

Audited
Financial
Statements

June 30,
2016

Northern York County School District



CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	4 - 12
FINANCIAL STATEMENTS	
Government-wide financial statements	
Statement of net position	13
Statement of activities	14
Fund financial statements	
Balance sheet - governmental funds	15
Reconciliation of the governmental funds balance sheet to the statement of net position	16
Statement of revenues, expenditures, and changes in fund balance - governmental funds	17
Reconciliation of the governmental funds statement of revenues, expenditures, and changes in fund balance to the statement of activities	18
Statement of net position - proprietary fund	19
Statement of revenues, expenses, and changes in fund net position - proprietary fund	20
Statement of cash flows - proprietary fund	21
Statement of fiduciary net position	22
Statement of changes in fiduciary net position	23
Notes to financial statements	24 - 56
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)	
OPEB schedule of funding progress	57
Budgetary comparison schedule - general fund	58
Schedule of School District's proportionate share of the net pension liability - Public School Employees' Retirement System	59
Schedule of School District's contributions - Public School Employees' Retirement System	60
OTHER SUPPLEMENTARY INFORMATION	
Schedule of expenditures of federal awards	61
Notes to schedule of expenditures of federal awards	62
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	63 - 64
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY <i>THE UNIFORM GUIDANCE</i>	65 - 66
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	67 - 69
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	70



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Northern York County School District
Dillsburg, Pennsylvania

REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Northern York County School District, as of and for the year ended June 30, 2016, 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, 2016, 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

We have previously audited Northern York County School District's 2015 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in our report dated December 3, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which is derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 12, OPEB schedule of funding progress on page 57, budgetary comparison information on page 58, schedule of the School District's proportionate share of the net pension liability - PSERS on page 59, and schedule of the School District's contributions - PSERS on page 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects, in relation to the basic financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2016 on our consideration of the Northern York County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northern York County School District's internal control over financial reporting and compliance.

Smith Elliott Kearns & Company, LLC

Chambersburg, Pennsylvania
December 2, 2016

NORTHERN YORK COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2016

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, 2016. Comparative financial information between fiscal years ending June 30, 2015 and June 30, 2016 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 2015-2016 fiscal year, the School Board adopted a balanced General Fund Budget. In order to balance the budget, a real estate tax rate of 16.0047 mills was required, along with the anticipated use of \$2,491,302 from the fund balance. Included in the budget was a \$40,979 transfer into the Food Service Fund to pay for new and replacement equipment and half of the Food Service Director's salary. The actual General Fund deficit was \$1,684,865 which was \$806,437 less than expected. Actual revenues exceeded budgeted revenues by \$410,566 primarily in the areas of earned income taxes, real estate transfer taxes, and federal grants. General Fund actual expenditures were less than budgeted expenditures by \$383,433. This difference is mainly attributed to utility costs being less than anticipated.
- The budgeted deficit of \$2,491,302 was mainly caused by the cost to renovate a portion of the Sports and Learning Center in order to move the Administrative Offices to that location as well as demolish one wing of that building. The actual total cost of this renovation was \$2,605,290 with \$1,900,000 budgeted to come from the General Fund Fund Balance.
- The School District received \$733,565 from the State to fund property tax reductions. Property owners in the School District who filed and received approval for a homestead/farmstead exclusion saw their net tax due decrease by this amount.
- The Governmental Accounting Standards Board Statement No. 68 (GASB 68), became effective for fiscal year ending June 30, 2015. This statement addresses accounting and financial reporting for pensions that are provided to employees of state and local government employers. The implementation of this standard had a significant negative impact on the net position of the School District. Further analysis is available in the "Net Position" portion of this MD&A and can also be found in Note 11 of the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

NORTHERN YORK COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2016

The first two statements of the basic financial statements are government-wide financial statements. These statements on pages 13 and 14 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.

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 15 and 17 present how general School District services, such as regular and special education, are financed in the short-term as well as what remains for future spending. The statement of revenues, expenditures and changes in fund balance – budget and actual for the general fund is shown on page 58 and provides the budgetary comparisons to the actual revenues, expenditures and other financing sources (uses). The proprietary fund statements on pages 19 - 21 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 22 and 23 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 24 - 56. These notes provide a more detailed explanation of the School District's financial statements. Following the notes to the basic financial statements is supplementary information on pages 57 - 60 that details budgetary information, other post-employment benefit information and pension benefit information.

Government-Wide Statements

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

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

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

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

NORTHERN YORK COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2016

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 16 and 18.
- 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 22 and 23.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Net Position

The School District's total net position was (\$33,929,289) at June 30, 2016 which includes (\$32,821,667) in Governmental Activities and (\$1,107,622) in Business-Type Activities. This shows an increase of \$170,640 compared to total net position of (\$34,099,929) at June 30, 2015. This reason behind the large negative net position is caused by the implementation on GASB 68 which required the School District to record the net pension liability, deferred outflows and inflows or resources, and pension expense associated with the proportionate share of the Public School Employees' Retirement System (PSERS) plan. The total School District's net pension liability at June 30, 2016 was \$60,598,118, of which \$59,244,556 was the Governmental Activities share and \$1,353,562 was the Business-Type Activities share. The result of recording this liability in each fiscal year has resulted in a negative net position. While PSERS is not a new pension plan, June 30, 2015 is the first time the proportionate share of the liability is being recorded on the financial statements of the School District.

NORTHERN YORK COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2016

Statement of Net Position

	2016			2015		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current assets	\$ 11,932,034	\$ 67,782	\$ 11,999,816 *	\$ 18,248,709	\$ 178,084	\$ 18,279,349 *
Noncurrent assets	49,335,248	87,936	49,423,184	44,815,887	129,435	44,945,322
Deferred outflows of resources	7,038,191	165,257	7,203,448	5,603,909	115,613	5,719,522
Total Assets and Deferred Outflows of Resources	<u>\$ 68,305,473</u>	<u>\$ 320,975</u>	<u>\$ 68,626,448</u>	<u>\$ 68,668,505</u>	<u>\$ 423,132</u>	<u>\$ 68,944,193</u>
Current liabilities	\$ 7,271,846	\$ 37,819	\$ 7,309,665 *	\$ 7,629,563	\$ 184,286	\$ 7,666,405 *
Noncurrent liabilities	93,477,212	1,382,453	94,859,665	90,278,278	1,220,096	91,498,374
Total Liabilities	<u>100,749,058</u>	<u>1,420,272</u>	<u>102,169,330</u>	<u>97,907,841</u>	<u>1,404,382</u>	<u>99,164,779</u>
Deferred Inflows of Resources	378,082	8,325	386,407	3,793,946	85,397	3,879,343
Net investment in capital assets	13,851,599	87,936	13,939,535	10,563,889	129,435	10,693,324
Restricted	532,538	-	532,538	578,051	-	578,051
Unrestricted	(47,205,804)	(1,195,558)	(48,401,362)	(44,175,222)	(1,196,082)	(45,371,304)
Total Net Position	<u>(32,821,667)</u>	<u>(1,107,622)</u>	<u>(33,929,289)</u>	<u>(33,033,282)</u>	<u>(1,066,647)</u>	<u>(34,099,929)</u>
Total Liabilities and Net Position	<u>\$ 68,305,473</u>	<u>\$ 320,975</u>	<u>\$ 68,626,448</u>	<u>\$ 68,668,505</u>	<u>\$ 423,132</u>	<u>\$ 68,944,193</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 2015-2016 fiscal year, the change in net position for governmental activities reflects an increase of \$211,615 and a decrease of \$40,975 for business-type activities, or a total net increase of \$170,640 as reflected in the chart below.

	2016			2015		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Program Revenues						
Charges for Services	\$ 230,150	\$ 667,937	\$ 898,087	\$ 181,888	\$ 669,732	\$ 851,620
Operating grants and contributions	7,278,671	466,769	7,745,440	6,636,295	418,062	7,054,357
Capital grants and contributions	655,887	-	655,887	571,538	-	571,538
General Revenues						
Taxes	27,336,406	-	27,336,406	26,439,820	-	26,439,820
State Grants and subsidies	8,150,494	-	8,150,494	7,916,259	-	7,916,259
Other local revenue	55,671	-	55,671	51,288	-	51,288
Investment earnings	28,687	191	28,878	19,964	13	19,977
Total revenues	<u>43,735,966</u>	<u>1,134,897</u>	<u>44,870,863</u>	<u>41,817,052</u>	<u>1,087,807</u>	<u>42,904,859</u>
Direct expenses	<u>43,483,372</u>	<u>1,216,851</u>	<u>44,700,223</u>	<u>42,174,854</u>	<u>1,214,439</u>	<u>43,389,293</u>
Excess (deficiency) before transfers	252,594	(81,954)	170,640	(357,802)	(126,632)	(484,434)
Transfers between activities	(40,979)	40,979	-	(40,386)	40,386	-
Change in net position	<u>\$ 211,615</u>	<u>\$ (40,975)</u>	<u>\$ 170,640</u>	<u>\$ (398,188)</u>	<u>\$ (86,246)</u>	<u>\$ (484,434)</u>

NORTHERN YORK COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2016

Governmental Activities

Direct expenses represent the actual cost of providing the services while the net cost represents the amount of cost that is not recovered through program revenues, meaning user charges, subsidies, grants, and contributions. The largest source of grants and contributions are state and federal sources, which provided \$15,904,947 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 \$1,308,518 or 3.10% over the prior year for governmental activities. This increase was primarily due to retirement costs increasing for all qualified employees. Governmental activities program revenues increased \$774,987 or 10.49% 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 \$40,975 which is \$45,271 less than the prior year.

