

**NORTHERN YORK COUNTY
SCHOOL DISTRICT**

ANNUAL
FINANCIAL
REPORT

JUNE 30, 2012

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NORTHERN YORK COUNTY SCHOOL DISTRICT

LIST OF REPORT DISTRIBUTION

June 30, 2012

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Northern York County School District
Dillsburg, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Northern York County School District as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Northern York County School District's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information has been derived from the School District's June 30, 2011 financial statements and, in our report dated December 16, 2011, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities and each major fund and a qualified opinion on the aggregate remaining fund information.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements do not include financial data for the School District's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for the component unit to be reported with the financial data of the School District's primary government unless the School District also issues financial statements for the financial reporting entity that include the financial data for its component unit. The School District has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets would have increased by \$ 211,395, net assets would have increased by \$ 211,395, revenues would have increased by \$ 56,492, and expenses would have increased by \$ 47,994 for the aggregate remaining fund information based on the June 30, 2011 compiled financial statements, which are the most recent available.

In our opinion, except for the effects of omitting a component unit as discussed above, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate remaining fund information of the Northern York County School District as of June 30, 2012 and the changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Further, 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, and each major fund of the Northern York County School District as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Board of Directors
Northern York County School District

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2012 on our consideration of Northern York County School District's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11, the OPEB required schedule of funding progress on page 45, and the budgetary comparison schedule on page 46 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 the 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Northern York County School District's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and NonProfit Organizations*, and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Smith Elliott Kearns & Company, LLC

Chambersburg, Pennsylvania
November 16, 2012

Northern York County School District Management's Discussion and Analysis Fiscal Year Ended June 30, 2012 Unaudited

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, 2012. Comparative financial information between fiscal years ending June 30, 2011 and June 30, 2012 is also presented in this report to show changes in the financial position of the School District from prior to current year.

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

FINANCIAL HIGHLIGHTS

- For the year 2011-2012, the School Board adopted a balanced General Fund Budget. In order to balance the budget, a real estate tax rate of 14.6135 mills was required, along with the anticipated use of \$ 1,898,377 from the fund balance. Included in the budget was a \$ 15,000 transfer into the Food Service Fund to pay for new and replacement equipment. General Fund actual revenues exceeded actual expenditures by \$ 226,201 rather than the expenditures exceeding revenues by \$ 1,898,377 as expected. Actual revenues and other financing sources exceeded budgeted revenues by \$ 1,713,518 primarily in the areas of real estate taxes, earned income taxes and state subsidies for basic education and the accountability block grant. General Fund actual expenditures and other financing uses were less than budgeted expenditures by \$ 393,060. This difference is attributed to special education costs, primarily for outside placements, being less than anticipated.
- The School District received \$ 723,906 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 School District received \$ 7,244 of Federal grant dollars passed through the State of Pennsylvania as part of the Education Jobs money. These funds were used for elementary instruction salaries.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The first two statements of the basic financial statements are government-wide financial statements. These statements on pages 12 - 13 consist of the Statement of Net Assets 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 14 and 16 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 46 and provides the budgetary comparisons to the actual revenues, expenditures and other financing sources (uses). The proprietary fund statements on pages 18 - 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 - 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 - 44. 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 45 - 46 that details budgetary information and other post-employment benefit information.

Government-Wide Statements

The government-wide statements report financial information about the School District as a whole using accounting methods similar to the accounting used by private-sector companies. The Statement of Net Assets 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 assets and changes in them. The School District's net assets represent the difference between the School District's assets and liabilities. The School District's net assets are one way to measure the School District's financial position, or financial health, over time. Increases or decreases in the School District's net assets are 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.

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 Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements on pages 15 - 17.

- 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 - 23.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Net Assets

The School District's total net assets were \$ 14,367,385 at June 30, 2012 which includes \$ 14,151,097 in Governmental Activities and \$ 216,288 in Business-type Activities. This shows an increase of \$ 1,116,508 over total net assets of \$ 13,250,877 at June 30, 2011 as restated.

Statement of Net Assets

	2012			2011 (as restated)		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 11,671,404	\$ 179,063	\$ 11,693,654	* \$ 10,937,219	\$ 161,159	\$ 10,955,189
Capital and other assets	41,804,385	251,906	42,056,291	43,157,244	287,554	43,444,798
Total Assets	\$ 53,475,789	\$ 430,969	\$ 53,749,945	\$ 54,094,463	\$ 448,713	\$ 54,399,987
Current and other liabilities	\$ 6,172,011	\$ 192,129	\$ 6,207,327	* \$ 5,590,526	\$ 175,447	\$ 5,622,784
Long-term liabilities	33,152,681	22,552	33,175,233	35,505,799	20,527	35,526,326
Total Liabilities	39,324,692	214,681	39,382,560	41,096,325	195,974	41,149,110
Capital assets (net of related debt)	7,101,446	251,906	7,353,352	6,271,161	287,554	6,558,715
Restricted	112,473	0	112,473	1,978	0	1,978
Unrestricted	6,937,178	(35,618)	6,901,560	6,724,999	(34,815)	6,690,184
Total Net Assets	14,151,097	216,288	14,367,385	12,998,138	252,739	13,250,877
Total Net Assets and Liabilities	\$ 53,475,789	\$ 430,969	\$ 53,749,945	\$ 54,094,463	\$ 448,713	\$ 54,399,987

* - 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 assets. 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 assets. For the 2011-2012 fiscal year, the change in net assets for governmental activities reflects an increase of \$ 1,152,959 and a decrease of \$ 36,451 for business-type activities, or a total net increase of \$ 1,116,508 as reflected in the chart below.

Statement of Activities

	2012			2011		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Program Revenues						
Charges for Services	\$ 195,972	\$ 784,416	\$ 980,388	\$ 252,155	\$ 822,818	\$ 1,074,973
Operating grants and contributions	5,418,090	354,432	5,772,522	6,212,463	328,625	6,541,088
Capital grants and contributions	489,336	0	489,336	499,272	0	499,272
General Revenues						
Taxes	24,268,731	0	24,268,731	22,520,813	0	22,520,813
State Grants and subsidies	7,682,177	0	7,682,177	7,753,967	0	7,753,967
Other local revenue	16,007	0	16,007	25,574	0	25,574
Investment earnings	40,108	38	40,146	47,756	224	47,980
Total revenues	38,110,421	1,138,886	39,249,307	37,312,000	1,151,667	38,463,667
Direct expenses	36,948,568	1,184,231	38,132,799	36,263,877	1,168,650	37,432,527
Excess (deficiency) before transfers	1,161,853	(45,345)	1,116,508	1,048,123	(16,983)	1,031,140
Transfers between activities	(8,894)	8,894	0	(4,186)	4,186	0
Change in net assets	\$ 1,152,959	\$ (36,451)	\$ 1,116,508	\$ 1,043,937	(\$ 12,797)	\$ 1,031,140

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 \$ 13,589,603 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 \$ 684,691 or 1.89% over the prior year for governmental activities. This increase was primarily due to benefit costs, health care and retirement, increasing for all qualified employees. Governmental activities program revenues decreased \$ 860,492 or 12.36% over the prior year. The primary reason was due to the loss of ARRA funding in 2011-2012. Business-type activities posted an operating net loss of \$ 36,451 which is \$ 23,654 more than the prior year.

Governmental Activities	2012			2011		
	Direct Expenses	Program Revenues	Net Cost	Direct Expenses	Program Revenues	Net Cost
Instruction	\$ 23,295,418	\$ 3,797,027	\$ 19,498,391	\$ 22,615,902	\$ 4,687,446	\$ 17,928,456
Instructional student support	2,501,095	195,022	2,306,073	2,210,846	197,221	2,013,625
Administrative and financial support	3,228,676	144,838	3,083,838	3,156,900	148,039	3,008,861
Operation and maintenance of plant	3,525,421	105,305	3,420,116	3,741,407	69,050	3,672,357
Pupil transportation	1,972,349	1,206,023	766,326	2,023,704	1,172,113	851,591
Student activities	1,151,184	164,118	987,066	1,109,312	190,749	918,563
Community services	1,848	1,729	119	0	0	0
Interest on long-term debt	1,272,577	489,336	783,241	1,405,806	499,272	906,534
Total Governmental Activities	\$ 36,948,568	\$ 6,103,398	\$ 30,845,170	\$ 36,263,877	\$ 6,963,890	\$ 29,299,987
Unrestricted grants and subsidies			(7,682,177)			(7,753,967)
Transfers			8,894			4,186
Investment earnings			(40,108)			(47,756)
Total needs from taxes and other local sources			\$ 23,131,779			\$ 21,502,450
Business-type Activities						
Food services	\$ 1,184,231	\$ 1,138,848	\$ 45,383	\$ 1,168,650	\$ 1,151,443	\$ 17,207
Transfers			(8,894)			(4,186)
Investment earnings			(38)			(224)
Total business-type activities			\$ 36,451			\$ 12,797

Governmental Fund Balance

At June 30, 2012, the School District governmental funds reported a combined fund balance of \$ 7,507,905, which is an increase of \$ 336,696 from the June 30, 2011 combined fund balance.

