

Audited
Financial
Statements

June 30,
2014

Northern York County School District



CONTENTS

	PAGE
LIST OF REPORT DISTRIBUTION	1
INDEPENDENT AUDITOR'S REPORT	2 - 4
MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION) - 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 statement of net position	17
Statement of revenues, expenditures, and changes in fund balances - 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 - 50
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)	
OPEB required schedule of funding progress	51
Budgetary comparison schedule – general fund	52
OTHER SUPPLEMENTARY INFORMATION	
Schedule of expenditures of federal awards	53
Notes to schedule of expenditures of federal awards	54
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>	55 - 56
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>	57 - 59
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	60 - 63
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS RELATED TO FEDERAL AWARDS	64

NORTHERN YORK COUNTY SCHOOL DISTRICT

List of Report Distribution

June 30, 2014

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 the Northern York County School District as of and for the year ended June 30, 2014, 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, 2014, 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.

Other Matters

Prior-Year Comparative Information

The financial statements include summarized prior-year comparative information. Such information does not include all the information required for presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the School District's financial statements for the year ended June 30, 2013, from which such summarized information was derived.

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 51, and budgetary comparison information on page 52 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, as required by 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 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 November 20, 2014 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
November 20, 2014

NORTHERN YORK COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2014

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, 2014. Comparative financial information between fiscal years ending June 30, 2013 and June 30, 2014 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 2013-2014, the School Board adopted a balanced General Fund Budget. In order to balance the budget, a real estate tax rate of 15.2336 mills was required, along with the anticipated use of \$1,847,216 from the fund balance. Included in the budget was a \$40,122 transfer into the Food Service Fund to pay for new and replacement equipment and half of the Food Service Director's salary. General Fund actual revenues exceeded actual expenditures by \$83,278 rather than the expenditures exceeding revenues by \$1,847,216 as expected. Actual revenues exceeded budgeted revenues by \$1,047,788 primarily in the areas of earned income taxes and real estate, delinquent and interim taxes. General Fund actual expenditures were less than budgeted expenditures by \$373,097. This difference is attributed to cyber charter tuitions being less than anticipated, supplies being less than budgeted and utility costs being less than anticipated.
- The School District received \$723,060 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.

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, 2014

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 19 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 52 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 - 50. 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 51 - 52 that details budgetary information and other post-employment 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, 2014

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 \$17,888,984 at June 30, 2014 which includes \$17,735,604 in Governmental Activities and \$153,380 in Business-Type Activities. This shows an increase of \$1,675,364 over total net position of \$16,213,620 at June 30, 2013.

NORTHERN YORK COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2014

Statement of Net Position

	2014			2013		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current assets	\$ 20,353,998	\$ 250,713	\$ 20,411,658 *	\$ 13,726,455	\$ 133,084	\$ 13,771,868 *
Noncurrent assets	40,352,154	158,619	40,510,773	40,435,906	211,855	40,647,761
Deferred outflows of resources	387,401	-	387,401	236,684	-	236,684
Total Assets and Deferred Outflows of Resources	<u>\$ 61,093,553</u>	<u>\$ 409,332</u>	<u>\$ 61,309,832</u>	<u>\$ 54,399,045</u>	<u>\$ 344,939</u>	<u>\$ 54,656,313</u>
Current liabilities	\$ 7,670,702	\$ 230,519	\$ 7,708,168 *	\$ 6,933,082	\$ 120,935	\$ 6,966,346 *
Noncurrent liabilities	35,687,247	25,433	35,712,680	31,449,913	26,434	31,476,347
Total Liabilities	<u>43,357,949</u>	<u>255,952</u>	<u>43,420,848</u>	<u>38,382,995</u>	<u>147,369</u>	<u>38,442,693</u>
Net investment in capital assets	9,416,634	158,619	9,575,253	8,467,453	211,855	8,679,308
Restricted	406,252	-	406,252	184,348	-	184,348
Unrestricted	7,912,718	(5,239)	7,907,479	7,364,249	(14,285)	7,349,964
Total Net Position	<u>17,735,604</u>	<u>153,380</u>	<u>17,888,984</u>	<u>16,016,050</u>	<u>197,570</u>	<u>16,213,620</u>
Total Liabilities and Net Position	<u>\$ 61,093,553</u>	<u>\$ 409,332</u>	<u>\$ 61,309,832</u>	<u>\$ 54,399,045</u>	<u>\$ 344,939</u>	<u>\$ 54,656,313</u>

* - 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 2013-2014 fiscal year, the change in net position for governmental activities reflects an increase of \$1,719,554 and a decrease of \$44,190 for business-type activities, or a total net increase of \$1,675,364 as reflected in the chart below.

	2014			2013		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Program Revenues						
Charges for Services	\$ 204,085	\$ 711,516	\$ 915,601	\$ 240,619	\$ 756,149	\$ 996,768
Operating grants and contributions	5,938,036	406,574	6,344,610	5,660,991	376,281	6,037,272
Capital grants and contributions	528,149	-	528,149	562,118	-	562,118
General Revenues						
Taxes	25,624,320	-	25,624,320	25,016,553	-	25,016,553
State Grants and subsidies	7,850,101	-	7,850,101	7,683,304	-	7,683,304
Other local revenue	134,406	-	134,406	54,573	-	54,573
Investment earnings	20,564	11	20,575	28,652	12	28,664
Total revenues	<u>40,299,661</u>	<u>1,118,101</u>	<u>41,417,762</u>	<u>39,246,810</u>	<u>1,132,442</u>	<u>40,379,252</u>
Direct expenses	<u>38,539,985</u>	<u>1,202,413</u>	<u>39,742,398</u>	<u>36,935,319</u>	<u>1,189,318</u>	<u>38,124,637</u>
Excess (deficiency) before transfers	1,759,676	(84,312)	1,675,364	2,311,491	(56,876)	2,254,615
Transfers between activities	<u>(40,122)</u>	<u>40,122</u>	<u>-</u>	<u>(38,158)</u>	<u>38,158</u>	<u>-</u>
Change in net position	<u>\$ 1,719,554</u>	<u>\$ (44,190)</u>	<u>\$ 1,675,364</u>	<u>\$ 2,273,333</u>	<u>\$ (18,718)</u>	<u>\$ 2,254,615</u>

NORTHERN YORK COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2014

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 \$14,316,286 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 \$1,604,666 or 4.34% 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 \$206,542 or 3.2% 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 \$44,190 which is \$25,472 more than the prior year.

	2014			2013		
	Direct Expenses	Program Revenues	Net Cost	Direct Expenses	Program Revenues	Net Cost
Governmental Activities						
Instruction	\$ 24,291,009	\$ 4,202,347	\$ 20,088,662	\$ 23,095,510	\$ 3,989,371	\$ 19,106,139
Instructional student support	2,356,283	257,873	2,098,410	2,166,188	232,128	1,934,060
Administrative and financial support	4,000,685	242,120	3,758,565	3,675,886	188,533	3,487,353
Operation and maintenance of plant	3,546,224	142,703	3,403,521	3,643,228	123,231	3,519,997
Pupil transportation	1,968,818	1,124,042	844,776	1,984,462	1,160,012	824,450
Student activities	1,252,909	172,623	1,080,286	1,204,137	205,483	998,654
Community services	3,286	413	2,873	3,017	2,852	165
Interest on long-term debt	<u>1,120,771</u>	<u>528,149</u>	<u>592,622</u>	<u>1,162,891</u>	<u>562,118</u>	<u>600,773</u>
Total Governmental Activities	<u>\$ 38,539,985</u>	<u>\$ 6,670,270</u>	\$ 31,869,715	<u>\$ 36,935,319</u>	<u>\$ 6,463,728</u>	\$ 30,471,591
Unrestricted grants and subsidies			(7,850,101)			(7,683,304)
Transfers			40,122			38,158
Investment earnings			<u>(20,564)</u>			<u>(28,652)</u>
Total needs from taxes and other local sources			<u>\$ 24,039,172</u>			<u>\$ 22,797,793</u>
Business-type Activities						
	Direct Expenses	Program Revenues	Net Cost	Direct Expenses	Program Revenues	Net Cost
Food services	\$ 1,202,413	\$ 1,118,090	\$ 84,323	\$ 1,189,318	\$ 1,132,430	\$ 56,888
Transfers			(40,122)			(38,158)
Investment earnings			<u>(11)</u>			<u>(12)</u>
Total business-type activities			<u>\$ 44,190</u>			<u>\$ 18,718</u>

NORTHERN YORK COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2014

Governmental Fund Balance

At June 30, 2014, the School District governmental funds reported a combined fund balance of \$15,045,758, which is an increase of \$6,370,031 from the June 30, 2013 combined fund balance.

