

**NORTHEAST BRADFORD SCHOOL DISTRICT**

**FINANCIAL STATEMENTS**

**JUNE 30, 2017**

**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, 2017, 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Northeast Bradford School District as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Change in Accounting Principle*

As described in Note 1 to the financial statements, during the year ended June 30, 2017, the Northeast Bradford School District adopted the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*. Our opinions are not modified with respect to this matter.

### *Correction of Error*

As indicated in Note 16, the June 30, 2016 financial statements have been restated subsequent to their issuance to properly state the retirement receivable. Our opinions are not modified with respect to this matter.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule - general fund, schedule of funding progress for other post employment benefits obligation, schedule of district's proportionate share of the net pension liability - PSERS, schedule of employer's contributions for PSERS and notes to the required supplementary information on pages 3 - 13 and 49 - 53, 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 combining and individual nonmajor fund financial statements on pages 54 through 55 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards on page 56 is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements of Northeast Bradford School District.

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

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2017, 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.

*EFPR Group, CPAs, PLLC*

EFPR Group, CPAs, PLLC

Corning, New York

December 20, 2017

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**NORTHEAST BRADFORD SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2017**

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## **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, 2017. 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, 2017, on the government-wide statements amounted to a deficit of \$9,309,432 for governmental activities. The unrestricted net position was a deficit of \$14,068,928, the net investment in capital assets was \$4,757,496 and the restricted net position was \$2,000 as of June 30, 2017.
- The District's net position, as of June 30, 2017, on the government-wide statements amounted to a deficit of \$298,042 for business-type activities. The unrestricted net position was a deficit of \$327,545, the net investment in capital assets was \$29,503 and there were no amounts classified as restricted net position as of June 30, 2017.
- The "current ratio", which is an indicator of liquidity, for governmental activities was 2.81 and 3.29 as of June 30, 2017 and 2016, respectively.
- The "current ratio", which is an indicator of liquidity, for business-type activities was 1.62 and 2.25 as of June 30, 2017 and 2016, respectively.
- The District's overall net position for governmental activities decreased by \$927,284 or (11.06)% in 2016-2017 compared with a decrease of \$689,474 or (8.96)% in 2015-2016.
- The District's overall net position for business-type activities decreased by \$24,729 or (9.05)% in 2016-2017 compared with a decrease of \$19,691 or (7.76)% in 2015-2016.

## **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.

**NORTHEAST BRADFORD SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2017**

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**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.

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 14 - 15 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 three 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, which is considered to be the District's only major fund 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 16 - 19 of this report.



**NORTHEAST BRADFORD SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2017**

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**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 20 - 22 of this report.

**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 23 - 24 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 25 - 48 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 - general fund, a schedule of funding progress for other postemployment benefits obligation, a schedule of district's proportionate share of the net pension liability - PSERS and the schedule of employer's contribution for PSERS. 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 49 - 53 of this report.

**Other Supplementary Information**

The combining statements for the other governmental funds are presented for additional analysis and immediately follow the required supplementary information. Combining and individual fund statements and schedules can be found on pages 54 - 55 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* using the accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. 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 56 - 62 of this report.

**NORTHEAST BRADFORD SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2017**

**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, 2017 and 2016 along with totals for the primary government as a whole.

**Table 1**

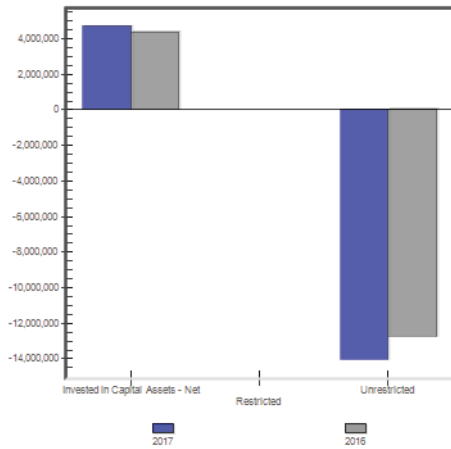
**Condensed Statement of Net Position**  
**June 30, 2017 and 2016**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>		<u>Percentage Change</u>
	<u>2017</u>	<u>Restated 2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>Restated 2016</u>	
<b>Assets</b>							
Current and other assets	\$ 6,777,701	\$ 7,127,614	\$ 53,423	\$ 30,597	\$ 6,831,124	\$ 7,158,211	(4.6)%
Capital assets	<u>8,521,517</u>	<u>8,780,154</u>	<u>29,503</u>	<u>31,778</u>	<u>8,551,020</u>	<u>8,811,932</u>	(3.0)%
Total assets	<u>\$ 15,299,218</u>	<u>\$ 15,907,768</u>	<u>\$ 82,926</u>	<u>\$ 62,375</u>	<u>\$ 15,382,144</u>	<u>\$ 15,970,143</u>	(3.7)%
<b>Deferred Outflow of Resources</b>	<u>\$ 4,547,862</u>	<u>\$ 1,825,904</u>	<u>\$ 82,081</u>	<u>\$ 30,708</u>	<u>\$ 4,629,943</u>	<u>\$ 1,856,612</u>	149.4 %
<b>Liabilities</b>							
Current liabilities	\$ 2,411,812	\$ 2,163,593	\$ 33,027	\$ 13,577	\$ 2,444,839	\$ 2,177,170	12.3 %
Long-term liabilities							
Loan payable	536,796	648,560	-	-	536,796	648,560	(17.2)%
Bonds payable	2,891,524	3,192,371	-	-	2,891,524	3,192,371	(9.4)%
Compensated absences	10,715	14,010	1,219	1,198	11,934	15,208	(21.5)%
Retirement incentive	573,100	485,480	-	-	573,100	485,480	18.0 %
Net pension liability	21,558,828	18,133,763	395,172	319,237	21,954,000	18,453,000	19.0 %
OPEB liability	265,419	394,125	1,900	1,658	267,319	395,783	(32.5)%
Separately financed specific liabilities - pension	<u>3,896</u>	<u>5,896</u>	<u>104</u>	<u>104</u>	<u>4,000</u>	<u>6,000</u>	(33.3)%
Total liabilities	<u>\$ 28,252,090</u>	<u>\$ 25,037,798</u>	<u>\$ 431,422</u>	<u>\$ 335,774</u>	<u>\$ 28,683,512</u>	<u>\$ 25,373,572</u>	13.0 %
<b>Deferred Inflow of Resources</b>	<u>\$ 904,422</u>	<u>\$ 1,078,022</u>	<u>\$ 31,627</u>	<u>\$ 30,622</u>	<u>\$ 936,049</u>	<u>\$ 1,108,644</u>	(15.6)%
<b>Net Position</b>							
Net investment in capital assets	\$ 4,757,496	\$ 4,366,141	\$ 29,503	\$ 31,778	\$ 4,786,999	\$ 4,397,919	8.8 %
Restricted	2,000	2,000	-	-	2,000	2,000	- %
Unrestricted	<u>(14,068,928)</u>	<u>(12,750,289)</u>	<u>(327,545)</u>	<u>(305,091)</u>	<u>(14,396,473)</u>	<u>(13,055,380)</u>	(10.3)%
Total net position	<u>\$ (9,309,432)</u>	<u>\$ (8,382,148)</u>	<u>\$ (298,042)</u>	<u>\$ (273,313)</u>	<u>\$ (9,607,474)</u>	<u>\$ (8,655,461)</u>	(11.0)%

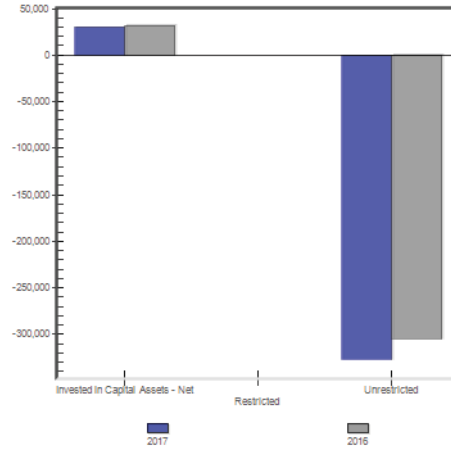
**NORTHEAST BRADFORD SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2017**

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 \$4,786,999 and \$4,397,919 for the District at the fiscal years ended June 30, 2017 and 2016, 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 \$2,000 as of the fiscal years ended June 30, 2017 and 2016. The remaining balance of net position is an unrestricted deficit caused by the net pension liability. At June 30, 2017 and 2016, the District had a deficit unrestricted net position of \$14,396,473 and \$13,055,380, 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, 2017**

