

Audited  
Financial  
Statement

June 30  
2013

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**Northern York County School District**



# CONTENTS

	<b>PAGE</b>
<b>LIST OF REPORT DISTRIBUTION</b>	1
<b>INDEPENDENT AUDITOR'S REPORT</b>	2 - 5
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS (required supplementary information) - unaudited</b>	6 - 14
<b>FINANCIAL STATEMENTS</b>	
Government-wide financial statements	
Statement of net position	15
Statement of activities	16
Fund financial statements	
Balance sheet - governmental funds	17
Reconciliation of the governmental funds balance sheet to statement of net position	18
Statement of revenues, expenditures, and changes in fund balances - governmental funds	19
Reconciliation of the governmental funds statement of revenues, expenditures, and changes in fund balance to the statement of activities	20
Statement of net position - proprietary fund	21
Statement of revenues, expenses, and changes in fund net position - proprietary fund	22
Statement of cash flows - proprietary fund	23
Statement of fiduciary net position	24
Statement of changes in fiduciary net position	25
Notes to financial statements	26 - 50
<b>REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)</b>	
OPEB required schedule of funding progress	51
Budgetary comparison schedule - general fund	52
<b>OTHER SUPPLEMENTARY INFORMATION</b>	
Schedule of expenditures of federal awards	53
Notes to schedule of expenditures of federal awards	54
<b>INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS</b>	55 - 56
<b>INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133</b>	57 - 59
<b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</b>	60 - 62
<b>SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS RELATED TO FEDERAL AWARDS</b>	63

# NORTHERN YORK COUNTY SCHOOL DISTRICT

## List of Report Distribution

June 30, 2013

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

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



## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Northern York County School District  
Dillsburg, Pennsylvania

### ***REPORT ON FINANCIAL STATEMENTS***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Northern York County School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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



Board of Directors  
Northern York County School District

***Basis for Qualified Opinion on Aggregate Remaining Fund Information***

The financial statements referred to above 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 financial data for those component units 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 units. 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 are understated by \$ 205,175, the net position is understated by \$ 205,175, the revenues are understated by \$ 74,387, and the expenses are understated by \$ 77,537 in the aggregate remaining fund information, based on unaudited cash basis financial information provided to us.

***Qualified Opinion on Aggregate Remaining Fund Information***

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Aggregate Remaining Fund Information" paragraph, 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, 2013, and the changes in financial position and cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Northern York County School District, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis-of-Matter***

As described in Note 1, the School District has implemented a reporting model to account for deferred inflows, deferred outflows, net position and items previously recorded as assets and liabilities required by the provisions of the Governmental Accounting Standards Board ("GASB") Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement 65, *Items Previously Recognized as Assets and Liabilities*, as of July 1, 2012. Our opinion has not been modified with respect to this matter.



Board of Directors  
Northern York County School District

### ***Other Matters***

#### *Prior-Year Comparative Information*

The financial statements include summarized prior-year comparative information. Such information does not include all the information required for presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the School District's financial statements for the year ended June 30, 2012, from which summarized information was derived.

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, OPEB schedule of funding progress, and budgetary comparison information on pages 6 - 14, 51, and 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

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

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



Board of Directors  
Northern York County School District

***OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2013 on our consideration of the Northern York County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northern York County School District's internal control over financial reporting and compliance.

*Smith Elliott Kearns & Company, LLC*

Chambersburg, Pennsylvania  
December 2, 2013

# **NORTHERN YORK COUNTY SCHOOL DISTRICT**

## **Management's Discussion and Analysis (Unaudited)**

**June 30, 2013**

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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, 2013. Comparative financial information between fiscal years ending June 30, 2012 and June 30, 2013 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***

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- For the year 2012-2013, the School Board adopted a balanced General Fund Budget. In order to balance the budget, a real estate tax rate of 14.9203 mills was required, along with the anticipated use of \$1,097,984 from the fund balance. Included in the budget was a \$38,158 transfer into the Food Service Fund to pay for new and replacement equipment and half of the Food Service Director's salary. General Fund actual revenues exceeded actual expenditures by \$1,095,947 rather than the expenditures exceeding revenues by \$1,097,984 as expected. Actual revenues exceeded budgeted revenues by \$920,261 primarily in the areas of earned income taxes and the accountability block grant. General Fund actual expenditures were less than budgeted expenditures by \$1,015,381. This difference is attributed to administrative and professional staff not being hired, special education costs being less than anticipated, cyber charter tuitions being less than anticipated, and building repairs and maintenance being less than anticipated.
- The School District received \$722,798 from the State to fund property tax reductions. Property owners in the School District who filed and received approval for a homestead/farmstead exclusion saw their net tax due decrease by this amount.

### ***OVERVIEW OF THE FINANCIAL STATEMENTS***

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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 15 and 16 consist of the Statement of Net Position and the Statement of Activities. The government-wide financial statements provide both short-term and long-term information about the School District's overall financial status.



# **NORTHERN YORK COUNTY SCHOOL DISTRICT**

## **Management's Discussion and Analysis (Unaudited)**

### **June 30, 2013**

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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 17 and 19 present how general School District services, such as regular and special education, are financed in the short-term as well as what remains for future spending. The statement of revenues, expenditures and changes in fund balance – budget and actual for the general fund is shown on page 52 and provides the budgetary comparisons to the actual revenues, expenditures and other financing sources (uses). The proprietary fund statements on pages 21 - 23 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 24 and 25 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 26 - 50. These notes provide a more detailed explanation of the School District's financial statements. Following the notes to the basic financial statements is supplementary information on pages 51 - 52 that details budgetary information and other post-employment benefit information.

### ***Government-Wide Statements***

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

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

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

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

# **NORTHERN YORK COUNTY SCHOOL DISTRICT**

## **Management's Discussion and Analysis (Unaudited)**

### **June 30, 2013**

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#### ***Fund Financial Statements***

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

- Governmental funds – Most of the School District's activities are reported in governmental funds, and focus on financial position and changes in financial position, rather than upon net income determination. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. The relationship (or differences) between governmental activities (reported in the Statements of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements on pages 18 and 20.
- 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 24 and 25.

#### ***FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE***

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##### ***Net Position***

The School District's total net position was \$16,213,620 at June 30, 2013 which includes \$16,016,050 in Governmental Activities and \$197,570 in Business-Type Activities. This shows an increase of \$2,254,615 over total net position of \$13,959,005 at June 30, 2012 as restated.

**NORTHERN YORK COUNTY SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2013**

***Statement of Net Position***

	2013			2012 (as restated)		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current assets	\$ 13,726,455	\$ 133,084	\$ 13,771,868 *	\$ 11,671,404	\$ 179,063	\$ 11,693,654
Noncurrent assets	40,435,906	211,855	40,647,761	41,396,005	251,906	41,647,911
Deferred outflows of resources	236,684	-	236,684	258,022	-	258,022
Total Assets and Deferred Outflows of Resources	<u>\$ 54,399,045</u>	<u>\$ 344,939</u>	<u>\$ 54,656,313</u>	<u>\$ 53,325,431</u>	<u>\$ 430,969</u>	<u>\$ 53,599,587</u>
Current liabilities	\$ 6,933,082	\$ 120,935	\$ 6,966,346 *	\$ 6,193,261	\$ 192,129	\$ 6,228,577
Noncurrent liabilities	31,449,913	26,434	31,476,347	33,389,453	22,552	33,412,005
Total Liabilities	<u>38,382,995</u>	<u>147,369</u>	<u>38,442,693</u>	<u>39,582,714</u>	<u>214,681</u>	<u>39,640,582</u>
Net investment in capital assets	8,467,453	211,855	8,679,308	7,101,446	251,906	7,353,352
Restricted	184,348	-	184,348	112,473	-	112,473
Unrestricted	7,364,249	(14,285)	7,349,964	6,528,798	(35,618)	6,493,180
Total Net Position	<u>16,016,050</u>	<u>197,570</u>	<u>16,213,620</u>	<u>13,742,717</u>	<u>216,288</u>	<u>13,959,005</u>
Total Liabilities and Net Position	<u>\$ 54,399,045</u>	<u>\$ 344,939</u>	<u>\$ 54,656,313</u>	<u>\$ 53,325,431</u>	<u>\$ 430,969</u>	<u>\$ 53,599,587</u>

\* - Net of eliminations

***Statement of Activities***

The results of this year's operations as a whole are reported in the Statement of Activities. Direct expenses are listed by programs, and then offset by program revenues to determine net (expense) revenue and changes in net 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 position. For the 2012-2013 fiscal year, the change in net position for governmental activities reflects an increase of \$2,273,333 and a decrease of \$18,718 for business-type activities, or a total net increase of \$2,254,615 as reflected in the chart below.

