

NORTHERN TIoga SCHOOL DISTRICT
ELKLAND, PENNSYLVANIA
FINANCIAL STATEMENTS AND SINGLE AUDIT REPORT
YEAR ENDED JUNE 30, 2019

NORTHERN TIOGA SCHOOL DISTRICT

YEAR ENDED JUNE 30, 2019

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INDEPENDENT AUDITOR'S REPORT

Board of School Directors
Northern Tioga School District
Elkland, Pennsylvania

Report on the 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 Tioga School District (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2019, and the respective changes in financial position, and, where applicable, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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Adoption of Governmental Accounting Standards Board Pronouncements

As described in Note 1 to the financial statements, in 2019 the District adopted the provisions of Governmental Accounting Standards Board's Statement No. 83, "*Certain Asset Retirement Obligations*" and Statement No. 88, "*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*". Our opinion is not modified in respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund, Schedule of Changes in the Total OPEB Liability and Related Ratios – District Other Postemployment Benefit Plan, Schedule of the District's Proportionate Share of the Net OPEB Liability – PSERS Plan, Schedule of the District's OPEB Contributions – PSERS Plan, Schedule of the District's Proportionate Share of the Net Pension Liability, and Schedule of District Contributions – Pension Plan on pages 4 through 16 and pages 62 through 67 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 District's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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.



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Board of School Directors
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2019 on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 the District's internal control over financial reporting and compliance.

Zelenkofske Axelrod LLC

ZELENKOFKSKE AXELROD LLC

Harrisburg, Pennsylvania
December 17, 2019

NORTHERN TIOGA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
UNAUDITED
JUNE 30, 2019

INTRODUCTION

Our discussion and analysis of the Northern Tioga School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2019. It should be read in conjunction with the basic financial statements to enhance understanding of the School District's financial performance, which immediately follows this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year 2019 are as follows:

- State revenues are the main source of funding for the Northern Tioga School District. In 2018-19, the District received \$20,718,021 in State revenue making up 59.79% of the total revenue. This is an increase of 0.61% from the prior year (\$20,591,995 was received in 2017/2018).
- Real Estate Tax is the main source of local funding for the District. This revenue comprises 23.2% of total General Fund revenues and is the only revenue source over which the School Board has control. The tax revenue received from real estate tax increased from 2018 by \$228,209 or 2.92%. This increase was primarily due to the result of a millage increase necessitated by increasing costs for the Public School Employees' Retirement System (PSERS) in which all of our employees must participate. The millage rate increased from 17.3831 mills to 17.8521 mills.
- The total revenues for the General Fund were \$34,074,860. This is an overall increase of \$470,085 over the prior year.
- Expenditure levels in all governmental funds increased from \$35,025,867 to \$44,760,799 from the prior year. Of this increase, 99% was directly related to the building projects that are being completed for Williamson High School, Cowanesque High School, as well as security improvements throughout the district.
- Capital assets in the Governmental Activities have been reported at \$59,757,060 and accumulated depreciation of \$29,469,867 for a net capital asset value of \$30,287,193. The amount listed represents the estimated historical costs of all sites, site improvements, furniture and equipment with a unit value of at least \$1,500.
- The General Fund fund balance increased from \$9,121,336 to \$9,951,776. It is important to note that in anticipation of the increase in retirement contributions in subsequent fiscal years, the Board has proactively decided to designate fund balance to "level-out" the financial impact. The current amount assigned to fund retirement is \$2,492,340. Additional assignments include set asides for health insurance increases, special education, future pension costs, other post-retirement benefits, board initiative, technology needs, textbooks, and capital expenditures/debt service.
- The school district's governmental fund financial statements report a combined ending fund balance of \$23,426,834. Of this total amount, \$7,250,052 is saved for future capital expenditures and future debt service payments and \$7,225,006 is restricted for capital projects.
- The district has two outstanding bond series 2017A and 2017AA. At the end of the fiscal year, the outstanding bond principal was \$22,565,000 with the final payment due in 2036-37. In April 2017 the Board approved a \$20 million bond issuance to complete the proposed building project. The project, which is currently underway, includes an addition at the Williamson High School and an addition at the Cowanesque Valley High School as well as security improvements throughout the district.

NORTHERN TIOGA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
UNAUDITED
JUNE 30, 2019

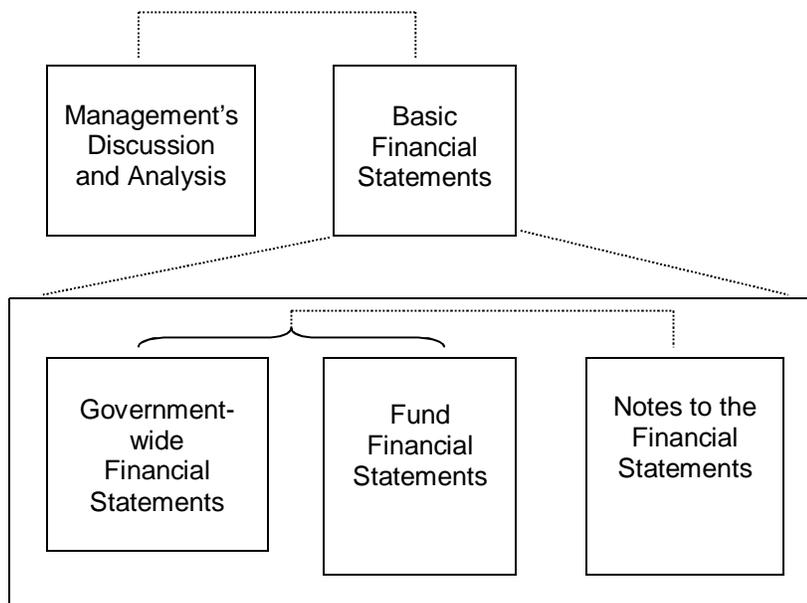
- Financial activity resulted in a net position increase of \$8,969 for the Food Service Fund. The food service department, along with volunteers from local churches and other organizations, continues to provide a very successful summer feeding program providing free lunches for all students under the age of 18 at strategic locations throughout our district communities. The food service net position is now \$429,564 of which \$241,707 is invested in capital assets.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Figure A-1 shows how the required parts of the Financial Section are arranged and relate to one another:

Figure A-1
Required components of Northern Tioga School District's Financial Report



NORTHERN TIOGA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
UNAUDITED
JUNE 30, 2019

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of management discussion and analysis explains the structure and contents of each of the statements.

Figure A-2
Major Features of Northern Tioga School District's
Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as education, administration and community services	Activities the District operates similar to private business – Food Services	Instances in which the District is the trustee or agent to someone else's resources – Scholarship Funds and Student Activities
Required financial statements	Statement of net position Statement of activities	Balance Sheet Statement of revenues, expenditures, and changes in fund balance	Statement of net position Statement of revenues, expenses and changes in net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow-outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

NORTHERN TIOGA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
UNAUDITED
JUNE 30, 2019

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the School District's finances, in a manner similar to a private-sector business. The *statement of net position* presents information on all of the School District's assets and liabilities, with the difference between the two reported as *net position*. The *statement of activities* presents all of the current year's revenues and expenses regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or position.

Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating, respectively. However, to assess the overall health of the District, you need to consider additional non-financial factors, such as changes in the District's property tax base and the performance of the students.

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

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

Fund Financial Statements

The District's fund financial statements provide detailed information about the most significant funds – not the District as a whole. Some funds are required by state law and by bond requirements.

- Governmental funds – Most of the District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual 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 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 District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.
- Proprietary funds – These funds are used to account for the District activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the District charges customers for services it provides – whether to outside customers or to other units in the District – these services are generally reported in proprietary funds. The Food Service Fund is the District's proprietary fund and is the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows.
- Fiduciary funds – The District is the trustee, or fiduciary, for some scholarship and agency funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations.

NORTHERN TIOGA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
UNAUDITED
JUNE 30, 2019

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's total net position was a negative \$22,348,091 at June 30, 2018 and a negative \$21,555,405 at June 30, 2019. This represents an increase in net position of \$792,686, indicating that the District's overall financial position has increased since fiscal year 2017-18.

Per Statement 68 of the Government Accounting Standards Board (GASB 68) beginning with FY 2014-15, the District's financial statements must now include the District's proportionate share of the state pension liability. Per Statement 75 of the Government Accounting Standards Board (GASB 75), beginning with FY 2017-18, the District's financial statements now include the District's proportionate share of the state Other Post Employment Benefit (OPEB) liability as well as the full unfunded portion of the District specific OPEB Plan liability. This amount of deferred pension and OPEB liabilities adds approximately \$57.8 million in additional liabilities to the District's financial statements.

Table A-1 presents a summary of School District's Statements of Net Position

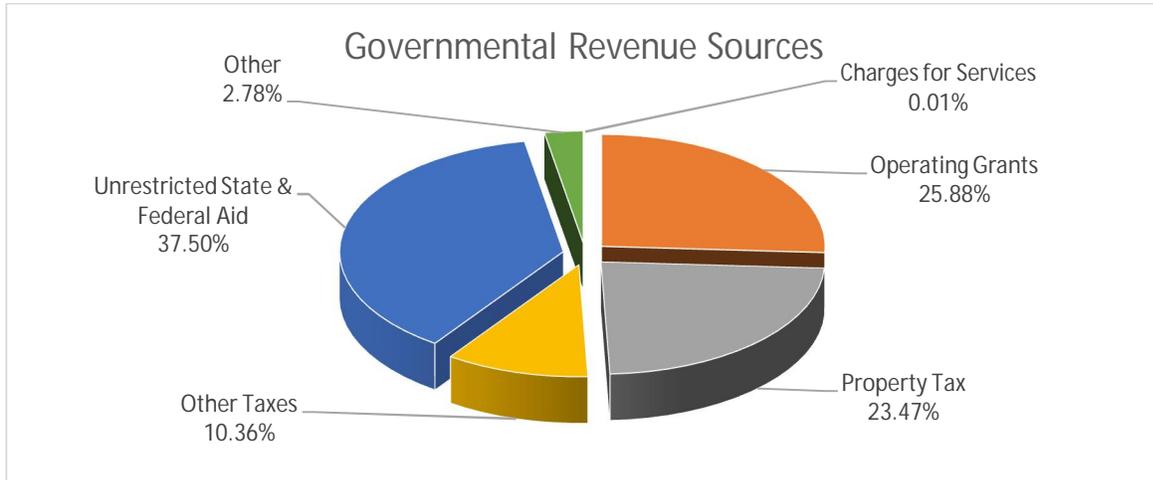
Table A-1
Fiscal Year Ended June 30,
Net Position

	2019			2018		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Assets						
Current and other assets	\$ 31,110,185	\$ 218,908	\$ 31,329,093	\$ 39,005,951	\$ 188,321	\$ 39,194,272
Capital assets	30,287,193	241,707	30,528,900	19,305,500	254,971	19,560,471
Total assets	61,397,378	460,615	61,857,993	58,311,451	443,292	58,754,743
Deferred Outflows						
Deferred Amounts Related to Pension and OPEB	7,289,073	-	7,289,073	8,776,675	-	8,776,675
Total Deferred Outflows	7,289,073	-	7,289,073	8,776,675	-	8,776,675
Total Assets & Deferred Outflows	68,686,451	460,615	69,147,066	67,088,126	443,292	67,531,418
Liabilities						
Current and other liabilities	7,867,052	24,539	7,891,591	5,773,479	22,697	5,796,176
Long-term liabilities	80,999,765	6,512	81,006,277	83,084,861	-	83,084,861
Total Liabilities	88,866,817	31,051	88,897,868	88,858,340	22,697	88,881,037
Deferred Inflows						
Deferred Amounts Related to Pension and OPEB	1,804,603	-	1,804,603	998,472	-	998,472
Total Deferred Inflows	1,804,603	-	1,804,603	998,472	-	998,472
Net Position						
Net Investment in Capital Assets	14,947,199	241,707	15,188,906	14,514,791	254,971	14,769,762
Unrestricted	(36,932,168)	187,857	(36,744,311)	(37,283,477)	165,624	(37,117,853)
Total Net Position	(21,984,969)	429,564	(21,555,405)	(22,768,686)	420,595	(22,348,091)
Total Liabilities, Deferred Inflows & Net Position	\$ 68,686,451	\$ 460,615	\$ 69,147,066	\$ 67,088,126	\$ 443,292	\$ 67,531,418

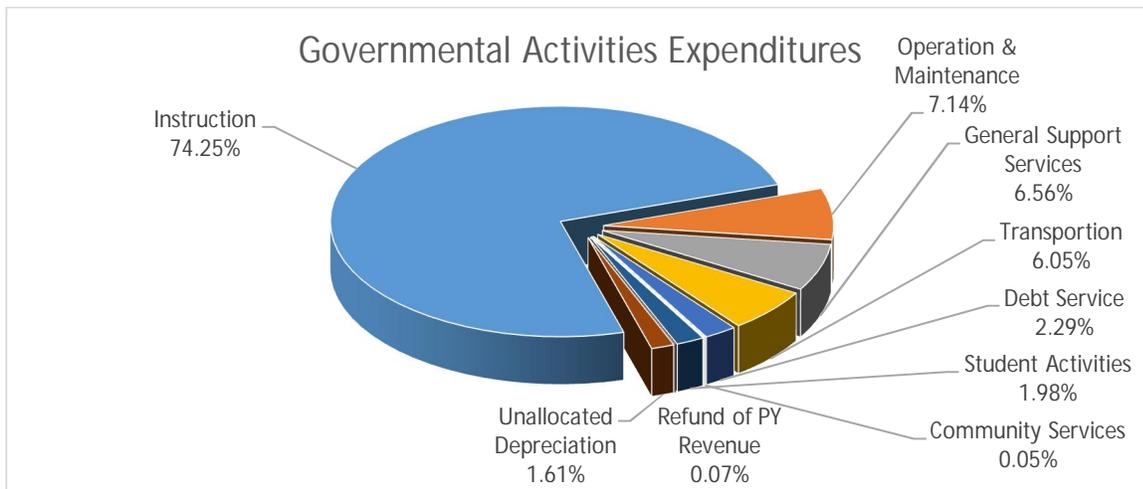
The net investment in capital assets (buildings, site improvements, and equipment) makes up most of the district's net position. The remaining unrestricted amounts are a combination of nonspendable, assigned, committed, and unassigned fund balance amounts.

