

NORTHEAST BRADFORD SCHOOL DISTRICT
FINANCIAL STATEMENTS AND SINGLE AUDIT REPORTS
JUNE 30, 2013

**NORTHEAST BRADFORD SCHOOL DISTRICT
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INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Northeast Bradford School District
Rome, 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 Northeast Bradford School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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.

Auditors' 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 auditors' 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 Northeast Bradford School District as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, during the fiscal year ended June 30, 2013, the Northeast Bradford School District adopted the provisions of Governmental Accounting Standards Board Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedule of funding progress for other post employment benefits obligations and notes to the required supplementary information on pages 3 through 12 and 42 through 44, respectively, 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 Northeast Bradford School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements of Northeast Bradford School District. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2013, on our consideration of the Northeast Bradford 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 the Northeast Bradford School District's internal control over financial reporting and compliance.

EFP Rotenberg, LLP

EFP Rotenberg, LLP
Corning, New York
December 11, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

NORTHEAST BRADFORD SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2013

Introduction

Our discussion and analysis of the Northeast Bradford School District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2013. It also provides a description and understanding of the various financial statements and other financial and statistical information contained herein. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

- The District's net position, as of June 30, 2013, on the government-wide statements amounted to \$9,419,774 for governmental activities. The unrestricted net position was \$6,375,142, the net investment in capital assets was \$3,036,828 and the restricted net position was \$7,804 as of June 30, 2013.
- The District's net position, as of June 30, 2013, on the government-wide statements amounted to \$119,762 for business-type activities. The unrestricted net position was \$75,260, the net investment in capital assets was \$44,502 and there were no amounts classified as restricted net position as of June 30, 2013.
- The District's overall net position for governmental activities decreased by \$548,447 or 5.50% in 2012-2013 compared with an increase of \$530,129 or 5.62% in 2011-2012.
- The District's overall net position for business-type activities decreased by \$63,183 or 34.54% in 2012-2013 compared with a decrease of \$33,145 or 15.34% in 2011-2012.

Overview of the Financial Statements

The discussion and analysis provided here is intended to serve as an introduction to the District's basic financial statements. These statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. The statements also include required and other supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents financial information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Net position is classified into three components as follows:

Net Investment in Capital Assets - This amount consists of capital assets, net of accumulated depreciation and reduced by outstanding debt, excluding unspent bond proceeds, bond premiums and discounts, and deferred refunding proceeds.

Restricted Net Position - This amount is restricted by external creditors, grantors, contributors or laws or regulations of other governments.

Unrestricted Net Position - This amount is all net position that is not invested in capital assets or restricted net position.

NORTHEAST BRADFORD SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2013

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the District that are principally supported by property taxes and intergovernmental revenues, governmental activities, from other functions that are intended to recover all or a significant portion of their costs through user fees and charges, business-type activities. The governmental activities of the District are categorized as instructional, instructional student support, administrative and financial support, operation and maintenance of plant, pupil transportation, student activities, facilities acquisition, construction and improvement, community service, interest on long-term debt and unallocated depreciation. The business-type activities of the District include operation of the school lunch fund.

The government-wide financial statements can be found on pages 13 - 14 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains four governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, capital reserve fund, debt service fund and capital projects fund, which are considered to be the District's major funds as defined by Governmental Accounting Standards Board Statement No. 34.

The District legally adopts an annual budget for its general fund. A budgetary comparison statement has been provided in the required supplementary information section of this report to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 15 - 18 of this report.

Proprietary Fund

The District maintains one proprietary fund, which is used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses the proprietary fund to account for the school lunch fund activities.

The basic proprietary fund financial statements can be found on pages 19 - 21 of this report.

NORTHEAST BRADFORD SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2013

Fiduciary Funds

The fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for the fiduciary funds is much like that used for proprietary funds.

The fiduciary funds of the District include the private-purpose trust fund and the agency fund. The private-purpose trust fund is used to account for assets held by the District in a trustee capacity. This fund accounts for various scholarship programs for students. The agency fund is used to account for assets held and administered by the District for a third party. Student activities assets are accounted for in this fund.

The fiduciary fund financial statements can be found on page 22 - 23 of this report.

Notes to the Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 - 41 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information. This includes a budgetary comparison schedule for the general fund and a schedule of funding progress for the other postemployment benefits obligation. Also included in this section are the notes to required supplementary information. Required supplementary information and related notes to the required supplementary information can be found on pages 42 - 44 of this report.

Single Audit Reports

The schedule of expenditures of federal awards presents the activity of federal award programs administered by the District. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies. The information is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Also included in the single audit reports are the notes to the schedule of expenditures of federal awards, as well as information on the results from the single audit performed by the District's independent auditors'. The single audit reports can be found on pages 45 - 51 of this report.

Government-Wide Overall Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The statement of net position provides the perspective of the District as a whole. The condensed statements of net position and statements of activities located in table 1 and table 2, respectively, present summarized financial data from the government-wide financial statements located in the basic financial statements section of this report. This information is presented in comparative form, with totals from the financial statements for the fiscal years ended June 30, 2013 and 2012 and with totals for the primary government as a whole.

NORTHEAST BRADFORD SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2013

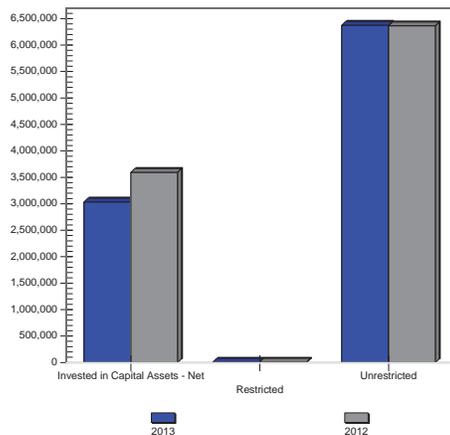
Table 1

Condensed Statement of Net Position
June 30, 2013 and 2012

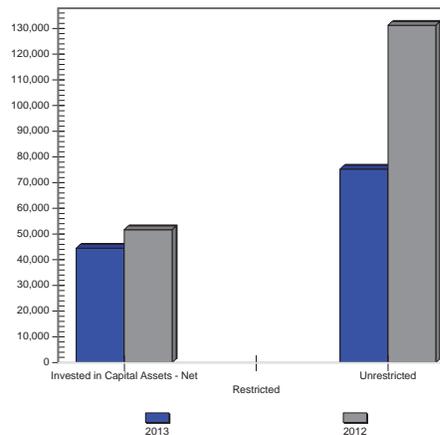
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>		<u>Total Percentage Change</u>
	<u>2013</u>	<u>(Restated) 2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>(Restated) 2012</u>	
Assets							
Current and other assets	\$ 8,191,022	\$ 7,478,661	\$ 112,435	\$ 147,350	\$ 8,303,457	\$ 7,626,011	8.9 %
Capital assets	<u>9,097,061</u>	<u>9,334,335</u>	<u>44,502</u>	<u>51,677</u>	<u>9,141,563</u>	<u>9,386,012</u>	(2.6)%
Total assets	<u>\$ 17,288,083</u>	<u>\$ 16,812,996</u>	<u>\$ 156,937</u>	<u>\$ 199,027</u>	<u>\$ 17,445,020</u>	<u>\$ 17,012,023</u>	2.5 %
Deferred Outflow of Resources	<u>\$ 118,418</u>	<u>\$ 130,866</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 118,418</u>	<u>\$ 130,866</u>	(9.5)%
Liabilities							
Current liabilities	\$ 1,641,758	\$ 1,268,767	\$ 20,847	\$ -	\$ 1,662,605	\$ 1,268,767	31.0 %
Long-term liabilities							
Loan payable	905,000	-	-	-	905,000	-	100.0 %
Bonds payable	4,814,368	5,215,214	-	-	4,814,368	5,215,214	(7.7)%
Compensated absences	17,852	14,373	4,096	5,754	21,948	20,127	9.0 %
Retirement incentive	392,051	320,862	-	-	392,051	320,862	22.2 %
OPEB liability	<u>215,698</u>	<u>156,425</u>	<u>873</u>	<u>448</u>	<u>216,571</u>	<u>156,873</u>	38.1 %
Total liabilities	<u>\$ 7,986,727</u>	<u>\$ 6,975,641</u>	<u>\$ 25,816</u>	<u>\$ 6,202</u>	<u>\$ 8,012,543</u>	<u>\$ 6,981,843</u>	14.8 %
Deferred Inflow of Resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,359</u>	<u>\$ 9,880</u>	<u>\$ 11,359</u>	<u>\$ 9,880</u>	15.0 %
Net Position							
Net investment in capital assets	\$ 3,036,828	\$ 3,595,327	\$ 44,502	\$ 51,677	\$ 3,081,330	\$ 3,647,004	(15.5)%
Restricted	7,804	7,804	-	-	7,804	7,804	- %
Unrestricted	<u>6,375,142</u>	<u>6,365,090</u>	<u>75,260</u>	<u>131,268</u>	<u>6,450,402</u>	<u>6,496,358</u>	(0.7)%
Total net position	<u>\$ 9,419,774</u>	<u>\$ 9,968,221</u>	<u>\$ 119,762</u>	<u>\$ 182,945</u>	<u>\$ 9,539,536</u>	<u>\$ 10,151,166</u>	(6.0)%

The largest portion of the District's net position reflects its investment in capital assets, less any related outstanding debt that was used to acquire those assets. This amounted to \$3,081,330 and \$3,647,004 for the District at the fiscal years ended June 30, 2013 and 2012, respectively. The District uses the capital assets to provide a variety of services to its students. Accordingly, these assets are not available for future spending. Although the District's investment in capital assets is report net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net position represents resources that are subject to external restrictions on how they may be used, and therefore, are classified as restricted net position. The restricted net position of the District amounts to \$7,804 as of the fiscal years ended June 30, 2013 and 2012. The remaining balance of net position is unrestricted and may be used to meet the District's ongoing obligations. At June 30, 2013 and 2012, the District had unrestricted net position of \$6,450,402 and \$6,496,358, respectively.

