

***NORTHERN TIOGA SCHOOL DISTRICT***

***ELKLAND, PENNSYLVANIA***

***FINANCIAL STATEMENTS AND SINGLE AUDIT REPORT***

***For the year ended June 30, 2016***

NORTHERN TIOGA SCHOOL DISTRICT  
ELKLAND, PENNSYLVANIA  
For The Year Ended June 30, 2016

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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, 2016, 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 from material misstatement.

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Northern Tioga School District as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages IV through XVI, and the budgetary comparison information, schedule of funding progress for postemployment benefits other than pensions, schedule of the district's proportionate share of the net pension liability, and schedule of district contributions on pages 36 through 39 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 awards and certain state grants is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards and certain state grants 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 awards and certain state grants 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 22, 2016 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 22, 2016

**REQUIRED SUPPLEMENTARY INFORMATION**

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

**Northern Tioga School District**  
**Management's Discussion and Analysis (MD&A)**  
**Unaudited**  
**June 30, 2016**

**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, 2016. 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. Note: There may be slight differences due to rounding.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the fiscal year 2016 are as follows:

- Total revenues for the General Fund were \$31,549,632. This amount includes \$8,268,392 of property taxes, \$19,237,550 of state revenues and federal revenues of \$947,310. Property taxes represent 26.2% of all revenue and state funding represents 61.0% of all revenue. The remaining 12.8% of the revenue is from federal and other local sources.
- Capital assets in the Governmental Funds have been reported at \$46,623,770 and accumulated depreciation of \$26,254,825 for a net capital asset value of \$20,368,945. 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 decreased from \$8,182,212 to \$7,193,049. 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 \$2,392,340. 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 \$14,392,410. Of this total amount, \$7,199,361 is saved for future capital expenditures and future debt service payments.
- The district issued General Obligation Bonds, Series of 2016 in the amount of \$5,290,000 to be used to currently refund outstanding General Obligation Bonds, Series 2011 and to pay the costs and expenses of issuance of the bonds. This refunding will net the district a savings of approximately \$128,000 over the life of the bonds, which will be fully satisfied on April 1, 2021.
- The district has two outstanding bond series 2013 and 2016. At the end of the fiscal year, the outstanding bond principal was \$7,925,000 with the final payment due in 2020-21.
- Financial activity resulted in a net position decrease of \$412 for the Food Service Fund. The food service department, along with volunteers from local churches and other organizations, continues to provide a very successful summer feeding program providing free lunches for all students under the age of 18 at strategic locations throughout our district communities. The food service net position is now \$283,960 of which \$131,126 is invested in capital assets.



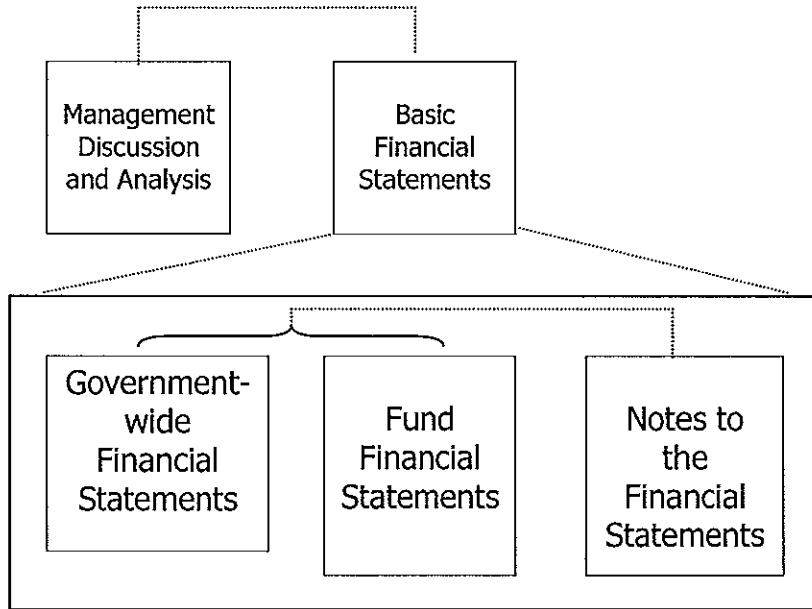
**NORTHERN TIOGA SCHOOL DISTRICT  
ELKLAND, PENNSYLVANIA**

**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

## NORTHERN TIOGA SCHOOL DISTRICT ELKLAND, PENNSYLVANIA

### 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 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

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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 a negative \$18,584,563 at June 30, 2015. Per Statement 68 of the Government Accounting Standards Board (GASB 68) beginning with FY 2014-15, the district’s financial statements must now include the district’s prorated share of the state pension liability. This amount of deferred pension liability adds over \$44 million in additional liabilities to the district’s financial statements.

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

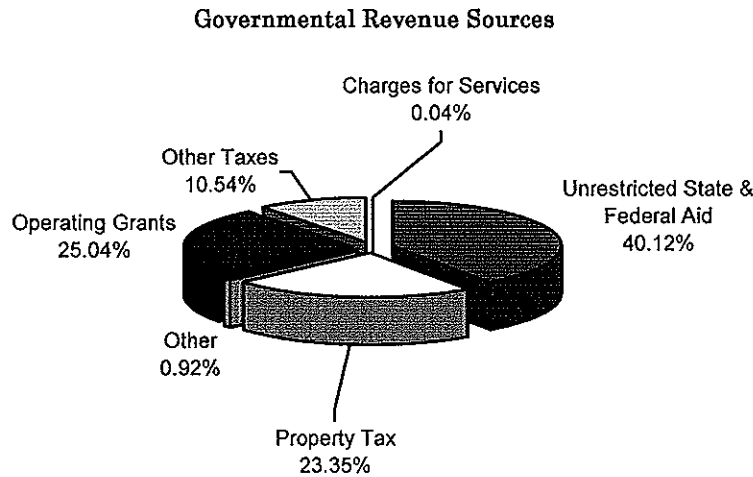
	<u>2016</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current and other assets	\$ 19,300,405.00	\$ 291,188.00	\$ 19,591,593.00
Capital assets	<u>\$ 20,368,947.00</u>	<u>\$ 131,127.00</u>	<u>\$ 20,500,074.00</u>
Total assets	<u>\$ 39,669,352.00</u>	<u>\$ 422,315.00</u>	<u>\$ 40,091,667.00</u>
Deferred Outflows			
Deferred Amounts Related to Pension	<u>\$ 4,276,068.00</u>	<u>\$ -</u>	<u>\$ 4,276,068.00</u>
Total Deferred Outflows	<u>\$ 4,276,068.00</u>	<u>\$ -</u>	<u>\$ 4,276,068.00</u>
Total Assets & Deferred Outflows	<u>\$ 43,945,420.00</u>	<u>\$ 422,315.00</u>	<u>\$ 44,367,735.00</u>
Current and other liabilities	\$ 6,417,696.00	\$ 138,355.00	\$ 6,556,051.00
Long-term liabilities	<u>\$ 53,335,736.00</u>	<u>\$ -</u>	<u>\$ 53,335,736.00</u>
Total Liabilities	<u>\$ 59,753,432.00</u>	<u>\$ 138,355.00</u>	<u>\$ 59,891,787.00</u>
Deferred Outflows			
Deferred Amounts Related to Pension	<u>\$ 1,741,000.00</u>	<u>\$ -</u>	<u>\$ 1,741,000.00</u>
Total Deferred Outflows	<u>\$ 1,741,000.00</u>	<u>\$ -</u>	<u>\$ 1,741,000.00</u>
Net Position			
Net Investment in Capital Assets	\$ 12,443,947.00	\$ 131,127.00	\$ 12,575,074.00
Restricted	\$ -	\$ -	\$ -
Unrestricted	<u>\$ (29,992,959.00)</u>	<u>\$ 152,833.00</u>	<u>\$ (29,840,126.00)</u>
Total Net Position	<u>\$ (17,549,012.00)</u>	<u>\$ 283,960.00</u>	<u>\$ (17,265,052.00)</u>
Total Liabilities, Deferred Inflows & Net Position	<u>\$ 43,945,420.00</u>	<u>\$ 422,315.00</u>	<u>\$ 44,367,735.00</u>

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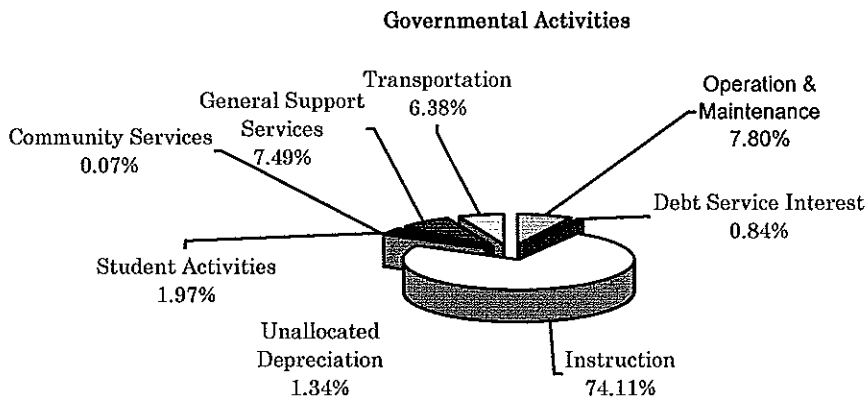
The net investment in capital assets (buildings, site improvements, and equipment) makes up most of the district's net position. The remaining unrestricted amounts are combined of designated and undesignated amounts. The designated balances are amounts set-aside to fund future purchases or capital projects 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 2016 for Governmental Activities.



