary School, expected to be finished in fall 2015. All of this balance is expected to be used by June 30, 2016 for these two projects.

NORTHERN YORK COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2015

General Fund Budget

A General Fund budget is adopted each year in accordance with the Pennsylvania School Code. The revised budget reflects budget transfers as approved by the Board. Contracted educational services, increased maintenance and utility costs, and unforeseen expenditures regularly require annual budget adjustments.

The School District applies for State and Federal grants each year. Certain grants may not be anticipated during the budgeting process and may be added to the budget during the fiscal year if significant in nature. In addition, the grants that are anticipated during the budgeting process are based on estimates. The budget may then be modified based on the actual grant award.

	2015			2014		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
Total revenues	\$ 41,386,035	\$ 41,866,287	\$ 480,252	\$ 39,324,793	\$ 40,372,581	\$ 1,047,788
Total expenditures	<u>42,307,857</u>	<u>42,013,308</u>	<u>294,549</u>	<u>40,692,126</u>	<u>40,319,029</u>	<u>373,097</u>
Revenues over (under) expenditures	(921,822)	(147,021)	774,801	(1,367,333)	53,552	1,420,885
Other financing sources (uses)	<u>(289,386)</u>	<u>(130,845)</u>	<u>158,541</u>	<u>(479,883)</u>	<u>29,726</u>	<u>509,609</u>
Net change in fund balance	\$ <u>(1,211,208)</u>	\$ <u>(277,866)</u>	\$ <u>933,342</u>	\$ <u>(1,847,216)</u>	\$ <u>83,278</u>	\$ <u>1,930,494</u>

CAPITAL ASSETS

At June 30, 2015, the School District recorded \$44,756,757 in governmental activities capital assets, which represents an increase of \$4,404,603 from the previous fiscal year. This net increase is mostly a result of two ongoing capital projects, a renovation and addition to the Dillsburg Elementary School and an energy savings project that was primarily for the Northern Elementary School and Northern Middle School HVAC systems.

Capital Assets (Net of Depreciation)

	2015	2014	Change
Governmental activities			
Land	\$ 326,188	\$ 326,188	\$ -
Construction in progress	6,983,887	1,093,999	5,889,888
Site improvements	651,204	705,460	(54,256)
Buildings and improvements	35,781,513	37,077,793	(1,296,280)
Furniture and equipment	<u>1,013,965</u>	<u>1,148,714</u>	<u>(134,749)</u>
Total governmental capital assets	\$ <u>44,756,757</u>	\$ <u>40,352,154</u>	\$ <u>4,404,603</u>
Business-type activities			
Food service equipment	\$ <u>129,435</u>	\$ <u>158,619</u>	\$ <u>(29,184)</u>

NORTHERN YORK COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2015

LONG-TERM LIABILITIES

Bonds and notes payable at June 30, 2014 were \$36,924,778 and \$38,223,886 at June 30, 2015. Scheduled principal payments totaling \$2,640,000 were made to bondholders during 2014-2015. The GO Bond Series of 2010 was refunded with the GO Bond Series 2015A. The GO Bond Series of 2015 was a new bond for the energy savings projects that were primarily for the Northern Elementary School and the Northern Middle School.

Lease-purchase obligations at June 30, 2014 were \$463,992 and \$433,913 at June 30, 2015. There were no new lease-purchase obligations entered into in fiscal year 2015.

Liability for Compensated Absences is reported under long-term liabilities. Under the terms of the School District's employment policies, employees are reimbursed for accrued vacation and personal leave upon retirement or other termination of employment. The reimbursement rate is established by the employment contract and varies by employee classification. In addition, under the Pennsylvania School Code, employees are granted sick days annually, with all unused sick days accumulating in subsequent years. Upon retirement the School District, employees are reimbursed based on their accumulated sick days, or a portion thereof, multiplied by an amount pre-established per the employment contract. The total liability for accrued vacation, personal and sick leave has been reflected in the Statement of Net Position and totals \$845,518 for the Governmental Activities and \$20,875 for the Business-type Activities for year ended June 30, 2015. Employees who retire with 15 years of service are eligible to remain on the School Districts health care plan until age 65. The liability for these post-employment benefits has been reflected in the Statement of Net Position and totals \$546,400 for the Governmental Activities and \$5,780 for the Business-type Activities for year ended June 30, 2015. The net pension obligation for the proportionate share of the PSERS pension plan for was \$53,070,610 for the Governmental Activities and \$1,194,553 for the Business-type Activities for the year ended June 30, 2015..

2015-2016 BUDGET (PDE-2028) AND ECONOMIC FACTORS

	Budget 2015-2016	Budget 2014-2015	Change
Total revenues	\$ 43,181,309	\$ 41,387,035	\$ 1,794,274
Total expenditures	<u>41,905,177</u>	<u>38,563,859</u>	<u>3,341,318</u>
Revenues over (under) expenditures	1,276,132	2,823,176	(1,547,044)
Other financing sources (uses)	<u>(3,767,434)</u>	<u>(4,034,384)</u>	<u>266,950</u>
Net change in fund balance	<u>\$ (2,491,302)</u>	<u>\$ (1,211,208)</u>	<u>\$ (1,280,094)</u>

The new budget for 2015-2016 represents an increase in total expenditures of 8.66%. This increase is due to many factors such as: increases in base salary, PSERS rate increase from 21.40% to 25.84%, and \$1,900,000 for the renovation of new Administration offices. The 2015-2016 budgeted revenues reflect a millage increase of .3751 mills. The 2015-2016 real estate tax assessment is 16.0047 mills and is calculated on each property's assessed value in each of the seven municipalities located within the Northern York County School District. The Board of School Directors approved a "balanced" budget for the 2015-2016 fiscal year, which includes the use of existing fund balance.

NORTHERN YORK COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2015

Budgeted employee health care premiums did not to increase for 2015-2016. The School District has implemented premium sharing with all personnel in an effort to reduce annual premium increases.

The 2014-2015 general fund unassigned fund balance of \$3,896,102 represents 8.53% of 2015-2016 budgeted expenditures and other financing sources uses. The fund balance is held to offset unforeseen expenditures and to fund future School District expenditures.

During 2006, the Pennsylvania State Legislators passed Act 1 which is also called the Homeowner Property Tax Relief Act. The passage of this Act coincided with the enactment of Act 72 which is commonly referred to as the "Slots Bill". With the passage of these two pieces of legislation, the State intended to tax newly created gaming proceeds and use a portion of those funds to give a property tax credit to certain groups of residents. The 2015-2016 budget reflects the estimated receipt of \$733,565 from the state to be used to reduce property taxes. Northern York County's adjusted index for 2015-2016 was set at 2.4%. The adjusted index for 2016-2017 was set at 3.0%. The index limits the rate of increase on tax mills.

The 2014-2015 fiscal year is the first year of a two year contract with the Northern York Education Association. In 2016, the School District and the Northern York Education Association will enter into talks for a new multi-year contract.

CONTACTING THE SCHOOL DISTRICT FINANCIAL MANAGEMENT

The School District's financial report is intended to provide the readers with a general overview of the School District's finances and to show the Board's accountability for the funds it receives. If you have questions about this report or wish to request additional financial information, please contact the Business Office of the Northern York County School District, 149 S. Baltimore Street, Dillsburg, PA 17019, and (717) 432-8691, ext. 1108.

NORTHERN YORK COUNTY SCHOOL DISTRICT
Statement of Net Position
June 30, 2015

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 13,319,209	\$ 22,742	\$ 13,341,951
Investments	1,470,000	-	1,470,000
Receivables:			
Taxes, net	1,952,762	-	1,952,762
Intergovernmental	1,095,440	78,473	1,173,913
Other	117,764	67,380	185,144
Internal balances	147,444	-	-
Inventories	132,545	9,489	142,034
Prepaid items	13,545	-	13,545
Total current assets	<u>18,248,709</u>	<u>178,084</u>	<u>18,279,349</u>
Noncurrent Assets			
Land	326,188	-	326,188
Construction in progress	6,983,887	-	6,983,887
Site improvements, net	651,204	-	651,204
Buildings, net	35,781,513	-	35,781,513
Equipment, furniture and fixtures, net	1,013,965	129,435	1,143,400
Total noncurrent assets	<u>44,756,757</u>	<u>129,435</u>	<u>44,886,192</u>
TOTAL ASSETS	<u>63,005,466</u>	<u>307,519</u>	<u>63,165,541</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension liability	5,136,367	115,613	5,251,980
Deferred charge on bond refunding	467,542	-	467,542
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>5,603,909</u>	<u>115,613</u>	<u>5,719,522</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 68,609,375</u>	<u>\$ 423,132</u>	<u>\$ 68,885,063</u>
LIABILITIES			
Current liabilities			
Internal balances	\$ -	\$ 147,444	\$ -
Accounts payable	1,437,392	1,326	1,438,718
Accrued salaries and benefits/withholdings	3,201,168	34,404	3,235,572
Accrued interest	148,954	-	148,954
Portion due or payable within one year:			
General obligation bonds and notes payable	2,715,053	-	2,715,053
Capital leases	30,070	-	30,070
Compensated absences	96,926	1,112	98,038
Total current liabilities	<u>7,629,563</u>	<u>184,286</u>	<u>7,666,405</u>
Noncurrent liabilities			
Portion due or payable after one year:			
General obligation bonds and notes payable	35,508,833	-	35,508,833
Capital leases	403,843	-	403,843
Net pension obligation	53,070,610	1,194,553	54,265,163
OPEB liability	546,400	5,780	552,180
Compensated absences	748,592	19,763	768,355
Total noncurrent liabilities	<u>90,278,278</u>	<u>1,220,096</u>	<u>91,498,374</u>
TOTAL LIABILITIES	<u>97,907,841</u>	<u>1,404,382</u>	<u>99,164,779</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension liability	3,793,946	85,397	3,879,343
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>3,793,946</u>	<u>85,397</u>	<u>3,879,343</u>
NET POSITION			
Net investment in capital assets	10,504,759	129,435	10,634,194
Restricted	578,051	-	578,051
Unrestricted	(44,175,222)	(1,196,082)	(45,371,304)
TOTAL NET POSITION	<u>(33,092,412)</u>	<u>(1,066,647)</u>	<u>(34,159,059)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 68,609,375</u>	<u>\$ 423,132</u>	<u>\$ 68,885,063</u>

* - Net of eliminations

NORTHERN YORK COUNTY SCHOOL DISTRICT
Statement of Activities
Year Ended June 30, 2015