Net Position Components - Governmental



Net Position Components - Business-Type



NORTHEAST BRADFORD SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2013

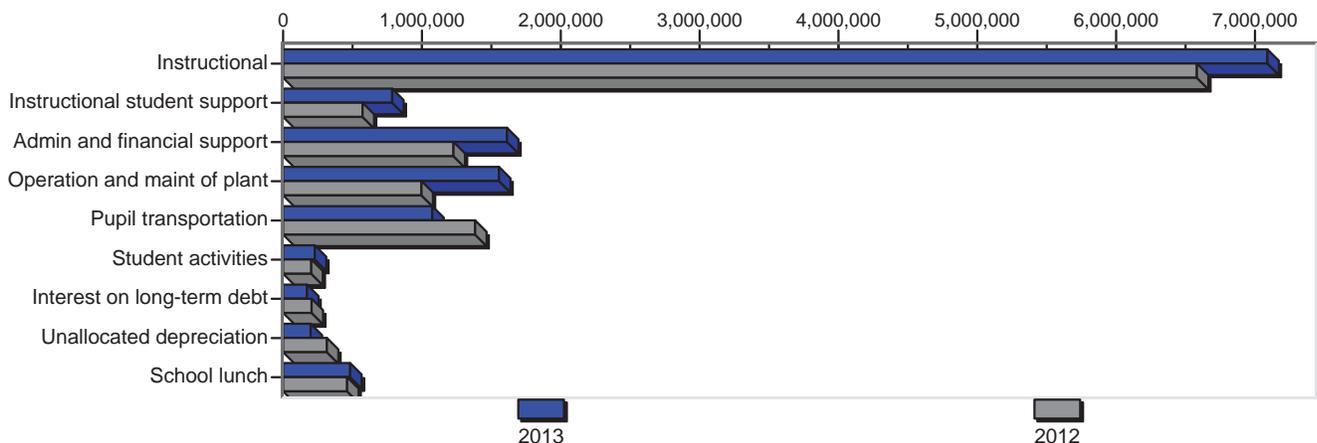
Table 2

Condensed Statements of Activities
For the Years Ended June 30, 2013 and 2012

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>		<u>Total Percentage Change</u>
	<u>2013</u>	<u>(Restated) 2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>(Restated) 2012</u>	
Revenues							
Program revenues							
Charges for services	\$ 29,671	\$ 47,169	\$ 165,345	\$ 207,179	\$ 195,016	\$ 254,348	(23.3)%
Operating grants and contributions	2,537,215	2,457,643	247,333	215,599	2,784,548	2,673,242	4.2 %
Capital grants and contributions	295,294	263,111	-	-	295,294	263,111	12.2 %
General revenues							
Property taxes and related items	3,493,725	3,421,811	-	-	3,493,725	3,421,811	2.1 %
Grants, subsidies and contributions	5,754,719	5,760,524	-	-	5,754,719	5,760,524	(0.1)%
Earnings on investments	11,717	10,335	87	70	11,804	10,405	13.4 %
Miscellaneous income	48,827	58,359	7,023	5,839	55,850	64,198	(13.0)%
Loss on disposal of capital assets	(325)	(591)	-	-	(325)	(591)	(45.0)%
Total revenues	<u>12,170,843</u>	<u>12,018,361</u>	<u>419,788</u>	<u>428,687</u>	<u>12,590,631</u>	<u>12,447,048</u>	1.2 %
Expenses							
Instructional	7,088,928	6,580,974	-	-	7,088,928	6,580,974	7.7 %
Instructional student support	786,508	573,102	-	-	786,508	573,102	37.2 %
Administrative and financial support services	1,613,048	1,227,721	-	-	1,613,048	1,227,721	31.4 %
Operation and maintenance of plant services	1,555,764	996,745	-	-	1,555,764	996,745	56.1 %
Pupil transportation	1,074,409	1,383,585	-	-	1,074,409	1,383,585	(22.3)%
Student activities	229,199	204,058	-	-	229,199	204,058	12.3 %
Interest on long-term debt	172,517	206,384	-	-	172,517	206,384	(16.4)%
Unallocated depreciation	198,917	315,663	-	-	198,917	315,663	(37.0)%
School lunch	-	-	482,971	461,832	482,971	461,832	4.6 %
Total expenses	<u>12,719,290</u>	<u>11,488,232</u>	<u>482,971</u>	<u>461,832</u>	<u>13,202,261</u>	<u>11,950,064</u>	10.5 %
Changes in Net Position	<u>\$ (548,447)</u>	<u>\$ 530,129</u>	<u>\$ (63,183)</u>	<u>\$ (33,145)</u>	<u>\$ (611,630)</u>	<u>\$ 496,984</u>	(223.1)%

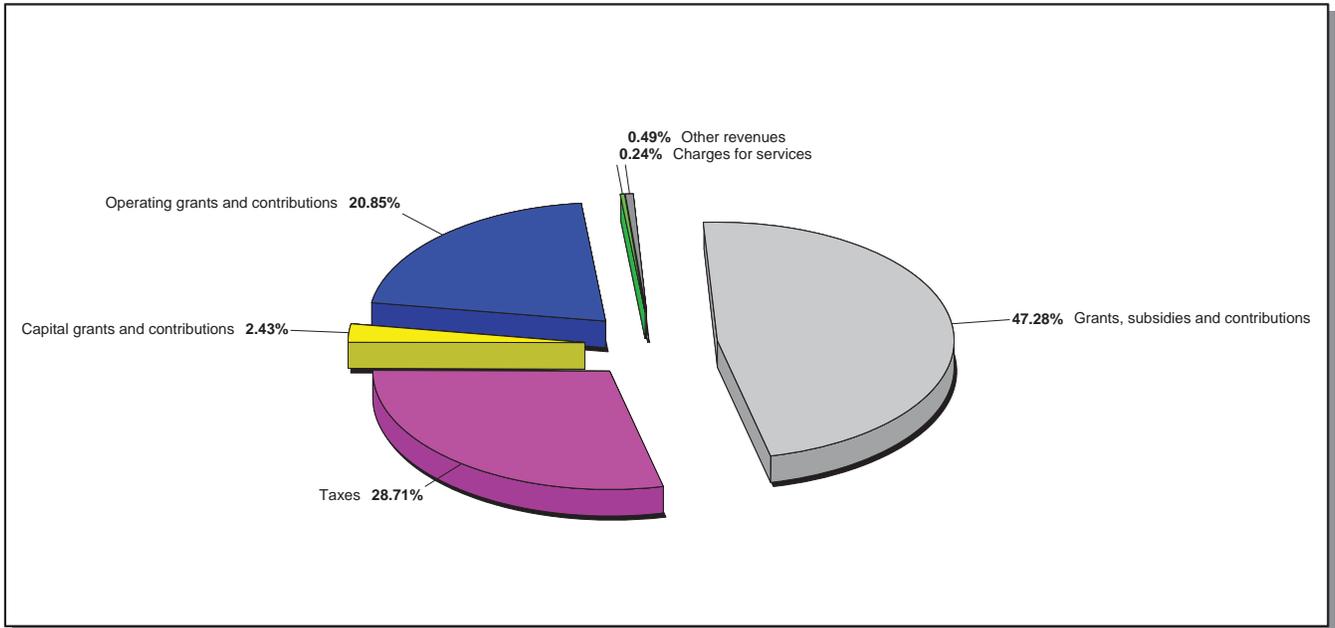
The District's governmental activities experienced a decrease in net position of \$548,447 for the fiscal year ended June 30, 2013. This represents a decrease of approximately 5.50% from the previous fiscal year. The District's business-type activities experienced a decrease in net position of \$63,183 for the fiscal year ended June 30, 2013. This represents a decrease of approximately 34.54% from the previous fiscal year.

Comparative Expenses by Function

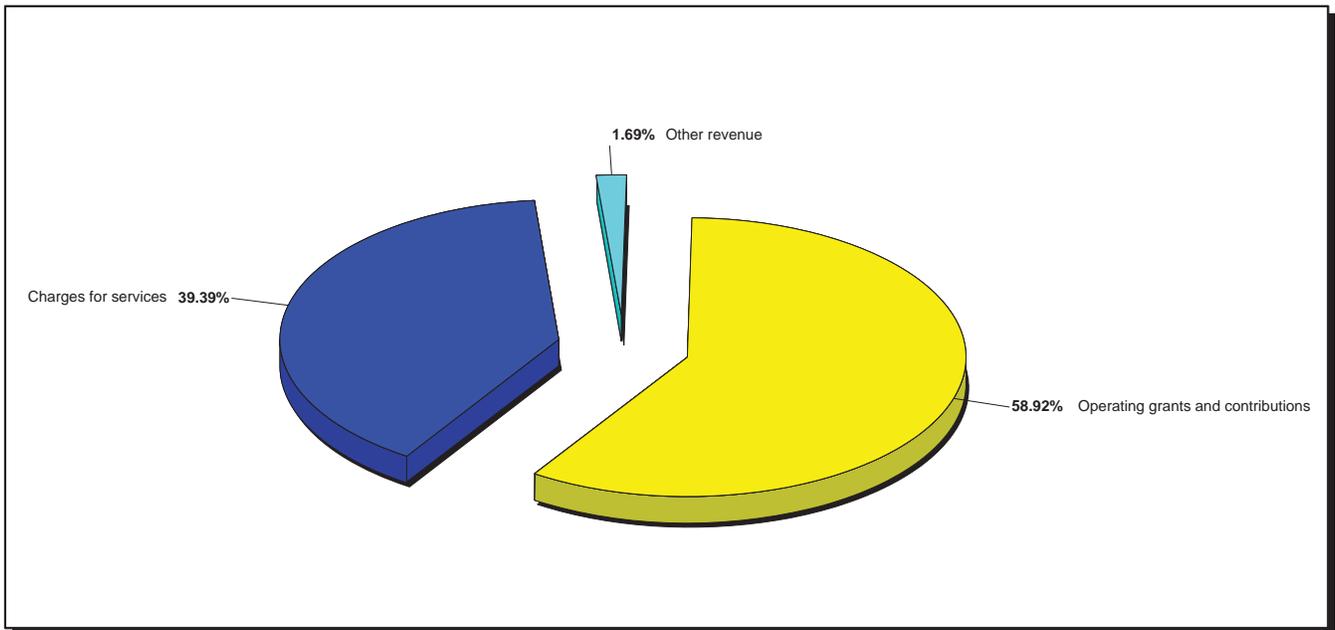


NORTHEAST BRADFORD SCHOOL DISTRICT
Management's Discussion and Analysis
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Sources of Revenues for Governmental Activities
Fiscal Year 2013



Sources of Revenues for Business-type Activities
Fiscal Year 2013



NORTHEAST BRADFORD SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2013

The tables below present the cost of each of the District's functions and programs, as well as each function's net cost (total cost less revenues generated by the activity). Providing this information allows residents within the District to consider the cost of each function in comparison to the benefits they believe are provided by that function.

	<u>Total Cost of Services</u>		
	<u>2013</u>	<u>2012</u>	<u>Percentage Change</u>
Instructional	\$ 7,088,928	\$ 6,580,974	7.7 %
Instructional student support	786,508	573,102	37.2 %
Administrative and financial support services	1,613,048	1,227,721	31.4 %
Operation and maintenance of plant services	1,555,764	996,745	56.1 %
Pupil transportation	1,074,409	1,383,585	(22.3)%
Student activities	229,199	204,058	12.3 %
Interest on long-term debt	172,517	206,384	(16.4)%
Unallocated depreciation	198,917	315,663	(37.0)%
Total expenses	<u>\$ 12,719,290</u>	<u>\$ 11,488,232</u>	10.7 %

	<u>Net Cost of Services</u>		
	<u>2013</u>	<u>2012</u>	<u>Percentage Change</u>
Instructional	\$ 5,631,571	\$ 5,224,186	7.8 %
Instructional student support	736,103	390,070	88.7 %
Administrative and financial support services	1,527,598	1,149,279	32.9 %
Operation and maintenance of plant services	1,222,330	733,634	66.6 %
Pupil transportation	175,997	520,468	(66.2)%
Student activities	192,077	180,625	6.3 %
Interest on long-term debt	172,517	206,384	(16.4)%
Unallocated depreciation	198,917	315,663	(37.0)%
Total net cost	<u>\$ 9,857,110</u>	<u>\$ 8,720,309</u>	13.0 %

NORTHEAST BRADFORD SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2013

Capital Assets

At the end of fiscal years 2013 and 2012, the District had \$20,000,423 and \$19,657,177 invested in land, buildings and renovations, and furniture and equipment, respectively. Depreciation expense of \$588,870 and \$485,896 has been recorded in 2013 and 2012, respectively. The net book value of capital assets at June 30, 2013 and 2012 was \$9,141,563 and \$9,386,012, respectively. The table presented below displays the fiscal 2013 and 2012 balances for the major classes of assets:

Capital Assets (Net of Depreciation)
At June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>	<u>Total Percentage Change</u>
Land	\$ 64,000	\$ 64,000	- %
Buildings and improvements	8,788,640	8,651,511	1.6 %
Furniture and equipment	<u>288,923</u>	<u>670,501</u>	(56.9)%
Total	<u>\$ 9,141,563</u>	<u>\$ 9,386,012</u>	(2.6)%

Additional information on the District's capital assets can be found in Notes 1 and 6 on pages 27 and 33, respectively, of this report.