	2016			2015		
	Direct Expenses	Program Revenues	Net Cost	Direct Expenses	Program Revenues	Net Cost
Governmental Activities						
Instruction	\$ 27,313,300	\$ 5,251,957	\$ 22,061,343	\$ 26,369,932	\$ 4,697,974	\$ 21,671,958
Instructional student support	3,137,391	320,480	2,816,911	2,928,569	277,899	2,650,670
Administrative and financial support	4,695,357	354,156	4,341,201	4,592,791	300,987	4,291,804
Operation and maintenance of plant	3,936,926	191,294	3,745,632	3,749,049	177,675	3,571,374
Pupil transportation	2,087,443	1,185,933	901,510	2,039,094	1,140,499	898,595
Student activities	1,528,803	202,454	1,326,349	1,371,900	220,049	1,151,851
Community services	2,815	2,547	268	2,420	3,100	(680)
Interest on long-term debt	781,337	655,887	125,450	1,121,099	571,538	549,561
Total Governmental Activities	<u>\$ 43,483,372</u>	<u>\$ 8,164,708</u>	<u>\$ 35,318,664</u>	<u>\$ 42,174,854</u>	<u>\$ 7,389,721</u>	<u>\$ 34,785,133</u>
Unrestricted grants and subsidies			(8,150,494)			(7,916,259)
Transfers			40,979			40,386
Investment earnings			(28,687)			(19,964)
Total needs from taxes and other local sources			<u>\$ 27,180,462</u>			<u>\$ 26,889,296</u>
Business-type Activities						
Food services	\$ 1,216,851	\$ 1,134,706	\$ 82,145	\$ 1,214,439	\$ 1,087,794	\$ 126,645
Transfers			(40,979)			(40,386)
Investment earnings			(191)			(13)
Total business-type activities			<u>\$ 40,975</u>			<u>\$ 86,246</u>

NORTHERN YORK COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2016

Governmental Fund Balance

At June 30, 2016, the School District governmental funds reported a combined fund balance of \$7,169,518, which is a decrease of \$5,643,160 from the June 30, 2015 combined fund balance.

	Governmental Fund Balance			
	2016	2015	\$ Change	% Change
General Fund - Nonspendable	\$ 264,597	\$ 146,090	\$ 118,507	81.12%
General Fund - Restricted	-	1,000	(1,000)	100.00%
General Fund - Committed	1,676,249	1,676,249	-	0.00%
General Fund - Assigned	742,574	2,577,350	(1,834,776)	(71.19%)
General Fund - Unassigned	3,928,506	3,896,102	32,404	0.83%
Capital Reserve Fund - Restricted	532,538	577,051	(44,513)	(7.71%)
Capital Project Fund - Restricted	25,054	3,938,836	(3,913,782)	100.00%
	<u>\$ 7,169,518</u>	<u>\$ 12,812,678</u>	<u>\$ (5,643,160)</u>	<u>(44.04%)</u>
Total spendable	\$ 6,347,329	\$ 8,149,701	\$ (1,802,372)	(22.12%)
Total restricted	557,592	4,516,887	(3,959,295)	(87.66%)
Total nonspendable	<u>264,597</u>	<u>146,090</u>	<u>118,507</u>	<u>81.12%</u>
	<u>\$ 7,169,518</u>	<u>\$ 12,812,678</u>	<u>\$ (5,643,160)</u>	<u>(44.04%)</u>

Governmental Funds - Reconciliation

In prior years, the School District committed funds for future use of PSERS and Debt payments. Commitments for PSERS were uncommitted in 2015 and it is anticipated that more committed for PSERS and also for Debt will be uncommitted in fiscal year June 30, 2017.

The School District has decided to slowly build the Capital Reserve Fund for future use for items that are not built into the General Fund budget. A transfer is budgeted for 2016-2017 and this fund will continue to be used for significant, planned capital projects and for emergency, unplanned capital projects.

The decrease in the Capital Project Fund restricted fund balance was anticipated. The School District substantially completed two construction projects in 2015-2016. One project was for an addition and renovation to an Elementary School, completed in Fall 2015, and another project was for an energy savings project at the Middle School and a separate Elementary School, also complete in Fall 2015. The small remaining balance will be used prior to June 30, 2017.

NORTHERN YORK COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2016

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.

	2016			2015		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
Total revenues	\$ 43,180,309	\$ 43,590,875	\$ 410,566	\$ 41,386,035	\$ 41,866,287	\$ 480,252
Total expenditures	<u>45,431,632</u>	<u>45,048,199</u>	<u>383,433</u>	<u>42,307,857</u>	<u>42,013,308</u>	<u>294,549</u>
Revenues over (under) expenditures	(2,251,323)	(1,457,324)	793,999	(921,822)	(147,021)	774,801
Other financing sources (uses)	<u>(239,979)</u>	<u>(227,541)</u>	<u>12,438</u>	<u>(289,386)</u>	<u>(130,845)</u>	<u>158,541</u>
Net change in fund balance	<u>\$ (2,491,302)</u>	<u>\$ (1,684,865)</u>	<u>\$ 806,437</u>	<u>\$ (1,211,208)</u>	<u>\$ (277,866)</u>	<u>\$ 933,342</u>

CAPITAL ASSETS

At June 30, 2016, the School District had \$49,335,248 in governmental activities capital assets, which represents an increase of \$4,519,361 from the previous fiscal year. This net increase is mostly a result of the two completed capital projects, a renovation and addition to the Dillsburg Elementary School and an energy savings project that was primarily for the Northern Elementary School and Northern Middle School HVAC systems. It is anticipated that the School District will have a significant renovation and addition project to the Wellsville Elementary School that is proposed to begin in Spring 2017.

Capital Assets (Net of Depreciation)

	2016	2015	Change
Governmental activities			
Land	\$ 326,188	\$ 326,188	\$ -
Construction in progress	441,796	7,043,017	(6,601,221)
Site improvements	602,820	651,204	(48,384)
Buildings and improvements	47,049,185	35,781,513	11,267,672
Furniture and equipment	<u>915,259</u>	<u>1,013,965</u>	<u>(98,706)</u>
Total governmental capital assets	<u>\$ 49,335,248</u>	<u>\$ 44,815,887</u>	<u>\$ 4,519,361</u>
Business-type activities			
Food service equipment	<u>\$ 87,936</u>	<u>\$ 129,435</u>	<u>\$ (41,499)</u>

NORTHERN YORK COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, 2016

LONG-TERM LIABILITIES

Bonds and notes payable at June 30, 2015 were \$38,223,886 and \$35,508,833 at June 30, 2016. Scheduled principal payments totaling \$2,645,000 were made to bondholders during 2015-2016. There were no bond refundings or new bonds issued in fiscal year 2016.

Lease-purchase obligations at June 30, 2015 were \$433,913 and \$402,612 at June 30, 2016. There were no new lease-purchase obligations entered into in fiscal year 2016.

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 \$893,371 for the Governmental Activities and \$23,303 for the Business-type Activities for year ended June 30, 2016. Employees who retire with 15 years of service are eligible to remain on the School Districts health care plan until age 65. The liability for these post-employment benefits has been reflected in the Statement of Net Position and totals \$650,545 for the Governmental Activities and \$6,876 for the Business-type Activities for year ended June 30, 2016. The net pension obligation for the proportionate share of the PSERS pension plan for was \$59,244,556 for the Governmental Activities and \$1,353,562 for the Business-type Activities for the year ended June 30, 2016.

2016-2017 BUDGET (PDE-2028) AND ECONOMIC FACTORS

	Budget 2016-2017	Budget 2015-2016	Change
Total revenues	\$ 44,542,101	\$ 43,181,309	\$ 1,360,792
Total expenditures	<u>41,096,700</u>	<u>41,905,177</u>	<u>(808,477)</u>
Revenues over (under) expenditures	3,445,401	1,276,132	2,169,269
Other financing sources (uses)	<u>(4,112,015)</u>	<u>(3,767,434)</u>	<u>(344,581)</u>
Net change in fund balance	<u>\$ (666,614)</u>	<u>\$ (2,491,302)</u>	<u>\$ 1,824,688</u>

The budget for 2016-2017 represents a decrease in total expenditures of 7.58%. This decrease is due to the nonrecurring administrative office renovation cost of \$1,900,000 offset by increase in base salary and the PSERS rate increase from 25.84% to 30.03%. The 2016-2017 budgeted revenues reflect a millage increase of .4801 mills. The 2016-2017 real estate tax assessment is 16.4848 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 2016-2017 fiscal year, which includes the use of existing fund balance.

NORTHERN YORK COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
June 30, June 30, 2016

Employee health care premiums did not increase for 2016-2017. The School District has implemented premium sharing with all personnel in an effort to reduce annual premium increases.

The 2015-2016 general fund unassigned fund balance of \$3,928,506 represents 9.24% of 2016-2017 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 2016-2017 budget reflects the estimated receipt of \$724,572 from the state to be used to reduce property taxes. Northern York County's adjusted index for 2016-2017 was set at 3.0%. The adjusted index for 2017-2018 was set at 3.1%. The index limits the rate of increase on tax mills.

The 2016-2017 fiscal year is the first year of a five year contract with the Northern York Education Association.

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, 650 S. Baltimore Street, Dillsburg, PA 17019, and (717) 432-8691, ext. 1108.