	Governmental Fund Balance			
	2014	2013	\$ Change	% Change
General Fund - Nonspendable	\$ 198,969	\$ 243,486	\$ (44,517)	(18.28%)
General Fund - Restricted	1,000	-	1,000	100.00%
General Fund - Committed	1,996,249	1,261,249	735,000	58.28%
General Fund - Assigned	1,304,492	1,928,462	(623,970)	(32.36%)
General Fund - Unassigned	5,073,947	5,058,182	15,765	0.31%
Capital Reserve Fund - Restricted	405,252	184,348	220,904	119.83%
Capital Project Fund - Restricted	<u>6,065,849</u>	<u>-</u>	<u>6,065,849</u>	<u>100.00%</u>
	<u>\$ 15,045,758</u>	<u>\$ 8,675,727</u>	<u>\$ 6,370,031</u>	<u>73.42%</u>
Total spendable	\$ 8,374,688	\$ 8,247,893	\$ 126,795	1.54%
Total restricted	6,472,101	184,348	6,287,753	3,410.81%
Total nonspendable	<u>198,969</u>	<u>243,486</u>	<u>(44,517)</u>	<u>(18.28%)</u>
	<u>\$ 15,045,758</u>	<u>\$ 8,675,727</u>	<u>\$ 6,370,031</u>	<u>73.42%</u>

Governmental Funds - Reconciliation

The increase in the General Fund committed fund balance was anticipated. The School District has committed funds for several years for future use of PSERS payments. Another commitment was made during fiscal year June 30, 2014. It is anticipated that some of these commitments will start being used in fiscal year June 30, 2015.

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. Part of the increase was caused by one capital project, budgeted at \$150,000, not being completed by June 30, 2014. A transfer is budgeted for 2014-2015 and this fund will continue to be used for significant, planned capital projects and for emergency capital projects.

The increase in the Capital Project Fund restricted fund balance was anticipated. The School District has begun a construction project at one of the Elementary Schools. This project began in June 2014 and is set to be completed in August 2015. Most of this balance is expected to be used by June 30, 2015.

NORTHERN YORK COUNTY SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

June 30, 2014

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.

	2014			2013		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
Total revenues	\$ 39,324,793	\$ 40,372,581	\$ 1,047,788	\$ 38,218,997	\$ 39,139,258	\$ 920,261
Total expenditures	<u>40,692,126</u>	<u>40,319,029</u>	<u>373,097</u>	<u>39,527,432</u>	<u>38,512,051</u>	<u>1,015,381</u>
Revenues over (under) expenditures	(1,367,333)	53,552	1,420,885	(1,308,435)	627,207	1,935,642
Other financing sources (uses)	<u>(479,883)</u>	<u>29,726</u>	<u>509,609</u>	<u>210,451</u>	<u>468,740</u>	<u>258,289</u>
Net change in fund balance	<u>\$ (1,847,216)</u>	<u>\$ 83,278</u>	<u>\$ 1,930,494</u>	<u>\$ (1,097,984)</u>	<u>\$ 1,095,947</u>	<u>\$ 2,193,931</u>

CAPITAL ASSETS

At June 30, 2014, the School District recorded \$40,352,154 in governmental activities capital assets, which represents a decrease of \$83,752 from the previous restated fiscal year. This net decrease is a result of the addition and replacement of equipment within the School District as well as the addition of site improvements, including the addition and renovation to an elementary school, netted against the depreciation of current capital assets.

Capital Assets (Net of Depreciation)

	2014	2013	Change
Governmental activities			
Land	\$ 326,188	\$ 326,188	\$ -
Construction in progress	1,093,999	-	1,093,999
Site improvements	705,460	760,970	(55,510)
Buildings and improvements	37,077,793	38,272,495	(1,194,702)
Furniture and equipment	<u>1,148,714</u>	<u>1,076,253</u>	<u>72,461</u>
Total governmental capital assets	<u>\$ 40,352,154</u>	<u>\$ 40,435,906</u>	<u>\$ (83,752)</u>
Business-type activities			
Food service equipment	<u>\$ 158,619</u>	<u>\$ 211,855</u>	<u>\$ (53,236)</u>

NORTHERN YORK COUNTY SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

June 30, 2014

LONG-TERM LIABILITIES

Bonds and notes payable at June 30, 2013 were \$32,205,137 and \$36,924,778 at June 30, 2014. Scheduled principal payments totaling \$2,605,000 were made to bondholders during 2013-2014. The GO Bond Series of 2008 was refunded with the GO Bond Series 2013 and the GO Bond Series of 2009 was refunded with the GO Bond Series A of 2014. The GO Bond Series of 2014 was a new bond for the Dillsburg Elementary School addition and renovations.

Lease-purchase obligations at June 30, 2013 were \$664,589 and \$463,992 at June 30, 2014. There were no new lease-purchase obligations entered into in fiscal year 2013.

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 \$824,398 for the Governmental Activities and \$21,084 for the Business-type Activities for year ended June 30, 2014. Employees who retire with 15 years of service are eligible to remain on the School District's health care plan until age 65. The liability for these post-employment benefits has been reflected in the Statement of Net Position and totals \$544,762 for the Governmental Activities and \$5,764 for the Business-type Activities for year ended June 30, 2014. The combined change in these liabilities represents an increase from 2012-2013 of \$83,244 in the Governmental Activities and \$865 in the Business-type Activities.

2014-2015 BUDGET (PDE-2028) AND ECONOMIC FACTORS

	Budget 2014-2015	Budget 2013-2014	Change
Total revenues	\$ 41,387,035	\$ 39,325,792	\$ 2,061,243
Total expenditures	<u>38,563,859</u>	<u>36,812,868</u>	<u>1,750,991</u>
Revenues over (under) expenditures	2,823,176	2,512,924	310,252
Other financing sources (uses)	<u>(4,034,384)</u>	<u>(4,360,140)</u>	<u>325,756</u>
Net change in fund balance	<u>\$ (1,211,208)</u>	<u>\$ (1,847,216)</u>	<u>\$ 636,008</u>

The new budget for 2014-2015 represents an increase in total expenditures of 3.46%. This increase is due to many factors such as: increases in base salary, increase in medical benefit rates of 4.5%, PSERS rate increase from 16.93% to 21.40%, and an increase in tuition rates to outside placements. The 2014-2015 budgeted revenues reflect a millage increase of .3960 mills. The 2014-2015 real estate tax assessment is 15.6296 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 2014-2015 fiscal year.

NORTHERN YORK COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2014

Budgeted employee health care premiums increased 4.5% for 2014-2015. Health care premiums are not anticipated to increase for 2015-2016. The School District has adjusted its health insurance package and has implemented premium sharing with all personnel in an effort to reduce annual premium increases.

The 2013-2014 general fund unassigned fund balance of \$5,073,947 represents 11.91% of 2014-2015 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 2014-2015 budget reflects the estimated receipt of \$720,157 from the state to be used to reduce property taxes. Northern York County's adjusted index for 2014-2015 was set at 2.6%. The adjusted index for 2015-2016 was set at 2.4%. The index limits the rate of increase on tax mills.

The 2013-2014 fiscal year is the last year of a four year contract with the Northern York Education Association. During 2014, the School District and the Northern York Education Association entered into a two year agreement for fiscal years 2014-2015 and 2015-2016.