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Governmental activities:							
Instruction	\$ 26,369,932	\$ 35,182	\$ 4,662,792	\$ -	\$ (21,671,958)	\$ -	\$ (21,671,958)
Instructional student support	2,928,569	-	277,899	-	(2,650,670)	-	(2,650,670)
Administrative and financial support services	4,592,791	-	300,987	-	(4,291,804)	-	(4,291,804)
Operation and maintenance of plant services	3,808,179	17,545	160,130	-	(3,630,504)	-	(3,630,504)
Pupil transportation	2,039,094	-	1,140,499	-	(898,595)	-	(898,595)
Student activities	1,371,900	129,161	90,888	-	(1,151,851)	-	(1,151,851)
Community services	2,420	-	3,100	-	680	-	680
Interest expense and bond issue costs	1,121,099	-	-	571,538	(549,561)	-	(549,561)
Total governmental activities	42,233,984	181,888	6,636,295	571,538	(34,844,263)	-	(34,844,263)
Business-type activities:							
Food services	1,214,439	669,732	418,062	-	-	(126,645)	(126,645)
Total primary government	\$ 43,448,423	\$ 851,620	\$ 7,054,357	\$ 571,538	\$ (34,844,263)	\$ (126,645)	\$ (34,970,908)
General revenues and transfers:							
Property taxes levied for general purposes, public utility realty tax, earned income tax					\$ 26,439,820	\$ -	\$ 26,439,820
Grants, subsidies and contributions not restricted					7,916,259	-	7,916,259
Investment earnings					19,964	13	19,977
Gain on sale of fixed assets					150	-	150
Miscellaneous income					51,138	-	51,138
Transfers					(40,386)	40,386	-
Total general revenues and transfers					34,386,945	40,399	34,427,344
Change in net position					(457,318)	(86,246)	(543,564)
Net position - beginning, as restated					(32,635,094)	(980,401)	(33,615,495)
Net position - ending					\$ (33,092,412)	\$ (1,066,647)	\$ (34,159,059)

NORTHERN YORK COUNTY SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2015

	Governmental Funds			
	General Fund	Capital Reserve Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 7,915,871	\$ 587,212	\$ 4,816,126	\$ 13,319,209
Investments	1,470,000	-	-	1,470,000
Taxes receivable, net	1,952,762	-	-	1,952,762
Due from other funds	147,444	4,839	-	152,283
Receivable from other governments	1,095,440	-	-	1,095,440
Other receivables	117,764	-	-	117,764
Inventories	132,545	-	-	132,545
Prepaid expenses	13,545	-	-	13,545
Total assets	<u>\$ 12,845,371</u>	<u>\$ 592,051</u>	<u>\$ 4,816,126</u>	<u>\$ 18,253,548</u>
LIABILITIES				
Due to other funds	\$ 4,839	\$ -	\$ -	\$ 4,839
Accounts payable	545,102	15,000	877,290	1,437,392
Accrued salaries and benefits/withholdings	3,201,168	-	-	3,201,168
Total liabilities	<u>3,751,109</u>	<u>15,000</u>	<u>877,290</u>	<u>4,643,399</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable tax revenue	797,471	-	-	797,471
Total deferred inflows of resources	<u>797,471</u>	<u>-</u>	<u>-</u>	<u>797,471</u>
FUND BALANCES				
Nonspendable fund balance				
Inventories	132,545	-	-	132,545
Prepaid expenses	13,545	-	-	13,545
Spendable fund balance				
Restricted fund balance				
Farm to school donation	1,000	-	-	1,000
Future capital improvements	-	577,051	3,938,836	4,515,887
Committed fund balance				
Retirement	910,000	-	-	910,000
Special needs	210,000	-	-	210,000
Transportation	100,000	-	-	100,000
Debt service	456,249	-	-	456,249
Assigned fund balance				
Future student activities	86,048	-	-	86,048
2015 - 2016 budget deficit	2,491,302	-	-	2,491,302
Unassigned fund balance	3,896,102	-	-	3,896,102
Total fund balances	<u>8,296,791</u>	<u>577,051</u>	<u>3,938,836</u>	<u>12,812,678</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 12,845,371</u>	<u>\$ 592,051</u>	<u>\$ 4,816,126</u>	<u>\$ 18,253,548</u>

NORTHERN YORK COUNTY SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2015

Total fund balances - governmental funds \$ 12,812,678

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.

Cost of assets	74,525,089	
Accumulated depreciation	<u>(29,768,332)</u>	44,756,757

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. 797,471

Long-term liabilities are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position. Long-term liabilities and associated deferred inflows and outflows of resources consist of:

Bonds and notes payable, net of discount and premium	(38,223,886)	
Deferred charge on bond refunding	467,542	
Accrued interest on bonds	(148,954)	
Compensated absences	(845,518)	
Capital leases	(433,913)	
Net pension liability	(53,070,610)	
Deferred outflows related to pension liability	5,136,367	
Deferred inflows related to pension liability	(3,793,946)	
OPEB liability	<u>(546,400)</u>	(91,459,318)

Net position of governmental activities in the Statement of Net Position \$ (33,092,412)

NORTHERN YORK COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year Ended June 30, 2015

	Governmental Funds			
	General Fund	Capital Reserve Fund	Capital Projects Fund	Total Governmental Funds
REVENUES				
Local revenues				
Taxes	\$ 26,489,890	\$ -	\$ -	\$ 26,489,890
Investment earnings	19,379	75	510	19,964
Revenue from intermediate sources	564,877	-	-	564,877
Other	337,399	-	-	337,399
State sources	14,122,202	-	-	14,122,202
Federal sources	<u>332,540</u>	<u>-</u>	<u>-</u>	<u>332,540</u>
Total revenues	<u>41,866,287</u>	<u>75</u>	<u>510</u>	<u>41,866,872</u>
EXPENDITURES				
Instruction	24,151,168	-	-	24,151,168
Support services	12,687,868	-	-	12,687,868
Operation of noninstructional services	1,284,905	-	-	1,284,905
Facilities acquisition, construction and improvements	-	78,276	5,934,018	6,012,294
Debt service:				
Principal	2,916,083	-	-	2,916,083
Interest	825,915	-	-	825,915
Bond issue costs	64,664	-	72,605	137,269
Underwriter's bond discount	<u>82,705</u>	<u>-</u>	<u>32,428</u>	<u>115,133</u>
Total expenditures	<u>42,013,308</u>	<u>78,276</u>	<u>6,039,051</u>	<u>48,130,635</u>
Excess (deficiency) of revenues over expenditures	<u>(147,021)</u>	<u>(78,201)</u>	<u>(6,038,541)</u>	<u>(6,263,763)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term financing	9,730,000	-	3,815,000	13,545,000
Refunding of G.O. Bonds	(9,725,000)	-	-	(9,725,000)
Bond premium	154,291	-	96,528	250,819
Insurance recoveries	100	-	-	100
Proceeds from sale of capital assets	150	-	-	150
Interfund transfers	<u>(290,386)</u>	<u>250,000</u>	<u>-</u>	<u>(40,386)</u>
Total other financing sources and uses	<u>(130,845)</u>	<u>250,000</u>	<u>3,911,528</u>	<u>4,030,683</u>
Net change in fund balances	(277,866)	171,799	(2,127,013)	(2,233,080)
Fund balances - beginning	<u>8,574,657</u>	<u>405,252</u>	<u>6,065,849</u>	<u>15,045,758</u>
Fund balances - ending	<u>\$ 8,296,791</u>	<u>\$ 577,051</u>	<u>\$ 3,938,836</u>	<u>\$ 12,812,678</u>

NORTHERN YORK COUNTY SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance to the Statement of Activities
Year Ended June 30, 2015

Net change in fund balances - total governmental funds \$ (2,233,080)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlays (\$ 6,023,737) differed from depreciation expense (\$1,619,134) in the current period. 4,404,603

Because certain taxes will not be collected for several months after the School District's fiscal year end, they are not considered as "available" revenues in the governmental funds. This is the change in the receivable balance for the government-wide statements. (50,070)

The issuance of long term obligations (bonds, leases, loans) provides current financial resources to governmental funds, while the repayment of principal of long term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of prepaid bond insurance, premiums, discounts, and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities. Repayment of debt principal is an expenditure and other financing use in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Repayment of general obligation bonds/notes - principal	2,885,000
Issuance of general obligation bonds/notes	(13,545,000)
Payment to refund bonds	9,725,000
Bond premium	(250,819)
Amortization of bond premiums, discounts, deferred charge on bond refunding and prepaid bond insurance	(33,148)
Repayment of capital leases - principal	30,079

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds. This is the difference between the amount incurred and the amount paid of:

Accrued interest	(9,634)
Net pension liability and related deferred outflows and inflows	(1,357,492)
OPEB liability	(1,638)
Compensated absences	(21,119)

Change in net position of governmental activities \$ (457,318)

NORTHERN YORK COUNTY SCHOOL DISTRICT
Statement of Net Position - Proprietary Fund
June 30, 2015

	Food Service
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 22,742
Intergovernmental receivables	78,473
Receivable from students, net	59,136
Other receivables	8,244
Inventory	9,489
Total current assets	<u>178,084</u>
Noncurrent Assets	
Furniture and equipment	1,047,028
Accumulated depreciation	<u>(917,593)</u>
Total noncurrent assets	<u>129,435</u>
Total assets	<u>307,519</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension liability	<u>115,613</u>
Total assets and deferred outflows of resources	<u>\$ 423,132</u>
LIABILITIES	
Current Liabilities	
Accounts payable	\$ 1,326
Due to other funds	147,444
Other payables	34,404
Compensated absences	<u>1,112</u>
Total current liabilities	<u>184,286</u>
Noncurrent Liabilities	
Compensated absences	19,763
OPEB liability	5,780
Net pension liability	<u>1,194,553</u>
Total noncurrent liabilities	<u>1,220,096</u>
Total liabilities	<u>1,404,382</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pension liability	<u>85,397</u>
NET POSITION	
Net investment in capital assets	129,435
Unrestricted	<u>(1,196,082)</u>
Total net position	<u>(1,066,647)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 423,132</u>

NORTHERN YORK COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund
Year Ended June 30, 2015