NORTHERN YORK COUNTY SCHOOL DISTRICT
Statement of Net Position
June 30, 2016 with Summarized Comparative Totals for 2015

	Governmental Activities	Business-Type Activities	Total	2015 Summarized
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 4,582,281	\$ 33,781	\$ 4,616,062	\$ 13,341,951
Investments	3,000,000	-	3,000,000	1,470,000
Receivables:				
Taxes, net	1,764,477	-	1,764,477	1,952,762
Intergovernmental	2,094,780	50,165	2,144,945	1,173,913
Other	109,307	89,197	198,504	185,144
Internal balances	116,592	(116,592)	-	-
Inventories	208,023	11,231	219,254	142,034
Prepaid items	56,574	-	56,574	13,545
Total current assets	<u>11,932,034</u>	<u>67,782</u>	<u>11,999,816</u>	<u>18,279,349</u>
Noncurrent Assets				
Land	326,188	-	326,188	326,188
Construction in progress	441,796	-	441,796	7,043,017
Site improvements, net	602,820	-	602,820	651,204
Buildings, net	47,049,185	-	47,049,185	35,781,513
Equipment, furniture and fixtures, net	915,259	87,936	1,003,195	1,143,400
Total noncurrent assets	<u>49,335,248</u>	<u>87,936</u>	<u>49,423,184</u>	<u>44,945,322</u>
TOTAL ASSETS	<u>61,267,282</u>	<u>155,718</u>	<u>61,423,000</u>	<u>63,224,671</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension liability	6,634,172	165,257	6,799,429	5,251,980
Deferred charge on bond refunding	404,019	-	404,019	467,542
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>7,038,191</u>	<u>165,257</u>	<u>7,203,448</u>	<u>5,719,522</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 68,305,473</u>	<u>\$ 320,975</u>	<u>\$ 68,626,448</u>	<u>\$ 68,944,193</u>
LIABILITIES				
Current liabilities				
Accounts payable	\$ 505,279	\$ 1,947	\$ 507,226	\$ 1,438,718
Accrued salaries and benefits/withholdings	3,353,855	34,584	3,388,439	3,235,572
Accrued interest	187,798	-	187,798	148,954
Unavailable revenue	2,209	-	2,209	-
Portion due or payable within one year:				
General obligation bonds and notes payable	3,145,053	-	3,145,053	2,715,053
Capital leases	32,567	-	32,567	30,070
Compensated absences	45,085	1,288	46,373	98,038
Total current liabilities	<u>7,271,846</u>	<u>37,819</u>	<u>7,309,665</u>	<u>7,666,405</u>
Noncurrent liabilities				
Portion due or payable after one year:				
General obligation bonds and notes payable	32,363,780	-	32,363,780	35,508,833
Capital leases	370,045	-	370,045	403,843
Net pension obligation	59,244,556	1,353,562	60,598,118	54,265,163
OPEB liability	650,545	6,876	657,421	552,180
Compensated absences	848,286	22,015	870,301	768,355
Total noncurrent liabilities	<u>93,477,212</u>	<u>1,382,453</u>	<u>94,859,665</u>	<u>91,498,374</u>
TOTAL LIABILITIES	<u>100,749,058</u>	<u>1,420,272</u>	<u>102,169,330</u>	<u>99,164,779</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension liability	378,082	8,325	386,407	3,879,343
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>378,082</u>	<u>8,325</u>	<u>386,407</u>	<u>3,879,343</u>
NET POSITION				
Net investment in capital assets	13,851,599	87,936	13,939,535	10,693,324
Restricted	532,538	-	532,538	578,051
Unrestricted	(47,205,804)	(1,195,558)	(48,401,362)	(45,371,304)
TOTAL NET POSITION	<u>(32,821,667)</u>	<u>(1,107,622)</u>	<u>(33,929,289)</u>	<u>(34,099,929)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 68,305,473</u>	<u>\$ 320,975</u>	<u>\$ 68,626,448</u>	<u>\$ 68,944,193</u>

NORTHERN YORK COUNTY SCHOOL DISTRICT

Statement of Activities

Year Ended June 30, 2016 with Summarized Comparative Totals for 2015

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	2015 Summarized
Governmental activities:								
Instruction	\$ 27,313,300	\$ 91,204	\$ 5,160,753	\$ -	\$ (22,061,343)	\$ -	\$ (22,061,343)	\$ (21,671,958)
Instructional student support	3,137,391	-	320,480	-	(2,816,911)	-	(2,816,911)	(2,650,670)
Administrative and financial support services	4,695,357	-	354,156	-	(4,341,201)	-	(4,341,201)	(4,291,804)
Operation and maintenance of plant services	3,936,926	17,647	173,647	-	(3,745,632)	-	(3,745,632)	(3,571,374)
Pupil transportation	2,087,443	-	1,185,933	-	(901,510)	-	(901,510)	(898,595)
Student activities	1,528,803	121,299	81,155	-	(1,326,349)	-	(1,326,349)	(1,151,851)
Community services	2,815	-	2,547	-	(268)	-	(268)	680
Interest expense and bond issue costs	781,337	-	-	655,887	(125,450)	-	(125,450)	(549,561)
Total governmental activities	<u>43,483,372</u>	<u>230,150</u>	<u>7,278,671</u>	<u>655,887</u>	<u>(35,318,664)</u>	<u>-</u>	<u>(35,318,664)</u>	<u>(34,785,133)</u>
Business-type activities:								
Food services	<u>1,216,851</u>	<u>667,937</u>	<u>466,769</u>	<u>-</u>	<u>-</u>	<u>(82,145)</u>	<u>(82,145)</u>	<u>(126,645)</u>
Total primary government	<u>\$ 44,700,223</u>	<u>\$ 898,087</u>	<u>\$ 7,745,440</u>	<u>\$ 655,887</u>	<u>\$ (35,318,664)</u>	<u>\$ (82,145)</u>	<u>\$ (35,400,809)</u>	<u>\$ (34,911,778)</u>
General revenues and transfers:								
Property taxes levied for general purposes, public utility realty tax, earned income tax					\$ 27,336,406	\$ -	\$ 27,336,406	\$ 26,439,820
Grants, subsidies and contributions not restricted					8,150,494	-	8,150,494	7,916,259
Investment earnings					28,687	191	28,878	19,977
Gain on sale of fixed assets					7,800	-	7,800	150
Miscellaneous income					47,871	-	47,871	51,138
Transfers					(40,979)	40,979	-	-
Total general revenues and transfers					<u>35,530,279</u>	<u>41,170</u>	<u>35,571,449</u>	<u>34,427,344</u>
Change in net position					211,615	(40,975)	170,640	(484,434)
Net position - beginning, as restated					<u>(33,033,282)</u>	<u>(1,066,647)</u>	<u>(34,099,929)</u>	<u>(33,615,495)</u>
Net position - ending					<u>\$ (32,821,667)</u>	<u>\$ (1,107,622)</u>	<u>\$ (33,929,289)</u>	<u>\$ (34,099,929)</u>

NORTHERN YORK COUNTY SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2016 with Summarized Comparative Totals for 2015

	Governmental Funds				
	General Fund	Capital Reserve Fund	Capital Projects Fund	Total Governmental Funds	2015 Summarized
ASSETS					
Cash and cash equivalents	\$ 3,952,476	\$ 595,021	\$ 34,784	\$ 4,582,281	\$ 13,319,209
Investments	3,000,000	-	-	3,000,000	1,470,000
Taxes receivable, net	1,764,477	-	-	1,764,477	1,952,762
Due from other funds	116,592	-	-	116,592	152,283
Receivable from other governments	2,094,780	-	-	2,094,780	1,095,440
Other receivables	109,307	-	-	109,307	117,764
Inventories	208,023	-	-	208,023	132,545
Prepaid expenses	56,574	-	-	56,574	13,545
Total assets	<u>\$ 11,302,229</u>	<u>\$ 595,021</u>	<u>\$ 34,784</u>	<u>\$ 11,932,034</u>	<u>\$ 18,253,548</u>
LIABILITIES					
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ 4,839
Accounts payable	433,066	62,483	9,730	505,279	1,437,392
Accrued salaries and benefits/withholdings	3,353,855	-	-	3,353,855	3,201,168
Total liabilities	<u>3,786,921</u>	<u>62,483</u>	<u>9,730</u>	<u>3,859,134</u>	<u>4,643,399</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	2,209	-	-	2,209	-
Unavailable tax revenue	901,173	-	-	901,173	797,471
Total deferred inflows of resources	<u>903,382</u>	<u>-</u>	<u>-</u>	<u>903,382</u>	<u>797,471</u>
FUND BALANCES					
Nonspendable fund balance					
Inventories	208,023	-	-	208,023	132,545
Prepaid expenses	56,574	-	-	56,574	13,545
Spendable fund balance					
Restricted fund balance					
Farm to school donation	-	-	-	-	1,000
Future capital improvements	-	532,538	25,054	557,592	4,515,887
Committed fund balance					
Retirement	910,000	-	-	910,000	910,000
Special needs	210,000	-	-	210,000	210,000
Transportation	100,000	-	-	100,000	100,000
Debt service	456,249	-	-	456,249	456,249
Assigned fund balance					
Future student activities	75,960	-	-	75,960	86,048
2016 - 2017 budget deficit	666,614	-	-	666,614	2,491,302
Unassigned fund balance	3,928,506	-	-	3,928,506	3,896,102
Total fund balances	<u>6,611,926</u>	<u>532,538</u>	<u>25,054</u>	<u>7,169,518</u>	<u>12,812,678</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 11,302,229</u>	<u>\$ 595,021</u>	<u>\$ 34,784</u>	<u>\$ 11,932,034</u>	<u>\$ 18,253,548</u>

NORTHERN YORK COUNTY SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2016

Total fund balances - governmental funds \$ 7,169,518

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	80,915,185	
Accumulated depreciation	<u>(31,579,937)</u>	
		49,335,248

Other assets are not available to pay for current period expenditures and therefore are deferred in the fund financial statements.

