

SOUTHERN TIOGA SCHOOL DISTRICT
FINANCIAL STATEMENTS AND SINGLE AUDIT REPORTS
JUNE 30, 2015

**SOUTHERN TIOGA SCHOOL DISTRICT
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INDEPENDENT AUDITORS' REPORT



Certified Public Accountants | Business Consultants

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Southern Tioga School District
Blossburg, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Southern Tioga School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 district's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Southern Tioga School District, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, during the year ended June 30, 2015, the Southern Tioga School District adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinions are not modified with respect to these matters.

Correction of Error

As indicated in Note 16, the June 30, 2014 financial statements have been restated subsequent to their issuance to correct an error in accounts payable and instructional expenditures. The restatement resulted in a \$105,455 increase to beginning fund balance. The District also restated capital assets based on the capital asset appraisal report obtained. The restated resulted in a \$225,626 increase in net position. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule - general fund, schedule of funding progress for other postemployment benefits obligation, schedule of District's proportionate share of the net pension liability - PSERS, the schedule of employer's contribution for PSERS, and notes to required supplementary information on pages 3 - 12, 47, 48, 49, 50 and 51, 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 the Southern Tioga School District's basic financial statements. The schedule of expenditures of federal awards on page 52 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2015, on our consideration of the Southern Tioga School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Southern Tioga School District's internal control over financial reporting and compliance.

EFP Rotenberg, LLP

EFP Rotenberg, LLP
Corning, New York
December 15, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

SOUTHERN TIOGA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2015

Introduction

Our discussion and analysis of the Southern Tioga School District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2015. 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

- During the current fiscal year, the District implemented GASB 68, "*Accounting and Financial Reporting for Pensions.*" The primary objective of GASB 68 is to improve accounting and financial reporting by state and local governments for pensions. The District has recorded a net pension liability of \$36,216,000 and \$38,030,000 as of June 30, 2015 and 2014, respectively. The implementation of GASB 68 resulted in a \$36,207,000 restatement of the District's total net position.
- The District's net position, as of June 30, 2015, on the government-wide statements amounted to a deficit of \$31,322,719 for governmental activities. The unrestricted net position was a deficit of \$34,779,935, the net investment in capital assets was \$3,456,985 and \$231 was restricted as of June 30, 2015.
- The District's net position, as of June 30, 2015, on the government-wide statements amounted to a deficit of \$31,640 for business-type activities. The unrestricted net position was a deficit of \$167,609, the net investment in capital assets was \$135,969 and no amounts were classified as restricted as of June 30, 2015.
- The "current ratio", which is an indicator of liquidity, for governmental activities was 5.88 and 4.86 as of June 30, 2015 and 2014, respectively.
- The "current ratio", which is an indicator of liquidity, for business-type activities was 92.87 and 27.94 as of June 30, 2015 and 2014, respectively.
- The District's overall net position for governmental activities decreased by \$726,572 or 2.37% in 2014-2015 compared with a decrease of \$219,152 or 0.72% in 2013-2014.
- The District's overall net position for business-type activities decreased by \$20,562 or 185.61% in 2014-2015 compared with a decrease of \$9,459 or 584.25% in 2013-2014.

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:

SOUTHERN TIOGA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2015

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

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

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

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, refund of prior year receipts, interest on long-term debt and unallocated depreciation. The business-type activities of the District include operations of the school lunch fund.

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

Fund Financial Statements

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

Governmental Funds

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

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

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

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

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

**SOUTHERN TIOGA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2015**

Proprietary Fund

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

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

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 statement can be found on pages 22 - 23 of this report.

Notes to the Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 - 46 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information. This includes a budgetary comparison schedule for the general fund, a schedule of funding progress for the other postemployment benefits obligation, schedule of district's proportionate share of the net pension liability - PSERS and schedule of employer's contribution for PSERS. Also included in this section are the notes to the required supplementary information. Required supplementary information can be found on pages 47 - 51 of this report.

Single Audit Reports

The schedule of expenditures of federal awards presents the activity of federal award programs administered by the District. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies. The information is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 52 - 58 of this report.

Government-Wide Overall Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The statement of net position provides the perspective of the District as a whole. The condensed statements of net position and statements of activities located, in table 1 and table 2, respectively, present summarized financial data from the government-wide financial statements located in the basic financial statements section of this report. This information is presented in comparative form, with totals from the financial statements for the fiscal years ended June 30, 2015 and 2014, along with totals for the primary government as a whole.