NORTHERN TIOGA SCHOOL DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
 UNAUDITED
 JUNE 30, 2019

Graph A-1 shows the sources of revenues for the fiscal year 2019 for Governmental Activities.



Graph A-2 shows the expenditures for the fiscal year 2019 for Governmental Activities.



The results of this year's operations as a whole are reported in the Statement of Activities. All expenses are reported in the first column. Specific charges, grants, revenues, and subsidies that directly relate to specific expense categories are represented to determine the final amount of the District's activities that are supported by general revenues. The three largest general revenues are listed in Table A-2.

Table A-2
 Fiscal Year Ended June 30,
 General Revenues

<u>General Revenue Source</u>	<u>2017-2018</u>	<u>2018-2019</u>	<u>Increase/ (Decrease)</u>	<u>% Change</u>
Grants and Subsidies (mainly provided by the Commonwealth of PA)	\$ 12,985,831	\$ 13,055,429	\$ 69,598	0.5%
Real Estate Taxes	7,711,790	8,170,141	458,351	5.9%
Other Taxes (mainly Earned Income Tax)	3,604,362	3,606,967	2,605	0.1%

NORTHERN TIOGA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
UNAUDITED
JUNE 30, 2019

Table A-3 takes the information from the Statement of Activities, rearranges it slightly, so you can see our total revenues for the year.

Table A-3
Fiscal Year Ended June 30,
Changes in Net Position

	2019			2018		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues						
<u>Program Revenues</u>						
Charges for services	\$ 4,210	\$ 406,231	\$ 410,441	\$ 6,588	\$ 405,350	\$ 411,938
Operating grants and contributions	9,009,902	1,178,305	10,188,207	8,940,447	1,160,872	10,101,319
<u>General Revenues</u>						
Property taxes	8,170,141	-	8,170,141	7,711,790	-	7,711,790
Other taxes	3,606,967	-	3,606,967	3,604,362	-	3,604,362
Unrestricted grants, subsidies & contributions	13,055,429	-	13,055,429	12,985,831	-	12,985,831
Other	965,342	6,480	971,822	473,088	19,678	492,766
Total revenues	<u>34,811,991</u>	<u>1,591,016</u>	<u>36,403,007</u>	<u>33,722,106</u>	<u>1,585,900</u>	<u>35,308,006</u>
Expenses						
Instruction	22,474,221	-	22,474,221	21,632,650	-	21,632,650
Instructional student support	2,791,995	-	2,791,995	2,670,627	-	2,670,627
Administrative and financial support	2,231,140	-	2,231,140	2,315,642	-	2,315,642
Operation and maintenance of plant	2,430,200	-	2,430,200	4,215,442	-	4,215,442
Pupil transportation	2,057,058	-	2,057,058	2,003,031	-	2,003,031
Student activities	672,812	-	672,812	630,898	-	630,898
Community services	18,143	-	18,143	24,331	-	24,331
Interest on long-term debt	779,629	-	779,629	1,141,748	-	1,141,748
Refund of prior year receipts	23,606	-	23,606	-	-	-
Unallocated depreciation expense	549,470	-	549,470	427,658	-	427,658
Food Services	-	1,582,047	1,582,047	-	1,562,268	1,562,268
Total expenses	<u>34,028,274</u>	<u>1,582,047</u>	<u>35,610,321</u>	<u>35,062,027</u>	<u>1,562,268</u>	<u>36,624,295</u>
Increase (decrease) in net position	<u>\$ 783,717</u>	<u>\$ 8,969</u>	<u>\$ 792,686</u>	<u>\$ (1,339,921)</u>	<u>\$ 23,632</u>	<u>\$ (1,316,289)</u>

NORTHERN TIOGA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
UNAUDITED
JUNE 30, 2019

The tables below present the expenses of both the Governmental Activities and the Business-type Activities of the District.

Table A-4 shows the District's largest functions - instruction, instructional student support, administrative, operation and maintenance of plant, pupil transportation, student activities, community services, as well as each program's net cost (total cost less revenues generated by the activities). This table also shows the net costs offset by the other unrestricted grants, subsidies and contributions to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

Table A-4
Fiscal Year Ended June 30,
Governmental Activities

<u>Functions/Programs</u>	<u>2019</u>		<u>2018</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$ 22,474,221	\$ 16,177,589	\$ 21,632,650	\$ 15,408,128
Instructional student support	2,791,995	2,205,500	2,670,627	2,179,151
Administrative	2,231,140	1,946,164	2,315,642	2,018,197
Operation and maintenance	2,430,200	2,197,639	4,215,442	3,831,868
Pupil transportation	2,057,058	512,799	2,003,031	521,099
Student activities	672,812	605,083	630,898	574,604
Community services	18,143	16,683	24,331	16,139
Interest on long-term debt	779,629	779,629	1,141,748	1,138,148
Refund of prior year receipt	23,606	23,606	-	-
Unallocated depreciation expense	549,470	549,470	427,658	427,658
Total governmental activities	34,028,274	25,014,162	35,062,027	26,114,992
Less:				
Unrestricted grants, subsidies		13,055,429		12,985,831
Total needs from local taxes and other revenues		\$ 11,958,733		\$ 13,129,161

The dependence upon tax revenues for governmental activities is apparent. The District had expenses for governmental activities of \$34,028,274, while only \$4,210 has been provide from program specific charges and \$9,009,902 has been provide by the State and Federal Governments as operating grants. The District has also received \$13,055,429 from the State for Basic Education expenses, which leaves \$11,958,733 of expenses required to be covered by tax assessments and other revenues. Approximately 35.1% of District activities are supported through taxes and other general revenue.

NORTHERN TIOGA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
UNAUDITED
JUNE 30, 2019

Table A-5 reflects the activities of the Food Service program, the only Business-type activity of the District.

Table A-5
Fiscal Year Ended June 30,
Business-type Activities

<u>Functions/Programs</u>	<u>2019</u>		<u>2018</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Food services	1,582,047	(2,489)	1,562,268	(3,954)
Total needs from general revenues		\$ (2,489)		\$ (3,954)

The Statement of Revenues, Expenses and Changes in Fund Net Position for this proprietary fund will further detail the actual results of operations.

THE DISTRICT FUNDS

At June 30, 2019 the District governmental funds reported a combined fund balance of \$23,426,834 which is a decrease of \$10,112,304.

The General Fund, which accounts for the District's operations, represents, the District's most significant major fund. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds is summarized in Table A-6 below.

Table A-6
Fiscal Year Ended June 30,
Summary of Governmental Change in Fund Balance

<u>2019</u>	<u>Beginning Fund Balance</u>	<u>Net Change in Fund Balance</u>	<u>Ending Fund Balance</u>
General Fund	\$ 9,121,336	\$ 830,440	\$ 9,951,776
Capital Projects	24,417,802	(10,942,744)	13,475,058
Total Governmental Funds	<u>\$ 33,539,138</u>	<u>\$ (10,112,304)</u>	<u>\$ 23,426,834</u>
<u>2018</u>			
Total Governmental Funds	<u>\$ 14,385,405</u>	<u>\$ 19,153,733</u>	<u>\$ 33,539,138</u>

The increase in the General Fund is due in part to the unpredictability of State revenue when the District budget is developed. The decrease in fund balance in the Capital Projects Fund is due to the completion of multiple projects within the schools throughout the District.

GENERAL FUND BUDGET

During the fiscal year, the Board of School Directors (The Board) authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. All adjustments are, again, confirmed at the time the annual audit is accepted, which is after the end of the fiscal year, and is not prohibited by state law. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided on the Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual.

NORTHERN TIOGA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
UNAUDITED
JUNE 30, 2019

Transfers between specific categories of expenditures/financing uses occur during the year. The most significant transfers occur from the budget reserve category to specific expenditure areas.

The Budgetary Reserve includes amounts that will be funded by designated fund balance for planned opportunities of expenditures for improvements/enhancements to the District operations. These amounts will only be appropriated into expenditure categories if the fiscal results of the prior year end with a positive addition to fund balance, which exceeds the total of these projected expenditures. The Board is using this method of budgeting to control tax increases while also protecting the integrity of the fund balance.

CAPITAL ASSET AND DEBT SUMMARY

CAPITAL ASSETS

At June 30, 2018 the District, including Food Service, had \$19,560,471 invested in a broad range of capital assets, including buildings, site improvements and furniture and equipment. Thus, at the end of June 2019, the capital assets, net of depreciation totaled \$30,528,900 representing a net increase (including additions, deletions and depreciation) of \$10,968,429 over last year.

Table A-7 reflects the capital assets of both the governmental activities and the business-type activities of the District.

Table A-7
Governmental Activities and Business Type Activities
Fiscal Year Ended June 30,
Capital assets - net of depreciation

Asset Classification (Net of Accumulated Depreciation)	2019	2018	2017	2016	2015
Site Improvements	\$ 6,186	\$ 9,192	\$ 12,198	\$ 18,212	\$ 27,608
Building and Building Improvements	28,093,359	17,144,054	17,619,877	18,182,187	17,946,490
Furniture & Equipment	2,429,355	2,407,225	2,330,603	2,299,674	2,368,697
	<u>\$ 30,528,900</u>	<u>\$ 19,560,471</u>	<u>\$ 19,962,678</u>	<u>\$ 20,500,073</u>	<u>\$ 20,342,795</u>

NORTHERN TIOGA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
UNAUDITED
JUNE 30, 2019

DEBT SUMMARY AND RELATED INFORMATION

As of July 1, 2018 the District had total outstanding bond principal of \$23,445,000. This District has a total ending outstanding debt as of June 30, 2019 of \$22,565,000.

Table A-8
Outstanding Debt

	2019	2018	2017	2016	2015
General Obligation Bonds:					
- Series of 2013	\$ -	\$ -	\$ 545,000	\$ 2,720,000	\$ 4,860,000
- Series of 2016	-	-	5,125,000	5,205,000	-
- Series of 2017A	4,300,000	4,855,000	-	-	-
- Series of 2017AA	18,265,000	18,590,000	-	-	-

The Local Government Unit Debt Act (Act 52 of 1978, re-enacting and amending Act 185 of 1972), imposes debt limits for all local government units in Pennsylvania. Act 50 of 1998 amended the Debt Act resulting in a debt limit of 225% of the District's borrowing base. The "Debt Act" is administered by the Pennsylvania Department of Community Affairs.

The table below shows the calculation prescribed by the Debt Act in determining the District's debt limit and remaining borrowing capacity. It uses the three most recent actual annual revenue amounts as the primary basis for the calculation. Therefore, this calculation will change in future years as future year's revenue changes.

	2016-2017	2017-2018	2018-2019
Total General Fund Revenues	\$ 33,992,853	\$ 33,604,775	\$ 34,074,860
Less: Required Deductions			
--- Federal Revenue & Rental & Sinking Fund Reimbursement	2,488,891	1,100,161	934,435
Net Revenue	<u>31,503,962</u>	<u>32,504,614</u>	<u>33,140,425</u>
Total Net Revenue For Three Years			\$ 97,149,001
Borrowing Base - Average Net Revenue for Three Year Period			\$ 32,383,000
Multiplier			225%
Total Nonelectoral Debt Limit			72,861,751
Less: Amount of Debt Issued & Outstanding (as of 6/30/2018)			<u>22,565,000</u>
Total Debt Margin (Remaining Borrowing Capacity)			\$ 50,296,751
Total Debt Margin Percentage (Remaining Borrowing Capacity)			69.03%

NORTHERN TIOGA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
UNAUDITED
JUNE 30, 2019

OTHER STATISTICAL DATA**2018-19 REAL ESTATE TAX COLLECTION DATA**

Tax notices are due for mailing to taxpayers at the beginning of July each year. A discount of 2% is allowed on all property taxes paid within two months from the date tax bills are mailed. After the discount period expires a two-month period is allowed for payment of taxes at par. Taxes paid after this time are subject to a 10% penalty. A list of names of all taxpayers that have not paid their current real estate taxes is submitted to the Tax Claim Bureau of Tioga County by December 31 of the following calendar year. All delinquent real estate taxes are subsequently paid to this office, which in turn remits a monthly list of delinquent collections to the School District.