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, 2014

	Totals			
	Governmental Activities	Business-Type Activities	2014	2013 Summarized
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 11,351,325	\$ 74,856	\$ 11,426,181	\$ 7,908,408
Investments	5,960,000	-	5,960,000	2,695,000
Receivables:				
Taxes, net	1,768,495	-	1,768,495	1,936,293
Intergovernmental	827,597	83,014	910,611	757,625
Other	54,559	79,388	133,947	218,372
Internal balances	193,053	-	-	*
Inventories	163,901	13,455	177,356	157,805
Prepaid items	35,068	-	35,068	98,365
Total current assets	<u>20,353,998</u>	<u>250,713</u>	<u>20,411,658</u>	<u>13,771,868</u>
Noncurrent Assets				
Land	326,188	-	326,188	326,188
Construction in progress	1,093,999	-	1,093,999	-
Site improvements, net	705,460	-	705,460	760,970
Buildings, net	37,077,793	-	37,077,793	38,272,495
Equipment, furniture and fixtures, net	1,148,714	158,619	1,307,333	1,288,108
Total noncurrent assets	<u>40,352,154</u>	<u>158,619</u>	<u>40,510,773</u>	<u>40,647,761</u>
TOTAL ASSETS	<u>60,706,152</u>	<u>409,332</u>	<u>60,922,431</u>	<u>54,419,629</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on bond refunding	387,401	-	387,401	236,684
Total assets and deferred outflow of resources	<u>\$ 61,093,553</u>	<u>\$ 409,332</u>	<u>\$ 61,309,832</u>	<u>\$ 54,656,313</u>
LIABILITIES				
Current liabilities				
Internal balances	\$ -	\$ 193,053	\$ -	\$ -
Accounts payable	877,845	3,307	881,152	377,603
Accrued salaries and benefits/withholdings	3,582,854	32,744	3,615,598	3,694,583
Accrued interest	139,320	-	139,320	164,531
Portion due or payable within one year:				
General obligation bonds and notes payable	2,904,132	-	2,904,132	2,448,466
Capital leases	28,989	-	28,989	201,233
Compensated absences	137,562	1,415	138,977	79,930
Total current liabilities	<u>7,670,702</u>	<u>230,519</u>	<u>7,708,168</u>	<u>6,966,346</u>
Noncurrent liabilities				
Portion due or payable after one year:				
General obligation bonds and notes payable	34,020,646	-	34,020,646	29,756,671
Capital leases	435,003	-	435,003	463,356
OPEB liability	544,762	5,764	550,526	466,417
Compensated absences	686,836	19,669	706,505	789,903
Total noncurrent liabilities	<u>35,687,247</u>	<u>25,433</u>	<u>35,712,680</u>	<u>31,476,347</u>
TOTAL LIABILITIES	<u>43,357,949</u>	<u>255,952</u>	<u>43,420,848</u>	<u>38,442,693</u>
NET POSITION				
Net investment in capital assets	9,416,634	158,619	9,575,253	8,679,308
Restricted	406,252	-	406,252	184,348
Unrestricted	7,912,718	(5,239)	7,907,479	7,349,964
TOTAL NET POSITION	<u>17,735,604</u>	<u>153,380</u>	<u>17,888,984</u>	<u>16,213,620</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 61,093,553</u>	<u>\$ 409,332</u>	<u>\$ 61,309,832</u>	<u>\$ 54,656,313</u>

* - Net of eliminations

NORTHERN YORK COUNTY SCHOOL DISTRICT
Statement of Activities
Year Ended June 30, 2014

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position			Totals	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	2014	2013 Summarized	
Governmental activities:									
Instruction	\$ 24,291,009	\$ 68,650	\$ 4,133,697	\$ -	\$ (20,088,662)	\$ -	\$ (20,088,662)	\$ (19,106,139)	
Instructional student support	2,356,283	-	257,873	-	(2,098,410)	-	(2,098,410)	(1,934,060)	
Administrative and financial support services	4,000,685	-	242,120	-	(3,758,565)	-	(3,758,565)	(3,487,353)	
Operation and maintenance of plant services	3,546,224	15,908	126,795	-	(3,403,521)	-	(3,403,521)	(3,519,997)	
Pupil transportation	1,968,818	-	1,124,042	-	(844,776)	-	(844,776)	(824,450)	
Student activities	1,252,909	119,527	53,096	-	(1,080,286)	-	(1,080,286)	(998,654)	
Community services	3,286	-	413	-	(2,873)	-	(2,873)	(165)	
Interest on long-term debt	1,120,771	-	-	528,149	(592,622)	-	(592,622)	(600,773)	
Total governmental activities	<u>38,539,985</u>	<u>204,085</u>	<u>5,938,036</u>	<u>528,149</u>	<u>(31,869,715)</u>	<u>-</u>	<u>(31,869,715)</u>	<u>(30,471,591)</u>	
Business-type activities:									
Food services	<u>1,202,413</u>	<u>711,516</u>	<u>406,574</u>	<u>-</u>	<u>-</u>	<u>(84,323)</u>	<u>(84,323)</u>	<u>(56,888)</u>	
Total primary government	<u>\$ 39,742,398</u>	<u>\$ 915,601</u>	<u>\$ 6,344,610</u>	<u>\$ 528,149</u>	<u>\$ (31,869,715)</u>	<u>\$ (84,323)</u>	<u>\$ (31,954,038)</u>	<u>\$ (30,528,479)</u>	
General revenues and transfers:									
Property taxes levied for general purposes, public utility realty tax, earned income tax					\$ 25,624,320	\$ -	\$ 25,624,320	\$ 25,016,553	
Grants, subsidies and contributions not restricted					7,850,101	-	7,850,101	7,683,304	
Investment earnings					20,564	11	20,575	28,664	
Gain on sale of fixed assets					9,458	-	9,458	604	
Miscellaneous income					124,948	-	124,948	53,969	
Transfers					(40,122)	40,122	-	-	
Total general revenues and transfers					<u>33,589,269</u>	<u>40,133</u>	<u>33,629,402</u>	<u>32,783,094</u>	
Change in net position					1,719,554	(44,190)	1,675,364	2,254,615	
Net position - beginning					<u>16,016,050</u>	<u>197,570</u>	<u>16,213,620</u>	<u>13,959,005</u>	
Net position - ending					<u>\$ 17,735,604</u>	<u>\$ 153,380</u>	<u>\$ 17,888,984</u>	<u>\$ 16,213,620</u>	

NORTHERN YORK COUNTY SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2014

				Totals	
	General Fund	Capital Reserve Fund	Capital Projects Fund	2014	2013 Summarized
ASSETS					
Cash and cash equivalents	\$ 4,572,395	\$ 405,689	6,373,241	\$ 11,351,325	\$ 7,875,582
Investments	5,960,000	-	-	5,960,000	2,695,000
Taxes receivable, net	1,768,495	-	-	1,768,495	1,936,293
Due from other funds	193,053	-	136,683	329,736	87,671
Receivable from other governments	827,597	-	-	827,597	711,214
Other receivables	54,559	-	-	54,559	169,301
Inventories	163,901	-	-	163,901	145,121
Prepaid expenses	35,068	-	-	35,068	98,365
Total assets	<u>\$ 13,575,068</u>	<u>\$ 405,689</u>	<u>\$ 6,509,924</u>	<u>\$ 20,490,681</u>	<u>\$ 13,718,547</u>
LIABILITIES					
Due to other funds	\$ 136,683	\$ -	\$ -	\$ 136,683	\$ -
Accounts payable	433,333	437	444,075	877,845	376,674
Accrued salaries and benefits/withholdings	3,582,854	-	-	3,582,854	3,664,040
Total liabilities	<u>4,152,870</u>	<u>437</u>	<u>444,075</u>	<u>4,597,382</u>	<u>4,040,714</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable tax revenue	847,541	-	-	847,541	1,002,106
Total deferred inflows of resources	<u>847,541</u>	<u>-</u>	<u>-</u>	<u>847,541</u>	<u>1,002,106</u>
FUND BALANCES					
Nonspendable fund balance					
Inventories	163,901	-	-	163,901	145,121
Prepaid expenses	35,068	-	-	35,068	98,365
Spendable fund balance					
Restricted fund balance					
Farm to school donation	1,000	-	-	1,000	-
Future capital improvements	-	405,252	6,065,849	6,471,101	184,348
Committed fund balance					
Retirement	1,230,000	-	-	1,230,000	470,000
Special needs	210,000	-	-	210,000	210,000
Transportation	100,000	-	-	100,000	100,000
Debt service	456,249	-	-	456,249	456,249
Capital projects and repairs	-	-	-	-	25,000
Assigned fund balance					
Future student activities	93,284	-	-	93,284	81,246
2014 - 2015 budget deficit	1,211,208	-	-	1,211,208	1,847,216
Unassigned fund balance	5,073,947	-	-	5,073,947	5,058,182
Total fund balances	<u>8,574,657</u>	<u>405,252</u>	<u>6,065,849</u>	<u>15,045,758</u>	<u>8,675,727</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 13,575,068</u>	<u>\$ 405,689</u>	<u>\$ 6,509,924</u>	<u>\$ 20,490,681</u>	<u>\$ 13,718,547</u>