	2013			2012 (as restated)		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Program Revenues						
Charges for Services	\$ 240,619	\$ 756,149	\$ 996,768	\$ 195,972	\$ 784,416	\$ 980,388
Operating grants and contributions	5,660,991	376,281	6,037,272	5,418,090	354,432	5,772,522
Capital grants and contributions	562,118	-	562,118	489,336	-	489,336
General Revenues						
Taxes	25,016,553	-	25,016,553	24,268,731	-	24,268,731
State Grants and subsidies	7,683,304	-	7,683,304	7,682,177	-	7,682,177
Other local revenue	54,573	-	54,573	16,007	-	16,007
Investment earnings	28,652	12	28,664	40,108	38	40,146
Total revenues	<u>39,246,810</u>	<u>1,132,442</u>	<u>40,379,252</u>	<u>38,110,421</u>	<u>1,138,886</u>	<u>39,249,307</u>
Direct expenses	<u>36,935,319</u>	<u>1,189,318</u>	<u>38,124,637</u>	<u>36,899,566</u>	<u>1,184,231</u>	<u>38,083,797</u>
Excess (deficiency) before transfers	2,311,491	(56,876)	2,254,615	1,210,855	(45,345)	1,165,510
Transfers between activities	(38,158)	38,158	-	(8,894)	8,894	-
Change in net position	<u>\$ 2,273,333</u>	<u>\$ (18,718)</u>	<u>\$ 2,254,615</u>	<u>\$ 1,201,961</u>	<u>\$ (36,451)</u>	<u>\$ 1,165,510</u>

# NORTHERN YORK COUNTY SCHOOL DISTRICT

## Management's Discussion and Analysis (Unaudited)

### June 30, 2013

#### 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 \$13,906,413 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 \$35,753 or 0.10% over the prior year for governmental activities. This increase was primarily due to retirement costs increasing for all qualified employees. Governmental activities program revenues increased \$360,330 or 5.9% over the prior year. The primary reason was due to the increase in state subsidy for retirement. Business-type activities posted an operating net loss of \$18,718 which is \$17,733 less than the prior year.

	2013			2012 (as restated)		
	Direct Expenses	Program Revenues	Net Cost	Direct Expenses	Program Revenues	Net Cost
<b>Governmental Activities</b>						
Instruction	\$ 23,095,510	\$ 3,989,371	\$ 19,106,139	\$ 23,295,418	\$ 3,797,027	\$ 19,498,391
Instructional student support	2,166,188	232,128	1,934,060	2,501,095	195,022	2,306,073
Administrative and financial support	3,675,886	188,533	3,487,353	3,228,676	144,838	3,083,838
Operation and maintenance of plant	3,643,228	123,231	3,519,997	3,525,421	105,305	3,420,116
Pupil transportation	1,984,462	1,160,012	824,450	1,972,349	1,206,023	766,326
Student activities	1,204,137	205,483	998,654	1,151,184	164,118	987,066
Community services	3,017	2,852	165	1,848	1,729	119
Interest on long-term debt	<u>1,162,891</u>	<u>562,118</u>	<u>600,773</u>	<u>1,223,575</u>	<u>489,336</u>	<u>734,239</u>
Total Governmental Activities	\$ <u>36,935,319</u>	\$ <u>6,463,728</u>	\$ 30,471,591	\$ <u>36,899,566</u>	\$ <u>6,103,398</u>	\$ 30,796,168
Unrestricted grants and subsidies			(7,683,304)			(7,682,177)
Transfers			38,158			8,894
Investment earnings			<u>(28,652)</u>			<u>(40,108)</u>
Total needs from taxes and other local sources			\$ <u>22,797,793</u>			\$ <u>23,082,777</u>
<b>Business-type Activities</b>						
	Direct Expenses	Program Revenues	Net Cost	Direct Expenses	Program Revenues	Net Cost
Food services	\$ 1,189,318	\$ 1,132,430	\$ 56,888	\$ 1,184,231	\$ 1,138,848	\$ 45,383
Transfers			(38,158)			(8,894)
Investment earnings			<u>(12)</u>			<u>(38)</u>
Total business-type activities			\$ <u>18,718</u>			\$ <u>36,451</u>

**NORTHERN YORK COUNTY SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2013**

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***Governmental Fund Balance***

At June 30, 2013, the School District governmental funds reported a combined fund balance of \$8,675,727, which is an increase of \$1,167,822 from the June 30, 2012 combined fund balance.

	<b>Governmental Fund Balance</b>			
	<b>2013</b>	<b>2012</b>	<b>\$ Change</b>	<b>% Change</b>
General Fund - Nonspendable	\$ 243,486	\$ 201,678	\$ 41,808	20.73%
General Fund - Committed	1,261,249	1,249,028	12,221	0.98%
General Fund - Assigned	1,928,462	1,186,793	741,669	62.49%
General Fund - Unassigned	5,058,182	4,757,933	300,249	6.31%
Capital Reserve Fund - Restricted	<u>184,348</u>	<u>112,473</u>	<u>71,875</u>	<u>63.90%</u>
	<u>\$ 8,675,727</u>	<u>\$ 7,507,905</u>	<u>\$ 1,167,822</u>	<u>15.55%</u>
Total spendable	\$ 8,247,893	\$ 7,193,754	\$ 1,054,139	14.65%
Total restricted	184,348	112,473	71,875	63.90%
Total nonspendable	<u>243,486</u>	<u>201,678</u>	<u>41,808</u>	<u>20.73%</u>
	<u>\$ 8,675,727</u>	<u>\$ 7,507,905</u>	<u>\$ 1,167,822</u>	<u>15.55%</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 significant increase in the PSERS rates, the School District watched expenditures closely and purchased only supplies and other items as needed. The School District also did not hire to fill some positions that were in the budget. 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 and the change of tax collectors in January 2012, actual revenue from earned income tax collection exceeded the budgeted amount by \$670,130.

The increase in the Capital Reserve Fund reserved fund balance was anticipated. The School District has decided to slowly build this fund for future use for items that are not built into the General Fund budget. Part of the increase was caused by one capital project, budgeted at \$46,000, not being completed by June 30, 2013. A transfer is budgeted for 2013-2014 and this fund will continue to be used for significant, planned capital projects and for emergency capital projects.

**NORTHERN YORK COUNTY SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2013**

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***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.

	2013			2012		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
Total revenues	\$ 38,218,997	\$ 39,139,258	\$ 920,261	\$ 36,307,521	\$ 38,043,385	\$ 1,735,864
Total expenditures	<u>39,527,432</u>	<u>38,512,051</u>	<u>1,015,381</u>	<u>38,218,824</u>	<u>37,825,764</u>	<u>393,060</u>
Revenues over (under) expenditures	(1,308,435)	627,207	1,935,642	(1,911,303)	217,621	2,128,924
Other financing sources (uses)	<u>210,451</u>	<u>468,740</u>	<u>258,289</u>	<u>12,926</u>	<u>8,580</u>	<u>(4,346)</u>
Net change in fund balance	\$ <u>(1,097,984)</u>	\$ <u>1,095,947</u>	\$ <u>2,193,931</u>	\$ <u>(1,898,377)</u>	\$ <u>226,201</u>	\$ <u>2,124,578</u>

***CAPITAL ASSETS***

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At June 30, 2013, the School District recorded \$40,435,906 in governmental activities capital assets, which represents a decrease of \$960,099 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 School District-wide lighting project, netted against the depreciation of current capital assets.

***Capital Assets (Net of Depreciation)***

	2013	2012	Change
Governmental activities			
Land	\$ 326,188	\$ 326,188	\$ 0
Site improvements	760,970	792,578	(31,608)
Buildings and improvements	38,272,495	38,847,255	(574,760)
Furniture and equipment	<u>1,076,253</u>	<u>1,429,984</u>	<u>(353,731)</u>
Total governmental capital assets	\$ <u>40,435,906</u>	\$ <u>41,396,005</u>	\$ <u>(960,099)</u>
Business-type activities			
Food service equipment	\$ <u>211,855</u>	\$ <u>251,906</u>	\$ <u>(40,051)</u>

**NORTHERN YORK COUNTY SCHOOL DISTRICT**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2013**

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***LONG-TERM LIABILITIES***

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Bonds and notes payable at June 30, 2012 were \$34,552,582 and \$32,205,137 at June 30, 2013. Scheduled principal payments totaling \$2,575,000 were made to bondholders during 2012-2013. The GO Bond Series of 2010 was refunded with the GO Bond Series 2012. Subsequent to year end, the School District refunded the GO Bond Series of 2008 with the GO Bond Series of 2013 in the amount of \$8,075,000.

Lease-purchase obligations at June 30, 2012 were \$336,270 and \$664,589 at June 30, 2013. Three leases were entered into during 2012-2013. One was for the School District-wide lighting project with a cost of \$529,696 and the other two 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 the School District, employees are reimbursed based on their accumulated sick days, or a portion thereof, multiplied by an amount pre-established per the employment contract. The total liability for accrued vacation, personal and sick leave has been reflected in the Statement of Net Position and totals \$846,507 for the Governmental Activities and \$23,327 for the Business-type Activities for year ended June 30, 2013. Employees who retire with 15 years of service are eligible to remain on the School Districts health care plan until age 65. The liability for these post-employment benefits has been reflected in the Statement of Net Position and totals \$461,518 for the Government Activities and \$4,899 for the Business-type Activities for year ended June 30, 2013. The combined change in these liabilities represents an increase from 2011-2012 of \$96,557 in the Governmental Activities and \$3,354 in the Business-type Activities.

