

NORTHERN TIOGA SCHOOL DISTRICT

ELKLAND, PENNSYLVANIA

FINANCIAL STATEMENTS AND SINGLE AUDIT REPORT

For the year ended June 30, 2014

NORTHERN TIOGA SCHOOL DISTRICT
ELKLAND, PENNSYLVANIA
For The Year Ended June 30, 2014

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For The Year Ended June 30, 2014

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INDEPENDENT AUDITOR'S REPORT

To The Members of the Board of Directors
of the 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, Elkland, Pennsylvania as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Northern Tioga School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Northern Tioga School District as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the schedule of funding progress for postemployment benefits other than pensions on pages MD&A IV-XV, 31 and 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The schedule of expenditures of federal and state 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 statement 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 and state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated November 20, 2014 on our consideration of the Northern Tioga School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northern Tioga School District's internal control over financial reporting and compliance.

Forgett & Kerstetter, P.C.

FORGETT & KERSTETTER, P.C.

Selinsgrove, Pennsylvania

November 20, 2014

REQUIRED SUPPLEMENTARY INFORMATION

**MANAGEMENT'S DISCUSSION
AND ANALYSIS (MD&A)**

Northern Tioga School District
Management's Discussion and Analysis (MD&A)
Unaudited
June 30, 2014

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, 2014. 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 2014 are as follows:

- Total revenues for the General Fund were \$29,973,803. This amount includes \$7,708,350 of property taxes, \$18,687,851 of state revenues and federal revenues of \$962,702. Property taxes represent 25.7% of all revenue and state funding represents 62.3% of all revenue. The remaining 12.0% of the revenue is from federal and other local sources.
- Capital assets in the Governmental Funds have been reported at \$45,224,969 and accumulated depreciation of \$24,249,457 for a net capital asset value of \$20,975,512. The amount listed represents the estimated historical costs of all sites, site improvements, furniture and equipment with a unit value of at least \$1500.
- The General Fund fund balance decrease from \$8,522,939 to \$8,163,221. 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 \$2,758,666. Additional assignments include set asides for health insurance increases, special education, other post-retirement benefits, technology needs, and capital needs and equipment.
- The school district's governmental fund financial statements report a combined ending fund balance of \$14,331,761. Of this total amount, \$6,168,640 is saved for future capital expenditures and future debt service payments.
- The district has two outstanding bond series 2011 and 2013. At the end of the fiscal year, the outstanding bond principal was \$12,470,000 with the final payment due in 2020-21
- Financial activity resulted in a net position decrease of \$7,687 for the Food Service Fund. This year, the food service department, along with volunteers from local churches and other organizations, implemented 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 \$323,285 of which \$134,106 is invested in capital assets.

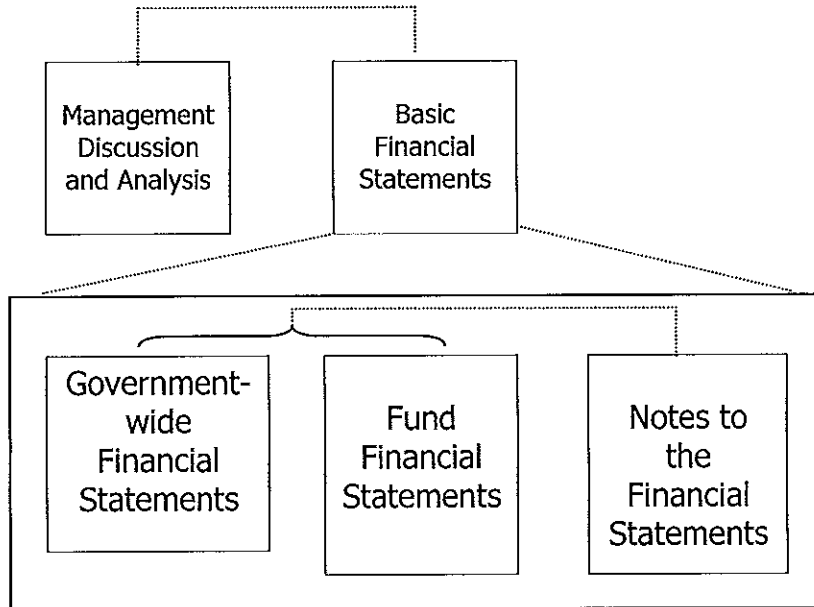
**NORTHERN TIOGA SCHOOL DISTRICT
ELKLAND, PENNSYLVANIA**

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



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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

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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 it 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

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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.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District’s total net position was \$23,495,217 at June 30, 2014 up from \$21,568,324 at June 30, 2013.

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

	2014		
	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 18,629,178.00	\$ 336,359.00	\$ 18,965,537.00
Capital assets	<u>\$ 20,975,512.00</u>	<u>\$ 134,106.00</u>	<u>\$ 21,109,618.00</u>
Total assets	<u>\$ 39,604,690.00</u>	<u>\$ 470,465.00</u>	<u>\$ 40,075,155.00</u>
Current and other liabilities	\$ 5,880,235.00	\$ 147,180.00	\$ 6,027,415.00
Long-term liabilities	<u>\$ 10,552,523.00</u>	<u>\$ -</u>	<u>\$ 10,552,523.00</u>
Total Liabilities	<u>\$ 16,432,758.00</u>	<u>\$ 147,180.00</u>	<u>\$ 16,579,938.00</u>
Net Position			
Net Investment in Capital Assets	\$ 8,505,512.00	\$ 134,106.00	\$ 8,639,618.00
Restricted	\$ -	\$ -	\$ -
Unrestricted	<u>\$ 14,666,420.00</u>	<u>\$ 189,179.00</u>	<u>\$ 14,855,599.00</u>
Total Net Position	<u>\$ 23,171,932.00</u>	<u>\$ 323,285.00</u>	<u>\$ 23,495,217.00</u>
Total Liabilities & Net Position	<u>\$ 39,604,690.00</u>	<u>\$ 470,465.00</u>	<u>\$ 40,075,155.00</u>

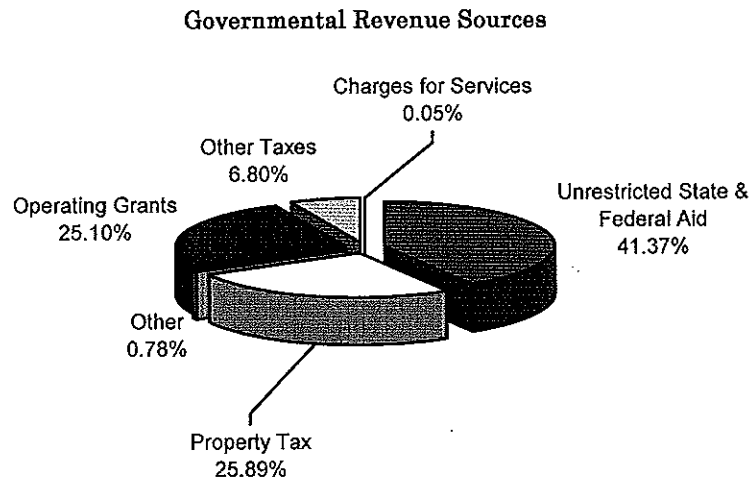
The net investment in capital assets (buildings, site improvements, and equipment) makes up most of the district’s net position. The remaining unrestricted amounts are combined of designated and undesignated amounts. The designated balances are amounts set-aside to fund

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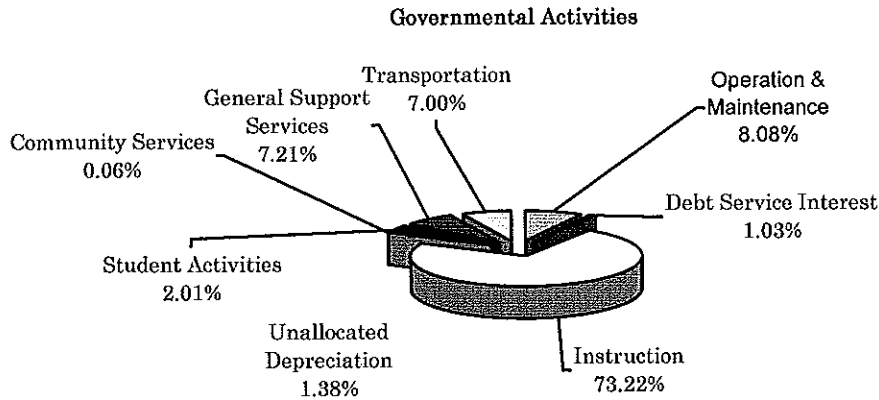
future purchases or capital projects as planned by the District. The restricted balance generated by a recent bond refunding is set aside for future debt service payment.

The results of this year's operation as a whole are reported in the Statement of Activities. All expenses are reported in the first column. Specific charges, grants, revenue 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 other general revenues. The two largest general revenues are the Basic Education Subsidy provided by the State of Pennsylvania, and the local taxes assessed to community taxpayers.

Graph A-1 shows the sources of revenues for the fiscal year 2014 for Governmental Activities.



Graph A-2 shows the expenditures for the fiscal year 2014 for Governmental Activities.



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Table A-2 takes the information from that Statement, rearranges it slightly, so you can see our total revenues for the year.