Taxes receivable		901,173
------------------	--	---------

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

Bonds and notes payable, net of discount and premium	(35,508,833)	
Deferred charge on bond refunding	404,019	
Accrued interest on bonds	(187,798)	
Compensated absences	(893,371)	
Capital leases	(402,612)	
Net pension liability	(59,244,556)	
Deferred outflows related to pension liability	6,634,172	
Deferred inflows related to pension liability	(378,082)	
OPEB liability	<u>(650,545)</u>	
		<u>(90,227,606)</u>

Net position of governmental activities in the Statement of Net Position \$ (32,821,667)

NORTHERN YORK COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year Ended June 30, 2016 with Summarized Comparative Totals for 2015

	Governmental Funds				
	General Fund	Capital Reserve Fund	Capital Projects Fund	Total Governmental Funds	2015 Summarized
REVENUES					
Local revenues					
Taxes	\$ 27,232,704	\$ -	\$ -	\$ 27,232,704	\$ 26,489,890
Investment earnings	27,022	898	767	28,687	19,964
Revenue from intermediate sources	545,036	-	-	545,036	564,877
Other	426,202	-	-	426,202	337,399
State sources	14,928,587	-	-	14,928,587	14,122,202
Federal sources	431,324	-	-	431,324	332,540
Total revenues	<u>43,590,875</u>	<u>898</u>	<u>767</u>	<u>43,592,540</u>	<u>41,866,872</u>
EXPENDITURES					
Instruction	24,979,408	-	-	24,979,408	24,151,168
Support services	12,814,075	-	-	12,814,075	12,687,868
Operation of noninstructional services	1,430,536	-	-	1,430,536	1,284,905
Facilities acquisition, construction and improvements	2,397,525	245,411	3,914,549	6,557,485	6,012,294
Debt service:					
Principal	2,677,632	-	-	2,677,632	2,916,083
Interest	749,023	-	-	749,023	825,915
Bond issue costs	-	-	-	-	137,269
Underwriter's bond discount	-	-	-	-	115,133
Total expenditures	<u>45,048,199</u>	<u>245,411</u>	<u>3,914,549</u>	<u>49,208,159</u>	<u>48,130,635</u>
Excess (deficiency) of revenues over expenditures	<u>(1,457,324)</u>	<u>(244,513)</u>	<u>(3,913,782)</u>	<u>(5,615,619)</u>	<u>(6,263,763)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from long-term financing	-	-	-	-	13,545,000
Refunding of G.O. Bonds	-	-	-	-	(9,725,000)
Bond premium	-	-	-	-	250,819
Insurance recoveries	5,638	-	-	5,638	100
Proceeds from sale of assets	7,800	-	-	7,800	150
Interfund transfers	(240,979)	200,000	-	(40,979)	(40,386)
Total other financing sources and uses	<u>(227,541)</u>	<u>200,000</u>	<u>-</u>	<u>(27,541)</u>	<u>4,030,683</u>
Net change in fund balances	(1,684,865)	(44,513)	(3,913,782)	(5,643,160)	(2,233,080)
Fund balances - beginning	<u>8,296,791</u>	<u>577,051</u>	<u>3,938,836</u>	<u>12,812,678</u>	<u>15,045,758</u>
Fund balances - ending	<u>\$ 6,611,926</u>	<u>\$ 532,538</u>	<u>\$ 25,054</u>	<u>\$ 7,169,518</u>	<u>\$ 12,812,678</u>

NORTHERN YORK COUNTY SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance to the Statement of Activities
Year Ended June 30, 2016

Net change in fund balances - total governmental funds \$ (5,643,160)

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

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlays (\$ 6,330,966) differed from depreciation expense (\$1,811,605) in the current period. 4,519,361

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. 103,702

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	2,645,000
Amortization of bond premiums, discounts, deferred charge on bond refunding and prepaid bond insurance	6,530
Repayment of capital leases - principal	31,301

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	(38,844)
Net pension liability and related deferred outflows and inflows	(1,260,277)
OPEB liability	(104,145)
Compensated absences	(47,853)

Change in net position of governmental activities \$ 211,615

NORTHERN YORK COUNTY SCHOOL DISTRICT
Statement of Net Position - Proprietary Fund
June 30, 2016 with Summarized Comparative Totals for 2015

	Food Service	2015 Summarized
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 33,781	\$ 22,742
Intergovernmental receivables	50,165	78,473
Receivable from students, net	77,572	59,136
Other receivables	11,625	8,244
Inventory	<u>11,231</u>	<u>9,489</u>
Total current assets	<u>184,374</u>	<u>178,084</u>
Noncurrent Assets		
Furniture and equipment	1,047,028	1,047,028
Accumulated depreciation	<u>(959,092)</u>	<u>(917,593)</u>
Total noncurrent assets	<u>87,936</u>	<u>129,435</u>
Total assets	<u>272,310</u>	<u>307,519</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension liability	<u>165,257</u>	<u>115,613</u>
Total assets and deferred outflows of resources	<u>\$ 437,567</u>	<u>\$ 423,132</u>
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 1,947	\$ 1,326
Due to other funds	116,592	147,444
Other payables	34,584	34,404
Compensated absences	<u>1,288</u>	<u>1,112</u>
Total current liabilities	<u>154,411</u>	<u>184,286</u>
Noncurrent Liabilities		
Compensated absences	22,015	19,763
OPEB liability	6,876	5,780
Net pension liability	<u>1,353,562</u>	<u>1,194,553</u>
Total noncurrent liabilities	<u>1,382,453</u>	<u>1,220,096</u>
Total liabilities	<u>1,536,864</u>	<u>1,404,382</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pension liability	<u>8,325</u>	<u>85,397</u>
NET POSITION		
Net investment in capital assets	87,936	129,435
Unrestricted	<u>(1,195,558)</u>	<u>(1,196,082)</u>
Total net position	<u>(1,107,622)</u>	<u>(1,066,647)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 437,567</u>	<u>\$ 423,132</u>

NORTHERN YORK COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund
Year Ended June 30, 2016 with Summarized Comparative Totals for 2015

	Food Service	2015 Summarized
OPERATING REVENUE		
Charges for services	\$ 667,937	\$ 669,732
Total operating revenues	<u>667,937</u>	<u>669,732</u>
OPERATING EXPENSES		
Food and milk purchases	408,092	436,162
Salaries	346,153	336,255
Employee benefits	274,541	279,054
Supplies	7,972	1,629
Depreciation	41,499	41,524
Repairs and maintenance	-	3,407
Purchased services	63,859	54,302
Administrative fees and overhead costs	<u>74,735</u>	<u>62,106</u>
Total operating expenses	<u>1,216,851</u>	<u>1,214,439</u>
Operating (loss)	<u>(548,914)</u>	<u>(544,707)</u>
NONOPERATING REVENUES (EXPENSES)		
Federal subsidies	374,228	339,180
State subsidies	92,541	78,882
Interest income	<u>191</u>	<u>13</u>
Total nonoperating revenue (expenses)	<u>466,960</u>	<u>418,075</u>
(Loss) before transfers	<u>(81,954)</u>	<u>(126,632)</u>
TRANSFERS		
Interfund transfers	<u>40,979</u>	<u>40,386</u>
Change in net position	(40,975)	(86,246)
Total net position - beginning	<u>(1,066,647)</u>	<u>(980,401)</u>
Total net position - ending	<u>\$ (1,107,622)</u>	<u>\$ (1,066,647)</u>

NORTHERN YORK COUNTY SCHOOL DISTRICT
Statement of Cash Flows - Proprietary Fund
Year Ended June 30, 2016 with Summarized Comparative Totals for 2015

	Food Service	2015 Summarized
Cash flows from operating activities		
Cash received from food sales	\$ 639,505	\$ 640,868
Cash payments to suppliers for goods	(352,602)	(385,082)
Cash payments to and on behalf of employees	(608,934)	(588,023)
Cash payments for services	(138,594)	(116,408)
Net cash used for operating activities	<u>(460,625)</u>	<u>(448,645)</u>
Cash flows from capital and related financing activities		
Purchase of equipment	-	(12,340)
Cash flows from noncapital financing activities		
Transfers from other funds	40,979	40,386
Federal subsidies	335,241	288,651
State subsidies	95,253	79,821
Net cash provided by noncapital financing activities	<u>471,473</u>	<u>408,858</u>
Cash flows from investing activities		
Earnings on investments	191	13
Net increase (decrease) in cash and cash equivalents	11,039	(52,114)
Cash and cash equivalents - beginning	<u>22,742</u>	<u>74,856</u>
Cash and cash equivalents - ending	<u>\$ 33,781</u>	<u>\$ 22,742</u>
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities		
Cash flows from operating activities		
Operating loss	\$ (548,914)	\$ (544,707)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Donated food used	64,583	54,131
Depreciation	41,499	41,524
(Increase) decrease in:		
Inventory	(1,742)	3,966
Accounts receivable	(21,817)	12,009
Increase (decrease) in:		
Compensated absences	2,428	(209)
OPEB liability	1,096	16
Net pension liability and related items	32,293	30,555
Due to other funds	(30,852)	(45,609)
Accounts payable	801	(321)
Total adjustments	<u>88,289</u>	<u>96,062</u>
Net cash used for operating activities	<u>\$ (460,625)</u>	<u>\$ (448,645)</u>

NORTHERN YORK COUNTY SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2016 with Summarized Comparative Totals for 2015