	Food Service
OPERATING REVENUE	
Charges for services	\$ 669,732
Total operating revenues	<u>669,732</u>
OPERATING EXPENSES	
Food and milk purchases	436,162
Salaries	336,255
Employee benefits	279,054
Supplies	1,629
Depreciation	41,524
Repairs and maintenance	3,407
Purchased services	54,302
Administrative fees and overhead costs	62,106
Total operating expenses	<u>1,214,439</u>
Operating income (loss)	<u>(544,707)</u>
NONOPERATING REVENUES (EXPENSES)	
Federal subsidies	339,180
State subsidies	78,882
Interest income	13
Total nonoperating revenue (expenses)	<u>418,075</u>
Income (loss) before transfers	<u>(126,632)</u>
TRANSFERS	
Interfund transfers	<u>40,386</u>
Change in net position	(86,246)
Total net position - beginning, as restated	<u>(980,401)</u>
Total net position - ending	<u>\$ (1,066,647)</u>

NORTHERN YORK COUNTY SCHOOL DISTRICT
Statement of Cash Flows - Proprietary Fund
Year Ended June 30, 2015

	Food Service
Cash flows from operating activities	
Cash received from food sales	\$ 640,868
Cash payments to suppliers for goods	(385,082)
Cash payments to and on behalf of employees	(588,023)
Cash payments for services	<u>(116,408)</u>
Net cash used for operating activities	<u>(448,645)</u>
Cash flows from capital and related financing activities	
Purchase of equipment	<u>(12,340)</u>
Cash flows from noncapital financing activities	
Transfers from other funds	40,386
Federal subsidies	288,651
State subsidies	<u>79,821</u>
Net cash provided by noncapital financing activities	<u>408,858</u>
Cash flows from investing activities	
Earnings on investments	<u>13</u>
Net increase/(decrease) in cash and cash equivalents	(52,114)
Cash and cash equivalents - beginning	<u>74,856</u>
Cash and cash equivalents - ending	<u>\$ 22,742</u>
Reconciliation of income (loss) from operations to net cash provided by operating activities	
Cash flows from operating activities	
Operating loss	\$ (544,707)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Donated food used	54,131
Depreciation	41,524
(Increase) decrease in:	
Inventory	3,966
Accounts receivable	12,009
Increase (decrease) in:	
Compensated absences	(209)
OPEB liability	16
Net pension liability and related items	30,555
Due to other funds	(45,609)
Accounts payable	<u>(321)</u>
Total adjustments	<u>96,062</u>
Net cash used for operating activities	<u>\$ (448,645)</u>

NORTHERN YORK COUNTY SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2015

	Student Activities	Private Purpose Trust Fund	Total
ASSETS			
Cash and cash equivalents	\$ 123,817	\$ 281,521	\$ 405,338
Total assets	<u>\$ 123,817</u>	<u>\$ 281,521</u>	<u>\$ 405,338</u>
LIABILITIES			
Due to student groups	\$ 123,817	\$ -	\$ 123,817
Total liabilities	<u>123,817</u>	<u>-</u>	<u>123,817</u>
NET POSITION			
Held in trust for scholarships	<u>-</u>	281,521	<u>281,521</u>
Total net position	<u>-</u>	<u>281,521</u>	<u>281,521</u>
Total liabilities and net position	<u>\$ 123,817</u>	<u>\$ 281,521</u>	<u>\$ 405,338</u>

NORTHERN YORK COUNTY SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2015

	Private Purpose Trust Fund
ADDITIONS	
Donations	\$ 20,817
Interest income	<u>121</u>
Total additions	<u>20,938</u>
DEDUCTIONS	
Scholarships and awards/grants	<u>16,600</u>
Total deductions	<u>16,600</u>
Change in net position	4,338
Net position - beginning	<u>277,183</u>
Net position - ending	<u><u>\$ 281,521</u></u>

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Northern York County School District (School District) operates a public school system which is geographically comprised of the Boroughs of Dillsburg, Franklintown and Wellsville and Townships of Carroll, Franklin, Monaghan and Warrington in York County, Pennsylvania.

The School District consists of Northern High School, Northern Middle School; and the Dillsburg, Northern, South Mountain and Wellsville Elementary Schools; as well as the School District Administration Office and the Sports and Learning Center.

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

Governmental Accounting Standards Board (GASB) Statements define the criteria used to determine the composition of the reporting entity. These standards require that the reporting entity include (1) the primary government; (2) organizations for which the primary government is financially accountable; (3) organizations that are fiscally dependent on the primary government and a financial benefit or burden exists, and (4) other organizations for which the nature and significance of their relationship with the primary government are such that the exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The School District is not a component unit of any other entities.

Certain organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government, including their ongoing financial support of the primary government. A legally separate, tax-exempt organization should be reported as a component unit of the reporting entity if all of the following criteria are met:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. In the case of the School District, this would include benefiting the students of the School District.
2. The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. The ability of a primary government to otherwise access the resources of an organization does not necessarily imply control over the organization or its resources. This access can be demonstrated if historically the primary government has received, directly or indirectly, a majority of the economic resources provided by the organization, or the organization has previously honored requests to provide resources to the organization.
3. The economic resources received or held by the individual organization, that the primary government is entitled to, or has the ability to otherwise access, is significant to the primary government.

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

The Polar Bear Foundation was evaluated as a potential component unit, but it was determined to not meet all of the criteria to be considered a component unit.

The following joint ventures are not component units of Northern York County School District and are not included in this report.

Cumberland-Perry Area Vocational Technical School - is a separate legal entity organized by thirteen local school districts. The School is operated, administered and managed by a joint operating committee consisting of board members from the thirteen member school districts. These members are elected from their individual school district board of directors. The School District's share of annual operating costs of CPAVTS is reflected as intergovernmental expenditures of the General Fund.

Capital Area Intermediate Unit - is a separate legal entity organized by constituent school districts in Cumberland, Dauphin, Perry, and York counties to provide services to the school districts. Each member school district appoints one member to serve on the Board of Directors of the Intermediate Unit. The School District contracts with the Intermediate Unit primarily for special education services and training.

Complete financial statements for each of the entities described above can be obtained from each respective administrative office. The School District has no equity interest in any of the above joint ventures.

Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories of governmental, proprietary, and fiduciary.

1. Governmental Funds

Governmental Funds are those through which most governmental functions of the School District are financed. The measurement focus is on the flow of expendable resources, rather than on net earnings determination.

The School District reports the following major governmental funds:

a. General Fund

The General Fund is used to account for all financial transactions not accounted for in another fund. Revenues are primarily derived from local property taxes and earned income taxes, and state and federal subsidies. Many of the more important activities of the School District, including instruction, administration of the School District, and certain noninstructional services are accounted for in this fund. This is a legally budgeted fund, and any unassigned fund balances are considered as resources available for use.

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting (Continued)

b. Capital Reserve Fund

This fund is authorized under by Municipal Code P.L. 145, Act of April 30, 1943, accounts for (1) moneys transferred during any fiscal year from appropriations made for any particular purpose which may not be needed, (2) surplus moneys in the General Fund of the treasury of the School District at the end of any fiscal year, and (3) interest earnings of the fund itself. These funds must be used for capital improvements.

c. Capital Projects Fund

The Capital Projects Fund is used to account for financial resources obtained for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds).

2. Proprietary Fund

Proprietary Funds are used to account for the School District's ongoing activities which are similar to those often found in the private sector. The focus of proprietary funds is on the determination of net earnings and capital maintenance. The following fund is utilized:

Food Service Fund – Enterprise Fund – Major Fund

This fund accounts for all revenues and expenses pertaining to cafeteria operations as authorized under Section 504 of the Public School Code of 1949. It is the intent of the governing body that the cost of providing food, goods or services to the students on a continuing basis be financed or recovered primarily through user charges or cost reimbursement plans.

3. Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private purpose trust which accounts for a scholarship program for students. This is shown as a private purpose trust fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Student Activity Funds are classified as Agency Funds.

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function or program of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements - Fund financial statements report detailed information about the School District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds (if applicable) are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures, and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds are reported using the economic resources measurement focus.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenue from federal, state, and other grants designated for payment of specific school district expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as liabilities until earned. If time eligibility requirements are not met, a deferred inflow of resources would be recorded. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services, including charges for meals, and the costs of food, salaries and benefits, depreciation, and other expenses. Federal and State subsidies are considered non-operating revenues as no exchange transaction occurs.

Budgets and Budgetary Accounting

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

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

1. The School District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.
2. The Board of School Directors may make transfers of funds appropriated to any particular item of expenditure by legislative action. An affirmative vote of two-thirds of all members of the Board is required.

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting (Continued)

3. Fund balances in budgetary funds may be appropriated based on resolutions passed by the Board of Education, which authorize the School District to make expenditures. Appropriations lapse at the end of the fiscal period.
4. Included in the General Fund budget are program budgets as prescribed by the state and federal agencies funding the programs. These budgets are approved on a program-by-program basis by the state or federal funding agency. These programs frequently result in supplementary budget appropriations.

Capital budgets are not implemented for capital improvements in the Capital Reserve Fund or the Capital Projects Fund. All transactions of the Capital Reserve Fund and Capital Projects Fund are approved by the Board prior to commitment, thereby constructively achieving budgetary control.

Cash, Cash Equivalents, and Investments

Cash and cash equivalents include all demand deposits, petty cash, savings, money market accounts, PLGIT accounts, PSDLAF accounts, and certificates of deposit with an original maturity of less than 90 days owned by the School District. Investments include certificates of deposit with an original maturity of greater than 90 days. Investments are stated at market value. Accrued interest is included with other receivables on the balance sheet.

Statement of Cash Flows

For purposes of the statement of cash flows, the proprietary fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Inventory

Inventory in the Food Service Fund consists of expendable supplies and food (valued at cost) held for consumption. The expendable supplies are recorded as an expenditure when used. The cost of governmental fund inventories are recorded as expenditures when purchased in the fund financial statements and the asset (valued at cost) at June 30 is offset by nonspendable fund balance. Governmental fund supplies inventories are capitalized at cost and expensed as used on the government-wide financial statements.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$ 1,500. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. Interest incurred during the construction of capital assets is not capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings and Improvements	20 – 50 years	N/A
Equipment, Furniture and Fixtures	5 – 20 years	5 – 12 years

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The School District has several items that qualify for reporting in this category, including the deferred charge on bond refunding, employer contributions made for the District's share of the pension plan after the measurement date of the pension plan, and amounts deferred due to differences between employer contributions and the proportionate share of total contributions. These will be amortized in future periods. A deferred charge on bond refunding results from the difference in the carrying value of refunding debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District's deferred inflows of resources on the statement of net position at June 30, 2015 consist of the net difference between projected and actual earnings on the District's proportionate share of pension plan investments. The District also reports unavailable tax revenue on the governmental funds balance sheet as a deferred inflow of resources.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Activity/Internal Balances

Advances between funds are accounted for in the appropriate interfund receivable and payable accounts. Advances between funds which are not expected to be repaid are accounted for as transfers. Interfund balances and transactions are eliminated in the government-wide financial statements.