Table A-2
Fiscal Year Ended June 30,
Changes in Net Position

	<u>2014</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Revenues			
<u>Program Revenues</u>			
Charges for services	15,406	406,376	421,782
Operating grants and contributions	7,555,688	915,767	8,471,455
Capital grants and contributions	0		-
<u>General Revenues</u>			
Property taxes	7,790,902		7,790,902
Other taxes	2,047,833		2,047,833
Unrestricted grants, subsidies & contributions	12,452,181		12,452,181
Other	235,138	111	235,249
Total revenues	<u>\$ 30,097,148</u>	<u>\$ 1,322,254</u>	<u>\$ 31,419,402</u>
Expenses			
Instruction	18,224,097		18,224,097
Instructional student support	2,390,062		2,390,062
Administrative and financial support	2,031,225		2,031,225
Operation and maintenance of plant	2,275,353		2,275,353
Pupil transportation	1,969,770		1,969,770
Student activities	567,073		567,073
Community services	16,763		16,763
Interest on long-term debt	290,934		290,934
Unallocated depreciation expense	389,700		389,700
Food Services	-	1,329,941	1,329,941
Total expenses	<u>\$ 28,154,977</u>	<u>\$ 1,329,941</u>	<u>\$ 29,484,918</u>
Increase (decrease) in net position	<u>\$ 1,942,171</u>	<u>\$ (7,687)</u>	<u>\$ 1,934,484</u>

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

Table A-3 shows the District's eight 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-3
Fiscal Year Ended June 30,
Governmental Activities

Functions/Programs	2014		2013	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	18,224,097	13,606,803	17,667,134	13,309,669
Instructional student support	2,390,062	2,037,721	2,342,301	2,136,955
Administrative	2,031,225	1,824,370	1,852,423	1,665,294
Operation and maintenance	2,275,353	1,527,717	2,197,993	1,239,994
Pupil transportation	1,969,770	439,158	1,995,576	460,398
Student activities	567,073	536,991	557,027	530,801
Community services	16,763	9,807	14,345	5,010
Interest on long-term debt	290,934	211,616	605,929	399,778
Unallocated depreciation expense	389,700	389,700	371,546	371,546
Total governmental activities		\$ 20,583,883		\$ 20,119,445
Less:				
Unrestricted grants, subsidies		12,452,181		12,363,520
Total needs from local taxes and other revenues		\$ 8,131,702		\$ 7,755,925

Table A-4 reflects the activities of the Food Service program, the only Business-type activity of the District.

Table A-4
Fiscal Year Ended June 30,
Business-type Activities

Functions/Programs	2014		2013	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Food Services	1,329,941	7,798	1,300,626	42,178
Less:				
Investment earnings		111		123
Transfers from other government		0		42,000
Gain (Loss) on Sale of Equipment		-		-
Total business-type activities		\$ (7,687)		\$ (55)

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

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THE DISTRICT FUNDS

At June 30, 2014 the District governmental funds reported a combined fund balance of \$14,331,861 which is a decrease of \$164,601.

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, which 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 Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual.

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.

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CAPITAL ASSET AND DEBT SUMMARY

CAPITAL ASSETS

At June 30, 2013 the District, including Food Service, had \$21,180,145 invested in a broad range of capital assets, including buildings, site improvements and furniture and equipment. At the end of June 2014, the capital assets, net of depreciation totaled \$21,109,620. This amount represents a net decrease (including additions, deletions and depreciation) of \$70,752 over last year.

Table A-5 reflects the capital assets of both the governmental activities and the business-type activities of the District.

Table A-5
Governmental Activities and Business Type Activities
Fiscal Year Ended June 30,
Capital assets - net of depreciation

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Site Improvements (Net of accumulated depreciation)	40,387	54,001	35,375	43,811
Building and Building Improvements (Net of accumulated depreciation)	18,559,973	18,804,307	19,384,273	18,900,863
Furniture & Equipment (Net of accumulated depreciation)	2,509,260	2,321,837	2,183,610	2,297,059
TOTAL	\$ 21,109,620	\$ 21,180,145	\$ 21,603,258	\$ 21,241,733

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DEBT SUMMARY AND RELATED INFORMATION

As of July 1, 2013 the District had total outstanding bond principal of \$14,630,000. This District has a total ending outstanding debt as of June 30, 2014 of \$12,470,000.

Table A-6
Outstanding Debt

	2014	2013	2012	2011
General Obligation Bonds:				
- Series of 2003	0	0	110,000	560,000
- Series of 2006A	0	0	980,000	1,930,000
- Series of 2008A	0	0	1,730,000	2,270,000
- Series of 2008B	0	0	8,580,000	8,780,000
- Series of 2011	5,270,000	5,365,000	5,455,000	5,485,000
- Series of 2013	7,200,000	9,265,000	0	0

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.

	2011-2012	2012-2013	2013-2014
Total General Fund Revenues	29,745,087	29,749,988	29,973,804
Less: Required Deductions			
--- Rental & Sinking Fund Reimbursement	1,059,720	1,073,079	715,287
Net Revenue	<u>28,685,367</u>	<u>28,676,909</u>	<u>29,258,517</u>
Total Net Revenue For Three Years			<u>86,620,793</u>
Borrowing Base - Average Net Revenue for Three Year Period			28,873,598
Multiplier			225%
Total Nonelectoral Debt Limit			64,965,595
Less: Amount of Debt Issued & Outstanding (as of 6/30/2014)			<u>12,470,000</u>
Total Debt Margin (Remaining Borrowing Capacity)			<u>52,495,595</u>
Total Debt Margin Percentage (Remaining Borrowing Capacity)			80.81%

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OTHER STATISTICAL DATA

2013-14 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 January 15 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
2004-05	4,810,696	4,212,736	87.6%	684,396	4,897,132	101.8%
2005-06	5,325,949	4,631,634	87.0%	649,024	5,280,658	99.1%
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%

- ✓ (1) Real estate assessment multiplied by realty tax rate less any taxpayer relief funds received from the state.
- ✓ (2) Taxes collected for past fiscal years.

*District received taxpayer relief funds from the state.

EMPLOYEE DATA

There are approximately 328 employees of the school district, including 9 administrators, 2 psychologists, 3 social workers, 188 teachers, and 121 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 2014	312	467	376	1,155	393	529	922	2,077
October 2014	309	471	367	1,147	393	520	913	2,060

**NORTHERN TIOGA SCHOOL DISTRICT
ELKLAND, PENNSYLVANIA**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The budget for the 2014-15 is \$354,004 more than the original budget for 2013-14. This represents a 1.09% increase. Property taxes increased to 16.1253 mills, reflecting a 3.1% increase over the prior year. State revenues are expected to increase 3.3% over the actual amount received in 2013-14. Federal revenues increased from 2012-13 to 2013-14 by 17.4%. This is primarily due to Access fund for 2012-13 being released in 2013-14. Federal revenues for 2014-15 are projected to remain at 2013-14 levels.

Table A-7 is a comparison of revenue and expenditure categories is as follows:

Table A-7

BUDGETED REVENUES

	2014-2015	2013-2014	2012-2013	2011-2012	2010-2011
Local	31.7%	34.2%	34.2%	34.2%	31.7%
State	59.5%	62.4%	61.4%	61.1%	63.4%
Federal/Other	8.8%	3.4%	4.4%	4.7%	4.9%

BUDGETED EXPENDITURES

	2014-2015	2013-2014	2012-2013	2011-2012	2010-2011
Instruction	59.2%	57.0%	56.4%	58.7%	54.0%
Support Services	28.1%	28.8%	29.2%	30.4%	30.4%
Student Activities/ Community	1.9%	1.8%	2.0%	2.5%	2.1%
Facility Improvement	0.1%	1.0%	0.4%		
Fund Transfers/Debt	10.7%	11.4%	12.0%	8.4%	13.5%

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 Wanda M. Erb, Business Manager at Northern Tioga School District, 110 Ellison Road, Elkland, PA 16920, (814) 258 5644 Ext. 3.

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**BASIC
FINANCIAL STATEMENTS**

NORTHERN TIOGA SCHOOL DISTRICT
ELKLAND, PENNSYLVANIA
STATEMENT OF NET POSITION
June 30, 2014

ASSETS	GOVERNMENTAL	BUSINESS-TYPE	TOTAL
Current Assets	ACTIVITIES	ACTIVITIES	
Cash and Cash Equivalents	\$ 9,707,000	\$ 190,652	\$ 9,897,652
Investments	6,426,558	0	6,426,558
Taxes Receivable, Net	1,111,958	0	1,111,958
Due From Other Governments	1,264,403	103,661	1,368,064
Other Receivables	119,259	550	119,809
Inventories	0	41,496	41,496
Total Current Assets	18,629,178	336,359	18,965,537
Noncurrent Assets			
Capital Assets, Net of Accumulated Depreciation			
Land and Land Improvements	40,387	0	40,387
Building and Building Improvements	18,559,972	0	18,559,972
Furniture and Equipment	2,375,153	134,106	2,509,259
Total Noncurrent Assets	20,975,512	134,106	21,109,618
TOTAL ASSETS	\$ 39,604,690	\$ 470,465	\$ 40,075,155
LIABILITIES			
Current Liabilities			
Internal Balances	\$ (130,105)	\$ 130,105	\$ 0
Accounts Payable	269,531	650	270,181
Accrued Salaries and Benefits	2,138,720	6,924	2,145,644
Payroll Deductions and Withholdings	907,395	0	907,395
Unearned Revenue	0	9,501	9,501
Current Portion of Long-Term Obligations	174,994	0	174,994
Current Portion of Long-Term Debt	2,435,000	0	2,435,000
Other Current Liabilities	84,700	0	84,700
Total Current Liabilities	5,880,235	147,180	6,027,415
Noncurrent Liabilities			
Bonds Payable	10,035,000	0	10,035,000
Other Postemployment Benefits	302,971	0	302,971
Compensated Absences	214,552	0	214,552
Total Noncurrent Liabilities	10,552,523	0	10,552,523
TOTAL LIABILITIES	16,432,758	147,180	16,579,938
NET POSITION			
Net Investment in Capital Assets	8,505,512	134,106	8,639,618
Restricted	0	0	0
Unrestricted	14,666,420	189,179	14,855,599
TOTAL NET POSITION	23,171,932	323,285	23,495,217
TOTAL LIABILITIES AND NET POSITION	\$ 39,604,690	\$ 470,465	\$ 40,075,155

The Accompanying Notes Are An Integral
Part Of These Financial Statements.