SOUTHERN TIOGA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2015

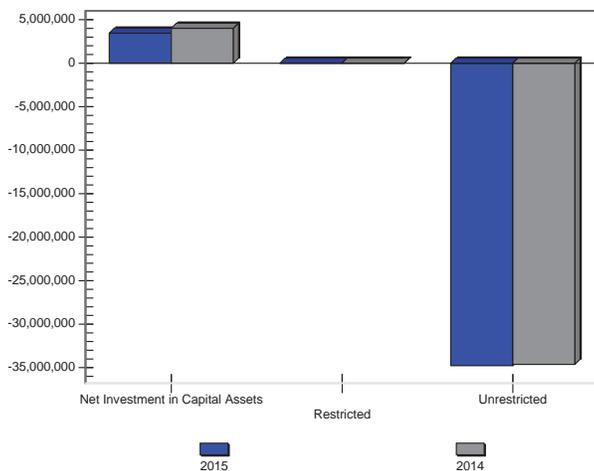
Table 1

Condensed Statements of Net Position
June 30, 2015 and 2014

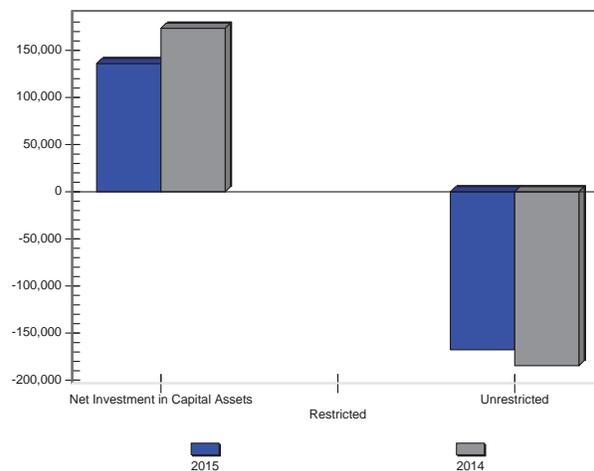
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>		<u>Total Percentage Change</u>
	Restated		Restated		Restated		
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	
Assets							
Current assets	\$ 28,273,722	\$ 28,527,002	\$ 418,830	\$ 404,761	\$ 28,692,552	\$ 28,931,763	(0.8)%
Capital assets	23,006,856	24,440,999	135,969	173,552	23,142,825	24,614,551	(6.0)%
Noncurrent assets	-	-	26,205	13,826	26,205	13,826	89.5 %
Total assets	<u>\$ 51,280,578</u>	<u>\$ 52,968,001</u>	<u>\$ 581,004</u>	<u>\$ 592,139</u>	<u>\$ 51,861,582</u>	<u>\$ 53,560,140</u>	(3.2)%
Deferred Outflows of Resources	<u>\$ 2,350,570</u>	<u>\$ 2,061,607</u>	<u>\$ 38,807</u>	<u>\$ 29,168</u>	<u>\$ 2,389,377</u>	<u>\$ 2,090,775</u>	14.3 %
Liabilities							
Current liabilities	\$ 4,810,337	\$ 5,870,921	\$ 4,510	\$ 14,489	\$ 4,814,847	\$ 5,885,410	(18.2)%
Long-term liabilities	<u>77,141,346</u>	<u>79,754,834</u>	<u>589,503</u>	<u>612,974</u>	<u>77,730,849</u>	<u>80,367,808</u>	(3.3)%
Total liabilities	<u>\$ 81,951,683</u>	<u>\$ 85,625,755</u>	<u>\$ 594,013</u>	<u>\$ 627,463</u>	<u>\$ 82,545,696</u>	<u>\$ 86,253,218</u>	(4.3)%
Deferred Inflows of Resources	<u>\$ 3,002,184</u>	<u>-</u>	<u>\$ 57,438</u>	<u>\$ 4,922</u>	<u>\$ 3,059,622</u>	<u>\$ 4,922</u>	62,062.2 %
Net Position							
Net investment in capital assets	\$ 3,456,985	\$ 4,023,128	\$ 135,969	\$ 173,552	\$ 3,592,954	\$ 4,196,680	(14.4)%
Restricted	231	1,279	-	-	231	1,279	(81.9)%
Unrestricted	<u>(34,779,935)</u>	<u>(34,620,554)</u>	<u>(167,609)</u>	<u>(184,630)</u>	<u>(34,947,544)</u>	<u>(34,805,184)</u>	(0.4)%
Total net position	<u>\$ (31,322,719)</u>	<u>\$ (30,596,147)</u>	<u>\$ (31,640)</u>	<u>\$ (11,078)</u>	<u>\$ (31,354,359)</u>	<u>\$ (30,607,225)</u>	(2.4)%