Exchange transactions, if any, between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activity columns in the statement of net position. This same treatment also applies to proprietary fund financial statements. Bond premiums and discounts, deferred charge on bond refunding, as well as prepaid bond insurance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. The deferred charge on bond refunding is reported as deferred outflows of resources and amortized over the term of the related debt. Prepaid bond insurance costs are reported as an asset and amortized over the term of the related debt. Other bond issuance costs are expensed at the time the debt is issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued and original issue discounts or premiums are reported as other financing sources and uses. Issuance costs and underwriter's discount, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Retirement Plans

The School District contributes to the Public School Employees Retirement System (PSERS), a cost-sharing multiple-employer defined benefit pension plan. The School District accounts for the plan under the provisions of the GASB Statements, which establishes standards for the measurement, recognition, and display of pension expense and related liabilities, assets, and note disclosures.

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 Systems (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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

Liability for compensated absences is accounted for in accordance with the provisions of the GASB, which requires entities to accrue for employees' rights to receive compensation for vacation leave, or payments in lieu of accrued vacation or sick leave, as such benefits are earned and payment becomes probable.

The estimate of the liability for the accumulated unpaid sick leave has been calculated using the vesting method in accordance with provisions of the GASB. Under that method, the School District has identified the accrued sick leave benefit earned to date by each employee, determined the cost of that benefit by reference to the benefit provisions and the current rates paid by the School District, and estimated the probability of the payment of that benefit to employees upon retirement.

Liabilities for vested, unused vacation, sick pay, and personal leave are recorded in the proprietary funds and the government-wide financial statements, and are expensed as incurred.

Payments for vacation, sick pay, and personal leave are expensed as paid in the governmental fund financial statements.

Other Postemployment Benefits Other Than Pensions

The School District provides continuation of medical and dental benefits, including prescription drug coverage, to eligible retired employees and qualified spouses/beneficiaries until the retired employee reaches Medicare age. In order to obtain coverage, retired employees must provide payment for 50% to 100% of the premium cost determined for the purpose of COBRA, depending on the employee group and length of service.

Net Position- Government-Wide/Proprietary Funds

In the government-wide financial statements and proprietary fund financial statements, net position is classified in the following categories:

Net Investment in Capital Assets: This component consists of capital assets, net of accumulated depreciation and reduced by any outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those capital assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of debt is included in the same net position component as the unspent proceeds. Deferred outflows of resources and deferred inflows of resources attributable to acquisition, construction, or improvement of assets or related debt also should be included in this component of net position.

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position- Government-Wide/Proprietary Funds (Continued)

Restricted Net Position: This component consists of net position with constraints placed on the use by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

Restricted net position as of June 30, 2015 consists of \$ 577,051 for future capital improvements and \$ 1,000 related to an unspent donation.

Unrestricted Net Position: This category of net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Net Position Flow Assumption: Sometimes the government will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance – Governmental Fund Financial Statements

Governmental funds classify fund balance based on the relative strength of the spending constraints placed on the purpose for which resources can be used. The classifications are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. This classification includes items such as prepaid amounts, inventories, and long term amount of loans and notes receivable. This also includes the corpus (or principal) of permanent funds.

Committed: This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision-making authority. This formal action is in the form of a resolution which is made by the School Board. Once an amount is committed, it cannot be used for any other purpose unless changed by the same type of formal action used to initially constrain the funds.

Assigned: This classification includes spendable amounts that are reported in governmental funds *other than the General Fund*, that are neither restricted nor committed, and amounts in the General Fund that are intended to be used for a specific purpose. The intent of an assigned fund balance should be expressed by either the School District's Board, or a subordinate high-level body, such as the finance committee, superintendent, or business manager that is authorized to assign amounts to be used for specific purposes. As detailed in its Fund Balance Policy, the School Board or the Business Manager has the authority to make assignments of fund balance. The assignment of fund balance cannot result in a negative unassigned fund balance.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance – Governmental Fund Financial Statements (Continued)

Unassigned: This classification represents the portion of spendable fund balance that has not been categorized as restricted, committed or assigned. The General Fund is the only fund which would include a positive unassigned fund balance as all other fund types must categorize amounts within the other classifications. A negative unassigned fund balance may occur in any fund when there is an over expenditure of restricted or committed fund balance. In this case, any assigned fund balance (and unassigned fund balance in the general fund) would be eliminated prior to reporting a negative unassigned fund balance.

Policy Regarding Order of Spending

When fund balance resources are available for a specific purpose in multiple classifications, the School District's policy is to use restricted resources first and then apply unrestricted resources in the following order: unassigned, assigned and committed. Assigned or committed resources would only be used upon specific authorization by the School Board, or the Business Manager in the case of assigned fund balance.

Minimum Fund Balance

The School District strives to maintain an unassigned general fund balance of not less than four percent (4%) and not more than eight percent (8%) of the budgeted expenditures for that fiscal year.

The total fund balance, consisting of portions including committed, assigned, and unassigned, should not exceed eight percent (8%).

If the unassigned portion of the fund balance falls below the threshold of four percent (4%), the Board will pursue variations of increasing revenues and decreasing expenditures or a combination of both until four percent (4%) is attained. If the assigned and unassigned portions of the fund balance exceeds eight percent (8%) of budgeted expenditures, the Board may utilize a portion of the fund balance by appropriating excess funds for nonrecurring expenditures only.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources, and the disclosure of those items, if any, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2015

NOTE 2 CASH AND INVESTMENTS

Section 440.1 of the Pennsylvania School Code defines allowable investments for school districts, which are summarized as follows:

- U.S. Treasury Bills
- Short term obligations of the U.S. Government or its agencies
- Deposits in savings accounts or certificates of deposit insured by the FDIC or NCUSIF to the extent that such accounts are so insured and for any amounts above the insured maximum, provided that approved collateral as provided by law shall be pledged by the depository.
- Obligations of the U.S. Government, Commonwealth of Pennsylvania, or any agency, instrumentality, or political subdivision thereof, backed by the full faith and credit of the applicable government.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a policy for custodial credit risk. As of June 30, 2015, the School District has the following:

Cash and cash equivalents, bank accounts	\$ 233,688
Certificates of deposit, held by various institutions	\$ 1,470,000

The amounts held by bank accounts and CD's held by various institutions are all covered by FDIC insurance.

Credit Risk - Investments

As of June 30, 2015, the School District had the following investments:

<u>Investment</u>	<u>Fair Value</u>
PA Local Government Investment Trust (PLGIT)	\$ 5,433,503
PA School District Liquid Asset Fund - PSDMAX	3,405,047
Certificates of deposit, pool held by Pennsylvania School District Liquid Asset Fund (PSDLAF)	<u>5,000,000</u>
	<u>\$ 13,838,550</u>

The School District invests in pooled investments with PSDLAF and Pennsylvania Local Government Investment Trust (PLGIT). PLGIT and PSDLAF-MAX are basically mutual funds that consist of short term money market instruments and seek to maintain a constant net asset value of \$ 1 per share. These funds are accessible on a daily basis and are considered cash equivalents for reporting purposes. PLGIT deposits are invested by PLGIT directly in portfolios of securities which are held by a third party custodian. PSDLAF – PSDMAX deposits are invested by PSDLAF directly in portfolios of securities held by a third party custodian and are collateralized with securities held by the PSDLAF agent in a collateral pool. The School District is exposed to custodial credit risk because the collateral securities held by PSDLAF and PLGIT's agents are not in the School District's name. At June 30, 2015, the School District's investments in PLGIT rated AAAM by Standards and Poor's Investor's Services.

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2015

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Credit Risk – Investments (continued)

Also classified as cash equivalents are pooled investments in the Pennsylvania School District Liquid Asset Fund collateralized CD pool of \$ 5,000,000. The collateralized CD pool offered by PSDLAF consists of investment grade "Large Cap" banks. These banks are required to deliver a minimum of 102% market value of collateral consisting of securities as outlined under PA Act No. 72. When the District invests in a CD from the pool they essentially are investing in a fixed income security that is similar to a mutual fund. The School District is exposed to custodial credit risk because the collateral securities held by PSDLAF agents are not in the School District's name.

Investments in PSDLAF and PLGIT are subject to income, market and credit risk related to the potential for decline in current income, the potential for a decline in market value and the potential that an issuer of securities held in the investment portfolios of the fund would fail to make timely payments of principal and interest payments, respectively.

Interest Rate Risk - Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

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

Investments in Pennsylvania School District Liquid Asset Fund (PSDLAF), excluding CD's held, and Pennsylvania Local Government Investment Trust (PLGIT) are not subject to interest rate risk as the funds are accessible on a daily basis and the interest rates change daily based on market conditions.

Investments in the PSDLAF-MAX are not subject to interest rate risk as the funds are accessible on a daily basis and the interest rates change daily based on market conditions.

As of June 30, 2015, the District had the following investments and maturities:

	Market Value	Investment Maturities (in Years)	
		Less than 1	1 - 5
PSDLAF - Collateralized CD Pool	\$ 5,000,000	\$ 5,000,000	\$ -

Concentration of Credit Risk

The School District places no limit on the amount it may invest in any one issuer. More than 5% of the School District's investments were in PSDLAF.

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2015

NOTE 3 TAXES

Real estate taxes are considered fully collectible since liens can be filed on properties. The uncollectible portion of per capita taxes was estimated based on previous collection experience.

Property taxes are levied as of July 15 on assessed property values. The tax bills are mailed by the Tax Collectors on July 1 and are payable as follows:

Discount	July 15 – September 15
Face	September 16 – November 15
Penalty	November 16 - January 15

After January 15, the bills are considered delinquent and turned over to the County Tax Claim Bureau for collection.