Year	Levy(1)	Current Collections	Percent of Levy	Prior Years Collections(2)	Total Collections	Percent of Levy
2006-07	\$ 6,351,150	\$ 5,653,570	89.0%	\$ 563,240	\$ 6,216,810	97.9%
2007-08	6,646,075	5,933,134	89.3%	685,501	6,618,635	99.6%
2008-09	6,894,934	5,730,006	83.1%	709,548	6,439,554	93.4%
2009-10	6,875,164 *	6,148,691	89.4%	843,712	6,992,403	101.7%
2010-11	7,248,927 *	6,630,667	91.5%	1,047,456	7,678,123	105.9%
2011-12	7,314,480 *	6,726,174	92.0%	763,928	7,490,102	102.4%
2012-13	7,368,380 *	6,792,155	92.2%	642,621	7,434,776	100.9%
2013-14	7,623,854 *	7,012,721	92.0%	695,627	7,708,348	101.1%
2014-15	7,922,802 *	7,287,034	92.0%	791,603	8,078,637	102.0%
2015-16	8,217,470 *	7,304,727	88.9%	952,366	8,257,093	100.5%
2016-17	8,535,162 *	7,554,353	88.5%	975,695	8,530,048	99.9%
2017-18	8,737,760 *	7,820,398	89.5%	1,094,817	8,915,215	102.0%
2018-19	9,071,493 *	8,048,607	88.7%	1,014,123	9,062,730	99.9%

(1) Real estate assessment multiplied by realty tax rate less any taxpayer relief funds received from the state. (Budgeted)

(2) Taxes collected for past fiscal years.

*District received taxpayer relief funds from the state.

EMPLOYEE DATA

There are approximately 322 employees of the school district, including 9 administrators, 2 psychologists, 3 social workers, 179 teachers, and 129 support personnel, including technology specialists, secretaries, custodial and maintenance staff, cafeteria staff, and teacher assistants.

ENROLLMENT DATA

The chart below provides student enrollment information by building.

	Elementary Schools				Secondary Schools			District Total
	Clark Wood	RB Walter	Westfield Area	Elementary Total	Cowanesque Valley	Williamson	Secondary Total	
June 2019	317	542	392	1,251	399	523	922	2,173
October 2019	315	504	381	1,200	354	548	902	2,102

NORTHERN TIOGA SCHOOL DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
 UNAUDITED
 JUNE 30, 2019

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The budget for the 2019-20 is \$1,161,329.00 more than the original budget for 2018-19. This represents a 3.24% increase. Property taxes increased to 18.459 mills, reflecting a 3.4% increase over the prior year. State revenues are expected to increase 1.37% over the actual amount received in 2018-19. Federal revenues for 2019-20 are projected to increase 2.95 over the actual amount received in 2018-19.

Table A-9 is a comparison of revenue and expenditure categories is as follows:

Table A-9

BUDGETED REVENUES

	2019-2020	2018-2019	2017-2018	2016-2017	2015-2016
Local	33.6%	33.5%	32.5%	32.0%	31.6%
State	56.7%	57.8%	57.8%	57.2%	59.1%
Federal/Other	9.7%	8.7%	9.7%	10.8%	9.3%

BUDGETED EXPENDITURES

	2019-2020	2018-2019	2017-2018	2016-2017	2015-2016
Instruction	61.7%	61.9%	61.4%	58.7%	58.7%
Support Services	28.3%	28.1%	27.8%	27.1%	28.0%
Student Activities/ Community	1.9%	1.9%	1.9%	1.9%	1.9%
Facility Improvement	0.1%	0.0%	0.0%	2.0%	0.8%
Fund Transfer/Debt	8.0%	8.1%	8.9%	10.3%	10.6%

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Kathy VanSchaick, Business Manager at Northern Tioga School District, 110 Ellison Road, Elkland, PA 16920, (814) 258-5644 Ext. 3.

NORTHERN TIOGA SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 13,209,909	\$ 188,801	\$ 13,398,710
Investments	14,688,594	-	14,688,594
Receivables			
Accounts	38,960	376	39,336
Taxes	1,127,368	-	1,127,368
Internal Balances	132,928	(132,928)	-
Due from Other Governments	1,912,426	129,500	2,041,926
Inventory	-	33,159	33,159
Capital Assets, Being Depreciated, net	30,287,193	241,707	30,528,900
Total Assets	<u>61,397,378</u>	<u>460,615</u>	<u>61,857,993</u>
Deferred Outflows of Resources			
Deferred Amounts Related to Pensions	6,951,024	-	6,951,024
Deferred Amounts Related to Other Post Employment Benefits	338,049	-	338,049
Total Deferred Outflows of Resources	<u>7,289,073</u>	<u>-</u>	<u>7,289,073</u>
Liabilities			
Accounts Payable	1,865,343	253	1,865,596
Accrued Expenses and Withholdings	3,136,523	11,297	3,147,820
Payroll Deductions and Withholdings	1,388,670	-	1,388,670
Benefits Payable	275,594	-	275,594
Accrued Interest	212,978	-	212,978
Unearned Revenue	62,944	12,989	75,933
Current Portions of Long Term Liabilities:			
Bonds Payable	925,000	-	925,000
Non-Current Portions of Long Term Liabilities:			
Bonds Payable	21,640,000	-	21,640,000
Bond Premium	1,181,694	-	1,181,694
Compensated Absences	330,731	6,512	337,243
Other Postemployment Benefits	5,042,340	-	5,042,340
Pension Liability	52,805,000	-	52,805,000
Total Liabilities	<u>88,866,817</u>	<u>31,051</u>	<u>88,897,868</u>
Deferred Inflows of Resources			
Deferred Amounts Related to Pensions	914,000	-	914,000
Deferred Amounts Related to Other Post Employment Benefits	890,603	-	890,603
Total Deferred Inflows of Resources	<u>1,804,603</u>	<u>-</u>	<u>1,804,603</u>
Net Position			
Net Investment In Capital Assets	14,947,199	241,707	15,188,906
Unrestricted	(36,932,168)	187,857	(36,744,311)
Total Net Position	<u>\$ (21,984,969)</u>	<u>\$ 429,564</u>	<u>\$ (21,555,405)</u>

The accompanying notes are an integral part of the financial statements.

NORTHERN TIOGA SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instruction	\$ 22,474,221	\$ 4,210	\$ 6,292,422	\$ -	\$ (16,177,589)	\$ -	\$ (16,177,589)
Instructional Student Support	2,791,995	-	586,495	-	(2,205,500)	-	(2,205,500)
Administrative and Financial Support Services	2,231,140	-	284,976	-	(1,946,164)	-	(1,946,164)
Operation and Maintenance of Plant Services	2,430,200	-	232,561	-	(2,197,639)	-	(2,197,639)
Pupil Transportation	2,057,058	-	1,544,259	-	(512,799)	-	(512,799)
Student Activities	672,812	-	67,729	-	(605,083)	-	(605,083)
Community Services	18,143	-	1,460	-	(16,683)	-	(16,683)
Refund of PY Revenue / Receipts	23,606	-	-	-	(23,606)	-	(23,606)
Interest and Fiscal Charges	779,629	-	-	-	(779,629)	-	(779,629)
Unallocated Depreciation	549,470	-	-	-	(549,470)	-	(549,470)
Total Governmental Activities	34,028,274	4,210	9,009,902	-	(25,014,162)	-	(25,014,162)
Business-type Activities:							
Food Service	1,582,047	406,231	1,178,305	-	-	2,489	2,489
Total Primary Government	\$ 35,610,321	\$ 410,441	\$ 10,188,207	\$ -	\$ (25,014,162)	\$ 2,489	\$ (25,011,673)
General Revenues:							
Taxes:							
Property taxes, levied for general purposes, net					8,170,141	-	8,170,141
Other taxes levied for specific purposes					3,606,967	-	3,606,967
Grants, subsidies, & contributions, not restricted					13,055,429	-	13,055,429
Investment earnings					808,321	2,401	810,722
Miscellaneous					161,100	-	161,100
Transfers					(4,079)	4,079	-
Total General Revenues					25,797,879	6,480	25,804,359
Change in Net Position					783,717	8,969	792,686
Net Position - Beginning					(22,768,686)	420,595	(22,348,091)
Net Position - Ending					\$ (21,984,969)	\$ 429,564	\$ (21,555,405)

The accompanying notes are an integral part of the financial statements.

NORTHERN TIOGA SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019

	General Fund	Capital Projects Fund	TOTAL
<u>Assets</u>			
Cash and Cash Equivalents	\$ 10,918,892	\$ 2,291,017	\$ 13,209,909
Investments	1,542,401	13,146,193	14,688,594
Taxes Receivable (net)	1,127,368	-	1,127,368
Due From Other Funds	523,381	-	523,381
Due From Other Governments	1,912,426	-	1,912,426
Other Receivables	38,960	-	38,960
Total Assets	<u>\$ 16,063,428</u>	<u>\$ 15,437,210</u>	<u>\$ 31,500,638</u>
<u>Liabilities</u>			
Accounts Payable	\$ 293,644	\$ 1,571,699	\$ 1,865,343
Accrued Salaries and Benefits	3,136,523	-	3,136,523
Due to Other Funds	-	390,453	390,453
Payroll Deductions and Withholdings	1,388,670	-	1,388,670
Benefits Payable	275,594	-	275,594
Total Liabilities	<u>5,094,431</u>	<u>1,962,152</u>	<u>7,056,583</u>
<u>Deferred Inflows of Resources</u>			
Unavailable Revenue - Property Taxes	1,017,221	-	1,017,221
Total Deferred Inflows of Resources	<u>1,017,221</u>	<u>-</u>	<u>1,017,221</u>
<u>Fund Balances</u>			
Restricted	-	7,225,006	7,225,006
Assigned For:			
Capital Expenditures / Debt Service	1,000,000	6,250,052	7,250,052
Future Pension Costs	2,492,340	-	2,492,340
Other Postemployment Benefits	600,000	-	600,000
Insurance	840,000	-	840,000
Special Education Costs	650,000	-	650,000
Board Initiative	200,165	-	200,165
Technology	650,000	-	650,000
Textbooks	200,000	-	200,000
Unassigned	3,319,271	-	3,319,271
Total Fund Balances	<u>9,951,776</u>	<u>13,475,058</u>	<u>23,426,834</u>
Total Liabilities and Fund Balances	<u>\$ 16,063,428</u>	<u>\$ 15,437,210</u>	<u>\$ 31,500,638</u>

The accompanying notes are an integral part of the financial statements.

NORTHERN TIOGA SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Total fund balances for governmental funds		\$ 23,426,834
Total net assets reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land and site improvements, net of \$2,010,815 accumulated depreciation	6,186	
Buildings and building improvements, net of \$19,837,630 accumulated depreciation	28,093,359	
Furniture, equipment, and vehicles, net of \$7,621,422 accumulated depreciation	<u>2,187,648</u>	
Total capital assets		30,287,193
Some of the District's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as unavailable revenue-property taxes in the funds.		
		1,017,221
Gas lease revenues are applicable to future periods, and therefore are unearned.		
		(62,944)
Deferred inflows and outflows of resources related to pensions and other post employment benefits are applicable to future periods and, therefore, are not reported in the funds:		
Deferred Outflows of Resources		7,289,073
Deferred Inflows of Resources		(1,804,603)
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position.		
Balances at June 30, 2019 are:		
Compensated Absences	(330,731)	
Accrued Interest on Bonds and Loan	(212,978)	
Bonds Payable	(22,565,000)	
Unamortized Bond Premium	(1,181,694)	
Net Pension Liability	(52,805,000)	
Other Postemployment Benefits	<u>(5,042,340)</u>	
		<u>(82,137,743)</u>
Total net position of governmental activities		<u>\$ (21,984,969)</u>

The accompanying notes are an integral part of the financial statements.