NORTHERN YORK COUNTY SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2014

Total fund balances - governmental funds \$ 15,045,758

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	68,550,949	
Accumulated depreciation	<u>(28,198,795)</u>	
		40,352,154

Property taxes receivable and earned income 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. 847,541

Deferred charges on bond refundings are reported as a deferred outflow of resources in the statement of net position. 387,401

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 consist of:

Bonds and notes payable, net of discount and premium	(36,924,778)	
Accrued interest on bonds	(139,320)	
Compensated absences	(824,398)	
Capital leases	(463,992)	
OPEB liability	<u>(544,762)</u>	
		<u>(38,897,250)</u>

Net position of governmental activities in the Statement of Net Position \$ 17,735,604

NORTHERN YORK COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year Ended June 30, 2014

	Totals				
	General Fund	Capital Reserve Fund	Capital Projects Fund	2014	2013 Summarized
REVENUES					
Local revenues					
Taxes	\$ 25,786,793	\$ -	\$ -	\$ 25,786,793	\$ 24,912,647
Investment earnings	20,416	81	67	20,564	28,652
Revenue from intermediate sources	499,273	-	-	499,273	546,556
Other	284,464	-	-	284,464	326,644
State sources	13,465,166	-	-	13,465,166	12,975,830
Federal sources	316,469	-	-	316,469	348,977
Total revenues	<u>40,372,581</u>	<u>81</u>	<u>67</u>	<u>40,372,729</u>	<u>39,139,306</u>
EXPENDITURES					
Instruction	23,140,121	-	-	23,140,121	21,704,230
Support services	11,653,937	-	-	11,653,937	11,072,382
Operation of noninstructional services	1,210,024	-	-	1,210,024	1,162,198
Facilities acquisition, construction and improvements	389,626	164,177	704,373	1,258,176	774,962
Debt service:					
Principal	2,805,597	-	-	2,805,597	2,786,079
Interest	896,727	-	-	896,727	1,099,633
Bond issue costs	119,722	-	65,271	184,993	74,291
Underwriter's bond discount	103,275	-	57,800	161,075	73,840
Total expenditures	<u>40,319,029</u>	<u>164,177</u>	<u>827,444</u>	<u>41,310,650</u>	<u>38,747,615</u>
Excess (deficiency) of revenues over expenditures	<u>53,552</u>	<u>(164,096)</u>	<u>(827,377)</u>	<u>(937,921)</u>	<u>391,691</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from long-term financing	12,625,000	-	6,800,000	19,425,000	9,230,000
Refunding of G.O. Bonds	(12,405,000)	-	-	(12,405,000)	(9,068,000)
Bond premium	157,511	-	93,226	250,737	111,293
Proceeds from capital leases	-	-	-	-	539,398
Insurance recoveries	67,879	-	-	67,879	994
Proceeds from sale of capital assets	9,458	-	-	9,458	604
Interfund transfers	(425,122)	385,000	-	(40,122)	(38,158)
Total other financing sources and uses	<u>29,726</u>	<u>385,000</u>	<u>6,893,226</u>	<u>7,307,952</u>	<u>776,131</u>
Net change in fund balances	83,278	220,904	6,065,849	6,370,031	1,167,822
Fund balances - beginning	<u>8,491,379</u>	<u>184,348</u>	<u>-</u>	<u>8,675,727</u>	<u>7,507,905</u>
Fund balances - ending	<u>\$ 8,574,657</u>	<u>\$ 405,252</u>	<u>\$ 6,065,849</u>	<u>\$ 15,045,758</u>	<u>\$ 8,675,727</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, 2014

Net change in fund balances - total governmental funds \$ 6,370,031

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 (\$ 1,427,563) differed from depreciation expense (\$ 1,511,315) in the current period. (83,752)

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. (162,473)

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	2,605,000
Issuance of general obligation bonds/notes	(19,425,000)
Payment to refund bonds	12,405,000
Bond premium	(250,737)
Interest paid at the time of refinancing to be amortized over the life of the bonds	150,786
Amortization of bond premiums, discounts, deferred charge on bond refunding and prepaid bond insurance	(53,973)
Repayment of capital leases - principal	200,597

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	25,211
OPEB liability	(83,244)
Compensated absences	22,108

Change in net position of governmental activities \$ 1,719,554

NORTHERN YORK COUNTY SCHOOL DISTRICT
Statement of Net Position - Proprietary Fund
June 30, 2014

	Food Service	2013 Summarized
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 74,856	\$ 32,826
Intergovernmental receivables	83,014	38,503
Other receivables	81	-
Receivable from students, net	79,307	49,071
Inventory	13,455	12,684
Total current assets	<u>250,713</u>	<u>133,084</u>
Noncurrent Assets		
Furniture and equipment	1,034,688	1,034,688
Accumulated depreciation	<u>(876,069)</u>	<u>(822,833)</u>
Total noncurrent assets	<u>158,619</u>	<u>211,855</u>
Total assets	<u>\$ 409,332</u>	<u>\$ 344,939</u>
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 3,307	\$ 929
Due to other funds	193,053	87,671
Other payables	32,744	30,543
Compensated absences	<u>1,415</u>	<u>1,792</u>
Total current liabilities	<u>230,519</u>	<u>120,935</u>
Noncurrent Liabilities		
OPEB liability	5,764	4,899
Compensated absences	<u>19,669</u>	<u>21,535</u>
Total noncurrent liabilities	<u>25,433</u>	<u>26,434</u>
Total liabilities	<u>255,952</u>	<u>147,369</u>
NET POSITION		
Net investment in capital assets	158,619	211,855
Unrestricted	<u>(5,239)</u>	<u>(14,285)</u>
Total net position	<u>153,380</u>	<u>197,570</u>
Total liabilities and net position	<u>\$ 409,332</u>	<u>\$ 344,939</u>

NORTHERN YORK COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund
Year Ended June 30, 2014

	Food Service	2013 Summarized
OPERATING REVENUE		
Charges for services	\$ 711,516	\$ 756,149
Total operating revenues	<u>711,516</u>	<u>756,149</u>
OPERATING EXPENSES		
Food and milk purchases	441,006	460,076
Salaries	341,343	344,013
Employee benefits	232,251	193,414
Supplies	418	5,313
Depreciation	53,236	58,588
Repairs and maintenance	4,690	6,439
Purchased services	61,443	58,611
Administrative fees and overhead costs	68,026	62,864
Total operating expenses	<u>1,202,413</u>	<u>1,189,318</u>
Operating income (loss)	<u>(490,897)</u>	<u>(433,169)</u>
NONOPERATING REVENUES (EXPENSES)		
Federal subsidies	333,736	310,307
State subsidies	72,838	65,974
Interest income	11	12
Total nonoperating revenue (expenses)	<u>406,585</u>	<u>376,293</u>
Income (loss) before transfers	<u>(84,312)</u>	<u>(56,876)</u>
TRANSFERS		
Interfund transfers	<u>40,122</u>	<u>38,158</u>
Change in net position	(44,190)	(18,718)
Total net position - beginning	<u>197,570</u>	<u>216,288</u>
Total net position - ending	<u>\$ 153,380</u>	<u>\$ 197,570</u>

NORTHERN YORK COUNTY SCHOOL DISTRICT
Statement of Cash Flows - Proprietary Fund
Year Ended June 30, 2014