	<u>Governmental Fund Balance</u>			
	2012	2011	\$ Change	% Change
General Fund - Nonspendable	\$ 201,678	\$ 285,107	(\$ 83,429)	-29.26%
General Fund - Committed	1,249,028	1,073,528	175,500	16.35%
General Fund - Assigned	1,186,793	1,958,461	(771,668)	-39.40%
General Fund - Unassigned	4,757,933	3,852,135	905,798	23.51%
Capital Reserve Fund - Restricted	112,473	1,978	110,495	5586.20%
	<u>\$ 7,507,905</u>	<u>\$ 7,171,209</u>	<u>\$ 336,696</u>	<u>4.70%</u>
Total spendable	\$ 7,193,754	\$ 6,884,124	\$ 309,630	4.50%
Total restricted	112,473	1,978	110,495	5586.20%
Total nonspendable	201,678	285,107	(83,429)	-29.26%
	<u>\$ 7,507,905</u>	<u>\$ 7,171,209</u>	<u>\$ 336,696</u>	<u>4.70%</u>

Governmental Funds – Reconciliation

The increase in the General Fund unassigned fund balance was not anticipated. The School District did increase the real estate tax rate and had planned on using fund balance to balance the budget. Due to the significant downturn in the economy over the past several years and also the eventual significant increase in the PSERS rates, the School District watched expenditures closely and purchased only supplies and other items as needed. A significant increase in earned income taxes was not anticipated due to the downturn in the economy; however, due to the implementation of Act 32 on collections of this tax, actual revenue from earned income tax collection exceeded the budgeted amount by \$ 611,303.

The increase in the Capital Reserve Fund restricted fund balance was not anticipated. The increase was caused by one capital project, budgeted at \$ 85,000, not being completed by June 30, 2012. This project will be completed in 2012-2013. A transfer is budgeted for 2012-2013 and this fund will continue to be used for significant, planned capital projects.

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 must be added to the budget during the fiscal year. In addition, the grants that are anticipated during the budgeting process are based on estimates. The budget must then be modified based on the actual grant award.

General Fund Budget

	2012			2011		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
Total revenues	\$ 36,307,521	\$ 38,043,385	\$ 1,735,864	\$ 36,867,197	\$ 37,555,565	\$ 688,368
Total expenditures	38,218,824	37,825,764	(393,060)	38,887,264	37,444,255	(1,443,009)
Revenues over (under) expenditures	(1,911,303)	217,621	2,128,924	(2,020,067)	111,310	2,131,377
Other financing sources (uses)	12,926	8,580	(4,346)	(185,357)	173,686	359,043
Net change in fund balance	(\$ 1,898,377)	\$ 226,201	\$ 2,124,578	(\$ 2,205,424)	\$ 284,996	\$ 2,490,420

CAPITAL ASSETS

At June 30, 2012, the School District recorded \$ 41,396,005 in Governmental activities capital assets, which represents a decrease of \$ 1,303,857 from the previous restated fiscal year. This net decrease is a result of the addition and replacement of equipment within the School District as well as the addition of site improvements including the middle school bridge project, sub-metering project completed in 2011-2012, the resurfacing of the track and building of a concession stand, netted against the depreciation of current capital assets.

Capital Assets (net of depreciation)

	2012		2011		Change
			(as restated)		
Governmental activities					
Land	\$	326,188	\$	326,188	\$ 0
Site improvements		792,578		468,085	324,493
Buildings and improvements		38,847,255		40,057,870	(1,210,615)
Furniture and equipment		1,429,984		1,672,097	(242,113)
Construction in progress		0		175,622	(175,622)
Total governmental capital assets	\$	41,396,005	\$	42,699,862	(\$ 1,303,857)
Business-type activities					
Food service equipment	\$	251,906	\$	287,554	(\$ 35,648)

LONG-TERM LIABILITIES

Bonds and notes payable at June 30, 2011 were \$ 36,315,565 and \$ 34,294,559 at June 30, 2012. Scheduled principal payments totaling \$ 2,072,000 were made to bondholders during 2011-2012.

Lease-purchase obligations at June 30, 2011 were \$ 461,129 and \$ 336,270 at June 30, 2012. One lease was entered into during 2011-2012 for computer and server equipment with a cost of \$ 243,000. Subsequent to year end, the School District entered into three additional capital leases. One lease was for energy upgrades with a cost of \$ 529,969 and the two other capital leases were for postage meters with costs of \$ 7,524 and \$ 1,905.

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

from 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 Assets and totals \$ 873,088 for the Governmental Activities and \$ 21,219 for the Business-type Activities for year ended June 30, 2012. Employees who retire with 15 years of service are eligible to remain on the School District's health care plan until age 65. The liability for these post-employment benefits has been reflected in the Statement of Net Assets and totals \$ 338,379 for the Government Activities and \$ 3,653 for the Business-type Activities for year ended June 30, 2012. The combined change in these liabilities represents an increase from 2010-2011 of \$ 52,739 in the Governmental Activities and \$ 1,777 in the Business-type Activities.

2012-2013 BUDGET AND ECONOMIC FACTORS

	Budget 2012-2013	Budget 2011-2012	Change
Total revenues	\$ 38,218,997	\$ 36,307,521	\$ 1,911,476
Total expenditures	35,290,415	34,721,511	568,904
Revenues over (under) expenditures	2,928,582	1,586,010	1,342,572
Other financing sources (uses)	(4,026,566)	(3,484,387)	(542,179)
Net change in fund balance	(\$ 1,097,984)	(\$ 1,898,377)	\$ 800,393

The new budget for 2012-2013 represents an increase in total expenditures of 3.70%. This increase is due to many factors such as: increases in base salary, increase in medical benefit rates, PSERS rate increase from 8.65% to 12.36%, increase in tuition rates to outside placements and charter schools. These increases were offset by salary reductions of 19 positions for staff that accepted the early retirement incentive offered by the School District. Savings from this incentive were two positions being lost through attrition and 17 positions reducing their salary step. The 2012-2013 budgeted revenues reflect a millage increase of .3068 mills. The 2012-2013 real estate tax assessment is 14.9203 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 2012-2013 fiscal year, with the use of existing fund balance.

Budgeted employee health care premiums increased 3% for 2012-2013. Health care premiums are anticipated to increase an additional three percent for 2013-2014. The School District has adjusted its health insurance package and has implemented premium sharing with all personnel in an effort to reduce annual premium increases.

The 2011-2012 general fund unassigned fund balance of \$ 4,757,933 represents 11.93% of 2012-2013 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 2012-2013 budget reflects the estimated receipt of \$ 722,798 from the state to be used to reduce property taxes. Northern York County's adjusted index for 2012-2013 was set at 2.1%. The index limits the rate of increase on tax mills. The 2011-2012 budget also reflects a 1.7% increase in the property tax rate, which equals the index provided to the School District by the State.

The 2011-2012 fiscal year is the second year of a four 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, 149 S. Baltimore Street, Dillsburg, PA 17019, and (717) 432-8691, ext. 1108.