NORTHERN TIOGA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL
FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>TOTAL</u>
Revenues			
Local Sources	\$ 12,422,404	\$ 577,714	\$ 13,000,118
State Sources	20,718,021	-	20,718,021
Federal Sources	934,435	-	934,435
	<u>34,074,860</u>	<u>577,714</u>	<u>34,652,574</u>
Total Revenues			
Expenditures			
Instruction	20,911,742	-	20,911,742
Support Services	9,510,492	18,389	9,528,881
Operation of Noninstructional Services	688,598	-	688,598
Facilities Acquisition, Construction, and Improvement Services	42,113	11,816,069	11,858,182
Debt Service	1,563,790	186,000	1,749,790
Refund of PY Revenue / Receipts	23,606	-	23,606
	<u>32,740,341</u>	<u>12,020,458</u>	<u>44,760,799</u>
Total Expenditures			
Excess of Revenues Over (Under) Expenditures	<u>1,334,519</u>	<u>(11,442,744)</u>	<u>(10,108,225)</u>
Other Financing Sources (Uses)			
Transfers In	-	500,000	500,000
Transfers Out	(504,079)	-	(504,079)
Total Other Financing Sources	<u>(504,079)</u>	<u>500,000</u>	<u>(4,079)</u>
Net Change in Fund Balances	830,440	(10,942,744)	(10,112,304)
Fund Balances - Beginning of year	<u>9,121,336</u>	<u>24,417,802</u>	<u>33,539,138</u>
Fund Balances - End of year	<u>\$ 9,951,776</u>	<u>\$ 13,475,058</u>	<u>\$ 23,426,834</u>

The accompanying notes are an integral part of the financial statements.

NORTHERN TIOGA SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2019

Net change in fund balances - total governmental funds \$ (10,112,304)

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$12,117,831) exceeded depreciation (\$1,136,138) in the current period. 10,981,693

Repayment of note principal and payments for other long-term obligations are expenditures in the governmental funds but reduce the liabilities in the statement of net position.

Repayments: 880,000
 Bonds Payable

Under the modified accrual basis of accounting used in governmental funds, revenues are not reported until they become available. In the statement of activities, however, revenues are recorded regardless of when financial resources are available. This is the change in unavailable real estate tax revenue from 6/30/18 to 6/30/19. 121,534

Gas lease rental proceeds are a local source of revenue recognized in the funds as revenue when received, but are applicable to future periods, and therefore, are deferred over the life of the lease. 41,962

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the net changes in compensated absences, accrued interest, pension benefit, and cumulative unfunded OPEB costs.

Compensated Absences	(88,455)	
Accrued Interest on Bonds	4,469	
Amortization of Debt Premium	85,692	
Pension Benefit	(387,470)	
Cumulative Unfunded OPEB Cost	(743,404)	
	(1,129,168)	(1,129,168)

Change in Net Position of Governmental Activities \$ 783,717

NORTHERN TIOGA SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019

	<u>ENTERPRISE FUND</u>
	<u>Food Service</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 188,801
Due from Other Governments	129,500
Other Receivables	376
Inventories	<u>33,159</u>
Total Current Assets	<u>351,836</u>
Noncurrent Assets	
Capital Assets, Depreciable	<u>241,707</u>
Total Noncurrent Assets	<u>241,707</u>
Total Assets	<u>593,543</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	253
Accrued Expenses and Withholdings	11,297
Due to Other Funds	132,928
Unearned Revenue	<u>12,989</u>
Total Current Liabilities	<u>157,467</u>
Noncurrent Liabilities:	
Compensated Absences	<u>6,512</u>
Total Noncurrent Liabilities	<u>6,512</u>
Total Liabilities	<u>163,979</u>
NET POSITION	
Net Investment in Capital Assets	241,707
Unrestricted	<u>187,857</u>
Total Net Position	<u><u>\$ 429,564</u></u>

The accompanying notes are an integral part of the financial statements.

NORTHERN TIOGA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>ENTERPRISE FUND</u>
	<u>Food Service</u>
Operating Revenues	
Food Service Revenue	\$ 406,231
Total Operating Revenues	<u>406,231</u>
Operating Expenses	
Salaries	496,192
Employee Benefits	419,809
Purchased Professional and Technical Service	2,832
Purchased Property Services	9,829
Other Purchased Services	5,345
Supplies	630,276
Depreciation Expense	17,764
Total Operating Expenses	<u>1,582,047</u>
Operating Income (Loss)	<u>(1,175,816)</u>
Nonoperating Revenues (Expenses)	
Earnings on Investments	2,401
Contributions and Donations	930
State Sources	184,243
Federal Sources	993,132
Total Nonoperating Expenses	<u>1,180,706</u>
Income (Loss) Before Operating Transfers	<u>4,890</u>
Transfers	
Transfers In	4,079
Total Transfers	<u>4,079</u>
Changes In Net Position	8,969
Total Net Position - Beginning of Year	<u>420,595</u>
Total Net Position - End of Year	<u>\$ 429,564</u>

The accompanying notes are an integral part of the financial statements.

NORTHERN TIOGA SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>ENTERPRISE FUND</u>
	<u>Food Service</u>
Cash Flows From Operating Activities	
Receipts from Users	\$ 406,594
Payments to:	
Employees for Services	(901,843)
Suppliers of Goods and Services	<u>(545,687)</u>
Net Cash Provided by (Used in) Operating Activities	<u>(1,040,936)</u>
Cash Flow From Noncapital Financing Activities	
Interfund Transfers	4,079
Contributions and Donations	930
State Sources	183,491
Federal Sources	<u>879,079</u>
Net Cash Provided by Noncapital Financing Activities	<u>1,067,579</u>
Cash Flows from Capital and Related Financing Activities	
Purchase of Capital Assets	<u>(4,500)</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(4,500)</u>
Cash Flows from Investing Activities	
Earnings on Investments	<u>2,401</u>
Net Cash Provided by (Used in) Investing Activities	<u>2,401</u>
Net Increase in Cash and Cash Equivalents	24,544
Cash and Cash Equivalents, Beginning of Year	<u>164,257</u>
Cash and Cash Equivalents, End of Year	<u>\$ 188,801</u>
Supplemental Disclosure of Noncash Transactions:	
Donated Commodities	<u>\$ 98,377</u>
Reconciliation of Operating Loss to Net Cash Used In Operating Activities	
Operating Loss	\$ (1,175,816)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities	
Depreciation Expense	17,764
Donated Commodities	98,377
Change in Assets and Liabilities	
Accounts Receivable	(376)
Due From/To Other Funds	6,796
Inventory	3,965
Accounts Payable	253
Accrued Liabilities	850
Accrued Sick Leave	6,512
Unearned Revenue	<u>739</u>
Net Cash Used In Operating Activities	<u>\$ (1,040,936)</u>

The accompanying notes are an integral part of the financial statements.

NORTHERN TIOGA SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

	Private Purpose Trust Fund	Agency Funds	Total
Assets			
Cash	\$ 52,823	\$ 740,871	\$ 793,694
Investments, at fair value:			
Certificates of Deposit	130,715	243,000	373,715
Savings Bonds	-	436,759	436,759
Total Investments	<u>130,715</u>	<u>679,759</u>	<u>810,474</u>
Accounts Receivable	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>183,538</u>	<u>1,420,630</u>	<u>1,604,168</u>
Liabilities			
Accounts Payable	-	16,267	16,267
Due to Student Groups	-	222,937	222,937
Other Liabilities	<u>-</u>	<u>1,181,426</u>	<u>1,181,426</u>
Total Liabilities	<u>-</u>	<u>1,420,630</u>	<u>1,420,630</u>
Net Position			
Restricted for Scholarships	<u>183,538</u>	<u>-</u>	<u>183,538</u>
Total Net Position	<u>\$ 183,538</u>	<u>\$ -</u>	<u>\$ 183,538</u>

The accompanying notes are an integral part of the financial statements.

NORTHERN TIOGA SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2019

	Private Purpose Trust Fund
Additions:	
Gifts and Contributions	\$ 14,647
Earnings on Investments	1,155
Total Additions	15,802
Deductions:	
Scholarships Awarded	12,605
Other Deductions	96
Total Deductions	12,701
Change in Net Position	3,101
Beginning of Year	180,437
End of Year	\$ 183,538

The accompanying notes are an integral part of the financial statements.

NORTHERN TIOGA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Operations

The Northern Tioga School District (the "District") provides public education to the residents of five boroughs and eleven townships with three elementary schools and two high schools in Tioga County, Pennsylvania. The District is managed under current standards prescribed by the Pennsylvania Department of Education in accordance with the provision of the School Laws of Pennsylvania. The District operates under a locally elected nine member Board form of government. The District Board of Education is the basic level of government which has financial accountability and control over all activities related to the public school education. The District receives funding from local, state, and federal government sources and must comply with the accompanying requirements of these funding source entities.

B. Reporting Entity

Governmental Accounting Standards Board ("GASB") Statement No. 61, *"The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34"* established the criteria used by the District to evaluate the possible inclusion of related entities within its reporting entity based upon financial accountability and the nature and significance of the relationship. Based on the foregoing criteria, the District has no component units that are required to be included in the District's financial statements.

C. Intermediate Unit

The District is a participating member of the BLAST IU #17 located in Williamsport, Pennsylvania. The BLAST IU is a self-sustaining organization that provides services for fees to participating districts. Through their membership, the District is able to secure various special services including federal program assistance and special education services.

D. Measurement Focus, Basis of Accounting

The basic financial statements of the District are comprised of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

1. Government-wide Financial Statements

Government-wide financial statements (i.e. the statement of net position and the statement of activities) report on all the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities which are supported by taxes and intergovernmental revenues are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

NORTHERN TIOGA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

D. Measurement Focus, Basis of Accounting (Continued)

1. Government-wide Financial Statements (Continued)

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and agency fund financial statements which incorporates noncurrent assets as well as long term debt and obligations. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customer or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Amounts expended to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the School District are reported as a reduction of the related liability, rather than an expenditure.

2. Fund Financial Statements

The operations of the District are organized and are recorded in individual funds. Each fund is a separate accounting entity, with self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures or expenses, as appropriate.

NORTHERN TIOGA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

2. Fund Financial Statements (Continued)

Governmental Funds

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 collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 180 days of the end of the current fiscal period with the exception of taxes which must be received within 60 days of year end to be deemed available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Operating and capital grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the District.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spendable resources". Governmental funds operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than as a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is made.

NORTHERN TIOGA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
 (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

2. Fund Financial Statements (Continued)

Proprietary Funds

The District's Food Service Fund is a proprietary fund. In the fund financial statements, the proprietary fund is presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, the proprietary fund is presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. The proprietary fund type operating statement presents increases (revenues) and decreases (expenses) in total net position.

The proprietary fund's operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the fund financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than an expense.

Fiduciary Funds

The District's Fiduciary Funds are presented in the fund financial statements as a Private Purpose Trust Fund and an Agency Fund. Since, by definition, the assets of these funds are held for the benefit of a third party (individuals, private organizations, and/or other governments) and cannot be used to satisfy obligations of the District, these funds are not incorporated into the government-wide financial statements. The District's fiduciary funds are presented on the accrual basis of accounting.

E. Basis of Presentation

The following are the District's major funds:

Governmental Fund Types

- The General Fund is the operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

NORTHERN TIOGA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

E. Basis of Presentation (Continued)

Governmental Funds (Continued)

- The Capital Projects Fund is used to account for financial resources to be used in acquisition, construction, or improvement of capital facilities other than those financed by proprietary funds.
- Debt Service Fund is used to account for activity associated with periodic refunding transactions of the District's debt service.

Proprietary Fund

- The Food Service Fund is used to account for the operations of the District's food service operations. Operating Revenues consist of charges for food served. Operating expenses consist mainly of food, food preparation costs, supplies, and other direct costs. All other revenues and expenses are reported as non-operating.

Fiduciary Funds

- The Private Purpose Trust Funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and therefore not available to support the District's own programs.
- Agency Funds are custodial in nature and do not involve measurement of results of operations. The District's agency funds accounts for various student-managed activity monies, as well as an endowment fund specifically established to benefit the students of the Westfield Area Elementary School.

F. Assets, Liabilities, Net Position or Fund Balance

1. Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, and pooled fund investments subject to daily withdrawal.

2. Investments

The Pennsylvania School Code and the District's investment policy establish criteria for the type of investments that can be held by the District. Investments held by the District are reported at their fair market value based on quoted prices in actively traded markets as of year end.

NORTHERN TIOGA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
 (CONTINUED)

F. Assets, Liabilities, Net Position or Fund Balance (Continued)

3. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding for goods or services rendered at the end of the fiscal year are referred to as "due to/from other funds."

4. Inventories

The cost of governmental fund inventories are recorded as expenditures when purchased rather than when consumed. Food Service fund inventory consisted of expendable supplies valued at cost on a first-in, first-out basis, and federal government donated commodities received from the U.S. Department of Agriculture (USDA) recorded at estimated fair values provided by the USDA. Inventory in the Food Service Fund is recorded as an expense when consumed.

5. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, sidewalks, and similar items), are reported in the governmental or business-type activity column in the government-wide and the proprietary fund financial statements. The District defines capital assets with an initial, individual cost of more than: \$1,500 and an estimated useful life in excess of one year. Capital assets are recorded at historical costs or estimated historical costs if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are completed.

Capital assets of the District are depreciated using the straight line method over the following intended useful lives:

<u>Description</u>	<u>Estimated Useful Life</u>
Buildings	40 years
Building Improvements	20 years
Site Improvements	15 years
Furniture	20 years
Vehicles	4 years
Equipment	5-15 years

NORTHERN TIOGA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

F. Assets, Liabilities, Net Position or Fund Balance (Continued)

7. Compensated Absences

Compensated absences are those for which employees receive pay. A liability is recorded through the use of estimates, which apply historical data to current factors. The District maintains records of unused absences and applies current and/or contracted compensation rates to the various types of compensated absences using the termination method.

8. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of applicable bond premium or discount and issuance costs are expensed.

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 is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Unearned Revenues

Revenues that are received but not yet earned are recorded as unearned revenue in the District's financial statements. In the District's governmental funds, unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the governmental funds' balance sheet and revenue is recognized.

NORTHERN TIOGA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

F. Assets, Liabilities, Net Position or Fund Balance (Continued)

10. Fund Balance

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable fund balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- Restricted fund balance – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance – This classification includes amounts that can be used only for specific purposes determined by a formal action by the District's highest level of decision-making authority, the Board of Education. Committed fund balance may also include resources that have been specifically committed for use in satisfying contractual requirements. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Education.
- Assigned fund balance – This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. The Business Manager has been delegated the authority to assign amounts for specific purposes.
- Unassigned fund balance – This classification represents all amounts that are available for any purpose. The District will strive to maintain an unassigned general fund balance of not less than five percent (5%) and not more than eight percent (8%) of the budgeted expenditures for the applicable fiscal year.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance and lastly unassigned fund balance.

NORTHERN TIOGA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

F. Assets, Liabilities, Net Position or Fund Balance (Continued)

11. Net Position

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- *Net Investment in capital assets* – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Position* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* – This category represents net position of the School District, not restricted for any project or other purpose.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District's policy is to apply restricted net position first.

12. Accounting Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual amounts may differ from those estimates.

13. Interfund Transactions

Quasi-external transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it, which are properly applicable to another fund, are recorded as expenditures in the reimbursing fund, and as reductions of expenditures in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

NORTHERN TIOGA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

F. Assets, Liabilities, Net Position or Fund Balance (Continued)

14. Deferred Inflows/Outflows of Resources

The Statements of Net Position report separate sections for deferred outflows and deferred inflows of resources. These separate financial statement elements represent a consumption or acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow or inflow of resources (expense/revenue) until then. The District has three items that qualify for reporting in these categories: deferred outflows and inflows related to other postemployment benefits, deferred outflows and inflows related to pensions, and unavailable tax revenue.

Deferred outflows and inflows of resources related to pensions are described further in Note 9 and deferred outflows and inflows related to other postemployment benefits are described further in Note 10. The components of deferred outflows of resources and deferred inflows of resources, other than the difference between the projected and actual investment earnings on investments, are amortized into pension expense over a closed period, which reflects the weighted average remaining service life of all PSERS members beginning the year in which the deferred amount occurs (current year). The annual difference between the projected and actual earnings on PSERS investments is amortized over a five-year closed period beginning the year in which the difference occurs (current year). *Unavailable tax revenue*, which arises under the modified accrual basis of accounting, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

15. PSERS Pension and OPEB

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

G. Adoption of Governmental Accounting Standards Board Statements

The District adopted the provisions of GASB Statement No. 83, "*Certain Asset Retirement Obligations*". The adoption of this statement had no effect on previously reported amounts.

The District adopted the provisions of GASB Statement No. 88, "*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*". The adoption of this statement had no effect on previously reported amounts.

NORTHERN TIOGA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

H. Pending Changes in Accounting Principles

In January 2017, the GASB issued Statement No. 84, "*Fiduciary Activities*". The District is required to adopt the provisions of statement No. 84 for its fiscal year 2020 financial statements.

In June 2017, the GASB issued Statement No. 87, "*Leases*". The District is required to adopt the provisions of Statement No. 87 for its fiscal year 2021 financial statements.

In June 2018, the GASB issued Statement No. 89, "*Accounting for Interest Cost Incurred before the End of a Construction Period*". The District is required to adopt the provisions of Statement No. 89 for its fiscal year 2021 financial statements.

In August 2018, the GASB issued Statement No. 90, "*Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*". The District is required to adopt the provisions of Statement No. 90 for its fiscal year 2020 financial statements.

In May 2019, the GASB issued Statement No. 91, "*Conduit Debt Obligations*". The District is required to adopt the provisions of Statement No. 91 for its fiscal year 2022 financial statements.

The District has not yet completed the various analysis required to estimate the financial statement impact of these new pronouncements.

NORTHERN TIOGA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 2: BUDGETS AND BUDGETARY ACCOUNTING

The School Board approves, prior to the beginning of each year, an annual budget on the modified accrual basis of accounting for the General Fund. This is the only fund for which a budget is legally required and for which taxes may be levied.

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

The School District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.

The School District is required to prepare a proposed budget at least thirty days prior to the adoption of the annual budget. Final action shall not be taken on the proposed budget until after ten days' public notice. The proposed budget shall be printed, or otherwise made available for public inspection at least twenty days prior to the date set for the adoption of the budget.

Once a budget is approved, the Board may authorize the transfer of any unencumbered balance, or any portion thereof, from one class of expenditure or item, to another, by approval of a two-thirds vote of the members of the Board. Individual amendments during the year were not material in relation to the original appropriations. The Public School Code allows the School Board to authorize budget transfer amendments only during the last nine months of the fiscal year.

The budget data reflected in the financial statements includes the effect of such School Board approved budget transfer amendments and supplemental budgetary appropriations and, for comparative purposes; the actual amounts have also been presented. The School District expenditures may not legally exceed the revised budget amounts by function. Function is defined as a program area such as instructional services.

The School Board authorizes any application for grant funding. Upon application for funding, a project budget is submitted which is approved or rejected by the agency awarding the grant funds. Funds thus obtained are subject to the project budget, which supersedes local budgetary action and is excludable from budgetary operations by Section 609 of the school laws of Pennsylvania. The budget amounts reflected in the financial statements are the local budget increased by the individual project budgets.

NOTE 3: DEPOSIT AND INVESTMENT RISK

The District's investment policy is in accordance with the Public School Code of 1949, Section 440.1 which requires monies to be invested in the following types of investments: U.S. Treasury bills, short-term obligations of the U.S. government or its agencies or instrumentalities, savings or time accounts, or share accounts of institutions insured by the FDIC, FSLIC, or NCUSIF to the extent such accounts are so insured and, for any amounts above the insured maximum provided that approved collateral as provided by law therefore shall be pledged by the depository, obligations of the United States of America or any of its agencies or instrumentalities, obligations of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities, or obligations of any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities.

NORTHERN TIOGA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 3: DEPOSIT AND INVESTMENT RISK (CONTINUED)

Custodial Credit Risk – For deposits, custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its deposits or collateral securities that are in the possession of an outside party. As of June 30, 2019, the District's cash balances for its governmental activities, business-type activities and fiduciary funds was \$14,192,404 and its bank balances were \$14,479,373. Of the bank balance, \$509,016 was covered by the Federal Deposit Insurance Corporation, and \$4,197,339 was exposed to custodial credit risk and they were collateralized by the pledging of pooled assets held by the pledging financial institutions and uninsured. The remaining balance of \$9,773,018 was invested in external investment pools as described in more detail below.

At June 30, 2019, the District had investments classified as cash equivalents in money market holdings and other short-term investments through the Pennsylvania School District Liquid Asset Fund (PSDLAF) of \$8,477,488. PSDLAF was established to enable school districts to pool funds for investments in instruments authorized by Section 440.1 of the Pennsylvania Public School Code of 1949, as amended.

At June 30, 2019, the District has investments classified as cash equivalents in money market holdings and other short-term investments through the Pennsylvania Local Government Investment Trust (PLGIT) of \$1,295,530.

Participation in External Investment Pools. Investment Pool investments are multiple investment portfolios with PSDLAF similar to a money market fund. The portfolio investments are valued at amortized costs, which approximates market value. The District has no regulatory oversight for the pool, which is governed by the Board of Trustees. The pool is audited annually by PricewaterhouseCoopers LLP. The pool is rated AAAM by Standard & Poor's. PSDLAF issues separate financial statements available at www.psdlaf.org.

The Pennsylvania Local Government Investment Trust (PLGIT) is a 2a7-like pool. The District's investments in PLGIT are reported at amortized cost, which approximates fair value. The District has no regulatory oversight for the pool which is governed by the Board of Trustees and is administered by PFM Asset Management, LLC. The pool is audited annually by Ernst & Young, LLP. PLGIT does not place any limitations or restrictions on withdrawals from the program. At June 30, 2019, PLGIT is rated AAAM by Standard & Poor's, and has an average maturity of less than one year.

Investments consisted of the following at June 30, 2019:

<u>Investment Type</u>	<u>Value</u>
<u>Governmental Funds</u>	
Certificates of Deposit - Negotiable	\$ 3,877,197
US Government Obligations	10,811,397
Total Governmental Funds Investments	<u>14,688,594</u>
<u>Fiduciary Funds</u>	
Certificates of Deposit - Nonnegotiable	243,000
Certificates of Deposit - Negotiable	130,715
US Government Agencies	436,759
Total Fiduciary Funds Investments	<u>810,474</u>
Total Investments	<u>\$ 15,499,068</u>

NORTHERN TIOGA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 3: DEPOSIT AND INVESTMENT RISK (CONTINUED)

As of June 30, 2019, the District has the following investments and maturities:

Investment Type	Fair Value	Less Than 1	Investment Maturities (in Years)		
			1-5	6-10	Thereafter
Governmental Activities:					
Certificates of Deposit - Negotiable	\$ 3,877,197	\$ 2,219,068	\$ 1,658,129	\$ -	\$ -
US Government Obligations	10,811,397	9,216,269	1,595,128	-	-
Fiduciary Funds					
Certificates of Deposit - Negotiable	130,715	130,715	-	-	-
US Government Agency	436,759	180,065	158,232	77,726	20,736
Total	<u>\$ 15,256,068</u>	<u>\$ 11,746,117</u>	<u>\$ 3,411,489</u>	<u>\$ 77,726</u>	<u>\$ 20,736</u>

Custodial Credit Risk – For investments, custodial credit risk is the risk that, in the event of failure by the counterparty, the District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The District has no investments subject to custodial credit risk.

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

Concentration of Credit Risk – The District does not have a formal policy that place a limit on the amount or percent that may be invested in any one issuer. At June 30, 2019, the District did not have any investments subject to concentration of credit risk.

Investments and Fair Value – Investments are measured at fair value on a recurring basis in accordance with the framework established by GASB Statement No. 72, “Fair Value Measurement and Application”. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described as below:

Level 1 – inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District has the ability to access.

Level 2 – inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets or inactive markets; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The District’s investments in negotiable certificates of deposit were valued using quoted market prices (Level 1 inputs).

The District’s investments in US Government Obligations and US Government Agencies were valued using quoted prices for similar assets (Level 2 inputs).

NORTHERN TIOGA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

NOTE 4: TAXES ASSESSED

Real estate taxes are assessed on July 1, of each year and become due and payable on that date. For the 2018-2019 year the tax rate was 17.8521 mills levied upon assessed valuations provided by Tioga County of approximately \$534,921,047. Taxpayers are given a two percent discount if they pay their taxes by August 31. All taxes levied on July 1, become delinquent on November 1, and are charged a ten percent penalty. On December 31, of the following year, all delinquent taxpayers are turned over to the Tioga County Tax Claim Bureau for collection. Uncollected real estate taxes attach as an enforceable lien on property when recorded.

Taxes which remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent taxes that is not collected within 60 days of year-end is deferred in the fund financial statements because it is not known to be available to finance the operations of the District in the current year. Delinquent taxes receivable at June 30, 2019 were \$1,127,368.

Taxes receivable also include estimated earned income taxes and local service taxes due to the District at June 30, with the amount not collected within 60 days after year end being deferred in the general fund.

NOTE 5: DUE FROM OTHER GOVERNMENTS

The following table summarizes the amounts due from other governments at June 30, 2019 as related to the District's governmental activities and business-type activities:

Governmental Activities:

Commonwealth of Pennsylvania:

State Sources	\$ 1,448,351
Federal Sources	<u>464,075</u>
Total	<u><u>\$ 1,912,426</u></u>

Business-Type Activities:

Commonwealth of Pennsylvania:

State Sources	\$ 6,681
Federal Sources	<u>122,819</u>
Total	<u><u>\$ 129,500</u></u>

NORTHERN TIOGA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 6: CAPITAL ASSETS

During the fiscal year ended June 30, 2000, a fixed asset appraisal of assets was performed and through the use of alternative methods, an estimate of historical cost was developed. In the absence of actual acquisition costs provided by the District, methods used to determine acquisition costs for building structures involve the deflation of estimated replacement costs back to the year of construction using a combination of appropriate indices available in well-known and accepted construction manuals such as Means, Marshall-Swift, Engineering News Record, etc., government CPI indexes, and the appraiser's own compilation of experience. Acquisition costs for the items of equipment inventory were also determined by the deflation indexing with appropriate indices. Depreciation, where applicable, is straight line over the useful life of the asset. Property additions made subsequent to the 2000 appraisal were recorded at cost.