***2013-2014 BUDGET (PDE-2028) AND ECONOMIC FACTORS***

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	<b>Budget 2013-2014</b>	<b>Budget 2012-2013</b>	<b>Change</b>
Total revenues	\$ 39,325,792	\$ 38,218,997	\$ 1,106,795
Total expenditures	<u>36,812,868</u>	<u>35,290,415</u>	<u>1,522,453</u>
Revenues over (under) expenditures	2,512,924	2,928,582	(415,658)
Other financing sources (uses)	<u>(4,360,140)</u>	<u>(4,026,566)</u>	<u>(333,574)</u>
Net change in fund balance	<u>\$ (1,847,216)</u>	<u>\$ (1,097,984)</u>	<u>\$ (749,232)</u>

The new budget for 2013-2014 represents an increase in total expenditures of 3.26%. This increase is due to many factors such as: increases in base salary, increase in medical benefit rates, PSERS rate increase from 12.36% to 16.93%, and an increase in tuition rates to outside placements. The 2013-2014 budgeted revenues reflect a millage increase of .3133 mills. The 2013-2014 real estate tax assessment is 15.2336 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 2013-2014 fiscal year.

# **NORTHERN YORK COUNTY SCHOOL DISTRICT**

## **Management's Discussion and Analysis (Unaudited)**

### **June 30, 2013**

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Budgeted employee health care premiums increased 3% for 2013-2014. Health care premiums are anticipated to increase an additional 4.5% for 2014-2015. 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 2012-2013 general fund unassigned fund balance of \$5,058,182 represents 12.19% of 2013-2014 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 2013-2014 budget reflects the estimated receipt of \$723,060 from the state to be used to reduce property taxes. Northern York County's adjusted index for 2013-2014 was set at 2.1%. The index limits the rate of increase on tax mills.

The 2012-2013 fiscal year is the third year of a four year contract with the Northern York Education Association.

#### ***CONTACTING THE SCHOOL DISTRICT FINANCIAL MANAGEMENT***

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



# NORTHERN YORK COUNTY SCHOOL DISTRICT

## Statement of Net Position

June 30, 2013

			Totals	
	Governmental Activities	Business-Type Activities	2013	Summarized (as restated)
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 7,875,582	\$ 32,826	\$ 7,908,408	\$ 2,690,942
Investments	2,695,000	-	2,695,000	6,195,000
Receivables:				
Taxes, net	1,936,293	-	1,936,293	1,750,902
Intergovernmental	719,122	38,503	757,625	684,689
Other	169,301	49,071	218,372	159,897
Internal balances	87,671	-	-	*
Prepaid items	98,365	-	98,365	38,604
Inventories	145,121	12,684	157,805	173,620
Total current assets	<u>13,726,455</u>	<u>133,084</u>	<u>13,771,868</u>	<u>11,693,654</u>
<b>Noncurrent Assets</b>				
Land	326,188	-	326,188	326,188
Site improvements, net	760,970	-	760,970	792,578
Buildings, net	38,272,495	-	38,272,495	38,847,255
Equipment, furniture and fixtures, net	1,076,253	211,855	1,288,108	1,681,890
Total noncurrent assets	<u>40,435,906</u>	<u>211,855</u>	<u>40,647,761</u>	<u>41,647,911</u>
<b>TOTAL ASSETS</b>	<u>54,162,361</u>	<u>344,939</u>	<u>54,419,629</u>	<u>53,341,565</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charge on bond refunding	236,684	-	236,684	258,022
Total assets and deferred outflow of resources	<u>\$ 54,399,045</u>	<u>\$ 344,939</u>	<u>\$ 54,656,313</u>	<u>\$ 53,599,587</u>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Internal balances	\$ -	\$ 87,671	\$ -	\$ -
Accounts payable	376,674	929	377,603	402,816
Accrued salaries and benefits/withholdings	3,664,040	30,543	3,694,583	2,887,571
Accrued interest	164,531	-	164,531	225,005
Portion due or payable within one year:				
General obligation bonds and notes payable	2,448,466	-	2,448,466	2,420,256
Capital leases	201,233	-	201,233	164,580
Compensated absences	78,138	1,792	79,930	128,349
Total current liabilities	<u>6,933,082</u>	<u>120,935</u>	<u>6,966,346</u>	<u>6,228,577</u>
<b>Noncurrent liabilities</b>				
Portion due or payable after one year:				
General obligation bonds and notes payable	29,756,671	-	29,756,671	32,132,325
Capital leases	463,356	-	463,356	171,690
OPEB liability	461,518	4,899	466,417	342,032
Compensated absences	768,368	21,535	789,903	765,958
Total noncurrent liabilities	<u>31,449,913</u>	<u>26,434</u>	<u>31,476,347</u>	<u>33,412,005</u>
<b>TOTAL LIABILITIES</b>	<u>38,382,995</u>	<u>147,369</u>	<u>38,442,693</u>	<u>39,640,582</u>
<b>NET POSITION</b>				
Net investment in capital assets	8,467,453	211,855	8,679,308	7,353,352
Restricted	184,348	-	184,348	112,473
Unrestricted	7,364,249	(14,285)	7,349,964	6,493,180
TOTAL NET POSITION	<u>16,016,050</u>	<u>197,570</u>	<u>16,213,620</u>	<u>13,959,005</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 54,399,045</u>	<u>\$ 344,939</u>	<u>\$ 54,656,313</u>	<u>\$ 53,599,587</u>

\* - Net of eliminations

# NORTHERN YORK COUNTY SCHOOL DISTRICT

## Statement of Activities

Year Ended June 30, 2013

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position			Totals
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	2013	
Governmental activities:								
Instruction	\$ 23,095,510	\$ 77,417	\$ 3,911,954	\$ -	\$ (19,106,139)	\$ -	\$ (19,106,139)	\$ (19,498,391)
Instructional student support	2,166,188	-	232,128	-	(1,934,060)	-	(1,934,060)	(2,306,073)
Administrative and financial support services	3,675,886	-	188,533	-	(3,487,353)	-	(3,487,353)	(3,083,838)
Operation and maintenance of plant services	3,643,228	15,858	107,373	-	(3,519,997)	-	(3,519,997)	(3,420,116)
Pupil transportation	1,984,462	-	1,160,012	-	(824,450)	-	(824,450)	(766,326)
Student activities	1,204,137	147,344	58,139	-	(998,654)	-	(998,654)	(987,066)
Community services	3,017	-	2,852	-	(165)	-	(165)	(119)
Interest on long-term debt	1,162,891	-	-	562,118	(600,773)	-	(600,773)	(734,239)
Total governmental activities	36,935,319	240,619	5,660,991	562,118	(30,471,591)	-	(30,471,591)	(30,796,168)
Business-type activities:								
Food services	1,189,318	756,149	376,281	-	-	(56,888)	(56,888)	(45,383)
Total primary government	\$ 38,124,637	\$ 996,768	\$ 6,037,272	\$ 562,118	\$ (30,471,591)	\$ (56,888)	\$ (30,528,479)	\$ (30,841,551)
<b>General revenues and transfers:</b>								
Property taxes levied for general purposes, public utility realty tax, earned income tax					\$ 25,016,553	\$ -	\$ 25,016,553	\$ 24,268,731
Grants, subsidies and contributions not restricted					7,683,304	-	7,683,304	7,682,177
Investment earnings					28,652	12	28,664	40,146
Gain on sale of fixed assets					604	-	604	2,394
Miscellaneous income					53,969	-	53,969	13,613
Transfers					(38,158)	38,158	-	-
Total general revenues and transfers					32,744,924	38,170	32,783,094	32,007,061
Change in net position					2,273,333	(18,718)	2,254,615	1,165,510
Net position - beginning - as restated					13,742,717	216,288	13,959,005	12,793,495
Net position - ending					\$ 16,016,050	\$ 197,570	\$ 16,213,620	\$ 13,959,005

# NORTHERN YORK COUNTY SCHOOL DISTRICT

## Balance Sheet - Governmental Funds

June 30, 2013

	Totals			
	General Fund	Capital Reserve Fund	2013	2012 Summarized
<b>ASSETS</b>				
Cash and cash equivalents	\$ 7,691,234	\$ 184,348	\$ 7,875,582	\$ 2,600,377
Investments	2,695,000	-	2,695,000	6,195,000
Taxes receivable, net	1,936,293	-	1,936,293	1,750,902
Due from other funds	87,671	-	87,671	156,813
Receivable from other governments	719,122	-	719,122	650,458
Other receivables	169,301	-	169,301	116,176
Inventories	145,121	-	145,121	163,074
Prepaid expenses	98,365	-	98,365	38,604
Total assets	<u>\$ 13,542,107</u>	<u>\$ 184,348</u>	<u>\$ 13,726,455</u>	<u>\$ 11,671,404</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 376,674	\$ -	\$ 376,674	\$ 401,889
Unearned revenue	7,908	-	7,908	1,680
Accrued salaries and benefits/withholdings	3,664,040	-	3,664,040	2,855,502
Total liabilities	<u>4,048,622</u>	<u>-</u>	<u>4,048,622</u>	<u>3,259,071</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable tax revenue	1,002,106	-	1,002,106	904,428
Total deferred inflows of resources	<u>1,002,106</u>	<u>-</u>	<u>1,002,106</u>	<u>904,428</u>
<b>FUND BALANCES</b>				
<b>Nonspendable fund balance</b>				
Inventories	145,121	-	145,121	163,074
Prepaid expenses	98,365	-	98,365	38,604
<b>Spendable fund balance</b>				
Restricted fund balance				
Future capital improvements	-	184,348	184,348	112,473
Committed fund balance				
Retirement	470,000	-	470,000	470,000
Special needs	210,000	-	210,000	210,000
Transportation	100,000	-	100,000	100,000
Debt service	456,249	-	456,249	444,028
Capital projects and repairs	25,000	-	25,000	25,000
Assigned fund balance				
Future student activities	81,246	-	81,246	88,809
2013 - 2014 budget deficit	1,847,216	-	1,847,216	1,097,984
Unassigned fund balance	5,058,182	-	5,058,182	4,757,933
Total fund balances	<u>8,491,379</u>	<u>184,348</u>	<u>8,675,727</u>	<u>7,507,905</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 13,542,107</u>	<u>\$ 184,348</u>	<u>\$ 13,726,455</u>	<u>\$ 11,671,404</u>