NORTHERN YORK COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2012

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	
ASSETS			2012	2011 Summarized (as restated)
Current Assets				
Cash and cash equivalents	\$ 2,600,377	\$ 90,565	\$ 2,690,942	\$ 1,393,139
Investments	6,195,000	0	6,195,000	6,800,491
Receivables:				
Taxes, net	1,750,902	0	1,750,902	1,576,529
Intergovernmental	650,458	34,231	684,689	667,368
Other	116,176	43,721	159,897	218,438
Internal balances	156,813	0	0 *	0
Prepaid items	38,604	0	38,604	70,280
Inventories	163,074	10,546	173,620	228,944
Total current assets	11,671,404	179,063	11,693,654	10,955,189
Noncurrent Assets				
Bond issue costs, net	408,380	0	408,380	457,382
Land	326,188	0	326,188	326,188
Site improvements, net	792,578	0	792,578	468,085
Buildings, net	38,847,255	0	38,847,255	40,057,870
Equipment, furniture and fixtures, net	1,429,984	251,906	1,681,890	1,959,651
Construction in progress	0	0	0	175,622
Total noncurrent assets	41,804,385	251,906	42,056,291	43,444,798
TOTAL ASSETS	\$ 53,475,789	\$ 430,969	\$ 53,749,945	\$ 54,399,987
LIABILITIES				
Current liabilities				
Internal balances	\$ 0	\$ 156,813	\$ 0 *	\$ 0
Accounts payable	401,889	927	402,816	351,284
Accrued salaries and benefits/withholdings	2,855,502	32,069	2,887,571	2,641,676
Accrued interest	225,005	0	225,005	197,633
Portion due or payable within one year:				
General obligation bonds and notes payable	2,399,006	0	2,399,006	2,021,006
Capital leases	164,580	0	164,580	275,425
Compensated absences	126,029	2,320	128,349	135,760
Total current liabilities	6,172,011	192,129	6,207,327	5,622,784
Noncurrent liabilities				
Portion due or payable after one year:				
General obligation bonds and notes payable	31,895,553	0	31,895,553	34,294,559
Capital leases	171,690	0	171,690	185,704
OPEB Liability	338,379	3,653	342,032	264,857
Compensated absences	747,059	18,899	765,958	781,206
Total noncurrent liabilities	33,152,681	22,552	33,175,233	35,526,326
TOTAL LIABILITIES	39,324,692	214,681	39,382,560	41,149,110
NET ASSETS				
Invested in capital assets, net of related debt	7,101,446	251,906	7,353,352	6,671,851
Restricted	112,473	0	112,473	1,978
Unrestricted	6,937,178	(35,618)	6,901,560	6,577,048
TOTAL NET ASSETS	14,151,097	216,288	14,367,385	13,250,877
TOTAL LIABILITIES AND NET ASSETS	\$ 53,475,789	\$ 430,969	\$ 53,749,945	\$ 54,399,987

* - Net of eliminations

The Notes to Financial Statements are an integral part of this statement.

NORTHERN YORK COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	
							2012	2011
							(as restated)	(as restated)
Governmental activities:								
Instruction	\$ 23,295,418	\$ 60,456	\$ 3,736,571	\$ 0	(\$ 19,498,391)	\$ 0	(\$ 19,498,391)	(\$ 17,928,456)
Instructional student support	2,501,095	0	195,022	0	(2,306,073)	0	(2,306,073)	(2,013,625)
Administrative and financial support services	3,228,676	0	144,838	0	(3,083,838)	0	(3,083,838)	(3,008,861)
Operation and maintenance of plant services	3,525,421	19,222	86,083	0	(3,420,116)	0	(3,420,116)	(3,672,357)
Pupil transportation	1,972,349	0	1,206,023	0	(766,326)	0	(766,326)	(851,591)
Student activities	1,151,184	116,294	47,824	0	(987,066)	0	(987,066)	(918,563)
Community services	1,848	0	1,729	0	(119)	0	(119)	0
Interest on long-term debt	<u>1,272,577</u>	<u>0</u>	<u>0</u>	<u>489,336</u>	<u>(783,241)</u>	<u>0</u>	<u>(783,241)</u>	<u>(906,534)</u>
Total governmental activities	<u>36,948,568</u>	<u>195,972</u>	<u>5,418,090</u>	<u>489,336</u>	<u>(30,845,170)</u>	<u>0</u>	<u>(30,845,170)</u>	<u>(29,299,987)</u>
Business-type activities								
Food services	<u>1,184,231</u>	<u>784,416</u>	<u>354,432</u>	<u>0</u>	<u>0</u>	<u>(45,383)</u>	<u>(45,383)</u>	<u>(17,207)</u>
Total primary government	<u>\$ 38,132,799</u>	<u>\$ 980,388</u>	<u>\$ 5,772,522</u>	<u>\$ 489,336</u>	<u>(\$ 30,845,170)</u>	<u>(\$ 45,383)</u>	<u>(\$ 30,890,553)</u>	<u>(\$ 29,317,194)</u>
General revenues and transfers:								
Property taxes levied for general purposes, public utility realty tax, earned income tax					\$ 24,268,731	\$ 0	\$ 24,268,731	\$ 22,520,813
Grants, subsidies and contributions not restricted					7,682,177	0	7,682,177	7,753,967
Investment earnings					40,108	38	40,146	47,980
Gain on sale of fixed assets					2,394	0	2,394	996
Miscellaneous income					13,613	0	13,613	24,578
Transfers					(8,894)	8,894	0	0
Total general revenues and transfers					<u>31,998,129</u>	<u>8,932</u>	<u>32,007,061</u>	<u>30,348,334</u>
Change in net assets					1,152,959	(36,451)	1,116,508	1,031,140
Net assets - beginning - as restated					<u>12,998,138</u>	<u>252,739</u>	<u>13,250,877</u>	<u>12,219,737</u>
Net assets - ending					<u>\$ 14,151,097</u>	<u>\$ 216,288</u>	<u>\$ 14,367,385</u>	<u>\$ 13,250,877</u>

The Notes to Financial Statements are an integral part of this statement.

**NORTHERN YORK COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012**

	Totals			
	General Fund	Capital Projects Fund	2012	2011 Summarized
ASSETS				
Cash and cash equivalents	\$ 2,487,904	\$ 112,473	\$ 2,600,377	\$ 1,351,708
Investments	6,195,000	0	6,195,000	6,800,491
Taxes receivable, net	1,750,902	0	1,750,902	1,301,181
Due from other funds	156,813	0	156,813	143,189
Receivable from other governments	650,458	0	650,458	601,998
Other receivables	116,176	0	116,176	178,197
Inventories	163,074	0	163,074	214,827
Prepaid expenses	38,604	0	38,604	70,280
Total assets	\$ 11,558,931	\$ 112,473	\$ 11,671,404	\$ 10,661,871
LIABILITIES				
Accounts payable	\$ 401,889	\$ 0	\$ 401,889	\$ 344,835
Deferred revenue	906,108	0	906,108	527,392
Accrued salaries and benefits/withholdings	2,855,502	0	2,855,502	2,618,435
Total liabilities	4,163,499	0	4,163,499	3,490,662
FUND BALANCES				
Nonspendable fund balance				
Inventories	163,074	0	163,074	214,827
Prepaid expenses	38,604	0	38,604	70,280
Spendable fund balance				
Restricted fund balance				
Future capital improvements	0	112,473	112,473	1,978
Committed fund balance				
Retirement	470,000	0	470,000	470,000
Special needs	210,000	0	210,000	210,000
Transportation	100,000	0	100,000	100,000
Debt service	444,028	0	444,028	268,528
Capital projects and repairs	25,000	0	25,000	25,000
Assigned fund balance				
Future student activities	88,809	0	88,809	60,084
2012 - 2013 budget deficit	1,097,984	0	1,097,984	1,898,377
Unassigned fund balance	4,757,933	0	4,757,933	3,852,135
Total fund balances	7,395,432	112,473	7,507,905	7,171,209
Total liabilities and fund balances	\$ 11,558,931	\$ 112,473	\$ 11,671,404	\$ 10,661,871

The Notes to Financial Statements are an integral part of this statement.

NORTHERN YORK COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT
OF NET ASSETS
June 30, 2012

Total fund balances - governmental funds \$ 7,507,905

Amounts reported for governmental activities in the Statement of Net Assets 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 Assets.

Cost of assets	66,411,634	
Accumulated depreciation	(25,015,629)	
		41,396,005

Property taxes receivable and earned income taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds. 906,108

Bond issue costs are reported in governmental funds when the debt is first issued. The Statement of Net Assets reports issue costs as an asset. 408,380

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 Assets. Long-term liabilities consist of:

Bonds and notes payable, net of discount and premium	(34,294,559)	
Accrued interest on bonds	(225,005)	
Compensated absences	(873,088)	
Capital leases	(336,270)	
OPEB liability	(338,379)	
		(36,067,301)

Net assets of governmental activities in the Statement of Net Assets **\$ 14,151,097**

The Notes to Financial Statements are an integral part of this statement.