NOTE 4 TAXES RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES

Taxes receivable and deferred inflows of resources in the financial statements consist of the following as of June 30, 2015:

Real estate	\$ 778,997
Earned income	1,142,866
Per capita	<u>40,828</u>
	1,962,691
Reserve for uncollectible accounts	<u>(9,929)</u>
Taxes receivable, net	1,952,762
Taxes collected within sixty days, recorded as revenues in governmental funds	<u>(1,155,291)</u>
Taxes estimated to be collected after sixty days, recorded as deferred inflows of resources in governmental funds	<u>\$ 797,471</u>

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2015

NOTE 5 INTERNAL BALANCES

Interfund receivables/payables consist of the following at June 30, 2015:

Funds	Interfund Receivable	Interfund Payable
General	\$ 147,444	\$ 4,839
Food Service	-	147,444
Capital Reserve	4,839	-
	\$ 152,283	\$ 152,283

The Food Service Fund owes the General Fund for reimbursement of salaries and related benefits. The General Fund owes the Capital Reserve Fund for capital related expenses paid by the Capital Reserve Fund that will be reimbursed by the General Fund.

Interfund transfers consist of the following for the year ended June 30, 2015:

Funds	Transfers In	Transfer Out
General	\$ -	\$ 290,386
Capital Reserve	250,000	-
Food Service	40,386	-
	\$ 290,386	\$ 290,386

During the current year, a transfer was made to the Capital Reserve Fund from the General Fund for future capital improvements including the track resurfacing project. In addition, a transfer to the Food Service Fund from the General Fund was made for operating expenses.

NOTE 6 INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2015 consist of the following:

Local:	Amusement tax	\$ 927
	Deed transfer	73,548
State:	Social Security	79,599
	Retirement	676,095
	Rental	44,860
	Safe School	14,615
Federal:	Grants	205,796
	Total governmental activities/governmental funds	\$ 1,095,440

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2015

NOTE 7 CAPITAL ASSETS

Capital asset activity for the School District consists of the following as of and for the year ended June 30, 2015:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities				
Cost				
Assets not being depreciated				
Land	\$ 326,188	\$ -	\$ -	\$ 326,188
Construction in progress	1,093,999	5,889,888	-	6,983,887
Assets being depreciated:				
Site improvements	1,469,055	-	-	1,469,055
Buildings	59,415,263	5,571	-	59,420,834
Equipment, furniture, and fixtures	6,246,444	128,278	(49,597)	6,325,125
Total cost	<u>68,550,949</u>	<u>6,023,737</u>	<u>(49,597)</u>	<u>74,525,089</u>
Less accumulated depreciation				
Site improvements	(763,595)	(54,256)	-	(817,851)
Buildings	(22,337,470)	(1,301,851)	-	(23,639,321)
Equipment, furniture, and fixtures	(5,097,730)	(263,027)	49,597	(5,311,160)
Total accumulated depreciation	<u>(28,198,795)</u>	<u>(1,619,134)</u>	<u>49,597</u>	<u>(29,768,332)</u>
Capital assets, net	<u>\$ 40,352,154</u>	<u>\$ 4,404,603</u>	<u>\$ -</u>	<u>\$ 44,756,757</u>
Business-Type Activities				
Cost				
Equipment, furniture and fixtures	\$ 1,034,688	\$ 12,340	\$ -	\$ 1,047,028
Less accumulated depreciation:				
Equipment, furniture and fixtures	(876,069)	(41,524)	-	(917,593)
Capital assets, net	<u>\$ 158,619</u>	<u>\$ (29,184)</u>	<u>\$ -</u>	<u>\$ 129,435</u>

The balance in construction in progress is related to the current renovation project ongoing at Dillsburg Elementary and HVAC upgrades at Northern Elementary and Northern Middle (see Note 14).

Depreciation expense for the year ended June 30, 2015 was charged to governmental functions as follows:

Instruction	\$ 1,232,485
Instructional student support	62,013
Administrative and financial support services	62,336
Operation and maintenance of plant services	204,173
Student activities	58,127
	<u>\$ 1,619,134</u>

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2015

NOTE 8 ACCRUED SALARIES AND BENEFITS/WITHHOLDINGS

Accrued salaries and benefits/withholdings consist of the following as of June 30, 2015:

General Fund	
Accrued salaries	\$ 1,757,074
Retirement	741,374
Social security	131,562
Health insurance	516,301
Other withholdings	54,857
	<u>\$ 3,201,168</u>

NOTE 9 LONG-TERM LIABILITIES

The changes in long-term liabilities during the year ended June 30, 2015 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Long-term Portion
Governmental Activities						
General obligation bonds and notes payable						
(A) Series of 2010	\$ 9,970,000	\$ -	\$ (9,970,000)	\$ -	\$ -	\$ -
(B) Series of 2012	8,890,000	-	(215,000)	8,675,000	220,000	8,455,000
(C) Series of 2013	6,610,000	-	(1,435,000)	5,175,000	1,445,000	3,730,000
(D) Series of 2014	6,800,000	-	(215,000)	6,585,000	205,000	6,380,000
(E) Series of 2014A	4,550,000	-	(775,000)	3,775,000	775,000	3,000,000
(F) Series of 2015	-	3,815,000	-	3,815,000	-	3,815,000
(G) Series of 2015A	-	9,730,000	-	9,730,000	-	9,730,000
Unamortized bond (discount)/premium	104,778	411,869	(47,761)	468,886	70,053	398,833
Subtotal - bonds and notes payable	<u>36,924,778</u>	<u>13,956,869</u>	<u>(12,657,761)</u>	<u>38,223,886</u>	<u>2,715,053</u>	<u>35,508,833</u>
Compensated absences						
Vacation leave	158,639	232,695	(210,442)	180,892	6,137	174,755
Personal leave	199,923	291,564	(281,874)	209,613	17,878	191,735
Sick leave	465,837	171,977	(182,801)	455,013	72,911	382,102
Subtotal - compensated absences	<u>824,399</u>	<u>696,236</u>	<u>(675,117)</u>	<u>845,518</u>	<u>96,926</u>	<u>748,592</u>
Capital lease payable	<u>463,992</u>	<u>-</u>	<u>(30,079)</u>	<u>433,913</u>	<u>30,070</u>	<u>403,843</u>
Total long-term liabilities	<u>\$ 38,213,169</u>	<u>\$ 14,653,105</u>	<u>\$ (13,362,957)</u>	<u>\$ 39,503,317</u>	<u>\$ 2,842,049</u>	<u>\$ 36,661,268</u>
Business-Type Activities						
Compensated absences						
Vacation leave	\$ 5,570	\$ 5,329	\$ (5,116)	\$ 5,783	\$ -	\$ 5,783
Personal leave	3,172	2,922	(3,398)	2,696	1,112	1,584
Sick leave	<u>12,342</u>	<u>2,181</u>	<u>(2,127)</u>	<u>12,396</u>	<u>-</u>	<u>12,396</u>
Total long-term liabilities	<u>\$ 21,084</u>	<u>\$ 10,432</u>	<u>\$ (10,641)</u>	<u>\$ 20,875</u>	<u>\$ 1,112</u>	<u>\$ 19,763</u>

(A) On March 3, 2010, the School District issued \$ 10,330,000 of general obligation bonds Series 2010. The proceeds were used to currently refund the School District's Series of 2005 Bonds and to pay the costs of issuing and insuring the bonds. The bonds were currently refunded with the issuance of the School District's Series of 2015A bonds.

(B) On December 28, 2012, the School District issued general obligation bonds - Series of 2012 in the amount of \$ 9,230,000 to provide funds to currently refund the School District's Series of 2011 Note and to pay the cost of issuing the bonds. The bonds are due in varying amounts on February 15, 2013 to 2024. The bond bears fixed interest rates ranging from 0.3% to 3.0%.

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2015

NOTE 9 LONG-TERM LIABILITIES (CONTINUED)

- (C) On August 15, 2013, the School District issued general obligation bonds - Series of 2013 in the amount of \$ 8,075,000 to provide funds to currently refund the School District's Series of 2008 bonds and to pay the cost of issuing the bonds. The bonds are due in varying amounts on November 15, 2013 to 2018. The bonds bear fixed interest rates ranging from 0.2% to 2.0%.
- (D) On April 24, 2014, the School District issued general obligation bonds - Series of 2014 in the amount of \$ 6,800,000 to provide funds towards planning, designing, acquiring, constructing, equipping, and furnishing various capital projects of the School District, including but not limited to the Dillsburg Elementary School project or alterations, additions and renovations or improvements to existing school buildings and facilities, or acquiring related land, fixtures, furnishings or equipment for school purposes and to pay the cost of issuing the bonds. The bonds are due in varying amounts on November 15, 2014 to 2025. The bonds bear fixed interest rates ranging from 0.2% to 3.0%.
- (E) On May 15, 2014, the School District issued general obligation bonds - Series of 2014A in the amount of \$ 4,550,000 to provide funds towards the current refunding of the School District General Obligation Bonds, Series 2009 and to pay the cost of issuing the bonds. The bonds are due in varying amounts on November 15, 2014 to 2019. The bonds bear fixed interest rates ranging from 0.17% to 2.0%.
- (F) On March 19, 2015, the School District issued general obligation bonds - Series of 2015 in the amount of \$ 3,815,000 to provide funds towards planning, designing, acquiring, constructing, equipping, and furnishing various capital projects of the School District, including but not limited to the Dillsburg Elementary School project or alterations, additions and renovations or improvements to existing school buildings and facilities, or acquiring related land, fixtures, furnishings or equipment for school purposes and to pay the cost of issuing the bonds. The bonds are due in varying amounts on November 15, 2016 to 2026. The bonds bear fixed interest rates ranging from 0.6% to 3.0%.
- (G) On April 16, 2015, the School District issued general obligation bonds - Series of 2015A in the amount of \$ 9,730,000 to provide funds to currently refund the School District's Series of 2010 bonds and to pay the cost of issuing the bonds. The bonds are due in varying amounts on August 15, 2016 to 2022. The bonds bear fixed interest rates ranging from 0.6% to 2.0%.

As a result of the refunding, the School District will have the following benefits:

(1) Cash Flow gain	\$ 684,209
(2) Economic gain	\$ 613,209

- (1) Represents the difference between the cash flows required to service the old debt and the new debt, less bond issue costs.
- (2) Represents the difference in present value of the old debt and new debt, less bond issue costs.