**NORTHERN YORK COUNTY SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Balance Sheet to the**  
**Statement of Net Position**  
**June 30, 2013**

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**Total fund balances - governmental funds** \$ 8,675,727

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

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

Cost of assets	67,255,495	
Accumulated depreciation	<u>(26,819,589)</u>	
		40,435,906

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. 1,010,014

Deferred charges on bond refundings are reported as a deferred outflow of resources in the statement of net position. 236,684

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

Bonds and notes payable, net of discount and premium	(32,205,137)	
Accrued interest on bonds	(164,531)	
Compensated absences	(846,506)	
Capital leases	(664,589)	
OPEB liability	<u>(461,518)</u>	
		<u>(34,342,281)</u>

**Net position of governmental activities in the Statement of Net Position** \$ 16,016,050

**NORTHERN YORK COUNTY SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
**Year Ended June 30, 2013**

	<b>Totals</b>			
	<b>General Fund</b>	<b>Capital Reserve Fund</b>	<b>2013</b>	<b>2012 Summarized</b>
<b>REVENUES</b>				
Local revenues				
Taxes	\$ 24,912,647	\$ 0	\$ 24,912,647	\$ 24,165,363
Investment earnings	28,604	48	28,652	40,108
Revenue from intermediate sources	546,556	0	546,556	613,137
Other	326,644	0	326,644	235,611
State sources	12,975,830	0	12,975,830	12,630,045
Federal sources	348,977	0	348,977	359,148
Total revenues	<u>39,139,258</u>	<u>48</u>	<u>39,139,306</u>	<u>38,043,412</u>
<b>EXPENDITURES</b>				
Instruction	21,696,717	0	21,696,717	22,019,418
Support services	11,072,382	0	11,072,382	10,803,349
Operation of noninstructional services	1,162,198	0	1,162,198	1,119,746
Facilities acquisition, construction and improvements	539,398	235,564	774,962	409,713
Debt service:				
Principal	2,786,079	0	2,786,079	2,427,135
Interest	1,099,633	0	1,099,633	1,145,209
Bond issue costs	74,291	0	74,291	0
Underwriter's bond discount	73,840	0	73,840	0
Refund of prior year receipts	7,513	0	7,513	6,800
Total expenditures	<u>38,512,051</u>	<u>235,564</u>	<u>38,747,615</u>	<u>37,931,370</u>
Excess (deficiency) of revenues over expenditures	<u>627,207</u>	<u>( 235,516)</u>	<u>391,691</u>	<u>112,042</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from long-term financing	9,230,000	0	9,230,000	0
Refunding of G.O. Bonds	( 9,068,000)	0	( 9,068,000)	0
Bond premium	111,293	0	111,293	0
Proceeds from capital leases	539,398	0	539,398	230,276
Insurance recoveries	994	0	994	878
Proceeds from sale of capital assets	604	0	604	2,394
Interfund transfers	( 345,549)	307,391	( 38,158)	( 8,894)
Total other financing sources and uses	<u>468,740</u>	<u>307,391</u>	<u>776,131</u>	<u>224,654</u>
Net change in fund balances	<u>1,095,947</u>	<u>71,875</u>	<u>1,167,822</u>	<u>336,696</u>
Fund balances - beginning	<u>7,395,432</u>	<u>112,473</u>	<u>7,507,905</u>	<u>7,171,209</u>
Fund balances - ending	<u>\$ 8,491,379</u>	<u>\$ 184,348</u>	<u>\$ 8,675,727</u>	<u>\$ 7,507,905</u>

# NORTHERN YORK COUNTY SCHOOL DISTRICT

## Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities Year Ended June 30, 2013

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**Net change in fund balances - total governmental funds** \$ 1,167,822

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 ( \$ 843,861 ) differed from depreciation expense ( \$ 1,803,960 ) in the current period. (960,099)

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. 103,906

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

Repayment of general obligation bonds/notes - principal	11,643,000
Issuance of general obligation bonds/notes	(9,230,000)
Bond premium, net of discount	(37,453)
Amortization of bond premiums, discounts and prepaid bond insurance	(49,441)
Proceeds from capital lease	(539,398)
Repayment of capital leases - principal	211,079

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

Accrued interest	60,474
OPEB liability	(123,139)
Compensated absences	26,582

**Change in net position of governmental activities** \$ 2,273,333

# NORTHERN YORK COUNTY SCHOOL DISTRICT

## Statement of Net Position - Proprietary Fund

June 30, 2013

	Food Service	2012 Summarized
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 32,826	\$ 90,565
Intergovernmental receivables	38,503	34,231
Other receivables	-	4,587
Receivable from students, net	49,071	39,134
Inventory	<u>12,684</u>	<u>10,546</u>
Total current assets	<u>133,084</u>	<u>179,063</u>
<b>Noncurrent Assets</b>		
Furniture and equipment	1,034,688	1,016,151
Accumulated depreciation	<u>(822,833)</u>	<u>(764,245)</u>
Total noncurrent assets	<u>211,855</u>	<u>251,906</u>
Total assets	<u>\$ 344,939</u>	<u>\$ 430,969</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 929	\$ 927
Due to other funds	87,671	156,813
Other payables	30,543	32,069
Compensated absences	<u>1,792</u>	<u>2,320</u>
Total current liabilities	<u>120,935</u>	<u>192,129</u>
<b>Noncurrent Liabilities</b>		
OPEB liability	4,899	3,653
Compensated absences	<u>21,535</u>	<u>18,899</u>
Total noncurrent liabilities	<u>26,434</u>	<u>22,552</u>
Total liabilities	<u>147,369</u>	<u>214,681</u>
<b>NET POSITION</b>		
Net investment in capital assets	211,855	251,906
Unrestricted	<u>(14,285)</u>	<u>(35,618)</u>
Total net position	<u>197,570</u>	<u>216,288</u>
Total liabilities and net position	<u>\$ 344,939</u>	<u>\$ 430,969</u>

# NORTHERN YORK COUNTY SCHOOL DISTRICT

## Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund Year Ended June 30, 2013

	Food Service	2012 Summarized
<b>OPERATING REVENUE</b>		
Charges for services	\$ 756,149	\$ 784,416
Total operating revenues	<u>756,149</u>	<u>784,416</u>
<b>OPERATING EXPENSES</b>		
Food and milk purchases	460,076	462,334
Salaries	344,013	351,116
Employee benefits	193,414	193,399
Supplies	5,313	1,641
Depreciation	58,588	49,066
Repairs and maintenance	6,439	5,155
Purchased services	58,611	69,111
Administrative fees and overhead costs	62,864	52,409
Total operating expenses	<u>1,189,318</u>	<u>1,184,231</u>
Operating income (loss)	<u>(433,169)</u>	<u>(399,815)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Federal subsidies	310,307	292,718
State subsidies	65,974	61,714
Interest income	12	38
Total nonoperating revenue (expenses)	<u>376,293</u>	<u>354,470</u>
Income (loss) before transfers	<u>(56,876)</u>	<u>(45,345)</u>
<b>TRANSFERS</b>		
Interfund transfers	<u>38,158</u>	<u>8,894</u>
Change in net position	(18,718)	(36,451)
Total net position - beginning	<u>216,288</u>	<u>252,739</u>
Total net position - ending	<u>\$ 197,570</u>	<u>\$ 216,288</u>