NORTHERN YORK COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
Year Ended June 30, 2012

			Totals	
	General Fund	Capital Projects Fund	2012	2011 Summarized
REVENUES				
Local revenues				
Taxes	\$ 24,165,363	\$ 0	\$ 24,165,363	\$ 22,772,333
Investment earnings	40,081	27	40,108	47,756
Revenue from intermediate sources	613,137	0	613,137	733,923
Other	235,611	0	235,611	313,034
State sources	12,630,045	0	12,630,045	11,840,000
Federal sources	<u>359,148</u>	<u>0</u>	<u>359,148</u>	<u>1,853,602</u>
Total revenues	<u>38,043,385</u>	<u>27</u>	<u>38,043,412</u>	<u>37,560,648</u>
EXPENDITURES				
Instruction	22,019,418	0	22,019,418	21,336,099
Support services	10,803,349	0	10,803,349	10,973,126
Operation of noninstructional services	1,119,746	0	1,119,746	1,090,122
Facilities acquisition, construction and improvements	304,107	105,606	409,713	572,748
Debt service:				
Principal	2,427,135	0	2,427,135	2,403,435
Interest	1,145,209	0	1,145,209	1,316,304
Note issue costs	0	0	0	47,369
Refund of prior year receipts	<u>6,800</u>	<u>0</u>	<u>6,800</u>	<u>15,696</u>
Total expenditures	<u>37,825,764</u>	<u>105,606</u>	<u>37,931,370</u>	<u>37,754,899</u>
Excess (deficiency) of revenues over expenditures	<u>217,621</u>	<u>(105,579)</u>	<u>112,042</u>	<u>(194,251)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term financing	0	0	0	9,430,000
Proceeds from capital leases	230,276	0	230,276	0
Insurance recoveries	878	0	878	1,876
Proceeds from sale of fixed assets	2,394	0	2,394	996
Refunding of G.O. Bonds	0	0	0	(9,255,000)
Interfund transfers	<u>(224,968)</u>	<u>216,074</u>	<u>(8,894)</u>	<u>(4,186)</u>
Total other financing sources and uses	<u>8,580</u>	<u>216,074</u>	<u>224,654</u>	<u>173,686</u>
Net change in fund balances	<u>226,201</u>	<u>110,495</u>	<u>336,696</u>	<u>(20,565)</u>
Fund balances - beginning	<u>7,169,231</u>	<u>1,978</u>	<u>7,171,209</u>	<u>7,191,774</u>
Fund balances - ending	<u>\$ 7,395,432</u>	<u>\$ 112,473</u>	<u>\$ 7,507,905</u>	<u>\$ 7,171,209</u>

The Notes to Financial Statements are an integral part of this statement.

**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, 2012**

Net change in fund balances - total governmental funds \$ 336,696

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 (\$ 534,249) exceeded depreciation expense (\$ 1,838,106) in the current period. (1,303,857)

Because some earned income taxes will not be collected for several months after the 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. 103,368

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 assets. Also, governmental funds report the effect of issuance costs, 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 assets.

Repayment of general obligation bonds/notes - principal	2,072,000
Amortization of bond issuance costs	(99,996)
Proceeds from capital lease	(230,276)
Repayment of capital leases - principal	355,135

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	(27,372)
OPEB liability	(76,462)
Compensated absences	<u>23,723</u>

Change in net assets of governmental activities \$ 1,152,959

The Notes to Financial Statements are an integral part of this statement.

NORTHERN YORK COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2012

	Food Service	2011 Summarized
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 90,565	\$ 41,431
Intergovernmental receivables	34,231	65,370
Other receivables	4,587	11,362
Receivable from students	39,134	28,879
Inventory	<u>10,546</u>	<u>14,117</u>
Total current assets	<u>179,063</u>	<u>161,159</u>
Noncurrent Assets		
Furniture and equipment	1,016,151	1,002,733
Accumulated depreciation	(764,245)	(715,179)
Total noncurrent assets	<u>251,906</u>	<u>287,554</u>
Total assets	<u>\$ 430,969</u>	<u>\$ 448,713</u>
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 927	\$ 6,449
Accrued wages payable	0	89
Due to other funds	156,813	143,189
Other payables	32,069	23,152
Compensated absences	<u>2,320</u>	<u>2,568</u>
Total current liabilities	<u>192,129</u>	<u>175,447</u>
Noncurrent Liabilities		
OPEB liability	3,653	2,940
Compensated absences	<u>18,899</u>	<u>17,587</u>
Total noncurrent liabilities	<u>22,552</u>	<u>20,527</u>
Total liabilities	<u>214,681</u>	<u>195,974</u>
NET ASSETS		
Invested in capital assets	251,906	287,554
Unrestricted	(35,618)	(34,815)
Total net assets	<u>216,288</u>	<u>252,739</u>
 Total liabilities and net assets	 <u>\$ 430,969</u>	 <u>\$ 448,713</u>

The Notes to Financial Statements are an integral part of this statement.

NORTHERN YORK COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2012

	Food Service	2011 Summarized
OPERATING REVENUE		
Charges for services	\$ 784,416	\$ 822,818
Total operating revenues	<u>784,416</u>	<u>822,818</u>
OPERATING EXPENSES		
Food and milk purchases	462,334	462,157
Salaries	351,116	361,470
Employee benefits	193,399	188,685
Supplies	1,641	3,937
Depreciation	49,066	48,214
Repairs and maintenance	5,155	4,017
Purchased services	69,111	52,872
Administrative fees and overhead costs	<u>52,409</u>	<u>47,298</u>
Total operating expenses	<u>1,184,231</u>	<u>1,168,650</u>
Operating income (loss)	(399,815)	(345,832)
NONOPERATING REVENUES (EXPENSES)		
Federal subsidies	292,718	273,373
State subsidies	61,714	55,252
Interest income	<u>38</u>	<u>224</u>
Total nonoperating revenue (expenses)	<u>354,470</u>	<u>328,849</u>
Income (loss) before transfers	(45,345)	(16,983)
TRANSFERS		
Interfund transfers	<u>8,894</u>	<u>4,186</u>
Change in net assets	(36,451)	(12,797)
Total net assets - beginning	<u>252,739</u>	<u>265,536</u>
Total net assets - ending	<u>\$ 216,288</u>	<u>\$ 252,739</u>

The Notes to Financial Statements are an integral part of this statement.

NORTHERN YORK COUNTY SCHOOL DISTRICT

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 Year Ended June 30, 2012**

	Food Service	2011 Summarized
Cash flows from operating activities:		
Cash received from food sales	\$ 780,936	\$ 816,857
Cash payments to suppliers for goods	(395,272)	(417,167)
Cash payments to and on behalf of employees	(529,203)	(599,698)
Cash payments for services	(121,520)	(100,170)
Net cash provided (used) by operating activities	<u>(265,059)</u>	<u>(300,178)</u>
Cash flows from capital and related financing activities:		
Purchase of equipment	<u>(4,524)</u>	<u>0</u>
Cash flows from noncapital financing activities:		
Federal subsidies	253,095	192,673
State subsidies	<u>65,584</u>	<u>51,742</u>
Net cash provided by noncapital financing activities	<u>318,679</u>	<u>244,415</u>
Cash flows from investing activities:		
Earnings on investments	<u>38</u>	<u>224</u>
Net increase (decrease) in cash and cash equivalents	49,134	(55,539)
Cash and cash equivalents - beginning	<u>41,431</u>	<u>96,970</u>
Cash and cash equivalents - ending	<u>\$ 90,565</u>	<u>\$ 41,431</u>

The Notes to Financial Statements are an integral part of this statement.