Graph A-2 shows the expenditures for the fiscal year 2016 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>2016</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
<b>Revenues</b>			
<u>Program Revenues</u>			
Charges for services	11,349	403,115	414,464
Operating grants and contributions	7,899,283	1,034,355	8,933,638
Capital grants and contributions	0		-
<u>General Revenues</u>			
Property taxes	7,363,968		7,363,968
Other taxes	3,324,178		3,324,178
Unrestricted grants, subsidies & contributions	12,653,740		12,653,740
Other	290,667	560	291,227
<b>Total revenues</b>	<u>\$ 31,543,185</u>	<u>\$ 1,438,030</u>	<u>\$ 32,981,215</u>
<b>Expenses</b>			
Instruction	19,718,947		19,718,947
Instructional student support	2,678,309		2,678,309
Administrative and financial support	2,262,435		2,262,435
Operation and maintenance of plant	2,356,605		2,356,605
Pupil transportation	1,928,532		1,928,532
Student activities	596,113		596,113
Community services	22,174		22,174
Interest on long-term debt	255,051		255,051
Unallocated depreciation expense	405,088		405,088
Refund of prior year receipts	6		6
Food Services	-	1,438,442	1,438,442
<b>Total expenses</b>	<u>\$ 30,223,260</u>	<u>\$ 1,438,442</u>	<u>\$ 31,661,702</u>
<b>Increase (decrease) in net position</b>	<u>\$ 1,319,925</u>	<u>\$ (412)</u>	<u>\$ 1,319,513</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	2016		2015	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	19,718,947	14,284,041	19,482,554	14,378,172
Instructional student support	2,678,309	2,081,267	2,316,607	1,992,871
Administrative	2,262,435	2,007,239	2,185,092	1,937,693
Operation and maintenance	2,356,605	2,206,170	2,255,044	1,374,270
Pupil transportation	1,928,532	502,229	1,850,272	359,244
Student activities	596,113	557,170	569,864	537,933
Community services	22,174	14,367	22,140	11,889
Interest on long-term debt	255,051	255,051	293,300	205,097
Refund of prior year receipt	6	6	0	0
Unallocated depreciation expense	405,088	405,088	399,662	399,662
<b>Total governmental activities</b>		<b>\$ 22,312,628</b>		<b>\$ 21,196,831</b>
Less:				
Unrestricted grants, subsidies		12,653,740		12,460,065
<b>Total needs from local taxes and other revenues</b>		<b>\$ 9,658,888</b>		<b>\$ 8,736,766</b>

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	2016		2015	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Food Services	1,438,442	972	1,367,237	53,823
Less:				
Investment earnings		338		111
Transfers from other government		222		14,799
Gain (Loss) on Sale of Equipment		-		-
<b>Total business-type activities</b>		<b>\$ (412)</b>		<b>\$ (38,913)</b>

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, 2016 the District governmental funds reported a combined fund balance of \$14,392,410 which is a decrease of \$619,320.

**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, 2015 the District, including Food Service, had \$20,342,795 invested in a broad range of capital assets, including buildings, site improvements and furniture and equipment. At the end of June 2016, the capital assets, net of depreciation totaled \$20,500,072. This amount represents a net increase (including additions, deletions and depreciation) of \$157,277 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

	2016	2015	2014	2013	2012
Site Improvements (Net of Accumulated Depreciation)	18,212	27,608	40,387	54,001	35,375
Building and Building Improvements (Net of Accumulated Depreciation)	18,182,187	17,946,490	18,559,973	18,804,307	19,384,273
Furniture & Equipment (Net of Accumulated Depreciation)	2,299,674	2,368,697	2,509,260	2,321,837	2,183,610
<b>TOTAL</b>	<b><u>\$20,500,073</u></b>	<b><u>\$20,342,795</u></b>	<b><u>\$21,109,620</u></b>	<b><u>\$21,180,145</u></b>	<b><u>\$21,603,258</u></b>

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**DEBT SUMMARY AND RELATED INFORMATION**

As of July 1, 2014 the District had total outstanding bond principal of \$12,470,000. This District has a total ending outstanding debt as of June 30, 2015 of \$10,035,000.

Table A-6  
Outstanding Debt

	2016	2015	2014	2013	2012
<b>General Obligation</b>					
<b>Bonds:</b>					
- Series of 2003		0	0	0	110,000
- Series of 2006A		0	0	0	980,000
- Series of 2008A		0	0	0	1,730,000
- Series of 2008B		0	0	0	8,580,000
- Series of 2011		5,175,000	5,270,000	5,365,000	5,455,000
- Series of 2013	2,720,000	4,860,000	7,200,000	9,265,000	0
- Series of 2016	5,205,000	0	0	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.

	2013-2014	2014-2015	2015-2016
Total General Fund Revenues	29,973,804	31,238,061	31,549,632
Less: Required Deductions			
--- Federal Revenue & Rental & Sinking Fund Reimbursement	2,035,306	2,005,306	947,310
Net Revenue	27,938,498	29,232,755	30,602,322
<b>Total Net Revenue For Three Years</b>			<b>87,773,575</b>
Borrowing Base - Average Net Revenue for Three Year Period			29,257,858
Multiplier			225%
Total Nonelectoral Debt Limit			65,830,181
Less: Amount of Debt Issued & Outstanding (as of 6/30/2016)			7,925,000
Total Debt Margin (Remaining Borrowing Capacity)			57,905,181
Total Debt Margin Percentage (Remaining Borrowing Capacity)			87.96%

**NORTHERN TIOGA SCHOOL DISTRICT  
ELKLAND, PENNSYLVANIA**

**OTHER STATISTICAL DATA**

**2015-16 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%
2014-15	7,922,802 *	7,287,034	92.0%	791,603	8,078,637	102.0%
2015-16	8,217,470 *	7,304,727	88.9%	952,366	8,257,093	100.5%

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

\*District received taxpayer relief funds from the state.

**EMPLOYEE DATA**

There are approximately 314 employees of the school district, including 9 administrators, 2 psychologists, 3 social workers, 185 teachers, and 115 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 2016	292	486	383	1,161	384	534	918	2,079
October 2016	318	491	374	1,183	398	547	945	2,128

**NORTHERN TIOGA SCHOOL DISTRICT  
ELKLAND, PENNSYLVANIA**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The budget for the 2016-17 is \$1,187,810 more than the original budget for 2015-16. This represents a 3.45% increase. Property taxes increased to 17.0794 mills, reflecting a 3.0% increase over the prior year. State revenues are expected to increase 5.8% over the actual amount received in 2015-16. Federal revenues for 2016-17 are projected to increase 5.8% over the actual amount received in 2015-16.

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

Table A-7

**BUDGETED REVENUES**

	2016-2017	2015-2016	2014-2015	2013-2014	2012-2013
Local	32.0%	31.6%	31.7%	34.2%	34.2%
State	57.2%	59.1%	59.5%	62.4%	61.4%
Federal/Other	10.8%	9.3%	8.8%	3.4%	4.4%

**BUDGETED EXPENDITURES**

	2016-2017	2015-2016	2014-2015	2013-2014	2012-2013
Instruction	58.7%	58.7%	59.2%	57.0%	56.4%
Support Services	27.1%	28.0%	28.1%	28.8%	29.2%
Student Activities/ Community	1.9%	1.9%	1.9%	1.8%	2.0%
Facility Improvement	2.0%	0.8%	0.1%	1.0%	0.4%
Fund Transfers/Debt	10.3%	10.6%	10.7%	11.4%	12.0%