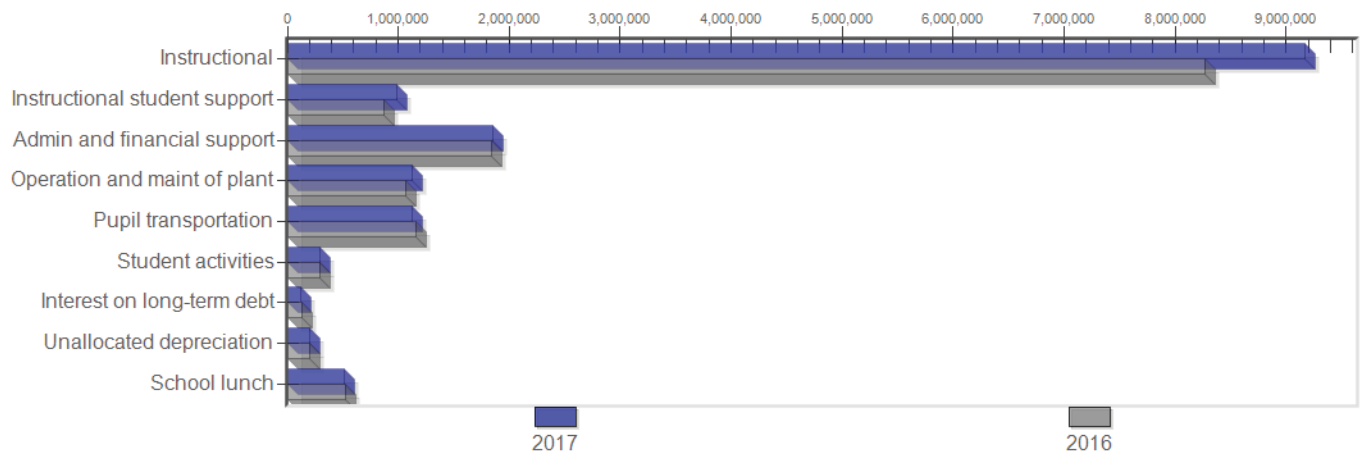
**Table 2**

**Condensed Statements of Activities**  
**For the Years Ended June 30, 2017 and 2016**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>		<u>Percentage Change</u>
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	
<b>Revenues</b>							
Program revenues							
Charges for services	\$ 172,525	\$ 49,969	\$ 150,877	\$ 167,949	\$ 323,402	\$ 217,918	48.4 %
Operating grants and contributions	3,436,333	2,975,416	299,909	289,672	3,736,242	3,265,088	14.4 %
Capital grants and contributions	306,436	246,852	-	-	306,436	246,852	24.1 %
General revenues							
Property taxes and related items	3,886,290	3,822,881	-	-	3,886,290	3,822,881	1.7 %
Grants, subsidies and contributions	5,982,823	5,891,039	-	-	5,982,823	5,891,039	1.6 %
Earnings on investments	14,400	8,800	591	232	14,991	9,032	66.0 %
Miscellaneous income	197,002	192,717	786	1,676	197,788	194,393	1.7 %
Loss on disposal of capital assets	(3,517)	-	-	-	(3,517)	-	100.0 %
Interfund transfers	(35,000)	(48,224)	35,000	48,224	-	-	- %
Total revenues	<u>13,957,292</u>	<u>13,139,450</u>	<u>487,163</u>	<u>507,753</u>	<u>14,444,455</u>	<u>13,647,203</u>	5.8 %
<b>Expenses</b>							
Instructional	9,172,794	8,274,638	-	-	9,172,794	8,274,638	10.9 %
Instructional student support	990,495	874,918	-	-	990,495	874,918	13.2 %
Administrative and financial support services	1,849,875	1,837,537	-	-	1,849,875	1,837,537	0.7 %
Operation and maintenance of plant services	1,129,021	1,064,280	-	-	1,129,021	1,064,280	6.1 %
Pupil transportation	1,129,710	1,154,192	-	-	1,129,710	1,154,192	(2.1)%
Student activities	290,664	292,586	-	-	290,664	292,586	(0.7)%
Interest on long-term debt	123,099	131,856	-	-	123,099	131,856	(6.6)%
Unallocated depreciation	198,918	198,917	-	-	198,918	198,917	- %
School lunch	-	-	511,892	527,444	511,892	527,444	(2.9)%
Total expenses	<u>14,884,576</u>	<u>13,828,924</u>	<u>511,892</u>	<u>527,444</u>	<u>15,396,468</u>	<u>14,356,368</u>	7.2 %
<b>Changes in Net Position</b>	<u>\$ (927,284)</u>	<u>\$ (689,474)</u>	<u>\$ (24,729)</u>	<u>\$ (19,691)</u>	<u>\$ (952,013)</u>	<u>\$ (709,165)</u>	34.2 %

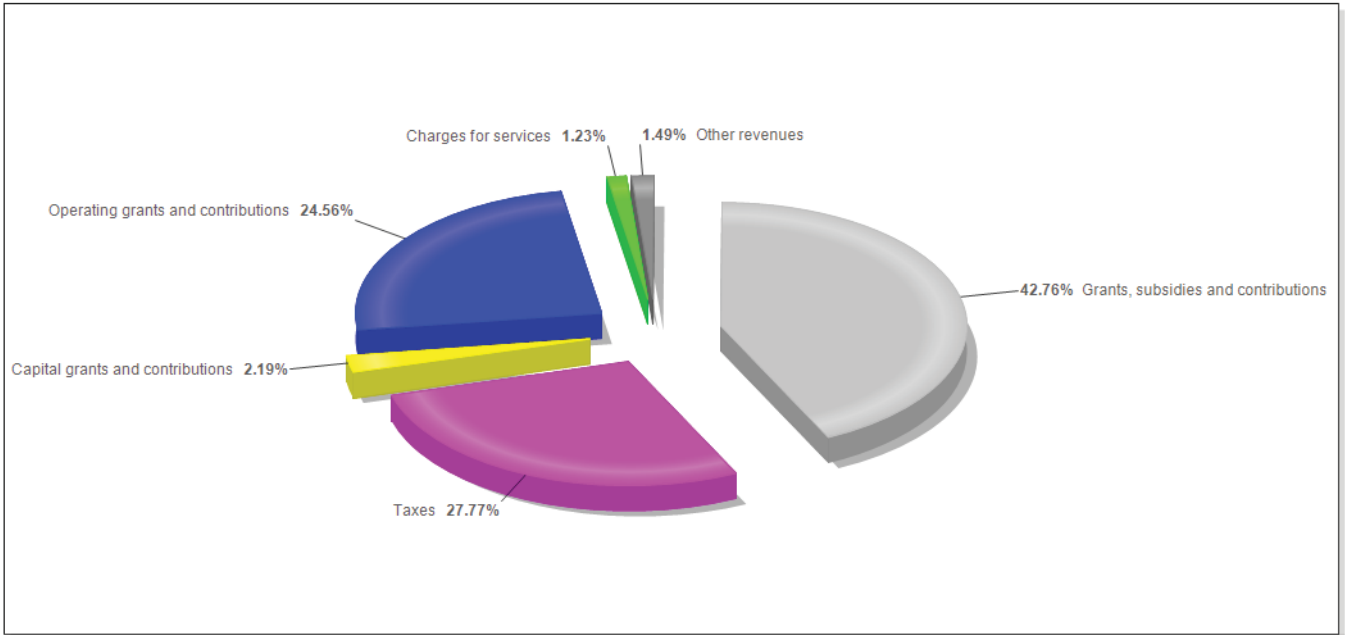
The District's governmental activities experienced a decrease in net position of \$927,284 for the fiscal year ended June 30, 2017. This represents a decrease of approximately 11.06% from the previous fiscal year. The District's business-type activities experienced a decrease in net position of \$24,729 for the fiscal year ended June 30, 2017. This represents a decrease of approximately 9.05% from the previous fiscal year.

**Comparative Expenses by Function**

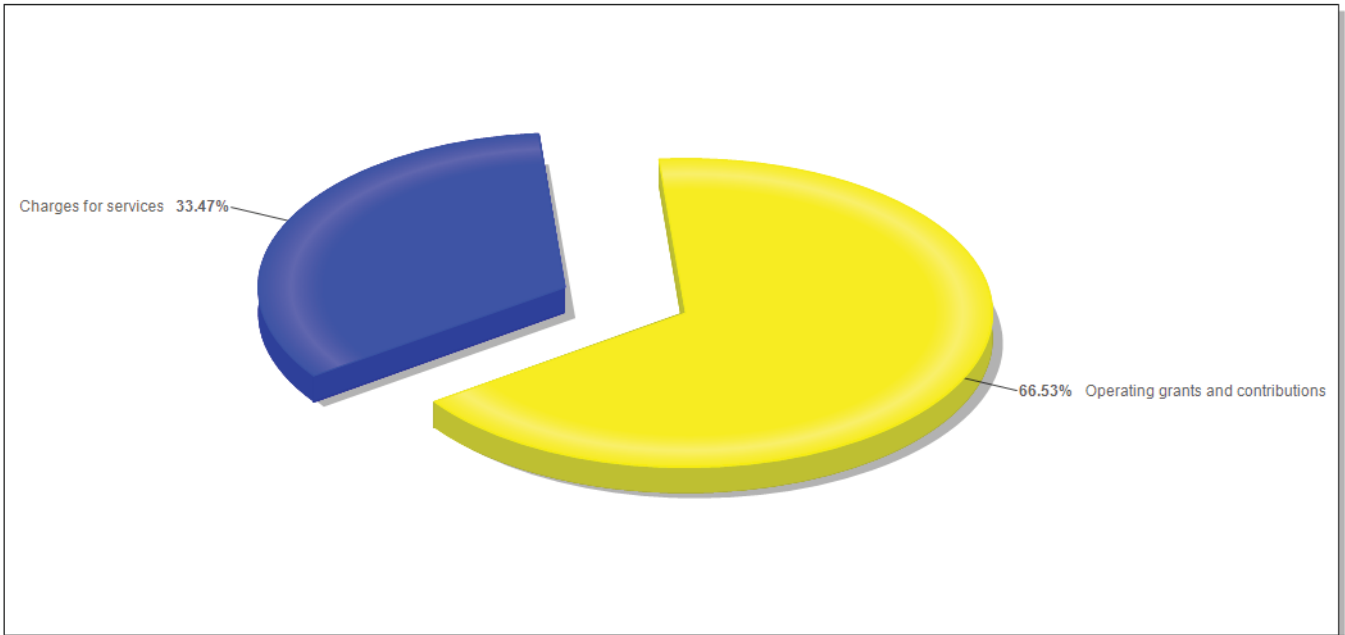


**NORTHEAST BRADFORD SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2017**

**Sources of Revenues for Governmental Activities  
Fiscal Year 2017**



**Sources of Revenues for Business-type Activities  
Fiscal Year 2017**



**NORTHEAST BRADFORD SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2017**

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>Percentage</u>
	<u>2017</u>	<u>2016</u>	<u>Change</u>
Instructional	\$ 9,172,794	\$ 8,274,638	10.9 %
Instructional student support	990,495	874,918	13.2 %
Administrative and financial support services	1,849,875	1,837,537	0.7 %
Operation and maintenance of plant services	1,129,021	1,064,280	6.1 %
Pupil transportation	1,129,710	1,154,192	(2.1)%
Student activities	290,664	292,586	(0.7)%
Interest on long-term debt	123,099	131,856	(6.6)%
Unallocated depreciation	198,918	198,917	- %
School lunch	<u>511,892</u>	<u>527,444</u>	(2.9)%
Total expenses	<u>\$ 15,396,468</u>	<u>\$ 14,356,368</u>	7.2 %

	<u>Net Cost of Services</u>		<u>Percentage</u>
	<u>2017</u>	<u>2016</u>	<u>Change</u>
Instructional	\$ 6,901,920	\$ 6,455,532	6.9 %
Instructional student support	872,886	779,684	12.0 %
Administrative and financial support services	1,653,755	1,672,109	(1.1)%
Operation and maintenance of plant services	761,844	768,929	(0.9)%
Pupil transportation	225,825	282,412	(20.0)%
Student activities	231,035	267,248	(13.6)%
Interest on long-term debt	123,099	131,856	(6.6)%
Unallocated depreciation	198,918	198,917	- %
School lunch	<u>61,106</u>	<u>69,823</u>	(12.5)%
Total net cost	<u>\$ 11,030,388</u>	<u>\$ 10,626,510</u>	3.8 %

**NORTHEAST BRADFORD SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2017**

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**Capital Assets**

At the end of fiscal years 2017 and 2016, the District had \$21,311,466 and \$21,139,376 invested in land, buildings and improvements, and furniture and equipment, respectively. Depreciation expense of \$569,320 and \$582,820 has been recorded in 2017 and 2016, respectively. The net book value of capital assets at June 30, 2017 and 2016 was \$8,551,020 and \$8,811,932, respectively. The table presented below displays the fiscal 2017 and 2016 balances for the major classes of assets:

**Capital Assets (Net of Depreciation)**  
**At June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>	<u>Percentage Change</u>
Land	\$ 64,000	\$ 64,000	-
Buildings and improvements	8,243,900	8,433,331	(2.2)%
Furniture and equipment	243,120	314,601	(22.7)%
Total	<u>\$ 8,551,020</u>	<u>\$ 8,811,932</u>	(3.0)%

Additional information on the District's capital assets can be found in Notes 1 and 7 on pages 29 and 37, respectively, of this report.