NORTHERN TIOGA SCHOOL DISTRICT
ELKLAND, PENNSYLVANIA
STATEMENT OF ACTIVITIES

For The Year Ended June 30, 2014

Functions/Programs	Program Revenues			Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instruction	\$ 18,224,097	\$ 15,406	\$ 4,601,888	\$ 0	\$ (13,606,803)	\$ 0	\$ (13,606,803)
Instructional Student Support	2,390,062	0	352,341	0	(2,037,721)	0	(2,037,721)
Administrative and Financial Support Services	2,031,225	0	206,855	0	(1,824,370)	0	(1,824,370)
Operation and Maintenance of Plant Services	2,275,353	0	747,636	0	(1,527,717)	0	(1,527,717)
Pupil Transportation	1,969,770	0	1,530,612	0	(439,158)	0	(439,158)
Student Activities	567,073	0	30,082	0	(536,991)	0	(536,991)
Community Services	16,763	0	6,956	0	(9,807)	0	(9,807)
Interest and Fiscal Charges	290,934	0	79,318	0	(211,616)	0	(211,616)
Unallocated Depreciation	389,700	0	0	0	(389,700)	0	(389,700)
Total Governmental Activities	\$ 28,154,977	\$ 15,406	\$ 7,555,688	\$ 0	\$ (20,583,883)	\$ 0	\$ (20,583,883)
Business-type activities:							
Food Service	\$ 1,329,941	\$ 406,376	\$ 915,767	\$ 0	0	(7,798)	\$ (7,798)
Total primary government	\$ 29,484,918	\$ 421,782	\$ 8,471,455	\$ 0	\$ (20,583,883)	\$ (7,798)	\$ (20,591,681)

General revenues:

Taxes:

Property taxes, levied for general purposes, net	\$ 7,790,902	\$ 0	\$ 7,790,902
Other taxes levied for specific purposes	2,047,833	0	2,047,833
Grants, subsidies, & contributions not restricted	12,452,181	0	12,452,181
Investment Earnings	53,241	111	53,352
Miscellaneous Income	181,897	0	181,897
Total general revenues and special items	22,526,054	111	22,526,165
Change in Net Position	1,942,171	(7,687)	1,934,484
Net Position July 1, 2013	21,229,761	338,563	21,568,324
Net Unearned Revenue Adjustment	0	(7,591)	(7,591)
Net Position - July 1, 2013 (as restated)	21,229,761	330,972	21,560,733
Net Position - June 30, 2014	\$ 23,171,932	\$ 323,285	\$ 23,495,217

The Accompanying Notes Are An Integral Part Of These Financial Statements.

NORTHERN TIOGA SCHOOL DISTRICT
ELKLAND, PENNSYLVANIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	<u>GENERAL FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>TOTALS GOVERNMENTAL FUNDS</u>
ASSETS			
Cash and Cash Equivalents	\$ 9,107,116	\$ 599,884	\$ 9,707,000
Investments	1,479,675	4,946,883	6,426,558
Taxes Receivable (Net)	1,111,958	0	1,111,958
Due From Other Funds	130,105	621,873	751,978
Due From Other Governments	1,264,403	0	1,264,403
Other Receivables	119,259	0	119,259
TOTAL ASSETS	\$ 13,212,516	\$ 6,168,640	\$ 19,381,156
LIABILITIES			
Due To Other Funds	\$ 621,873	\$ 0	\$ 621,873
Accounts Payable	269,531	0	269,531
Current Portion of Long-Term Debt	174,994	0	174,994
Accrued Salaries and Benefits	2,138,720	0	2,138,720
Payroll Deductions and Withholdings	907,395	0	907,395
Other Current Liabilities	0	0	0
TOTAL LIABILITIES	4,112,513	0	4,112,513
DEFERRED INFLOW OF RESOURCES			
Unavailable Revenues - Delinquent Taxes	936,782	0	936,782
TOTAL DEFERRED INFLOW OF RESOURCES	936,782	0	936,782
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	5,049,295	0	5,049,295
FUND BALANCES			
Committed For Capital Expenditures/Debt Service	0	6,168,640	6,168,640
Assigned For:			
Future Pension Costs	2,758,666	0	2,758,666
Other Postemployment Benefits	518,000	0	518,000
Insurance	600,000	0	600,000
Special Education Costs	500,000	0	500,000
Capital Projects/Equipment	675,000	0	675,000
Board Initiative	150,000	0	150,000
Technology	500,000	0	500,000
Athletics	2,453	0	2,453
Unassigned	2,459,102	0	2,459,102
TOTAL FUND BALANCES	8,163,221	6,168,640	14,331,861
TOTAL LIABILITIES AND FUND BALANCES	\$ 13,212,516	\$ 6,168,640	\$ 19,381,156

The Accompanying Notes Are An Integral
Part Of These Financial Statements.

NORTHERN TIOGA SCHOOL DISTRICT
ELKLAND, PENNSYLVANIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
For The Year Ended June 30, 2014

Total Fund Balances - Governmental Funds \$ 14,331,861

Amounts reported for governmental activities in the statement of net position are different because:

Capital Assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$45,224,969, and the accumulated depreciation is \$24,249,457. 20,975,512

Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds. 936,782

Current portion of long-term debt (2,435,000)

Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Compensated absences payable	\$ (214,552)	
Other postemployment benefits payable	\$ (302,971)	
Bonds payable	\$ (10,035,000)	
Accrued interest on bonds	\$ (84,700)	<u>(10,637,223)</u>

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES **\$ 23,171,932**

The Accompanying Notes Are An Integral Part Of These Financial Statements.

NORTHERN TIOGA SCHOOL DISTRICT
ELKLAND, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
 For The Year Ended June 30, 2014

	<u>GENERAL</u> <u>FUND</u>	<u>CAPITAL</u> <u>PROJECTS</u> <u>FUND</u>	<u>NON</u> <u>MAJOR</u> <u>FUND</u>	<u>TOTALS</u> <u>GOVERNMENTAL</u> <u>FUNDS</u>
REVENUES				
Local Sources	\$ 10,323,250	\$ 40,789	\$ 0	\$ 10,364,039
State Sources	18,687,851	0	0	18,687,851
Federal Sources	962,702	0	0	962,702
TOTAL REVENUES	<u>29,973,803</u>	<u>40,789</u>	<u>0</u>	<u>30,014,592</u>
EXPENDITURES				
Instruction	17,838,460	0	0	17,838,460
Support Services	8,570,160	1,017	0	8,571,177
Operation of Noninstructional Services	580,373	0	0	580,373
Facilities Acquisition, Construction and Improvement Services	317,997	441,188	0	759,185
Debt Service	2,425,929	0	3,467	2,429,396
Refund of Prior Year Receipts	602	0	0	602
TOTAL EXPENDITURES	<u>29,733,521</u>	<u>442,205</u>	<u>3,467</u>	<u>30,179,193</u>
EXCESS OF REVENUES				
OVER(UNDER) EXPENDITURES	240,282	(401,416)	(3,467)	(164,601)
OTHER FINANCING SOURCES (USES)				
Interfund Transfers	(600,000)	600,000	0	0
TOTAL OTHER FINANCING SOURCES (USES)	<u>(600,000)</u>	<u>600,000</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	(359,718)	198,584	(3,467)	(164,601)
Fund Balance - July 1, 2013	<u>8,522,939</u>	<u>5,970,056</u>	<u>3,467</u>	<u>14,496,462</u>
Fund Balance - June 30, 2014	<u>\$ 8,163,221</u>	<u>\$ 6,168,640</u>	<u>\$ 0</u>	<u>\$ 14,331,861</u>

The Accompanying Notes Are An Integral
Part Of These Financial Statements.

NORTHERN TIOGA SCHOOL DISTRICT
ELKLAND, PENNSYLVANIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds **\$ (164,601)**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the period.

	Depreciation	\$ (1,000,115)	
	Capital outlays	\$ 942,244	
	Sale or Disposal of Assets Not Fully Depreciated	\$ <u>(2,495)</u>	(60,366)

Because some property taxes will not be collected for several months after the School District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred tax revenues increased by this amount this year. 82,554

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities. Accrued interest increased by this amount this year. (20,936)

Issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. However, neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these transactions in the statement of activities is shown below:

	Principal Repayment	\$ 2,160,000	
	Increase in Other Postemployment Benefits	\$ (48,883)	
	Increase in Compensated Absences	\$ <u>(5,597)</u>	<u>2,105,520</u>

Change in Net Position of Governmental Activities **\$ 1,942,171**

The Accompanying Notes Are An Integral Part Of These Financial Statements.

NORTHERN TIOGA SCHOOL DISTRICT
ELKLAND, PENNSYLVANIA
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2014

	ENTERPRISE FUND
	<i>FOOD SERVICE</i>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 190,652
Due From Other Governments	103,661
Other Receivables	550
Inventories	41,496
Total Current Assets	336,359
Noncurrent Assets	
Capital Assets, Net of Accumulated Depreciation	134,106
Total Noncurrent Assets	134,106
TOTAL ASSETS	\$ 470,465
LIABILITIES	
Current Liabilities	
Internal Balances	\$ 130,105
Accounts Payable	650
Accrued Salaries and Benefits	6,924
Unearned Revenue	9,501
Total Current Liabilities	147,180
Noncurrent Liabilities	0
TOTAL LIABILITIES	147,180
NET POSITION	
Net Investment In Capital Assets	134,106
Unrestricted	189,179
TOTAL NET POSITION	323,285
TOTAL LIABILITIES AND NET POSITION	\$ 470,465

The Accompanying Notes Are An Integral
Part Of These Financial Statements.