	Food Service	2013 Summarized
Cash flows from operating activities		
Cash received from food sales	\$ 683,400	\$ 750,799
Cash payments to suppliers for goods	(383,192)	(418,288)
Cash payments to and on behalf of employees	(469,590)	(603,215)
Cash payments for services	<u>(129,469)</u>	<u>(121,475)</u>
Net cash used for operating activities	<u>(298,851)</u>	<u>(392,179)</u>
Cash flows from capital and related financing activities		
Purchase of equipment	<u>-</u>	<u>(18,537)</u>
Cash flows from noncapital financing activities		
Transfers from other funds	40,122	38,158
Federal subsidies	231,600	248,560
State subsidies	<u>69,148</u>	<u>66,247</u>
Net cash provided by noncapital financing activities	<u>340,870</u>	<u>352,965</u>
Cash flows from investing activities		
Earnings on investments	<u>11</u>	<u>12</u>
Net increase/(decrease) in cash and cash equivalents	42,030	(57,739)
Cash and cash equivalents - beginning	<u>32,826</u>	<u>90,565</u>
Cash and cash equivalents - ending	<u>\$ 74,856</u>	<u>\$ 32,826</u>
Reconciliation of income (loss) from operations to net cash provided by operating activities		
Cash flows from operating activities		
Operating loss	\$ (490,897)	\$ (433,169)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Donated food used	61,315	57,202
Depreciation	53,236	58,588
(Increase) decrease in:		
Inventory	(771)	(2,138)
Accounts receivable	(30,317)	(5,350)
Increase (decrease) in:		
Compensated absences	(2,243)	2,108
OPEB liability	865	1,246
Due to other funds	105,382	(69,142)
Accounts payable	<u>4,579</u>	<u>(1,524)</u>
Total adjustments	<u>192,046</u>	<u>40,990</u>
Net cash used for operating activities	<u>\$ (298,851)</u>	<u>\$ (392,179)</u>

NORTHERN YORK COUNTY SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2014

	Student Activities	Private Purpose Trusts	Totals	
			2014	2013 Summarized
ASSETS				
Cash and cash equivalents	\$ 115,135	\$ 277,183	\$ 392,318	\$ 391,665
Total assets	<u>\$ 115,135</u>	<u>\$ 277,183</u>	<u>\$ 392,318</u>	<u>\$ 391,665</u>
LIABILITIES				
Due to student groups	\$ 115,135	\$ -	\$ 115,135	\$ 116,186
Total liabilities	<u>115,135</u>	<u>-</u>	<u>115,135</u>	<u>116,186</u>
NET POSITION				
Held in trust for scholarships	-	277,183	277,183	275,479
Total net position	<u>-</u>	<u>277,183</u>	<u>277,183</u>	<u>275,479</u>
Total liabilities and net position	<u>\$ 115,135</u>	<u>\$ 277,183</u>	<u>\$ 392,318</u>	<u>\$ 391,665</u>

NORTHERN YORK COUNTY SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2014

	Private Purpose Trust Fund	2013 Summarized
ADDITIONS		
Donations	\$ 12,522	\$ 5,116
Interest income	<u>122</u>	<u>125</u>
Total additions	<u>12,644</u>	<u>5,241</u>
DEDUCTIONS		
Scholarships and awards/grants	<u>10,940</u>	<u>14,738</u>
Total deductions	<u>10,940</u>	<u>14,738</u>
Change in net position	1,704	(9,497)
Net position - beginning	<u>275,479</u>	<u>284,976</u>
Net position - ending	<u>\$ 277,183</u>	<u>\$ 275,479</u>

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2014

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, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

Based on the above criteria the Polar Bear Foundation is not 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, 2014

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, 2014

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.

1. The Pennsylvania School Code dictates specific procedures relative to adoption of the School District's budget and reporting of its financial statements, specifically:
2. The School District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.
3. 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, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting (Continued)

4. 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.
5. 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. All transactions of the Capital Reserve 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, 2014

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 only has one item that qualifies for reporting in this category, which is the deferred charge on bond refunding reported in the statement of net position. 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 School District has unavailable tax revenue that is reported as deferred inflows of resources on the governmental funds balance sheet.

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2014

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.

Allowance for Uncollectible Accounts

The School District provides credit to its students for lunches. The School District provides an allowance for uncollectible accounts equal to the estimated losses based on historical collection experience that will be incurred in the collection of those receivables, which is \$ 2,046 at June 30, 2014.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, which establishes standards for the measurement, recognition, and display of pension expense and related liabilities, assets, and note disclosures.

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. 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, 2014

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, 2014 consists of \$ 405,252 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

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 and liabilities, and the disclosure of contingent assets and liabilities, 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, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the School District's financial position and results of operations. This prior year summarized comparative information is not presented in the level of detail required for presentation in conformity with generally accepted accounting principles. Certain accounts in the prior year financial information may have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. Accordingly, such information should be read in conjunction with the School District's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

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 government's deposits may not be returned to it. The School District does not have a policy for custodial credit risk. As of June 30, 2014, the School District has the following:

Cash and cash equivalents, bank accounts	\$ 232,583
Certificates of deposit, held by various institutions	\$ 1,960,000
Certificates of deposit, pool held by Pennsylvania School District Liquid Asset Fund (PSDLAF)	\$ 4,000,000

The amounts held by bank accounts and CD's held by various institutions are all covered by FDIC insurance. The CD's in the pool held by Pennsylvania School District Liquid Asset Fund were exposed to custodial credit risk because the collateral securities held by the bank's agents are not in the School District's name; however these funds are collateralized at 102%. The CD's held by various financial institutions had an original maturity greater than 90 days and are classified as investments for reporting purposes in the financial statements.

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2014

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investments

As of June 30, 2014, the School District had the following investments:

<u>Investment</u>	<u>Fair Value</u>	<u>Maturities</u>
PA Local Government Investment Trust (PLGIT)	\$ 6,821,353	(A)
PA School District Liquid Asset Fund - PSDMAX	<u>5,153,908</u>	(A)
	<u>\$ 11,975,261</u>	

In addition to the amounts listed under custodial credit risk for deposits above, the School District invests in pooled investments with PSDLAF and Pennsylvania Local Government Investment Trust (PLGIT). 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.

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

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.

- (A) 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.

Credit Risk – Investments

PLGIT is basically mutual funds that consist of short term money market instruments and seek to maintain a constant net asset value of \$ 1 per share. PSDLAF 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. At June 30, 2014, the School District's investments in PSDLAF and PLGIT were both rated AAAM by Standards and Poor's Investor's Services.

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2014

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, 2014:

Real estate	\$ 717,556
Earned income	1,021,069
Per capita	<u>40,612</u>
	1,779,237
Reserve for uncollectible accounts	<u>(10,742)</u>
Taxes receivable, net	1,768,495
Taxes collected within sixty days, recorded as revenues in governmental funds	<u>(920,954)</u>
Taxes estimated to be collected after sixty days, recorded as deferred inflows of resources in governmental funds	<u>\$ 847,541</u>

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2014

NOTE 5 INTERFUND RECEIVABLE, PAYABLES AND TRANSFERS

Interfund receivables/payables consist of the following at June 30, 2014:

Funds	Interfund Receivable	Interfund Payable
General	\$ 193,053	\$ 136,683
Capital Projects	136,683	-
Food Service	-	193,053
	\$ 329,736	\$ 329,736

The Food Service Fund owes the General Fund for reimbursement of salaries and related benefits. The General Fund owes the Capital Projects Fund for capital related expenses incurred on the Dillsburg Elementary project before the bond issue proceeds were obtained and available in the Capital Projects Fund.

Interfund transfers consist of the following for the year ended June 30, 2014:

Funds	Transfers In	Transfer Out
General	\$ -	\$ 425,122
Capital Reserve	385,000	-
Food Service	40,122	-
	\$ 425,122	\$ 425,122

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 to be used for operating expenses.