Long-Term Obligations

At June 30, 2013 and 2012, the District had total long-term obligations of \$6,809,221 and \$6,110,470, respectively. The District has maintained a credit rating of A2 from the Moody's Corporation for the fiscal years ended June 30, 2013 and 2012. The table presented below displays the fiscal 2013 and 2012 balances of the long-term obligations.

Long-Term Obligations
At June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>	<u>Total Percentage Change</u>
Loan payable	\$ 905,000	\$ -	100.0 %
Serial bonds	5,273,651	5,612,608	(6.0)%
Compensated absences	21,948	20,127	9.0 %
Retirement incentive	392,051	320,862	22.2 %
OPEB liability	<u>216,571</u>	<u>156,873</u>	38.1 %
Total	<u>\$6,809,221</u>	<u>\$6,110,470</u>	11.4 %

Additional information on the District's long-term debt can be found in Notes 1 and 8 beginning on pages 28 and 35 of this report.

**NORTHEAST BRADFORD SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2013**

Governmental Fund Analysis

Fund financial statements are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$15,891,279 and \$16,405,263 and expenditures and other financing uses of \$15,527,381 and \$17,512,021 in 2013 and 2012, respectively. Overall fund balance for all governmental funds increased and \$363,898 in 2012-2013, which represents a change of approximately 5.66%

- The fund balance in the general fund decreased by \$39,066, which represents a change of approximately 0.67%.
- The fund balance in the capital reserve fund decreased by \$502,036, which represents a change of approximately 32.54%.
- The fund balance in the capital projects fund increased by \$905,000, which represents a change of approximately 100.00%.

General Fund Budgetary Highlights

A budgetary comparison schedule for the District's general fund is presented as required supplementary information on page 42 of these financial statements. The District's budgetary policies are described on page 44 in the notes to required supplementary information. Significant amendments between the original and amended budget are described in the following paragraph.

Significant Variances Between Original and Amended Budget

Significant variances between the original and amended budget are described in the following paragraph. The table immediately following the District's analysis of the variances between the original and amended budget displays the variances as illustrated in the budgetary comparison schedule.

Services for the curriculum coordinator were incorrectly included in the administrative services budget. The entire \$81,096 should have been included in the instructional staff services budget.

As the result of refinancing a bond issue all principal and interest payments were included in the general fund budget but were recognized in the debt service fund. This resulted in a decrease to the debt service budget line and a corresponding increase to the interfund out activity.

**Original to Amended
At June 30, 2013 and 2012**

	<u>Original</u>	<u>Amended</u>	<u>Variance</u>
Expenditures and Other Uses			
Instructional staff services	\$ 226,174	\$ 307,674	\$ 81,500
Administrative services	\$ 961,227	\$ 879,727	\$ (81,500)
Debt service	\$ 749,013	\$ 183,013	\$ (566,000)
Interfund transfers out	\$ -	\$ 666,000	\$ 666,000

Significant Variances Between Amended Budget and Actual Results

Significant variances between the amended budget and actual results are described in the following paragraph. The table immediately following the District's analysis of the variances between the amended budget and actual results displays the variances as illustrated in the budgetary comparison schedule.

**NORTHEAST BRADFORD SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2013**

The District's budget contains conservative estimates for unknown costs that have significant variability during the course of the year. The regular programs variance is mainly the result of budgeted costs for staff course reimbursements (tuition) and the estimated costs for cyber charter schools. Both expenditures were less than forecast during the budget process. The special program variances result from conservative estimates for special education services for students requiring specialized instructional services. These costs can vary significantly from student to student and can change dramatically based on new enrollments through out the year. The District budgets using best estimates and experience from previous years. In 2012-2013 the District did not have as many expenditures relating to those programs as expected during the budget cycle. Debt service was lower due to bond refinancing activity. As part of that process the debt service payments were recorded in the debt service fund instead of the general fund.

**Amended to Actual
At June 30, 2013 and 2012**

	<u>Amended</u>	<u>Actual</u>	<u>Variance</u>
Expenditures and Other Uses			
Regular programs	\$ 5,150,843	\$ 5,002,224	\$ 148,619
Special programs	\$ 1,671,262	\$ 1,552,502	\$ 118,760
Debt service	\$ 183,013	\$ 3,092	\$ 179,921

Economic Factors and Next Year's Budget

The District has prepared the general fund budget for the next school year, or the fiscal year ending June 30, 2014. The total 2013-2014 budget of \$13,739,694 represents an overall increase of \$293,850 or 2.19% of the 2012-2013 budget of \$13,445,844. The 2013-2014 budget highlights included the following:

- A reduction in federal revenues as a result of sequestration.
- An increase in state funding related to increased transportation and retirement costs.
- Increase in expenditures for healthcare and employer paid retirement benefits.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact:

Northeast Bradford School
Scott J. Kepner, Business Manager
526 Panther Lane
Rome, Pennsylvania, 18837
(570) 744-2521 ext. 2207

BASIC FINANCIAL STATEMENTS

NORTHEAST BRADFORD SCHOOL DISTRICT
Statement of Net Position
June 30, 2013

	<u>Primary Government</u>		
	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 7,504,401	\$ 89,324	\$ 7,593,725
Taxes receivable - net	327,299	-	327,299
Due from other governments	353,849	6,004	359,853
Other receivables	5,473	5,556	11,029
Inventories	-	11,551	11,551
Capital assets			
Capital asset - not depreciated	64,000	-	64,000
Capital assets - net of depreciation	<u>9,033,061</u>	<u>44,502</u>	<u>9,077,563</u>
Total Assets	17,288,083	156,937	17,445,020
Deferred Outflows of Resources			
Deferred refunding proceeds - net	<u>118,418</u>	<u>-</u>	<u>118,418</u>
Total Assets and Deferred Outflows of Resources	\$ <u>17,406,501</u>	\$ <u>156,937</u>	\$ <u>17,563,438</u>
Liabilities			
Internal balances	\$ (18,788)	\$ 18,788	\$ -
Due to external parties	3,400	-	3,400
Accounts payable	266,994	2,059	269,053
Accrued interest payable	11,508	-	11,508
Accrued salaries and benefits	442,233	-	442,233
Payroll deductions and withholdings	476,502	-	476,502
Other liabilities	626	-	626
Long-term liabilities			
Portion due or payable within one year			
Bonds payable - net	459,283	-	459,283
Portion due or payable after one year			
Loan payable	905,000	-	905,000
Bonds payable - net	4,814,368	-	4,814,368
Compensated absences	17,852	4,096	21,948
Retirement incentive	392,051	-	392,051
Other postemployment benefit liability	<u>215,698</u>	<u>873</u>	<u>216,571</u>
Total Liabilities	<u>7,986,727</u>	<u>25,816</u>	<u>8,012,543</u>
Deferred Inflows of Resources			
Advances on future period revenues	<u>-</u>	<u>11,359</u>	<u>11,359</u>
Net Position			
Net investment in capital assets	3,036,828	44,502	3,081,330
Restricted	7,804	-	7,804
Unrestricted	<u>6,375,142</u>	<u>75,260</u>	<u>6,450,402</u>
Total Net Position	<u>9,419,774</u>	<u>119,762</u>	<u>9,539,536</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ <u>17,406,501</u>	\$ <u>156,937</u>	\$ <u>17,563,438</u>

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

NORTHEAST BRADFORD SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2013

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expenses) Revenues and Changes in Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Primary Government Business-type Activities</u>	<u>Total</u>
Governmental activities							
Instructional	\$ 7,088,928	\$ 5,177	\$ 1,452,180	\$ -	\$ (5,631,571)	\$ -	\$ (5,631,571)
Instructional student support	786,508	-	50,405	-	(736,103)	-	(736,103)
Administrative and financial support services	1,613,048	-	85,450	-	(1,527,598)	-	(1,527,598)
Operation and maintenance of plant services	1,555,764	-	38,140	295,294	(1,222,330)	-	(1,222,330)
Pupil transportation	1,074,409	-	898,412	-	(175,997)	-	(175,997)
Student activities	229,199	24,494	12,628	-	(192,077)	-	(192,077)
Interest on long-term debt	172,517	-	-	-	(172,517)	-	(172,517)
Unallocated depreciation	198,917	-	-	-	(198,917)	-	(198,917)
Total governmental activities	<u>12,719,290</u>	<u>29,671</u>	<u>2,537,215</u>	<u>295,294</u>	<u>(9,857,110)</u>	<u>-</u>	<u>(9,857,110)</u>
Business-type activities							
School lunch fund	<u>482,971</u>	<u>165,345</u>	<u>247,333</u>	<u>-</u>	<u>-</u>	<u>(70,293)</u>	<u>(70,293)</u>
Total primary government	<u>\$ 13,202,261</u>	<u>\$ 195,016</u>	<u>\$ 2,784,548</u>	<u>\$ 295,294</u>	<u>(9,857,110)</u>	<u>(70,293)</u>	<u>(9,927,403)</u>
General Revenues							
Property taxes and related items					3,493,725	-	3,493,725
Grants, subsidies and contributions					5,754,719	-	5,754,719
Earnings on investments					11,717	87	11,804
Miscellaneous income					48,827	7,023	55,850
Loss on disposal of capital assets					(325)	-	(325)
Total general revenues					<u>9,308,663</u>	<u>7,110</u>	<u>9,315,773</u>
Changes in Net Position					<u>(548,447)</u>	<u>(63,183)</u>	<u>(611,630)</u>
Net Position - Beginning, as Previously Stated					10,067,230	182,945	10,250,175
Restatement					<u>(99,009)</u>	<u>-</u>	<u>(99,009)</u>
Net Position - Beginning, as Restated					<u>9,968,221</u>	<u>182,945</u>	<u>10,151,166</u>
Net Position - Ending					<u>\$ 9,419,774</u>	<u>\$ 119,762</u>	<u>\$ 9,539,536</u>