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2015

NOTE 9 LONG-TERM LIABILITIES (CONTINUED)

The annual debt requirements for future general obligation bonds and notes as of June 30, 2015 are as follows:

	Series of 2012		Series of 2013		Series of 2014		Series of 2014A	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 220,000	\$ 187,672	\$ 1,445,000	\$ 74,375	\$ 205,000	\$ 168,819	\$ 775,000	\$ 51,837
2017	225,000	183,222	1,465,000	55,825	210,000	167,410	775,000	46,800
2018	235,000	177,446	1,490,000	30,000	215,000	165,285	780,000	35,124
2019	825,000	161,546	775,000	7,750	215,000	162,597	670,000	20,626
2020	840,000	140,770	-	-	215,000	159,373	775,000	6,963
2021 - 2025	6,330,000	365,191	-	-	3,620,000	692,098	-	-
2026 - 2027	-	-	-	-	1,905,000	28,575	-	-
	<u>\$ 8,675,000</u>	<u>\$ 1,215,847</u>	<u>\$ 5,175,000</u>	<u>\$ 167,950</u>	<u>\$ 6,585,000</u>	<u>\$ 1,544,157</u>	<u>\$ 3,775,000</u>	<u>\$ 161,350</u>

	Series of 2015		Series of 2015A		Totals		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2016	\$ -	\$ 115,062	\$ -	\$ 135,746	\$ 2,645,000	\$ 733,511	\$ 3,378,511
2017	30,000	108,345	370,000	183,998	3,075,000	745,600	3,820,600
2018	30,000	108,105	375,000	181,294	3,125,000	697,254	3,822,254
2019	30,000	107,768	710,000	172,600	3,225,000	632,887	3,857,887
2020	30,000	107,355	1,430,000	151,200	3,290,000	565,661	3,855,661
2021 - 2025	450,000	523,260	6,845,000	207,050	17,245,000	1,787,599	19,032,599
2026 - 2027	3,245,000	102,075	-	-	5,150,000	130,650	5,280,650
	<u>\$ 3,815,000</u>	<u>\$ 1,171,970</u>	<u>\$ 9,730,000</u>	<u>\$ 1,031,888</u>	<u>\$ 37,755,000</u>	<u>\$ 5,293,162</u>	<u>\$ 43,048,162</u>

Capital Leases

The School District is financing the purchase of postage meters, energy upgrades, technology equipment and a phone system through capital leases with vendors. At June 30, 2015, the leased assets have a gross capitalized value of \$ 1,818,184 and accumulated depreciation of \$ 1,051,114, leaving a net book value of \$ 767,070 that is included in capital assets. Amortization expense of \$ 121,039 is included in depreciation expense.

The aggregate amount of future payments required on capital leases at June 30, 2015 is as follows:

2016	\$ 50,148
2017	49,031
2018	44,951
2019	44,951
2020	44,951
2021-2025	224,757
2026-2027	89,903
	<u>548,692</u>
Amount representing interest	(110,015)
Amount representing maintenance	<u>(4,764)</u>
	<u>\$ 433,913</u>

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The School District provides the continuation of medical and dental benefits, including prescription drug coverage, to eligible retired employees and qualified spouses/beneficiaries until the retired employee reaches Medicare age. In order to obtain coverage, retired employees must provide payment for 50% to 100% of the premium cost determined for the purpose of COBRA, depending on the employee group and length of service.

The School District pays 50% of the premiums for medical, dental, and prescription drug benefits for eligible retirees in the administrator's employee group. To be eligible for this group the retiree would have to be a retired administrator with 15 years of continuous services with the School District, 30 years of service with PSERS, and be eligible for retirement with PSERS.

Retired employees in the teacher and support staff groups pay 100% of their premiums for medical, dental, and prescription drug benefits under the School District's postemployment benefit plan.

For teachers that retired under the June 30, 2012 Retirement Incentive, the School District will pay the full premium up to 2-party coverage for up to three years. If the retiree elects to have family coverage they must cover 100% of the premium for each additional family member. After 3 years, the retiree must pay the full premium for coverage.

The premium amount retirees pay is a blended rate for covering both active and retired Plan members. The fact that the blended rate that retirees pay is less than the cost of covering retired members and their beneficiaries results in what is known as an "implicit rate subsidy" by the School District, which gives rise to the benefits. All employees are eligible for this benefit upon retirement with 30 years of PSERS service or upon superannuation retirement (age 60 with 30 years of service, age 62 with 1 year of service, or 35 years of service regardless of age). At the actuarial valuation as of January 1, 2014 there were 270 participants in the teacher employee group, which is composed of 233 active participants and 37 retired participants; there were 109 participants in the support staff employee group, which is composed of 108 active participants and 1 retired participant; and there were 24 participants in the administrator group, which is composed of 19 active participants, and 5 retired participants. The School District's postemployment benefits are administered by School District personnel. The Plan does not issue a separate stand-alone financial statement.

Funding Policy

The contribution requirements of the plan member and the School District are established and may be amended by the School District. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined by the School District. The School District funds OPEB on a pay-as-you-go basis. For the fiscal year 2014/2015, plan members receiving benefits also contributed \$ 215,122.

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2015

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation

The School District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the School District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the School District's net OPEB obligation to the plan:

	Governmental Activities	Food Service Fund/ Business Type Activities	Total
Annual required contribution (ARC)	\$ 420,657	\$ 4,208	\$ 424,865
Estimated interest on net OPEB obligation	24,529	245	24,774
Estimated adjustment to ARC	<u>(50,754)</u>	<u>(508)</u>	<u>(51,262)</u>
Annual OPEB cost	394,432	3,945	398,377
Estimated employer contributions made	<u>(392,794)</u>	<u>(3,929)</u>	<u>(396,723)</u>
Increase in net OPEB obligation	1,638	16	1,654
Net OPEB obligation - beginning of the year	<u>544,762</u>	<u>5,764</u>	<u>550,526</u>
Net OPEB obligation - end of the year	<u><u>\$ 546,400</u></u>	<u><u>\$ 5,780</u></u>	<u><u>\$ 552,180</u></u>

The School District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the last three years is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 398,377	99.58%	\$ 552,180
2014	\$ 208,566	59.67%	\$ 550,526
2013	\$ 210,604	40.94%	\$ 466,417

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2015

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Funded Status and Funding Progress

As of January 1, 2014, the most recent actuarial valuation date, the plan had the following funded status and progress:

Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
01/01/14	\$ -	\$ 2,915,573	\$ 2,915,573	0.00%	\$ 16,511,387	17.66%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the profitability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to the continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the January 1, 2014 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions include a 4.50 percent investment rate of return (net of administrative expenses), annual salary increase of 3.5 percent, and for teachers and administrators a merit increase which varies by age between 2.75 percent to 0.25 percent, and an annual healthcare cost trend rate of 6.5 percent in 2014, decreasing 0.5 percent to an ultimate rate of 5.5 percent in 2016 and gradually decreasing to 4.2 percent in 2089. The actuarial value of assets was based on the fair value of assets, of which there are none. The UAAL is being amortized based on a level dollar 30 year open period.

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Other Post-Employment Benefits – Public School Employees’ Retirement System (PSERS)

In addition to the other post-employment benefit detailed above, the Public School Employees’ Retirement System (PSERS) also provides a health insurance premium assistance program for all eligible employees who qualify and elect to participate, which is a cost-sharing multiple employer defined benefit plan. The PSERS Retirement Board is established by state law as an independent administrative board of the Commonwealth. The plan benefits and contributions are specified in the Pennsylvania Public School Employees’ Code. Changes in benefit and contribution provisions must be made by legislation. Pursuant to state law, all legislative bills and amendments proposing to change the plan are to be accompanied with an actuarial note prepared by an enrolled actuary from the Public Employee Retirement Commission providing an estimate of the cost and actuarial effect of the proposed change. Under this program, District 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 PSERS issues a publicly available financial report that includes financial statements and required supplementary information that can be obtained from their website at <http://www.psers.state.pa.us/>.

Participating eligible employees 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 employees must obtain their health insurance through the District. The contribution rate is set at a level necessary to establish reserves sufficient to provide premium assistance for the subsequent fiscal year. The portion of the total contribution rate for the District and the Commonwealth used to fund the premium assistance was 0.90% for the year ended June 30, 2015.

The information below summarizes the required contributions, the percentage of required contribution contributed and the contribution rate for the current year and two preceding years:

Fiscal Year Ended	Required Contribution	Percentage of Required Contribution Contributed	Contribution Rate
2015	\$ 163,782	100.00%	0.90%
2014	\$ 163,792	100.00%	0.93%
2013	\$ 147,749	100.00%	0.86%

NOTE 11 PENSION PLAN

General Information about the Pension Plan

Plan Description

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

Benefits Provided

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

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

NOTE 11 PENSION PLAN (CONTINUED)

General Information about the Pension Plan (Continued)

Contributions

Member contributions:

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

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

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

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

Employer Contributions:

The School District's contractually required contribution rate for fiscal year ended June 30, 2015 was 20.50% 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 recognized as revenue by the pension plan from the District were \$ 3,610,828 for the year ended June 30, 2015.

State Funding:

The Commonwealth of Pennsylvania generally reimburses the District for 50% of its retirement expense. This arrangement does not meet the criteria of a special funding situation in accordance with GASB standards. Therefore, the net pension liabilities and related pension expense represent 100% of the District's share of these amounts. During the year ended June 30, 2015, the District recognized revenue of \$ 1,933,902 from reimbursement for its current year pension payments.

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2015

NOTE 11 PENSION PLAN (CONTINUED)

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

At June 30, 2015, the District reported a liability of \$54,265,163 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, 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, 2013 to June 30, 2014. 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, 2014, the District's proportion was 0.1371 percent, which was an increase of 0.0044 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense as follows:

Governmental Activities	\$ 5,005,968
Business-type Activities	\$ 112,678

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual investment earnings	-	3,879,343
Changes in proportions	1,451,448	-
Difference between employer contributions and proportionate share of total contributions	69,933	-
Contributions subsequent to the measurement date	<u>3,730,599</u>	<u>-</u>
	<u>\$ 5,251,980</u>	<u>\$ 3,879,343</u>

The \$ 3,730,599 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (603,149)
2017	(603,149)
2018	(603,149)
2019	(603,149)
2020	<u>54,364</u>
Total	<u>\$ (2,358,232)</u>

NOTE 11 PENSION PLAN (CONTINUED)

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

Actuarial Assumptions

The total pension liability as of June 30, 2014 was determined by rolling forward the System's total pension liability as of the June 30, 2013 actuarial valuation to June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 7.50%, includes inflation at 3.00%
- Salary increases – Effective average of 5.50% , which reflects an allowance for inflation of 3.00%, real wage growth of \$ 1, and merit or seniority increases of 1.50%
- Mortality rates were based on the RP-200 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females. For disabled annuitants the RP-200 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females.