NORTHERN YORK COUNTY SCHOOL DISTRICT

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUND (Continued)
 Year Ended June 30, 2012**

	Food Service	2011 Summarized
Reconciliation of income (loss) from operations to net cash provided by operating activities		
Cash flows from operating activities:		
Operating income (loss)	(\$ 399,815)	(\$ 345,832)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Donated food used	66,892	51,023
Depreciation	49,066	48,214
(Increase) decrease in:		
Inventory	3,571	(2,688)
Accounts receivable	(3,480)	(5,961)
Interfund receivable	0	7,812
Increase (decrease) in:		
Compensated absences	1,064	6,624
OPEB liability	713	1,161
Due to other funds	13,624	(57,414)
Accrued wages payable	(89)	(7,726)
Accounts payable	<u>3,395</u>	<u>4,609</u>
Total adjustments	<u>134,756</u>	<u>45,654</u>
Net cash provided (used) by operating activities	<u>(\$ 265,059)</u>	<u>(\$ 300,178)</u>

The Notes to Financial Statements are an integral part of this statement.

NORTHERN YORK COUNTY SCHOOL DISTRICT

**STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2012**

	Student Activities	Private Purpose Trusts	Totals	
			2012	2011 Summarized
ASSETS				
Cash and cash equivalents	\$ 97,240	\$ 284,976	\$ 382,216	\$ 384,638
Total assets	<u>\$ 97,240</u>	<u>\$ 284,976</u>	<u>\$ 382,216</u>	<u>\$ 384,638</u>
LIABILITIES				
Accounts payable	1,224	0	1,224	0
Due to student groups	<u>96,016</u>	<u>0</u>	<u>96,016</u>	<u>90,198</u>
Total liabilities	<u>97,240</u>	<u>0</u>	<u>97,240</u>	<u>90,198</u>
NET ASSETS				
Held in trust for scholarships	<u>0</u>	<u>284,976</u>	<u>284,976</u>	<u>294,440</u>
Total net assets	<u>0</u>	<u>284,976</u>	<u>284,976</u>	<u>294,440</u>
Total liabilities and net assets	<u>\$ 97,240</u>	<u>\$ 284,976</u>	<u>\$ 382,216</u>	<u>\$ 384,638</u>

The Notes to Financial Statements are an integral part of this statement.

NORTHERN YORK COUNTY SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
Year Ended June 30, 2012

	Private Purpose Trust Fund	2011 Summarized
ADDITIONS		
Donations	\$ 19,387	\$ 23,583
Interest income	143	489
Total additions	<u>19,530</u>	<u>24,072</u>
DEDUCTIONS		
Scholarships and awards/grants	<u>28,994</u>	<u>30,547</u>
Total deductions	<u>28,994</u>	<u>30,547</u>
Change in net assets	(9,464)	(6,475)
Net assets - beginning	<u>294,440</u>	<u>300,915</u>
Net assets - ending	<u>\$ 284,976</u>	<u>\$ 294,440</u>

The Notes to Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

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. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The School District has elected not to follow subsequent private-sector guidance.

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; and (3) other organizations for which the nature and significance of their relationship with the primary government are such that 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.

Note 1. Summary of Significant Accounting Policies (Continued)

Reporting Entity (Continued)

Based on the above criteria the Polar Bear Foundation is considered a component unit.

The Polar Bear Foundation is governed by a seven to fifteen member board, which includes the School District Superintendent and a member of the Board of School Directors of the School District. Separate financial statements of the Foundation may be reviewed by contacting the Foundation directly. However, audited statements of the Foundation are not available and thus, the Foundation is not included with the private purpose trust funds in the School District's fiduciary fund statements.

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.

Note 1. Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

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.

b. Capital Projects 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.

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 assets and changes in net assets. 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.

Basis of Presentation

Government-wide Financial Statements - The statement of net assets 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.

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

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 assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. 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.

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 assets (total assets less total liabilities) are used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net assets. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the statement of net assets.

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

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

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

Budgets and Budgetary Accounting

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

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

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

Cash, Cash Equivalents, and Investments

Cash includes all demand deposits, petty cash, savings, money market 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, repurchase agreements, investment trusts which mature at a future date, mutual funds of allowable investments, and certain government obligations. Investments are stated at market value. Accrued interest is included with other receivables on the balance sheet.

Note 1. Summary of Significant Accounting Policies (Continued)

Statement of Cash Flows

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

Inventory

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

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets 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 assets 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 fixed 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 <u>Estimated Lives</u>	Business-Type Activities <u>Estimated Lives</u>
Buildings and Improvements	20 – 50 years	N/A
Equipment, Furniture and Fixtures	5 – 20 years	5 – 12 years

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.

Note 1. Summary of Significant Accounting Policies (Continued)

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 assets. This same treatment also applies to proprietary fund financial statements. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Retirement Plans

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

Compensated Absences

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

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

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

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

Other Postemployment Benefits Other Than Pensions

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

Note 1. Summary of Significant Accounting Policies (Continued)

Net Assets – Government-wide Financial Statements

In the government-wide financial statements, net assets are classified in the following category:

Invested in Capital Assets, Net of Related Debt: 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.

Restricted Net Assets: This component consists of net assets 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 assets as of June 30, 2012 consist of \$ 112,473 for future capital improvements.

Unrestricted Net Assets: This component consists of all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

When both restricted and unrestricted resources are available for use, 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.

Restricted: This classification includes amounts where the constraints placed on the use of resources are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge or mandate payment and includes a legally enforceable requirement on the use of these funds.

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

Fund Balance – Governmental Fund Financial Statements (Continued)

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

Policy Regarding Order of Spending

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

Minimum Fund Balance

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

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

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

Use of Estimates

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

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, 2011, from which the summarized information was derived.

Note 2. Cash and Investments

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

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

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The School District does not have a policy for custodial credit risk. As of June 30, 2012, the School District has the following:

Cash and cash equivalents, bank accounts	\$ 294,058
Certificates of deposit, held by various institutions	\$ 2,695,000
Certificates of deposit, pool held by Pennsylvania School District Liquid Asset Fund (PSDLAF)	\$ 3,500,000

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

Investments

As of June 30, 2012, the School District had the following investments:

Investment	Fair Value	Maturities
PA Local Government Investment Trust (PLGIT)	\$ 112,473	(A)
PA School District Liquid Asset Fund - PSDMAX	<u>2,864,912</u>	(A)
	<u>\$ 2,977,385</u>	

In addition to the amounts listed under custodial credit risk for deposits above, the School District invests in pooled investments with PSDLAF and Pennsylvania Local Government Investment Trust (PLGIT). These funds are accessible on a daily basis and are considered cash equivalents for reporting purposes. PLGIT deposits are invested by PLGIT directly in portfolios of securities which are held by a third party custodian. PSDLAF – PSDMAX deposits are invested by PSDLAF directly in portfolios of securities held by a third party custodian and are collateralized with securities held by the PSDLAF agent in a collateral pool. The School District is exposed to custodial credit risk because the collateral securities held by PSDLAF and PLGIT’s agents are not in the School District name.

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

Note 2. Cash and Investments (Continued)

Interest Rate Risk

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

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

Credit Risk – Investments

PLGIT is basically mutual funds that consist of short term money market instruments and seek to maintain a constant net asset value of \$ 1 per share. PSDLAF deposits are invested by PSDLAF directly in portfolios of securities held by a third party custodian and are collateralized with securities held by the PSDLAF agent in a collateral pool. At June 30, 2012, the School District's investments in PSDLAF and PLGIT were both rated AAAM by Standards and Poor's Investor's Services.