NORTHERN TIOGA SCHOOL DISTRICT
ELKLAND, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
For The Year Ended June 30, 2014

		<u>ENTERPRISE FUND</u>
		<u>FOOD SERVICE</u>
OPERATING REVENUES		
Food Service Revenue	\$	406,376
Total Operating Revenues		<u>406,376</u>
 OPERATING EXPENSES		
Salaries		436,365
Employee Benefits		288,564
Purchased Professional and Technical Service		2,326
Purchased Property Services		17,108
Other Purchased Services		4,330
Supplies		570,893
Property and Equipment		10,355
Total Operating Expenses		<u>1,329,941</u>
 OPERATING INCOME (LOSS)		 (923,565)
 NONOPERATING REVENUES (EXPENSES)		
Earnings On Investments		111
State Sources		120,500
Federal Sources		795,267
Total Nonoperating Revenues (Expenses)		<u>915,878</u>
 CHANGE IN NET POSITION		 (7,687)
 Net Position - July 1, 2013	\$	338,563
Net Unearned Revenue Adjustment		<u>(7,591)</u>
 NET POSITION - JULY 1, 2013 (As Restated)		 <u>330,972</u>
 NET POSITION - JUNE 30, 2014	\$	 <u>323,285</u>

The Accompanying Notes Are An Integral
Part Of These Financial Statements.

NORTHERN TIOGA SCHOOL DISTRICT
ELKLAND, PENNSYLVANIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For The Year Ended June 30, 2014

	<u>ENTERPRISE FUND</u>
	<u>FOOD SERVICE</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Users	\$ 407,736
Cash Payments to Employees for Services	(774,176)
Cash Payments to Suppliers of Goods and Services	(513,024)
	<u>(879,464)</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State Sources	114,664
Federal Sources	623,731
	<u>738,395</u>
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Equipment Purchases	0
	<u>0</u>
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on Investments	111
	<u>111</u>
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(140,958)
CASH AND CASH EQUIVALENTS - JULY 1, 2013	<u>331,610</u>
CASH AND CASH EQUIVALENTS - JUNE 30, 2014	<u>\$ 190,652</u>
<hr/>	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES -	
Net Income (Loss) from Operations	\$ (923,565)
Depreciation	10,161
Donated Commodities	87,963
(Increase)/Decrease in Other Receivables	(10)
(Increase)/Decrease in Inventory	(6,786)
Increase/(Decrease) in Internal Balances	(51,905)
Increase/(Decrease) in Accounts Payable	650
Increase/(Decrease) in Accrued Salaries/Benefits	2,658
Increase/(Decrease) in Unearned Revenue	1,370
	<u>1,370</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ (879,464)</u>

The Accompanying Notes Are An Integral
Part of These Financial Statements.

NORTHERN TIOGA SCHOOL DISTRICT
ELKLAND, PENNSYLVANIA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2014

	<u>PRIVATE PURPOSE TRUST FUND</u>	<u>AGENCY FUNDS</u>	<u>TOTAL FIDUCIARY FUNDS</u>
ASSETS			
Cash and Cash Equivalents	\$ 150,777	\$ 655,595	\$ 806,372
Investments	0	591,377	591,377
Other Current Assets	0	0	0
TOTAL ASSETS	<u>150,777</u>	<u>1,246,972</u>	<u>1,397,749</u>
LIABILITIES			
Due to Student Groups	0	177,224	177,224
Other Liabilities	0	1,069,748	1,069,748
TOTAL LIABILITIES	<u>0</u>	<u>1,246,972</u>	<u>1,246,972</u>
NET POSITION			
Restricted For Scholarships	<u>150,777</u>	<u>0</u>	<u>150,777</u>
TOTAL NET POSITION	<u>150,777</u>	<u>0</u>	<u>150,777</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 150,777</u>	<u>\$ 1,246,972</u>	<u>\$ 1,397,749</u>

The Accompanying Notes Are An Integral
Part Of These Financial Statements.

NORTHERN TIOGA SCHOOL DISTRICT
ELKLAND, PENNSYLVANIA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
 June 30, 2014

	PRIVATE PURPOSE TRUST FUND
ADDITIONS	
Gifts and Contributions	\$ 80,090
Earnings on Investments	<u>293</u>
Total Additions	80,383
DEDUCTIONS	
Scholarships Awarded	\$ 1,018
Other Deductions	<u>0</u>
Total Deductions	1,018
CHANGE IN NET POSITION	79,365
NET POSITION - JULY 1, 2013	<u>71,412</u>
NET POSITION - JUNE 30, 2014	\$ <u>150,777</u>

The Accompanying Notes Are An Integral
Part Of These Financial Statements.

NORTHERN TIOGA SCHOOL DISTRICT
ELKLAND, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the District

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

The Reporting Entity

The Northern Tioga School 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 in the Boroughs of Elkland, Knoxville, Lawrenceville, Tioga, and Westfield, as well as the townships of Brookfield, Chatham, Clymer, Deerfield, Farmington, Jackson, Lawrence, Nelson, Osceola, Tioga, and Westfield. The Board received funding from local, state, and federal government sources and must comply with the accompanying requirements of these funding source entities.

Governmental Accounting Standards Board (GASB) Statement No. 39, "*Determining Whether Certain Organizations Are Component Units*", an amendment of GASB Statement No. 14, "*The Financial Reporting Entity*" established the criteria for determining the activities, organizations and functions of School Districts to be included in the financial statements of the reporting entity. GASB Statement No. 61, "*The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No 34*" modifies certain requirements for inclusion of component units as if they were part of the financial reporting entity. In evaluating the School District as a reporting entity, management has addressed all potential component units, which may or may not fall within the District's financial accountability. The criteria used to evaluate component units for possible inclusion as part of the District's reporting entity are financial accountability and the nature and significance of the relationship. This report includes all of the funds of the Northern Tioga School District based on these criteria.

Intermediate Unit

The Northern Tioga School 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, Northern Tioga School District is able to secure various special services including federal program assistance and special education services.

Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provides a more detailed level of financial information.

NORTHERN TIOGA SCHOOL DISTRICT
ELKLAND, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements

The Government-Wide financial statements display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities.

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

Fund Financial Statements

The financial transactions of the School are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is presented in a single column on the governmental fund financial statements. Nonmajor funds by category are summarized into a single column. Fiduciary funds are reported by type.

Governmental Funds

Governmental funds are those through which most governmental functions of the School District are financed. Governmental funds reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following represents the School Districts governmental funds.

General Fund – The General Fund constitutes the primary operating fund of the School District in that it includes all revenues and expenditures not required by law to be accounted for in other funds. The General Fund is always reported as a major fund.

Capital Projects Fund – The Capital Projects Fund is utilized to account for and report financial resources to be used for capital outlays including the acquisition or construction of major capital facilities and other capital assets. Capital Reserve Funds are included as part of the Capital Projects Fund. This fund is reported as a major fund.

Debt Service Fund – The Debt Service Fund is provided to account for the accumulation of resources to be used for the redemption of principal and interest on general long-term debt and to account for bond refunding proceeds and payments to escrow agents for bond refunding. This fund is reported as a non-major fund.

NORTHERN TIOGA SCHOOL DISTRICT
ELKLAND, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Fund

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The following is the School District's proprietary fund:

Enterprise Fund – The Enterprise Fund may be used to account for any activity for which a fee is charged to external users for goods and services.

Food Service - The Food Service enterprise fund accounts for the financial transactions related to the food service operations of the School District. This fund is the School District's only enterprise fund and it is reported as a major fund.

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support school district programs. The reporting focus is on net position and changes in net position.

The fiduciary fund category is split into two classifications: private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School 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.

Measurement Focus and Basis of Accounting

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. When property taxes are measurable but not available, the collectible portion (taxes levied less estimated uncollectibles) is recorded as deferred inflows of resources. Revenue from federal, state and other grants designated for payment of specific school district expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as deferred revenues until earned. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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.

NORTHERN TIOGA SCHOOL DISTRICT
ELKLAND, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 combined 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 and object. Function is defined as a program area such as instructional services, and object is defined as the nature of the expenditures such as salaries or supplies.

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.

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are appropriated in the next year. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying financial statements.

Cash and Cash Equivalents

Cash and Cash Equivalents include amounts in demand and interest-bearing bank deposits and in petty cash and are carried at cost plus accrued interest, which is fair value.

Investments

In accordance with Government Accounting Standards Board (GASB) Statement No. 31, short-term money market investments and interest-bearing investment contracts are reported at amortized cost, provided that the remaining maturity is one year or less at the time of purchase. Long-term investments (maturity of more than one year) are reportable at fair value.

NORTHERN TIOGA SCHOOL DISTRICT
ELKLAND, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

On government-wide financial statements and in the proprietary fund, inventories are presented at the lower of cost or market on a first-in, first-out basis, and are expensed when used.

A physical inventory of the Food Service Fund food and supplies was taken as of June 30, 2014. The inventory consisted of government donated commodities and purchased food and supplies. Government donated commodities were valued at cost figures provided by the U.S. Department of Agriculture while purchased food and supplies were valued at cost, both using the first-in first-out (FIFO) method.

Capital Assets

Capital assets, which includes property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of more than \$1,500 and an estimated useful life in excess of one year. Management has elected to include certain homogeneous asset categories with individual assets less than \$1,500 as composite groups for financial reporting purposes. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

All reported capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building Improvements	20
Land Improvements	15
Furniture	20
Vehicle	4
Equipment	5 to 15
Computer Software	5
Textbooks	5
Library/Workbooks	10

Proprietary fund equipment purchases are capitalized in the proprietary fund at cost and depreciated on a straight-line basis over their estimated useful lives of 5-15 years.

NORTHERN TIOGA SCHOOL DISTRICT
ELKLAND, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The amounts are deferred and recognized as an inflow of resources in the period in which the amounts become available. The governmental funds report unavailable revenues from property tax.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund statement of net position. 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 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 services expenditures.

Equity Classifications

In the governmental environment, management often commits or assigns resources to be used for specific purposes, indicating that those amounts are not considered to be available for general operations. Because different measurement focuses and bases of accounting are used in the government-wide statement of net position and in governmental fund statements, amounts reported as *restricted fund balances* in governmental funds may be different from amounts reported as *restricted net position* in the statement of net position.

The government-wide and proprietary fund net positions are classified as follows:

Net investment in capital assets – consists of net capital assets reduced by outstanding balances of any related debt obligations attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – net position is considered restricted if its use is constrained externally to a particular purpose.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the school district.

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes by external parties, or by law through constitutional provisions, or enabling legislation.