	Student Activities	Private Purpose Trust Fund	Total	2015 Summarized
ASSETS				
Cash and cash equivalents	\$ 124,385	\$ 259,747	\$ 384,132	\$ 405,338
Total assets	<u>\$ 124,385</u>	<u>\$ 259,747</u>	<u>\$ 384,132</u>	<u>\$ 405,338</u>
LIABILITIES				
Due to student groups	\$ 124,385	\$ -	\$ 124,385	\$ 123,817
Total liabilities	<u>124,385</u>	<u>-</u>	<u>124,385</u>	<u>123,817</u>
NET POSITION				
Held in trust for scholarships	<u>-</u>	<u>259,747</u>	<u>259,747</u>	<u>281,521</u>
Total net position	<u>-</u>	<u>259,747</u>	<u>259,747</u>	<u>281,521</u>
Total liabilities and net position	<u>\$ 124,385</u>	<u>\$ 259,747</u>	<u>\$ 384,132</u>	<u>\$ 405,338</u>

NORTHERN YORK COUNTY SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2016 with Summarized Comparative Totals for 2015

	Private Purpose Trust Fund	2015 Summarized
ADDITIONS		
Donations	\$ 8,111	\$ 20,817
Interest income	<u>171</u>	<u>121</u>
Total additions	<u>8,282</u>	<u>20,938</u>
DEDUCTIONS		
Scholarships and awards/grants	<u>30,056</u>	<u>16,600</u>
Total deductions	<u>30,056</u>	<u>16,600</u>
Change in net position	(21,774)	4,338
Net position - beginning	<u>281,521</u>	<u>277,183</u>
Net position - ending	<u>\$ 259,747</u>	<u>\$ 281,521</u>

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

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, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

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

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

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

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

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

Fund Accounting

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

1. Governmental Funds

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

The School District reports the following major governmental funds:

a. General Fund

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

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

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, 2016

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.

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

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 and available, which is generally 60 days; 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.

In the current year, due to budget issues at the state level, no rental subsidy payments were remitted to the School District, even though the School District earned the revenue by making its required debt payments. Despite the fact the funds were not available based on the typical availability criterion, due to this unusual circumstance the School District recorded the funds due from the state as revenue on the fund financial statements in order to maintain consistency in revenue recognition between years.

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.

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting

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

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

1. The School District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.
2. The Board of School Directors may make transfers of funds appropriated to any particular item of expenditure by legislative action. An affirmative vote of two-thirds of all members of the Board is required.
3. Fund balances in budgetary funds may be appropriated based on resolutions passed by the Board of Education, which authorize the School District to make expenditures. Appropriations lapse at the end of the fiscal period.
4. Included in the General Fund budget are program budgets as prescribed by the state and federal agencies funding the programs. These budgets are approved on a program-by-program basis by the state or federal funding agency. These programs frequently result in supplementary budget appropriations.

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

Cash, Cash Equivalents, and Investments

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

Statement of Cash Flows

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

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

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

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

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The School District has several items that qualify for reporting in this category, including the deferred charge on bond refunding, employer contributions made for the School District's share of the pension plan after the measurement date of the pension plan, and amounts deferred due to various impacts of the accounting for pension liabilities as detailed in Note 11. These will be amortized in future

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows and Inflows of Resources (Continued)

periods. A deferred charge on bond refunding results from the difference in the carrying value of refunding debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District's deferred inflows of resources on the statement of net position at June 30, 2016 consist of due to various impacts of the accounting for pension liabilities as detailed in Note 11. The School District also reports unavailable revenue on the governmental funds balance sheet as a deferred inflow of resources.

Interfund Activity/Internal Balances

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

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

Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued and original issue discounts or premiums are reported as other financing sources and uses. Issuance costs and underwriter's discount, whether or not withheld from the actual debt proceeds received, are reported as 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 Statements, which establishes standards for the measurement, recognition, and display of pension expense and related liabilities, assets, and note disclosures.

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

Compensated Absences

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

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

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

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

Other Postemployment Benefits Other Than Pensions

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

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2016 consists of \$ 532,538 for future capital improvements.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance – Governmental Fund Financial Statements (Continued)

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.

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.

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

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, 2015, from which the summarized information was derived.

NOTE 2 CASH AND INVESTMENTS

Section 440.1 of the Pennsylvania School Code and Act 10 of 2016 define allowable investments for school districts, which are summarized as follows:

- U.S. Treasury Bills
- Short-term obligations of the U.S. Government and Federal agencies
- Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation of the National Credit Union Share Insurance Fund 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 therefore shall be pledged by the depository.
- Obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the respective governmental entity.
- Shares of an investment company restricted under the Investment Company Act of 1940.
- Obligations, participations or other instruments of any Federal agency, instrumentality, or United States government-sponsored enterprise if the debt obligations are rated at least "A" or its equivalent.
- Commercial paper issued by corporations or other business entities organized in accordance with federal or state law, with a maturity not to exceed 270 days.
- Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances, if the bankers' acceptances do not exceed 180 days maturity.
- Negotiable certificates of deposit or other evidences of deposit, with a remaining maturity of three years or less.

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a policy for custodial credit risk. As of June 30, 2016, the School District has the following:

Cash and cash equivalents, bank accounts \$ 217,807

The amounts held by bank accounts are all covered by FDIC insurance.

Credit Risk - Investments

The School District invests in pooled investments with the Pennsylvania School District Liquid Asset Fund (PSDLAF) and Pennsylvania Local Government Investment Trust (PLGIT). As of June 30, 2016, the School District had the following investments:

<u>Investment</u>	<u>Fair Value</u>
PA Local Government Investment Trust (PLGIT)	\$ 629,805
PA School District Liquid Asset Fund - PSDMAX	4,889,864
PA School District Liquid Asset Fund - full flex investment pool CD's	3,000,000
	<u>\$ 8,519,669</u>

Included in investments on the statement of net position are certificates of deposit (CDs) invested by PSDLAF. Through PSDLAF, the School District has invested \$ 3,000,000 in PSDLAF's full flex investment pool, all of which have maturities greater than 3 months and are classified as investments.

Included in cash and cash equivalents on the statement of net position are pooled investments in the Pennsylvania School District Liquid Asset Fund (PSDLAF-MAX) of \$ 4,889,864. The PSDLAF-MAX is essentially a mutual fund that consists of short-term money market instruments and seeks to maintain a constant net asset value of \$ 1 per share. PSDLAF-MAX 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 agents are not in the School District's name.

Included in cash and cash equivalents on the statement of net position are investments in Pennsylvania Local Government Investment Trust (PLGIT). PLGIT operates like a money market and seeks to maintain a stable net asset value of \$ 1 per share. At June 30, 2016, the School District held \$ 595,021 in the PLGIT-Class portfolio and \$ 34,784 in the PLGIT/ARM program. PLGIT portfolio funds are invested in United States Treasury bills; obligations, participations, or other instruments of any Federal agency, instrumentality or United States government-sponsored enterprise; deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund; obligations guaranteed or insured by the United States of America, obligations of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the Commonwealth; and repurchase agreements involving United States Government and agency obligations.

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Credit Risk – Investments (Continued)

The School District does not have a formal written investment policy that limits its investment choices to certain credit ratings. As of June 30, 2016, the School District’s investments were rated as:

<u>Investment</u>	<u>S&P Global Ratings</u>
PA School District Liquid Asset Fund	AAAm
PA Local Government Investment Trust	AAAm

Policies Followed at PSDLAF

Regulatory Oversight

The operation of PSDLAF is governed by an eleven member Board of Trustees, nine of whom are elected and two of whom serve ex officio. The Trustees have full, exclusive, and absolute control and authority over the business of the Fund and its assets, subject to rights of the Settlers, as provided in the Declaration of Trust.

PSDLAF is not registered with the Securities and Exchange Commission (SEC); however, PSDLAF follows investment procedures similar to those followed by SEC registered money market funds.

Valuation of Investments

In accordance with the Government Accounting Standards Board, portfolio securities are valued at amortized cost, which approximates market value. The amortized cost method involves valuing a security at its cost on the date of purchase and recording a constant amortization or accretion to maturity of any discount or premium, regardless of the impact of fluctuating interest rates on the market value of the investment.

The School District has no limitations or restrictions on withdrawals on accounts held at PSDLAF.

Policies Followed at PLGIT

Regulatory Oversight

The operation of PLGIT is governed by an eleven member Board of Trustees. The Trustees must be employees or elected officials of a local government or school district and are elected at the annual meeting of investors. The Trustees have exclusive and absolute control over the affairs of the Trust and its’ assets, subject to rights of the Investors, as provided in the Declaration of Trust.

PLGIT is not registered with the Securities and Exchange Commission (SEC); however, PLGIT follows investment procedures similar to those followed by SEC registered money market funds.

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Policies Followed at PLGIT (Continued)

Valuation of Investments

Portfolios are valued using the net asset value per share. The net asset value per share is computed by dividing the total value of the securities and other assets of the portfolio less liabilities, by the outstanding shares of the portfolio.

The School District has no limitations or restrictions on withdrawals on accounts held at PLGIT.

Interest Rate Risk - Investments

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

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

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

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

Investments in the PSDLAF full flex investment pool CD's have maturities of less than 6 months. However, based on PSDLAF's investment structure, the full flex investment pool has weekly liquidity.

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.