The actuarial assumptions used in the June 30, 2013 valuation were based on the experience study that was performed for the five-year period ending June 30, 2010. The recommended assumption changes based on this experience study were adopted by the Board at its March 11, 2011 Board meeting, and were effective beginning with the June 30, 2011 actuarial valuation.

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

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2015

NOTE 11 PENSION PLAN (CONTINUED)

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

Actuarial Assumptions (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public markets global equity	19%	5.0%
Private markets (equity)	21%	6.5%
Private real estate	13%	4.7%
Global fixed income	8%	2.0%
U.S. long treasuries	3%	1.4%
TIPS	12%	1.2%
High yield bonds	6%	1.7%
Cash	3%	0.9%
Absolute return	10%	4.8%
Risk parity	5%	3.9%
MLPs/Infrastructure	3%	5.3%
Commodities	6%	3.3%
Financing (LIBOR)	-9%	-1.1%
	100%	

The above was the Board's adopted asset allocation policy and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014.

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2015

NOTE 11 PENSION PLAN (CONTINUED)

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

The following presents the net pension liability calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percentage point higher (8.50%) than the current rate:

	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
District's proportionate share of the net pension liability	\$ 67,688,000	\$ 54,265,163	\$ 42,806,000

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

As of June 30, 2015, the District had \$ 741,374 included in accrued benefits liability which \$ 380,807 is for the contractually required contribution for June of 2015 and \$ 360,567 is related to the accrued payroll liability for wages incurred as of June 30, 2015.

NOTE 12 OPERATING LEASES

The School District has entered into noncancelable operating leases or service agreements for the use of copiers and a bus radio tower. The total rent expense paid on these during the year ended June 30, 2015 was \$ 135,524. The School District has the following future minimum payments as of June 30, 2015:

	Copiers	Bus Radio Tower	Total
2016	\$ 130,441	\$ 4,800	\$ 135,241
2017	140,856	-	140,856
2018	140,856	-	140,856
2019	140,856	-	140,856
2020	140,856	-	140,856
2021	46,952	-	46,952
	<u>\$ 740,817</u>	<u>\$ 4,800</u>	<u>\$ 745,617</u>

NOTE 13 AFFILIATES

Payments to fund operations of affiliated entities for the year ended 2014/2015 were as follows:

Cumberland-Perry Area Vocational Technical School	\$ 432,122
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NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2015

NOTE 14 COMMITMENTS AND CONTINGENCIES

The School District is subject to real estate tax assessment appeals on an ongoing basis. If tax appeals are successful, the result is a loss of tax revenue to the School District. It is anticipated that any material loss of tax revenue on individual tax appeals will be offset with additional revenues from other properties or other sources of revenue and would not create a financial hardship to the School District.

The School District is involved with various lawsuits in the normal course of operations. Management cannot predict the outcome of the lawsuits or estimate the amount of any loss that may result. Accordingly, no provision for any contingent liabilities that may result have been made in the financial statements. Management believes that losses resulting from these matters, if any, would be substantially covered under the School District's professional liability insurance policy and would not have a material effect on the financial position of the School District.

The School District participates in numerous state and federal programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School District has not complied with rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2015 may be impaired. In the opinion of the School District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

Construction Contracts

As of June 30, 2015, the School District had commitments for the renovation of the Dillsburg Elementary School and upgrades to Northern Elementary School and Northern Middle School HVAC as follows:

	Total Estimated Costs	Total Costs Incurred	Total Costs To Be Incurred
Dillsburg Elementary			
General Construction	\$ 2,433,125	\$ 2,062,704	\$ 370,421
HVAC	1,780,500	1,768,900	11,600
Electrical	740,120	672,318	67,802
Plumbing, heating and cooling	230,500	199,681	30,819
Professional services (estimated)	927,733	900,990	26,743
Northern Elementary and Northern Middle School			
HVAC Upgrades	<u>3,863,159</u>	<u>1,167,289</u>	<u>2,695,870</u>
	<u>\$ 9,975,137</u>	<u>\$ 6,771,882</u>	<u>\$ 3,203,255</u>

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2015

NOTE 15 RISK MANAGEMENT

The School District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The School District has purchased commercial insurance to cover general liability, directors' and officers' liability, unemployment compensation and employees' health coverage. For these insured programs there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or three prior years.

All expenditures for the School District's risk management are recorded in the general fund or cafeteria fund.

Lincoln Benefit Trust

The School District is a member of the Lincoln Benefit Trust. The Trust is a claims servicing pool which pays claims for hospital benefits, medical coverage for physicians' services, certain dental coverage, major medical coverage, and certain other benefits submitted by employees of the participating School Districts. Each participating employer contributes to the trust amounts determined by actuarial principles which will be adequate to cover annual claim costs, operating costs, and reserves sufficient to provide stated benefits. Since each district is responsible for its own risk, additional assessments would be charged to make up any deficiency; thus this functions like a retrospectively rated program.

Because Lincoln Benefit Trust acts as a claim-servicing pool, the School District remains responsible for the economic risk of providing stated benefits to employees. However, claims incurred between \$ 150,000 and \$ 300,000 are paid from the Trust mini-pool. Claims incurred over \$ 300,000 are paid from a stop loss insurance policy purchased by the Trust.

Changes in net position for the School District's account at Lincoln Benefit Trust (based on audited financial statements of Lincoln Benefit Trust) were as follows for the year ended June 30, 2015:

Net position - July 1, 2014	\$ 6,029,602
Contributions and interest income	5,346,126
Claims paid	(4,645,965)
Stop-loss insurance	(103,584)
Minipool premium	(175,335)
Administrative fees	(232,173)
Other	<u>(9,206)</u>
Net position - June 30, 2015	<u>\$ 6,209,465</u>

Overall, the Lincoln Benefit Trust has net position of \$ 86,013,863 as of June 30, 2015 and showed an increase in net position of \$ 8,543,669 for the year ended. Financial statements of the Trust are available at the School District.

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2015

NOTE 16 RESTATEMENT

During the year ended June 30, 2015, the District adopted *GASB Statement No. 68, Accounting and Financial Reporting for Pensions*, which required the District to record the net pension liability, deferred outflows and inflows of resources, and pension expense associated with their proportionate share of the pension plan. As a result, the beginning net position amount reflects the changes as of June 30, 2014, resulting from the addition of the previously unrecorded information:

	Governmental Activities	Business-Type Activities/Food Service Fund
Net position, June 30, 2014, as originally stated	\$ 17,735,604	\$ 153,380
Record net pension liability	(53,126,598)	(1,195,813)
Record deferred outflows of resources	<u>2,755,900</u>	<u>62,032</u>
Net position, June 30, 2014, as restated	<u>\$ (32,635,094)</u>	<u>\$ (980,401)</u>

REQUIRED SUPPLEMENTARY INFORMATION

**NORTHERN YORK COUNTY SCHOOL DISTRICT
OPEB (Other Postemployment Benefit Plan)
Required Schedule of Funding Progress**

Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
01/01/14	-	\$ 2,915,573	\$ 2,915,573	0.00%	\$ 16,511,387	17.66%
01/01/12	-	\$ 1,765,117	\$ 1,765,117	0.00%	\$ 15,935,437	11.08%
01/01/10	-	\$ 1,683,929	\$ 1,683,929	0.00%	\$ 14,662,266	11.48%

NORTHERN YORK COUNTY SCHOOL DISTRICT
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2015

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL	(BUDGETARY/ GAAP BASIS)	WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Local Sources				
Taxes	\$ 25,994,887	\$ 25,994,887	\$ 26,489,890	\$ 495,003
Investment earnings	25,000	25,000	19,379	(5,621)
Federal revenue from intermediate sources	500,000	500,000	564,877	64,877
Other	289,350	289,350	337,399	48,049
State sources	14,256,798	14,256,798	14,122,202	(134,596)
Federal sources	320,000	320,000	332,540	12,540
Total revenues	<u>41,386,035</u>	<u>41,386,035</u>	<u>41,866,287</u>	<u>480,252</u>
EXPENDITURES				
Instruction	24,875,315	24,842,613	24,151,168	691,445
Support services	12,382,799	12,415,501	12,687,868	(272,367)
Operation of noninstructional services	1,305,745	1,305,745	1,284,905	20,840
Facilities acquisition, construction and improvements	-	-	-	-
Debt service:				
Principal	2,635,215	2,635,215	2,916,083	(280,868)
Interest	1,108,783	1,108,783	825,915	282,868
Bond issue costs	-	-	64,664	(64,664)
Underwriter's bond discount	-	-	82,705	(82,705)
Total expenditures	<u>42,307,857</u>	<u>42,307,857</u>	<u>42,013,308</u>	<u>294,549</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term financing	-	-	9,730,000	9,730,000
Refunding of G.O. bonds	-	-	(9,725,000)	(9,725,000)
Bond premium	-	-	154,291	154,291
Insurance recoveries	-	-	100	100
Proceeds from sale of fixed assets	1,000	1,000	150	(850)
Interfund transfers	(290,386)	(290,386)	(290,386)	-
Budgetary reserve	-	-	-	-
Total other financing sources and (uses)	<u>(289,386)</u>	<u>(289,386)</u>	<u>(130,845)</u>	<u>158,541</u>
Net change in fund balances	(1,211,208)	(1,211,208)	(277,866)	933,342
Fund balance - beginning	<u>7,805,797</u>	<u>7,805,797</u>	<u>8,574,657</u>	<u>768,860</u>
Fund balance - ending	<u>\$ 6,594,589</u>	<u>\$ 6,594,589</u>	<u>\$ 8,296,791</u>	<u>\$ 1,702,202</u>

NORTHERN YORK COUNTY SCHOOL DISTRICT
Schedule of District's Proportionate Share of the Net Pension Liability - Public School
Employees' Retirement System
Last 10 Fiscal Years*

	2015
District's proportion of the net pension liability (asset)	0.1371%
District's proportionate share of the net pension liability (asset)	\$ 54,265,163
District's covered-employee payroll - measurement period	\$ 17,479,342
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	310.45%
Plan fiduciary net position as a percentage of the total pension liability	57.24%

Notes

The amounts presented for each fiscal year were determined as of the measurement period year-end that was used for the fiscal year. For PSERs, the measurement period year-end is one year prior to the fiscal year-end.

* This schedule will be expanded to show 10 fiscal years once information becomes available in the future.