The largest portion of the District's net position reflects its investment in capital assets, less any related outstanding debt that was used to acquire those assets. This amounted to \$3,592,954 and \$4,196,680 for the District at the fiscal years ended June 30, 2015 and 2014, 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 reported 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 government amounted to \$231 and \$1,279 as of the fiscal years ended June 30, 2015 and 2014, respectively. The remaining balance of net position is an unrestricted deficit caused by the net pension liability required to be recorded by GASB No. 68. At June 30, 2015 and 2014, the District had deficit unrestricted net position of \$34,947,544 and \$34,805,184, respectively.

Net Position Components - Governmental



Net Position Components - Business-type



**SOUTHERN TIOGA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2015**

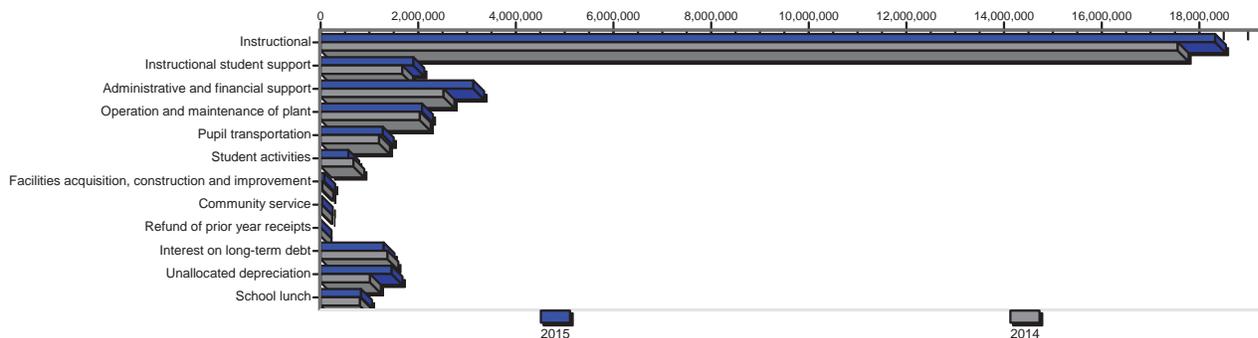
Table 2

**Condensed Statements of Activities
For the Years Ended June 30, 2015 and 2014**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>		<u>Total Percentage Change</u>
	<u>Restated</u>		<u>Restated</u>		<u>Restated</u>		
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	
Revenues							
Program Revenues							
Charges for services	\$ 98,052	\$ 117,279	\$ 304,135	\$ 301,971	\$ 402,187	\$ 419,250	(4.1)%
Operating grants and contributions	6,075,086	5,564,692	505,795	495,629	6,580,881	6,060,321	8.6 %
Capital grants and contributions	<u>710,512</u>	<u>372,546</u>	-	-	<u>710,512</u>	<u>372,546</u>	90.7 %
Total program revenues	<u>6,883,650</u>	<u>6,054,517</u>	<u>809,930</u>	<u>797,600</u>	<u>7,693,580</u>	<u>6,852,117</u>	12.3 %
General Revenues							
Property taxes and related items	13,233,447	12,561,214	-	-	13,233,447	12,561,214	5.4 %
Grants, subsidies, and contributions	9,080,379	9,071,629	-	-	9,080,379	9,071,629	0.1 %
Earnings on investments	44,661	48,124	157	213	44,818	48,337	(7.3)%
Miscellaneous income	94,941	113,484	-	-	94,941	113,484	(16.3)%
Refund of prior year expenditures	<u>65,071</u>	<u>32,575</u>	-	-	<u>65,071</u>	<u>32,575</u>	99.8 %
Total general revenues	<u>22,518,499</u>	<u>21,827,026</u>	<u>157</u>	<u>213</u>	<u>22,518,656</u>	<u>21,827,239</u>	3.2 %
Total revenues	<u>29,402,149</u>	<u>27,881,543</u>	<u>810,087</u>	<u>797,813</u>	<u>30,212,236</u>	<u>28,679,356</u>	5.3 %
Program Expenses							
Instructional	18,322,185	17,557,169	-	-	18,322,185	17,557,169	4.4 %
Instructional student support	1,902,108	1,676,110	-	-	1,902,108	1,676,110	13.5 %
Administrative and financial support	3,128,262	2,519,846	-	-	3,128,262	2,519,846	24.1 %
Operation and maintenance of plant	2,078,452	2,034,086	-	-	2,078,452	2,034,086	2.2 %
Pupil transportation	1,275,871	1,198,223	-	-	1,275,871	1,198,223	6.5 %
Student activities	569,510	673,247	-	-	569,510	673,247	(15.4)%
Facilities acquisition, construction and improvement	76,372	37,328	-	-	76,372	37,328	104.6 %
Community service	26,901	19,165	-	-	26,901	19,165	40.4 %
Refund of prior year receipts	1,199	2,351	-	-	1,199	2,351	(49.0)%
Interest on long-term debt	1,293,183	1,371,163	-	-	1,293,183	1,371,163	(5.7)%
Unallocated depreciation	1,454,678	1,012,007	-	-	1,454,678	1,012,007	43.7 %
School lunch	-	-	830,649	807,272	830,649	807,272	2.9 %
Total expenses	<u>30,128,721</u>	<u>28,100,695</u>	<u>830,649</u>	<u>807,272</u>	<u>30,959,370</u>	<u>28,907,967</u>	7.1 %
Changes in net position	\$ <u>(726,572)</u>	\$ <u>(219,152)</u>	\$ <u>(20,562)</u>	\$ <u>(9,459)</u>	\$ <u>(747,134)</u>	\$ <u>(228,611)</u>	(226.8)%