A summary of Capital Asset transactions for the year ended June 30, 2019 is as follows:

GOVERNMENTAL ACTIVITIES	Balance at July 1, 2018	Additions	Deletions	Balance at June 30, 2019
Land and Site Improvements	\$ 2,017,001	\$ -	\$ -	\$ 2,017,001
Building and Building Improvements	36,187,551	11,743,438	-	47,930,989
Furniture, Equipment, and Vehicles	9,434,677	374,393	-	9,809,070
Total Cost	47,639,229	12,117,831	-	59,757,060
Less: Accumulated Depreciation:				
Land and Site Improvements	(2,007,809)	(3,006)	-	(2,010,815)
Building and Building Improvements	(19,043,497)	(794,133)	-	(19,837,630)
Furniture, Equipment, and Vehicles	(7,282,423)	(338,999)	-	(7,621,422)
Total Accumulated Depreciation	(28,333,729)	(1,136,138)	-	(29,469,867)
Governmental Activities Capital Assets, Net	<u>\$ 19,305,500</u>	<u>\$ 10,981,693</u>	<u>\$ -</u>	<u>\$ 30,287,193</u>
BUSINESS-TYPE ACTIVITIES	Balance at July 1, 2018	Additions	Deletions	Balance at June 30, 2019
Furniture and Equipment	\$ 632,670	\$ 4,500	\$ (10,865)	\$ 626,305
Less: Accumulated Depreciation	(377,699)	(17,764)	10,865	(384,598)
Business-Type Activities Capital Assets, Net	<u>\$ 254,971</u>	<u>\$ (13,264)</u>	<u>\$ -</u>	<u>\$ 241,707</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Government Activities:	
Instruction	\$ 460,748
Instructional Student Support	67,655
Administrative and Financial Support Service	1,228
Operation and Maintenance of Plant Service	41,476
Pupil Transportation	3,861
Student Activities	11,700
Unallocated	549,470
Total Depreciation Expense	<u>\$ 1,136,138</u>

NORTHERN TIOGA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 7: LONG TERM OBLIGATIONS

As of June 30, 2019, the District's long-term debt consisted of the following:

	Balance at July 1, 2018	Additions	Deletions	Balance at June 30, 2019	Due Within One Year
Governmental Activities:					
General Obligation Bonds/Notes	\$ 23,445,000	\$ -	\$ (880,000)	\$ 22,565,000	\$ 925,000
Compensated Absences	242,276	92,283	(3,828)	330,731	-
Net Pension Liability	53,982,000	3,486,089	(4,663,089)	52,805,000	-
Other Post Employment Benefits	5,028,199	268,131	(253,990)	5,042,340	-
Total Long Term Obligations	<u>\$ 82,697,475</u>	<u>\$ 3,846,503</u>	<u>\$ (5,800,907)</u>	<u>\$ 80,743,071</u>	<u>\$ 925,000</u>
Business-Type Activities:					
Compensated Absences	<u>\$ 7,268</u>	<u>\$ -</u>	<u>\$ (756)</u>	<u>\$ 6,512</u>	<u>\$ -</u>

Pertinent information regarding long-term debt obligations outstanding is presented below:

Issue	Amount of Original Issue	Purpose	Amounts Outstanding
Series of 2017A	\$ 5,290,000	In 2017, the District issued General Obligation Bonds, Series A of 2017 for the purpose of (1) refunding General Obligation Bonds, Series of 2016 and (2) paying issuance costs and expenses of issuing the bonds. The bonds mature serially through April 1, 2026 with interest rates of 1.65% to 3.50%.	\$ 4,300,000
Series of 2017AA	18,960,000	In 2017, the District issued General Obligation Bonds Series AA of 2017 to finance the costs and expenses related to: (1) designing, acquiring, constructing, installing, furnishing, and equipping of alterations, renovations, additions, and improvements to the following schools: Cowanesque High School Building, Williamson High School Building, Clark Wood Elementary Building/Administrative Complex, R.B. Walter Elementary Building, and Westfield Area Elementary Building; (2) capitalized interest on the Series AA Bonds; (3) finance additional capital projects or capital equipment to the extent of any remaining funds and undertakings of the School District; and (4) paying issuance costs and expenses of issuing the bonds. The bonds mature serially through April 1, 2037 with an interest rates of 2.00% to 5.00%.	18,265,000
Total			<u>\$ 22,565,000</u>

NORTHERN TIOGA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

NOTE 7: LONG TERM OBLIGATIONS (CONTINUED)

The following summarized the District's estimated future debt service requirements on these bonds and notes as of June 30, 2019:

	Principal	Interest	Total
2020	\$ 925,000	\$ 851,912	\$ 1,776,912
2021	945,000	831,718	1,776,718
2022	965,000	809,628	1,774,628
2023	990,000	785,865	1,775,865
2024	1,020,000	758,370	1,778,370
2025-2029	5,660,000	3,214,375	8,874,375
2030-2034	7,090,000	1,785,550	8,875,550
2035-2037	4,970,000	351,750	5,321,750
Totals	<u>\$ 22,565,000</u>	<u>\$ 9,389,168</u>	<u>\$ 31,954,168</u>

Refunded Bond Issues

The District has advance-refunded general obligation bonds by creating separate irrevocable trust funds containing U.S. government securities or securities collateralized by U.S. government securities. There has been no substitution of essentially risk-free monetary assets. The securities and earnings thereon are considered sufficient to fully service the debt until they are called or mature. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the accompanying general purpose financial statements. At June 30, 2019, the principal amount outstanding relative to the defeased debt was \$2,215,000.

NOTE 8: COMPENSATED ABSENCES

Each professional employee with fifteen (15) years service in the District, upon retirement, shall be entitled to \$40.00 per day severance for each day of unused sick leave.

Classified employees who are retiring from a five (5) or more hours a day position are entitled to \$8.00 for each unused accumulated sick day, up to the number of days that were accumulated prior to July 1, 1992, and \$16.00 per day for each day of unused sick days in excess of the number of days accumulated prior to July 1, 1992.

Classified employees who are retiring from a more than three (3) hour and less than five (5) hour position are entitled to \$5.00 for each unused accumulated sick day, up to the number of days that were accumulated prior to July 1, 1992, and \$10.00 per day for each day of unused sick days in excess of the number of accumulated prior to July 1, 1992.

Compensated absences are paid from the General and Food Service Funds.

NORTHERN TIOGA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 9: PENSION BENEFITS

General Information about the Pension PlanPlan Description

The Pennsylvania Public School Employees' Retirement System ("PSERS") is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania.

The administrative staff of PSERS administers the plan. The control and management of PSERS, including the investment of its assets, is vested in the Board of Trustees (Board). The Board consists of 15 members: the Secretary of Education, the Secretary of Banking and Securities, the State Treasurer, the Executive Director of the Pennsylvania School Boards Association, one member appointed by the Governor, six elected members (three from among the System's certified members, one from among the System's noncertified members, one from among the System's annuitants, and one from among school board members in Pennsylvania), two members from the Senate, and two members from the House of Representatives. Effective with Act 5, which was enacted on June 15, 2017, one of the Governor's appointees was replaced with the Secretary of Banking and Securities who is also appointed by the Governor. The chairman of the Board is elected by the Board members. Each ex officio member of the Board and each legislative member of the Board may appoint a duly authorized designee to act in their stead.

PSERS was established on July 18, 1917 under the provisions of Pamphlet Law, No. 343. Benefit payments to members and contribution provision by employers and employees are specified in the Pennsylvania Public School Employees' Retirement Code ("Code"). The Commonwealth General Assembly has the authority to amend the benefit terms of the PSERS by passing a bill in the Senate and House of Representatives and sending the bills to the Governor for approval. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

Benefits Provided

PSERS provides retirement, disability, and death benefits. Under the provisions of the 1975 revision of the Code by the Pennsylvania General Assembly, members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and T-F members, the right to benefits is vested after ten years of service.

NORTHERN TIOGA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 9: PENSION BENEFITS (CONTINUED)

Benefits Provided (Continued)

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

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

All members are fully vested in their individual balance in the Members' Saving Account. All non-vested members may receive a refund of their individual balance of member contributions and interest from the Members' Savings Account upon termination of public school employment. Vested members who enrolled prior to July 1, 2011 may elect to receive a return of their accumulated contributions and interest upon their retirement which results in a reduced monthly annuity. Effective with Act 5 which was enacted on June 12, 2017, vested Class T-E and T-F members can now withdraw their accumulated contributions and interest from the Members' Savings Account upon their retirement.

Contributions

Employer Contributions:

The contribution policy is set by the Code. The District's contractually required contribution rate for fiscal year ended June 30, 2019 was 32.60% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$4,736,051 for the year ended June 30, 2019.

Member Contributions:

Member contribution rates are set by law (redefined with the provisions of act 9 of 2001 and Act 120) and are dependent upon membership class. Member contribution rate are as follows:

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

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

NORTHERN TIOGA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 9: PENSION BENEFITS (CONTINUED)

Contributions (Continued)*Member Contributions (Continued):*

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

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

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

At June 30, 2019, the District reported a liability of \$52,805,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2017 to June 30, 2018. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2018, the District's proportion was 0.1100 percent, which was an increase of 0.0007 from its proportion measured as of June 30, 2017.

For the fiscal year ended June 30, 2019, the District recognized pension expense of \$5,109,000. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ 259,000	\$ -
Changes in assumptions	984,000	-
Changes in proportion	519,000	97,000
Difference between expected and actual experience	425,000	817,000
Differences between employer contribution and proportionate share of contribution	27,973	-
Contributions subsequent to the measurement date	4,736,051	-
Total	<u>\$ 6,951,024</u>	<u>\$ 914,000</u>

NORTHERN TIOGA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

NOTE 9: PENSION BENEFITS (CONTINUED)

\$4,736,051 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	\$ 1,311,535
2021	703,112
2022	(512,052)
2023	(201,622)

Actuarial Assumptions

The total pension liability as of June 30, 2018 was determined by rolling forward the System's total pension liability as of the June 30, 2017 actuarial valuation to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Changes in assumptions used in the Total Pension Liability beginning June 30, 2018:

- Investment rate of return was 7.25%
- The inflation assumption was 2.75%
- Salary growth was an effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases
- Mortality rates were RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

The actuarial assumptions used in the June 30, 2017 valuation were based on the experience study that was performed for the five-year period ending June 30, 2015. The recommended assumption changes based on this experience study were adopted by the Board at its June 10, 2016 Board meeting, and were effective beginning with the June 30, 2016 actuarial valuation.

NORTHERN TIOGA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

NOTE 9: PENSION BENEFITS (CONTINUED)

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	20.0%	5.2%
Fixed income	36.0%	2.2%
Commodities	8.0%	3.2%
Absolute return	10.0%	3.5%
Risk parity	10.0%	3.9%
Infrastructure/MLPs	8.0%	5.2%
Real estate	10.0%	4.2%
Alternative investments	15.0%	6.7%
Cash	3.0%	0.4%
Financing (LIBOR)	(20.0%)	0.9%
	<u>100.0%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2018.

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NORTHERN TIOGA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 9: PENSION BENEFITS (CONTINUED)

Sensitivity of the School District's proportionate share of the net pension liability to change in the discount rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

(in Thousands)	1% Decrease 6.25%	Current discount rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	\$ 65,456	\$ 52,805	\$ 42,109

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PSERS Comprehensive Annual Financial Report which can be found on the system's website at www.psers.pa.gov.

At June 30, 2019, the District reported a payable of \$1,252,937 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019.

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS

District Specific PlanPlan Description

Plan Administration. The District administers a single-employer defined benefit postemployment benefit (OPEB) plan (the "Plan") that is used to provide post-retirement medical, prescription drug, and dental benefits for teachers and administrative employees who retire under the qualifications of the Pennsylvania School Employee's Retirement System. Plan provisions are established based on bargaining agreements negotiated by the District. The plan is unfunded and no financial report is prepared.

Plan Membership. As of June 30, 2019 the Plan's membership consisted of the following:

Active Participants	314
Retired Participants	19
Total	333

NORTHERN TIOGA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

District Specific Plan (Continued)Plan Description (Continued)

Benefits Provided. The plan provides benefits to eligible retirees (teachers and administrators). Benefits are provided through the District based on varying employees classifications and years of service of the retiree. For retirees under the 2011 incentive, the District, for the first five years, contributes \$800 per month less PSERS premium assistance amount for medical and prescription drug, retiree pays the remainder. After the first five years, the District contributes \$229 per month less PSERS premium assistance amount for medical and prescription drug, retiree pays the remainder. For the first five years, the subsidy can be applied towards the spouses medical and prescription drug coverage if the retiree is under 65, otherwise, spouse coverage is available if retiree pays 100% of the cost. For all others retired before July 1, 2018 (25 years of PSERS service, at least 15 with the District), the District contributes \$229 per month, less PSERS premium assistance for medical and prescription drug, retiree pays remainder. If the member does not qualify for the subsidized benefit, the member may continue coverage by paying the full premium. Spouse coverage available if retiree pays 100% of the cost. For members who retire on or after July 1, 2018 (25 year of PSERS service, at least 15 with the District), for five years, the District will contribute \$500 per month, less PSERS premium assistance amount for medical and prescription drug, retiree pays remainder. Afterwards, the District contributes \$229 per month less PSERS premium assistance amount for medical and prescription drug, retiree pays remainder.