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 4 TAXES RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES

Taxes receivable and related deferred inflows of resources in the financial statements consist of the following as of June 30, 2016:

Real estate	\$ 798,678
Earned income	938,694
Per capita	<u>36,300</u>
	1,773,672
Reserve for uncollectible accounts	<u>(9,195)</u>
Taxes receivable, net	1,764,477
Taxes collected within sixty days, recorded as revenues in governmental funds	<u>(863,304)</u>
Taxes estimated to be collected after sixty days (unavailable), recorded as deferred inflows of resources in governmental funds	<u>\$ 901,173</u>

NOTE 5 INTERNAL BALANCES

Interfund receivables/payables consist of the following at June 30, 2016:

<u>Funds</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 116,592	\$ -
Food Service	<u>-</u>	<u>116,592</u>
	<u>\$ 116,592</u>	<u>\$ 116,592</u>

The Food Service Fund owes the General Fund for reimbursement of salaries and related benefits.

Interfund transfers consist of the following for the year ended June 30, 2016:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfer Out</u>
General	\$ -	\$ 240,979
Capital Reserve	200,000	-
Food Service	<u>40,979</u>	<u>-</u>
	<u>\$ 240,979</u>	<u>\$ 240,979</u>

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

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 6 INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2016 consist of the following:

Local:	Amusement tax	\$	224
	Deed transfer		53,748
State:	Social Security		136,586
	Retirement		848,272
	Rental		700,748
	Ready to learn block grant		51,595
	Transportation		27,116
Federal:	Grants		<u>276,491</u>
Total governmental activities/governmental funds		\$	<u><u>2,094,780</u></u>

NOTE 7 CAPITAL ASSETS

Capital asset activity for the School District consists of the following as of and for the year ended June 30, 2016:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities				
Cost				
Assets not being depreciated				
Land	\$ 326,188	\$ -	\$ -	\$ 326,188
Construction in progress	7,043,017	6,198,938	(12,800,159)	441,796
Assets being depreciated:				
Site improvements	1,469,055	6,179	-	1,475,234
Buildings	59,420,834	12,772,758	-	72,193,592
Equipment, furniture, and fixtures	<u>6,325,125</u>	<u>153,250</u>	-	<u>6,478,375</u>
Total cost	<u>74,584,219</u>	<u>19,131,125</u>	<u>(12,800,159)</u>	<u>80,915,185</u>
Less accumulated depreciation				
Site improvements	(817,851)	(54,563)	-	(872,414)
Buildings	(23,639,321)	(1,505,086)	-	(25,144,407)
Equipment, furniture, and fixtures	<u>(5,311,160)</u>	<u>(251,956)</u>	-	<u>(5,563,116)</u>
Total accumulated depreciation	<u>(29,768,332)</u>	<u>(1,811,605)</u>	-	<u>(31,579,937)</u>
Capital assets, net	<u>\$ 44,815,887</u>	<u>\$ 17,319,520</u>	<u>\$ (12,800,159)</u>	<u>\$ 49,335,248</u>
Business-Type Activities				
Cost				
Equipment, furniture and fixtures	\$ 1,047,028	\$ -	\$ -	\$ 1,047,028
Less accumulated depreciation:				
Equipment, furniture and fixtures	<u>(917,593)</u>	<u>(41,499)</u>	-	<u>(959,092)</u>
Capital assets, net	<u>\$ 129,435</u>	<u>\$ (41,499)</u>	<u>\$ -</u>	<u>\$ 87,936</u>

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 7 CAPITAL ASSETS (CONTINUED)

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

Depreciation expense for the year ended June 30, 2016 was charged to governmental functions as follows:

Instruction	\$ 1,378,995
Instructional student support	69,384
Administrative and financial support services	69,747
Operation and maintenance of plant services	228,443
Student activities	<u>65,036</u>
	<u>\$ 1,811,605</u>

NOTE 8 ACCRUED SALARIES AND BENEFITS/WITHHOLDINGS

Accrued salaries and benefits/withholdings consist of the following as of June 30, 2016:

General Fund	
Accrued salaries	\$ 1,346,239
Retirement	332,013
Social security	100,722
Health insurance	531,621
Other withholdings	<u>1,043,260</u>
	<u>\$ 3,353,855</u>

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 9 LONG-TERM LIABILITIES

The changes in long-term liabilities during the year ended June 30, 2016 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 2012	\$ 8,675,000	\$ -	\$ (220,000)	\$ 8,455,000	\$ 225,000	\$ 8,230,000
(B) Series of 2013	5,175,000	-	(1,445,000)	3,730,000	1,465,000	2,265,000
(C) Series of 2014	6,585,000	-	(205,000)	6,380,000	210,000	6,170,000
(D) Series of 2014A	3,775,000	-	(775,000)	3,000,000	775,000	2,225,000
(E) Series of 2015	3,815,000	-	-	3,815,000	30,000	3,785,000
(F) Series of 2015A	9,730,000	-	-	9,730,000	370,000	9,360,000
Unamortized bond (discount)/premium	468,886	-	(70,053)	398,833	70,053	328,780
Subtotal - bonds and notes payable	<u>38,223,886</u>	<u>-</u>	<u>(2,715,053)</u>	<u>35,508,833</u>	<u>3,145,053</u>	<u>32,363,780</u>
Compensated absences						
Vacation leave	180,892	258,426	(224,043)	215,275	9,493	205,782
Personal leave	209,613	303,637	(317,771)	195,479	31,167	164,312
Sick leave	455,013	170,966	(143,362)	482,617	4,425	478,192
Subtotal - compensated absences	<u>845,518</u>	<u>733,029</u>	<u>(685,176)</u>	<u>893,371</u>	<u>45,085</u>	<u>848,286</u>
Capital lease payable	<u>433,913</u>	<u>-</u>	<u>(31,301)</u>	<u>402,612</u>	<u>32,567</u>	<u>370,045</u>
Total long-term liabilities	<u>\$ 39,503,317</u>	<u>\$ 733,029</u>	<u>\$ (3,431,530)</u>	<u>\$ 36,804,816</u>	<u>\$ 3,222,705</u>	<u>\$ 33,582,111</u>
Business-Type Activities						
Compensated absences						
Vacation leave	\$ 5,783	\$ 5,330	\$ (5,112)	\$ 6,001	\$ -	\$ 6,001
Personal leave	2,696	2,936	(1,962)	3,670	1,288	2,382
Sick leave	12,396	2,180	(944)	13,632	-	13,632
Total long-term liabilities	<u>\$ 20,875</u>	<u>\$ 10,446</u>	<u>\$ (8,018)</u>	<u>\$ 23,303</u>	<u>\$ 1,288</u>	<u>\$ 22,015</u>

(A) 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%.

(B) 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%.

(C) 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, 2016

NOTE 9 LONG-TERM LIABILITIES (CONTINUED)

(D) 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%.

(E) On March 19, 2015, the School District issued general obligation bonds - Series of 2015 in the amount of \$ 3,815,000 to provide funds towards planning, designing, acquiring, constructing, equipping, and furnishing various capital projects of the School District, including but not limited to the Dillsburg Elementary School project or alterations, additions and renovations or improvements to existing school buildings and facilities, or acquiring related land, fixtures, furnishings or equipment for school purposes and to pay the cost of issuing the bonds. The bonds are due in varying amounts on November 15, 2016 to 2026. The bonds bear fixed interest rates ranging from 0.6% to 3.0%.

(F) On April 16, 2015, the School District issued general obligation bonds - Series of 2015A in the amount of \$ 9,730,000 to provide funds to currently refund the School District's Series of 2010 bonds and to pay the cost of issuing the bonds. The bonds are due in varying amounts on August 15, 2016 to 2022. The bonds bear fixed interest rates ranging from 0.6% to 2.0%.

The annual debt requirements for future general obligation bonds and notes as of June 30, 2016 are as follows:

	Series of 2012		Series of 2013		Series of 2014		Series of 2014A	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 225,000	\$ 183,222	\$ 1,465,000	\$ 55,825	\$ 210,000	\$ 167,410	\$ 775,000	\$ 46,800
2018	235,000	177,446	1,490,000	30,000	215,000	165,285	780,000	35,124
2019	825,000	161,546	775,000	7,750	215,000	162,597	670,000	20,626
2020	840,000	140,770	-	-	215,000	159,373	775,000	6,963
2021	860,000	123,772	-	-	220,000	155,560	-	-
2022 - 2026	5,470,000	241,419	-	-	5,305,000	565,113	-	-
2027 - 2028	-	-	-	-	-	-	-	-
	<u>\$ 8,455,000</u>	<u>\$ 1,028,175</u>	<u>\$ 3,730,000</u>	<u>\$ 93,575</u>	<u>\$ 6,380,000</u>	<u>\$ 1,375,338</u>	<u>\$ 3,000,000</u>	<u>\$ 109,513</u>

	Series of 2015		Series of 2015A		Totals		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2017	\$ 30,000	\$ 108,345	\$ 370,000	\$ 183,998	\$ 3,075,000	\$ 745,600	\$ 3,820,600
2018	30,000	108,105	375,000	181,294	3,125,000	697,254	3,822,254
2019	30,000	107,768	710,000	172,600	3,225,000	632,887	3,857,887
2020	30,000	107,355	1,430,000	151,200	3,290,000	565,661	3,855,661
2021	30,000	106,830	2,240,000	114,500	3,350,000	500,662	3,850,662
2022 - 2026	1,885,000	491,805	4,605,000	92,550	17,265,000	1,390,887	18,655,887
2027 - 2028	<u>1,780,000</u>	<u>26,700</u>	-	-	<u>1,780,000</u>	<u>26,700</u>	<u>1,806,700</u>
	<u>\$ 3,815,000</u>	<u>\$ 1,056,908</u>	<u>\$ 9,730,000</u>	<u>\$ 896,142</u>	<u>\$ 35,110,000</u>	<u>\$ 4,559,651</u>	<u>\$ 39,669,651</u>

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

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, 2016, the leased assets have a gross capitalized value of \$ 1,818,184 and accumulated depreciation of \$ 1,172,153, leaving a net book value of \$ 646,031 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, 2016 is as follows:

2017	\$	49,033
2018		44,951
2019		44,951
2020		44,951
2021		44,951
2021-2025		224,757
2026-2027		<u>44,951</u>
		498,545
Amount representing interest		(93,893)
Amount representing maintenance		<u>(2,040)</u>
	\$	<u>402,612</u>

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

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

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

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

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Plan Description (Continued)

The premium amount retirees pay is a blended rate for covering both active and retired Plan members. The fact that the blended rate that retirees pay is less than the cost of covering retired members and their beneficiaries results in what is known as an “implicit rate subsidy” by the School District, which gives rise to the benefits. All employees are eligible for this benefit upon retirement with 30 years of PSERS service or upon superannuation retirement (age 60 with 30 years of service, age 62 with 1 year of service, or 35 years of service regardless of age). 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 2015/2016, plan members receiving benefits also contributed \$ 311,705.