**Long-Term Obligations**

At June 30, 2017 and 2016, the District had total long-term obligations of \$26,644,281 and \$23,851,192, respectively. The District has maintained a credit rating of A2 from the Moody's Corporation for the fiscal years ended June 30, 2017 and 2016. The table presented below displays the fiscal 2017 and 2016 balances of the long-term obligations.

**Long-Term Obligations**  
**At June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>	<u>Percentage Change</u>
Loan payable	\$ 648,560	\$ 759,197	(14.6)%
Bonds payable - net	3,185,368	3,736,524	(14.8)%
Compensated absences	11,934	15,208	(21.5)%
Retirement incentive	573,100	485,480	18.0 %
OPEB liability	267,319	395,783	(32.5)%
Net pension liability	21,954,000	18,453,000	19.0 %
Separately financed specific liabilities - pension	4,000	6,000	(33.3)%
Total	<u>\$ 26,644,281</u>	<u>\$ 23,851,192</u>	11.7 %

Additional information on the District's long-term debt can be found in Notes 1 and 8, 9 and 11 beginning on pages 30 and 38, 42 and 45, respectively, of this report.

**NORTHEAST BRADFORD SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2017**

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**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 \$14,865,191 and \$13,828,622 and expenditures and other financing uses of \$15,620,830 and \$14,874,170 in 2017 and 2016, respectively. Overall fund balance for all governmental funds decreased \$755,639 in 2016-2017, which represents a change of approximately 14.19%.

- The fund balance in the general fund decreased by \$628,013, which represents a change of approximately 12.34%.
- The fund balance in the nonmajor governmental funds decreased by \$127,626, which represents a change of 54.35%.

**General Fund Budgetary Highlights**

A budgetary comparison schedule for the District's general fund is presented as required supplementary information on page 49 of these financial statements. The District's budgetary policies are described on page 53 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.

The homestead/farmstead tax relief was not included in the original budget, so the local revenue was overstated. The state shared retirement and social security increased with an increase in salary and wage expenditures in the amended budget.

**Original to Amended  
At June 30, 2017 and 2016**

	<u>Original</u>		<u>Amended</u>		<u>Variance</u>
<b>Revenues and Other Sources</b>					
Local revenues	\$ 4,284,016	\$	4,189,570	\$	(94,446)
State sources	\$ 8,820,692	\$	9,016,884	\$	196,192
<b>Expenditures and Other Uses</b>					
Regular programs	\$ 5,730,620	\$	6,220,219	\$	489,599
Special programs	\$ 1,554,661	\$	1,713,615	\$	158,954



**NORTHEAST BRADFORD SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2017**

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**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.

Local & state revenues were higher than budget due to the following: royalty payment from gas lease, unbudgeted NTCC plancon revenue, higher social security and PSERS revenue. Expenditures exceeded budget due to the following: Litigation liability for demotions was recognized in 2016-2017 and transfer of royalty payment from gas lease.

**Amended to Actual**  
**At June 30, 2017 and 2016**

	<u>Amended</u>		<u>Actual</u>		<u>Variance</u>
<b>Revenues and Other Sources</b>					
Local revenues	\$ 4,189,570	\$	4,362,381	\$	172,811
State sources	\$ 9,016,884	\$	9,386,727	\$	369,843
<b>Expenditures and Other Uses</b>					
Regular programs	\$ 6,220,219	\$	6,448,471	\$	(228,252)
Special programs	\$ 1,713,615	\$	1,896,995	\$	(183,380)
Instructional staff services	\$ 231,788	\$	343,676	\$	(111,888)
Administrative services	\$ 1,041,331	\$	897,539	\$	143,792
Interfund transfers out	\$ 720,713	\$	811,713	\$	(91,000)

**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, 2018. The 2017-2018 budget of \$14,588,091 represents an overall increase of \$316,691 or 2% of the 2016-17 budget of \$14,271,400. The 2017-2018 budget highlights included the following:

- Increase in state funding relating to retirement costs and basic education funding.
- Increase in local funding relating to real estate.
- Decrease in state funding relating to Plancon Reimbursement.
- Increase in expenditures for healthcare and employer paid retirement benefits.
- Increase in a contingency fund for litigation liability.
- Increase in expenditures for special education.
- Decrease in wages due to retirements.
- Decrease in transportation expenditures due to eliminating a route and late run.
- Decrease in debt – the final bond payment was made June 2017 on the General Obligation Bond Series of 2012.

**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  
526 Panther Lane  
Rome, Pennsylvania, 18837  
(570) 744-2521 ext. 2207

# **BASIC FINANCIAL STATEMENTS**

**NORTHEAST BRADFORD SCHOOL DISTRICT**  
**Statement of Net Position**  
**June 30, 2017**

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 5,566,364	\$ 811	\$ 5,567,175
Investments - certificates of deposit	146,866	-	146,866
Taxes receivable - net	282,483	-	282,483
Due from other governments	769,347	37,226	806,573
Other receivables	12,641	60	12,701
Inventories	-	15,326	15,326
Capital assets			
Capital asset - not depreciated	64,000	-	64,000
Capital assets - net of depreciation	<u>8,457,517</u>	<u>29,503</u>	<u>8,487,020</u>
<b>Total Assets</b>	<u>15,299,218</u>	<u>82,926</u>	<u>15,382,144</u>
<b>Deferred Outflows of Resources</b>			
Deferred refunding proceeds - net	69,907	-	69,907
Deferred outflows of resources - pensions	<u>4,477,955</u>	<u>82,081</u>	<u>4,560,036</u>
Total deferred outflows of resources	<u>4,547,862</u>	<u>82,081</u>	<u>4,629,943</u>
<b>Liabilities</b>			
Internal balances	(20,959)	20,959	-
Due to fiduciary funds	-	3,000	3,000
Accrued interest payable	8,304	-	8,304
Accounts payable	206,602	9,068	215,670
Accrued salaries and benefits	651,939	-	651,939
Payroll deductions and withholdings	774,464	-	774,464
Other liabilities	385,854	-	385,854
Long-Term Liabilities			
Portion due or payable within one year			
Loan payable	111,764	-	111,764
Bonds payable - net of discount and premium	293,844	-	293,844
Portion due or payable after one year			
Loan payable	536,796	-	536,796
Bonds payable - net of discount and premium	2,891,524	-	2,891,524
Compensated absences	10,715	1,219	11,934
Retirement incentive	573,100	-	573,100
Net pension liability	21,558,828	395,172	21,954,000
Other postemployment benefit liability	265,419	1,900	267,319
Separately financed specific liabilities - pension	<u>3,896</u>	<u>104</u>	<u>4,000</u>
<b>Total Liabilities</b>	<u>28,252,090</u>	<u>431,422</u>	<u>28,683,512</u>
<b>Deferred Inflows of Resources</b>			
Advances on future period revenues	-	15,049	15,049
Deferred inflows of resources - pensions	<u>904,422</u>	<u>16,578</u>	<u>921,000</u>
Total deferred inflows of resources	<u>904,422</u>	<u>31,627</u>	<u>936,049</u>
<b>Net Position</b>			
Net investment in capital assets	4,757,496	29,503	4,786,999
Restricted	2,000	-	2,000
Unrestricted	<u>(14,068,928)</u>	<u>(327,545)</u>	<u>(14,396,473)</u>
<b>Total Net Position</b>	<u>\$ (9,309,432)</u>	<u>\$ (298,042)</u>	<u>\$ (9,607,474)</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, 2017**

<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	\$ 9,172,794	\$ 142,756	\$ 2,128,118	\$ -	\$ (6,901,920)	\$ -	\$ (6,901,920)
Instructional student support	990,495	-	117,609	-	(872,886)	-	(872,886)
Administrative and financial support services	1,849,875	-	196,120	-	(1,653,755)	-	(1,653,755)
Operation and maintenance of plant services	1,129,021	-	60,741	306,436	(761,844)	-	(761,844)
Pupil transportation	1,129,710	-	903,885	-	(225,825)	-	(225,825)
Student activities	290,664	29,769	29,860	-	(231,035)	-	(231,035)
Interest on long-term debt	123,099	-	-	-	(123,099)	-	(123,099)
Unallocated depreciation	198,918	-	-	-	(198,918)	-	(198,918)
Total governmental activities	<u>14,884,576</u>	<u>172,525</u>	<u>3,436,333</u>	<u>306,436</u>	<u>(10,969,282)</u>	<u>-</u>	<u>(10,969,282)</u>
Business-type activities							
School lunch fund	<u>511,892</u>	<u>150,877</u>	<u>299,909</u>	<u>-</u>	<u>-</u>	<u>(61,106)</u>	<u>(61,106)</u>
Total primary government	<u>\$ 15,396,468</u>	<u>\$ 323,402</u>	<u>\$ 3,736,242</u>	<u>\$ 306,436</u>	<u>(10,969,282)</u>	<u>(61,106)</u>	<u>(11,030,388)</u>
<b>General Revenues</b>							
Property taxes and related items					3,886,290	-	3,886,290
Grants, subsidies and contributions					5,982,823	-	5,982,823
Earnings on investments					14,400	591	14,991
Miscellaneous income					197,002	786	197,788
Loss on disposal of capital assets					(3,517)	-	(3,517)
Interfund transfers					<u>(35,000)</u>	<u>35,000</u>	<u>-</u>
Total general revenues					<u>10,041,998</u>	<u>36,377</u>	<u>10,078,375</u>
<b>Changes in Net Position</b>					<u>(927,284)</u>	<u>(24,729)</u>	<u>(952,013)</u>
<b>Net Position - Beginning</b>					<u>(8,638,072)</u>	<u>(273,313)</u>	<u>(8,911,385)</u>
<b>Restatement (Note 16)</b>					<u>255,924</u>	<u>-</u>	<u>255,924</u>
<b>Net Position - Beginning, as Restated</b>					<u>(8,382,148)</u>	<u>(273,313)</u>	<u>(8,655,461)</u>
<b>Net Position - Ending</b>					<u>\$ (9,309,432)</u>	<u>\$ (298,042)</u>	<u>\$ (9,607,474)</u>