Contributions. The contribution requirements of plan members and the District are established and may be amended by the School Board of Directors. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75. The plan is funded on a pay-as-you-go basis, i.e. premiums are paid annually to fund the healthcare benefits provided to current retirees, primarily through annual appropriations from the General Fund. Retiree contribution rates vary based on the type of retirement, years of service, and type of coverage.

Total OPEB Liability

The District's total OPEB liability of \$2,749,340 was measured as of July 1, 2018 using actuarial assumptions to the valuation date of July 1, 2018.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary Increases	3.50% average, including inflation
Discount Rate	2.98%
Healthcare Cost Trend Rates	6.00% for 2018, decreasing to an ultimate rate of 3.8% by 2075

The discount rate was based on the S&P Municipal Bond 20 Year High Grade Rate Index at 7/1/2018.

Mortality rates are assumed using the rates assumed in the PSERS defined benefit pension plan actuarial valuation with projections incorporated based on the Buck Modified 2016 projection scale to reflect mortality improvement.

The actuarial assumptions used in the July 1, 2018 valuation were based on historical results, as a recent experience study was not completed.

NORTHERN TIOGA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

District Specific Plan (Continued)Total OPEB Liability (Continued)

Changes in the District's total OPEB liability for the plan for the fiscal year ended June 30, 2019 was as follows:

	Total OPEB Liability
Balance at 7/1/2017	\$ 2,801,199
Service Cost	164,275
Interest	90,580
Changes in Benefit Terms	694,341
Differences between Expected and Actual Experience	(94,634)
Changes in Assumptions	(774,371)
Benefit Payments	(132,050)
Net Changes	<u>(51,859)</u>
Balance at 7/1/2018	<u>\$ 2,749,340</u>

Changes in assumptions reflect a change in the discount rate from 3.13% to 2.98%, an update of trend assumptions, and an election assumptions for Teacher and Administrators eligible for enhanced benefits decreased from 100% to 75%. Changes in benefit terms related to Teachers and Administrators retired on or after July 1, 2018 may receive up to \$500 per month of District subsidy, less PSERS premium assistance, for up to 5 years.

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower (5.00%) or 1-percentage higher (7.00%) than the current discount rate:

	1% Decrease 5.00%	Current discount rate 6.00%	1% Increase 7.00%
District's total OPEB liability	\$ 2,520,847	\$ 2,749,340	\$ 3,019,698

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.98%) or 1-percentage higher (3.98%) than the current discount rate:

	1% Decrease 1.98%	Current discount rate 2.98%	1% Increase 3.98%
District's total OPEB liability	\$ 2,959,866	\$ 2,749,340	\$ 2,548,061

NORTHERN TIOGA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

District Specific Plan (Continued)**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows Related to OPEB**

For the year ended June 30, 2019, the District recognized OPEB expense of \$884,698. At June 30, 2019 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 23,488	\$ 714,804
Differences between expected and actual experience	-	87,354
Contributions subsequent to the measurement date	126,909	-
Total	<u>\$ 150,397</u>	<u>\$ 802,158</u>

\$126,909 is reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2020	\$ (64,498)
2021	(64,498)
2022	(64,498)
2023	(64,498)
2024	(64,498)
Thereafter	(456,180)

PSERS Healthcare Insurance Premium Assistance Plan**Plan Description**

In addition, the Pennsylvania Public School Employees' Retirement System ("PSERS") provides a Health Insurance Premium Assistance Plan ("PSERS Plan"). The PSERS Plan is a governmental cost-sharing multi-employer postretirement benefits plan that provides premium assistance to eligible public school employees of the Commonwealth of Pennsylvania. Under the PSERS Plan, employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of premium assistance benefits for each succeeding year.

The administrative staff of PSERS administers the PSERS Plan. The control and management of PSERS, including the investment of its assets, is vested in the 15 member Board of Trustees (Board). The Commonwealth General Assembly has the authority to amend the benefit terms of the PSERS Plan by passing a bill in the Senate and House of Representatives and sending the bills to the Governor for approval. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

NORTHERN TIOGA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

PSERS Healthcare Insurance Premium Assistance Plan

Premium Assistance Eligibility Criteria

Retirees of the System can participate in the PSERS Plan if they satisfy the following criteria:

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of services and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2018 there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions. The school districts' contractually required contribution rate for fiscal year ended June 30, 2019 was 0.83% of covered payroll, an actuarially determined amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the PSERS Plan from the District were \$120,580 for the year ended June 30, 2019.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows or Resources Related to OPEB:

At June 30, 2019, the District reported a liability of \$2,293,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2017 to June 30, 2018. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll of all School Districts in the PSERS Plan. At June 30, 2019, the District's proportion was 0.1100 percent, which was an increase of 0.0007 from its proportion as of June 30, 2018.

NORTHERN TIOGA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

PSERS Healthcare Insurance Premium Assistance Plan (Continued)OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows or Resources Related to OPEB (Continued):

For the year ended June 30, 2019, the District recognized OPEB expense of \$108,000. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ 3,872	\$ -
Net difference between actual and expected experience	14,161	-
Changes in assumptions	36,259	86,907
Changes in proportion	12,780	1,538
Contributions subsequent to the measurement date	120,580	-
Total	<u>\$ 187,652</u>	<u>\$ 88,445</u>

\$120,580 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2020	\$ (6,042)
2021	(6,042)
2022	(6,040)
2023	(6,632)
2024	(7,152)
Thereafter	10,535

Actuarial Assumptions. The total OPEB liability as of June 30, 2018 was determined by rolling forward the System's total OPEB liability as of the June 30, 2017 actuarial valuation to June 30, 2018 measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 2.98% - S&P 20 Year Municipal Bond Rate.
- Salary growth – Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit and seniority increases.
- Premium assistance reimbursement capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females adjusted to reflect PSERS' experience and projected using a modified version of the RP-2015 Mortality Improvement Scale.

NORTHERN TIOGA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

PSERS Healthcare Insurance Premium Assistance Plan (Continued)

Actuarial Assumptions (Continued). The following assumptions were used to determine the contribution rate:

- Participation rate: eligible retirees will elect to participate pre age 65 at 50% and post age 65 at 70%.
- The results of the actuarial valuation as of June 30, 2016 determined the employer contribution rate for fiscal year 2018.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

A recent actuarial experience study was not performed.

Investments consist primarily of short term assets designed to protect the principal of the plan assets. The expected rate of return on OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the Program, as defined in the retirement code employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. The Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2018 were:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.9%	0.3%
US Core Fixed Income	92.8%	1.2%
Non-US Developed Fixed	1.3%	0.4%
Total	<u>100.0%</u>	

Discount rate. The discount rate used to measure the total OPEB liability was 2.98%. Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 2.98% which represents the S&P 20 year Municipal Bond Rate at June 30, 2018, was applied to all projected benefit payments to measure the total OPEB liability. The discount rate used to measure the Total OPEB liability decreased from 3.13% as of June 30, 2017 to 2.98% as of June 30, 2018.

NORTHERN TIOGA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

PSERS Healthcare Insurance Premium Assistance Plan (Continued)Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2018, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2017, 93,380 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2017, 1,077 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the District's Proportionate Share of the net OPEB liability as well as what the District's Proportionate Share of the net OPEB liability would be if it was calculated using health cost trends that are 1-percentage point lower or 1-percentage higher than the current rate:

	1% Decrease Between 4 – 6.75%	Current discount rate Between 5 – 7.75%	1% Increase Between 6 – 8.75%
District's proportionate share of the net OPEB liability	\$ 2,293,000	\$ 2,293,000	\$ 2,294,000

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate.

The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.98 percent) or higher (3.98 percent) than the current discount rate:

	1% Decrease 1.98%	Current discount rate 2.98%	1% Increase 3.98%
District's proportionate share of net OPEB liability	\$ 2,608,000	\$ 2,293,000	\$ 2,032,000

OPEB plan fiduciary net position.

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

At June 30, 2019 the District reported a payable of \$31,900 for the outstanding amount of contributions to the OPEB plan.

NORTHERN TIOGA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

NOTE 11: RISK MANAGEMENT

The 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 District provides for these risks through the purchase of commercial insurance coverage.

NOTE 12: CONTINGENT LIABILITIES

The 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 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 District.

The District participates in numerous state and federal grant 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 District has not complied with the rules and regulation governing the grants, refunds of any money received may be required and the collectability of any related receivables at June 30, 2019 may be impaired. In the opinion of the 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 financial statements for such contingencies.

The District has been represented in certain legal interests which routinely occur in local government operations. The effects of these proceeding on the financial statements are no known and accordingly no provision for losses has been recorded.

NOTE 13: INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

Interfund balances at June 30, 2019 are as follows:

	Interfund Receivable	Interfund Payable	Transfers In	Transfers Out
General Fund	\$ 523,381	\$ -	\$ -	\$ 504,079
Capital Projects Fund	-	390,453	500,000	-
Food Service Fund	-	132,928	4,079	-
Total	<u>\$ 523,381</u>	<u>\$ 523,381</u>	<u>\$ 504,079</u>	<u>\$ 504,079</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided, (2) reimbursable expenditures occur and (3) payments between funds are made.

NORTHERN TIOGA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

NOTE 14: LEASES

The District leases its copiers under several lease agreements. It is the procedure of the District to regularly upgrade this equipment before the lease term expires. These continually revolving leases are classified as operating leases. Future minimum lease payments under the various leases are as follows:

2020	\$ 103,147
2021	95,087
2022	83,803
2023	<u>69,836</u>
	<u>\$ 351,873</u>

The rental expense for these leases at June 30, 2019 was \$103,147.

NOTE 15: SUBSEQUENT EVENTS

The District has evaluated all subsequent events through the report issuance date of December 17, 2019. No events have taken place that affect the financial statements or required disclosures.

REQUIRED SUPPLEMENTARY INFORMATION

NORTHERN TIOGA SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Local Sources	\$ 12,013,631	\$ 12,013,631	\$ 12,422,404	\$ 408,773
State Sources	20,712,115	20,712,115	20,718,021	5,906
Federal Sources	928,968	928,968	934,435	5,467
Total Revenues	33,654,714	33,654,714	34,074,860	420,146
Expenditures				
Regular Programs	16,036,402	16,032,129	15,095,706	936,423
Special Programs	5,280,085	5,280,086	5,043,681	236,405
Vocational Programs	276,414	276,414	253,920	22,494
Other Instructional Programs	164,586	168,856	135,010	33,846
PreKindergarten Programs	406,350	406,350	383,425	22,925
Pupil Personnel Services	1,078,964	1,078,964	1,028,665	50,299
Instructional Staff Services	1,551,819	1,529,618	1,401,636	127,982
Administrative Services	1,940,738	1,952,678	1,788,770	163,908
Pupil Health	346,546	346,546	304,376	42,170
Business Services	362,699	362,700	349,852	12,848
Operation and Maintenance of Plant Services	2,684,112	2,684,114	2,509,447	174,667
Student Transportation Services	1,979,070	1,979,070	2,054,845	(75,775)
Central Support Services	102,054	120,914	72,901	48,013
Other Support Services	2,500	2,500	-	2,500
Student Activities	656,313	633,744	670,455	(36,711)
Community Services	45,144	45,144	18,143	27,001
Facilities Acquisition, Construction, and Improvement Services	45,000	45,000	42,113	2,887
Refund of PY Revenue / Receipts	-	-	23,606	(23,606)
Total Expenditures	32,958,796	32,944,827	31,176,551	1,768,276
Excess of Revenues Over Expenditures	695,918	709,887	2,898,309	2,188,422
Other Financing Sources (Uses)				
Debt Service	(1,566,784)	(1,566,784)	(1,563,790)	2,994
Interfund Transfers	(500,000)	(525,500)	(504,079)	21,421
Budgetary Reserve	(827,852)	(816,321)	-	816,321
Total Other Financing Sources (Uses)	(2,894,636)	(2,908,605)	(2,067,869)	840,736
Excess of Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	\$ (2,198,718)	\$ (2,198,718)	\$ 830,440	\$ 3,029,158
Fund Balance - July 1, 2018			9,121,336	
Fund Balance - June 30, 2019			<u>\$ 9,951,776</u>	

NORTHERN TIOGA SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS - DISTRICT OPEB PLAN

	<u>2018</u>	<u>2019</u>
Total OPEB liability		
Service cost	\$ 165,067	\$ 164,275
Interest	69,119	90,580
Changes of benefit terms	-	694,341
Differences between expected and actual experience	-	(94,634)
Changes of assumptions or other inputs	28,186	(774,371)
Benefit payments	<u>(156,997)</u>	<u>(132,050)</u>
Net change in total OPEB liability	105,375	(51,859)
Total OPEB liability - beginning	<u>2,695,824</u>	<u>2,801,199</u>
Total OPEB liability - ending	<u>\$ 2,801,199</u>	<u>\$ 2,749,340</u>
Covered payroll	\$ 13,831,692	\$ 13,742,717
District's total OPEB liability as a percentage of covered payroll	20.25%	20.01%

Changes of Assumptions and Benefit Terms

- The discount rate changed from 3.13% to 2.98%
- Trend assumptions were updated. Election assumptions for Teacher and Administrators eligible for enhanced benefits decreased from 100% to 75%.
- Teachers and Administrators retired on or after July 1, 2018 may receive up to \$500 per month of District subsidy, less PSERS premium assistance, for up to 5 years.