NORTHERN TIOGA SCHOOL DISTRICT
ELKLAND, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Committed – Amounts that can only be used 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 – Amounts that are constrained by the school district’s intent to be used for specific purposes, but is not restricted or committed. The Business Manager has been delegated the authority to assign amounts for specific purposes.

Unassigned – All amounts not included in other spendable classifications. The school 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.

The District would typically use restricted fund balance first, followed by committed resources, and then assigned resources as appropriate opportunities arise, but reserves the right to selectively spend unassigned.

Use of Estimates

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

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

Under Section 440.1 of the Public School Code of 1949, as amended, the District provides for an authorized investment program for School District Funds. Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and include investments with original maturities of one year or less. Cash and cash equivalents consist of demand deposits at various financial institutions, a money market fund, investments in Pennsylvania Local Government Investment Trust (PLGIT), certificates of deposit, and the Pennsylvania School District Liquid Asset Fund (PSDLAF). The market values of deposits are equal to the cost of the deposits.

At June 30, 2014 the carrying amount of the School District's cash and cash equivalents and investments was \$17,721,959. The depository balances throughout the year were covered by federal depository insurance up to \$250,000 per bank or by collateral held by the pledging banks trust department. These amounts are secured by the pledging of pooled assets as collateral in accordance with the Act of August 6, 1971 (P.L. 281, No. 72), relating to pledges of assets to secure deposits of pledged funds.

CASH AND CASH EQUIVALENTS:

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the School District’s deposits may not be returned to it. The District has an investment policy that addresses credit risk in general terms.

As of June 30, 2014, \$8,961,604 of the District’s bank balance of \$9,215,776 was exposed to custodial credit risk as:

Uninsured and uncollateralized	\$ 0
Uninsured and collateral held by the pledging bank’s trust department	
Not in the District’s name	8,961,604
Total	<u>\$ 8,961,604</u>

NORTHERN TIOGA SCHOOL DISTRICT
ELKLAND, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2014

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Reconciliation to Financial Statements

Collateralized Amount Above	\$ 8,961,604
Plus: Insured Amount	254,172
Plus: Deposits in Investment Pools and CD's Considered Cash Equivalents	1,778,444
Less: Outstanding Checks	(291,358)
Plus: Deposits in Transit	<u>0</u>
Carrying Amount – Bank balances	10,702,862
Plus: Petty Cash	<u>1,162</u>
Total Cash and Cash Equivalents Per Financial Statements	<u>\$10,704,024</u>

INVESTMENTS:

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

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Certificates of Deposits	3-60 Months	\$ 377,901
U.S. Treasury Obligation Money Market Fund		174,172
PA Local Government Investment Trust		1,224,762
PA School District Liquid Asset Fund		1,609
FHLB Notes	1-48 Months	3,059,986
FHLMC Notes	1-36 Months	660,883
Federal Farm Credit Bank Notes	6-12 Months	325,130
FNMA Notes	6-48 Months	1,889,849
U.S. Savings EE Bonds		591,377
U.S. Treasury Note	19 Months	<u>490,710</u>
Total		\$ <u>8,796,379</u>

Custodial Credit Risk - Investments

For an investment, 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 investments or collateral security that are in the possession of an outside party. The District has no investment subject to custodial credit risk.

Reconciliations to Financial Statements

Total Investments Above	\$ 8,796,379
Less: Deposits in Investment Pools Considered Cash Equivalents	(1,778,444)
Total Investments Per Financial Statements	\$ <u>7,017,935</u>

Interest Rate Risk

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

NORTHERN TIOGA SCHOOL DISTRICT
ELKLAND, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2014

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Credit Risk

The District has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2014, the District investments were rated as:

<u>Investment</u>	<u>Standard & Poor's</u>
PA Local Government Investment Trust	AAA
PA School District Liquid Asset Fund	AAA
U.S. Treasury Obligations	AAA
Federal Home Loan Mortgage Corporation	AAA
Federal Home Loan Bank	AAA
Federal Farm Credit Bank	AAA
Federal National Mortgage Association	AAA
US Savings EE Bonds	AAA

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer. More than 5 percent of the District's investments are in PA Local Government Investment Trust, Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes, Federal National Mortgage Association Notes, U.S. Savings EE Bonds, and a U.S. Treasury Note. These investments are 13.92%, 34.79%, 7.51%, 21.48%, 6.72%, and 5.58%, respectively, of the District's total investments.

For the General Fund, more than 5% of the investments are in PA Local Government Investment Trust, FHLB Notes, FHLB Discount Notes, and Federal Home Loan Mortgage Corporation Discount Notes. These investments are 32.42%, 47.82%, 12.75%, and 6.83% respectively, of the General Fund's total investments.

For the Capital Projects Fund, more than 5% of the investments are in Federal Farm Credit Bank Notes, FHLB Notes, U.S. Treasury Obligations, Federal Home Loan Mortgage Corporation Notes and Federal National Mortgage Association Notes. These investments are 6.35%, 33.80%, 9.59%, 9.98%, and 36.92% respectively, of the Capital Projects Fund's total investments.

For the Agency Fund, 100% of the investments are in US Savings EE Bonds.

NOTE 3 - DUE FROM OTHER GOVERNMENTS

Amounts due from other governments represent receivables for revenues earned by the School District. At June 30, 2014, the following amounts are due from other governmental units.

	<u>General Fund</u>	<u>Enterprise Fund</u>
Federal Pass Through Funds	\$ 646,895	\$ 96,901
State Funds	617,508	6,760
Local Funds	<u>0</u>	<u>0</u>
Total	<u>\$1,264,403</u>	<u>\$ 103,661</u>

NORTHERN TIOGA SCHOOL DISTRICT
ELKLAND, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2014

NOTE 4 – PROPERTY TAXES (Continued)

The School District's property tax is levied each July 1, based upon assessed valuations (approximately \$517,744,250 for 2013-14). The School District bills and uses a bank lockbox system to collect property taxes on behalf of the School District. The tax rate for all expenditures in 2013-14 is 15.6405 mills (\$15.6405 per 1,000 assessed valuation). The schedule for property taxes levied for 2013-14 is as follows:

July 1, 2013 through August 31, 2013	2% discount period
September 1, 2013 through October 31, 2013	face payment period
Beginning November 1, 2013	10% penalty period

Taxes become delinquent by January 1, 2014. At June 30, 2014, delinquent property taxes receivable are \$936,782.

NOTE 5 – INTERFUND ACTIVITIES

Internal Balances:

Interfund receivables and payable balances as of June 30, 2014 are as follows:

	<u>Due From Other Fund</u>	<u>Due To Other Funds</u>
General Fund	\$ 130,105	\$ 621,873
Enterprise Fund	0	130,105
Capital Reserve Fund	<u>621,873</u>	<u>0</u>
	<u>\$ 751,978</u>	<u>\$ 751,978</u>

All interfund balances resulted from time lags between the dates that (1) interfund goods and services were provided or expenditures/expenses were reimbursed, (2) transactions were recorded in the accounting system, and (3) payments between funds were made. All balances are expected to be repaid within the following year.

Interfund Transfers:

	<u>Transfer To Other Funds</u>	<u>Transfer From Other Funds</u>
General Fund	\$ 600,000	\$ 0
Capital Reserve Fund	<u>0</u>	<u>600,000</u>
	<u>\$ 600,000</u>	<u>\$ 600,000</u>

Transfers and payments within the School District are substantially for purposes of subsidizing operating functions, or funding capital projects and asset acquisitions. Resources are accumulated in funds to support and simplify the administration of various projects or programs.

NOTE 6 – CAPITAL ASSETS

Capital Assets are recorded as expenditures in the Governmental Funds at the time of purchase. The amounts recorded for buildings, equipment and land on the Statement of Net Position represent primarily estimates of historical cost prepared by an independent appraiser. During the fiscal year ended June 30, 2000, a fixed asset appraisal of assets held was performed and through the use of alternate methods, an estimate of historical cost was developed. In the absence of actual acquisition costs provided by the Northern Tioga School 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 are also determined by the deflation indexing with appropriate indices. Depreciation, where applicable, is straight line over the useful life of asset. Property additions made subsequent to the appraisal are recorded at cost.

NORTHERN TIOGA SCHOOL DISTRICT
ELKLAND, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

NOTE 6 – CAPITAL ASSETS (Continued)

A summary of Capital Asset transactions for the year ended June 30, 2014 is as follows:

GOVERNMENTAL ACTIVITIES

	Balance at <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>June 30, 2014</u>
Land and Land Improvements	\$ 2,017,002	0	0	2,017,002
Building and Building Improvements	34,541,968	403,103	0	34,945,071
Furniture and Equipment	<u>7,732,686</u>	<u>539,141</u>	<u>(8,931)</u>	<u>8,262,896</u>
Total at Cost	44,291,656	942,244	(8,931)	45,224,969
Less: Accumulated Depreciation:				
Land and Land Improvements	(1,963,001)	(13,614)	0	(1,976,615)
Building and Building Improvements	(15,737,662)	(647,436)	0	(16,385,098)
Furniture and Equipment	<u>(5,555,115)</u>	<u>(339,065)</u>	<u>6,436</u>	<u>(5,887,744)</u>
Total Accum. Depreciation	<u>(23,255,778)</u>	<u>(1,000,115)</u>	<u>6,436</u>	<u>(24,249,457)</u>
Governmental Activities Capital Assets, Net	\$ <u>21,035,878</u>	<u>(57,871)</u>	<u>(2,495)</u>	<u>20,975,512</u>

BUSINESS-TYPE ACTIVITIES

	Balance at <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>June 30, 2014</u>
Furniture and Equipment	\$ 485,026	0	(6,914)	478,112
Less: Accumulated Depreciation:	<u>(340,759)</u>	<u>(10,161)</u>	<u>6,914</u>	<u>(344,006)</u>
Business-Type Activities Capital Assets, Net	\$ <u>144,267</u>	<u>10,161</u>	<u>0</u>	<u>134,106</u>