NOTE 6 INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2014 consist of the following:

Local:	Amusement tax	\$ 1,253
	Deed transfer	35,477
State:	Social Security	77,881
	Retirement	532,525
Federal:	Grants	180,461
	Total governmental activities/governmental funds	\$ 827,597

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2014

NOTE 7 CAPITAL ASSETS

Capital asset activity for the School District consists of the following as of and for the year ended June 30, 2014:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities				
Cost				
Assets not being depreciated				
Land	\$ 326,188	\$ -	\$ -	\$ 326,188
Construction in progress	-	1,093,999	-	1,093,999
Assets being depreciated:				
Site improvements	1,469,055	-	-	1,469,055
Buildings	59,308,279	106,984	-	59,415,263
Equipment, furniture, and fixtures	6,151,973	226,580	(132,109)	6,246,444
Total cost	<u>67,255,495</u>	<u>1,427,563</u>	<u>(132,109)</u>	<u>68,550,949</u>
Less accumulated depreciation				
Site improvements	(708,085)	(55,510)	-	(763,595)
Buildings	(21,035,784)	(1,301,686)	-	(22,337,470)
Equipment, furniture, and fixtures	(5,075,720)	(154,119)	132,109	(5,097,730)
Total accumulated depreciation	<u>(26,819,589)</u>	<u>(1,511,315)</u>	<u>132,109</u>	<u>(28,198,795)</u>
Capital assets, net	<u>\$ 40,435,906</u>	<u>\$ (83,752)</u>	<u>\$ -</u>	<u>\$ 40,352,154</u>
Business-Type Activities				
Cost				
Equipment, furniture and fixtures	\$ 1,034,688	\$ -	\$ -	\$ 1,034,688
Less accumulated depreciation:				
Equipment, furniture and fixtures	(822,833)	(53,236)	-	(876,069)
Capital assets, net	<u>\$ 211,855</u>	<u>\$ (53,236)</u>	<u>\$ -</u>	<u>\$ 158,619</u>

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

Depreciation expense for the year ended June 30, 2014 was charged to governmental functions as follows:

Instruction	\$ 1,150,413
Instructional student support	57,883
Administrative and financial support services	58,186
Operation and maintenance of plant services	190,577
Student activities	54,256
	<u>\$ 1,511,315</u>

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2014

NOTE 8 ACCRUED SALARIES AND BENEFITS/WITHHOLDINGS

Accrued salaries and benefits/withholdings consist of the following as of June 30, 2014:

General Fund	
Accrued salaries	\$ 1,811,984
Retirement	1,065,725
Social security	137,035
Health insurance	510,324
Other withholdings	57,786
	<u>\$ 3,582,854</u>

NOTE 9 LONG-TERM LIABILITIES

The changes in long-term liabilities during the year ended June 30, 2014 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 2008	\$ 7,890,000	\$ -	\$ (7,890,000)	\$ -	\$ -	\$ -
(B) Series of 2009	5,200,000	-	(5,200,000)	-	-	-
(C) Series of 2010	10,210,000	-	(240,000)	9,970,000	245,000	9,725,000
(D) Series of 2012	9,105,000	-	(215,000)	8,890,000	215,000	8,675,000
(E) Series of 2013	-	8,075,000	(1,465,000)	6,610,000	1,435,000	5,175,000
(F) Series of 2014	-	6,800,000	-	6,800,000	215,000	6,585,000
(G) Series of 2014A	-	4,550,000	-	4,550,000	775,000	3,775,000
Unamortized bond (discount)/premium	(199,863)	(20,721)	325,362	104,778	19,132	85,646
Subtotal - bonds and notes payable	<u>32,205,137</u>	<u>19,404,279</u>	<u>(14,684,638)</u>	<u>36,924,778</u>	<u>2,904,132</u>	<u>34,020,646</u>
Compensated absences						
Vacation leave	138,652	199,469	(179,482)	158,639	14,730	143,909
Personal leave	197,500	258,570	(256,147)	199,923	18,982	180,941
Sick leave	510,355	169,960	(214,479)	465,836	103,850	361,986
Subtotal - compensated absences	<u>846,507</u>	<u>627,999</u>	<u>(650,108)</u>	<u>824,398</u>	<u>137,562</u>	<u>686,836</u>
Capital lease payable	<u>664,589</u>	<u>-</u>	<u>(200,597)</u>	<u>463,992</u>	<u>28,989</u>	<u>435,003</u>
Total long-term liabilities	<u>\$ 33,716,233</u>	<u>\$ 20,032,278</u>	<u>\$ (15,535,343)</u>	<u>\$ 38,213,168</u>	<u>\$ 3,070,683</u>	<u>\$ 35,142,485</u>
Business-Type Activities						
Compensated absences						
Vacation leave	\$ 4,863	\$ 5,150	\$ (4,443)	\$ 5,570	\$ -	\$ 5,570
Personal leave	3,367	3,047	(3,242)	3,172	247	2,925
Sick leave	15,097	2,180	(4,935)	12,342	1,168	11,174
Total long-term liabilities	<u>\$ 23,327</u>	<u>\$ 10,377</u>	<u>\$ (12,620)</u>	<u>\$ 21,084</u>	<u>\$ 1,415</u>	<u>\$ 19,669</u>

(A) On September 15, 2008, the School District issued \$ 9,930,000 of general obligation bonds - Series 2008. The proceeds were used to currently refund a portion of the School District's Series of 2003 bonds, Series of 2003A bonds and pay all costs of issuing the bonds. The bonds were currently refunded with the issuance of the School District's Series of 2013 bonds.

(B) On May 19, 2009, the School District issued \$ 10,800,000 of general obligation bonds - Series 2009 to currently refund the School District's Series of 2001 Bonds, Series of 2003 Bonds, Series of 2003A Bonds, Series of 2004 Bonds and pay all costs of issuing the bonds. The 2009 bonds were currently refunded with the issuance of the School District's Series of 2014A bonds; however the defeased balance of the 2009 bonds at June 30, 2014 was \$ 4,515,000, which were redeemed on July 3, 2014.

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2014

NOTE 9 LONG-TERM LIABILITIES (CONTINUED)

- (C) 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 are due in varying amounts on November 15, 2011 to 2022. The bonds bear fixed interest at rates ranging from 1.0% to 3.5%.
- (D) 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%.
- (E) 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%.

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

(1) Cash Flow gain	\$ 226,041
(2) Economic gain	\$ 219,657

- (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.

- (F) 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%.

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2014

NOTE 9 LONG-TERM LIABILITIES (CONTINUED)

(G) 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%.

(1) Cash Flow gain	\$ 185,479
(2) Economic gain	\$ 177,066

- (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.

The annual debt requirements for future general obligation bonds and notes as of June 30, 2014 are as follows:

	Series of 2010		Series of 2012		Series of 2013		Series of 2014	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 245,000	\$ 316,890	\$ 215,000	\$ 190,516	\$ 1,435,000	\$ 84,828	\$ 215,000	\$ 163,267
2016	245,000	311,990	220,000	187,672	1,445,000	74,375	205,000	168,819
2017	250,000	306,665	225,000	183,222	1,465,000	55,825	210,000	167,410
2018	260,000	300,345	235,000	177,446	1,490,000	30,000	215,000	165,285
2019	600,000	287,900	825,000	161,546	775,000	7,750	215,000	162,597
2020 - 2024	8,370,000	623,063	6,825,000	502,166	-	-	1,125,000	753,671
2025 - 2026	-	-	345,000	3,795	-	-	4,615,000	126,375
	<u>\$ 9,970,000</u>	<u>\$ 2,146,853</u>	<u>\$ 8,890,000</u>	<u>\$ 1,406,363</u>	<u>\$ 6,610,000</u>	<u>\$ 252,778</u>	<u>\$ 6,800,000</u>	<u>\$ 1,707,424</u>

	Series of 2014A		Totals		
	Principal	Interest	Principal	Interest	Total
2015	\$ 775,000	\$ 48,831	\$ 2,885,000	\$ 804,332	\$ 3,689,332
2016	775,000	51,837	2,890,000	794,693	3,684,693
2017	775,000	46,800	2,925,000	759,922	3,684,922
2018	780,000	35,124	2,980,000	708,200	3,688,200
2019	670,000	20,626	3,085,000	640,419	3,725,419
2020 - 2024	775,000	6,963	17,095,000	1,885,863	18,980,863
2025 - 2026	-	-	4,960,000	130,170	5,090,170
	<u>\$ 4,550,000</u>	<u>\$ 210,181</u>	<u>\$ 36,820,000</u>	<u>\$ 5,723,599</u>	<u>\$ 42,543,599</u>

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2014

NOTE 9 LONG-TERM LIABILITIES (CONTINUED)

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, 2014, the leased assets have a gross capitalized value of \$ 1,818,184 and accumulated depreciation of \$ 930,075, leaving a net book value of \$ 888,109 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, 2014 is as follows:

2015	\$	50,147
2016		50,147
2017		49,031
2018		44,951
2019		44,951
2020-2024		224,757
2025-2027		<u>134,854</u>
		598,838
Amount representing interest		(127,361)
Amount representing maintenance		<u>(7,485)</u>
	\$	<u><u>463,992</u></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. At the actuarial valuation as of January 1, 2012 there were 20 participants in this employee group, of which 17 were active and 3 were retired.