**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, 2016

ASSETS	GOVERNMENTAL	BUSINESS-TYPE	
Current Assets	ACTIVITIES	ACTIVITIES	TOTAL
Cash and Cash Equivalents	\$ 9,715,422	\$ 164,353	\$ 9,879,775
Investments	6,689,841	0	6,689,841
Taxes Receivable, Net	1,056,586	0	1,056,586
Due From Other Governments	1,722,367	92,886	1,815,253
Other Receivables	116,189	0	116,189
Inventories	0	33,949	33,949
<b>Total Current Assets</b>	<b>19,300,405</b>	<b>291,188</b>	<b>19,591,593</b>
<b>Noncurrent Assets</b>			
<b>Capital Assets, Net of Accumulated Depreciation</b>			
Land and Land Improvements	18,212	0	18,212
Building and Building Improvements	18,182,187	0	18,182,187
Furniture and Equipment	2,168,547	131,127	2,299,674
<b>Total Noncurrent Assets</b>	<b>20,368,946</b>	<b>131,127</b>	<b>20,500,073</b>
<b>TOTAL ASSETS</b>	<b>39,669,351</b>	<b>422,315</b>	<b>40,091,666</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred Amounts Related to Pensions	4,276,068	0	4,276,068
<b>TOTAL DEFERRED OUTFLOW OF RESOURCES</b>	<b>4,276,068</b>	<b>0</b>	<b>4,276,068</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Internal Balances	(117,602)	117,602	0
Accounts Payable	151,047	0	151,047
Accrued Salaries and Benefits	2,402,296	7,903	2,410,199
Payroll Deductions and Withholdings	1,281,651	0	1,281,651
Unearned Revenue	188,830	12,850	201,680
Current Portion of Long-Term Obligations	212,316	0	212,316
Current Portion of Long-Term Debt	2,255,000	0	2,255,000
Other Current Liabilities	44,158	0	44,158
<b>Total Current Liabilities</b>	<b>6,417,696</b>	<b>138,355</b>	<b>6,556,051</b>
<b>Noncurrent Liabilities</b>			
Bonds Payable	5,670,000	0	5,670,000
Net Pension Liability	47,127,000	0	47,127,000
Other Postemployment Benefits	318,926	0	318,926
Compensated Absences	219,810	0	219,810
<b>Total Noncurrent Liabilities</b>	<b>53,335,736</b>	<b>0</b>	<b>53,335,736</b>
<b>TOTAL LIABILITIES</b>	<b>59,753,432</b>	<b>138,355</b>	<b>59,891,787</b>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Deferred Amounts Related to Pensions	1,741,000	0	1,741,000
<b>TOTAL DEFERRED INFLOW OF RESOURCES</b>	<b>1,741,000</b>	<b>0</b>	<b>1,741,000</b>
<b>NET POSITION (DEFICIT)</b>			
Net Investment in Capital Assets	12,443,946	131,127	12,575,073
Restricted	0	0	0
Unrestricted	(29,992,959)	152,833	(29,840,126)
<b>TOTAL NET POSITION (DEFICIT)</b>	<b>\$ (17,549,013)</b>	<b>\$ 283,960</b>	<b>\$ (17,265,053)</b>

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, 2016

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
<b>Governmental activities:</b>							
Instruction	\$ 19,718,947	\$ 11,349	\$ 5,423,557	\$ 0	\$ (14,284,041)	\$ 0	\$ (14,284,041)
Instructional Student Support	2,678,309	0	597,042	0	(2,081,267)	0	(2,081,267)
Administrative and Financial Support Services	2,262,435	0	255,196	0	(2,007,239)	0	(2,007,239)
Operation and Maintenance of Plant Services	2,356,605	0	150,435	0	(2,206,170)	0	(2,206,170)
Pupil Transportation	1,928,332	0	1,426,303	0	(502,229)	0	(502,229)
Student Activities	596,113	0	38,943	0	(557,170)	0	(557,170)
Community Services	22,174	0	7,807	0	(14,367)	0	(14,367)
Interest and Fiscal Charges	255,051	0	0	0	(255,051)	0	(255,051)
Refund of Prior Year Receipts	6	0	0	0	(6)	0	(6)
Unallocated Depreciation	405,088	0	0	0	(405,088)	0	(405,088)
<b>Total Governmental Activities</b>	<b>\$ 30,223,260</b>	<b>\$ 11,349</b>	<b>\$ 7,899,283</b>	<b>\$ 0</b>	<b>\$ (22,312,628)</b>	<b>\$ 0</b>	<b>\$ (22,312,628)</b>
<b>Business-type activities:</b>							
Food Service	\$ 1,438,442	\$ 403,115	\$ 1,034,355	\$ 0	\$ -0	\$ (972)	\$ (972)
<b>Total primary government</b>	<b>\$ 31,661,702</b>	<b>\$ 414,464</b>	<b>\$ 8,933,638</b>	<b>\$ 0</b>	<b>\$ (22,312,628)</b>	<b>\$ (972)</b>	<b>\$ (22,313,600)</b>
<b>General revenues:</b>							
Taxes:							
		Property taxes, levied for general purposes, net	\$	7,363,968	\$	0	\$ 7,363,968
		Other taxes levied for specific purposes		3,324,177		0	3,324,177
		Grants, subsidies, & contributions not restricted		12,653,740		0	12,653,740
		Investment Earnings		91,882		338	92,220
		Miscellaneous Income		199,006		0	199,006
		Transfers		(222)		222	0
		<b>Total general revenues and special items</b>		<b>23,632,551</b>		<b>560</b>	<b>23,633,111</b>
		<b>Change in Net Position</b>		<b>1,319,923</b>		<b>(412)</b>	<b>1,319,511</b>
		<b>Net Position (Deficit) - July 1, 2015</b>		<b>(18,868,936)</b>		<b>284,372</b>	<b>(18,584,564)</b>
		<b>Net Position (Deficit) - June 30, 2016</b>		<b>\$ (17,549,013)</b>		<b>\$ 283,960</b>	<b>\$ (17,265,053)</b>

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



NORTHERN TIOGA SCHOOL DISTRICT  
ELKLAND, PENNSYLVANIA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2016

	<b>GENERAL FUND</b>	<b>CAPITAL PROJECTS FUND</b>	<b>TOTALS GOVERNMENTAL FUNDS</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 9,055,497	\$ 659,925	\$ 9,715,422
Investments	1,483,575	5,206,266	6,689,841
Taxes Receivable (Net)	1,056,586	0	1,056,586
Due From Other Funds	117,602	1,333,170	1,450,772
Due From Other Governments	1,722,367	0	1,722,367
Other Receivables	116,189	0	116,189
<b>TOTAL ASSETS</b>	<b>\$ 13,551,816</b>	<b>\$ 7,199,361</b>	<b>\$ 20,751,177</b>
<b>LIABILITIES</b>			
Due To Other Funds	\$ 1,333,170	\$ 0	\$ 1,333,170
Accounts Payable	151,047	0	151,047
Current Portion of Long-Term Debt	212,316	0	212,316
Accrued Salaries and Benefits	2,402,296	0	2,402,296
Payroll Deductions and Withholdings	1,281,651	0	1,281,651
<b>TOTAL LIABILITIES</b>	<b>5,380,480</b>	<b>0</b>	<b>5,380,480</b>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Unavailable Revenues - Delinquent Taxes	978,287	0	978,287
<b>TOTAL DEFERRED INFLOW OF RESOURCES</b>	<b>978,287</b>	<b>0</b>	<b>978,287</b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES</b>	<b>6,358,767</b>	<b>0</b>	<b>6,358,767</b>
<b>FUND BALANCES</b>			
Committed For Capital Expenditures/Debt Service	0	7,199,361	7,199,361
Assigned For:			
Future Pension Costs	2,392,340	0	2,392,340
Other Postemployment Benefits	518,000	0	518,000
Insurance	600,000	0	600,000
Special Education Costs	650,000	0	650,000
Capital Projects/Equipment	675,000	0	675,000
Board Initiative	150,000	0	150,000
Technology	500,000	0	500,000
Athletics	3,185	0	3,185
Unassigned	1,704,524	0	1,704,524
<b>TOTAL FUND BALANCES</b>	<b>7,193,049</b>	<b>7,199,361</b>	<b>14,392,410</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 13,551,816</b>	<b>\$ 7,199,361</b>	<b>\$ 20,751,177</b>

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, 2016

**Total Fund Balances - Governmental Funds** **\$ 14,392,410**

**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 \$46,623,770, and the accumulated depreciation is \$26,254,824. 20,368,946

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. 978,287

Gas lease revenues are applicable to future periods and, therefore are deferred. (188,830)

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions	4,276,068
Deferred inflows of resources related to pensions	(1,741,000)

Current portion of long-term debt (2,255,000)

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	\$ (219,810)	
Other postemployment benefits payable	\$ (318,926)	
Net Pension Liability	\$ (47,127,000)	
Bonds payable	\$ (5,670,000)	
Accrued interest on bonds	\$ (44,158)	<u>(53,379,894)</u>

**TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES** **\$ (17,549,013)**

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, 2016

	<u>GENERAL</u> <u>FUND</u>	<u>CAPITAL</u> <u>PROJECTS</u> <u>FUND</u>	<u>DEBT</u> <u>SERVICE</u> <u>FUND</u>	<u>TOTALS</u> <u>GOVERNMENTAL</u> <u>FUNDS</u>
<b>REVENUES</b>				
Local Sources	\$ 11,364,772	\$ 72,909	\$ 0	\$ 11,437,681
State Sources	19,237,550	0	0	19,237,550
Federal Sources	<u>947,310</u>	<u>0</u>	<u>0</u>	<u>947,310</u>
<b>TOTAL REVENUES</b>	<u>31,549,632</u>	<u>72,909</u>	<u>0</u>	<u>31,622,541</u>
<b>EXPENDITURES</b>				
Instruction	19,091,061	0	0	19,091,061
Support Services	9,089,478	1,035	61,603	9,152,116
Operation of Noninstructional Services	616,385	0	0	616,385
Facilities Acquisition, Construction and Improvement Services	127,739	911,219	0	1,038,958
Debt Service	2,425,549	0	2,471	2,428,020
Refund of Prior Year Receipts	<u>6</u>	<u>0</u>	<u>0</u>	<u>6</u>
<b>TOTAL EXPENDITURES</b>	<u>31,350,218</u>	<u>912,254</u>	<u>64,074</u>	<u>32,326,546</u>
<b>EXCESS OF REVENUES</b>				
<b>OVER(UNDER) EXPENDITURES</b>	199,414	(839,345)	(64,074)	(704,005)
<b>OTHER FINANCING SOURCES (USES)</b>				
Debt Service - Refunded Bonds	0	0	(5,255,546)	(5,255,546)
Bond Discounts	0	0	(52,900)	(52,900)
Proceeds from Refunding of Bonds	0	0	5,290,000	5,290,000
Bond Premiums	0	0	82,520	82,520
Insurance Recoveries	20,833	0	0	20,833
Interfund Transfers	<u>(1,209,410)</u>	<u>1,209,188</u>	<u>0</u>	<u>(222)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(1,188,577)</u>	<u>1,209,188</u>	<u>64,074</u>	<u>84,685</u>
<b>Net Change in Fund Balances</b>	(989,163)	369,843	0	(619,320)
<b>Fund Balance - July 1, 2015</b>	<u>8,182,212</u>	<u>6,829,518</u>	<u>0</u>	<u>15,011,730</u>
<b>Fund Balance - June 30, 2016</b>	\$ <u>7,193,049</u>	\$ <u>7,199,361</u>	\$ <u>0</u>	\$ <u>14,392,410</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, 2016

Net Change in Fund Balances - Total Governmental Funds \$ (619,320)

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	\$ (1,024,111)	
Capital Outlays	\$ <u>1,191,555</u>	167,444

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. 59,241

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 decreased by this amount this year. 28,515

Gas lease rental proceeds are a local source of revenue recognized in the funds as revenue when received but are applicable to future periods, and therefore are deferred over the life of the lease. (188,830)

Pension differences occur as a result of changes in the District's proportion of the collective net pension asset/liability and differences between the District's contributions and it's proportionate share of the total contributions to the pension system.

Increase in Deferred Outflow Related to Pensions	\$ 1,414,621	
Decrease in Deferred Inflow Related to Pensions	\$ 3,194,000	
Increase in Net Pension Liability	\$ <u>(4,855,000)</u>	<u>(246,379)</u>

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:

Bonds Issued	\$ (5,290,000)	
Principal Repayment	\$ 7,400,000	
Decrease in Other Postemployment Benefits	\$ 1,564	
Decrease in Compensated Absences	\$ <u>7,688</u>	<u>2,119,252</u>

Change in Net Position of Governmental Activities \$ 1,319,923

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, 2016

		<u>ENTERPRISE FUND</u>
		<u>FOOD SERVICE</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$	164,353
Due From Other Governments		92,886
Inventories		33,949
<b>Total Current Assets</b>		<u>291,188</u>
<b>Noncurrent Assets</b>		
Capital Assets, Net of Accumulated Depreciation		<u>131,127</u>
<b>Total Noncurrent Assets</b>		<u>131,127</u>
<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u>422,315</u></b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Due to other Funds	\$	117,602
Accounts Payable		0
Accrued Salaries and Benefits		7,903
Unearned Revenue		12,850
<b>Total Current Liabilities</b>		<u>138,355</u>
<b>Noncurrent Liabilities</b>		<u>0</u>
<b>TOTAL LIABILITIES</b>		<u>138,355</u>
<b>NET POSITION</b>		
Net Investment In Capital Assets		131,127
Unrestricted		152,833
<b>TOTAL NET POSITION</b>		<u>283,960</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$</b>	<b><u>422,315</u></b>

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, 2016

	ENTERPRISE FUND
	<i>FOOD SERVICE</i>
<b>OPERATING REVENUES</b>	
Food Service Revenue	\$ 403,115
<b>Total Operating Revenues</b>	403,115
 <b>OPERATING EXPENSES</b>	
Salaries	452,669
Employee Benefits	362,574
Purchased Professional and Technical Service	2,716
Purchased Property Services	18,725
Other Purchased Services	5,229
Supplies	586,184
Property and Equipment	10,345
<b>Total Operating Expenses</b>	1,438,442
 <b>OPERATING INCOME (LOSS)</b>	(1,035,327)
 <b>NONOPERATING REVENUES (EXPENSES)</b>	
Earnings On Investments	338
Interfund Transfers	222
State Sources	150,692
Federal Sources	883,663
<b>Total Nonoperating Revenues (Expenses)</b>	1,034,915
 <b>CHANGE IN NET POSITION</b>	(412)
 <b>NET POSITION - JULY 1, 2015</b>	284,372
 <b>NET POSITION - JUNE 30, 2016</b>	\$ 283,960

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, 2016

	<b>ENTERPRISE FUND</b>
	<i><b>FOOD SERVICE</b></i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Users	\$ 408,771
Cash Payments to Employees for Services	(946,557)
Cash Payments to Suppliers of Goods and Services	(509,269)
	(1,047,055)
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Interfund Transfers	222
State Sources	151,551
Federal Sources	784,181
	935,954
<b>NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES</b>	
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Equipment Purchases	0
	0
<b>NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Earnings on Investments	338
	338
<b>NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES</b>	
	338
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(110,763)
<b>CASH AND CASH EQUIVALENTS - JULY 1, 2015</b>	275,116
<b>CASH AND CASH EQUIVALENTS - JUNE 30, 2016</b>	\$ 164,353

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY  
(USED FOR) OPERATING ACTIVITIES -**

Net Income (Loss) from Operations	\$ (1,035,327)
Depreciation	10,167
Donated Commodities	102,688
(Increase)/Decrease in Other Receivables	3,186
(Increase)/Decrease in Inventory	1,075
Increase/(Decrease) in Internal Balances	(128,237)
Increase/(Decrease) in Accounts Payable	0
Increase/(Decrease) in Accrued Salaries/Benefits	(3,077)
Increase/(Decrease) in Unearned Revenue	2,470
	(1,047,055)
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<b>\$ (1,047,055)</b>

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, 2016

	<u>PRIVATE PURPOSE TRUST FUND</u>	<u>AGENCY FUNDS</u>	<u>TOTAL FIDUCIARY FUNDS</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 161,980	\$ 621,261	\$ 783,241
Investments	0	636,037	636,037
Other Current Assets	0	0	0
<b>TOTAL ASSETS</b>	<u>\$ 161,980</u>	<u>\$ 1,257,298</u>	<u>\$ 1,419,278</u>
<b>LIABILITIES</b>			
Due to Student Groups	0	179,871	179,871
Other Liabilities	0	1,077,427	1,077,427
<b>TOTAL LIABILITIES</b>	<u>0</u>	<u>1,257,298</u>	<u>1,257,298</u>
<b>NET POSITION</b>			
Restricted For Scholarships	<u>161,980</u>	<u>0</u>	<u>161,980</u>
<b>TOTAL NET POSITION</b>	<u>161,980</u>	<u>0</u>	<u>161,980</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 161,980</u>	<u>\$ 1,257,298</u>	<u>\$ 1,419,278</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, 2016

		<u>PRIVATE PURPOSE TRUST FUND</u>
<b>ADDITIONS</b>		
Gifts and Contributions	\$	9,050
Earnings on Investments		<u>338</u>
<b>Total Additions</b>		9,388
<b>DEDUCTIONS</b>		
Scholarships Awarded	\$	4,955
Other Deductions		<u>10</u>
<b>Total Deductions</b>		4,965
<b>CHANGE IN NET POSITION</b>		4,423
<b>NET POSITION - JULY 1, 2015</b>		<u>157,557</u>
<b>NET POSITION - JUNE 30, 2016</b>	<b>\$</b>	<b><u>161,980</u></b>

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, 2016

**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, 2016

**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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**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.

**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:

NORTHERN TIOGA SCHOOL DISTRICT  
ELKLAND, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2016

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

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

**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.

NORTHERN TIOGA SCHOOL DISTRICT  
ELKLAND, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2016

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Cash and Cash Equivalents**

The School District has limited authority as to the types of allowable investments. Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, and pooled fund investments subject to daily withdrawal.

**Investments**

The Pennsylvania School Code and the School District's investment policy establish criteria for the type of investments that can be held by the District. Investments held by the District are reported at their fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, except for investments in external investment pools, which are valued at amortized costs if required criteria are met as outlined in GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**Short-Term Interfund Receivables/Payables**

During the course of operations, transactions may occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the Governmental Funds balance sheet. Short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the statement of net position, except for amounts due between governmental and business-type activities, which, when present, are shown as internal balances.