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

NORTHEAST BRADFORD SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2013

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 6,373,984	\$ 1,130,417	\$ -	\$ -	\$ 7,504,401
Taxes receivable - net	327,299	-	-	-	327,299
Due from other funds	96,837	-	-	-	96,837
Due from other governments	353,849	-	-	-	353,849
Other receivables	<u>4,485</u>	<u>988</u>	<u>-</u>	<u>-</u>	<u>5,473</u>
Total Assets	<u>\$ 7,156,454</u>	<u>\$ 1,131,405</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,287,859</u>
Liabilities					
Due to other funds	\$ -	\$ 81,449	\$ -	\$ -	\$ 81,449
Accounts payable	257,907	9,087	-	-	266,994
Accrued salaries and benefits	442,233	-	-	-	442,233
Payroll deductions and withholdings	476,502	-	-	-	476,502
Other liabilities	<u>626</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>626</u>
Total liabilities	<u>1,177,268</u>	<u>90,536</u>	<u>-</u>	<u>-</u>	<u>1,267,804</u>
Deferred Inflows of Resources					
Unavailable revenues - property taxes	<u>227,339</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>227,339</u>
Fund Balances					
Restricted					
Restricted for technology upgrades	7,804	-	-	-	7,804
Committed					
Reserve for PSERS	967,688	-	-	-	967,688
Reserve for retirement incentive	360,000	-	-	-	360,000
Assigned					
Reserve for healthcare costs and future PSERS obligations	2,475,000	-	-	-	2,475,000
Reserve for capital projects	-	1,040,869	-	-	1,040,869
Unassigned	<u>1,941,355</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,941,355</u>
Total fund balances	<u>5,751,847</u>	<u>1,040,869</u>	<u>-</u>	<u>-</u>	<u>6,792,716</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 7,156,454</u>	<u>\$ 1,131,405</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,287,859</u>

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

NORTHEAST BRADFORD SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net
Position
June 30, 2013

Total Governmental Fund Balances \$ 6,792,716

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 in the funds. These assets consist of the following:

Capital assets - not depreciated
Land 64,000

Capital assets - net of depreciation			
Buildings and improvements	\$ 16,550,747		
Furniture and equipment	<u>3,000,356</u>		
Total depreciable assets	19,551,103		
Less - accumulated depreciation	<u>(10,518,042)</u>		
Total capital assets - net of depreciation			9,033,061

Deferred refunding proceeds are amortized in the statement of activities over the shorter of the life of the new bond or the life of the old bond. These are expensed in the year incurred in the governmental funds. Deferred refunding proceeds, net of amortization. 118,418

Property taxes receivable levied and uncollected are deferred in the fund financial statements. 227,339

Some liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements. These liabilities consisted of the following:

Loan payable	(905,000)	
Bonds payable - net	(5,273,651)	
Compensated absences	(17,852)	
Retirement incentive	(392,051)	
Other postemployment benefit liability	(215,698)	
Accrued interest payable	<u>(11,508)</u>	
Total liabilities		<u>(6,815,760)</u>

Net Position of Governmental Activities \$ 9,419,774

NORTHEAST BRADFORD SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Revenues					
Local sources	\$ 3,544,885	\$ 5,351	\$ -	\$ -	\$ 3,550,236
State sources	8,193,924	-	-	-	8,193,924
Federal sources	<u>393,304</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>393,304</u>
Total revenues	12,132,113	5,351	-	-	12,137,464
Other Financing Sources					
Proceeds from extended term financing	-	-	-	905,000	905,000
Proceeds from refunding of bonds	-	-	2,140,000	-	2,140,000
Premiums on issuance of refunded bonds	-	-	42,862	-	42,862
Interfund transfers	<u>-</u>	<u>100,000</u>	<u>565,953</u>	<u>-</u>	<u>665,953</u>
Total revenues and other financing sources	<u>12,132,113</u>	<u>105,351</u>	<u>2,748,815</u>	<u>905,000</u>	<u>15,891,279</u>
Expenditures					
Instructional	6,913,871	-	-	-	6,913,871
Instructional student support	770,763	-	-	-	770,763
Administrative and financial support	1,539,662	-	66,362	-	1,606,024
Operation and maintenance of plant	976,213	607,387	-	-	1,583,600
Pupil transportation	1,074,313	-	-	-	1,074,313
Student activities	227,312	-	-	-	227,312
Debt service	<u>3,092</u>	<u>-</u>	<u>565,953</u>	<u>-</u>	<u>569,045</u>
Total expenditures	11,505,226	607,387	632,315	-	12,744,928
Other Financing Uses					
Debt service - refunded bonds	-	-	2,116,500	-	2,116,500
Interfund transfers	<u>665,953</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>665,953</u>
Total expenditures and other financing uses	<u>12,171,179</u>	<u>607,387</u>	<u>2,748,815</u>	<u>-</u>	<u>15,527,381</u>
Net Change in Fund Balance	(39,066)	(502,036)	-	905,000	363,898
Fund Balances - Beginning	<u>5,790,913</u>	<u>1,542,905</u>	<u>-</u>	<u>(905,000)</u>	<u>6,428,818</u>
Fund Balances - Ending	<u>\$ 5,751,847</u>	<u>\$ 1,040,869</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,792,716</u>

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

NORTHEAST BRADFORD SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2013

Net Changes in Fund Balances - Total Governmental Funds \$ 363,898

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are the following:

Capital outlay	\$ 344,746	
Depreciation expense	<u>(581,695)</u>	
Excess of depreciation over capital outlay		(236,949)

Loss on disposal of assets is not recorded in the governmental funds. (325)

Loan proceeds are reported as other financing sources in government funds and thus contribute to the change in fund balance. In the government-wide statements, however, issuing loans increases long-term liabilities in the statement of net position and does not affect the statement of activities (905,000)

Repayment of long-term debt is reported as an expenditure in governmental fund financial statements, but the repayment reduces long-term liabilities in the statement of net position. 440,000

Proceeds of the refunding of debt are reported as an other financing source on the governmental fund statements. Similarly, repayment from the refunding of debt is an other financing use on the governmental fund statements. These items are long-term liabilities on the statement of net position.

Proceeds from the refunding of debt	(2,140,000)	
Repayment of refunded debt	<u>2,075,000</u>	
		(65,000)

Some items reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental fund financial statements. In the current period, these amounts are the following:

Change in compensated absences	(3,479)	
Change in retirement incentive	(71,189)	
Change in other postemployment benefit liability	<u>(59,273)</u>	
		(133,941)

Deferred refunding proceeds are expensed in the governmental fund financial statements but capitalized and amortized in the statement of net position:

Amortization of deferred refunding proceeds (12,448)

Debt premiums and discounts are reported as revenue or expensed in the governmental funds but shown net in bonds payable and amortized in the statement of net position:

Additions to premiums	(42,862)	
Amortization of bond discounts and premiums	<u>6,819</u>	
		(36,043)

Other differences

Change in unavailable revenue - property taxes	33,704	
Accrued interest payable	<u>3,657</u>	
Total other differences		<u>37,361</u>

Change in Net Position of Governmental Activities **\$ (548,447)**

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

NORTHEAST BRADFORD SCHOOL DISTRICT
Statement of Net Position
Proprietary Fund
June 30, 2013

	<u>School Lunch Fund</u>
Current Assets	
Cash and cash equivalents	\$ 89,324
Due from other governments	6,004
Other receivables	5,556
Inventories	<u>11,551</u>
Total current assets	112,435
Capital Assets - Net	<u>44,502</u>
Total Assets	<u>\$ 156,937</u>
Current Liabilities	
Due to other funds	\$ 18,788
Accounts payable	<u>2,059</u>
Total current liabilities	20,847
Long-Term Liabilities	
Compensated absences	4,096
Other postemployment benefits liability	<u>873</u>
Total long-term liabilities	<u>4,969</u>
Total Liabilities	<u>25,816</u>
Deferred Inflows of Resources	
Advances on future period revenues	<u>11,359</u>
Net Position	
Net investment in capital assets	44,502
Unrestricted	<u>75,260</u>
Total net position	<u>119,762</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 156,937</u>

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

NORTHEAST BRADFORD SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2013

	<u>School Lunch Fund</u>
Operating Revenues	
Food service revenue	\$ 165,345
Other operating revenues	<u>7,023</u>
Total operating revenues	<u>172,368</u>
Operating Expenses	
Salaries	111,862
Employee benefits	101,408
Purchased property service	7,043
Other purchased service	231,788
Supplies	20,839
Depreciation	7,175
Dues and fees	<u>2,856</u>
Total operating expenses	<u>482,971</u>
Operating Loss	<u>(310,603)</u>
Nonoperating Revenues	
Earning on investments	87
State sources	27,164
Federal sources	<u>220,169</u>
Total nonoperating revenue	<u>247,420</u>
Changes in Net Position	(63,183)
Net Position - Beginning	<u>182,945</u>
Net Position - Ending	<u>\$ 119,762</u>

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

NORTHEAST BRADFORD SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2013

	<u>School Lunch Fund</u>
Cash Flows from Operating Activities	
Receipts from users	\$ 164,703
Receipts from other operating revenue	26,259
Payments to employees	(214,950)
Payments to suppliers	(247,177)
Payments for other operating expenses	(8,420)
Net cash flows from operating activities	<u>(279,585)</u>
Cash Flows from Noncapital Financing Activities	
State sources	26,732
Federal sources	<u>214,597</u>
Net cash flows from noncapital financing activities	<u>241,329</u>
Cash Flows from Investing Activities	
Earnings on investments	<u>87</u>
Net Change in Cash and Cash Equivalents	(38,169)
Cash and Cash Equivalents - Beginning	<u>127,493</u>
Cash and Cash Equivalents - Ending	<u>\$ 89,324</u>
Reconciliation of Operating Loss to Net Cash Flows from Operating Activities	
Operating loss	\$ (310,603)
Adjustments	
Depreciation	7,175
Change in assets and liabilities	
Due from other funds	18,788
Other receivables	(642)
Inventories	3,393
Accounts payable	2,058
Advances on future period revenues	1,479
Compensated absences	(1,658)
Other post employment benefits liability	425
Net cash flows from operating activities	<u>\$ (279,585)</u>

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

NORTHEAST BRADFORD SCHOOL DISTRICT
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	Private- Purpose Trust	Agency Funds
Assets		
Cash and cash equivalents	\$ 50,011	\$ 61,748
Due from external parties	<u>3,400</u>	<u>-</u>
Total Assets	<u>\$ 53,411</u>	<u>\$ 61,748</u>
Liabilities		
Other current liabilities	<u>\$ -</u>	<u>\$ 61,748</u>
Net Position		
Restricted - held in trust for scholarships	<u>\$ 53,411</u>	

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

NORTHEAST BRADFORD SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2013

	Private- Purpose Trust
Additions	
Earnings on investments	\$ 8,644
Deductions	
Scholarships awarded	<u>4,600</u>
Change in Net Position	4,044
Net Position - Beginning	<u>49,367</u>
Net Position - Ending	<u>\$ 53,411</u>

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

NORTHEAST BRADFORD SCHOOL DISTRICT
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

District Overview

The Northeast Bradford School District is a class 3 public school system in Rome, Pennsylvania, serving portions of northeastern Bradford County. An elected Board of Education (the "Board") consists of nine members and is responsible for the governance of the District.

Financial Reporting Entity

In accordance with the Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity* and Statement No. 61, *The Financial Reporting Entity: Omnibus*, the District has reviewed and evaluated its relationship with various entities to determine if these entities should be included in the annual financial statements of the District. The decision to include a potential component unit in the District's reporting entity is based on several criteria set forth in GASB Statements No. 14 and No. 61, including legal standing, fiscal dependency and financial accountability. Based on the application of these criteria, the following is a brief review of certain entities considered in determining the District's reporting entity.