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

Government Activities:	
Instruction	\$ 494,390
Instructional Student Support	53,420
Administrative and Financial Support Service	3,500
Operation and Maintenance of Plant Service	45,434
Pupil Transportation	4,445
Student Activities	9,225
Unallocated	<u>389,701</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 1,000,115</u>

NORTHERN TIOGA SCHOOL DISTRICT
ELKLAND, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

NOTE 7 – LONG-TERM DEBT

The following is a summary of changes in Long-Term Debt for the year ended June 30, 2014:

<u>Description</u>	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
General Obligation Bonds:				
Series of 2011	5,365,000	0	(95,000)	5,270,000
Series of 2013	<u>9,265,000</u>	<u>0</u>	<u>(2,065,000)</u>	<u>7,200,000</u>
Total	\$ <u>14,630,000</u>	<u>0</u>	<u>(2,160,000)</u>	<u>12,470,000</u>

A summary of changes in Other Long-Term Liabilities for the year ended June 30, 2014 is as follows:

<u>Description</u>	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
Compensated Absences	<u>208,955</u>	<u>5,597</u>	<u>0</u>	<u>214,552</u>
OPEB	<u>254,088</u>	<u>48,883</u>	<u>0</u>	<u>302,971</u>

Bond Series of 2013

On August 15, 2002, the School District issued General Obligation Bonds, Series 2002B in the amount of \$6,125,000. Proceeds of the Series 2002B Bonds were used to refund all of the School Districts outstanding General Obligation Bonds, Series 1998 and to pay for the cost of the issuance of the Bonds. During the fiscal year ended June 30, 2008, the School District refunded General Obligation Bonds, Series 2002 B with General Obligation Bonds Series A of 2008 in the amount of \$4,230,000.

On July 15, 2000, the School District issued General Obligation Note, Series of 2000 in the amount of \$9,700,000. During the fiscal year ended June 30, 2002, the School District refunded this Note with General Obligation Bond Series of 2002 in the amount of \$9,000,000, dated June 27, 2002. The proceeds of this Bond Series were used to complete construction and renovations at Elkland High School and Westfield Elementary. During the fiscal year ended June 30, 2005, the School District refunded this Bonds Series of 2002 with General Obligation Bond Series A of 2005 on the amount of \$8,740,000. During the fiscal year ended June 30, 2008, the School District refunded Series A of 2005 with General Obligation Bonds Series B of 2008 in the amount of \$9,240,000.

During the fiscal year ended June 30, 2013, the school district refunded Bond Series 2008A and 2008B with General Obligation Bond Series of 2013 in the amount of \$9,265,000.

A Schedule of General Obligation Bond Series of 2013 Bonds outstanding as of June 30, 2014 is as follows:

<u>Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>
September 1, 2014	\$		\$ 65,750
March 1, 2015	2,340,000	**	65,750
September 1, 2015			48,600
March 1, 2016	2,140,000	2.000%	48,600
September 1, 2016			27,200
March 1, 2017	2,175,000	2.000%	27,200
September 1, 2017			5,450
March 1, 2018	<u>545,000</u>	2.000%	<u>5,450</u>
Total	\$ <u>7,200,000</u>		\$ <u>294,000</u>

**\$1,000,000 at 0.750% &
\$1,340,000 at 2.000%

NORTHERN TIOA SCHOOL DISTRICT
ELKLAND, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

NOTE 7 – LONG-TERM DEBT (Continued)

Bond Series of 2011

During the fiscal year ended June 30, 2005, the School District issued General Obligation Bond Series AA of 2005 in the amount of \$5,000,000 dated April 15, 2005. Proceeds of these Series AA Bonds will be used to finance various capital projects of the School District and to pay for related costs, fees and expenses incurred for the issuance of the Bonds. During the fiscal year ended June 30, 2006, the School District refunded these bonds with General Obligation Bond Series AA of 2006 in the amount of \$5,510,000 dated February 15, 2006. During the fiscal year ended June 30, 2011, the School District refunded these bonds with General Obligation Bond Series of 2011 in the amount of \$5,485,000 dated March 15, 2011.

A Schedule of General Obligation Bond Series of 2011 Bonds outstanding as of June 30, 2014 is as follows:

<u>Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>
October 1, 2014	\$		\$ 81,733
April 1, 2015	95,000	2.50%	81,733
October 1, 2015			80,546
April 1, 2016	85,000	2.75%	80,546
October 1, 2016			79,377
April 1, 2017	85,000	2.65%	79,377
October 1, 2017			78,251
April 1, 2018	1,205,000	2.875%	78,251
October 1, 2018			60,929
April 1, 2019	1,615,000	3.10%	60,929
October 1, 2019			35,896
April 1, 2020	1,665,000	3.25%	35,896
October 1, 2020			8,840
April 1, 2021	<u>520,000</u>	3.40%	<u>8,840</u>
Total	\$ <u>5,270,000</u>		\$ <u>851,144</u>

A summary of debt service requirements to maturity on the outstanding bonds as of June 30, 2014 is as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 2,435,000	\$ 294,966	\$ 2,729,966
2016	2,225,000	258,292	2,483,292
2017	2,260,000	213,154	2,473,154
2018	1,750,000	167,402	1,917,402
2019	1,615,000	121,858	1,736,858
2020 – 2021	<u>2,185,000</u>	<u>89,472</u>	<u>2,274,472</u>
Totals	<u>\$12,470,000</u>	<u>\$1,145,144</u>	<u>\$13,615,144</u>

NORTHERN TIOGA SCHOOL DISTRICT
ELKLAND, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

NOTE 8 - COMPENSATED ABSENCES

Each professional employee with fifteen (15) years service in the Northern Tioga School District, upon retirement, shall be entitled to \$30.00 per day severance pay for each day of unused sick leave.

Classified employees who are retiring from a five (5) or more hours per day position are entitled to \$6.00 for each unused accumulated sick day, up to the number of days that were accumulated prior to July 1, 1992, and \$12.00 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 \$3.50 for each unused accumulated sick day, up to the number of days that were accumulated prior to July 1, 1992, and \$7.00 per day for each day of unused sick days in excess of the number of accumulated prior to July 1, 1992.

The value of such compensated absences has been reflected in the government-wide financial statements.

NOTE 9 - RETIREMENT PLAN

Plan Description. The District contributes to a governmental cost-sharing multiple-employer 401(a) defined benefit pension plan administered by Pennsylvania Public School Employees' Retirement System (PSERS). Benefit provisions of the plan are established under the provisions of the Pennsylvania Public School Employees' Retirement Code (the Code) and may be amended by an act of the Pennsylvania State Legislature. The plan provides retirement and disability, legislatively mandated ad hoc cost-of-living adjustments, and health care insurance premium assistance to qualifying annuitants. It also provides for refunds of a member's accumulated contribution upon termination of a member's employment in the public school sector. PSERS issues a *Comprehensive Annual Financial Report (CAFR)* that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Beth Girman, Office of Financial Management, PSERS, 5 N 5th Street, Harrisburg, PA 17101-1905 or by emailing Beth at bgirman@pa.gov. The CAFR is also available on the Publications page of the PSERS website, www.psers.state.pa.us.

Funding Policy. The contribution policy is set by the Code and requires contributions by active member, employers and the commonwealth. Active members who joined the System prior to July 22, 1983, contribute at 5.25 percent (Membership Class T-C) or at 6.50 percent (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 percent (Membership Class T-C) or at 7.50 percent (Membership Class T-D) of the member's qualifying compensation. Members who joined the system after June 30, 2001 and before July 1, 2011, contribute at 7.50 percent (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%.

The contributions required of employers are based on an actuarial valuation and is expressed as a percentage of annual covered payroll during the period for which the amount is determined. For fiscal year ended June 30, 2014, the rate of employer contribution was 16.93% of covered payroll. The 16.93% rate is composed of a pension contribution rate of 16.00% for pension benefits and .93% for health care insurance premium assistance.

NORTHERN TIOGA SCHOOL DISTRICT
ELKLAND, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

NOTE 9 - RETIREMENT PLAN (Continued)

Before July 1, 1995, school districts and the Commonwealth shared the employer contribution rate equally. Since July 1, 1995, school districts are required to pay the entire employer contribution rate and are reimbursed by the Commonwealth's share as determined by the income aid ratio (as defined in Act 29 of 1994), which is at least one-half of the total employer rate. Northern Tioga School District's contributions to PSERS for the years ending June 30, 2014, 2013, and 2012 were \$848,457, \$629,185, and \$399,551, respectively. Those amounts are equal to the required contribution for each year.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS

Plan Description. In addition to providing pension benefits, the District provides other postemployment benefits to retired teachers and certain others who retire under qualifications of the Pennsylvania School Employees' Retirement System. The School District funds all School District contributions on a pay-as-you-go basis. Such benefits are primarily funded through annual appropriations from the School District's General Fund. Other postemployment benefits provided by the Northern Tioga School District include a single-employer defined benefit healthcare plan. The plan provides healthcare insurance for eligible retirees and their spouses through the School District's group health insurance plan, which covers both active and retired members. Employer contribution rates for retirees vary based on the type of retirement, years of service, and type of coverage.

Funding Policy. The School District's contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2014, the School District contributed an estimated \$168,905 to the plan.

Under the terms of the Education Association Contract, health care premiums shall be paid for a retired employee covered by the Contract who is at least 55 years of age at retirement with at least fifteen years of service in the Northern Tioga School District, and thirty years in the Pennsylvania Public School Employees' Retirement System (PSERS). Upon retirement, the employee must participate fully in the PSERS health care premium assistance program. The employee must retire by the end of the second year after they first meet all the requirements. The benefit continues until the employee reaches age 65, or the employee is eligible for Medicare or other state or federal sponsored or initiated medical insurance plan, or the employee dies.

The cost of retiree health care benefits is coordinated between the retired employee, PSERS, and the School District. The retiree will first pay in amount equal to the maximum amount of reimbursement allowed by PSERS. The School District will then add an amount to their contributions to make a combined employee/PSERS and School District medical insurance payment up to \$229.00 per month. That portion of any monthly medical insurance premium that exceeds \$229.00 per month shall be solely paid by the retired employee.