Annual OPEB Cost and Net OPEB Obligation

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

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

	Governmental Activities	Food Service Fund/ Business Type Activities	Total
Annual required contribution (ARC)	\$ 420,441	\$ 4,424	\$ 424,865
Estimated interest on net OPEB obligation	24,589	259	24,848
Estimated adjustment to ARC	<u>(50,881)</u>	<u>(535)</u>	<u>(51,416)</u>
Annual OPEB cost	394,149	4,148	398,297
Estimated employer contributions made	<u>(290,004)</u>	<u>(3,052)</u>	<u>(293,056)</u>
Increase in net OPEB obligation	104,145	1,096	105,241
Net OPEB obligation - beginning of the year	<u>546,400</u>	<u>5,780</u>	<u>552,180</u>
Net OPEB obligation - end of the year	<u>\$ 650,545</u>	<u>\$ 6,876</u>	<u>\$ 657,421</u>

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation (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
2016	\$ 398,297	73.58%	\$ 657,421
2015	\$ 398,377	99.58%	\$ 552,180
2014	\$ 208,566	59.67%	\$ 550,526

Funded Status and Funding Progress

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

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

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

Actuarial Methods and Assumptions

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

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions (Continued)

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

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

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

Participating eligible employees are entitled to receive premium assistance payments equal to the lesser of \$ 100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible employees must obtain their health insurance through the School District. The contribution rate is set at a level necessary to establish reserves sufficient to provide premium assistance for the subsequent fiscal year. The portion of the total contribution rate for the School District and the Commonwealth used to fund the premium assistance was 0.84% for the year ended June 30, 2016.

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

Fiscal Year Ended	Required Contribution	Percentage of Required Contribution Contributed	Contribution Rate
2016	\$ 154,543	100.00%	0.84%
2015	\$ 158,524	100.00%	0.90%
2014	\$ 158,515	100.00%	0.93%

NOTE 11 PENSION PLAN

General Information about the Pension Plan

Plan Description

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

Benefits Provided

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

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

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

NOTE 11 PENSION PLAN (CONTINUED)

General Information about the Pension Plan (Continued)

Contributions

Member contributions:

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

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

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

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

Employer Contributions:

The School District's contractually required contribution rate for fiscal year ended June 30, 2016 was 25.00% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions recognized as revenue by the pension plan from the School District were \$ 4,754,027 for the year ended June 30, 2016.

State Funding:

The Commonwealth of Pennsylvania generally reimburses the School District for 50% of its retirement expense. This arrangement does not meet the criteria of a special funding situation in accordance with GASB standards. Therefore, the net pension liabilities and related pension expense represent 100% of the School District's share of these amounts. During the year ended June 30, 2016, the School District recognized revenue of \$ 2,381,002 from reimbursement for its current year pension payments.

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 11 PENSION PLAN (CONTINUED)

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

At June 30, 2016, the School District reported a liability of \$60,598,117 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2014 to June 30, 2015. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2015, the School District's proportion was 0.1399 percent, which was an increase of 0.0028 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the School District recognized pension expense as follows:

Governmental Activities	\$ 5,744,224
Business-type Activities	134,738

At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 250,000
Changes in assumptions	-	-
Net difference between projected and actual investment earnings	-	122,721
Changes in proportionate share - plan	2,051,692	-
Changes in proportionate share - governmental activities/business-type activities	13,686	13,686
Difference between employer contributions and proportionate share of total contributions	147,659	-
Contributions subsequent to the measurement date	4,586,392	-
	<u>\$ 6,799,429</u>	<u>\$ 386,407</u>

The \$ 4,586,392 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ 287,496
2018	287,496
2019	287,496
2020	964,142
Total	<u>\$ 1,826,630</u>

NOTE 11 PENSION PLAN (CONTINUED)

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

Actuarial Assumptions

The total pension liability as of June 30, 2015 was determined by rolling forward the System's total pension liability as of the June 30, 2014 actuarial valuation to June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the experience study that was performed for the five-year period ending June 30, 2010. The recommended assumption changes based on this experience study were adopted by the Board at its March 11, 2011 Board meeting, and were effective beginning with the June 30, 2011 actuarial valuation.

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

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 11 PENSION PLAN (CONTINUED)

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

Actuarial Assumptions (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public markets global equity	22.5%	4.8%
Private markets (equity)	15.0%	6.6%
Private real estate	12.0%	4.5%
Global fixed income	7.5%	2.4%
U.S. long treasuries	3.0%	1.4%
TIPS	12.0%	1.1%
High yield bonds	6.0%	3.3%
Cash	3.0%	0.7%
Absolute return	10.0%	4.9%
Risk parity	10.0%	3.7%
MLPs/Infrastructure	5.0%	5.2%
Commodities	8.0%	3.1%
Financing (LIBOR)	(14.0%)	(1.1%)
	100.0%	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2015.

Discount Rate

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

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 11 PENSION PLAN (CONTINUED)

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

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

	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
District's proportionate share of the net pension liability	<u>\$ 74,693,000</u>	<u>\$ 60,598,118</u>	<u>\$ 48,751,000</u>

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

As of June 30, 2016, the School District had \$ 1,321,418 included in accrued benefits liability of which \$ 989,405 is for the contractually required contribution for a portion of the second quarter of 2016 and \$ 332,013 is related to the accrued payroll liability for wages incurred as of year-end.

NOTE 12 OPERATING LEASES

The School District has entered into noncancelable operating leases or service agreements for the use of copiers and a bus radio tower. The total rent expense paid on these during the year ended June 30, 2016 was \$ 155,697. The School District has the following future minimum payments as of June 30, 2016:

	Copiers	Bus Radio Tower	Total
2017	\$ 140,859	\$ 4,800	\$ 145,659
2018	140,859	-	140,859
2019	140,859	-	140,859
2020	140,859	-	140,859
2021	<u>46,953</u>	<u>-</u>	<u>46,953</u>
	<u>\$ 610,389</u>	<u>\$ 4,800</u>	<u>\$ 615,189</u>

NOTE 13 AFFILIATES

Payments to fund operations of affiliated entities for the year ended 2015/2016 were as follows:

Cumberland-Perry Area Vocational Technical School	\$ 455,756
---	------------

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

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, 2016 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, 2016, the School District had commitments for the renovation of the Wellsville Elementary School as follows:

	Total Estimated Costs	Total Costs Incurred	Total Costs To Be Incurred
Wellsville Elementary			
Professional services	\$ 633,799	\$ 434,152	\$ 199,647

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

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, 2016:

Net position - July 1, 2015	\$ 6,209,465
Contributions and interest income	5,014,980
Claims paid	(4,900,474)
PA trust experience refund	16,487
Stop-loss reimbursement	167,891
Stop-loss insurance	(211,536)
Minipool premium	(117,820)
Administrative fees	(214,994)
Other	<u>(3,390)</u>
Net position - June 30, 2016	<u>\$ 5,960,609</u>

Overall, the Lincoln Benefit Trust has net position of \$ 89,793,114 as of June 30, 2016 and showed an increase in net position of \$ 3,779,251 for the year ended. Financial statements of the Trust are available at the School District.

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 16 RESTATEMENT

An account payable at June 30, 2015 related to the performance based energy savings project was improperly expensed rather than included in construction in progress at June 30, 2015, resulting in the following restatement of net position:

	Governmental Activities
Net position, June 30, 2015, as originally stated	\$ (33,092,412)
Record additional construction in progress	<u>59,130</u>
Net position, June 30, 2015, as restated	<u>\$ (33,033,282)</u>

	Governmental Activities
Change in net position, June 30, 2015, as originally stated	\$ (457,318)
Reclass expense to construction in progress	<u>59,130</u>
Change in net position, June 30, 2015, as restated	<u>\$ (398,188)</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

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

NORTHERN YORK COUNTY SCHOOL DISTRICT
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2016