- ◆ BLaST Intermediate Unit # 17
- ◆ Bradford County Tax Collection Committee
- ◆ Northern Tier Insurance Consortium
- ◆ Northern Tier Career Center

There were no situations in which the District designates management of an entity or where the District was able to significantly influence operations of an entity. The District does not solely fund deficits or receive the surplus funds of any other entity. There is no outstanding debt that is an obligation solely of the District, and the District does not contribute to a significant part of any other entity's revenues. The District is responsible for its proportionate share of the Northern Tier Career Center's ("NTCC") debt, along with other member districts of the Northern Tier Career Center. The NTCC is therefore considered a joint venture. Based on the above criteria, the District has not included any of the entities listed above in the District's annual financial statements. These agencies are considered separate legal entities and are responsible for their own independent audits. Separately issued financial statements of these entities can be obtained from their respective administrative offices:

BLaST Intermediate Unit # 17
33 Springbrook Drive
Canton, Pennsylvania 17724

Bradford County Tax Collection Committee
410 State Street
Towanda, Pennsylvania 18848

Northern Tier Insurance Consortium
33 Springbrook Drive
Canton, Pennsylvania 17724

Northern Tier Career Center
120 Career Center Lane
Towanda, Pennsylvania 18848

Basis of Presentation

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Beginning in the fiscal year ended June 30, 2013, the District adopted the provisions of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement codifies all sources of accounting principles generally accepted in the United States of America into the GASB's authoritative literature. Beginning in the fiscal year ended June 30, 2013, the District also adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*. These statements provide guidance on presenting deferred outflows, deferred inflows and net position. The District's most significant accounting policies to the financial statements are described in the following paragraphs.

NORTHEAST BRADFORD SCHOOL DISTRICT
Notes to Financial Statements

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

Government-Wide Financial Statements

The government-wide financial statements, which consist of the statement of net position and the statement of activities, report information on all of the non-fiduciary activities of the primary government. Governmental activities, which are supported primarily through governmental subsidies and taxes, are reported separately from business-type activities, which are intended to be funded primarily through fees and charges for goods or services. The fiduciary funds are excluded from the government-wide financial statements.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each program or function of the District's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect expenses are allocated among the programs, functions and segments using a full cost allocation approach and are combined with direct expense activity.

Program revenues include (1) charges to students, other municipalities, or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function (2) grants and contributions that are restricted to meeting the operational requirements of a particular function and (3) grants and contributions that are restricted to meeting the capital requirements of a particular function.

General revenues include taxes, subsidies and other revenues not specifically identifiable with a particular program or function of the District.

Fund Financial Statements

The accounting system is organized and separated on a fund basis. A fund is defined as a fiscal accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities of the District and attaining certain objectives in accordance with special regulations, restrictions or limitations. The emphasis of fund financial statements is on major funds, each of which are displayed in a separate column. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds - Governmental funds are funds through which most governmental functions are financed. The major governmental funds of the District are the general fund, capital reserve fund, debt service fund and capital projects fund. The general fund is the principal operating fund and includes all operations not required to be recorded in other funds. The capital reserve fund is used to account for the proceeds of specific sources that are restricted to expenditures for capital purposes. The debt service fund is used to account for transactions related to long-term debt for the District. The capital projects fund is used to account for all major construction projects. During the fiscal year ended June 30, 2013, the District had no major construction projects.

Proprietary Fund - The proprietary fund is used to account for ongoing activities which are similar to those often found in the private sector. The District's only proprietary fund is the school lunch fund. The school lunch fund accounts for activities that are usually self-sustaining, all or in part, through user charges for services rendered.

The proprietary fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from producing and delivering goods, and providing services in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

NORTHEAST BRADFORD SCHOOL DISTRICT
Notes to Financial Statements

Fiduciary Funds - These are funds that account for the assets held by the District as a trustee or agent for individuals, private organizations and governmental units. These assets are not available to support the District's programs. The fiduciary funds of the District include the private-purpose trust fund and agency fund. The private-purpose trust fund is used to account for assets held by the District in a trustee capacity. This fund accounts for various scholarship programs for students. The agency fund is used to account for assets held and administered by the District for a third party. Student activities assets are accounted for in this fund.

Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured. Basis of accounting refers to when revenues and expenses or expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting also relates to the timing of the measurement made, regardless of the measurement focus applied.

Accrual Basis - The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The economic resources measurement focus means that all of the assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operations (whether current or non-current) of the District are included in the statement of net position. The statement of activities presents increases (revenues) and decreases (expenses) in total net position.

Modified Accrual Basis - The governmental fund financial statements are accounted for using the modified accrual basis of accounting and use the current financial resources measurement focus. Under the modified accrual basis, revenues are recognized in the accounting period in which they become measurable and available. Measurable means that the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to finance any of the liabilities of the current period. For the District, available means expected to be received within sixty days of year end. With this measurement focus only current assets, deferred outflows of resources, liabilities and deferred inflows of resources are included on the balance sheet. Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues in the current fiscal period. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. The statement of revenues, expenditures and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

Reconciliations accompany the governmental fund financial statements to reconcile and explain the differences between fund balances and changes in fund balances, as presented in the fund financial statements, and net position and changes in net position, as presented in the government-wide financial statements.

Use of Estimates

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and, as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results may differ from those estimates.

Cash and Cash Equivalents

For purpose of reporting in the statement of net position, balance sheet and the statement of cash flows, the District includes all cash accounts and all highly liquid debt instruments purchased with an original maturity of three months or less in cash and cash equivalents. The District may invest excess cash in certificates of deposit with high credit quality financial institutions.

NORTHEAST BRADFORD SCHOOL DISTRICT
Notes to Financial Statements

Taxes Receivable

Property taxes receivable consists of property taxes levied, earned income taxes and uncollected as of year end for the current property tax levy and any previous years property tax levy. The allowance for uncollectible taxes is estimated based on management's evaluation of taxpayers with outstanding balances and their history with the taxpayer.

Due from Other Governments

The District reports amounts as due from other governments, which consist of funds claimed but not received from various federal, state and other governmental agencies.

Inventories

Inventories are valued at cost, or fair value if donated, using the first-in/first-out ("FIFO") method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Internal Balances

Short-term interfund receivables and payables are classified as current assets and liabilities in the fund financial statements. Short-term interfund receivables and payables between governmental activities and business-type activities are netted on the government-wide statement of net position. Short-term interfund receivables and payables between governmental and fiduciary funds are listed as due from external parties on the government-wide statement of net position.

Capital Assets

Capital assets are reported in the governmental activities column of the government-wide statement of net position but are reported as expenditures in the governmental fund financial statements. Capital assets purchased and used by the proprietary fund are recorded in both the business-type activities column in the government-wide statement of net position and in the respective proprietary fund statement of net position.

The District has established a capital asset policy which defines capital assets and establishes criteria for capitalization and depreciation. Capital assets are recorded at historical cost for purchased or constructed assets and at estimated fair market value for donated assets. All capital assets are depreciated, with the exception of land. The District's capitalization policy also establishes a capitalization threshold, which defines the dollar threshold for capitalizing assets and a useful-life range for each capital asset class. Depreciation is calculated using the straight-line method. Capital assets, which include land, buildings and improvements and furniture and equipment are reported in the government-wide statement of net position.

	<u>Capitalization Threshold</u>	<u>Years</u>
Land	All assets	N/A
Buildings and improvements	\$100,000	20 - 30
Furniture and equipment	\$1,500	5 - 20

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities are reported on the government-wide financial statements in their entirety. Governmental fund payables and accrued liabilities are recognized as fund liabilities when incurred.

NORTHEAST BRADFORD SCHOOL DISTRICT
Notes to Financial Statements

Unavailable Revenues - Property Taxes

Unavailable revenues from property taxes are reported in the governmental fund financial statements when potential revenues do not meet both the measurable and available criteria for recognition in the current period.

Statute provides the authority for the District to levy taxes to be used to finance expenditures within the first 120 days of the succeeding fiscal year. Consequently, such amounts are recognized as revenue in the subsequent fiscal year, rather than when measurable and available.

Unavailable revenues from property taxes that were recorded in the governmental funds for resources that are earned but not available are recorded as revenue in the government-wide statements.

Long-Term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities statement of net position. Bond premiums and discounts result from a difference between the debt amount to be repaid by the District and the amount of proceeds received by the District. Bond premiums and discounts are amortized as a component of interest expense over the life of the debt obligation using the effective interest rate method. Deferred gains or losses on refundings of debt result from the difference between the reacquisition price and the net carrying amount of the old debt. Deferred gains or losses on refundings of debt are reported as a deferred outflow of resources or a deferred inflow of resources and amortized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter using the effective interest rate method. In the governmental fund financial statements, governmental funds recognize bond premiums and discounts, and deferred gains or losses on refundings of debt in the current period. The face amount of debt issued is reported as other financing sources in the governmental fund financial statements. Premiums and discounts received on debt issuances are reported as other financing sources and uses. Bonds are presented net of remaining premiums and discounts on the statement of net position.

Compensated Absences, Vacation and Sick Leave

Vested compensated absences are accrued in proprietary fund types as they are earned by employees. Compensated absences related to government activities are accrued in the government-wide financial statements as they are earned by the employee and accrued in the governmental fund financial statements when payable from current financial resources. Employees of the District are entitled to paid sick and personal days depending on job classification, length of service and other factors. The District has calculated the accumulated sick days for each employee based on an agreed-upon amount of \$20 per day for up to 100 days.

Retirement Incentive

The District is also contracted to pay a retirement incentive to professional staff with 16 years of service or more. The incentive is calculated as 75% of the difference between current salary and step 1 salary. This incentive is reported as a liability in the general fund.

Net Position and Fund Balance

Government-Wide Financial Statements - Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied. Net position in the statement of net position includes the following:

NORTHEAST BRADFORD SCHOOL DISTRICT
Notes to Financial Statements

Net Investment in Capital Assets - The component of net position that reports the difference between capital assets, bond discounts and deferred refunding proceeds, less both the accumulated depreciation and the outstanding balance of debt and bond premiums. Unspent bond proceeds are excluded. This amounted to \$3,081,330 for the primary government as of June 30, 2013.

Restricted - The component of net position that reports amounts restricted for the use of resources by creditors, grantors, contributors, or laws and regulations of other governments. Restricted net position amounted to \$7,804 for the primary government as of June 30, 2013.

Unrestricted - The difference between the assets and and deferred outflows of resources and the liabilities and deferred inflows of resources that is not reported as restricted or net investment in capital assets. This amounted to \$6,450,402 for the primary government as of June 30, 2013.

Governmental Fund Financial Statements - In the governmental fund financial statements, the District reports fund balances in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB Statement No. 54 improves the usefulness and clarity of fund balance categories to make the nature and extent of the constraints placed on a District's fund balances more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable Fund Balance - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact.

Restricted Fund Balance - amounts with constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments.

Committed Fund Balance - amounts constrained to specific purposes by a government itself, using its highest level of decision making authority. To be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level of action to remove or change the constraint. For the purposes of the District, the highest level of decision making authority resides with the Board of Education.

Assigned Fund Balance - amounts a government intends to use for a specific purpose. Intent can be expressed by the governing body or by an official or body to which the Board of Education delegates the authority. For the purposes of the District, the Board of Education has delegated authority to the Business Manager.

Unassigned Fund Balance - amounts that are available for any purpose.

For the classification of governmental fund balances, the District considers an expenditure to be made from the budgetary appropriations first when more than one classification is available. The District establishes and modifies fund balance commitments by a passage of a resolution in meetings of the Board of Education. Assigned fund balance is established by the District through adoption or amendment of the budget as intended for specific purposes (such as the purchase of capital assets, construction, debt service or for other purposes). The District's Business Manager is responsible for all the purchasing activities of the District and encumbrances at year end, which are considered assigned funds and therefore, the Business Manager is designated as having the authority to assign amounts intended to be used for specific purposes. The Board of Education approves the adoption and amendment of the budget and has the authority of final review of all assignments of fund balance.