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

**NORTHEAST BRADFORD SCHOOL DISTRICT**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2017**

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 5,566,364	\$ -	\$ 5,566,364
Investments - certificates of deposit	-	146,866	146,866
Taxes receivable - net	282,483	-	282,483
Due from other funds	20,959	-	20,959
Due from other governments	769,347	-	769,347
Other receivables	<u>12,635</u>	<u>6</u>	<u>12,641</u>
<b>Total Assets</b>	<b><u>\$ 6,651,788</u></b>	<b><u>\$ 146,872</u></b>	<b><u>\$ 6,798,660</u></b>
<b>Liabilities</b>			
Accounts payable	\$ 166,907	\$ 39,695	\$ 206,602
Accrued salaries and benefits	651,939	-	651,939
Payroll deductions and withholdings	774,464	-	774,464
Other liabilities	<u>385,854</u>	<u>-</u>	<u>385,854</u>
Total liabilities	<u>1,979,164</u>	<u>39,695</u>	<u>2,018,859</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenues - property taxes	<u>212,131</u>	<u>-</u>	<u>212,131</u>
<b>Fund Balances</b>			
Restricted			
Restricted for technology upgrades	2,000	-	2,000
Committed			
Reserve for PSERS	967,688	-	967,688
Reserve for retirement incentive	360,000	-	360,000
Assigned			
Reserve for subsequent year	1,027,639	-	1,027,639
Reserve for healthcare costs and future PSERS obligations	1,600,000	-	1,600,000
Reserve for capital projects	-	107,177	107,177
Unassigned	<u>503,166</u>	<u>-</u>	<u>503,166</u>
Total fund balances	<u>4,460,493</u>	<u>107,177</u>	<u>4,567,670</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b><u>\$ 6,651,788</u></b>	<b><u>\$ 146,872</u></b>	<b><u>\$ 6,798,660</u></b>

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, 2017**

**Total Governmental Fund Balances** \$ 4,567,670

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	\$ 17,941,414	
Furniture and equipment	<u>2,932,272</u>	
Total depreciable assets	20,873,686	
Less - accumulated depreciation	<u>(12,416,169)</u>	
Total capital assets - net of depreciation		8,457,517

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. 69,907

Property taxes receivable levied and uncollected are deferred inflows in the government funds but recognized as revenue in the statement of activities. 212,131

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	(648,560)	
Bonds payable - net	(3,185,368)	
Compensated absences	(10,715)	
Retirement incentive	(573,100)	
Other postemployment benefit liability	(265,419)	
Accrued interest payable	<u>(8,304)</u>	
Total liabilities		<u>(4,691,466)</u>

Pension related assets, liabilities, deferred inflows and outflows are not financial resources or are not due and payable in the current period and therefore are not reported in the funds. These consist of the following:

Deferred outflows of resources - pensions	4,477,955	
Deferred inflows of resources - pensions	(904,422)	
Net pension liability	(21,558,828)	
Separately financed specific liabilities - pension	<u>(3,896)</u>	
Total pension related items		<u>(17,989,191)</u>

**Net Position of Governmental Activities** \$ (9,309,432)

**NORTHEAST BRADFORD SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2017**

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Local sources	\$ 4,362,381	\$ 505	\$ 4,362,886
State sources	9,386,727	-	9,386,727
Federal sources	<u>338,865</u>	<u>-</u>	<u>338,865</u>
Total revenues	14,087,973	505	14,088,478
<b>Other Financing Sources</b>			
Interfund transfers	<u>-</u>	<u>776,713</u>	<u>776,713</u>
Total revenues and other financing sources	<u>14,087,973</u>	<u>777,218</u>	<u>14,865,191</u>
<b>Expenditures</b>			
Instructional	8,794,609	-	8,794,609
Instructional student support	986,023	-	986,023
Administrative and financial support	1,745,628	-	1,745,628
Operation and maintenance of plant	853,951	249,131	1,103,082
Pupil transportation	1,127,025	-	1,127,025
Student activities	278,665	-	278,665
Debt service	<u>118,372</u>	<u>655,713</u>	<u>774,085</u>
Total expenditures	13,904,273	904,844	14,809,117
<b>Other Financing Uses</b>			
Interfund transfers	<u>811,713</u>	<u>-</u>	<u>811,713</u>
Total expenditures and other financing uses	<u>14,715,986</u>	<u>904,844</u>	<u>15,620,830</u>
<b>Net Change in Fund Balance</b>	<u>(628,013)</u>	<u>(127,626)</u>	<u>(755,639)</u>
<b>Fund Balances - Beginning, as Previously Stated</b>	4,832,582	234,803	5,067,385
<b>Restatement (Note 16)</b>	<u>255,924</u>	<u>-</u>	<u>255,924</u>
<b>Fund Balances - Beginning, as Restated</b>	<u>5,088,506</u>	<u>234,803</u>	<u>5,323,309</u>
<b>Fund Balances - Ending</b>	<u>\$ 4,460,493</u>	<u>\$ 107,177</u>	<u>\$ 4,567,670</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, 2017**

**Net Changes in Fund Balances - Total Governmental Funds** \$ (755,639)

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	\$ 311,925	
Depreciation expense	<u>(567,045)</u>	
Excess of depreciation over capital outlay		(255,120)

Loss on disposal of assets is not recorded in the governmental funds. (3,517)

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. 660,637

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	3,295	
Change in retirement incentive	(87,620)	
Change in other postemployment benefit liability	<u>128,706</u>	
		44,381

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 (11,801)

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:  
Amortization of bond discounts and premiums 1,156

Changes in the proportionate share of net pension asset/liability reported in the statement of activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds:  
Pension expense (515,706)

Other differences		
Change in unavailable revenue - property taxes	(92,669)	
Accrued interest payable	<u>994</u>	
Total other differences		<u>(91,675)</u>

**Change in Net Position of Governmental Activities** **\$ (927,284)**

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



**NORTHEAST BRADFORD SCHOOL DISTRICT**  
**Statement of Net Position**  
**Proprietary Fund**  
**June 30, 2017**

	<u>School Lunch Fund</u>
<b>Current Assets</b>	
Cash and cash equivalents	\$ 811
Due from other governments	37,226
Other receivables	60
Inventories	<u>15,326</u>
Total current assets	53,423
<b>Capital Assets - Net</b>	<u>29,503</u>
<b>Total Assets</b>	<u>82,926</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflows of resources - pensions	<u>82,081</u>
<b>Current Liabilities</b>	
Due to other funds	23,959
Accounts payable	<u>9,068</u>
Total current liabilities	33,027
<b>Long-Term Liabilities</b>	
Compensated absences	1,219
Other postemployment benefits liability	1,900
Net pension liability	395,172
Separately financed specific liabilities - pension	<u>104</u>
Total long-term liabilities	<u>398,395</u>
<b>Total Liabilities</b>	<u>431,422</u>
<b>Deferred Inflows of Resources</b>	
Advances on future period revenues	15,049
Deferred inflows of resources - pensions	<u>16,578</u>
Total deferred inflows of resources	<u>31,627</u>
<b>Net Position</b>	
Net investment in capital assets	29,503
Unrestricted	<u>(327,545)</u>
Total net position	<u>\$ (298,042)</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, 2017**

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	<u>School Lunch Fund</u>
<b>Operating Revenues</b>	
Food service revenue	\$ 150,877
Other operating revenues	786
Total operating revenues	<u>151,663</u>
<b>Operating Expenses</b>	
Salaries	114,093
Employee benefits	127,079
Purchased property services	19,057
Other purchased services	222,508
Supplies	24,435
Depreciation	2,275
Dues and fees	2,445
Total operating expenses	<u>511,892</u>
<b>Operating Loss</b>	<u>(360,229)</u>
<b>Nonoperating Revenues</b>	
Earning on investments	591
State sources	36,722
Federal sources	263,187
Interfund transfers	35,000
Total nonoperating revenue	<u>335,500</u>
<b>Changes in Net Position</b>	(24,729)
<b>Net Position - Beginning</b>	<u>(273,313)</u>
<b>Net Position - Ending</b>	<u>\$ (298,042)</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, 2017**

	<u>School Lunch Fund</u>
<b>Cash Flows from Operating Activities</b>	
Cash received from users	\$ 155,008
Cash payments to employees for services	(197,275)
Cash payments to suppliers for goods and services	<u>(269,324)</u>
Net cash flows from operating activities	<u>(311,591)</u>
<b>Cash Flows from Noncapital Financing Activities</b>	
State sources	34,813
Federal sources	231,864
Operating transfers in	<u>35,000</u>
Net cash flows from noncapital financing activities	<u>301,677</u>
<b>Cash Flows from Investing Activities</b>	
Earnings on investments	<u>591</u>
<b>Net Change in Cash and Cash Equivalents</b>	(9,323)
<b>Cash and Cash Equivalents - Beginning</b>	<u>10,134</u>
<b>Cash and Cash Equivalents - Ending</b>	<u>\$ 811</u>
<b>Reconciliation of Operating Loss to Net Cash Flows from Operating Activities</b>	
Operating loss	\$ (360,229)
Adjustments	
Depreciation	2,275
Change in assets and liabilities	
Due from other funds	21,472
Other receivables	(60)
Inventories	1,143
Accounts payable	(2,022)
Advances on future period revenues	3,405
Other non-current assets and liabilities	<u>22,425</u>
Net cash flows from operating activities	<u>\$ (311,591)</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, 2017**

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	<b><u>Private- Purpose Trust</u></b>	<b><u>Agency Funds</u></b>
<b>Assets</b>		
Cash and cash equivalents	\$ -	\$ 66,090
Investments	52,400	-
Due from proprietary fund	<u>3,000</u>	<u>-</u>
<b>Total Assets</b>	<b><u>\$ 55,400</u></b>	<b><u>\$ 66,090</u></b>
<b>Liabilities</b>		
Other current liabilities	<u>\$ -</u>	<u>\$ 66,090</u>
<b>Net Position</b>		
Restricted - held in trust for scholarships	<u>\$ 55,400</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, 2017**

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	<b>Private- Purpose <u>Trust</u></b>
<b>Additions</b>	
Earnings on investments	\$ <u>156</u>
Total additions	<u>156</u>
<b>Deductions</b>	
Scholarships awarded	<u>6,600</u>
<b>Change in Net Position</b>	(6,444)
<b>Net Position - Beginning</b>	<u>61,844</u>
<b>Net Position - Ending</b>	<u>\$ 55,400</u>

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

**NORTHEAST BRADFORD SCHOOL DISTRICT**  
**Notes to Financial Statements**

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**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 agencies to determine if these agencies 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 agencies 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 agency or where the District was able to significantly influence operations of an agency. The District does not solely fund deficits or receive the surplus funds of any other agency. 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 agency'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 agencies 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 agencies 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. The District complies with 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. The District also complies with 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**

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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. All remaining funds are aggregated and reported as total nonmajor funds. 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 fund of the District is the general fund. The general fund is the principal operating fund and includes all operations not required to be recorded in other funds. As stated in the preceding paragraph, nonmajor governmental funds are combined and included in the "Total nonmajor funds" column on the governmental fund financial statements. Nonmajor governmental funds of the District include the capital reserve fund and the debt service fund. 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 of the District. During the fiscal year ended June 30, 2017, 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**

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**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.