Note 3. Taxes

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

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

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

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

Note 4. Taxes Receivable and Deferred Revenues

Taxes receivable and deferred revenues in the fund financial statements consist of the following as of June 30, 2012:

Real estate	\$	702,332
Earned income		1,026,283
Per capita		<u>29,964</u>
		1,758,579
Reserve for uncollectible accounts	(	<u>7,677</u>)
Taxes receivable, net		1,750,902
Taxes collected within sixty days, recorded as revenues in governmental funds	(	<u>844,794</u>)
Taxes estimated to be collected after sixty days, recorded as deferred revenue in governmental funds.	\$	<u>906,108</u>

Note 5. Interfund Receivable, Payables and Transfers

Interfund receivables/payables consist of the following for the year ended June 30, 2012:

Funds	Interfund Receivable	Interfund Payable
General	\$ 156,813	\$ 0
Food Service	0	156,813
	<u>\$ 156,813</u>	<u>\$ 156,813</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, 2012:

Funds	Transfers In	Transfer Out
General	\$ 0	\$ 224,968
Capital Projects	216,074	0
Food Service	8,894	0
	<u>\$ 224,968</u>	<u>\$ 224,968</u>

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

Note 6. Intergovernmental Receivables

Intergovernmental receivables at June 30, 2012 consist of the following:

Local:	Amusement tax	\$ 1,163
	Deed transfer	33,178
State:	Social Security	70,198
	Retirement	264,862
	Rental subsidy	55,029
Federal:	Grants	<u>226,028</u>
	Total governmental funds	<u>\$ 650,458</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, 2012:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Cost:				
Assets not being depreciated:				
Land	\$ 326,188	\$ 0	\$ 0	\$ 326,188
Construction in progress	175,622	73,831	(249,453)	0
Assets being depreciated:				
Site improvements	1,069,485	375,471	0	1,444,956
Buildings	58,537,923	50,341	0	58,588,264
Equipment, furniture, and fixtures	5,768,167	284,059	0	6,052,226
Total cost	<u>65,877,385</u>	<u>783,702</u>	<u>(249,453)</u>	<u>66,411,634</u>
Less accumulated depreciation:				
Site improvements	(601,400)	(50,978)	0	(652,378)
Buildings	(18,480,053)	(1,260,956)	0	(19,741,009)
Equipment, furniture, and fixtures	(4,096,070)	(526,172)	0	(4,622,242)
Total accumulated depreciation	<u>(23,177,523)</u>	<u>(1,838,106)</u>	<u>0</u>	<u>(25,015,629)</u>
Capital assets, net	<u>\$ 42,699,862</u>	<u>(\$ 1,054,404)</u>	<u>(\$ 249,453)</u>	<u>\$ 41,396,005</u>
Business-Type Activities:				
Cost:				
Equipment, furniture and fixtures	\$ 1,002,733	\$ 13,418	\$ 0	\$ 1,016,151
Less accumulated depreciation:				
Equipment, furniture and fixtures	(715,179)	(49,066)	0	(764,245)
Capital assets, net	<u>\$ 287,554</u>	<u>(\$ 35,648)</u>	<u>\$ 0</u>	<u>\$ 251,906</u>

Depreciation expense for the year ended June 30, 2012 was charged to governmental functions as follows:

Instruction	\$ 1,297,205
Instructional student support	237,178
Administrative and financial support services	62,579
Operation and maintenance of plant services	195,054
Student activities	46,090
	<u>\$ 1,838,106</u>

Note 8. Accrued Salaries and Benefits/Withholdings

Accrued salaries and benefits/withholdings consist of the following as of June 30, 2012:

General Fund:	
Accrued salaries	\$ 1,651,221
Retirement	529,766
Social security	134,135
Health insurance	477,551
Other withholdings	62,829
	<u>\$ 2,855,502</u>

Note 9. Long-term Liabilities

The changes in long-term liabilities during the year ended June 30, 2012 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Long-term Portion
Governmental Activities:						
General obligation bonds and notes payable:						
(A) Series of 2008	9,815,000	0 (	635,000)	9,180,000	1,290,000	7,890,000
(B) Series of 2009	7,315,000	0 (	1,345,000)	5,970,000	770,000	5,200,000
(C) Series of 2010	10,330,000	0 (	5,000)	10,325,000	115,000	10,210,000
(D) Series of 2011	9,430,000	0 (	87,000)	9,343,000	275,000	9,068,000
Unamortized bond (discount), premium and (loss)	(574,435)	0	50,994	(523,441)	(50,994)	(472,447)
Subtotal - bonds and notes payable	<u>36,315,565</u>	<u>0</u>	<u>(2,021,006)</u>	<u>34,294,559</u>	<u>2,399,006</u>	<u>31,895,553</u>
Compensated absences:						
Vacation leave	143,385	200,459 (	220,461)	123,383	20,054	103,329
Personal leave	185,769	272,701 (	251,379)	207,091	40,807	166,284
Sick leave	<u>567,657</u>	<u>170,948</u>	<u>(195,991)</u>	<u>542,614</u>	<u>65,168</u>	<u>477,446</u>
Subtotal - compensated absences	<u>896,811</u>	<u>644,108</u>	<u>(667,831)</u>	<u>873,088</u>	<u>126,029</u>	<u>747,059</u>
Capital lease payable	<u>461,129</u>	<u>230,276</u>	<u>(355,135)</u>	<u>336,270</u>	<u>164,580</u>	<u>171,690</u>
Total long-term liabilities	<u>\$ 37,673,505</u>	<u>\$ 874,384</u>	<u>(\$ 3,043,972)</u>	<u>\$ 35,503,917</u>	<u>\$ 2,689,615</u>	<u>\$ 32,814,302</u>
Business-Type Activities:						
Compensated absences:						
Vacation leave	\$ 6,737	\$ 4,224 (\$	6,737)	\$ 4,224	\$ 0	\$ 4,224
Personal leave	2,845	3,057 (	2,739)	3,163	1,595	1,568
Sick leave	<u>10,573</u>	<u>6,100</u>	<u>(2,841)</u>	<u>13,832</u>	<u>725</u>	<u>13,107</u>
Total long-term liabilities	<u>\$ 20,155</u>	<u>\$ 13,381</u>	<u>(\$ 12,317)</u>	<u>\$ 21,219</u>	<u>\$ 2,320</u>	<u>\$ 18,899</u>

(A) On September 15, 2008, the School District issued \$ 9,930,000 of general obligation bonds - Series 2008. The proceeds were used to currently refund a portion of the School District's Series of 2003 bonds, Series of 2003A bonds and pay all costs of issuing the bonds. The bonds are due in varying amounts on November 15 from 2010 to 2018. The bonds bear fixed interest at rates ranging from 2.20% to 3.65%.

(B) On May 19, 2009, the School District issued \$ 10,800,000 of general obligation bonds Series 2009. The proceeds were used to currently refund the School District's Series of 2001 Bonds, Series of 2003 Bonds, Series of 2003A Bonds, Series of 2004 Bonds and pay all costs of issuing the bonds. The bonds are due in varying amounts on November 15, 2009 to 2019. The bonds bear fixed interest at rates ranging from 2.00% to 3.50%.

Note 9. Long-term Liabilities (Continued)

(C) On March 3, 2010, the School District issued \$ 10,330,000 of general obligation bonds Series 2010. The proceeds were used to currently refund the School District's Series of 2005 Bonds and to pay the costs of issuing and insuring the bonds. The bonds are due in varying amounts on November 15, 2011 to 2022. The bonds bear fixed interest at rates ranging from 1.00% to 3.50%.

(D) On March 22, 2011, the School District issued a general obligation note Series of 2011 in the amount of \$ 9,430,000 to provide funds to currently refund the School District's Series of 2004A Bonds, Series of 2006 Bonds and to pay the cost of issuing the note. Payment on the note is due in varying amounts on August 15, 2011 to 2024. The note bears interest at the rate of 3.58% for the first ten years followed by a variable rate of 66% of USP (United States Prime) rate with a floor of 2.61% and a cap of 4.3% for the remaining three years.

The annual debt requirements for future general obligation bonds and notes as of June 30, 2012 are as follows:

	Series of 2008		Series of 2009		Series of 2010	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 1,290,000	\$ 283,558	\$ 770,000	\$ 163,225	\$ 115,000	\$ 325,290
2014	1,335,000	242,514	685,000	147,819	240,000	321,740
2015	1,375,000	199,508	695,000	131,425	245,000	316,890
2016	1,420,000	155,120	715,000	112,906	245,000	311,990
2017	1,470,000	107,055	740,000	91,975	250,000	306,665
2018 - 2022	2,290,000	69,138	2,365,000	125,138	6,820,000	1,169,133
2023 - 2027	0	0	0	0	2,410,000	42,175
	<u>\$ 9,180,000</u>	<u>\$ 1,056,893</u>	<u>\$ 5,970,000</u>	<u>\$ 772,488</u>	<u>\$ 10,325,000</u>	<u>\$ 2,793,883</u>

	Series of 2011		Totals		Total
	Principal	Interest	Principal	Interest	
2013	\$ 275,000	\$ 329,557	\$ 2,450,000	\$ 1,101,630	\$ 3,551,630
2014	286,000	319,515	2,546,000	1,031,588	3,577,588
2015	296,000	309,096	2,611,000	956,919	3,567,919
2016	312,000	298,214	2,692,000	878,230	3,570,230
2017	322,000	286,866	2,782,000	792,561	3,574,561
2018 - 2022	3,389,000	1,170,755	14,864,000	2,534,164	17,398,164
2023 - 2027	4,463,000	267,481	6,873,000	309,656	7,182,656
	<u>\$ 9,343,000</u>	<u>\$ 2,981,484</u>	<u>\$ 34,818,000</u>	<u>\$ 7,604,748</u>	<u>\$ 42,422,748</u>

Note 9. Long-term Liabilities (Continued)

Capital Leases

The School District is financing the purchase of computers, technology equipment and a phone system through capital leases with vendors. At June 30, 2012, the leased assets have a gross capitalized value of \$ 1,193,786 and accumulated depreciation of \$ 595,307, leaving a net book value of \$ 598,479 that is included in capital assets. Amortization expense of \$ 256,077 is included in depreciation expense.