NORTHEAST BRADFORD SCHOOL DISTRICT
Notes to Financial Statements

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balances). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balances in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

The following is a summary of the District's fund balance classifications and categories within those classifications held at the fiscal year ended June 30, 2013:

Restricted

Restricted for Technology Upgrades - This reserve is used to account for funds that have been received from outside parties and designated for a specific purpose. The balance at June 30, 2013, was \$7,804 and these amounts have been designated for technology purchases.

Committed

Reserve for PSERS - Reserve for PSERS represents assigned funds used to finance the employer portion of future retirement and health insurance payments for the District. This amounted to \$967,688 for all governmental funds as of June 30, 2013.

Reserve for Retirement Incentive - Reserve for retirement incentive represents funds designated by the District to finance future retirement incentive obligations of the District. The balance at June 30, 2013, was \$360,000.

Assigned

Reserve for Healthcare Costs and Future PSERS Obligations - Reserve for healthcare costs and future PSERS obligations represents funds to be set aside for anticipated increases in healthcare costs and future PSERS obligations. The balance at June 30, 2013, was \$2,475,000.

Reserve for Capital Projects - Reserve for capital projects represents the remaining assigned funds used to finance future capital acquisitions or projects for the District. The balance at June 30, 2013, was \$1,040,869.

Unassigned

Unassigned - Unassigned fund balance consisted of excess funds that have not been classified in the previous categories. All funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls. This amounted to \$1,941,355 for all governmental funds as of June 30, 2013.

Property Taxes

The District levies property taxes based on the assessed value of the real estate within the District's borders. The assessed values are determined by the county in which the District resides. The District levies the tax each July 1, the discount period ends August 31, face period ends October 31 and the penalty period ends December 31. Uncollected taxes at December 31 are turned over to the applicable County for collection and liens are placed against the property by the applicable County.

NORTHEAST BRADFORD SCHOOL DISTRICT
Notes to Financial Statements

Interfund Transfers

Interfund transfers are reported as other financing sources and uses in governmental funds. These internal balances are reported as nonoperating revenues and expenses in the proprietary fund.

Exchange transactions between funds are reported as revenues in the seller funds, and as expenditures or expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as an interfund transfer.

Note 2. Cash and Cash Equivalents

Carrying amount of cash and cash equivalents as of June 30, 2013, appear in the financial statements as summarized below:

Cash and cash equivalents - governmental funds, balance sheet	\$ 7,504,401
Cash and cash equivalents - school lunch fund, statement of net position	89,324
Cash and cash equivalents - fiduciary funds, statement of net position	<u>111,759</u>
 Total cash and cash equivalents	 \$ <u>7,705,484</u>

Deposits are valued at cost or cost plus interest and are categorized as either (1) insured, or collateralized with securities held by the District's agent in the District's name, (2) uninsured, and for which the securities are held by the financial institution or its trust department in the District's name, or (3) uncollateralized. At June 30, 2013, the bank balance of deposits held was \$7,743,432. These deposits were categorized as follows:

	<u>Categories</u>			<u>Total</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Cash deposits	\$ <u>308,920</u>	\$ <u>-</u>	\$ <u>7,434,512</u>	\$ <u>7,743,432</u>

Although the pledged securities in category three are not in the name of the District, the deposits were deemed collateralized under School Code and Pennsylvania Law Act 72.

On December 31, 2010, legislation was passed allowing unlimited FDIC insurance coverage for noninterest-bearing transaction accounts. This coverage was temporary and was effective through December 31, 2012. Beginning on January 1, 2013, accounts held by FDIC insurance coverage for a government unit are insured up to \$250,000 for the combined amount of all time and savings accounts (including NOW accounts) and up to \$250,000 for all demand deposit accounts (interest-bearing and noninterest-bearing).

Note 3. Taxes Receivable

Taxes receivable consisted of the following at June 30, 2013:

	<u>Gross Taxes Receivable</u>	<u>Allowance for Uncollectible Taxes</u>	<u>Net Estimated to be Collectible</u>
Real estate taxes	\$ 183,293	\$ (10,998)	\$ 172,295
Occupation and per capita taxes	162,379	(9,743)	152,636
Earned income taxes	<u>2,368</u>	<u>-</u>	<u>2,368</u>
Total	\$ <u>348,040</u>	\$ <u>(20,741)</u>	\$ <u>327,299</u>

NORTHEAST BRADFORD SCHOOL DISTRICT
Notes to Financial Statements

Note 4. Due from Other Governments

The District reports amounts as due from other governments, which consisted of funds claimed but not received from various state, federal and other governmental agencies. The District believes that all amounts due from other governments are fully collectible, therefore no allowance for doubtful accounts has been recorded. Due from other governmental consisted of the following at June 30, 2013:

	<u>General Fund</u>	<u>School Lunch Fund</u>	<u>Total</u>
Federal subsidies	\$ 70,719	\$ 5,572	\$ 76,291
State subsidies	260,981	432	261,413
Other governmental agencies	<u>22,149</u>	<u>-</u>	<u>22,149</u>
Total	<u>\$ 353,849</u>	<u>\$ 6,004</u>	<u>\$ 359,853</u>

Note 5. Internal Balances

Internal balances for each fund of the primary government were comprised of the following at June 30, 2013:

	<u>Due From</u>	<u>Due To</u>
General fund	\$ 96,837	\$ -
Capital reserve fund	-	81,449
Private purpose trust	3,400	-
School lunch fund	<u>-</u>	<u>18,788</u>
Total	<u>\$ 100,237</u>	<u>\$ 100,237</u>

Internal balances of the District are utilized to:

- (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them
- (2) move expenditures from chargeable funds to a single fund for disbursement and
- (3) compensate for the time lag between the dates interfund goods and services are provided or reimbursable and the payments are actually made between the funds.

NORTHEAST BRADFORD SCHOOL DISTRICT
Notes to Financial Statements

Note 6. Capital Assets

Capital asset balances and activity for the year ended June 30, 2013, were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets Not Depreciated				
Land	\$ <u>64,000</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>64,000</u>
Capital Assets Depreciated				
Buildings and improvements	16,322,383	228,364	-	16,550,747
Furniture and equipment	<u>2,885,474</u>	<u>116,382</u>	<u>(1,500)</u>	<u>3,000,356</u>
Total capital assets depreciated	<u>19,207,857</u>	<u>344,746</u>	<u>(1,500)</u>	<u>19,551,103</u>
Less - Accumulated Depreciation				
Buildings and improvements	7,670,872	91,235	-	7,762,107
Furniture and equipment	<u>2,266,650</u>	<u>490,460</u>	<u>(1,175)</u>	<u>2,755,935</u>
Total accumulated depreciation	<u>9,937,522</u>	<u>581,695</u>	<u>(1,175)</u>	<u>10,518,042</u>
Total capital assets depreciated - net	<u>9,270,335</u>	<u>(236,949)</u>	<u>(325)</u>	<u>9,033,061</u>
Governmental Activities Capital Assets - Net	<u>\$ 9,334,335</u>	<u>\$ (236,949)</u>	<u>\$ (325)</u>	<u>\$ 9,097,061</u>
Business-type Activities				
Capital Assets Depreciated				
Furniture and equipment	\$ 385,320	\$ -	\$ -	\$ 385,320
Less - Accumulated Depreciation				
Furniture and equipment	<u>333,643</u>	<u>7,175</u>	<u>-</u>	<u>340,818</u>
Business-type Activities Capital Assets - Net	<u>\$ 51,677</u>	<u>\$ (7,175)</u>	<u>\$ -</u>	<u>\$ 44,502</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
Instruction	\$ 64,091
Instructional student support	7,645
Administrative and financial support	1,607
Operation and maintenance of plant	304,292
Student activities	5,143
Unallocated depreciation	<u>198,917</u>
Total depreciation expense	<u>\$ 581,695</u>
Business-type Activities	
School lunch	<u>\$ 7,175</u>

NORTHEAST BRADFORD SCHOOL DISTRICT
Notes to Financial Statements

Note 7. Defined Benefit Plan

School districts in the Commonwealth of Pennsylvania participate in a State administered pension program established under legislative authority, which is a cost-sharing multiple-employer public employees' retirement system. Under this cost sharing multiple-employer defined benefit plan, contributions are made by each of three parties – the school district, the Commonwealth and the employee. Substantially all the District's full-time employees, part-time employees salaried over eighty days and hourly employees working more than five hundred hours per year participate in the program. Currently, each party to the program contributes a fixed percentage of employees' gross earnings. The benefits for eligible participants consist of retirement and disability, legislative mandated ad hoc cost-of-living adjustments, and healthcare insurance premium assistance to qualifying annuitants.

The pension program is wholly administered by the state-wide, autonomous Commonwealth of Pennsylvania Public School Employees' Retirement System (the "System" or "PSERS") with offices in Harrisburg, Pennsylvania. The School District has no responsibility or authority for the operation and administration of the pension program, nor has it any related liability except for the current contribution requirements. The System issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Office of Financial Management, Public School Employees' Retirement System, P.O. Box 125, Harrisburg, PA 17108-0125. The report is also available on the PSERS website at www.psers.state.pa.us/publications/cafr/index.htm.

Significant amendments to the System were made in 1975 as a result of amendments to the Pennsylvania School Employees' Retirement Code (the Code) (Act No. 96 of October 2, 1975) (24 Pa. C.S. 8101-8535) by the Pennsylvania General Assembly. Under the provisions of the code, members are eligible for monthly retirement benefits upon reaching (a) age 62; (b) age 60 and 30 or more years of service or; (c) 35 or more years of service regardless of age.

The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, employers, and the Commonwealth. Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class TC) or at 6.50% (Membership Class TD) 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 TC) or at 7.50% (Membership TD) of the member's qualifying compensation. Members who joined the System after June 30, 2001, contribute at 7.50% (automatic Membership Class TD). For all new hires and for members who elected Class TD membership, the higher contribution rates began with service rendered on or after January 1, 2002. Members who joined the System on or after July 1, 2011 (Act 120 members) contribute at 7.50% (Membership Class TE) or at 10.30% (Membership Class TF) of the member's qualifying compensation. Contributions required of employers are based upon an actuarial valuation. For the fiscal year ended June 30, 2013, the rate of the employer's contribution was 12.36% of covered payroll. The 12.36% rate is composed of a pension contribution rate of 11.50% for pension benefits and 0.86% healthcare insurance premium assistance.

For the year ended June 30, 2013, the District contributed \$712,529 (including \$13,385 in the school lunch fund) and employees contributed \$430,355 to the System. Such amounts represented approximately 12.46% and 7.53%, respectively, of covered payroll of \$5,716,864. The District's contributions to the System for the years ended June 30, 2012 and June 30, 2011, were \$454,792 and \$316,268, respectively, which represents 100% of the actuarial calculated annual required contribution.

NORTHEAST BRADFORD SCHOOL DISTRICT
Notes to Financial Statements

Note 8. Long-Term Obligations

The District borrows money in order to acquire land or high cost equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities, which are full faith and credit debt of the District, are recorded in the District-wide statements (statement of net position).