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. 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

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2014

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Plan Description (Continued)

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, 2012 there were 257 participants in the teacher employee group, 234 active participants and 23 retired participants, and there are currently 108 participants in the support staff employee group, 106 active participants and 2 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 2013/2014, plan members receiving benefits also contributed \$ 188,591.

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)	\$ 213,988	\$ 2,223	\$ 216,211
Estimated interest on net OPEB obligation	20,773	216	20,989
Estimated adjustment to ARC	<u>(28,340)</u>	<u>(294)</u>	<u>(28,634)</u>
Annual OPEB cost	206,421	2,145	208,566
Estimated employer contributions made	<u>(123,177)</u>	<u>(1,280)</u>	<u>(124,457)</u>
Increase in net OPEB obligation	83,244	865	84,109
Net OPEB obligation - beginning of the year	<u>461,518</u>	<u>4,899</u>	<u>466,417</u>
Net OPEB obligation - end of the year	<u>\$ 544,762</u>	<u>\$ 5,764</u>	<u>\$ 550,526</u>

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2014

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Plan Description (Continued)

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
2014	\$ 208,566	59.67%	\$ 550,526
2013	\$ 210,604	40.94%	\$ 466,417
2012	\$ 197,004	60.83%	\$ 264,857

Funded Status and Funding Progress

As of January 1, 2012, 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)
01/01/12	\$ 0	\$ 1,765,117	\$ 1,765,117	0.00%	\$ 15,935,437	11.08%

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.

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2014

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions (Continued)

In the January 1, 2012 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 4 percent, and for teachers and administrators a merit increase which varies by age between 3 percent to 0.25 percent, and an annual healthcare cost trend rate of 7.5 percent in 2012, 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 11 PENSION PLAN

Plan Description

Name of plan: Public School Employees' Retirement System (the System)

Type of plan: Governmental cost-sharing multiple-employer 401 (a) defined-benefit plan

Benefits: Retirement and disability, legislatively mandated ad hoc cost-of-living adjustments, healthcare insurance premium assistance to qualifying annuitants.

Authority: The Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended) (24 Pa. C. S. § 8101-9102)

Annual Financial Report: The System issues a *Comprehensive Annual Financial Report (CAFR)* that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Diane J. Wert, Office of Financial Management, Public School Employees' Retirement System, 5 N 5th Street, Harrisburg PA 17101-1905. The *CAFR* is also available on the Publications page of the PSERS website.

Funding Policy

Authority: The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, employers, and the Commonwealth.

Contribution rates:

Member Contributions –

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

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

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2014

NOTE 11 PENSION PLAN (CONTINUED)

Funding Policy (Continued)

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

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.30% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.30% and 12.30%.

Employer Contributions - Contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 30, 2014, the rate of employer's contribution was 16.93% of covered payroll. The 16.93% rate is composed of a pension contribution rate of 16.00% for pension benefits and 0.93% for healthcare insurance premium assistance.

Information regarding employer contributions consists of the following for the three years ended June 30:

	Contribution Required	Actual Contribution As a Percentage
2014	\$ 2,885,649	100%
2013	2,046,702	100%
2012	1,440,497	100%

For the year ended June 30, 2014, the Commonwealth of Pennsylvania reimbursed the School District approximately one-half of its retirement expense.

NOTE 12 OPERATING LEASES

The School District has entered into noncancelable operating leases or service agreements for the use of copiers, postage machines and a bus radio tower. The total rent expense paid on these during the year ended June 30, 2014 was \$ 150,330. The School District has the following future minimum payments as of June 30, 2014:

	Copiers	Postage Machines	Bus Radio Tower	Total
2015	\$ 109,618	\$ 1,160	\$ 4,800	\$ 115,578
2016	36,537	-	-	36,537
	<u>\$ 146,155</u>	<u>\$ 1,160</u>	<u>\$ 4,800</u>	<u>\$ 152,115</u>

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2014

NOTE 13 AFFILIATES

Payments to fund operations of affiliated entities for the year ended 2013/2014 were as follows:

Cumberland-Perry Area Vocational Technical School	\$ 407,689
---	------------

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, 2014 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, 2014, the School District had commitments for the renovation of the Dillsburg Elementary school as follows:

	Total Estimated Costs	Total Costs Incurred	Total Costs To Be Incurred
Dillsburg Elementary			
General Construction	\$ 2,308,400	\$ 71,560	\$ 2,236,840
HVAC	1,789,500	263,909	1,525,591
Electrical	753,280	84,808	668,472
Plumbing, heating and cooling	230,500	8,270	222,230
Professional services (estimated)	948,760	665,452	283,308
	<u>\$ 6,030,440</u>	<u>\$ 1,093,999</u>	<u>\$ 4,936,441</u>

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2014

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, 2014:

Net position - July 1, 2013	\$ 5,392,551
Contributions and interest income	5,038,768
Claims paid	(3,977,241)
PA trust reimbursement	19,346
Stop-loss insurance	(80,201)
Minipool premium	(175,493)
Administrative fees	(181,485)
Other	<u>(6,643)</u>
Net position - June 30, 2014	<u>\$ 6,029,602</u>

Overall, the Lincoln Benefit Trust has net position of \$ 77,470,194 as of June 30, 2014 and showed an increase in net position of \$ 7,324,237 for the year ended. Financial statements of the Trust are available at the School District.

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)
01/01/12	-	\$ 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%
01/01/08	-	\$ 1,447,190	\$ 1,447,190	0.00%	\$ 14,800,648	9.78%

NORTHERN YORK COUNTY SCHOOL DISTRICT
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2014

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL	(BUDGETARY/ GAAP BASIS)	WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Local Sources				
Taxes	\$ 24,741,067	\$ 24,741,067	\$ 25,786,793	\$ 1,045,726
Investment earnings	40,000	40,000	20,416	(19,584)
Federal revenue from intermediate sources	540,000	540,000	499,273	(40,727)
Other	276,150	276,150	284,464	8,314
State sources	13,418,996	13,418,996	13,465,166	46,170
Federal sources	308,579	308,580	316,469	7,889
Total revenues	<u>39,324,792</u>	<u>39,324,793</u>	<u>40,372,581</u>	<u>1,047,788</u>
EXPENDITURES				
Instruction	23,730,138	23,714,228	23,140,121	574,107
Support services	11,864,308	11,827,809	11,653,937	173,872
Operation of noninstructional services	1,218,422	1,215,071	1,210,024	5,047
Facilities acquisition, construction and improvements	-	-	389,626	(389,626)
Debt service:				
Principal	3,015,596	3,015,596	2,805,597	209,999
Interest	919,422	919,422	896,727	22,695
Bond issue costs	-	-	119,722	(119,722)
Underwriter's bond discount	-	-	103,275	(103,275)
Total expenditures	<u>40,747,886</u>	<u>40,692,126</u>	<u>40,319,029</u>	<u>373,097</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term financing	-	-	12,625,000	12,625,000
Refunding of G.O. bonds	-	-	(12,405,000)	(12,405,000)
Bond premium	-	-	157,511	157,511
Insurance recoveries	-	-	67,879	67,879
Proceeds from sale of fixed assets	1,000	1,000	9,458	8,458
Interfund transfers	(425,122)	(425,122)	(425,122)	-
Budgetary reserve	-	(55,761)	-	55,761
Total other financing sources and (uses)	<u>(424,122)</u>	<u>(479,883)</u>	<u>29,726</u>	<u>509,609</u>
Net change in fund balances	(1,847,216)	(1,847,216)	83,278	1,930,494
Fund balance - beginning	<u>6,095,884</u>	<u>6,095,884</u>	<u>8,491,379</u>	<u>2,395,495</u>
Fund balance - ending	<u>\$ 4,248,668</u>	<u>\$ 4,248,668</u>	<u>\$ 8,574,657</u>	<u>\$ 4,325,989</u>