Annual OPEB Cost. The School District's annual OPEB cost (expense) for the plan is calculated based on the annual required contribution of *the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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

NORTHERN TIOGA SCHOOL DISTRICT
ELKLAND, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

The following table shows the components of the School Districts annual OPEB cost for the year, the estimated amount contributed to the Plans, and changes in the School District's net OPEB obligations, as well as the assumptions used to calculate the net OPEB obligation:

Annual required contribution (ARC)	\$ 221,952
Estimated interest on net OPEB obligation	11,434
Estimated adjustment to annual required contribution	<u>(15,598)</u>
Annual OPEB cost	217,788
Contributions made (Estimated)	<u>(168,905)</u>
Estimated increase (decrease) in net OPEB obligation	48,883
Estimated net OPEB obligation (asset) beginning of year	<u>254,088</u>
Estimated net OPEB obligation (asset) end of year	<u><u>\$ 302,971</u></u>
Actuarial valuation date	10/1/2011
Actuarial cost method	Entry Age, Normal
Amortization method	Level dollar
Asset valuation method	N/A – the plans are unfunded
Remaining amortization period	30 years
Actuarial assumptions:	
Investment rate of return	4.50%
Projected salary increases	3.00% Cost of Living Adjustment 1.00% real wage growth 3.0% to 0.25% merit increase (varies by age) for teachers and administrators
Health care inflation rate	8% in 2011, decreasing .5% per year to 5.5% in 2016. Rates gradually decrease from 5.3% in 2017 to 4.2% in 2089 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

For the Actuarial Valuation report dated 10/1/11, the actuarial value of assets is zero, the actuarial accrued liability is \$2.097 million for a funded ratio of zero.

NORTHERN TIOGA SCHOOL DISTRICT
ELKLAND, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Three-Year Trend Information

<u>Year Ending</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
June 30, 2014	\$ 217,787	77.56%	\$ 302,971
June 30, 2013	218,704	74.41%	\$ 254,088
June 30, 2012	213,519	71.75%	\$ 198,119

NOTE 11 - OPERATING LEASES

The School District leases its copiers under a cost-per-copy lease agreement, with a guaranteed minimum amount payable monthly. The lease is dated May 1, 2014 and has a term of five years. Current year rental costs are \$105,229. Future annual lease payments are estimated for the next five years at approximately \$105,000 per year.

NOTE 12 - RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has purchased various insurance policies to safeguard its assets from risk of loss. Insurance coverage appears to be consistent with previous years. During the year ended June 30, 2014 and the two previous fiscal years, no settlements exceeded insurance coverage.

NOTE 13 - CONTINGENT LIABILITIES

Grant Programs

The School District participates in state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The School District is potentially liable for any expenditure which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance that may result in the disallowance of program expenditures.

Tax Revenue

The School District is subject to real estate tax assessment appeals on an ongoing basis. If tax appeals are successful, the result is a loss of tax revenue to the School District. It is anticipated that any material loss of tax revenue on individual tax appeals will be offset with additional revenues from other properties or other sources of revenue and would not create a financial hardship to the School District.

Litigation

The School District is party to certain pending and/or threatened legal proceedings, which occur in the normal course of governmental operations. It is not possible to estimate the outcome or liability, if any, to the School District at November 20, 2014, which is the date these financial statements were available to be issued. Management believes that ultimate liability resulting from pending legal actions will not have a material adverse effect on the financial condition of the School District. Accordingly, as the effect of these legal proceedings on the financial statements is not known, no provision for losses has been recorded.

NORTHERN TIOGA SCHOOL DISTRICT
ELKLAND, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

NOTE 14 – CHANGES IN GOVERNMENTAL ACCOUNTING STANDARDS

In March 2012, the GASB issued Statement No. 65, “*Items Previously Reported as Assets and Liabilities.*” This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. The School District adopted Statement No. 65 for its fiscal year ended June 30, 2014 financial statements as required.

In March 2012, the GASB issued Statement No. 66, “*Technical Corrections – 2012, an amendment of GASB Statements No. 10 and No. 62.*” The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The School District adopted Statement No. 66 for its fiscal year ended June 30, 2014 financial statements as required.

In June 2012, the GASB issued Statement No. 67, “*Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25.*” The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The School District adopted Statement No. 67 for its fiscal year ended June 30, 2014 financial statements as required.

NOTE 15 – FUTURE CHANGES IN GOVERNMENTAL ACCOUNTING STANDARDS

In June 2012, the GASB issued Statement No. 68, “*Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27.*” The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement. To the extent applicable, the School District is required to adopt Statement No. 68 for its fiscal year ended June 30, 2015 financial statements.

In January 2013, the GASB issued Statement No. 69, “*Government Combinations and Disposals of Government Operations.*” This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. To the extent applicable, the District is required to adopt Statement No. 69 for its June 30, 2015 financial statements.

In April 2013, the GASB issued Statement No. 70, “*Accounting and Financial Reporting for Non-exchange Financial Guarantees.*” The objective of the Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. To the extent applicable, the District is required to adopt Statement No. 70 for its June 30, 2015 financial statements.

NORTHERN TIOGA SCHOOL DISTRICT
ELKLAND, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2014

NOTE 15 – FUTURE CHANGES IN GOVERNMENTAL ACCOUNTING STANDARDS (Continued)

In November 2013, the GASB issued Statement 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date an amendment of GASB Statement No. 68.” The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability. The provisions of the Statement are required to be applied simultaneously with the provisions of Statement No. 68 and are effective for the District’s fiscal year ended June 30, 2015.

District management is in the process of analyzing these pending changes in accounting standards and the impact they will have on the financial reporting process.

NOTE 16 – RESTATEMENT OF NET POSITION

At June 30, 2013 the net position of the Business-Type Activities was restated due to the recording of prior year unearned revenue. This restatement has the following effect on net position as it was previously reported:

	<u>Business-Type Activities</u>
Net Position – June 30, 2013	\$ 338,563
Adjustment for Prior Year Unearned Revenue	<u>(7,591)</u>
Restated Net Position – June 30, 2013	\$ <u>330,972</u>

NOTE 17 – SUBSEQUENT EVENTS

The District has evaluated all events subsequent to the financial statement date of June 30, 2014 through November 20, 2014 which is the date these financial statements were available to be issued, and has determined that there are no subsequent events that require recognition of disclosure.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

NORTHERN TIOGA SCHOOL DISTRICT
ELKLAND, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
For The Year Ended June 30, 2014

REVENUES	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
Local Revenues	\$ 10,375,397	\$ 10,375,397	\$ 10,323,250	\$ (52,147)
State Program Revenues	18,935,320	18,935,320	18,687,851	(247,469)
Federal Program Revenues	1,018,597	1,018,597	962,702	(55,895)
TOTAL REVENUES	30,329,314	30,329,314	29,973,803	(303,364)
EXPENDITURES				
Regular Programs	12,627,569	12,600,069	12,160,010	440,059
Special Programs	4,107,672	4,135,171	3,975,472	159,699
Vocational Programs	1,238,583	1,281,909	1,263,853	18,056
Other Instructional Programs	150,602	208,538	155,838	52,700
PreKindergarten	357,838	357,838	283,287	74,551
Pupil Personnel Services	961,838	964,438	923,873	40,565
Instructional Staff Services	1,258,274	1,288,275	1,160,479	127,796
Administrative Services	1,643,757	1,652,757	1,602,314	50,443
Pupil Health	302,466	302,467	283,966	18,501
Business Services	352,257	352,256	339,278	12,978
Operation and Maintenance of Plant Services	2,533,790	2,527,741	2,209,811	317,930
Student Transportation Services	2,106,800	2,106,800	1,965,325	141,475
Central Support Services	158,842	159,342	85,114	74,228
Other Support Services	2,500	2,500	0	2,500
Student Activities	556,360	591,557	563,610	27,947
Community Services	36,257	36,257	16,763	19,494
Facilities Acq, construction and Imp Services	310,000	319,800	317,997	1,803
TOTAL EXPENDITURES	28,705,405	28,887,715	27,306,990	1,580,725
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,623,909	1,441,599	2,666,813	1,277,361
OTHER FINANCING SOURCES (USES)				
Debt Service	(2,551,075)	(2,551,075)	(2,425,929)	125,146
Refund of Prior Year Receipts	(3,000)	(3,000)	(602)	2,398
Interfund Transfers	(325,500)	(630,803)	(600,000)	30,803
Budgetary Reserve	(827,852)	(340,239)	0	340,239
TOTAL OTHER FINANCING SOURCES	(3,707,427)	(3,525,117)	(3,026,531)	498,586
Net Change in Fund Balances	\$ (2,083,518)	\$ (2,083,518)	(359,718)	\$ 1,775,947
FUND BALANCE - JULY 1, 2013			8,522,939	
FUND BALANCE - JUNE 30, 2014			\$ 8,163,221	

The Accompanying Notes Are An Integral
Part Of These Financial Statements.