**NORTHERN YORK COUNTY SCHOOL DISTRICT**  
**Statement of Cash Flows - Proprietary Fund**  
**Year Ended June 30, 2013**

	Food Service	2012 Summarized
<b>Cash flows from operating activities:</b>		
Cash received from food sales	\$ 750,799	\$ 780,936
Cash payments to suppliers for goods	(418,288)	(395,272)
Cash payments to and on behalf of employees	(603,215)	(529,203)
Cash payments for services	(121,475)	(121,520)
Net cash provided (used) by operating activities	<u>(392,179)</u>	<u>(265,059)</u>
<b>Cash flows from capital and related financing activities:</b>		
Purchase of equipment	<u>(18,537)</u>	<u>(4,524)</u>
<b>Cash flows from noncapital financing activities:</b>		
Transfers from other funds	38,158	-
Federal subsidies	248,560	253,095
State subsidies	<u>66,247</u>	<u>65,584</u>
Net cash provided by noncapital financing activities	<u>352,965</u>	<u>318,679</u>
<b>Cash flows from investing activities:</b>		
Earnings on investments	<u>12</u>	<u>38</u>
Net increase (decrease) in cash and cash equivalents	(57,739)	49,134
Cash and cash equivalents - beginning	<u>90,565</u>	<u>41,431</u>
Cash and cash equivalents - ending	<u>\$ 32,826</u>	<u>\$ 90,565</u>
<b>Reconciliation of income (loss) from operations to net cash provided by operating activities</b>		
<b>Cash flows from operating activities:</b>		
Operating income (loss)	\$ (433,169)	\$ (399,815)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Donated food used	57,202	66,892
Depreciation	58,588	49,066
(Increase) decrease in:		
Inventory	(2,138)	3,571
Accounts receivable	(5,350)	(3,480)
Interfund receivable	-	-
Increase (decrease) in:		
Compensated absences	2,108	1,064
OPEB liability	1,246	713
Due to other funds	(69,142)	13,624
Accrued wages payable	-	(89)
Accounts payable	<u>(1,524)</u>	<u>3,395</u>
Total adjustments	<u>40,990</u>	<u>134,756</u>
Net cash provided (used) by operating activities	<u>\$ (392,179)</u>	<u>\$ (265,059)</u>

**NORTHERN YORK COUNTY SCHOOL DISTRICT**  
**Statement of Fiduciary Net Position**  
**June 30, 2013**

			<b>Totals</b>	
	<b>Student Activities</b>	<b>Private Purpose Trusts</b>	<b>2013</b>	<b>2012 Summarized</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 116,186	\$ 275,479	\$ 391,665	\$ 382,216
Total assets	<u>\$ 116,186</u>	<u>\$ 275,479</u>	<u>\$ 391,665</u>	<u>\$ 382,216</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ 1,224
Due to student groups	116,186	-	116,186	96,016
Total liabilities	<u>116,186</u>	<u>-</u>	<u>116,186</u>	<u>97,240</u>
<b>NET POSITION</b>				
Held in trust for scholarships	-	275,479	275,479	284,976
Total net position	<u>-</u>	<u>275,479</u>	<u>275,479</u>	<u>284,976</u>
Total liabilities and net position	<u>\$ 116,186</u>	<u>\$ 275,479</u>	<u>\$ 391,665</u>	<u>\$ 382,216</u>

# NORTHERN YORK COUNTY SCHOOL DISTRICT

## Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2013

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	Private Purpose Trust Fund	2012 Summarized
<b>ADDITIONS</b>		
Donations	\$ 5,116	\$ 19,387
Interest income	125	143
Total additions	<u>5,241</u>	<u>19,530</u>
<b>DEDUCTIONS</b>		
Scholarships and awards/grants	<u>14,738</u>	<u>28,994</u>
Total deductions	<u>14,738</u>	<u>28,994</u>
Change in net position	(9,497)	(9,464)
Net position - beginning	<u>284,976</u>	<u>294,440</u>
Net position - ending	<u>\$ 275,479</u>	<u>\$ 284,976</u>

# NORTHERN YORK COUNTY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2013

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### Note 1 Summary of Significant Accounting Policies

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#### *Nature of Operations*

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

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

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

#### *Reporting Entity*

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

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

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

# NORTHERN YORK COUNTY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2013

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### Note 1 Summary of Significant Accounting Policies (Continued)

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#### *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.

# NORTHERN YORK COUNTY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2013

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### Note 1 Summary of Significant Accounting Policies (Continued)

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#### *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 Reserve Fund**

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

#### **2. Proprietary Fund**

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

##### *Food Service Fund – Enterprise Fund – Major Fund*

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

#### **3. Fiduciary Funds**

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

# NORTHERN YORK COUNTY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2013

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### Note 1 Summary of Significant Accounting Policies (Continued)

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#### *Basis of Presentation*

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

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

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

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

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

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

Fiduciary funds are reported using the economic resources measurement focus.

# NORTHERN YORK COUNTY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2013

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### Note 1 Summary of Significant Accounting Policies (Continued)

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#### *Basis of Accounting*

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

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

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

#### *Budgets and Budgetary Accounting*

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

1. The Pennsylvania School Code dictates specific procedures relative to adoption of the School District's budget and reporting of its financial statements, specifically:
2. The School District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.
3. The Board of School Directors may make transfers of funds appropriated to any particular item of expenditure by legislative action. An affirmative vote of two-thirds of all members of the Board is required.



# NORTHERN YORK COUNTY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2013

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### Note 1 Summary of Significant Accounting Policies (Continued)

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#### *Budgets and Budgetary Accounting (Continued)*

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

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

#### *Cash, Cash Equivalents, and Investments*

Cash 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, PLGIT and PSDLAF accounts. Investments are stated at market value. Accrued interest is included with other receivables on the balance sheet.

#### *Statement of Cash Flows*

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

#### *Inventory*

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

#### *Capital Assets*

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

# NORTHERN YORK COUNTY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2013

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### Note 1 Summary of Significant Accounting Policies (Continued)

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#### *Capital Assets (Continued)*

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:

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

#### *Deferred Outflows and Inflows of Resources*

In March 2012, the GASB issued Statement No. 65, *Items Previously Recognized as Assets and Liabilities*. The objective of this statement is to enhance the guidance to determine which balances being report as assets and liabilities should be reported as deferred outflows of resources or deferred inflows of resources. The financial statements incorporate the changes required by Statement No. 65. A restatement was required to properly incorporate these changes (see Note 16).

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The School District only has one item that qualifies for reporting in this category, which is the deferred charge on bond refunding reported in the statement of net position. A deferred charge on bond refunding results from the difference in the carrying value of refunding debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has unavailable tax revenue that is reported as deferred inflows of resources on the governmental funds balance sheet.

# NORTHERN YORK COUNTY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2013

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### Note 1 Summary of Significant Accounting Policies (Continued)

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#### *Interfund Activity/Internal Balances*

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

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

#### *Allowance for Uncollectible Accounts*

The School District provides credit to its students for lunches. The School District provides an allowance for uncollectible accounts equal to the estimated losses based on historical collection experience that will be incurred in the collection of those receivables, which is \$ 2,046 at June 30, 2013.

#### *Long-Term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activity columns in the statement of net position. This same treatment also applies to proprietary fund financial statements.

Bond premiums and discounts, deferred charge on bond refunding, as well as prepaid bond insurance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. The deferred charge on bond refunding is reported as deferred outflows of resources and amortized over the term of the related debt. Prepaid bond insurance costs are reported as an asset and amortized over the term of the related debt. Other bond issuance costs are expensed at the time the debt is issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

The face amount of debt issued and original issue discounts or premiums are reported as other financing sources and uses.

Issuance costs and underwriter's discount, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### *Retirement Plans*

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

# NORTHERN YORK COUNTY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2013

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### Note 1 Summary of Significant Accounting Policies (Continued)

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#### *Compensated Absences*

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

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

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

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

#### *Other Postemployment Benefits Other Than Pensions*

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

#### *Net Position*

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of this statement is to enhance the usefulness of reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of net position. This standard establishes a framework detailing how these elements should be reported, which will result in standardizing the presentation of deferred balances and their effects on a government's net position. This reporting of deferred inflows and outflows also applies to the fund financial statements. The financial statements incorporate the changes required by Statement No. 63.

In the government-wide financial statements, net position is classified in the following category:

*Net Investment in Capital Assets:* This component consists of capital assets, net of accumulated depreciation and reduced by any outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those capital assets.

*Restricted Net Position:* This category of net position has constraints placed on the use by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation. Restricted net position as of June 30, 2013 consists of \$ 184,348 for future capital improvements.

# NORTHERN YORK COUNTY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2013

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### Note 1 Summary of Significant Accounting Policies (Continued)

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#### *Net Position (Continued)*

Unrestricted Net Position: This component consists of all other net position that do not meet the definition of “restricted” or “net investment in capital assets”.

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

#### *Fund Balance – Governmental Fund Financial Statements*

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

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

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

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

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.

# NORTHERN YORK COUNTY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2013

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### Note 1 Summary of Significant Accounting Policies (Continued)

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#### *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, 2012, from which the summarized information was derived.

# NORTHERN YORK COUNTY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2013

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### Note 2 Cash and Investments

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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, 2013, the School District has the following:

Cash and cash equivalents, bank accounts	\$ 239,965
Certificates of deposit, held by various institutions	\$ 2,695,000
Certificates of deposit, pool held by Pennsylvania School District Liquid Asset Fund (PSDLAF)	\$ 5,000,000

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

#### ***Investments***

As of June 30, 2013, the School District had the following investments:

<u>Investment</u>	<u>Fair Value</u>	<u>Maturities</u>
PA Local Government Investment Trust (PLGIT)	\$ 184,348	(A)
PA School District Liquid Asset Fund - PSDMAX	<u>2,840,246</u>	(A)
	<u>\$ 3,024,594</u>	

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

# NORTHERN YORK COUNTY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2013

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### Note 2 Cash and Investments (Continued)

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#### *Investments (Continued)*

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

#### *Interest Rate Risk*

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

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

#### *Credit Risk - Investments*

PLGIT is basically mutual funds that consist of short term money market instruments and seek to maintain a constant net asset value of \$ 1 per share. PSDLAF deposits are invested by PSDLAF directly in portfolios of securities held by a third party custodian and are collateralized with securities held by the PSDLAF agent in a collateral pool. At June 30, 2013, the School District's investments in PSDLAF and PLGIT were both rated AAAM by Standards and Poor's Investor's Services.