**Future Changes in Accounting Standards**

GASB has issued Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*," effective for periods beginning after June 15, 2017. This Statement replaces the requirements of Statements No. 45, "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*," as amended, and No. 57, "*OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*."

GASB has issued Statement No. 81, "*Irrevocable Split-Interest Agreements*." Effective for periods beginning after December 15, 2016.

GASB has issued Statement No. 83 - "*Certain Asset Retirement Obligations*." Effective for periods beginning after June 15, 2018.



**NORTHEAST BRADFORD SCHOOL DISTRICT**  
**Notes to Financial Statements**

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GASB has issued Statement No. 84 - "*Fiduciary Activities*." Effective for periods beginning after December 15, 2018.

GASB has issued Statement No. 85 - "*Omnibus 2017*." Effective for periods beginning after June 15, 2017.

GASB has issued Statement No. 86 - "*Certain Debt Extinguishment Issues*." Effective for periods beginning after June 15, 2017.

GASB has issued Statement No. 87 - "*Leases*." Effective for periods beginning after December 15, 2019.

The District will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

#### **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 purposes 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.

#### **Investments - Certificates of Deposit**

The District invests cash in excess of its immediate needs in certificates of deposits with high credit quality financial institutions. Non negotiable certificates of deposits are valued at cost plus accrued interest, which approximates fair value due to the short-term nature of these investments. Investment income is recorded as earning on investments in the government-wide statement of activities, local sources in the fund financial statements statement of revenues, expenditures and changes in fund balance, and earning on investments in the fiduciary funds statements of changes in fiduciary net position.

During the fiscal year ended June 30, 2017, the District implemented GASB Statement No. 72, *Fair Value Measurement and Application*. The primary objective of the Statement is to improve the usefulness of information about investments included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. See Note 3 for the financial statement impact of the Statement.

#### **Taxes Receivable**

Property taxes receivable consists of property taxes levied and uncollected as of year end for the current property tax levy and any previous years property tax levy. Taxes receivable also included earned income taxes uncollected as of year end. 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.

**NORTHEAST BRADFORD SCHOOL DISTRICT**  
**Notes to Financial Statements**

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**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 construction in progress and 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, construction in progress, buildings and improvements and furniture and equipment are reported in the government-wide statement of net position.

	<b>Capitalization Threshold</b>	<b>Years</b>
Land	All assets	N/A
Buildings and improvements	\$1,500	15 - 40
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.

**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.

**Deferred Outflows and Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditures) until then. The government has two items that qualifies for reporting in this category. The first item is related to pensions reported in the district-wide statement of net position. This represents the effect of the net change in the District's proportion of the collective net pension liability and the difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension system not included in pension expense. The second represents deferred charges on debt refundings.

**NORTHEAST BRADFORD SCHOOL DISTRICT**  
**Notes to Financial Statements**

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In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. The first item represents contract revenues received in prior years that are being recognized in the current year. The second item is related to pensions reported in the district-wide statement of net position. This represents the effect of the net change in the District's proportion of the collective net pension liability and difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. The third item is related to advances on future period revenues. This represents amounts already received for future school lunch sales.

### **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 straight line 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 straight line 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. Deferred gains or losses on refunding of debt are reported as deferred refunding proceeds on the statement of net position, net of applicable amortization.

### **Accounting and Financial Reporting for Pensions**

The District complies with GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – Amendment to GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The primary objective of the Statements is to improve accounting and financial reporting by state and local governments for pensions. The implementation of the Statements requires the District to report as an asset and/or liability its portion of the collective pension asset and/or liability in the Commonwealth of Pennsylvania Public School Employees' Retirement System ("PSERS"). The implementation of the Statements also requires the District to report a deferred outflow and/or inflow for the effect of the net change in the District's proportion of the collective net pension asset and/or liability and difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. Also included as a deferred outflow is the District contributions to the pension systems subsequent to the measurement date. See Note 8 for the financial statement impact of the Statements.

The District also complies with GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The primary objective of the Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The Statement clarifies certain provisions with regard to the accounting and financial reporting for separately financed specific liabilities for defined benefit plans. See note 8 for the financial statement impact of the Statement.

**NORTHEAST BRADFORD SCHOOL DISTRICT**  
**Notes to Financial Statements**

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**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 \$30 per day for up to 100 days. Certain employees are also entitled to payment for all earned vacation days at termination or retirement at each employee's current rate.

**Retirement Incentive**

The District is contracted to pay a retirement incentive to professional and administrative staff with 15 consecutive years of service or more. This incentives, which are reported as a liability in the general fund, are as follows:

**Professional Staff** - Employees shall receive a contribution to their Health Reimbursement Account (HRA) and 403(b) accounts, split 50%, in an amount equal to \$500 per year of service (maximum of 30 years) and \$80 per day for unused sick and personal days (maximum of 150 days).

**Administrative Staff** - Employees shall receive a contribution to either an HRA or 403(b) or combination of those two in an amount equal to \$500 per year of service (maximum of 30 years) and \$45 per day for unused sick days (maximum of 200 days).

**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:

**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. Net investment in capital assets amounted to \$4,786,999 as of June 30, 2017.

**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 \$2,000 for the primary government as of June 30, 2017.

**Unrestricted** - The difference between the assets 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 a deficit of \$14,396,473 for the primary government as of June 30, 2017.

**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 the 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.

**NORTHEAST BRADFORD SCHOOL DISTRICT**  
**Notes to Financial Statements**

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**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.

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, 2017:

**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, 2017, was \$2,000 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, 2017.

**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, 2017, was \$360,000.

**NORTHEAST BRADFORD SCHOOL DISTRICT**  
**Notes to Financial Statements**

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**Assigned**

**Reserve for Subsequent Year** - Reserve for subsequent year represents the estimated fund balance that is appropriated into the adopted budget. The balance at June 30, 2017, was \$1,027,639.

**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, 2017, was \$1,600,000.

**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, 2017, was \$107,177.

**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 \$503,166 for all governmental funds as of June 30, 2017.

**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 County for collection and liens are placed against the property by the County.

**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.



**NORTHEAST BRADFORD SCHOOL DISTRICT**  
**Notes to Financial Statements**

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**Note 2. Cash and Cash Equivalents**

Carrying amounts of cash and cash equivalents as of June 30, 2017, appear in the financial statements as summarized below:

Cash and cash equivalents - governmental funds, balance sheet	\$ 5,566,364
Cash and cash equivalents - school lunch fund, statement of net position	811
Cash and cash equivalents - fiduciary funds, statement of net position	<u>66,090</u>
Total cash and cash equivalents	<u>\$ 5,633,265</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, 2017, the bank balance of deposits held was \$5,555,966. Financial institutions used by the District are required to secure deposits of all "public bodies" with a pledge of collateral in accordance with Pennsylvania Pledge Act 72 (72 P.S. Section 3836-1 et seq.). Therefore, all of the District's deposits were deemed to be fully collateralized at June 30, 2017.

Accounts covered 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. Investments - Certificates of Deposit**

The District's investment policy and the Pennsylvania School Code establish criteria for the type of investments that can be held by the District. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of Pennsylvania or its localities.

Carrying amounts of investments as of June 30, 2017, appear in the financial statements as summarized below:

Investments - governmental funds, balance sheet	\$ 146,866
Investments - fiduciary funds, statements of net position	<u>52,400</u>
Total investments	<u>\$ 199,266</u>

**Investments measured at cost plus accrued interest**

The District invests cash in excess of its immediate needs in certificates of deposit with high credit quality financial institutions. Non negotiable certificates of deposit are valued at cost plus accrued interest, which approximates fair value due to the short-term nature of these investments. Investments in non negotiable certificates of deposit consisted of the following at June 30, 2017:

<u>Fund</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Original Maturity</u>
Capital reserve fund	\$ 146,866	.20%	12 months
Fiduciary fund	<u>52,400</u>	.15 - .55%	12 - 30 months
Total	<u>\$ 199,266</u>		

The certificates are subject to fixed interest rates ranging from .15% to .55% and have maturities ranging from twelve to thirty months, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

**NORTHEAST BRADFORD SCHOOL DISTRICT**  
**Notes to Financial Statements**

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**Interest Rate Risk** - In accordance with its investment policy, the District manages its exposure by requiring a Board designated individual to have the responsibility to manage the district's investment program, in accordance with written, Board-approved procedures for operation of the investment program. The designated individual shall report monthly to the Board.

**Credit Risk** - The District's investment policy states that the District is to only invest in investments defined in Section 440.1 PA School Code, as amended. All securities shall be purchased in the name of the school.

**Concentration of Credit Risk** - The District's investment policy places no limit on the amount the District may invest in any one issuer.

Section 440.01 of the Pennsylvania School Code authorizes the District's investments. In accordance with Section 440.01, the District is authorized to invest in the following:

- United States treasury bills;
- Short-term obligations of the United States government or its agencies. Short-term obligations usually refer to investments of less than 13 months.
- Deposits in savings accounts or time deposits or share accounts of institutions insured by:
  1. The Federal Deposit Insurance Corporation (FDIC), or
  2. The Federal Savings and Loan Insurance Corporation, or
  3. The National Credit Union Share Insurance Fund.
- Collateral, as provided by law, shall be pledged by the depository against any remaining uninsured balance.
- Obligations of the United States of America or any of its agencies or instruments backed by the full faith and credit of the United States of America, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities. Full faith and credit means the obligation is backed by the government's ability to levy taxes to repay debt. These investments include any bonds issued by the Commonwealth of Pennsylvania or any municipality or school district carrying the backing of the taxation powers of the governmental unit issuing the debt. Some investments of the Federal government do not have full faith and credit backing. Fannie-Mae (FNMA) and Freddy-Mac (FNMC) bonds do not. Ginnie-Mae (GNMA) bonds do have full faith and credit backing.
- Shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933 provided that the following are met:
  1. The only investments of that company are in the authorized investments for district funds listed in the categories above and repurchase agreements fully collateralized by such investments.
  2. The investment company is managed so as to maintain its shares as a constant net asset value in accordance with 17 CFR 270 2a-7 (relating to money market funds).
  3. The investment company is rated in the highest category by a nationally recognized rating agency.