**Inventories**

The cost of governmental fund inventories are recorded as expenditures when purchased rather than when consumed. The value of governmental fund inventories is not significant at June 30, 2016.

The Food Service Fund inventory consisted of expendable supplies valued at cost, and federal government donated commodities received from the U.S. Department of Agriculture (USDA) recorded at estimated values provided by the USDA. Inventory in the Food Service Fund is recorded as an expense when consumed.

**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.

NORTHERN TIOGA SCHOOL DISTRICT  
ELKLAND, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2016

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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.

**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 has one item that qualifies for reporting in this category. This item is related to pensions reported in the district-wide Statement of Net Position. Deferred amounts related to pensions represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of the total contributions to the pension system not included in pension expense and the District's contribution to the pension system subsequent to the measurement date.

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 two items that qualify for reporting in this category. One item is related to pensions reported in the district-wide Statement of Net Position. Deferred amounts related to pensions represents the effect of the net change in the District's proportion of the collective net pension liability and difference during the measurement periods between the District's contributions and its proportion share of the total contributions to the pension system not included in pension expense. The other item is related to tax revenues and arises only under a modified accrual basis of accounting. Accordingly, this item of 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.

**Unearned Revenues**

Revenues that are received but not earned are reported as unearned revenues in the government-wide and fund financial statements. Unearned revenues arise when resources are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has legal claim to the resources, the liability for unearned revenue is removed from the respective financial statements and revenue is recognized.

NORTHERN TIOGA SCHOOL DISTRICT  
ELKLAND, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

**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.

NORTHERN TIOGA SCHOOL DISTRICT  
ELKLAND, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
 For The Year Ended June 30, 2016

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

The District invests in Pennsylvania Local Government Investment Trust (PLGIT) and the Pennsylvania School District Liquid Asset Fund (PSDLAF) as authorized by the Board. PLGIT and PSDLAF were established to enable school districts to pool funds for investment in instruments authorized by Section 440.1 of the Pennsylvania Public School Code of 1949, as amended. These funds have characteristics of open-end mutual funds and are not subject to credit risk classification.

At June 30, 2016 the carrying amount of the School District's cash and cash equivalents and investments was \$17,988,894. 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, 2016, \$9,077,895 of the District's bank balance of \$9,332,768 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	<u>9,077,895</u>
Total	<u>\$ 9,077,895</u>



NORTHERN TIOGA SCHOOL DISTRICT  
ELKLAND, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2016

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

**Reconciliation to Financial Statements**

Collateralized Amount Above	\$9,077,895
Plus: Insured Amount	254,873
Plus: Deposits in Investment Pools and CD's Considered Cash Equivalents	1,636,837
Less: Outstanding Checks	(307,751)
Plus: Deposits in Transit	<u>0</u>
Carrying Amount – Bank balances	10,661,854
Plus: Petty Cash	<u>1,162</u>
Total Cash and Cash Equivalents Per Financial Statements	<u>\$10,663,016</u>

**INVESTMENTS:**

As of June 30, 2016, the School District had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Certificates of Deposits	3-60 Months	\$ 2,757,112	\$ 2,757,112
U.S. Treasury Obligation Money Market Fund		27,811	27,811
PA Local Government Investment Trust		1,231,046	1,231,046
PA School District Liquid Asset Fund		1,611	1,611
FHLB Notes	1-12 Months	855,056	855,056
FHLMC Notes	12-60 Months	875,774	875,774
Federal Farm Credit Discount Note	1-12 Months	704,422	704,422
FNMA Notes	6-60 Months	1,873,846	1,873,846
U.S. Savings EE Bonds		<u>636,037</u>	<u>636,037</u>
Total		\$ <u>8,962,715</u>	\$ <u>8,962,715</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	\$ 8,962,715
Less: Deposits in Investment Pools Considered Cash Equivalents	<u>(1,636,837)</u>
Total Investments Per Financial Statements	<u>\$ 7,325,878</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, 2016

**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, 2016, the District investments were rated as:

<u>Investment</u>	<u>Standard &amp; Poor's</u>
PA Local Government Investment Trust	AAAm
PA School District Liquid Asset Fund	AAAm
Federal Home Loan Mortgage Corporation	AA+
Federal Home Loan Bank	AA+ and A-1+
Federal Farm Credit Bank	A-1+
Federal National Mortgage Association	AA+
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, Certificates of Deposit, Federal Home Loan Mortgage Corporation Notes, Federal National Mortgage Association Notes, U.S. Savings EE Bonds, and a Federal Home Loan Bank Treasury Note. These investments are 13.74%, 26.56%, 9.77%, 20.91%, 7.10%, and 9.54%, respectively, of the District's total investments.

For the General Fund, more than 5% of the investments are in PA Local Government Investment Trust, FFCB Bonds, Federal Home Loan Bank, and Certificates of Deposit. These investments are 32.46%, 10.19%, 16.08% and 40.92% respectively, of the General Fund's total investments.

For the Capital Projects Fund, more than 5% of the investments are in Certificates of Deposit, FHLB Notes, FFCB Notes, Federal Home Loan Mortgage Corporation Notes and Federal National Mortgage Association Notes. These investments are 28.26%, 9.56%, 9.17%, 16.75%, and 35.84%, 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, 2016, the following amounts are due from other governmental units.

	<u>General Fund</u>	<u>Enterprise Fund</u>
Federal Pass Through Funds	\$ 677,583	\$ 87,654
State Funds	1,044,784	5,232
Local Funds	<u>0</u>	<u>0</u>
Total	<u>\$1,722,367</u>	<u>\$ 92,886</u>

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**NOTE 4 – PROPERTY TAXES (Continued)**

The School District's property tax is levied each July 1, based upon assessed valuations (approximately \$524,470,238 for 2015-16). 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 2015-16 is 16.5768 mills (\$16.5768 per 1,000 assessed valuation). The schedule for property taxes levied for 2015-16 is as follows:

July 1, 2015 through August 31, 2015	2% discount period
September 1, 2015 through October 31, 2015	face payment period
Beginning November 1, 2015	10% penalty period

Taxes become delinquent by January 1, 2016. At June 30, 2016, delinquent property taxes receivable are \$978,287.

**NOTE 5 – INTERFUND ACTIVITIES**

**Internal Balances:**

Due to/from Other Funds balances as of June 30, 2016 are as follows:

	<u>Due From</u> <u>Other Fund</u>	<u>Due To</u> <u>Other Funds</u>
General Fund -	\$ 117,602	\$ 1,333,170
Enterprise Fund	0	117,602
Capital Reserve Fund	<u>1,333,170</u>	<u>0</u>
	<u>\$ 1,450,772</u>	<u>\$ 1,450,772</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</u> <u>Other Funds</u>	<u>Transfer From</u> <u>Other Funds</u>
General Fund	\$1,209,410	\$ 0
Capital Reserve Fund	0	1,209,188
Enterprise Fund	<u>0</u>	<u>222</u>
	<u>\$1,209,410</u>	<u>\$ 1,209,410</u>

Transfers and payments within the School District are substantially for purposes of subsidizing operating functions, or funding capital projects and asset acquisitions, and to subsidize bad debt in the Food Service Fund. 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.

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**NOTE 6 – CAPITAL ASSETS (Continued)**

A summary of Capital Asset transactions for the year ended June 30, 2016 is as follows:

**GOVERNMENTAL ACTIVITIES**

	Balance at <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>June 30, 2016</u>
Land and Land Improvements	\$ 2,017,001	0	0	2,017,001
Building and Building Improvements	34,983,542	897,107	0	35,880,649
Furniture and Equipment	<u>8,431,672</u>	<u>294,448</u>	<u>0</u>	<u>8,726,120</u>
Total at Cost	45,432,215	1,191,555	0	46,623,770
Less: Accumulated Depreciation:				
Land and Land Improvements	(1,989,393)	(9,396)	0	(1,998,789)
Building and Building Improvements	(17,037,052)	(661,410)	0	(17,698,462)
Furniture and Equipment	<u>(6,204,268)</u>	<u>(353,305)</u>	<u>0</u>	<u>(6,557,573)</u>
Total Accum. Depreciation	<u>(25,230,713)</u>	<u>(1,024,111)</u>	<u>0</u>	<u>(26,254,824)</u>
Governmental Activities Capital Assets, Net	\$ <u>20,201,502</u>	<u>167,444</u>	<u>0</u>	<u>20,368,946</u>

**BUSINESS-TYPE ACTIVITIES**

	Balance at <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>June 30, 2016</u>
Furniture and Equipment	\$ 495,323	0	0	495,323
Less: Accumulated Depreciation:	<u>(354,029)</u>	<u>(10,167)</u>	<u>0</u>	<u>(364,196)</u>
Business-Type Activities Capital Assets, Net	\$ <u>141,294</u>	<u>(10,167)</u>	<u>0</u>	<u>131,127</u>

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

Government Activities:	
Instruction	\$ 503,832
Instructional Student Support	55,350
Administrative and Financial Support Service	2,924
Operation and Maintenance of Plant Service	42,090
Pupil Transportation	4,445
Student Activities	10,382
Unallocated	<u>405,088</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 1,024,111</u>

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**NOTE 7 – UNEARNED REVENUES**

The District has an agreement with Travis Peak Resources, LLC, Inc., under five separate leases, to lease 104.594 acres for oil and gas exploration. The primary term of the lease is five years from December 10, 2015 to December 10, 2020. The lease provides an extension option for an additional five years. Compensation for the leases consists of \$2,000 per acre and a fee equal to 15% of the gross royalties. An initial payment of \$209,188 was made to the District. This amount was originally recorded as revenues within the General Fund and it is being amortized to revenue over the life of the lease in the government-wide financial statements. The unearned revenues balance at June 30, 2016 is \$188,830. As of June 30, 2016, there have been no royalties paid to the District.