A. Summary of Long-Term Obligations

The changes in the District's long-term indebtedness during the year ended June 30, 2013, are summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Bonds payable	\$ 5,640,000	\$ 2,140,000	\$ 2,515,000	\$ 5,265,000
Less, bond discount / plus, bond premium	(27,392)	42,862	6,819	8,651
Compensated absences	20,127	1,821	-	21,948
Retirement incentive	320,862	71,189	-	392,051
Loan payable	-	905,000	-	905,000
Other postemployment health benefits liability	156,873	59,698	-	216,571
Total	<u>\$ 6,110,470</u>	<u>\$ 3,220,570</u>	<u>\$ 2,521,819</u>	<u>\$ 6,809,221</u>
Due in one year				\$ 459,283
Due in more than one year				<u>6,349,938</u>
Total				<u>\$ 6,809,221</u>

B. Long-Term Debt

The District had the following long-term debt outstanding at June 30, 2013:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Serial bond, series 2007AA	2017; 3.750%-4.000%	\$ 2,075,000	\$ -	\$ 2,075,000	\$ -
Serial bond, series 2011	2027; 2.000%-3.550%	3,565,000	-	15,000	3,550,000
Serial bond, series 2012	2017; 0.400%-2.000%	-	2,140,000	425,000	1,715,000
Loan payable, 2012	2023; 1.000%	-	905,000	-	905,000
Less, bond discount/plus, bond premium		<u>(27,392)</u>	<u>42,862</u>	<u>6,819</u>	<u>8,651</u>
Total long-term debt		<u>\$ 5,612,608</u>	<u>\$ 3,087,862</u>	<u>\$ 2,521,819</u>	<u>\$ 6,178,651</u>

General Obligation Bonds, Series 2007AA - The District is the issuer of \$3,820,000 General Obligation Bonds, Series AA of 2007. Proceeds of the bond were used to advance refund and restructure all or portions of the General Obligation Note, Series of 1999 and to pay the costs of issuing and insuring the 2007 bonds. The proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. During the current fiscal year ended, the General Obligation Bonds, Series 2007AA were refunded by General Obligation Bonds, Series 2012. As a result, \$2,075,000 in bonds were considered defeased and the liability was removed from the financial statements.

NORTHEAST BRADFORD SCHOOL DISTRICT
Notes to Financial Statements

General Obligation Bonds, Series 2011 - The District is the issuer of \$3,570,000 General Obligations Bonds, Series of 2011. Proceeds of the bond were used to advance refund all or portions of the General Obligation Bonds, Series A of 2007. Proceeds were also used to currently refund the General Obligation Note, Series of 2009, and to pay the costs of issuing and insuring the bonds. Interest is payable on June 1 and December 1 of each year, with the principal payments due on June 1. The bonds are subject to redemption, at the option of the District, in whole or in part, on or after December 1, 2012, at 100% of the principal amount with accrued interest to the date fixed for redemption. Defeased debt resulting from the advanced refunding was redeemed in whole on December 1, 2012.

General Obligation Bonds, Series 2012 - The District is the issuer of \$2,140,000 General Obligation Bonds, Series of 2012. The bonds are being issued to provide funds to be applied for and toward a project to refund the District's outstanding General Obligation Bonds, Series 2007AA and pay the costs of the issuance of and insurance on the bonds. The economic gain or loss is the difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at the effective interest rate. The refunding resulted in an economic gain of approximately \$79,000. The cash flow difference is the difference between the cash flows required to service old debt and the cash flow required to service new debt and complete refunding. The cash flow difference from the refunding was approximately \$84,000. Interest is payable on June 1 and December 1 of each year, with the principal payments due on June 1. The bonds are subject to redemption, at the option of the District, in whole or in part, on or after December 1, 2012, at 100% of the principal amount with accrued interest to the date fixed for redemption.

Loan Payable, 2012 - The District is the issuer of a \$905,000 loan to finance the project costs associated with the Northeast Bradford School District's energy conservation biomass facility project. The loan will be repaid with monthly interest only payments for the first two years, with monthly principal and interest payments to follow for the eight years remaining.

C. Interest Paid on Long-Term Debt

Interest on long-term debt for the year amounted to:

Total long-term debt interest expenditures	\$ 129,045
Add: accrued interest paid in refunding	41,500
Add: interest accrued in the current year	11,508
Less: interest accrued in the prior year	(15,165)
Add: amortization of deferred refunding proceeds	12,448
Less: amortization of premium and discount	<u>(6,819)</u>
Interest paid on long-term debt	<u>\$ 172,517</u>

D. Maturity - Long-Term Debt

The following is the amortization schedule for the long-term liability resulting from long-term debt:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 450,000	\$ 140,376	\$ 590,376
2015	556,304	136,142	692,446
2016	654,499	124,935	779,434
2017	660,637	112,898	773,535
2018	406,764	100,771	507,535
2019 - 2023	2,106,796	376,642	2,483,438
2024 - 2027	<u>1,335,000</u>	<u>114,532</u>	<u>1,449,532</u>
Total	<u>\$ 6,170,000</u>	<u>\$ 1,106,296</u>	<u>\$ 7,276,296</u>

NORTHEAST BRADFORD SCHOOL DISTRICT
Notes to Financial Statements

Note 9. Related Parties

Joint Ventures

Bradford County Tax Collection Committee - Bradford County Tax Collection Committee is the Tax Collection Committee representing all taxing jurisdictions within Bradford County, Pennsylvania, as defined by Pennsylvania Act 32 of 2008. The Committee is comprised of representatives from each taxing jurisdiction. All actions of the Committee are approved by the representatives using a weighted voting system based on each taxing jurisdiction's percentage of earned income tax revenue and population. The Committee is responsible for overseeing the collection and distribution of earned income and net profit taxes within the Tax Collection District. Members of the Tax Collection District are comprised of all school districts and municipalities within the geographic boundaries of the Tax Collection District. Non-members are entities not included within the geographic boundaries of the Tax Collection District. Amounts remitted to the District from the Bradford County Tax Collection Committee amounted to \$386,193, net of the collection fee, for the year ended June 30, 2013.

Northern Tier Insurance Consortium - The District and other surrounding educational institutions created a joint venture, the Northern Tier Insurance Consortium (the "Consortium"), to provide adequate and affordable health, hospitalization, medical services and other insurance coverage to the District's employees and to stabilize the cost of this insurance over the long term. The governing body of the joint venture is comprised of a Director from each participating educational institution. The District pays an estimated monthly premium to the Consortium for health insurance coverage calculated by an annual actuarial assessment. The District's payments of monthly premiums amounted to \$1,545,483 for the year ended June 30, 2013. The Consortium self funds all claims and utilizes a third party to manage the claims.

Northern Tier Career Center - Eight regional school districts participate in a joint venture, the Northern Tier Career Center, to provide vocational-technical education opportunities for their students. The District appoints one member of the governing board. Consequently, the District does not have material control or fiscal responsibility over the Northern Tier Career Center. The District along with the other seven participating Districts share in the operating deficit or surplus of the Northern Tier Career Center. In the fiscal year ended June 30, 2006, the districts approved the Northern Tier Career Center capital improvement project and subsequent bond issue in the amount of \$9,200,000. By approving this project, the District agreed to an additional tuition increase to be used for funding the debt service of the project. The original bond issue was refunded in the fiscal year ended June 30, 2012 by issuing new bonds in the amount of \$7,965,000. The District's tuition requirement related to the refunded bond issue is \$1,189,614 in total and \$62,344 for the fiscal year ended June 30, 2013.

Future payments including principal and interest are as follows:

2013 - 2014	\$ 62,361
2014 - 2015	62,361
2015 - 2016	62,336
2016 - 2017	62,700
2017 - 2018	62,584
2019 - 2023	310,992
2024 - 2027	<u>124,689</u>
Total	<u>\$ 748,023</u>

Jointly Governed Organization

BLaST Intermediate Unit #17 - BLaST Intermediate Unit #17 serves Bradford, Lycoming, Sullivan and Tioga counties. BLaST Intermediate Unit #17 assists regional schools with their charge to educate special needs children and provides speech, hearing, psychological and vision services. The members are comprised of the 19 school districts within Bradford, Lycoming, Sullivan and Tioga counties. The Board of Directors has oversight responsibility to provide financial interdependency, designate governing authority and the selection of management. The Board of Directors is comprised of one director from each of the nineteen member districts.

NORTHEAST BRADFORD SCHOOL DISTRICT
Notes to Financial Statements

Note 10. Other Post Employment Healthcare Plan

Plan Description

The Canton Area School District contributes to the Northern Tier Insurance Consortium Health Care Plan (the "Plan"), a cost sharing multiple-employer defined benefit healthcare plan administered by First Priority Life Insurance Company. The Plan provides medical benefits to active and retired employees of the District. The retired employees reimburse the District for 100% of their premium expenses and the reimbursed amount is allocated against this expense.

Actuarial Methods and Assumptions

Actuarial valuations for other post employment benefit ("OPEB") plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These actuarially determined amounts are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress is presented immediately following the financial statements as required supplementary information. The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

The annual required contribution ("ARC") for the Plan was determined as a part of the July 1, 2012 actuarial valuation using the following methods and assumptions:

Actuarial Cost Method

The actuarial cost method utilized was the entry age normal cost method.

Amortization Period and Method

The amortization period is 12 years, using the level dollar open method.

Interest Rate

The assumed interest rate on investments was 4.50%.

Disability

No disability was assumed.

Salary Adjustment

An assumption for salary increases is used only for spreading contributions over future pay under the entry age normal cost method. For this purpose, salary increases are composed of a 3% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 3% to 0.25%.

Rates of Withdrawal

Rates of withdrawal vary by age, gender and years of service. Rates for new employees start at 14% for both men and women and decrease with age and service.

NORTHEAST BRADFORD SCHOOL DISTRICT
Notes to Financial Statements

Mortality

Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation

Retirement

Assumed retirement rates are based on PSERS plan experience and vary by age, service and gender.

Percentage of Eligible Retirees Electing Coverage in the Plan

It was assumed that 25% of administrators and support staff will elect coverage. It is also assumed that 90% of teachers who have at least 15 years of service with the District will elect coverage. It is assumed that 100% of teachers who have at least 15 years of service with the District will receive the HRA payment. It is assumed that 25% of teachers who retire through PSERS but do not have 15 years of service with the District will elect coverage. It is assumed that spouses who pay the full premium will not continue past Medicare age.

Percent Married at Retirement

It was assumed that 50% of employees will be married and have a spouse covered by the Plan at retirement. Wives are assumed to be two years younger than their husband.

Retiree Contributions and Health Care Cost Trend Rate

Retiree contributions are assumed to increase at the same rate as the health care cost trend rate. The health care cost trend rate was 7.5% in 2012, decreasing by 0.5% 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.