OTHER SUPPLEMENTARY INFORMATION

NORTHERN YORK COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

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) Revenue at July 1, 2013	Revenue Recognized	Expenditures Recognized	Receivable (Payable) Revenue at June 30, 2014
U.S. DEPARTMENT OF EDUCATION									
Passed through the Pennsylvania Department of Education									
ESEA Title I	84.010	013-13-0302	July 1, 2012 - September 30, 2013	268,186	\$ 50,299	\$ 43,792	\$ 6,507	\$ 6,507	\$ -
ESEA Title I	84.010	013-14-0302	July 1, 2013 - September 30, 2014	244,121	196,096	-	236,691	236,691	40,595
ESEA Title II - Part A	84.368	020-13-0302	July 1, 2012 - September 30, 2013	62,742	24,998	24,998	-	-	-
ESEA Title II - Part A	84.368	020-14-0302	July 1, 2013 - September 30, 2014	58,712	43,150	-	58,712	58,712	15,562
Passed through Capital Area Intermediate Unit									
I.D.E.A.	84.027	N/A	July 1, 2012 - June 30, 2013	492,365	123,151	123,151	-	-	-
I.D.E.A.	84.027	N/A	July 1, 2013 - June 30, 2014	448,638	327,528	-	448,638	448,638	121,110
I.D.E.A. - Preschool	84.173	N/A	July 1, 2013 - June 30, 2014	3,101	3,101	-	3,101	3,101	-
Total U.S. Department of Education					<u>768,323</u>	<u>191,941</u>	<u>753,649</u>	<u>753,649</u>	<u>177,267</u>
U.S. DEPARTMENT OF AGRICULTURE									
Passed through the Pennsylvania Department of Education									
National School Lunch Program	10.555	N/A	July 1, 2012 - June 30, 2013	N/A	29,381	29,381	-	-	-
National School Lunch Program	10.555	N/A	July 1, 2013 - June 30, 2014	N/A	172,340	-	237,069	237,069	64,729
National School Breakfast Program	10.553	N/A	July 1, 2012 - June 30, 2013	N/A	5,550	5,550	-	-	-
National School Breakfast Program	10.553	N/A	July 1, 2013 - June 30, 2014	N/A	24,329	-	35,352	35,352	11,023
Passed through the Pennsylvania Department of Agriculture									
Value of USDA Commodities	10.555 (B)	N/A	July 1, 2013 - June 30, 2014	N/A	<u>61,187</u>	<u>(676)</u>	<u>61,315</u>	<u>61,315</u>	<u>(548)</u>
Total U.S. Department of Agriculture					<u>292,787</u>	<u>34,255</u>	<u>333,736</u>	<u>333,736</u>	<u>75,204</u>
U.S. DEPARTMENT OF PUBLIC WELFARE									
Passed through the Pennsylvania Department of Public Welfare									
Medical Assistance	93.778	N/A	October 1, 2012 - September 30, 2013	N/A	19,259	19,259	-	-	-
Medical Assistance	93.778	N/A	October 1, 2013 - September 30, 2014	N/A	11,366	-	14,560	14,560	3,194
Total U.S. Department of Public Welfare					<u>30,625</u>	<u>19,259</u>	<u>14,560</u>	<u>14,560</u>	<u>3,194</u>
Total Expenditure of Federal Awards					<u>\$ 1,091,735</u>	<u>\$ 245,455</u>	<u>\$ 1,101,945</u>	<u>\$ 1,101,945</u>	<u>\$ 255,665</u>

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

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	\$ 448,638 (A)	
I.D.E.A. - Preschool	84.173	<u>3,101 (A)</u>	
		451,739	41.0%
Child Nutrition Cluster:			
National School Lunch Program	10.555	237,069	
Donated Commodities	10.555	61,315	
National School Breakfast Program	10.553	<u>35,352</u>	
		333,736	30.3%
ESEA Title I	84.010	243,198	22.1%
ESEA Title II, Part A	84.367	58,712	5.3%
Medical Assistance	93.778	<u>14,560</u>	<u>1.3%</u>
Total federal awards		<u>\$ 1,101,945</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, 2014, 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 November 20, 2014.

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.

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

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



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

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*.

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
November 20, 2014



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT 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, 2014. 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, 2014.

Other Matters

The results of our auditing procedures disclosed another instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2014-001. Our opinion on each major federal program is not modified with respect to this matter.

Northern York County School District's response to the noncompliance 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.

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.

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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-001 to be a material weakness.



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

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-002 and 2014-003 to be significant deficiencies.

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

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
November 20, 2014

NORTHERN YORK COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

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

NORTHERN YORK COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2014

Section II - Financial Statement Findings

A. Significant Deficiency or Material Weakness in Internal Control

None noted

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. Material Weaknesses and Significant Deficiencies in Internal Control Over Compliance

Finding Reference: 2014-001 - Suspension and Debarment
Federal Agency: U.S. Department of Education
Federal Program: IDEA Cluster - CFDA 84.027 and 84.173
Compliance Requirement: Procurement, Suspension and Debarment
Type of Finding: Material Weakness in Internal Control Over Compliance and Noncompliance

Condition: The School District paid vendors for special education services without ensuring the vendors were not suspended or debarred from receiving federal funds. The School District did not have a written certification of suspension and debarment for vendors under this program and did not perform any other procedures, such as checking the federal excluded parties list or including a clause in its vendor contracts, to ensure compliance with suspension and debarment requirements.

Criteria: Recipients of federal grants are prohibited from contracting with parties suspended or debarred from doing business with the federal government. Federal regulations require grant recipients to ensure vendors that receive more than \$ 25,000 in federal funds are not suspended or debarred from doing business with the federal government. This verification may be accomplished by checking the Excluded Parties List Systems (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

Cause: The School District was not aware of the suspension and debarment requirement at the beginning of the year and did not have adequate internal controls to ensure that certifications were obtained for all vendors paid with IDEA funds.

Effect: Without adequate internal controls over suspension and debarment requirements, the School District cannot ensure federal funds are paid only to eligible vendors. Payments to ineligible parties are unallowable and subject to recovery by the grantor.

The School District is not in compliance with federal suspension and debarment requirements for procurement contracts of goods and services.

NORTHERN YORK COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2014

Section III - Federal Award Findings and Questioned Costs (Continued)

<i>Questioned Cost:</i>	The vendors in question were not suspended or debarred; therefore, there are no questioned costs.
<i>Recommendation:</i>	We recommend that the School District enhance its policies and procedures to ensure that the required suspension and debarment verifications are performed for vendors with contracts that are expected to equal or exceed the \$ 25,000 threshold.
<i>Auditee response:</i>	In September 2013, the School District implemented a procedure to review the Pennsylvania and the Federal suspension and debarment lists on a monthly basis. This procedure will ensure the School District is meeting the compliance requirements of the federal grants.
Finding Reference:	2014-002 – 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
<i>Condition:</i>	The School District does not have review procedures in place to verify that the individual determining eligibility performed the calculation accurately.
<i>Criteria:</i>	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.
<i>Cause:</i>	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.
<i>Effect:</i>	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.
<i>Questioned Cost:</i>	None
<i>Recommendation:</i>	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.
<i>Auditee response:</i>	The School District will assign a School District employee with the appropriate level of training and authority the responsibility of reviewing the eligibility determinations made by the determining official and require the eligibility determination forms to be appropriately marked as reviewed.

NORTHERN YORK COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2014

Finding Reference: 2014-003 – Reporting
Federal Agency: U.S. Department of Agriculture
Federal Program: Child Nutrition Cluster - CFDA 10.553 and 10.555
Compliance Requirement: Reporting
Type of Finding: Significant Deficiency in Internal Control Over Compliance

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

Criteria: The School District should have a procedure in place to review the monthly claim forms generated comparing the information to actual data received from the School District's separate cafeteria software system. This will ensure their accuracy before reports are submitted.

Cause: The School District did not perform an independent review of the forms by someone other than the preparer before they were submitted.

Effect: The claim forms could include incorrect information which may result in incorrect reimbursement and if selected for audit by the state, could jeopardize the School District's reimbursement amount in future periods.

Questioned Cost: None

Recommendation: We recommend the School District assign the task of reviewing these monthly reports, after they are generated but before they are submitted, to someone other than the preparer of the reports. This review should include documentation of a signature or initials of the person performing the review.

Auditee response: Someone other than the Director of Food Service will review the monthly reports before they are submitted to ensure accuracy in the filing.

B. Compliance Findings

See Finding 2014-001 above.

NORTHERN YORK COUNTY SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings Related to Federal Awards
Year Ended June 30, 2014

Findings related to federal awards:

Finding 2013-001 – Suspension and Debarment

Status: This finding remains as the School District did not put a policy in place until after the fiscal year began and covered transactions were entered into without this compliance requirement being performed.