Unearned revenues for the Proprietary Fund consists of amounts received for future services to be provided which were not yet earned as of June 30, 2016.

**NOTE 8 – LONG-TERM LIABILITIES**

**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, 2016 is as follows:

<u>Date</u>		<u>Principal</u>		<u>Rate</u>		<u>Interest</u>
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>2,720,000</u>			\$	<u>65,300</u>

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**NOTE 8 – LONG-TERM LIABILITIES (Continued)**

**Bond Series of 2016**

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. During the fiscal year ended June 30, 2016, the School District refunded Bond Series 2011 with General Obligation Bonds, Series of 2016 in the amount of \$5,290,000.

A Schedule of General Obligation Bond Series of 2016 Bonds outstanding as of June 30, 2016 is as follows:

<u>Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>
October 1, 2016	\$		\$ 52,050
April 1, 2017	80,000	2.00%	52,050
October 1, 2017			51,250
April 1, 2018	1,255,000	2.00%	51,250
October 1, 2018			38,700
April 1, 2019	1,655,000	2.00%	38,700
October 1, 2019			22,150
April 1, 2020	1,690,000	2.00%	22,150
October 1, 2020			5,250
April 1, 2021	<u>525,000</u>	2.00%	<u>5,250</u>
Total	\$ <u>5,205,000</u>		\$ <u>338,800</u>

A summary of long-term debt transactions for the year ended June 30, 2016 is as follows:

<u>Description</u>	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2016</u>
General Obligation Bonds:				
Series of 2011	\$ 5,175,000	0	(5,175,000)	0
Series of 2013	4,860,000	0	(2,140,000)	2,720,000
Series of 2016	<u>0</u>	<u>5,290,000</u>	<u>(85,000)</u>	<u>5,205,000</u>
Total	\$ <u>10,035,000</u>	<u>5,290,000</u>	<u>(7,400,000)</u>	<u>7,925,000</u>

A summary of debt service requirements to maturity on the outstanding bonds as of June 30, 2016 is as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 2,255,000	\$ 158,500	\$ 2,413,500
2018	1,800,000	113,400	1,913,400
2019	1,655,000	77,400	1,732,400
2020	1,690,000	44,300	1,734,300
2021	<u>525,000</u>	<u>10,500</u>	<u>535,500</u>
Totals	\$ <u>7,925,000</u>	\$ <u>404,100</u>	\$ <u>8,329,100</u>

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**NOTE 8 – LONG-TERM LIABILITIES (Continued)**

A summary of changes in Other Long-Term Liabilities for the year ended June 30, 2016 is as follows:

<u>Description</u>	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2016</u>
Net Pension Liability	42,272,000	4,855,000	<u>(0)</u>	47,127,000
OPEB	<u>320,490</u>	<u>0</u>	<u>(1,564)</u>	<u>318,926</u>
Compensated Absences	<u>227,498</u>	<u>0</u>	<u>(7,688)</u>	<u>219,810</u>

**NOTE 9 - 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 10 - PENSION PLAN**

Public School Employees' Retirement System Plan

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

***General Information about the Pension Plan***

Plan description

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

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NOTE 10 - PENSION PLAN (Continued)

Benefits provided

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

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

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

Contributions

*Member Contributions:*

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

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

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

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



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**NOTE 10 - PENSION PLAN (Continued)**

*Employer Contributions:*

The school districts' contractually required contribution rate for fiscal year ended June 30, 2016 was 25.00% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$3,541,327 for the year ended June 30, 2016.

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

At June 30, 2016, the District reported a liability of \$47,127,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2014 to June 30, 2015. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it related to the total one-year reported covered payroll. At June 30, 2015, the District's proportion was .1088 percent, which was an increase of .0020 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$3,808,000. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in proportions	\$ 679,000	\$ 1,452,000
Net difference between projected and actual investment earnings	0	95,000
Differences between expected and actual experience		194,000
Difference between employer contributions and proportionate share of total contributions	55,741	0
Contributions subsequent to the measurement date	<u>3,541,327</u>	<u>0</u>
	<u>\$ 4,276,068</u>	<u>\$ 1,741,000</u>

\$3,541,327 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	(556,000)
2018	(556,000)
2019	(556,000)
2020	605,000

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NOTE 10 - PENSION PLAN (Continued)

Actuarial assumptions

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

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 7.50%, includes inflation at 3.00%
- Salary increases – Effective average of 5.50%, which reflects an allowance for inflation of 3.00%, real wage growth of 1%, and merit or seniority increases of 1.50%
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females.

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public markets global equity	22.5%	4.8%
Private markets (equity)	15.0%	6.6%
Private real estate	12.0%	4.5%
Global fixed income	7.5%	2.4%
U.S. long treasuries	3.0%	1.4%
TIPS	12.0%	1.1%
High yield bonds	6.0%	3.3%
Cash	3.0%	0.7%
Absolute return	10.0%	4.9%
Risk parity	10.0%	3.7%
MLPs/Infrastructure	5.0%	5.2%
Commodities	8.0%	3.1%
Financing (LIBOR)	(14.0%)	1.1%
	<u>100%</u>	

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

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**NOTE 10 - PENSION PLAN (Continued)**

Discount rate

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

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

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

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
District's proportionate share of the net pension liability	\$ 58,089,000	\$ 47,127,000	\$ 37,914,000

Pension plan fiduciary net position

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

Payables to the Pension Plan

At June 30, 2016, the School District had an outstanding balance due to PSERS in the amount of \$1,068,012 which represents the School District's legally required employer pension contributions.

**NOTE 11 - 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 2016, the School District contributed an estimated \$247,622 to the plan.

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**NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

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.

*Actuarial Methods and Assumptions.* Projections for benefits for financial reporting proposes 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)	\$ 251,311
Estimated interest on net OPEB obligation	14,422
Estimated adjustment to annual required contribution	<u>(19,675)</u>
Annual OPEB cost	246,058
Contributions made (Estimated)	<u>(247,622)</u>
Estimated increase (decrease) in net OPEB obligation	(1,564)
Estimated net OPEB obligation (asset) beginning of year	<u>320,490</u>
Estimated net OPEB obligation (asset) end of year	<u>\$ 318,926</u>

NORTHERN TIOGA SCHOOL DISTRICT  
ELKLAND, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016

**NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (Continued)**

Actuarial valuation date	10/1/2013
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	2.50% Cost of Living Adjustment 1.00% real wage growth 2.75% to 0.25% merit increase (varies by age) for teachers and administrators
Health care inflation rate	6.5% in 2014, 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 10/1/13, the actuarial value of assets is zero, the actuarial accrued liability is \$2.469 million for a funded ratio of zero.

**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, 2016	\$ 246,058	100.64%	\$ 318,926
June 30, 2015	246,345	92.89%	\$ 320,490
June 30, 2014	217,787	77.56%	\$ 302,971

**NOTE 12 - 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 \$102,925. Future annual lease payments are estimated for the next five years at approximately \$100,000 per year.

**NOTE 13 - 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, 2016 and the three previous fiscal years, no settlements exceeded insurance coverage.

NORTHERN TIOGA SCHOOL DISTRICT  
ELKLAND, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016

**NOTE 13 - RISK MANAGEMENT (Continued)**

For its employee health coverage, the School District is a participant in a Northern Tier Insurance Consortium, a public entity risk pool operated for the benefit of individual governmental units located within the Intermediate Unit 17 (BLaST). The School District pays monthly premiums to the Plan for this health coverage. The Plan provides health coverage for its members and all claims are paid from the total premiums contributed by the members of the consortium. The Consortium self-funds all claims and utilizes a third party to manage the claims.

**NOTE 14 - 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. The effects of these legal proceedings on the financial statements are not known and accordingly no provision for losses has been recorded.

**NOTE 15 - CHANGES IN GOVERNMENTAL ACCOUNTING STANDARDS**

In February 2015, the GASB issued Statement No. 72, "*Fair Value Measurement and Application.*" This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The School District adopted Statement No. 72 for its fiscal year ended June 30, 2016 financial statements as required.

In June 2015, the GASB issued Statement No. 73, "*Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.*" The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The District adopted Statement No. 73 for its June 30, 2016 financial statements as required.