The District's investment policy prohibits the District from investing in foreign currency and would not have any related risk that would require disclosure pursuant to GASB Statement No. 40, *Deposit and Investment Risk Disclosures*.



**NORTHEAST BRADFORD SCHOOL DISTRICT**  
**Notes to Financial Statements**

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**Note 4. Taxes Receivable**

Taxes receivable consisted of the following at June 30, 2017:

	<u>Gross Taxes Receivable</u>	<u>Allowance for Uncollectible Taxes</u>	<u>Net Estimated to be Collectible</u>
Real estate taxes	\$ 186,927	\$ (9,346)	\$ 177,581
Occupation and per capita taxes	<u>110,423</u>	<u>(5,521)</u>	<u>104,902</u>
Total	<u>\$ 297,350</u>	<u>\$ (14,867)</u>	<u>\$ 282,483</u>

**Note 5. 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 governments consisted of the following at Friday, June 30, 2017:

	<u>General Fund</u>	<u>School Lunch Fund</u>	<u>Total</u>
Federal subsidies	\$ 75,487	\$ 35,065	\$ 110,552
State subsidies	<u>693,860</u>	<u>2,161</u>	<u>696,021</u>
Total	<u>\$ 769,347</u>	<u>\$ 37,226</u>	<u>\$ 806,573</u>

**Note 6. Internal Balances**

Internal balances for each fund of the primary government were comprised of the following at June 30, 2017:

	<u>Due From</u>	<u>Due To</u>
General fund	\$ 20,959	\$ -
Private purpose trust	3,000	-
School lunch fund	<u>-</u>	<u>23,959</u>
Total	<u>\$ 23,959</u>	<u>\$ 23,959</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 7. Capital Assets**

Capital asset balances and activity for the year ended June 30, 2017, were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
<b>Capital Assets Not Depreciated</b>				
Land	\$ <u>64,000</u>	\$ _____ -	\$ _____ -	\$ <u>64,000</u>
<b>Capital Assets Depreciated</b>				
Buildings and improvements	17,666,862	274,552	-	17,941,414
Furniture and equipment	<u>3,034,734</u>	<u>37,373</u>	<u>(139,835)</u>	<u>2,932,272</u>
Total capital assets depreciated	<u>20,701,596</u>	<u>311,925</u>	<u>(139,835)</u>	<u>20,873,686</u>
<b>Less - Accumulated Depreciation</b>				
Buildings and improvements	9,233,531	463,983	-	9,697,514
Furniture and equipment	<u>2,751,911</u>	<u>103,062</u>	<u>(136,318)</u>	<u>2,718,655</u>
Total accumulated depreciation	<u>11,985,442</u>	<u>567,045</u>	<u>(136,318)</u>	<u>12,416,169</u>
Total capital assets depreciated - net	<u>8,716,154</u>	<u>(255,120)</u>	<u>(3,517)</u>	<u>8,457,517</u>
<b>Governmental Activities Capital Assets - Net</b>	<u>\$ 8,780,154</u>	<u>\$ (255,120)</u>	<u>\$ (3,517)</u>	<u>\$ 8,521,517</u>
<b>Business-type Activities</b>				
<b>Capital Assets Depreciated</b>				
Furniture and equipment	\$ 373,780	\$ -	\$ -	\$ 373,780
<b>Less - Accumulated Depreciation</b>				
Furniture and equipment	<u>342,002</u>	<u>2,275</u>	<u>-</u>	<u>344,277</u>
<b>Business-type Activities Capital Assets - Net</b>	<u>\$ 31,778</u>	<u>\$ (2,275)</u>	<u>\$ -</u>	<u>\$ 29,503</u>

Depreciation expense was charged to functions/programs as follows:

<b>Governmental Activities</b>	
Instruction	\$ 6,574
Instructional student support	1,315
Administrative and financial support	43,322
Operation and maintenance of plant	305,176
Pupil transportation	2,685
Student activities	9,055
Unallocated depreciation	<u>198,918</u>
Total depreciation expense	<u>\$ 567,045</u>
<b>Business-type Activities</b>	
School lunch	<u>\$ 2,275</u>

**NORTHEAST BRADFORD SCHOOL DISTRICT**  
**Notes to Financial Statements**

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**Note 8. Defined Benefit Plan**

**General Information**

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

**Plan Description**

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

**Benefits Provided**

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

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

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

**NORTHEAST BRADFORD SCHOOL DISTRICT**  
**Notes to Financial Statements**

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**Contributions**

*Member Contributions*

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 T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation. Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership T-D) of the member's qualifying compensation. Members who joined the System after June 30, 2001, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002. Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect class T-F membership, contribute at 10.30% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.30% and 12.30%.

*Employer Contributions*

The District's contractually required contribution rate for the fiscal year ended June 30, 2017 was 29.20% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$1,849,036 for the year ended June 30, 2017.

**GASB Statements No. 68 and No. 71**

The District complies with GASB No. 68 and GASB No. 71. GASB No. 68 established standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumption that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This Statement requires the employers liability to plan employees for defined benefit plans (net pension liability) be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position. In addition, prior to implementing GASB Statements No. 68, employers participating in a cost-sharing plan recognized annual pension expense equal to their contractually required contribution to the plan. Upon the adoption of GASB Statement No. 68, employers participating in cost-sharing plans recognizes their proportionate share of the collective pension amounts for all benefits provided through the plan based on an allocation method.

At June 30, 2017, the District reported a liability of \$21,954,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2015 to June 30, 2016. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2016, the District's proportion was 0.0443%, which was an increase of 0.0017% from its proportion measured as of June 30, 2015.

**NORTHEAST BRADFORD SCHOOL DISTRICT**  
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For the year ended June 30, 2017 the District recognized pension expense of \$2,388,904. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>PSERS</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 183,000
Changes in assumptions	792,000	-
Net difference between projected and actual investment earnings on pension plan investments	1,224,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	695,000	738,000
Employer contributions subsequent to the measurement date	<u>1,849,036</u>	<u>-</u>
Total	<u>\$ 4,560,036</u>	<u>\$ 921,000</u>

\$1,849,036 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the fiscal year ended June 30:	<b>PSERS</b>
2018	\$ 303,000
2019	303,000
2020	576,000
2021	608,000
2022	<u>-</u>
Total	<u>\$ 1,790,000</u>

*Actuarial Assumptions*

The total pension liability as of June 30, 2016 was determined by rolling forward the System's total pension liability as of the June 30, 2015 actuarial valuation to June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay
- Investment return - 7.25%, includes inflation at 2.75%
- Salary increases - Effective average of 5.00%, which reflects an allowance for inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases
- Mortality rates were based on the RP-2014 Combined Healthy Annuitant Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- PSERS' Board approved new actuarial assumptions effective for the June 30, 2016 actuarial valuation. The new assumptions were used to calculate the net pension liability at June 30, 2016 and are reflected in the June 30, 2015 liability.

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

**NORTHEAST BRADFORD SCHOOL DISTRICT**  
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*Expected rate of return on investments*

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

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

<u>Asset Type</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate</u>
Public markets global equity	22.5%	5.3%
Fixed income	28.5%	2.1%
Commodities	8.0%	2.5%
Absolute return	10.0%	3.3%
Risk parity	10.0%	3.9%
Infrastructure/MLP's	5.0%	4.8%
Real estate	12.0%	4.0%
Alternative investments	15.0%	6.6%
Cash	3.0%	0.2%
Financing (LIBOR)	<u>(14.0)%</u>	0.5%
	<u>100.0%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2016.

*Discount Rate*

The discount rate used to measure the total pension liability as of June 30, 2016 was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the proportionate share of the net pension liability to changes in the discount rate assumption*

The following presents the District's proportionate share of the net pension liability of the PSERS plan, calculated as of the measurement date of June 30, 2016 using the discount rate of 7.25% per annum (the "current rate"). The table shows what the net pension liability would be if it were calculated using a discount rate that is 1% point lower (6.25%), or 1% point higher (8.25%) than the current rate.

	<u>1% Decrease (6.25%)</u>	<u>Current Discount (7.25%)</u>	<u>1% Increase (8.25%)</u>
Northeast Bradford School District's proportionate share of the PSERS Net Pension Liability (Asset)	\$ 26,855,000	\$ 21,954,000	\$ 17,835,000

**NORTHEAST BRADFORD SCHOOL DISTRICT**  
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*Pension Plan Fiduciary Net Position*

The components of the current year net pension liability of the employers as of June 30, 2015 were as follows:

	<u>PSERS</u>
Valuation date	6/30/2015
Employers' total pension liability	\$ 99,388,887,000
Plan fiduciary net position	<u>(49,832,060,000)</u>
Employers' net pension liability	<u>\$ 49,556,827,000</u>
Ratio of plan net position to the employers' total pension liability	50.10 %

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

**Note 9. 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, 2017, are summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds payable	\$ 3,750,000	\$ -	\$ 550,000	\$ 3,200,000	\$ 295,000
Less, bond discount/plus, bond premium	(13,476)	-	1,156	(14,632)	(1,156)
Compensated absences	15,208	-	3,274	11,934	-
Retirement incentive	485,480	87,620	-	573,100	-
Loan payable	759,197	-	110,637	648,560	111,764
Net pension liability	18,453,000	3,501,000	-	21,954,000	-
Other postemployment benefits liability	395,783	-	128,464	267,319	-
Separately financed specific liabilities - pension	6,000	-	2,000	4,000	-
Total	<u>\$ 23,851,192</u>	<u>\$ 3,588,620</u>	<u>\$ 795,531</u>	<u>\$ 26,644,281</u>	<u>\$ 405,608</u>

**B. Long-Term Debt**

The District had the following long-term debt outstanding at June 30, 2017:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Serial bond, series 2011	2027; 2.00-3.55%	\$ 3,300,000	\$ -	\$ 100,000	\$ 3,200,000
Serial bond, series 2012	2017; 0.40-2.00%	450,000	-	450,000	-
Loan payable, 2012	2023; 1.00%	759,197	-	110,637	648,560
Less, bond discount/plus, bond premium		<u>(13,476)</u>	<u>-</u>	<u>1,156</u>	<u>(14,632)</u>
Total long-term debt		<u>\$ 4,495,721</u>	<u>\$ -</u>	<u>\$ 661,793</u>	<u>\$ 3,833,928</u>



**NORTHEAST BRADFORD SCHOOL DISTRICT**  
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**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. The balance of the refunded General Obligation Bond, Series A of 2007 as of June 30, 2017 was \$2,760,000.