Per Capita Claims Cost

The per capita claims cost for medical and prescription drug is based on the expected portion of the District's overall cost attributed to individuals in the specified age and gender brackets. Dental costs are assumed to not vary with age or gender. The resulting costs are as follows:

Medical and Prescription Drug Combined		
<u>Age</u>	<u>Males</u>	<u>Females</u>
45-49	\$4,417	\$6,379
50-54	\$5,850	\$7,210
55-59	\$7,125	\$7,544
60-64	\$9,298	\$8,667
65+	\$4,563	\$4,563

NORTHEAST BRADFORD SCHOOL DISTRICT
Notes to Financial Statements

As of July 01, 2012, the most recent actuarial valuation date, the Plan had an unfunded accrued liability of \$855,775. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

	Governmental Activities	Business- Type Activities
Annual required contribution	\$ 124,355	\$ 454
Interest on net OPEB obligation	3,617	20
Adjustment to annual required contribution	<u>(8,816)</u>	<u>(49)</u>
Annual OPEB cost (expense)	119,156	425
Contributions made	<u>(59,883)</u>	<u>-</u>
Increase in OPEB obligation - net	59,273	425
Net OPEB obligation - beginning of year	<u>156,425</u>	<u>448</u>
Net OPEB obligation - end of year	<u>\$ 215,698</u>	<u>\$ 873</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2013 fiscal year and the two preceding fiscal years is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2013	\$ 119,581	50.1%	\$ 216,571
6/30/2012	\$ 126,072	58.2%	\$ 156,873
6/30/2011	\$ 126,577	81.7%	\$ 104,055

Note 11. Unavailable Revenues - Property Taxes

Unavailable revenues from property taxes are reported in the governmental fund financial statements when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Property taxes collected within the first sixty days subsequent to year end are considered measurable and current. The components of unavailable revenues from property taxes are illustrated in the following schedule as of June 30, 2013:

Taxes receivable	\$ 324,932
Less: amounts measurable and available	<u>(97,593)</u>
Total unavailable revenues from taxes	<u>\$ 227,339</u>

Unavailable revenues from property taxes that were recorded in the governmental funds balances sheet for resources that are earned but not available are recorded as revenue in the government-wide statement of activities.

NORTHEAST BRADFORD SCHOOL DISTRICT
Notes to Financial Statements

Note 12. Interfund Transfers

Interfund transfers for the year ended June 30, 2013, consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ -	\$ 665,953
Capital reserve fund	100,000	-
Debt service fund	<u>565,953</u>	<u>-</u>
Total	<u>\$ 665,953</u>	<u>\$ 665,953</u>

Transfers are utilized by the District to:

- (1) move revenues from the fund that statute or the budget requires to collect them to the fund that statute or the budget requires to expend them,
- (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and
- (3) move residual cash from closed projects to debt service to be used for debt payments at a later date.

Note 13. Risk Management

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

The District carries commercial insurance for these and other risks of loss including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

Note 14. Federal and State Funded Programs

The District participates in a number of Federal and Pennsylvania grant and assistance programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

Note 15. Restatement

The District restated its financial statements to write off previous debt issuance costs in accordance with GASB Statement No. 65. The effect of this restatement was to decrease the statement of activities net position at July 1, 2012 by \$99,009.

REQUIRED SUPPLEMENTARY INFORMATION

NORTHEAST BRADFORD SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Local revenues	\$ 3,519,044	\$ 3,519,044	\$ 3,544,885	\$ 25,841
State sources	8,199,412	8,199,412	8,193,924	(5,488)
Federal sources	<u>458,213</u>	<u>458,213</u>	<u>393,304</u>	<u>(64,909)</u>
Total revenues	<u>12,176,669</u>	<u>12,176,669</u>	<u>12,132,113</u>	<u>(44,556)</u>
Expenditures				
Regular programs	5,150,843	5,150,843	5,002,224	148,619
Special programs	1,671,262	1,671,262	1,552,502	118,760
Vocational programs	200,298	263,298	260,744	2,554
Other instructional programs	94,241	94,241	87,534	6,707
Non-public programs	25,000	25,000	10,867	14,133
Pupil instructional programs	376,035	376,035	358,590	17,445
Instructional staff services	226,174	307,674	303,438	4,236
Administrative services	961,227	879,727	823,915	55,812
Pupil health	115,271	115,271	108,735	6,536
Business services	449,801	449,801	395,775	54,026
Operation and maintenance of plant	1,006,843	1,006,843	976,213	30,630
Student transportation services	1,087,812	1,087,812	1,074,313	13,499
Other support services	332,445	332,445	319,972	12,473
Student activities	220,405	227,405	227,312	93
Debt service	<u>749,013</u>	<u>183,013</u>	<u>3,092</u>	<u>179,921</u>
Total expenditures	<u>12,666,670</u>	<u>12,170,670</u>	<u>11,505,226</u>	<u>665,444</u>
Other Financing Uses				
Interfund transfers out	-	<u>666,000</u>	<u>665,953</u>	<u>47</u>
Total other financing uses	-	<u>666,000</u>	<u>665,953</u>	<u>47</u>
Net Change in Fund Balance	(490,001)	(660,001)	(39,066)	<u>\$ 620,935</u>
Fund Balance - Beginning	<u>5,790,913</u>	<u>5,790,913</u>	<u>5,790,913</u>	
Fund Balance - Ending	<u>\$ 5,300,912</u>	<u>\$ 5,130,912</u>	<u>\$ 5,751,847</u>	

NORTHEAST BRADFORD SCHOOL DISTRICT
Schedule of Funding Progress for Other Postemployment Benefits Obligation
For the Year Ended June 30, 2013

Actuarial Valuation Date	Actuarial Valuation 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)	
07/01/2012	\$	-	\$ 855,775	\$ 855,775	-%	\$ 5,406,214	15.8%
07/01/2009	\$	-	\$ 1,016,125	\$ 1,016,125	-%	\$ 5,184,617	19.6%

NORTHEAST BRADFORD SCHOOL DISTRICT
Notes to Required Supplementary Information

Note 1. Budgetary Comparison Schedule and Budgetary Basis Reporting

An operating budget for the general fund is adopted prior to the beginning of each year on the modified accrual basis of accounting. The general fund is the only fund for which a budget is legally required.

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

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

The District is required to publish notice by advertisement, at least once in two newspapers of general circulation in the municipality in which it is located, and within fifteen days of final action, that the proposed budget has been prepared and is available for public inspection at the administrative office of the District.

Notice that public hearings will be held on the proposed operating budget must be included in the advertisement; such hearings are required to be scheduled at least ten days prior to when final action on adoption is taken by the Board.

Legal budgetary control is maintained at the sub-function level. The Board may make transfers of funds appropriated to any particular item of expenditure by action of the Board of Education in accordance with the Pennsylvania School Code. Management may amend the budget at the sub-function level without Board approval. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments.

Note 2. Schedule of Funding Progress for Other Postemployment Benefits Obligation

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

SINGLE AUDIT REPORTS

NORTHEAST BRADFORD SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

<u>Federal Grantor/Pass Through Grantor/ Program or Cluster Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantor Number</u>	<u>Grant Period Beginning/ Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue at 6/30/12</u>	<u>Revenue Recognized</u>	<u>Federal Expenditures</u>	<u>Accrued (Deferred) Revenue at 6/30/13</u>
U.S. Department of Agriculture										
Passed through the Pennsylvania Department of Education										
Child Nutrition Cluster:										
National School Lunch Hi/Low Program	I	10.555	362-0000	11-12	N/A	\$ 15,586	\$ 15,586	\$ -	\$ -	\$ -
National School Lunch Hi/Low Program	I	10.555	362-0000	12-13	N/A	149,897	-	154,236	154,236	4,339
Reg/Ndy Breakfast	I	10.553	365-0000	12-13	N/A	10,472	-	10,738	10,738	266
Severe Needs Breakfast Program	I	10.553	367-0000	11-12	N/A	5,409	5,409	-	-	-
Severe Needs Breakfast Program	I	10.553	367-0000	12-13	N/A	33,818	-	34,785	34,785	967
Total passed though the Pennsylvania Department of Education						215,182	20,995	199,759	199,759	5,572
Non-cash Assistance Passed through the Pennsylvania Department of Agriculture										
National School Lunch - USDA Commodities	I	10.555	N/A	11-12	N/A	-	(5,797)	5,797	5,797	-
National School Lunch - USDA Commodities	I	10.555	N/A	12-13	N/A	21,039	-	14,612	14,612	(6,427)
Total Child Nutrition Cluster						236,221	15,198	220,168	220,168	(855)
Total U.S. Department of Agriculture						236,221	15,198	220,168	220,168	(855)
U.S. Department of Education										
Passed through the Pennsylvania Department of Education										
Title I Cluster:										
Title I - Improving Basic Programs	I	84.010	013 120294	11-12	202,064	12,631	12,631	-	-	-
Title I - Improving Basic Programs	I	84.010	013 130294	12-13	190,167	158,511	-	190,167	190,167	31,656
Total Title I Cluster						171,142	12,631	190,167	190,167	31,656
Title II - Improving Teacher Quality	I	84.367	020 120294	11-12	72,656	4,804	4,804	-	-	-
Title II - Improving Teacher Quality	I	84.367	020 130294	12-13	71,938	54,075	-	71,938	71,938	17,863
Total passed though the Pennsylvania Department of Education						58,879	4,804	71,938	71,938	17,863
Passed through BLaST IU #17										
Special Education Grants to States (IDEA)	I	84.027	N/A	12-13	131,200	110,000	-	131,200	131,200	21,200
Total U.S. Department of Education						340,021	17,435	393,305	393,305	70,719
Total Expenditures of Federal Awards						\$ 576,242	\$ 32,633	\$ 613,473	\$ 613,473	\$ 69,864

See accompanying notes to schedule of expenditures of federal awards.

NORTHEAST BRADFORD SCHOOL DISTRICT
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards presents the activity of federal award programs administered by the District, which is described in Note 1 to the District's accompanying financial statements, using the accrual basis of accounting. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies. The information is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source for the data presented. Matching costs (the District's share of certain program costs) are not included in the reported expenditures.

Note 2. Source Codes

The accompanying schedule of expenditures of federal awards presents a column with the source code. The sources are as follows:

<u>Source Codes</u>	<u>Type of Funding</u>
D	Direct
I	Indirect
S	State share

INDEPENDENT AUDITORS' 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 Board of Education
Northeast Bradford School District
Rome, 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, business-type activities, each major fund, and the aggregate remaining fund information of the Northeast Bradford School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Northeast Bradford School District's basic financial statements, and have issued our report thereon dated December 11, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Northeast Bradford 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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

EFP Rotenberg, LLP

EFP Rotenberg, LLP
Corning, New York
December 11, 2013

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education
Northeast Bradford School District
Rome, Pennsylvania

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the Northeast Bradford 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 Northeast Bradford School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Northeast Bradford 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 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 requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

EFP Rotenberg, LLP

EFP Rotenberg, LLP
Corning, New York
December 11, 2013

NORTHEAST BRADFORD SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

SUMMARY OF AUDITORS' RESULTS:

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- | | | |
|---|------------------------------|--|
| 1. Material weaknesses identified? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| 2. Significant deficiencies identified that are not considered to be material weaknesses? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| 3. Noncompliance material to the financial statements noted? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |

Federal Awards

Internal control over major programs:

- | | | |
|---|------------------------------|--|
| 4. Material weaknesses identified? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| 5. Significant deficiencies identified that are not considered to be material weaknesses? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |

Type of auditors' report issued on compliance for major program: Unmodified

- | | | |
|---|------------------------------|--|
| 6. Audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| 7. Major programs audited were: | | |

Program Name

CFDA Federal Number

U.S. Department of Education - Title 1 - Improving Basic Programs

CFDA No. 84.010

- | | |
|--|---|
| 8. Dollar threshold to determine type A and type B programs: | \$300,000 |
| 9. Auditee qualified as low-risk auditee? | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |

FINDINGS - FINANCIAL STATEMENT AUDIT

NONE

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

NONE

STATUS OF PRIOR YEAR FINDINGS

NONE