NORTHERN TIOGA SCHOOL DISTRICT  
ELKLAND, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016

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

In June 2015, the GASB issued Statement No. 76, *“The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.”* The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The School District adopted Statement No. 76 for its fiscal year ended June 30, 2016 financial statements as required.

In December 2015, the GASB issued Statement No. 79, *“Certain External Investment Pools and Pool Participants.”* This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. The School District adopted Statement No. 79 for its fiscal year ended June 30, 2016 financial statements as required.

**NOTE 16 – FUTURE CHANGES IN GOVERNMENTAL ACCOUNTING STANDARDS**

In June 2015, the GASB issued Statement No. 74, *“Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.”* The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. To the extent applicable, the District is required to adopt Statement No. 74 for its June 30, 2017 financial statements.

In June 2015, the GASB issued Statement 75, *“Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.”* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. To the extent applicable, the District is required to adopt Statement No. 75 for its June 30, 2018 financial statements.

NORTHERN TIOGA SCHOOL DISTRICT  
ELKLAND, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2016

**NOTE 16 – FUTURE CHANGES IN GOVERNMENTAL ACCOUNTING STANDARDS (Continued)**

In August 2015, the GASB issued Statement No. 77, “*Tax Abatement Disclosures.*” Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. Tax abatements are widely used by state and local governments, particularly to encourage economic development. For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. This Statement requires disclosure of tax abatement information about (1) a reporting government’s own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government’s tax revenues. To the extent applicable, the School District is required to adopt Statement No. 77 for its fiscal year ended June 30, 2017 financial statements.

In December 2015, the GASB issued Statement No. 78, “*Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans.*” This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. To the extent applicable, the School District is required to adopt Statement No. 78 for its fiscal year ended June 30, 2017 financial statements.

In January 2016, the GASB issued Statement No. 80, “*Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14.*” The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended.* This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units.* To the extent applicable, the School District is required to adopt Statement No. 80 for its fiscal year ended June 30, 2017 financial statements.

In March 2016, the GASB issued Statement No. 81, “*Irrevocable Split-Interest Agreements.*” This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. To the extent applicable, the School District is required to adopt Statement No. 81 for its fiscal year ended June 30, 2018 financial statements.



NORTHERN TIOGA SCHOOL DISTRICT  
ELKLAND, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2016

**NOTE 16 – FUTURE CHANGES IN GOVERNMENTAL ACCOUNTING STANDARDS (Continued)**

In March 2016, the GASB issued Statement No. 82, “*Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No.73.*” The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement will improve financial reporting by enhancing consistency in the application of financial reporting requirements to certain pension issues. To the extent applicable, the School District is required to adopt Statement No. 82 for its fiscal year ended June 30, 2017 financial statements.

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 17 – SUBSEQUENT EVENTS**

The District has evaluated all events subsequent to the financial statement date of June 30, 2016 through November 22, 2016 which is the date these financial statements were available to be issued, and has determined that there are no subsequent events that require recognition or disclosure.

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

NORTHERN TIOGA SCHOOL DISTRICT  
ELKLAND, PENNSYLVANIA  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
For The Year Ended June 30, 2016

REVENUES	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Local Revenues	\$ 10,864,425	\$ 10,864,425	\$ 11,364,772	\$ 500,347
State Program Revenues	20,332,156	20,332,156	19,237,550	(1,094,606)
Federal Program Revenues	875,562	875,562	947,310	71,748
<b>TOTAL REVENUES</b>	<u>32,072,143</u>	<u>32,072,143</u>	<u>31,549,632</u>	<u>(522,511)</u>
<b>EXPENDITURES</b>				
Regular Programs	14,036,343	13,586,548	13,033,985	552,563
Special Programs	4,364,661	4,574,206	4,334,666	239,540
Vocational Programs	1,317,022	1,351,482	1,282,215	69,267
Other Instructional Programs	133,416	170,353	117,747	52,606
PreKindergarten	336,173	336,173	322,448	13,725
Pupil Personnel Services	987,104	987,103	950,475	36,628
Instructional Staff Services	1,540,848	1,715,192	1,433,065	282,127
Administrative Services	1,802,474	1,843,324	1,784,319	59,005
Pupil Health	335,592	335,592	322,883	12,709
Business Services	376,823	376,823	345,531	31,292
Operation and Maintenance of Plant Services	2,466,298	2,439,800	2,262,096	177,704
Student Transportation Services	1,998,300	1,968,300	1,924,086	44,214
Central Support Services	129,658	119,117	67,023	52,094
Other Support Services	2,500	2,500	0	2,500
Student Activities	602,892	610,087	594,211	15,876
Community Services	37,385	37,385	22,174	15,211
Facilities Acq, construction and Imp Services	266,000	267,000	127,739	139,261
<b>TOTAL EXPENDITURES</b>	<u>30,733,489</u>	<u>30,720,985</u>	<u>28,924,663</u>	<u>1,796,322</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>1,338,654</u>	<u>1,351,158</u>	<u>2,624,969</u>	<u>1,273,811</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance Recoveries	0	0	20,833	20,833
Debt Service	(2,300,291)	(2,428,591)	(2,425,549)	3,042
Refund of Prior Year Receipts	0	(6)	(6)	0
Interfund Transfers	(525,500)	(1,234,910)	(1,209,410)	25,500
Budgetary Reserve	(827,852)	(2,640)	0	2,640
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>(3,653,643)</u>	<u>(3,666,147)</u>	<u>(3,614,132)</u>	<u>52,015</u>
<b>Net Change in Fund Balances</b>	<u>\$ (2,314,989)</u>	<u>\$ (2,314,989)</u>	<u>(989,163)</u>	<u>\$ 1,325,826</u>
<b>FUND BALANCE - JULY 1, 2015</b>			<u>8,182,212</u>	
<b>FUND BALANCE - JUNE 30, 2016</b>			<u>\$ 7,193,049</u>	

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, 2016

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 ]
10/1/2013	\$0	\$2,469,737	\$2,469,737	0.0%	\$13,042,401	18.94%
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%

NORTHERN TIOGA SCHOOL DISTRICT  
ELKLAND, PENNSYLVANIA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY

Last 10 Fiscal Years<sup>1</sup>

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
District's proportion of the net pension liability	0.1088%	0.1068%	0.1126%
District's proportionate share of the net pension liability	\$ 47,127,000	\$ 42,272,000	\$ 46,094,000
District's covered-employee payroll <sup>2</sup>	\$ 14,000,725	\$ 13,629,611	\$ 14,445,967
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	336.60%	310.15%	319.08%
Plan fiduciary net position as a percentage of the total pension liability	54.36%	57.24%	54.49%

<sup>1</sup> The amounts presented for each fiscal year were determined as of the measurement date, which is June 30 of the immediately preceding fiscal year. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is complete, the School District is presenting information for those years only for which information is available.

<sup>2</sup> The covered-employee payroll amount reported for 2016 has been revised from the prior year presentation to reflect adjustments processed by PSERS during fiscal year 2016.

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

NORTHERN TIOGA SCHOOL DISTRICT  
ELKLAND, PENNSYLVANIA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE DISTRICT CONTRIBUTIONS  
PENSION PLAN

Last 10 Fiscal Years<sup>1</sup>

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Contractually required contribution	\$ 3,541,327	\$ 2,808,709	\$ 2,180,738
Contributions in relation to the contractually required contribution	<u>(3,541,327)</u>	<u>(2,808,709)</u>	<u>(2,180,738)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered-employee payroll <sup>2</sup>	\$ 14,165,307	\$ 14,000,725	\$ 13,629,611
Contributions as a percentage of covered-employee payroll	25.00%	20.50%	16.00%

<sup>1</sup> The amounts presented for each fiscal year were determined as of the fiscal year end date. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is complete, the School District is presenting information for those years only for which information is available.

<sup>2</sup> The covered-employee payroll amount reported for 2015 has been revised from the prior year presentation to reflect adjustments processed by PSERS during fiscal year 2016.

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

NORTHERN TIOGA SCHOOL DISTRICT  
ELKLAND, PENNSYLVANIA  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
For The Year Ended June 30, 2016

**NOTE 1 – BUDGETS AND BUDGETARY ACCOUNTING**

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

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

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

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

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

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

**NOTE 2 – SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS**

The information presented in this required supplementary schedule was determined as part of the actuarial valuations at the dates indicated. Additional information for the other postemployment benefit obligation, latest actuarial valuation and actuarial assumptions and methods can be found in the notes to the financial statements.

**NOTE 3 – PENSION DATA**

The amounts reported in the schedule of the district's proportionate share of the net pension liability are determined as of June 30, 2015 by The Commonwealth of Pennsylvania Public School Employees' Retirement System (the cost-sharing plan). There were no changes in benefit terms and no changes in assumptions.