**General Obligation Bonds, Series 2012** - The District is the issuer of \$2,140,000 General Obligation Bonds, Series of 2012. Proceeds of the bond were used to advance refund the District's outstanding General Obligation Bonds, Series 2007AA and 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. This bond was paid off in full during the year ended June 30, 2017.

**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	\$ 113,448
Add: interest accrued in the current year	8,304
Less: interest accrued in the prior year	(9,298)
Add: amortization of deferred refunding proceeds	11,801
Less: amortization of premium and discount	<u>(1,156)</u>
Interest paid on long-term debt	<u>\$ 123,099</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>
2018	\$ 406,764	\$ 114,915	\$ 521,679
2019	412,902	102,789	515,691
2020	419,043	95,456	514,499
2021	425,214	87,267	512,481
2022	436,388	78,167	514,555
2023 - 2027	<u>1,748,249</u>	<u>234,573</u>	<u>1,982,822</u>
Total	<u>\$ 3,848,560</u>	<u>\$ 713,167</u>	<u>\$ 4,561,727</u>



**NORTHEAST BRADFORD SCHOOL DISTRICT**  
**Notes to Financial Statements**

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**Note 10. 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 \$406,437, net of the collection fee, for the year ended June 30, 2017.

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 \$1,750,300 for the year ended June 30, 2017. 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 original net tuition requirement related to the original bond issued was \$1,198,614. The District's net tuition requirement related to the refunded bond issue is \$681,804 in total and \$62,700 for the fiscal year ended June 30, 2017.

Future payments including principal and interest are as follows:

2017 - 2018	\$ 62,584
2018 - 2019	62,170
2019 - 2020	61,990
2020 - 2021	62,074
2021 - 2022	62,467
2023 - 2027	<u>186,980</u>
Total	<u>\$ 498,265</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. Included in the District's accounts payable is \$106,022 owed to BLaST Intermediate Unit #17 as of June 30, 2017.

**NORTHEAST BRADFORD SCHOOL DISTRICT**  
**Notes to Financial Statements**

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**Note 11. Other Post Employment Healthcare Plan**

**Plan Description**

The Northeast Bradford Central 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, 2015 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 2.5% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75% to 0.25%.

**NORTHEAST BRADFORD SCHOOL DISTRICT**  
**Notes to Financial Statements**

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**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.

**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 6.0% in 2015 and 5.5% in 2016 through 2020. Rates gradually decrease from 5.4% in 2021 to 3.8% in 2075 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:

<u>Age</u>	<u>Medical and Prescription Drug Combined</u>	
	<u>Males</u>	<u>Females</u>
45-49	\$5,798	\$8,373
50-54	\$7,678	\$9,463
55-59	\$9,352	\$9,902
60-64	\$12,204	\$11,375

**NORTHEAST BRADFORD SCHOOL DISTRICT**  
**Notes to Financial Statements**

As of July 1, 2015, the most recent actuarial valuation date, the Plan had an unfunded accrued liability of \$736,672. 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:

	<b>Governmental Activities</b>	<b>Business- Type Activities</b>
Annual required contribution	\$ 113,872	\$ 322
Interest on net OPEB obligation	7,472	55
Adjustment to annual required contribution	<u>(236,870)</u>	<u>(135)</u>
Annual OPEB cost (expense)	(115,526)	242
Contributions made	<u>(13,180)</u>	<u>-</u>
Increase in OPEB obligation - net	(128,706)	242
Net OPEB obligation - beginning of year	<u>394,125</u>	<u>1,658</u>
Net OPEB obligation - end of year	<u>\$ 265,419</u>	<u>\$ 1,900</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2017 fiscal year and the two preceding fiscal years is as follows:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost (Expense)</b>	<b>Percentage of Annual OPEB Cost (Expense) Contributed</b>	<b>Net OPEB Obligation</b>
6/30/2017	\$ (115,284)	(11.4)%	\$ 267,319
6/30/2016	\$ 108,772	25.8%	\$ 395,783
6/30/2015	\$ 120,672	80.8%	\$ 315,058

**Note 12. 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, 2017:

Taxes receivable	\$ 282,483
Less: amounts measurable and available	<u>(70,352)</u>
Total unavailable revenues from taxes	<u>\$ 212,131</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**

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**Note 13. Interfund Transfers**

Interfund transfers for the year ended June 30, 2017, consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ -	\$ 811,713
Capital reserve fund	121,000	-
Debt service fund	655,713	-
School lunch fund	35,000	-
Total	\$ 811,713	\$ 811,713

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 14. 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 15. 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 16. Restatement of Fund Balance and Net Position**

Governmental fund balance and net position have been restated to reflect a prior period adjustment related to the retirement receivable. This resulted in an increase of \$255,924 in accounts receivable and a increase of the same amount in fund balance and net position.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**NORTHEAST BRADFORD SCHOOL DISTRICT**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<b>Revenues</b>				
Local revenues	\$ 4,284,016	\$ 4,189,570	\$ 4,362,381	\$ 172,811
State sources	8,820,692	9,016,884	9,386,727	369,843
Federal sources	<u>361,634</u>	<u>361,634</u>	<u>338,865</u>	<u>(22,769)</u>
Total revenues	<u>13,466,342</u>	<u>13,568,088</u>	<u>14,087,973</u>	<u>519,885</u>
<b>Expenditures</b>				
Regular programs	5,730,620	6,220,219	6,448,471	(228,252)
Special programs	1,554,661	1,713,615	1,896,995	(183,380)
Vocational programs	333,078	336,533	325,694	10,839
Other instructional programs	123,452	123,451	123,451	-
Pupil instructional programs	417,109	446,210	460,873	(14,663)
Instructional staff services	240,657	231,788	343,676	(111,888)
Administrative services	1,058,129	1,041,331	897,539	143,792
Pupil health	168,684	175,579	181,473	(5,894)
Business services	500,805	474,656	487,618	(12,962)
Operation and maintenance of plant	887,512	879,512	853,951	25,561
Student transportation services	1,156,880	1,090,944	1,127,025	(36,081)
Central support services	400,473	400,473	360,470	40,003
Student activities	281,055	298,004	278,665	19,339
Debt service	<u>118,372</u>	<u>118,372</u>	<u>118,372</u>	<u>-</u>
Total expenditures	<u>12,971,487</u>	<u>13,550,687</u>	<u>13,904,273</u>	<u>(353,586)</u>
<b>Other Financing Uses</b>				
Interfund transfers out	<u>690,713</u>	<u>720,713</u>	<u>811,713</u>	<u>(91,000)</u>
Total other financing uses	<u>690,713</u>	<u>720,713</u>	<u>811,713</u>	<u>(91,000)</u>
<b>Net Change in Fund Balance</b>	<u>(195,858)</u>	<u>(703,312)</u>	<u>(628,013)</u>	<u>\$ 75,299</u>
<b>Fund Balance - Beginning, as Previously Stated</b>	4,832,582	4,832,582	4,832,582	
<b>Restatement</b>	<u>-</u>	<u>-</u>	<u>255,924</u>	
<b>Fund Balance - Beginning, as Restated</b>	<u>4,832,582</u>	<u>4,832,582</u>	<u>5,088,506</u>	
<b>Fund Balance - Ending</b>	<u>\$ 4,636,724</u>	<u>\$ 4,129,270</u>	<u>\$ 4,460,493</u>	

See accompanying notes to required supplementary information.

**NORTHEAST BRADFORD SCHOOL DISTRICT**  
**Schedule of Funding Progress for Other Postemployment Benefits Obligation**  
**For the Year Ended June 30, 2017**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Valuation of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ([b-a]/c)</b>	
07/01/2015	\$	-	\$ 736,672	\$ 736,672	-%	\$ 4,677,901	15.75%
07/01/2012	\$	-	\$ 855,775	\$ 855,775	-%	\$ 5,406,214	15.83%
07/01/2009	\$	-	\$ 1,016,125	\$ 1,016,125	-%	\$ 5,184,617	19.60%

See accompanying notes to required supplementary information.



**NORTHEAST BRADFORD SCHOOL DISTRICT**  
**Schedule of District's Proportionate Share of the Net Pension Liability - PSERS**  
**For the Year Ended June 30, 2017**

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	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
The District's proportion of the net pension liability	0.044300 %	0.042600 %	0.045500 %	0.044900 %
The District's proportionate share of the net pension liability	21,954,000	18,453,000	18,010,000	18,380,000
The District's covered employee payroll	5,741,376	6,294,159	5,559,487	5,924,673
The District's proportionate share of the net pension liability as a percentage of covered employee payroll	382.38 %	293.18 %	323.95 %	310.23 %
Plan fiduciary net position as a percentage of the total pension liability	50.10 %	54.36 %	57.20 %	54.49 %

See accompanying notes to required supplementary information.

**NORTHEAST BRADFORD SCHOOL DISTRICT**  
**Schedule of Employer's Contributions for PSERS**  
**For the Year Ended June 30, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required contribution	\$1,849,036	\$1,624,902	\$1,095,671	\$ 981,683	\$ 430,355	\$ 454,792	\$ 316,268	\$ 253,385	\$ 252,170	\$ 382,323
Contribution in relation to the contractually required contribution	<u>1,849,036</u>	<u>1,624,902</u>	<u>1,095,671</u>	<u>981,683</u>	<u>430,355</u>	<u>454,792</u>	<u>316,268</u>	<u>253,385</u>	<u>252,170</u>	<u>382,323</u>
Contribution deficiency (excess)	\$ <u>          </u> -	\$ <u>          </u> -	\$ <u>          </u> -	\$ <u>          </u> -	\$ <u>          </u> -	\$ <u>          </u> -	\$ <u>          </u> -	\$ <u>          </u> -	\$ <u>          </u> -	\$ <u>          </u> -
Contribution as a percentage of covered employee payroll	32.21 %	25.82 %	19.71 %	16.57 %	7.53 %	8.00 %	5.27 %	4.50 %	4.39 %	6.85 %

See accompanying notes to required supplementary information.