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL	(BUDGETARY/ GAAP BASIS)	WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Local Sources				
Taxes	\$ 27,114,851	\$ 27,114,851	\$ 27,232,704	\$ 117,853
Investment earnings	25,000	25,000	27,022	2,022
Federal revenue from intermediate sources	505,000	505,000	545,036	40,036
Other	284,100	284,100	426,202	142,102
State sources	14,948,358	14,948,358	14,928,587	(19,771)
Federal sources	303,000	303,000	431,324	128,324
Total revenues	<u>43,180,309</u>	<u>43,180,309</u>	<u>43,590,875</u>	<u>410,566</u>
EXPENDITURES				
Instruction	25,730,974	25,439,572	24,979,408	460,164
Support services	12,837,717	13,126,415	12,814,075	312,340
Operation of noninstructional services	1,436,486	1,439,190	1,430,536	8,654
Facilities acquisition, construction and improvements	1,900,000	1,900,000	2,397,525	(497,525)
Debt service:				
Principal	2,668,989	2,668,989	2,677,632	(8,643)
Interest	857,466	857,466	749,023	108,443
Total expenditures	<u>45,431,632</u>	<u>45,431,632</u>	<u>45,048,199</u>	<u>383,433</u>
OTHER FINANCING SOURCES (USES)				
Insurance recoveries	-	-	5,638	5,638
Proceeds from sale of fixed assets	1,000	1,000	7,800	6,800
Interfund transfers	(240,979)	(240,979)	(240,979)	-
Total other financing sources and (uses)	<u>(239,979)</u>	<u>(239,979)</u>	<u>(227,541)</u>	<u>12,438</u>
Net change in fund balances	(2,491,302)	(2,491,302)	(1,684,865)	806,437
Fund balance - beginning	<u>8,574,657</u>	<u>8,574,657</u>	<u>8,296,791</u>	<u>(277,866)</u>
Fund balance - ending	<u>\$ 6,083,355</u>	<u>\$ 6,083,355</u>	<u>\$ 6,611,926</u>	<u>\$ 528,571</u>

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

For the Fiscal Year Ended June 30	School District's Proportion of the Net Pension Liability (Asset)	School District's Proportionate Share of the Net Pension Liability (Asset)	School District's Covered Payroll - Measurement- Period	School District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.1399%	\$ 60,598,118	\$ 18,003,316	336.59%	54.36%
2015	0.1371%	54,265,163	17,495,813	310.16%	57.24%

Notes

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

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

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

For the Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll - fiscal year	Contributions as a Percentage of Covered Payroll
2016	\$ 4,599,484	\$ 4,599,484	\$ -	\$ 18,308,714	25.12%
2015	3,610,828	3,610,828	-	18,003,316	20.06%
2014	2,727,134	2,727,134	-	17,495,813	15.59%
2013	1,904,294	1,904,294	-	17,033,072	11.18%

Notes

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

OTHER SUPPLEMENTARY INFORMATION

NORTHERN YORK COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Source Code	Federal CFDA Number	Pass-through Grantor's Number	Program Period	Program or Award Amount	Total Received for the Year	Receivable (Payable) at July 1, 2015	Revenue Recognized	Expenditures	Receivable (Payable) at June 30, 2016	Total Passed-through to Subrecipients
DEPARTMENT OF EDUCATION											
Passed through the Pennsylvania Department of Education											
ESEA Title I	I	84.010	013-15-0302	July 1, 2014 - September 30, 2015	\$ 263,450	\$ 52,155	\$ 49,496	\$ 2,659	\$ 2,659	\$ -	\$ -
ESEA Title I	I	84.010	013-16-0302	July 1, 2015 - September 30, 2016	296,945	223,000	-	296,945	296,945	73,945	-
Title I					560,395	275,155	49,496	299,604	299,604	73,945	-
ESEA Title II - Part A	I	84.367	020-15-0302	July 1, 2014 - September 30, 2015	58,673	11,721	11,766	(45)	(45)	-	-
ESEA Title II - Part A	I	84.367	020-16-0302	July 1, 2015 - September 30, 2016	58,710	44,052	-	58,710	58,710	14,658	-
Title II					117,383	55,773	11,766	58,665	58,665	14,658	-
Passed through Capital Area Intermediate Unit											
Special Education Cluster (I.D.E.A.)											
I.D.E.A.	I	84.027	N/A	July 1, 2014 - June 30, 2015	453,304	141,044	141,044	-	-	-	-
I.D.E.A.	I	84.027	N/A	July 1, 2015 - June 30, 2016	481,719	320,531	-	481,719	481,719	161,188	-
I.D.E.A. - Preschool	I	84.173	N/A	July 1, 2015 - June 30, 2016	3,136	3,136	-	3,136	3,136	-	-
Passed through Lancaster-Lebanon Intermediate Unit 13											
Special Education Cluster (I.D.E.A.)											
I.D.E.A.	I	84.027	N/A	July 1, 2015 - June 30, 2016	5,000	5,000	-	5,000	5,000	-	-
Total Special Education Cluster					943,159	469,711	141,044	489,855	489,855	161,188	-
Total U.S. Department of Education					800,639	202,306	848,124	848,124	848,124	249,791	-
DEPARTMENT OF AGRICULTURE											
Farm 2 School - Project Implementation Grant	I	10.575	N/A	December 1, 2014 - November 1, 2016	99,940	50,669	4,358	73,010	73,010	26,699	-
Farm 2 School - Rural Development	I	10.351	N/A	May 1, 2016 - May 1, 2017	61,000	-	-	-	-	-	-
Passed through the Pennsylvania Department of Education											
Child Nutrition Cluster											
National School Breakfast Program	I	10.553	N/A	July 1, 2014 - June 30, 2015	N/A	8,639	8,639	-	-	-	-
National School Breakfast Program	I	10.553	N/A	July 1, 2015 - June 30, 2016	N/A	34,057	-	40,585	40,585	6,528	-
						42,696	8,639	40,585	40,585	6,528	-
National School Lunch Program	I	10.555	N/A	July 1, 2014 - June 30, 2015	N/A	63,511	63,511	-	-	-	-
National School Lunch Program	I	10.555	N/A	July 1, 2015 - June 30, 2016	N/A	229,034	-	269,060	269,060	40,026	-
						292,545	63,511	269,060	269,060	40,026	-
Passed through the Pennsylvania Department of Agriculture											
Value of USDA Commodities	I(B)	10.555	N/A	July 1, 2015 - June 30, 2016	N/A	64,583	(378)	63,859	63,859	(1,102)	-
Total Child Nutrition Cluster						399,824	71,772	373,504	373,504	45,452	-
Total U.S. Department of Agriculture						450,493	76,130	446,514	446,514	72,151	-
Total Expenditures. of Federal Awards						\$ 1,251,132	\$ 278,436	\$ 1,294,638	\$ 1,294,638	\$ 321,942	\$ -

NORTHERN YORK COUNTY SCHOOL DISTRICT
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

NOTE 1 REFERENCE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

- (I) Indirect award
- (B) Based on USDA valuation

NOTE 2 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.

Indirect Cost Rate

The expenditures in the accompanying Schedule of Expenditures of Federal Awards include an allocation of indirect costs. Those allocations are based upon amounts permitted under each individual federal award.



**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, 2016, and the related notes to the financial statements, which collectively comprise Northern York County School District's basic financial statements and have issued our report thereon dated December 2, 2016.

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.

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 THIS REPORT

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

Smith Elliott Kearns & Company, LLC

Chambersburg, Pennsylvania
December 2, 2016



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

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 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2016.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Northern York County School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-001 that we consider to be a material weakness.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Smith Elliott Kearns & Company, LLC

Chambersburg, Pennsylvania
December 2, 2016

NORTHERN YORK COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

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 2 CFR section 200.516? Yes No

Identification of the major programs:

CFDA Number(s)	Name of Federal Program
84.027	Special Education Cluster: IDEA
84.173	IDEA - Preschool
84.010	Title I

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

Auditee qualified as low-risk auditee? Yes No

NORTHERN YORK COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2016

Section II - Financial Statement Findings

A. Significant Deficiencies 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 Weakness in Internal Control Over Compliance

Reference Number: 2016-001 – Incorrect Documentation of Time and Effort
Federal Agency: U.S. Department of Education
Federal Program: Title I - CFDA 84.010
Compliance

Requirement: Allowable Costs/Cost Principles
Type of Finding: Material Weakness in Internal Control over Compliance

Criteria: The School District is required, under the Uniform Grant Guidance Section 200.430, to maintain documentation for salaries and wages based on records that accurately reflect the work performed.

Statement of Condition: We noted that a teacher providing 100% Title I services signed monthly split funding certifications indicating that only 50% of the teacher's time and effort was spent related to Title I services. The monthly certifications were reviewed by three individuals and the error was not detected. Upon further review of underlying supporting documentation, it was evident the employee works 100% in the Title I program and therefore the charges to Title I were proper. Consequently, this is not considered to be a compliance finding.

Statement of Cause: Monthly split funding certifications were incorrectly prepared based on a template at the beginning of the school year. The internal controls were not effective in identifying the certifications had been completed incorrectly.

Possible Asserted Effect: The internal controls did not identify possible unallowable costs for salary and benefits and therefore noncompliance could have gone undetected.

Questioned Cost: None

Perspective Information: We reviewed certifications for 100% of the population and therefore this was not a sampling application. The error was noted for one teacher out of a population of five teachers.

Identification of Repeat Findings: None

Section II - Financial Statement Findings (continued)

Recommendation: We recommend that the School District maintain documentation supporting (1) the actual amount of time and effort spent on Title I services and (2) the rationale if less expenditures are charged to the federal program than incurred (if the position is unable to be fully reimbursed based on the grant award amount). Management should review its existing internal control policy with all program personnel to ensure the controls are properly followed.

Views of Responsible Officials: The School District will ensure the actual amount of time reported for Title I services is accurate. This error was not caught by several supervising employees, and management will ensure proper review and approval of these documents moving forward.

B. Compliance Findings

None noted

NORTHERN YORK COUNTY SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2016

Findings related to financial statements:

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

Condition: During the 2014/2015 fiscal year, it was noted that there was a significant time lag between when journal entries were posted and when they were reviewed by management.

Status: Corrective action was taken.

Findings related to federal awards:

Finding 2015-002: No Review of Eligibility Determination on Free and Reduced Applications – Child Nutrition Cluster – CFDA 10.553 and 10.555

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

Status: Corrective action was taken.