**SINGLE AUDIT  
SECTION**



**NORTHERN TIoga SCHOOL DISTRICT**  
**ELKLAND, PENNSYLVANIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
 For The Year Ended June 30, 2016

Federal Program Title	Source Code	Federal CFDA Number	PASS Through Grantors Number	Grant Period	Program or Award Amount	Total Received	Accrued <Unearned> Revenue at 7/1/2015	Receipts Recognized	Expenditures	Accrued <Unearned> Revenue at 6/30/2016
<b>U.S. DEPARTMENT OF EDUCATION</b>										
<b>PASSED THROUGH PA DEPT. OF EDUCATION</b>										
Title I Grants to LEAs	I	84-010	013-150301	14-15	\$ 537,490	\$ 283,959	\$ 195,127	\$ 88,832	\$ 88,832	\$ 0
Title I Grants to LEAs	I	84-010	013-160301	15-16	\$ 512,418	\$ 343,215	\$ 0	\$ 398,274	\$ 398,274	\$ 55,059
<b>Total Title I Grants to LEAs</b>					\$ 1,049,908	\$ 627,174	\$ 195,127	\$ 487,106	\$ 487,106	\$ 55,059
Title II Improving Teacher Quality	I	84-367	020-150301	14-15	\$ 167,697	\$ 44,654	\$ 37,438	\$ 7,216	\$ 7,216	\$ 0
Title II Improving Teacher Quality	I	84-367	020-160301	15-16	\$ 167,505	\$ 122,943	\$ 0	\$ 159,963	\$ 159,963	\$ 37,020
Rural and Low Income Schools	I	84-358	007-160301	15-16	\$ 79,855	\$ 79,855	\$ 0	\$ 79,855	\$ 79,855	\$ 0
Career and Technical Education (Perkins IV)	I	84-048	380-150084	14-15	\$ 31,613	\$ 0	\$ (2,840)	\$ 2,840	\$ 2,840	\$ 0
Career and Technical Education (Perkins IV)	I	84-048	380-160083	15-16	\$ 31,910	\$ 29,251	\$ 0	\$ 30,144	\$ 30,144	\$ 893
<b>Total PA Dept. of Education</b>					\$ 1,258,674	\$ 903,877	\$ 229,725	\$ 767,124	\$ 767,124	\$ 92,972
<b>PASSED THROUGH BLAST IU #17</b>										
<b>SPECIAL EDUCATION CLUSTER</b>										
Special Education Grants (IDEA Part B-611)	I	84-027	162-160017	15-16	\$ 360,558	\$ 0	\$ 0	\$ 360,558	\$ 360,558	\$ 360,558
Special Education Grants (IDEA Part B-611)	I	84-027	062-150017	14-15	\$ 353,645	\$ 354,797	\$ 353,645	\$ 1,152	\$ 1,152	\$ 0
Special Education - Preschool (IDEA 619)	I	84-173	131-150017	15-16	\$ 6,454	\$ 0	\$ 0	\$ 6,454	\$ 6,454	\$ 6,454
<b>Total Special Education Cluster - Blast IU #17</b>					\$ 720,657	\$ 354,797	\$ 353,645	\$ 368,164	\$ 368,164	\$ 367,012
<b>Total U.S. Department of Education</b>					\$ 1,970,531	\$ 1,258,674	\$ 583,370	\$ 1,135,288	\$ 1,135,288	\$ 459,984
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>										
<b>PASSED THROUGH PA DEPARTMENT OF PUBLIC WELFARE</b>										
Medical Assistance Program	I	93-778	N/A	15-16	\$ 8,746	\$ 4,615	\$ 1,049	\$ 8,746	\$ 8,746	\$ 5,180
<b>Total U.S. Dept. of Health and Human Services</b>					\$ 8,746	\$ 4,615	\$ 1,049	\$ 8,746	\$ 8,746	\$ 5,180
<b>U.S. DEPARTMENT OF AGRICULTURE</b>										
<b>CHILD NUTRITION CLUSTER</b>										
<b>PASSED THROUGH PA DEPT. OF EDUCATION</b>										
School Breakfast Program (SBP)	I	10-553	367-000000	15-16	N/A	\$ 217,089	\$ 25,070	\$ 215,545	\$ 215,545	\$ 23,526
National School Lunch Program (NSLP)	I	10-555	362-000000	15-16	N/A	\$ 550,244	\$ 59,849	\$ 546,451	\$ 546,451	\$ 56,056
Summer Food Service Program for Children (SFSP)	I	10-559	264-000000	15-16	N/A	\$ 16,848	\$ 5,941	\$ 18,979	\$ 18,979	\$ 8,072
<b>Total Passed Through PA Dept. of Education</b>					\$ 784,181	\$ 784,181	\$ 90,860	\$ 780,975	\$ 780,975	\$ 87,654
<b>PASSED THROUGH PA DEPT. OF AGRICULTURE</b>										
National School Lunch Program	I	10-555	N/A	15-16	N/A	\$ 93,374	\$ 0	\$ 93,374	\$ 93,374	\$ 0
Summer Food Service Program	I	10-559	N/A	15-16	N/A	\$ 9,314	\$ 0	\$ 9,314	\$ 9,314	\$ 0
<b>Total Passed Through PA Dept. of Agriculture</b>					\$ 102,688	\$ 102,688	\$ 0	\$ 102,688	\$ 102,688	\$ 0
<b>Total Child Nutrition Cluster</b>					\$ 886,869	\$ 886,869	\$ 90,860	\$ 883,663	\$ 883,663	\$ 87,654
<b>Total U.S. Dept. of Agriculture</b>					\$ 886,869	\$ 886,869	\$ 90,860	\$ 883,663	\$ 883,663	\$ 87,654
<b>TOTAL FEDERAL ASSISTANCE</b>					\$ 2,150,158	\$ 2,150,158	\$ 675,279	\$ 2,027,697	\$ 2,027,697	\$ 552,818
<b>STATE SOURCES</b>										
Food Nutrition	I	N/A	510/511	15-16	N/A	\$ 51,971	\$ 6,091	\$ 51,112	\$ 51,112	\$ 5,232
<b>Total</b>					\$ 51,971	\$ 51,971	\$ 6,091	\$ 51,112	\$ 51,112	\$ 5,232
<b>Source Codes:</b>										
D - Direct Funding										
I - Indirect Funding										
S - State Share										
<b>Total Major Program Determination</b>										
Total Federal Expenditures \$ 2,027,697										
Programs Selected for Testing:										
Child Nutrition Cluster \$ 883,663 / 43.58%										

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

NORTHERN TIOGA SCHOOL DISTRICT  
ELKLAND, PENNSYLVANIA  
NOTES TO SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS AND CERTAIN STATE GRANTS  
For The Year Ended June 30, 2016

**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards and certain state grants includes the federal grant activity and certain state grant activity of the Northern Tioga School District for the year ended June 30, 2016. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, certain amounts presented in the schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule is presented using the accrual basis of accounting. Expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) where in certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE C – ADDITIONAL INFORMATION**

The School District did not have any subrecipients or pass through any funds to subrecipients.

The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE D – 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 E – MEDICAL ASSISTANCE – ACCESS ADMINISTRATIVE 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 Awards and Certain State Grants.

**NOTE F – PROGRAM DISCLOSURES**

***Special Education Cluster***

- The Special Education – Grants to States Program (IDEA, Part B / CFDA No. 84.027) and the Special Education – Preschool Grants Program (IDEA 619, Preschool / CFDA No. 84.173) are reported as the cluster program “Special Education Cluster” in accordance with the *OMB 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 (CFDA No.’s 10.559) are reported as the cluster program “Child Nutrition Cluster” in accordance with *the OMB Compliance Supplement*.
- Non-monetary assistance received from the U.S. Department of Agriculture is in the form of donated commodities. These commodities are reported in the schedule at the fair market value of the commodities received and disbursed under CFDA number 10.555 titled National School Lunch Program and 10.559 titled Summer Food Service Program. Donated commodities are recognized as revenue when received and not deferred.
- State matching funds for the National School Lunch Program are included on the Schedule of Expenditure of Federal Awards and Certain State Grants at the request of the Pennsylvania Department of Education.

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**FORGETT & KERSTETTER, P.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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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, 2016, 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 22, 2016.

**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 22, 2016

**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 THE UNIFORM GUIDANCE**

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

**Auditor's Responsibility**

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

## 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Forgett & Kerstetter, P.C.*  
FORGETT & KERSTETTER, P.C.  
Selinsgrove, Pennsylvania  
November 22, 2016

NORTHERN TIOGA SCHOOL DISTRICT  
ELKLAND, PENNSYLVANIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2016

**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 2 CFR section 200.516(a)? No

Major program identification:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553; 10.555; 10.559	Child Nutrition Cluster

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

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, 2016

<u>REPORT</u>	<u>TO WHOM DISTRIBUTED</u>	<u># OF COPIES</u>
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Required Submissions	Bureau of Audits Electronic Submission <a href="mailto:RA-BOASingleAudit@state.pa.us">RA-BOASingleAudit@state.pa.us</a>	1
Audit Report	Federal Audit Clearinghouse Bureau of Census Electronic Submission	1