### Note 3 Taxes

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

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

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

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



# NORTHERN YORK COUNTY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2013

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### Note 4 Taxes Receivable and Deferred Inflows of Resources

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Taxes receivable and deferred inflows of resources in the fund financial statements consist of the following as of June 30, 2013:

Real estate	\$	682,377
Earned income		1,228,200
Per capita		34,914
		<u>1,945,491</u>
Reserve for uncollectible accounts		<u>(9,198)</u>
Taxes receivable, net		1,936,293
Taxes collected within sixty days, recorded as revenues in governmental funds		<u>(934,187)</u>
Taxes estimated to be collected after sixty days, recorded as deferred inflows of resources in governmental funds	\$	<u>1,002,106</u>

### Note 5 Interfund Receivable, Payables and Transfers

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Interfund receivables/payables consist of the following at June 30, 2013:

<u>Funds</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 87,671	\$ -
Food Service	-	87,671
	<u>\$ 87,671</u>	<u>\$ 87,671</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, 2013:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfer Out</u>
General	\$ -	\$ 345,549
Capital Reserve	307,391	-
Food Service	38,158	-
	<u>\$ 345,549</u>	<u>\$ 345,549</u>

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

# NORTHERN YORK COUNTY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2013

### Note 6 Intergovernmental Receivables

Intergovernmental receivables at June 30, 2013 consist of the following:

Local:	Amusement tax	\$	1,257
	Deed transfer		30,562
State:	Social Security		74,511
	Retirement		371,525
	Rental subsidy		20,712
Federal:	Grants		<u>220,555</u>
	Total governmental funds	\$	<u><u>719,122</u></u>

### Note 7 Capital Assets

Capital asset activity for the School District consists of the following as of and for the year ended June 30, 2013:

	Beginning Balance	Additions	Retirements	Ending Balance
<b>Governmental Activities:</b>				
Cost:				
Assets not being depreciated:				
Land	\$ 326,188	\$ -	\$ -	\$ 326,188
Assets being depreciated:				
Site improvements	1,444,956	24,099	-	1,469,055
Buildings	58,588,264	720,015	-	59,308,279
Equipment, furniture, and fixtures	6,052,226	99,747	-	6,151,973
Total cost	<u>66,411,634</u>	<u>843,861</u>	<u>-</u>	<u>67,255,495</u>
Less accumulated depreciation:				
Site improvements	(652,378)	(55,707)	-	(708,085)
Buildings	(19,741,009)	(1,294,775)	-	(21,035,784)
Equipment, furniture, and fixtures	<u>(4,622,242)</u>	<u>(453,478)</u>	<u>-</u>	<u>(5,075,720)</u>
Total accumulated depreciation	<u>(25,015,629)</u>	<u>(1,803,960)</u>	<u>-</u>	<u>(26,819,589)</u>
<b>Capital assets, net</b>	<u>\$ 41,396,005</u>	<u>\$ (960,099)</u>	<u>\$ -</u>	<u>\$ 40,435,906</u>
<b>Business-Type Activities:</b>				
Cost:				
Equipment, furniture and fixtures	\$ 1,016,151	\$ 18,537	\$ -	\$ 1,034,688
Less accumulated depreciation:				
Equipment, furniture and fixtures	<u>(764,245)</u>	<u>(58,588)</u>	<u>-</u>	<u>(822,833)</u>
<b>Capital assets, net</b>	<u>\$ 251,906</u>	<u>\$ (40,051)</u>	<u>\$ -</u>	<u>\$ 211,855</u>

# NORTHERN YORK COUNTY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2013

### Note 7 Capital Assets (Continued)

Depreciation expense for the year ended June 30, 2013 was charged to governmental functions as follows:

Instruction	\$ 1,373,212
Instructional student support	69,069
Administrative and financial support services	69,433
Operation and maintenance of plant services	227,439
Student activities	64,807
	<u>\$ 1,803,960</u>

### Note 8 Accrued Salaries and Benefits/Withholdings

Accrued salaries and benefits/withholdings consist of the following as of June 30, 2013:

General Fund:	
Accrued salaries	\$ 1,694,779
Retirement	1,319,664
Social security	127,977
Health insurance	472,374
Other withholdings	49,246
	<u>\$ 3,664,040</u>

### Note 9 Long-term Liabilities

The changes in long-term liabilities during the year ended June 30, 2013 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Long-term Portion
<b>Governmental Activities:</b>						
General obligation bonds and notes payable:						
(A) Series of 2008	\$ 9,180,000	\$ -	\$ (1,290,000)	\$ 7,890,000	\$ 1,335,000	\$ 6,555,000
(B) Series of 2009	5,970,000	-	(770,000)	5,200,000	685,000	4,515,000
(C) Series of 2010	10,325,000	-	(115,000)	10,210,000	240,000	9,970,000
(D) Series of 2011	9,343,000	-	(9,343,000)	-	-	-
(E) Series of 2012	-	9,230,000	(125,000)	9,105,000	215,000	8,890,000
Unamortized bond (discount)/premium	(265,418)	-	65,555	(199,863)	(26,534)	(173,329)
Subtotal - bonds and notes payable	<u>34,552,582</u>	<u>9,230,000</u>	<u>(11,577,445)</u>	<u>32,205,137</u>	<u>2,448,466</u>	<u>29,756,671</u>
Compensated absences:						
Vacation leave	123,383	220,517	(205,248)	138,652	8,030	130,622
Personal leave	207,091	265,653	(275,244)	197,500	32,473	165,027
Sick leave	542,614	187,505	(219,764)	510,355	37,635	472,719
Subtotal - compensated absences	<u>873,088</u>	<u>673,675</u>	<u>(700,256)</u>	<u>846,507</u>	<u>78,138</u>	<u>768,368</u>
Capital lease payable	336,270	539,398	(211,079)	664,589	201,233	463,356
<b>Total long-term liabilities</b>	<u>\$ 35,761,940</u>	<u>\$ 10,443,073</u>	<u>\$ (12,488,780)</u>	<u>\$ 33,716,233</u>	<u>\$ 2,727,837</u>	<u>\$ 30,988,395</u>
<b>Business-Type Activities:</b>						
Compensated absences:						
Vacation leave	\$ 4,224	\$ 4,862	\$ (4,223)	\$ 4,863	\$ -	\$ 4,863
Personal leave	3,163	2,626	(2,422)	3,367	857	2,510
Sick leave	13,832	4,579	(3,314)	15,097	935	14,162
<b>Total long-term liabilities</b>	<u>\$ 21,219</u>	<u>\$ 12,067</u>	<u>\$ (9,959)</u>	<u>\$ 23,327</u>	<u>\$ 1,792</u>	<u>\$ 21,535</u>

# NORTHERN YORK COUNTY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2013

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### Note 9 Long-term Liabilities (Continued)

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- (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%.
- (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. This note was paid off, in full, during the year ended June 30, 2013.
- (E) On December 28, 2012, the School District issued a general obligation bond Series of 2012 in the amount of \$9,230,000 to provide funds to currently refund the School District's Series of 2011 Note and to pay the cost of issuing the bond. The bonds are due in varying amounts on February 15, 2013 to 2024. The bond bears fixed interest rates ranging from 0.3% to 3.0%.

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

(1) Cash Flow gain	\$882,101
(2) Economic gain	\$828,888

(1) Represents the difference between the cash flows required to service the old debt and the new debt, less bond issue costs.

(2) Represents the difference in present value of the old debt and new debt, less bond issue costs.

# NORTHERN YORK COUNTY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2013

### Note 9 Long-term Liabilities (Continued)

#### *Subsequent Event*

On August 15, 2013, the School District issued \$8,075,000 of general obligation bonds, Series of 2013. The proceeds will be used to currently refund all of the School District's general obligation bonds, Series of 2008 and pay the related costs and expenses, including the costs and expenses of issuing the bonds.

The annual debt requirements for future general obligation bonds and notes as of June 30, 2013 are as follows:

	Series of 2008		Series of 2009		Series of 2010	
	Principal	Interest	Principal	Interest	Principal	Interest
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	1,520,000	55,085	760,000	68,525	260,000	300,345
2019 - 2023	770,000	14,053	1,605,000	56,613	8,970,000	910,963
2024 - 2028	-	-	-	-	-	-
	<u>\$ 7,890,000</u>	<u>\$ 773,335</u>	<u>\$ 5,200,000</u>	<u>\$ 609,263</u>	<u>\$ 10,210,000</u>	<u>\$ 2,468,593</u>

	Series of 2012		Totals		
	Principal	Interest	Principal	Interest	Total
2014	\$ 215,000	\$ 191,504	\$ 2,475,000	\$ 903,577	\$ 3,378,577
2015	215,000	190,516	2,530,000	838,339	3,368,339
2016	220,000	187,672	2,600,000	767,688	3,367,688
2017	225,000	183,222	2,685,000	688,917	3,373,917
2018	235,000	177,446	2,775,000	601,401	3,376,401
2019 - 2023	4,305,000	620,582	15,650,000	1,602,211	17,252,211
2024 - 2028	3,690,000	46,925	3,690,000	46,925	3,736,925
	<u>\$ 9,105,000</u>	<u>\$ 1,597,867</u>	<u>\$ 32,405,000</u>	<u>\$ 5,449,058</u>	<u>\$ 37,854,058</u>

# NORTHERN YORK COUNTY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2013

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### Note 9 Long-term Liabilities (Continued)

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#### *Capital Leases*

The School District is financing the purchase of postage meters, energy upgrades, technology equipment and a phone system through capital leases with vendors. At June 30, 2013, the leased assets have a gross capitalized value of \$ 1,818,184 and accumulated depreciation of \$ 903,156, leaving a net book value of \$ 915,028 that is included in capital assets. Amortization expense of \$ 307,849 is included in depreciation expense.