NORTHERN YORK COUNTY SCHOOL DISTRICT
Schedule of School District Contributions – Public School Employees’ Retirement System
Last 10 Fiscal Years*

	2015
Contractually required contribution	\$ 3,610,828
Contributions in relation to the contractually required contribution	<u>3,610,828</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll - fiscal year	<u>\$ 17,998,215</u>
Contributions as a percentage of covered-employee payroll	20.06%

Notes

* This schedule will be expanded to show 10 fiscal years once information becomes available in the future.

OTHER SUPPLEMENTARY INFORMATION

NORTHERN YORK COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Grantor Program Title	Federal CFDA Number	Pass Through Grantor's Number	Grant Period Beginning/Ending Date	Program or Award Amount	Total Received for the Year	Receivable (Payable) at July 1, 2014	Revenue Recognized	Expenditures Recognized	Receivable (Payable) at June 30, 2015
U.S. DEPARTMENT OF EDUCATION									
Passed through the Pennsylvania Department of Education									
ESEA Title I	84.010	013-13-0302	July 1, 2013 - September 30, 2014	244,121	\$ 48,025	\$ 40,595	\$ 7,430	\$ 7,430	\$ -
ESEA Title I	84.010	013-14-0302	July 1, 2014 - September 30, 2015	263,450	211,295	-	260,791	260,791	49,496
ESEA Title II - Part A	84.367	020-13-0302	July 1, 2013 - September 30, 2014	58,712	15,562	15,562	-	-	-
ESEA Title II - Part A	84.367	020-14-0302	July 1, 2014 - September 30, 2015	58,673	46,952	-	58,718	58,718	11,766
Passed through Capital Area Intermediate Unit									
I.D.E.A.	84.027	N/A	July 1, 2013 - June 30, 2014	448,638	121,110	121,110	-	-	-
I.D.E.A.	84.027	N/A	July 1, 2014 - June 30, 2015	453,304	312,260	-	453,304	453,304	141,044
I.D.E.A. - Preschool	84.173	N/A	July 1, 2014 - June 30, 2015	4,484	4,484	-	4,484	4,484	-
Total U.S. Department of Education					<u>759,688</u>	<u>177,267</u>	<u>784,727</u>	<u>784,727</u>	<u>202,306</u>
U.S. DEPARTMENT OF AGRICULTURE									
Farm 2 School Project Implementation Grant	10.575	N/A	December 1, 2014 - November 1, 2016	99,940	-	-	4,358	4,358	4,358
Passed through the Pennsylvania Department of Education									
National School Lunch Program	10.555	N/A	July 1, 2013 - June 30, 2014	N/A	64,729	64,729	-	-	-
National School Breakfast Program	10.553	N/A	July 1, 2013 - June 30, 2014	N/A	11,023	11,023	-	-	-
National School Lunch Program	10.555	N/A	July 1, 2014 - June 30, 2015	N/A	191,811	-	255,322	255,322	63,511
National School Breakfast Program	10.553	N/A	July 1, 2014 - June 30, 2015	N/A	21,088	-	29,727	29,727	8,639
Passed through the Pennsylvania Department of Agriculture									
Value of USDA Commodities	10.555 (B)	N/A	July 1, 2014 - June 30, 2015	N/A	53,961	(548)	54,131	54,131	(378)
Total U.S. Department of Agriculture					<u>342,612</u>	<u>75,204</u>	<u>343,538</u>	<u>343,538</u>	<u>76,130</u>
U.S. DEPARTMENT OF PUBLIC WELFARE									
Passed through the Pennsylvania Department of Public Welfare									
Medical Assistance	93.778	N/A	October 1, 2013 - September 30, 2014	N/A	3,194	3,194	-	-	-
Total U.S. Department of Public Welfare					<u>3,194</u>	<u>3,194</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditure of Federal Awards					<u>\$ 1,105,494</u>	<u>\$ 255,665</u>	<u>\$ 1,128,265</u>	<u>\$ 1,128,265</u>	<u>\$ 278,436</u>

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

NOTE 1 REFERENCE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

(B) Based on USDA valuation

NOTE 2 FEDERAL AWARDS BY CFDA NUMBER/CLUSTER

<u>Project Title</u>	<u>CFDA No.</u>	<u>Expenditures</u>	<u>Percent</u>
I.D.E.A. Cluster			
I.D.E.A.	84.027	\$ 453,304 (A)	
I.D.E.A. - Preschool	84.173	<u>4,484 (A)</u>	
		457,788	40.6%
Child Nutrition Cluster:			
National School Lunch Program	10.555	255,322	
National School Breakfast Program	10.553	29,727	
Donated Commodities	10.555	<u>54,131</u>	
		339,180	30.1%
ESEA Title I	84.010	268,221	23.8%
ESEA Title II, Part A	84.367	58,718	5.2%
Farm 2 School Project Implementation Grant	10.575	<u>4,358</u>	0.4%
Total federal awards		<u>\$ 1,128,265</u>	<u>100.0%</u>

(A) Included as "revenue from intermediate sources" under local revenues

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The schedule of expenditures of federal awards is presented using the modified accrual basis in accordance with accounting principles prescribed by the Pennsylvania Department of Education, which conform to generally accepted governmental accounting principles. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable. Revenues designated for payment of specific School District expenditures are recognized when the related expenditures are incurred. Any excess of revenues or expenditures at the fiscal year end is recorded as a liability or a receivable, respectively.



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

Board of Directors
Northern York County School District
Dillsburg, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Northern York County School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Northern York County School District's basic financial statements and have issued our report thereon dated December 3, 2015.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Our consideration of internal control was for the limited purpose described in the preceding 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 were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2015-001 to be a material weakness.



COMPLIANCE AND OTHER MATTERS

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

NORTHERN YORK COUNTY SCHOOL DISTRICT'S RESPONSE TO FINDINGS

Northern York County School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The 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 THE 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.

Smith Elliott Kearns & Company, LLC

Chambersburg, Pennsylvania
December 3, 2015



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Directors
Northern York County School District
Dillsburg, Pennsylvania

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Northern York County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Northern York County School District's major federal programs for the year ended June 30, 2015. Northern York County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Northern York County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Northern York County 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 Northern York County School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Northern York County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.



REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of Northern York County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Northern York County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Northern York County School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-002, that we consider to be a significant deficiency.

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



Smith Elliott Kearns & Company, LLC
Certified Public Accountants & Consultants

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Smith Elliott Kearns & Company, LLC

Chambersburg, Pennsylvania
December 3, 2015

NORTHERN YORK COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness identified: Yes No
- Significant deficiencies identified that are not considered to be material weakness(es)? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness identified? Yes No
- Significant deficiencies identified that are not considered to be a material weakness(es)? Yes None Reported

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

- Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133? Yes No

Identification of the major programs:

CFDA Number(s)	Name of Federal Program
84.027	IDEA Cluster:
84.173	IDEA
	IDEA - Preschool
10.555	Child Nutrition Cluster:
10.553	National School Lunch Program
	National School Breakfast Program
Dollar threshold used to distinguish between type A and type B programs	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Section II - Financial Statement Findings

A. Material Weakness in Internal Control

Finding Reference: 2015-001 - Lack of Timely Review of Journal Entries

Condition: We noted that during the 2014/2015 fiscal year there was a significant time lag between when journal entries were posted and when they were reviewed by management. It was discovered in September 2015 that journal entries posted in January 2015 had not yet been approved.

Criteria: Because of the possibility of fraud or error related to journal entries, review of journal entries is critical to ensure only proper and accurate journal entries are posted.

Cause: The School District did not complete a timely review of journal entries after they were posted.

Effect: Without an adequate and timely review of journal entries, potential fraud or errors in financial reporting could go undetected.

Recommendation: We recommend the School District implement a procedure to review journal entries on a monthly basis.

Auditee response: Treasurer reports are reviewed on a monthly basis by both management and the Board of School Directors. While the sign offs on numerous journal entries, most of which are reoccurring entries, was not done, review and oversight was still completed. Documentation of a timely review will be done monthly going forward on all journal entries.

B. Compliance Findings

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

Section III - Federal Award Findings and Questioned Costs

A. Significant Deficiency in Internal Control Over Compliance

Finding Reference: 2015-002 – No Review of Eligibility Determination on Free and Reduced Applications

Federal Agency: U.S. Department of Agriculture

Federal Program: School Nutrition Cluster - CFDA 10.553 and 10.555

Compliance

Requirement: Eligibility

Type of Finding: Significant Deficiency in Internal Control over Compliance

Condition: The School District does not have review procedures in place to verify that the individual determining eligibility performed the calculation accurately.

Criteria: In order for a student to be eligible to receive free or reduced meals, his or her household must meet specific income guidelines. The accuracy of the eligibility determination is critical to ensure proper compliance with the federal program requirements.

Cause: The School District does not have a review process in place to have someone other than the determining official recalculate eligibility to ensure the determination was accurate.

Effect: Without adequate internal controls, the School District cannot ensure that the proper determination was made on the eligibility of students receiving free or reduced meals, or the ineligibility of students that were denied free or reduced meals.

Questioned Cost: None

Recommendation: We recommend that the School District implement a procedure to have an official, other than the individual making the initial eligibility determination, review the eligibility on each application.

Auditee response: The School District put in place a review process in late 2014 and this process has continued. All eligibility determination forms are now reviewed by the Business Manager.

B. Compliance Findings

None noted

NORTHERN YORK COUNTY SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings Related to Federal Awards
Year Ended June 30, 2015

Findings related to federal awards:

Finding 2014-001 – Suspension and Debarment – IDEA Cluster – CFDA 84.027 and 84.173

Condition: The School District paid vendors for special education services without ensuring the vendors were not suspended or debarred from receiving federal funds.

Status: This finding is removed in the current year schedule of findings and questioned costs. The School District implemented a procedure to review the Pennsylvania and Federal suspension and debarment lists on a monthly basis.

Finding 2014-002 – No Review of Eligibility Determination on Free and Reduced Applications – Child Nutrition Cluster – CFDA 10.553 and 10.555

Condition: The School District did not have review procedures in place to verify that the individual determining eligibility performed the calculation accurately.

Status: This finding remains as the majority of eligibility is determined at the beginning of the school year and the School District did not implement a procedure to review applications until after the fiscal year began.

Finding 2014-003 – Reporting – Child Nutrition Cluster – CFDA 10.553 and 10.555

Condition: The monthly claim forms for reimbursement filed by the School District to document reimbursable meals for the food service program were generated and submitted by the same person, with no review of these forms for accuracy by someone other than the person preparing the forms.

Status: This finding is removed in the current year schedule of findings and questioned costs. The School District now has a process in place to ensure quarterly report information is reviewed for accuracy before the form is submitted.