The aggregate amount of future payments required on capital leases at June 30, 2012 is as follows:

2013	\$	179,110
2014		<u>179,110</u>
		358,220
Amount representing interest	(	<u>21,950</u>)
	\$	<u>336,270</u>

Subsequent Event

On July 1, 2012, the School District entered new capital leases for energy upgrades as well as two postage meters to be started and used beginning in 2012 - 2013. The total principal amount of the energy upgrade is \$ 529,696 and the total amount of the postage meters is \$ 9,429.

Note 10. Other Postemployment Benefits

Plan Description

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

The School District pays 50% of the premiums for medical, dental, and prescription drug benefits for eligible retirees in the administrator's employee group. To be eligible for this group the retiree would have to be a retired administrator with 15 years of continuous services with the School District, 30 years of service with PSERS, and be eligible for retirement with PSERS. At the actuarial valuation as of January 1, 2010 there were 17 participants in this employee group, of which 14 were active and 3 were retired.

Retired employees in the teacher and support staff groups pay 100% of their premiums for medical, dental, and prescription drug benefits under the School District's postemployment benefit plan. All employees are eligible for this benefit upon retirement with 30 years of PSERS service or upon superannuation retirement (age 60 with 30 years of service, age 62 with 1 year of service, or 35 years of service regardless of age). At the actuarial valuation as of January 1, 2010 there were 245 participants in the teacher employee group, 230 active participants and 15 retired participants, and there are currently 100 participants in the support staff employee group, 97 active participants and 3 retired participants.

The School District's postemployment benefits are administered by School District personnel. The Plan does not issue a separate stand-alone financial statement.

Note 10. Other Postemployment Benefits

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 2011/2012, plan members receiving benefits also contributed \$ 314,182.

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)	\$ 199,493	\$ 1,852	\$ 201,345
Estimated interest on net OPEB obligation	11,809	110	11,919
Estimated adjustment to ARC	(16,110)	(150)	(16,260)
Annual OPEB cost	195,192	1,812	197,004
Estimated employer contributions made	(118,730)	(1,099)	(119,829)
Increase in net OPEB obligation	76,462	713	77,175
Net OPEB obligation - beginning of the year	261,917	2,940	264,857
Net OPEB obligation - end of the year	<u>\$ 338,379</u>	<u>\$ 3,653</u>	<u>\$ 342,032</u>

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 197,004	60.83%	\$ 342,032
2011	\$ 198,718	47.37%	\$ 264,857
2010	\$ 175,632	58.65%	\$ 160,271

Funded Status and Funding Progress

As of January 1, 2010, the most recent actuarial valuation date, the plan had the following funded status and progress:

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued 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)
01/01/10	\$ 0	\$ 1,683,929	\$ 1,683,929	0.00%	\$ 14,662,266	11.48%

Note 10. Other Postemployment Benefits (Continued)

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

Actuarial Methods and Assumptions

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

In the January 1, 2010 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions include a 4.50 percent investment rate of return (net of administrative expenses), annual salary increase of 4 percent, and for teachers and administrators a merit increase which varies by age between 3 percent to 0.25 percent, and an annual healthcare cost trend rate of 7.5 percent in 2010, decreasing 0.5 percent to an ultimate rate of 5.5 percent in 2014 and gradually decreasing to 4.2 percent in 2099. The actuarial value of assets was based on the fair value of assets, of which there are none. The UAAL is being amortized based on a level dollar 30 year open period.

Note 11. Pension Plan

Plan Description

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

Type of plan: Governmental cost-sharing multiple-employer defined-benefit plan

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

Authority: The Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended) (24 Pa. C. S. § 8101-8535)

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

Note 11. Pension Plan (Continued)

Funding Policy

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

Contribution rates:

Member Contributions –

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

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

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

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

Employer Contributions - Contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 30, 2012, the rate of employer's contribution was 8.65% of covered payroll. The 8.65% rate is composed of a pension contribution rate of 8.00% for pension benefits and 0.65% for healthcare insurance premium assistance.

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

	Contribution Required	Actual Contribution As a Percentage
2012	\$ 1,539,032	100%
2011	1,166,311	100%
2010	823,446	100%

For the year ended June 30, 2012, the Commonwealth of Pennsylvania reimbursed the School District approximately one-half of its retirement expense.

Note 12. Operating Leases

The School District has entered into noncancelable operating leases or service agreements for the use of copiers, postage machines, bus radio tower and software. The total rent expense paid on these during the year ended June 30, 2012 was \$ 156,865. The School District has the following future minimum payments as of June 30, 2012:

	Copiers	Postage Machines	Bus Radio Tower	Software	Total
2013	\$ 101,877	\$ 1,392	\$ 4,800	\$ 36,269	\$ 144,338
2014	109,618	1,392	4,800	0	115,810
2015	109,618	1,160	4,800	0	115,578
2016	<u>36,537</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>36,537</u>
	<u>\$ 357,650</u>	<u>\$ 3,944</u>	<u>\$ 14,400</u>	<u>\$ 36,269</u>	<u>\$ 412,263</u>

Note 13. Affiliates

Payments to fund operations of affiliated entities for the year ended 2011/2012 were as follows:

	Operations
Cumberland Area Vocational Technical School	\$ 385,729

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, 2012 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.

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.

Note 15. Risk Management (Continued)

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 \$ 125,000 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 assets 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, 2012:

Net assets - July 1, 2011	\$ 5,087,396
Contributions and interest income	5,013,900
Claims paid	(4,154,521)
Stop-loss insurance	(57,881)
Minipool premium	(108,504)
Administrative fees	(178,322)
Other	(<u>3,576</u>)
Net assets - June 30, 2012	\$ <u>5,598,492</u>

Overall, the Lincoln Benefit Trust has net assets of \$ 64,189,108 as of June 30, 2012 and showed an increase in net assets of \$ 9,068,054 for the year ended. Financial statements of the Trust are available at the School District.

Note 16. Restatement

There was a restatement necessary in the governmental activities at June 30, 2011 due to corrections of capital asset accumulated depreciation. The restatement is summarized as follows:

	Governmental Activities
Net assets, as originally stated - June 30, 2011	\$ 12,885,002
Restatement for capital assets	<u>113,136</u>
Net assets, as restated - June 30, 2011	<u>\$ 12,998,138</u>

This restatement had no effect on the “change in net assets” for the year ended June 30, 2012.