NORTHERN TIOGA SCHOOL DISTRICT
ELKLAND, PENNSYLVANIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFITS
OTHER THAN PENSIONS
 For The Year Ended June 30, 2014

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a) / c]
10/1/2011	\$0	\$2,097,504	\$2,097,504	0.0%	\$13,304,474	15.77%
10/1/2009	\$0	\$1,983,035	\$1,983,035	0.0%	\$13,991,191	14.17%
10/1/2007	\$0	\$2,298,465	\$2,298,465	0.0%	\$12,664,050	18.15%

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**SINGLE AUDIT
SECTION**

NORTHERN TIoga SCHOOL DISTRICT
ELKLAND, PENNSYLVANIA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For The Year Ended June 30, 2014

Federal Program Title	Source Code	Federal CFDA Number	PASS Through Grantors Number	Grant Period	Program or Award Amount	Total Received	Accrued <Unearned> Revenue 7/1/2013	Receipts Recognized	Expenditures	Accrued <Unearned> Revenue at 6/30/2014
U.S. DEPARTMENT OF EDUCATION										
PASSED THROUGH PA DEPT. OF EDUCATION										
TITLE I, PART A CLUSTER										
Title I Improving Basic Programs	I	84.010	013-130301	12-13	\$ 649,855	\$ 254,907	\$ 92,620	\$ 162,287	\$ 162,287	\$ 0
Title I Improving Basic Programs	I	84.010	013-140301	13-14	\$ 584,869	\$ 285,726	\$ 0	\$ 457,517	\$ 457,517	\$ 171,791
Total Title I, Part A Cluster					\$ 1,234,724	\$ 540,633	\$ 92,620	\$ 619,804	\$ 619,804	\$ 171,791
Title II Improving Teacher Quality	I	84.367	020-130301	12-13	\$ 174,130	\$ 57,882	\$ 39,235	\$ 18,647	\$ 18,647	\$ 0
Title II Improving Teacher Quality	I	84.367	020-140301	13-14	\$ 167,909	\$ 123,225	\$ 0	\$ 156,349	\$ 156,349	\$ 33,124
Rural and Low Income Schools	I	84.358	007-130301	12-13	\$ 43,743	\$ 3,977	\$ (12,140)	\$ 16,117	\$ 16,117	\$ 0
Rural and Low Income Schools	I	84.358	007-140301	13-14	\$ 40,381	\$ 23,556	\$ 0	\$ 40,381	\$ 40,381	\$ 16,825
Secondary Allocations	I	84.048	380-144094	13-14	\$ 31,690	\$ 31,690	\$ 0	\$ 27,077	\$ 27,077	\$ (4,613)
Total PA Dept. of Education					\$ 2,084,176	\$ 780,963	\$ 119,715	\$ 878,375	\$ 878,375	\$ 217,127
PASSED THROUGH BLAST IU #17										
SPECIAL EDUCATION CLUSTER										
Special Education - IDEA 611	I	84.027	131-130017	13-14	\$ 356,173	\$ 0	\$ 0	\$ 356,173	\$ 356,173	\$ 0
Special Education - IDEA 611	I	84.027	131-120017	12-13	\$ 371,923	\$ 371,321	\$ 371,321	\$ 0	\$ 0	\$ 0
Special Education - Preschool - IDEA 619	I	84.173	131-130017	13-14	\$ 1,144	\$ 1,144	\$ 0	\$ 1,144	\$ 1,144	\$ 0
Total Special Education Cluster - Blast IU #17					\$ 729,240	\$ 742,465	\$ 742,465	\$ 357,317	\$ 357,317	\$ 356,173
Total U.S. Department of Education					\$ 2,813,416	\$ 1,523,428	\$ 1,235,692	\$ 1,235,692	\$ 1,235,692	\$ 573,300
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES										
PASSED THROUGH PA DEPARTMENT OF PUBLIC WELFARE										
Medical Assistance	I	93.778		12-13	\$ 1,632	\$ 1,632	\$ 1,632	\$ 0	\$ 0	\$ 0
Medical Assistance	I	93.778		13-14	\$ 10,733	\$ 10,733	\$ 0	\$ 10,733	\$ 10,733	\$ 0
Total U.S. Dept. of Health and Human Services					\$ 12,365	\$ 12,365	\$ 1,632	\$ 10,733	\$ 10,733	\$ 0
U.S. DEPARTMENT OF AGRICULTURE										
CHILD NUTRITION CLUSTER										
PASSED THROUGH PA DEPT. OF EDUCATION	I	10.553	367-000000	13-14	N/A	\$ 174,443	\$ 3,278	\$ 199,320	\$ 199,320	\$ 28,155
School Breakfast Program	I	10.555	362-000000	13-14	N/A	\$ 437,801	\$ 8,779	\$ 494,538	\$ 494,538	\$ 65,516
National School Lunch Program	I	10.559	264-000000	13-14	N/A	\$ 10,216	\$ 0	\$ 13,446	\$ 13,446	\$ 3,230
Summer Food Service Program for Children	I	10.555	N/A	13-14	N/A	\$ 86,681	\$ 0	\$ 86,681	\$ 86,681	\$ 0
NSLP - Donated Commodities	I	10.559	N/A	13-14	N/A	\$ 1,282	\$ 0	\$ 1,282	\$ 1,282	\$ 0
SFSP - Donated Commodities	I	10.559	N/A	13-14	N/A	\$ 710,423	\$ 12,057	\$ 795,267	\$ 795,267	\$ 96,901
Total Child Nutrition Cluster					N/A	\$ 1,271	\$ 1,271	\$ 0	\$ 0	\$ 0
Food Nutrition - Fresh Fruit & Vegetable	I	10.582	562-000000	13-14	N/A	\$ 711,694	\$ 13,328	\$ 795,267	\$ 795,267	\$ 96,901
Total U.S. Dept. of Agriculture					N/A	\$ 1,877,487	\$ 505,996	\$ 2,041,692	\$ 2,041,692	\$ 670,201
TOTAL FEDERAL ASSISTANCE						\$ 45,219	\$ 924	\$ 51,055	\$ 51,055	\$ 6,760
STATE SOURCES						\$ 45,219	\$ 924	\$ 51,055	\$ 51,055	\$ 6,760
Food Nutrition	I	N/A	510/511	13-14	N/A	\$ 45,219	\$ 924	\$ 51,055	\$ 51,055	\$ 6,760
Total						\$ 2,861,050	\$ 1,742,618	\$ 1,297,475	\$ 1,297,475	\$ 580,261

Major Program Determination
Total Federal Expenditures \$ 2,041,692

Programs Selected for Testing:
Title I, Part A Cluster 619,804
Special Education Cluster 357,317
\$ 977,121 / 2,041,692 = 47.86%

NORTHERN TIOGA SCHOOL DISTRICT
ELKLAND, PENNSYLVANIA
NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AND STATE AWARDS
For The Year Ended June 30, 2014

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards includes the federal grant activity of the Northern Tioga School District and is presented on the accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – UNEARNED REVENUES

Unearned Revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Federal funds received before the eligibility requirements are met are recorded as unearned revenue.

NOTE C – MEDICAL ASSISTANCE – ACCESS REIMBURSEMENTS

Access reimbursements received under CFDA No. 93.778, Revenue Code 8810 are classified as fee-for-service revenues and are not recognized as federal awards for the purposes of the Schedule of Expenditures of Federal and State Awards.

NOTE D – PROGRAM DISCLOSURES

Title I, Part A Cluster

- Title I grants under CFDA No. 84.010 are reported as the cluster program “Title I, Part A Cluster” in accordance with OMB Circular A-133 Compliance Supplement.

Special Education Cluster

- The Special Education – Grants to States Program (IDEA, Part B / CFDA No. 84.027) and Special Education – Preschool Grants Program (IDEA 619, Preschool / CFDA No. 84.173) are reported as the cluster program “Special Education Cluster” in accordance with OMB Circular A-133 Compliance Supplement

Child Nutrition Cluster

- The School Breakfast Program (CFDA No. 10.553), National School Lunch Programs (CFDA No.’s 10.555), and Summer Food Service Program for Children (CFDA No.’s 10.559) are reported as the cluster program “Child Nutrition Cluster” in accordance with OMB Circular A-133 Compliance Supplement.
- Non-monetary assistance received from the U.S. Department of Agriculture is in the form of commodities. These commodities are reported in the schedule at the fair market value of the commodities received and disbursed under CFDA numbers 10.555 (NSLP) and 10.559 (SFSP). Donated commodities are recognized as revenue when received and not deferred.
- State matching funds for the School Breakfast Program and National School Lunch Program are included on the Schedule of Expenditure of Federal and State Awards at the request of the Pennsylvania Department of Education.

NOTE E – CHANGE IN BEGINNING ACCRUED REVENUE

At June 30, 2013, the IDEA Part B 2012-2013 Program reflected accrued revenue of \$371,923. The District was informed during the 2013-2014 year that they would not be receiving this full accrual amount, and \$602 was deducted from the total expected. The beginning balance at July 1, 2013 has been reported as \$371,321 to reflect this prior year change.

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

To The Members of the Board of Directors
of the 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, Elkland, Pennsylvania as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Northern Tioga School District's basic financial statements, and have issued our report thereon dated November 20, 2014.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 Northern Tioga School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Forgett & Kerstetter, P.C.

FORGETT & KERSTETTER, P.C.

Selinsgrove, Pennsylvania

November 20, 2014

FORGETT & KERSTETTER, P.C.
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133

To The Members of the Board of Directors
of the Northern Tioga School District
Elkland, Pennsylvania:

Report on Compliance for Each Major Federal Program

We have audited Northern Tioga School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Northern Tioga School District's major federal programs for the year ended June 30, 2014. Northern Tioga School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Northern Tioga School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Forgett & Kerstetter, P.C.
FORGETT & KERSTETTER, P.C.
Selinsgrove, Pennsylvania
November 20, 2014

NORTHERN TIOGA SCHOOL DISTRICT
ELKLAND, PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2014

I. SUMMARY OF AUDITOR'S RESULTS:

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weaknesses identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? 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 Section 510(a) of OMB Circular A-133? No

Major program identification:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I, Part A Cluster
84.027, 84.173	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes

II. FINANCIAL STATEMENT FINDINGS:

None Reported

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:

None Reported

NORTHERN TIOGA SCHOOL DISTRICT
ELKLAND, PENNSYLVANIA
LIST OF REPORT DISTRIBUTION
For The Year Ended June 30, 2014

<u>REPORT</u>	<u>TO WHOM DISTRIBUTED</u>	<u># OF COPIES</u>
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Audit Report	BLaST Intermediate Unit #17 PO Box 3609 Williamsport, PA 17701	1
Audit Report	Northern Tioga School District 110 Ellison Road Elkland, PA 16920	20
Audit Report	Bureau of Audits Electronic Submission RA-BOASingleAudit@state.pa.us	1
Audit Report	Federal Audit Clearinghouse Bureau of Census Electronic Submission	1