The aggregate amount of future payments required on capital leases at June 30, 2013 is as follows:

2014	\$	229,258
2015		50,147
2016		50,147
2017		49,031
2018		44,951
2019-2023		224,757
2024-2027		179,809
Amount representing interest		(153,299)
Amount representing maintenance		(10,212)
	\$	<u>664,589</u>

### Note 10 Other Postemployment Benefits

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#### *Plan Description*

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

The School District pays 50% of the premiums for medical, dental, and prescription drug benefits for eligible retirees in the administrator's employee group. To be eligible for this group the retiree would have to be a retired administrator with 15 years of continuous services with the School District, 30 years of service with PSERS, and be eligible for retirement with PSERS. At the actuarial valuation as of January 1, 2012 there were 20 participants in this employee group, of which 17 were active and 3 were retired.

Retired employees in the teacher and support staff groups pay 100% of their premiums for medical, dental, and prescription drug benefits under the School District's postemployment benefit plan. All employees are eligible for this benefit upon retirement with 30 years of PSERS service or upon superannuation retirement (age 60 with 30 years of service, age 62 with 1 year of service, or 35 years of service regardless of age). At the actuarial valuation as of January 1, 2012 there were 257 participants in the teacher employee group, 234 active participants and 23 retired participants, and there are currently 108 participants in the support staff employee group, 106 active participants and 2 retired participants.

# NORTHERN YORK COUNTY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2013

### Note 10 Other Postemployment Benefits (Continued)

#### *Plan Description (Continued)*

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

#### *Funding Policy*

The contribution requirements of the plan member and the School District are established and may be amended by the School District. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined by the School District. The School District funds OPEB on a pay-as-you-go basis. For the fiscal year 2012/2013, plan members receiving benefits also contributed \$ 243,639.

#### *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:

	<b>Governmental Activities</b>	<b>Food Service Fund/ Business Type Activities</b>	<b>Total</b>
Annual required contribution (ARC)	\$ 214,045	\$ 2,166	\$ 216,211
Estimated interest on net OPEB obligation	15,237	154	15,391
Estimated adjustment to ARC	<u>(20,788)</u>	<u>(210)</u>	<u>(20,998)</u>
Annual OPEB cost	208,494	2,110	210,604
Estimated employer contributions made	<u>(85,355)</u>	<u>(864)</u>	<u>(86,219)</u>
Increase in net OPEB obligation	123,139	1,246	124,385
Net OPEB obligation - beginning of the year	<u>338,379</u>	<u>3,653</u>	<u>342,032</u>
Net OPEB obligation - end of the year	<u>\$ 461,518</u>	<u>\$ 4,899</u>	<u>\$ 466,417</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:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
2013	\$ 210,604	40.94%	\$ 466,417
2012	\$ 197,004	60.83%	\$ 342,032
2011	\$ 198,718	47.37%	\$ 264,857

# NORTHERN YORK COUNTY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2013

### Note 10 Other Postemployment Benefits (Continued)

#### *Funded Status and Funding Progress*

As of January 1, 2012, the most recent actuarial valuation date, the plan had the following funded status and progress:

Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
01/01/12	\$ 0	\$ 1,765,117	\$ 1,765,117	0.00%	\$ 15,935,437	11.08%

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

#### *Actuarial Methods and Assumptions*

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

In the January 1, 2012 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions include a 4.50 percent investment rate of return (net of administrative expenses), annual salary increase of 4 percent, and for teachers and administrators a merit increase which varies by age between 3 percent to 0.25 percent, and an annual healthcare cost trend rate of 7.5 percent in 2012, decreasing 0.5 percent to an ultimate rate of 5.5 percent in 2016 and gradually decreasing to 4.2 percent in 2089. The actuarial value of assets was based on the fair value of assets, of which there are none. The UAAL is being amortized based on a level dollar 30 year open period.



# NORTHERN YORK COUNTY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2013

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### Note 11 Pension Plan

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#### *Plan Description*

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

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

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

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

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

#### *Funding Policy*

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

#### **Contribution rates:**

Member Contributions –

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

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

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%.

# NORTHERN YORK COUNTY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2013

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### Note 11 Pension Plan (Continued)

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#### *Funding Policy (Continued)*

Employer Contributions - Contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 30, 2013, the rate of employer's contribution was 12.36% of covered payroll. The 12.36% rate is composed of a pension contribution rate of 11.50% for pension benefits and 0.86% for healthcare insurance premium assistance.

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

	<b>Contribution Required</b>	<b>Actual Contribution As a Percentage</b>
2013	\$ 2,435,342	100%
2012	1,539,032	100%
2011	1,166,311	100%

For the year ended June 30, 2013, the Commonwealth of Pennsylvania reimbursed the School District approximately one-half of its retirement expense.

### Note 12 Operating Leases

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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, 2013 was \$ 144,338. The School District has the following future minimum payments as of June 30, 2013:

	<b>Copiers</b>	<b>Postage Machines</b>	<b>Bus Radio Tower</b>	<b>Total</b>
2014	\$ 109,618	\$ 1,392	\$ 4,800	\$ 115,810
2015	109,618	1,160	4,800	115,578
2016	36,537	-	-	36,537
	<u>\$ 255,773</u>	<u>\$ 2,552</u>	<u>\$ 9,600</u>	<u>\$ 267,925</u>

### Note 13 Affiliates

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Payments to fund operations of affiliated entities for the year ended 2012/2013 were as follows:

Cumberland-Perry Area Vocational Technical School	\$ 396,919
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# NORTHERN YORK COUNTY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2013

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### Note 14 Commitments and Contingencies

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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, 2013 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

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

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

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

#### *Lincoln Benefit Trust*

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

# NORTHERN YORK COUNTY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2013

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### Note 15 Risk Management (Continued)

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#### *Lincoln Benefit Trust (Continued)*

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 position for the School District's account at Lincoln Benefit Trust (based on audited financial statements of Lincoln Benefit Trust) were as follows for the year ended June 30, 2013:

Net position - July 1, 2012	\$ 5,598,492
Contributions and interest income	4,543,040
Claims paid	(4,688,072)
PA trust reimbursement	163,791
Stop-loss insurance	99,995
Minipool premium	(137,787)
Administrative fees	(181,158)
Other	<u>(5,750)</u>
Net position - June 30, 2013	<u>\$ 5,392,551</u>

Overall, the Lincoln Benefit Trust has net position of \$ 70,145,957 as of June 30, 2013 and showed an increase in net position of \$ 5,956,849 for the year ended. Financial statements of the Trust are available at the School District.

### Note 16 Restatement

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There was a restatement necessary in the current year as of June 30, 2012 to implement GASB No. 65, *Items Previously Recognized as Assets and Liabilities*. Previously, all bond issue costs were amortized over the life of the bonds; however, only the insurance premium portion of these costs is to be amortized as a prepaid expense in accordance with GASB 65. The restatement is summarized as follows:

	<b>Governmental Activities</b>
Net position, as originally stated - June 30, 2012	\$ 14,151,097
Restatement	<u>(408,380)</u>
Net position, as restated - June 30, 2012	<u>\$ 13,742,717</u>
Change in Net Position, as originally stated	\$ 1,152,959
Restatement	<u>49,002</u>
Change in Net Position, restated	<u>\$ 1,201,961</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

# NORTHERN YORK COUNTY SCHOOL DISTRICT

## OPEB (Other Postemployment Benefit Plan)

### Unaudited Required Schedule of Funding Progress

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<b>Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a / b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b - a) / c)</b>
01/01/12	-	\$ 1,765,117	\$ 1,765,117	0.00%	\$ 15,935,437	11.08%
01/01/10	-	\$ 1,683,929	\$ 1,683,929	0.00%	\$ 14,662,266	11.48%
01/01/08	-	\$ 1,447,190	\$ 1,447,190	0.00%	\$ 14,800,648	9.78%