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively.
 This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

NORTHERN TIOGA SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - PSERS PLAN - LAST 10 YEARS

	<u>2017</u>	<u>2018</u>	<u>2019</u>
District's proportion of the net pension liability	0.1094%	0.1093%	0.1100%
District's proportionate share of the PSERS OPEB liability	\$ 2,356,000	\$ 2,227,000	\$ 2,293,000
District's covered payroll	\$ 14,170,388	\$ 14,549,395	\$ 14,808,276
District's proportionate share of the PSERS OPEB liability as a percentage of its covered payroll	17%	15%	15%
Plan fiduciary net position as a percentage of the total PSERS OPEB liability	5%	6%	6%

The District adopted GASB 75 on a prospective basis; therefore, information is presented for those years only for which information is available.

NORTHERN TIOGA SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISTRICT CONTRIBUTIONS FOR THE NET OPEB LIABILITY - PSERS PLAN - LAST 10 YEARS

	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contribution	\$ 119,056	\$ 121,940	\$ 120,580
Contributions in relation to the contractually required contribution	(119,056)	(121,940)	(120,580)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 14,549,395	\$ 14,808,276	\$ 14,576,436
Contributions as a percentage of covered payroll	1%	1%	1%

The District adopted GASB 75 on a prospective basis; therefore, information is presented for those years for which information is available.

The covered payroll amount has been revised from prior year presentation to reflect adjustments processed by PSERS.

NORTHERN TIOGA SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - LAST 10 YEARS

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
District's proportion of the net pension liability	0.1126%	0.1068%	0.1088%	0.1094%	0.1093%	0.1100%
District's proportionate share of the net pension liability	\$ 46,094,000	\$ 42,272,000	\$ 47,127,000	\$ 54,215,000	\$ 53,982,000	\$ 52,805,000
District's covered payroll	\$ 14,445,967	\$ 13,629,611	\$ 14,000,725	\$ 14,170,388	\$ 14,549,395	\$ 14,808,570
District's proportionate share of the net pension liability as a percentage of its covered payroll	319%	310%	337%	383%	371%	357%
Plan fiduciary net position as a percentage of the total pension liability	54%	57%	54%	50%	52%	54%

The District adopted GASB 68 on a prospective basis; therefore, information is presented for those years only for which information is available.

NORTHERN TIOGA SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISTRICT CONTRIBUTIONS - PENSION PLAN - LAST 10 YEARS

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contribution	\$ 2,180,738	\$ 2,808,709	\$ 3,541,327	\$ 4,188,476	\$ 4,663,089	\$ 4,736,051
Contributions in relation to the contractually required contribution	(2,180,738)	(2,808,709)	(3,541,327)	(4,188,476)	(4,663,089)	(4,736,051)
Contribution deficiency (excess)	<u>\$ -</u>					
District's covered payroll	\$ 13,629,611	\$ 14,000,725	\$ 14,170,388	\$ 14,549,395	\$ 14,808,276	\$ 14,576,436
Contributions as a percentage of covered payroll	16%	20%	25%	29%	31%	32%

The District adopted GASB 68 on a prospective basis; therefore, information is presented for those years for which information is available.

The covered payroll amount has been revised from prior year presentation to reflect adjustments processed by PSERS.

**OTHER SUPPLEMENTAL INFORMATION
(SINGLE AUDIT)**

NORTHERN TIOGA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/ Pass Through Grantor/ Program Title	Source Code	Federal CFDA Number	Pass Through Grantors' Number	Program or Award Amount	Grant Period Beginning/Ending Date	Total Received For Year	Accrued or (Deferred) Revenue July 1, 2018	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue June 30, 2019	Subrecipient Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>											
Passed Through State Department of Education:											
NCLB Title I	(I)	84.010	013-180301	\$ 553,149	17-18	\$ 219,498	\$ 119,040	\$ 100,458	\$ 100,458	\$ -	\$ -
NCLB Title I	(I)	84.010	013-190301	548,996	18-19	257,007	-	508,672	508,672	251,665	-
Total NCLB Title I						476,505	119,040	609,130	609,130	251,665	-
Rural Education	(I)	84.358	007-180301	36,035	17-18	20,019	20,019	-	-	-	-
Total Rural Education						20,019	20,019	-	-	-	-
Career and Technical Education - Basic Grants to States	(I)	84.048	380-180048	29,694	17-18	12,373	12,373	-	-	-	-
Career and Technical Education - Basic Grants to States	(I)	84.048	380-190048	30,100	18-19	16,418	-	30,100	30,100	13,682	-
Total Career and Technical Education - Basic Grants to States						28,791	12,373	30,100	30,100	13,682	-
Supporting Effective Instruction State Grants	(I)	84.367	020-180301	89,526	17-18	5,748	5,748	-	-	-	-
Supporting Effective Instruction State Grants	(I)	84.367	020-190301	86,240	18-19	69,070	-	78,497	78,497	9,427	-
Total Supporting Effective Instruction State Grants						74,818	5,748	78,497	78,497	9,427	-
Student Support and Academic Enrichment Program	(I)	84.424	144-180301	12,549	17-18	5,020	5,020	-	-	-	-
Student Support and Academic Enrichment Program	(I)	84.424	144-190301	39,935	18-19	26,623	-	39,935	39,935	13,312	-
Total Student Support and Academic Enrichment Program						31,643	5,020	39,935	39,935	13,312	-
Total State Department of Education				1,426,224		631,776	162,200	757,662	757,662	288,086	-
Passed Through Intermediate Units											
BLAST INTERMEDIATE UNIT #17											
Special Education-Grants to States Cluster:											
IDEA B	(I)	84.027	062-180017	413,024	17-18	413,024	413,024	-	-	-	-
IDEA B	(I)	84.027	062-190017	407,625	18-19	400,000	-	407,625	407,625	7,625	-
IDEA 619	(I)	83.173	131-180017	4,180	17-18	4,180	4,180	-	-	-	-
IDEA 619	(I)	84.173	131-190017	5,250	18-19	5,250	-	5,250	5,250	-	-
Total Special Education-Grants to States Cluster				830,079		822,454	417,204	412,875	412,875	7,625	-
TOTAL DEPARTMENT OF EDUCATION				2,256,303		1,454,230	579,404	1,170,537	1,170,537	295,711	-
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>											
Passed Through State Department of Human Services											
Medical Assistance	(I)	93.778		15,687	17-18	12,280	12,280	-	-	-	-
Medical Assistance	(I)	93.778		8,409	18-19	8,409	-	8,409	8,409	-	-
Total Medicaid Cluster				24,096		20,689	12,280	8,409	8,409	-	-
Total State Department of Human Services				24,096		20,689	12,280	8,409	8,409	-	-
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES				24,096		20,689	12,280	8,409	8,409	-	-
<u>U.S. DEPARTMENT OF AGRICULTURE</u>											
Passed Through State Department of Education:											
Child Nutrition Cluster:											
School Breakfast Program	(I)	10.553	367	N/A	17-18	30,142	30,142	-	-	-	-
School Breakfast Program	(I)	10.553	367	N/A	18-19	219,602	-	254,033	254,033	34,431	-
National School Lunch Program	(I)	10.555	362	N/A	17-18	68,123	68,123	-	-	-	-
National School Lunch Program	(I)	10.555	362	N/A	18-19	539,560	-	619,365	619,365	79,805	-
Summer Food Service Program for Children	(I)	10.559	264	N/A	17-18	9,471	9,471	-	-	-	-
Summer Food Service Program for Children	(I)	10.559	264	N/A	18-19	12,036	-	21,327	21,327	9,291	-
Total State Department of Education						878,934	107,736	894,725	894,725	123,527	-

NORTHERN TIOGA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/ Pass Through Grantor/ Program Title	Source Code	Federal CFDA Number	Pass Through Grantors' Number	Program or Award Amount	Grant Period Beginning/Ending Date	Total Received For Year	Accrued Or (Deferred) Revenue July 1, 2018	Revenue Recognized	Expenditures	Accrued Or (Deferred) Revenue June 30, 2019	Subrecipient Expenditures
PASSED THROUGH STATE DEPARTMENT OF AGRICULTURE:											
Child Nutrition Cluster:											
National School Lunch Program	(I)	10.555	N/A	N/A	17-18	98,377	-	98,377	98,377	-	-
Total State Department of Agriculture						(A) 98,377	(B) -	98,377	(C) 98,377	(D) -	-
Total Child Nutrition Cluster						977,311	107,736	993,102	993,102 *	123,527	-
TOTAL DEPARTMENT OF AGRICULTURE						977,311	107,736	993,102	993,102	123,527	-
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 2,280,399</u>		<u>\$ 2,452,230</u>	<u>\$ 699,420</u>	<u>\$ 2,172,048</u>	<u>\$ 2,172,048</u>	<u>\$ 419,238</u>	<u>\$ -</u>

Source Code Legend:

(I) - Indicates indirect funding

* Denotes tested as a major program

Other Code Legend

(A) Indicates total commodities received.

(B) Indicates beginning commodity inventory.

(C) Indicates commodities used.

(D) Indicates ending commodity inventory.

NORTHERN TIOGA SCHOOL DISTRICT
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2019

NOTE 1: REPORTING ENTITY

Northern Tioga School District (the "District") is the reporting entity for financial reporting purposes as defined in Note 1A to the District's basic financial statements. For purposes of preparing the schedules of expenditures of federal awards, the District's reporting entity is the same that was used for financial reporting.

NOTE 2: BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the grant activity of the District and is presented using the accrual basis of accounting, which is described in Note 1C to the District's basic financial statements. The District did not use the 10% de minimis indirect cost rate.

NOTE 3: RISK-BASED AUDIT APPROACH

The 2019 threshold for determining Type A and Type B programs is \$750,000.

The following program was audited as major:

CFDA #10.553/10.555/10.559 Child Nutrition Cluster

The amount expended under the program audited as a major federal program for the year ended June 30, 2019, totaled \$993,102 or 45.72% of total federal awards expended.

NOTE 4: CLUSTER PROGRAMS

The following CFDAs have been deemed a cluster programs by the Office of Management and Budget, and therefore are treated as one program in determining the major programs to be audited:

<u>Cluster Name</u>	<u>CFDA #</u>	<u>Amount</u>
Child Nutrition Cluster	10.553	\$ 254,033
	10.555	717,742
	10.559	<u>21,327</u>
		<u>\$ 993,102</u>
Special Education Cluster (IDEA)	84.027	\$ 407,625
	84.173	<u>5,250</u>
		<u>\$ 412,875</u>

NOTE 5: MEDICAL ASSISTANCE

Access reimbursement received under CFDA #93.778, Revenue Code 8810 are classified as fee-for-service revenues and are not recognized as federal awards for the purpose of the Schedule of Expenditures of Federal Awards.



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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

INDEPENDENT AUDITOR'S REPORT

Board of School Directors
Northern Tioga School District
Elkland, 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 the Northern Tioga School District (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 17, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.



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Board of School Directors
Northern Tioga School District

Purpose of this Report

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

Zelenkofske Axlerod LLC

ZELENKOFKSKE AXELROD LLC

Harrisburg, Pennsylvania
December 17, 2019



Zelenkofske Axelrod LLC

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

Board of School Directors
Northern Tioga School District
Elkland, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited the Northern Tioga School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2019. The District's major federal program is 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 the major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.



Zelenkofske Axlerod LLC

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Board of School Directors
Northern Tioga School District

Report on Internal Control Over Compliance

Management of the 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 the District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Zelenkofske Axlerod LLC

ZELENKOFKSKE AXELROD LLC

Harrisburg, Pennsylvania
December 17, 2019

NORTHERN TIOGA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

SECTION I – SUMMARY OF AUDITOR’S RESULTS:

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ___ yes X no
- Significant Deficiency(s) identified that are not considered to be material weaknesses?
___ yes X none reported

Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ___ yes X no
- Significant Deficiency(s) identified that are not considered to be material weaknesses?
___ yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ___ yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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10.553/10.555/10.559	Child Nutrition Cluster
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Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? X yes ___ no

NORTHERN TIOGA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III – FEDERAL AWARD FINDINGS

None noted.

NORTHERN TIOGA SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

<u>Program</u>	<u>Prior Year Finding</u>	<u>Description</u>	<u>Current Year Status</u>
None noted.			