REQUIRED SUPPLEMENTARY INFORMATION

**NORTHERN YORK COUNTY SCHOOL DISTRICT
OPEB (Other Postemployment Benefit Plan)**

UNAUDITED REQUIRED SCHEDULE OF FUNDING PROGRESS

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued 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)
01/01/10	\$ 0	\$ 1,683,929	\$ 1,683,929	0.00%	\$ 14,662,266	11.48%
01/01/08	\$ 0	\$ 1,447,190	\$ 1,447,190	0.00%	\$ 14,800,648	9.78%

NORTHERN YORK COUNTY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year ended June 30, 2012

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL	(BUDGETARY/ GAAP BASIS)	WITH FINAL BUDGET (NEGATIVE)
REVENUES				
Local Sources				
Taxes	\$ 23,124,889	\$ 23,124,889	\$ 24,165,363	\$ 1,040,474
Investment earnings	30,000	30,000	40,081	10,081
Federal revenue from intermediate sources	542,000	542,000	613,137	71,137
Other	170,374	170,374	235,611	65,237
State sources	12,061,869	12,061,869	12,630,045	568,176
Federal sources	<u>378,389</u>	<u>378,389</u>	<u>359,148</u>	<u>(19,241)</u>
Total revenues	<u>36,307,521</u>	<u>36,307,521</u>	<u>38,043,385</u>	<u>1,735,864</u>
EXPENDITURES				
Instruction	22,368,089	22,106,884	22,019,418	87,466
Support services	11,323,852	11,222,215	10,803,349	418,866
Operation of noninstructional services	1,029,570	1,031,485	1,119,746	(88,261)
Facilities acquisition, construction and improvements	243,000	279,927	304,107	(24,180)
Debt service:				
Principal	49,800	2,445,800	2,427,135	18,665
Interest	7,900	1,132,513	1,145,209	(12,696)
Refund of prior year receipts	<u>0</u>	<u>0</u>	<u>6,800</u>	<u>(6,800)</u>
Total expenditures	<u>35,022,211</u>	<u>38,218,824</u>	<u>37,825,764</u>	<u>393,060</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from capital leases	243,000	243,000	230,276	(12,724)
Insurance recoveries	0	0	878	878
Proceeds from sale of fixed assets	1,000	1,000	2,394	1,394
Interfund transfers	<u>(3,427,687)</u>	<u>(231,074)</u>	<u>(224,968)</u>	<u>6,106</u>
Total other financing sources and (uses)	<u>(3,183,687)</u>	<u>12,926</u>	<u>8,580</u>	<u>(4,346)</u>
Net change in fund balances	(1,898,377)	(1,898,377)	226,201	2,124,578
Fund balance - beginning	<u>5,738,924</u>	<u>5,738,924</u>	<u>7,169,231</u>	<u>1,430,307</u>
Fund balance - ending	<u>\$ 3,840,547</u>	<u>\$ 3,840,547</u>	<u>\$ 7,395,432</u>	<u>\$ 3,554,885</u>

NORTHERN YORK COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012

Grantor Program Title	Federal CFDA Number	Pass Through Grantor's Number	Grant Period Beginning/Ending Date	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue at July 1, 2011	Revenue Recognized	Expenditures Recognized	Accrued or (Deferred) Revenue at June 30, 2012
U.S. Department of Education									
<u>Passed through the Pennsylvania Department of Education</u>									
ESEA Title I	84.010	013-12-0302A	July 1, 2011 - June 30, 2012	283,481	\$ 227,507	\$ 0	\$ 283,481	\$ 283,481	\$ 55,974
ESEA Title I	84.010	013-11-0302	July 1, 2010 - June 30, 2011	301,532	21,538	21,538	0	0	0
Academic Achievement	84.010	077-11-0302	July 1, 2011 - June 30, 2012	5,000	5,000	0	5,000	5,000	0
ESEA Title II Part A	84.281	020-12-0302A	July 1, 2011 - June 30, 2012	63,413	45,545	0	63,413	63,413	17,868
Education Jobs Fund - ARRA	84.410A	140-120-302	July 1, 2011 - June 30, 2012	7,788	0	0	7,788	7,788	7,788
<u>Passed through Capital Area Intermediate Unit</u>									
I.D.E.A.	84.027	N/A	July 1, 2011 - June 30, 2012	481,444	339,454	0	484,220	484,220	144,766
I.D.E.A.	84.027	N/A	July 1, 2010 - June 30, 2011	490,170	199,656	199,656	0	0	0
I.D.E.A. - ARRA	84.391	N/A	July 1, 2009 - June 30, 2010	549,448	55,580	55,580	0	0	0
Total U.S. Department of Education					<u>894,280</u>	<u>276,774</u>	<u>843,902</u>	<u>843,902</u>	<u>226,396</u>
U.S. Department of Agriculture									
<u>Passed through the Pennsylvania Department of Education</u>									
National School Lunch Program	10.555	N/A	July 1, 2011 - June 30, 2012	N/A	225,559	49,552	202,228	202,228	26,221
Breakfast	10.553	N/A	July 1, 2011 - June 30, 2012	N/A	26,140	6,706	23,599	23,599	4,165
Special Milk	10.556	N/A	July 1, 2011 - June 30, 2012	N/A	1,395	1,395	0	0	0
<u>Passed through the Pennsylvania Department of Agriculture</u>									
Value of USDA Commodities	10.555 (B)	N/A	July 1, 2011 - June 30, 2012	N/A	64,673	(2,463)	66,892	66,892	(244)
Total U.S. Department of Agriculture					<u>317,767</u>	<u>55,190</u>	<u>292,719</u>	<u>292,719</u>	<u>30,142</u>
U.S. Department of Public Welfare									
<u>Passed through the Pennsylvania Department of Public Welfare</u>									
Medical Assistance	93.778	N/A	July 1, 2010 - September 30, 2011	N/A	2,500	2,500	0	0	0
Total U.S. Department of Public Welfare					<u>2,500</u>	<u>2,500</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditure of Federal Awards					<u>\$ 1,214,547</u>	<u>\$ 334,464</u>	<u>\$ 1,136,621</u>	<u>\$ 1,136,621</u>	<u>\$ 256,538</u>

NORTHERN YORK COUNTY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. References to Schedule of Expenditures of Federal Awards

(B) Based on USDA valuation

Note 2. Federal Awards by CFDA Number/Cluster

Project Title	CFDA No.	Expenditures	Percent
I.D.E.A.	84.027	\$ 484,220 (A)	42.6%
ESEA Title I	84.010	288,481	25.4%
Child Nutrition Cluster:			
National School Lunch Program	10.555	202,228	
Donated Commodities	10.555	66,892	
Breakfast	10.553	<u>23,599</u>	
		292,719	25.8%
ESEA Title II, Part A	84.367	63,413	5.6%
Education Jobs Funds - ARRA	84.410A	<u>7,788</u>	<u>0.7%</u>
Total federal awards		<u>\$ 1,136,621</u>	<u>100.0%</u>

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

Note 3. Significant Accounting Policies

Basis of Accounting

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



**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 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, 2012, which collectively comprise the Northern York County School District's basic financial statements, and have issued our report thereon dated November 16, 2012. The report on the aggregate remaining fund information was qualified because the School District's legally separate component unit was not included and separate reporting entity financial statements that included the component unit were not prepared. Except as discussed in the preceding sentence, 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.

Internal Control Over Financial Reporting

Management of Northern York County School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness Northern York County School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Northern York County School District's internal control over financial reporting.

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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of 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 that are required to be reported under *Government Auditing Standards*.



Board of Directors
Northern York County School District

We noted certain matters that we reported to management of the School District in a separate letter dated November 16, 2012.

This report is intended solely for the information and use of management, the Board of Directors, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Smith Elliott Kearns & Company, LLC

Chambersburg, Pennsylvania
November 16, 2012



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
Northern York County School District
Dillsburg, Pennsylvania

Compliance

We have audited the compliance of Northern York County School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2012. The 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and NonProfit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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. Our audit does not provide a legal determination of the School District's compliance with those requirements.

In our opinion, Northern York County School District complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

Management of Northern York County School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.



Board of Directors
Northern York County School District

A deficiency in internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Smith Elliott Kearns & Company, LLC

Chambersburg, Pennsylvania
November 16, 2012

NORTHERN YORK COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

A. Summary of Auditor’s Results

- A. The auditor’s report expresses an unqualified opinion on the financial statements of the governmental activities, business-type activities and each major fund of Northern York County School District. A qualified opinion was expressed on the financial statements of the aggregate remaining fund information of the School District.
- B. No findings relating to the audit of the financial statements are reported in the “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”.
- C. No instances of noncompliance material to the financial statements of Northern York County School District were disclosed during the audit.
- D. No significant deficiencies relating to the audit of the major federal award programs are reported in the “Independent Auditor’s Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133”.
- E. The auditor’s report on compliance for the major federal award programs for Northern York County School District expresses an unqualified opinion.
- F. Audit findings relative to the major federal award programs for Northern York County School District are reported in Part C of this Schedule.
- G. The programs tested as major programs include:

I.D.E.A.	84.027
Child Nutrition Cluster	10.553 and 10.555

- H. The threshold for distinguishing Types A and B programs was \$ 300,000.
- I. Northern York County School District did not qualify as a low-risk auditee.

B. Findings - Financial Statements Audit

None

C. Findings and Questioned Costs – Major Federal Award Programs Audit

None

**NORTHERN YORK COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT
FINDINGS RELATED TO FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012**

Findings related to federal awards:

None