# NORTHERN YORK COUNTY SCHOOL DISTRICT

## Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2013

	BUDGET		ACTUAL (BUDGETARY/ GAAP BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>REVENUES</b>				
Local Sources				
Taxes	\$ 24,147,787	\$ 24,147,787	\$ 24,912,647	\$ 764,860
Investment earnings	30,000	30,000	28,604	(1,396)
Federal revenue from intermediate sources	572,000	572,000	546,556	(25,444)
Other	277,750	277,750	326,644	48,894
State sources	12,826,236	12,826,236	12,975,830	149,594
Federal sources	<u>365,224</u>	<u>365,224</u>	<u>348,977</u>	<u>(16,247)</u>
Total revenues	<u>38,218,997</u>	<u>38,218,997</u>	<u>39,139,258</u>	<u>920,261</u>
<b>EXPENDITURES</b>				
Instruction	22,758,275	22,755,455	21,696,717	1,058,738
Support services	11,409,339	11,354,768	11,072,382	282,386
Operation of noninstructional services	1,122,801	1,122,801	1,162,198	(39,397)
Facilities acquisition, construction and improvements	-	-	539,398	(539,398)
Debt service:				
Principal	3,178,246	3,178,246	2,786,079	392,167
Interest	1,116,162	1,116,162	1,099,633	16,529
Bond issue costs	-	-	74,291	(74,291)
Underwriter's bond discount	-	-	73,840	(73,840)
Refund of prior year receipts	<u>-</u>	<u>-</u>	<u>7,513</u>	<u>(7,513)</u>
Total expenditures	<u>39,584,823</u>	<u>39,527,432</u>	<u>38,512,051</u>	<u>1,015,381</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from long-term financing	-	-	9,230,000	9,230,000
Refunding of G.O. bonds	-	-	(9,068,000)	(9,068,000)
Bond premium	-	-	111,293	111,293
Proceeds from capital leases	555,000	555,000	539,398	(15,602)
Insurance recoveries	-	-	994	994
Proceeds from sale of fixed assets	1,000	1,000	604	(396)
Interfund transfers	<u>(288,158)</u>	<u>(345,549)</u>	<u>(345,549)</u>	<u>-</u>
Total other financing sources and (uses)	<u>267,842</u>	<u>210,451</u>	<u>468,740</u>	<u>258,289</u>
Net change in fund balances	(1,097,984)	(1,097,984)	1,095,947	2,193,931
Fund balance - beginning	<u>5,559,624</u>	<u>5,559,624</u>	<u>7,395,432</u>	<u>1,835,808</u>
Fund balance - ending	<u>\$ 4,461,640</u>	<u>\$ 4,461,640</u>	<u>\$ 8,491,379</u>	<u>\$ 4,029,739</u>

**OTHER SUPPLEMENTARY INFORMATION**



# NORTHERN YORK COUNTY SCHOOL DISTRICT

## Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

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, 2012	Revenue Recognized	Expenditures Recognized	Accrued or (Deferred) Revenue at June 30, 2013
<b>U.S. Department of Education</b>									
<u>Passed through the Pennsylvania Department of Education</u>									
ESEA Title I	84.010	013-12-0302A	July 1, 2011 - September 30, 2012	283,481	\$ 55,974	\$ 55,974	\$ -	\$ -	\$ -
ESEA Title I	84.010	013-11-0302	July 1, 2012 - September 30, 2013	268,186	217,887	-	261,679	261,679	43,792
ESEA Title II - Part A	84.368	020-12-0302A	July 1, 2011 - September 30, 2012	63,513	17,868	17,868	-	-	-
ESEA Title II - Part A	84.368	020-13-0302	July 1, 2012 - September 30, 2013	62,742	37,744	-	62,742	62,742	24,998
Education Jobs Fund	84.01A	N/A	July 1, 2011 - June 30, 2012	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	144,766	144,766	-	-	-
I.D.E.A.	84.027	N/A	July 1, 2012 - June 30, 2013	492,365	369,214	-	492,365	492,365	123,151
I.D.E.A. - Preschool	84.173	N/A	July 1, 2012 - June 30, 2013	2,305	2,305	-	2,305	2,305	-
<b>Total U.S. Department of Education</b>					<u>853,546</u>	<u>226,396</u>	<u>819,091</u>	<u>819,091</u>	<u>191,941</u>
<b>U.S. Department of Agriculture</b>									
<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	26,221	26,221	-	-	-
National School Lunch Program	10.555	N/A	July 1, 2012 - June 30, 2013	N/A	192,050	-	221,431	221,431	29,381
National School Breakfast Program	10.553	N/A	July 1, 2011 - June 30, 2012	N/A	4,165	4,165	-	-	-
National School Breakfast Program	10.553	N/A	July 1, 2012 - June 30, 2013	N/A	26,124	-	31,674	31,674	5,550
<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	57,634	(244)	57,202	57,202	(676)
<b>Total U.S. Department of Agriculture</b>					<u>306,194</u>	<u>30,142</u>	<u>310,307</u>	<u>310,307</u>	<u>34,255</u>
<b>U.S. Department of Public Welfare</b>									
<u>Passed through the Pennsylvania Department of Public Welfare</u>									
Medical Assistance	93.778	N/A	October 1, 2012 - September 30, 2013	N/A	5,296	-	24,555	24,555	19,259
<b>Total U.S. Department of Public Welfare</b>					<u>5,296</u>	<u>-</u>	<u>24,555</u>	<u>24,555</u>	<u>19,259</u>
<b>Total Expenditure of Federal Awards</b>					<u>\$ 1,165,036</u>	<u>\$ 256,538</u>	<u>\$ 1,153,953</u>	<u>\$ 1,153,953</u>	<u>\$ 245,455</u>

# NORTHERN YORK COUNTY SCHOOL DISTRICT

## Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

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### Note 1 Reference to Schedule of Expenditures of Federal Awards

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(B) Based on USDA valuation

### Note 2 Federal Awards by CFDA Number/Cluster

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<u>Project Title</u>	<u>CFDA No.</u>	<u>Expenditures</u>	<u>Percent</u>
I.D.E.A. Cluster			
I.D.E.A.	84.027	\$ 492,365 (A)	
I.D.E.A. - Preschool	84.173	<u>2,305 (A)</u>	
		494,670	42.9%
Child Nutrition Cluster:			
National School Lunch Program	10.555	221,431	
Donated Commodities	10.555	57,202	
National School Breakfast Program	10.553	<u>31,674</u>	
		310,307	26.9%
ESEA Title I	84.010	261,679	22.7%
ESEA Title II, Part A	84.367	62,742	5.4%
Medical Assistance	93.778	<u>24,555</u>	<u>2.1%</u>
Total federal awards		<u>\$ 1,153,953</u>	<u>100.0%</u>

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

### Note 3 Significant Accounting Policies

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#### ***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.



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

Board of Directors  
Northern York County School District  
Dillsburg, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Northern York County School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Northern York County School District's basic financial statements, and have issued our report thereon dated December 2, 2013. The report on the aggregate remaining fund information was qualified because the School District's legally separate component unit was not included as a separate reporting entity financial statements that included the component unit were prepared.

### ***INTERNAL CONTROL OVER FINANCIAL REPORTING***

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

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

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



Board of Directors  
Northern York County School District

**COMPLIANCE AND OTHER MATTERS**

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

**PURPOSE OF THE REPORT**

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

*Smith Elliott Kearns & Company, LLC*

Chambersburg, Pennsylvania  
December 2, 2013



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

Board of Directors  
Northern York County School District  
Dillsburg, Pennsylvania

### ***REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM***

We have audited Northern York County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Northern York County School District's major federal programs for the year ended June 30, 2013. Northern York County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### ***MANAGEMENT'S RESPONSIBILITY***

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

### ***AUDITOR'S RESPONSIBILITY***

Our responsibility is to express an opinion on compliance for each of Northern York County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Northern York County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***OPINION ON EACH MAJOR FEDERAL PROGRAM***

In our opinion, Northern York County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.



Board of Directors  
Northern York County School District

### ***OTHER MATTERS***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2013-001. Our opinion on each major federal program is not modified with respect to this matter.

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

### ***REPORT ON INTERNAL CONTROL OVER COMPLIANCE***

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We consider the deficiency described in the accompanying schedule of findings and questioned costs as finding 2013-001 to be a material weakness.



Board of Directors  
Northern York County School District

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Smith Elliott Kearns & Company, LLC*

Chambersburg, Pennsylvania  
December 2, 2013





**NORTHERN YORK COUNTY SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2013**

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**Section II - Financial Statement Findings**

A. Significant Deficiency in Internal Control

None noted

B. Compliance Findings

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

**Section III - Federal Award Findings and Questioned Costs**

A. Material Weaknesses in Internal Control

**Finding Reference:** 2013-001 - Suspension and Debarment

**Federal Agency:** U.S. Department of Education

**Federal Program:** IDEA Cluster - CFDA 84.027 and 84.173

**Compliance**

**Requirement:** Procurement, Suspension and Debarment

**Type of Finding:** Material Weakness in Internal Control Over Compliance  
Noncompliance

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

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

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

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

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

**NORTHERN YORK COUNTY SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2013**

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<i>Questioned Cost:</i>	The vendor in question was not suspended or debarred; therefore, there are no questioned costs.
<i>Recommendation:</i>	We recommend that the School District enhance its policies and procedures to ensure that the required suspension and debarment verifications are performed for vendors with contracts that are expected to equal or exceed the \$ 25,000 threshold.
<i>Auditee response:</i>	In September 2013, the School District implemented a procedure to review the Pennsylvania and the Federal suspension and debarment lists on a monthly basis. This procedure will ensure the School District is meeting the compliance requirements of the federal grants.

B. Compliance Findings

See Finding 2013-001 above.

**NORTHERN YORK COUNTY SCHOOL DISTRICT**  
**Summary Schedule of Prior Audit Findings Related to Federal Awards**  
**Year Ended June 30, 2013**

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**Findings related to federal awards:**

None