**NORTHEAST BRADFORD SCHOOL DISTRICT**  
**Notes to Required Supplementary Information**  
**June 30, 2017**

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**Note 1. Stewardship, Compliance and Accountability**

**Budgetary Information**

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.

**Excess of Expenditures over Appropriations**

For the year ended June 30, 2017, the District's appeal on the demotion matter was denied by the Commonwealth Court in June 2017. The litigation liability of \$386K for full-time salaries was recognized in the 2016-2017 fiscal year. The District received gas lease royalties of \$113,750 of which \$91,000 was transferred from the general fund to the capital fund.

**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 indicated. 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.

**Note 3. Schedule of District's Proportionate Share of the Net Pension Liability - PSERS and Schedule of Employer's Contributions for PSERS**

The information presented in these required supplementary schedules was determined as part of the audit of the Commonwealth of Pennsylvania Public School Employers' Retirement System Plan. Additional information for the pension schedule can be found in the notes to the financial statements.

## **OTHER SUPPLEMENTARY INFORMATION**

**NORTHEAST BRADFORD SCHOOL DISTRICT**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2017**

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	<b>Capital Reserve Fund</b>	<b>Debt Service Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Assets</b>			
Investments	\$ 146,866	\$ -	\$ 146,866
Other receivables	6	-	6
Total assets	<u>\$ 146,872</u>	<u>\$ -</u>	<u>\$ 146,872</u>
<b>Liabilities</b>			
Accounts payable	\$ 39,695	\$ -	\$ 39,695
Total liabilities	<u>39,695</u>	<u>-</u>	<u>39,695</u>
<b>Fund Balances</b>			
Reserve for capital projects	<u>107,177</u>	<u>-</u>	<u>107,177</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 146,872</u>	<u>\$ -</u>	<u>\$ 146,872</u>

**NORTHEAST BRADFORD SCHOOL DISTRICT**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For The Year Ended June 30, 2017**

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	<b>Capital Reserve Fund</b>	<b>Debt Service Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues</b>			
Local sources	\$ <u>505</u>	\$ <u>-</u>	\$ <u>505</u>
<b>Other Financing Sources</b>			
Interfund transfers	<u>121,000</u>	<u>655,713</u>	<u>776,713</u>
Total revenues and other financing sources	<u>121,505</u>	<u>655,713</u>	<u>777,218</u>
<b>Expenditures</b>			
Operation and maintenance of plant services	249,131	-	249,131
Debt service	<u>-</u>	<u>655,713</u>	<u>655,713</u>
Total expenditures	<u>249,131</u>	<u>655,713</u>	<u>904,844</u>
<b>Net Change in Fund Balance</b>	(127,626)	-	(127,626)
<b>Fund Balance - Beginning</b>	<u>234,803</u>	<u>-</u>	<u>234,803</u>
<b>Fund Balance - Ending</b>	<u>\$ 107,177</u>	<u>\$ -</u>	<u>\$ 107,177</u>

# **SINGLE AUDIT REPORTS**

**NORTHEAST BRADFORD SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2017**

Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Source Code	Federal CFDA Number	Pass Through Grantor Number	Grant Period Beginning/ Ending Dates	Grant Amount	Total Received for Year	Accrued (Deferred) Revenue at 6/30/16	Revenue Recognized	Federal Expenditures	Accrued (Deferred) Revenue at 6/30/17	Expenditures to Subrecipients
<b>U.S. Department of Agriculture</b>											
<b>Passed through the Pennsylvania Department of Education</b>											
Child Nutrition Cluster:											
National School Lunch Hi/Low Program	I	10.555	362-0000	15-16	N/A	\$ 3,742	\$ 3,742	\$ -	\$ -	\$ -	\$ -
National School Lunch Hi/Low Program	I	10.555	362-0000	16-17	N/A	154,890	-	181,487	181,487	26,597	-
Reg/Ndy Breakfast	I	10.553	365-0000	16-17	N/A	45,787	-	54,255	54,255	8,468	-
Total passed through the Pennsylvania Department of Education						<u>204,419</u>	<u>3,742</u>	<u>235,742</u>	<u>235,742</u>	<u>35,065</u>	<u>-</u>
<b>Non-cash Assistance Passed through the Pennsylvania Department of Agriculture</b>											
Child Nutrition Cluster:											
National School Lunch - USDA Commodities	I	10.555	N/A	15-16	N/A	-	(7,358)	7,358	7,358	-	-
National School Lunch - USDA Commodities	I	10.555	N/A	16-17	N/A	30,455	-	20,087	20,087	(10,368)	-
Total passed through the Pennsylvania Department of Education						<u>30,455</u>	<u>(7,358)</u>	<u>27,445</u>	<u>27,445</u>	<u>(10,368)</u>	<u>-</u>
<b>Total U.S. Department of Agriculture - Child Nutrition Cluster</b>						<u>234,874</u>	<u>(3,616)</u>	<u>263,187</u>	<u>263,187</u>	<u>24,697</u>	<u>-</u>
<b>U.S. Department of Education</b>											
<b>Passed through the Pennsylvania Department of Education</b>											
Title I - Improving Basic Programs	I	84.010	013 160294	15-16	206,722	67,668	67,668	-	-	-	-
Title I - Improving Basic Programs	I	84.010	013 170294	16-17	257,104	205,328	-	257,104	257,104	51,776	-
Total Title I						<u>272,996</u>	<u>67,668</u>	<u>257,104</u>	<u>257,104</u>	<u>51,776</u>	<u>-</u>
Title II - Improving Teacher Quality	I	84.367	020 160294	15-16	70,213	23,332	23,332	-	-	-	-
Title II - Improving Teacher Quality	I	84.367	020 170294	16-17	69,530	69,530	-	69,530	69,530	-	-
Rural and Low Income Schools	I	84.358	007 170294	16-17	10,268	8,215	-	10,268	10,268	2,053	-
Total Title II						<u>101,077</u>	<u>23,332</u>	<u>79,798</u>	<u>79,798</u>	<u>2,053</u>	<u>-</u>
Total passed through the Pennsylvania Department of Education						<u>374,073</u>	<u>91,000</u>	<u>336,902</u>	<u>336,902</u>	<u>53,829</u>	<u>-</u>
<b>Passed through BLaST IU #17 - Special Education Cluster</b>											
Special Education Grants to States (IDEA)	I	84.027	N/A	15-16	141,999	139,502	139,502	-	-	-	-
Special Education Grants to States (IDEA)	I	84.027	N/A	16-17	160,646	138,988	-	160,646	160,646	21,658	-
Total Passed through BLaST IU #17 - Special Education Cluster						<u>278,490</u>	<u>139,502</u>	<u>160,646</u>	<u>160,646</u>	<u>21,658</u>	<u>-</u>
<b>Total U.S. Department of Education</b>						<u>652,563</u>	<u>230,502</u>	<u>497,548</u>	<u>497,548</u>	<u>75,487</u>	<u>-</u>
<b>Total Expenditures of Federal Awards</b>						<u>\$ 887,437</u>	<u>\$ 226,886</u>	<u>\$ 760,735</u>	<u>\$ 760,735</u>	<u>\$ 100,184</u>	<u>\$ -</u>

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, 2017**

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**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards presents the activity of federal award programs administered by the District, 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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. The District has elected not to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance. 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, 2017, 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 20, 2017.

### 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be material weaknesses. We consider the deficiencies in internal control over compliance noted as item **2017-01** in the accompanying schedule of findings and questioned costs to be a material weakness.

### 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*.

## **Northeast Bradford School District's Response to Finding**

The Northeast Bradford School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Northeast Bradford School District's response is not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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.

EFPR Group, CPAs, PLLC

EFPR Group, CPAs, PLLC  
Corning, New York  
December 20, 2017

## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

### **Report on Compliance for Each Major Federal Program**

We have audited the Northeast Bradford School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Northeast Bradford School District's major federal programs for the year ended June 30, 2017. The Northeast Bradford School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 and material effect on each of its major federal programs for the year ended June 30, 2017.

## 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

EFPR Group, CPAs, PLLC

EFPR Group, CPAs, PLLC  
Corning, New York  
December 20, 2017

**NORTHEAST BRADFORD SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2017**

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**SUMMARY OF AUDITORS' RESULTS:**

**Financial Statements**

Type of auditors' report issued in accordance with GAAP: Unmodified

Internal control over financial reporting:

- |    |  |   |  |
|----|--|---|--|
| 1. | Material weaknesses identified?  | <input checked="" type="checkbox"/> Yes | <input 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 2 CFR section 200.516(a)? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| 7. | Major programs audited were:   |                              |  |

**Program Name**

**CFDA Federal Number**

U.S. Department of Agriculture - Child Nutrition Cluster  
 U.S. Department of Education - Title 1 - Improving Basic Programs

CFDA No. 10.553,  
 CFDA No. 10.555  
 CFDA No. 84.010

- |    |   |                              |  |
|----|---|------------------------------|--|
| 8. | Dollar threshold to determine type A and type B programs: | \$750,000                    |  |
| 9. | Auditee qualified as low-risk auditee?                    | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |

**FINDINGS - FINANCIAL STATEMENT AUDIT**

**FINDING 2017-01 - INTERNAL CONTROL OVER FINANCIAL REPORTING**

**Material Weakness - Auditor Involvement with Financial Statements:** Although we as auditors are involved in the process of drafting the financial statements and related footnotes, it is management's responsibility to maintain the necessary expertise and the proper system of controls to properly prevent or detect a material misstatement in the financial statements. In our judgment, the absence of our involvement in the preparation of the financial statements including all necessary footnotes, would result in material misstatements that would not be prevented or detected by the District.

**Auditors' Recommendation:** The District can continue to utilize its auditors for assistance in the preparation of the financial statements, but we will be required to report this deficiency each year that our judgment remains the same.

**Management Response:** *The District's financial management team will evaluate the cost/benefit of financial statement preparation in future years.*

**FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

NONE

**NORTHEAST BRADFORD SCHOOL DISTRICT**  
**Summary Schedule of Prior Year Findings**  
**For the Year Ended June 30, 2017**

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**FINDINGS - FINANCIAL STATEMENT AUDIT**

**FINDING 2016-01 - INTERNAL CONTROL OVER FINANCIAL REPORTING**

**Material Weakness - Auditor Involvement with Financial Statements:** Although we as auditors are involved in the process of drafting the financial statements and related footnotes, it is management's responsibility to maintain the necessary expertise and the proper system of controls to properly prevent or detect a material misstatement in the financial statements. In our judgment, the absence of our involvement in the preparation of the financial statements including all necessary footnotes, would result in material misstatements that would not be prevented or detected by the District.

**Current Year Status:** This finding was not resolved in the current year, see Finding 2017-01.