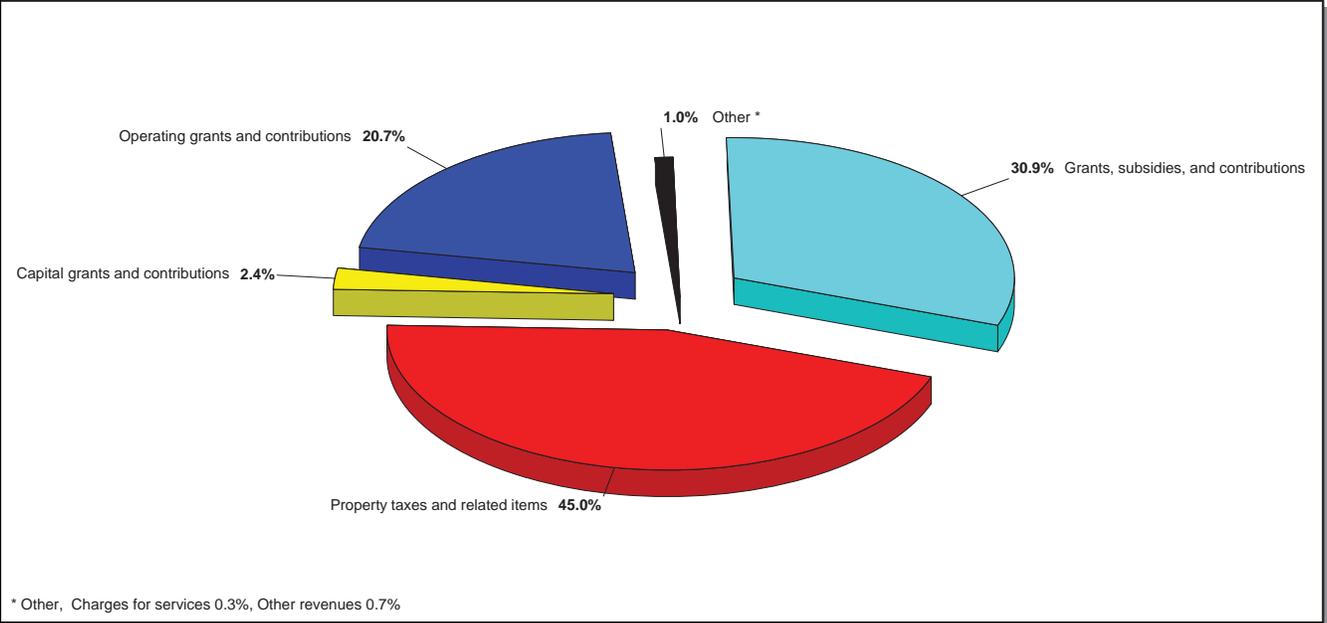
The District's governmental activities experienced a decrease in net position of \$726,572 for the fiscal year ended June 30, 2015. This represents a decrease of approximately 2.37% from the previous fiscal year. The District's business-type activities experienced a decrease in net position of \$20,562 for the fiscal year ended June 30, 2015. This represents a decrease of approximately 185.61% from the previous fiscal year. Through more efficient collection by the Tioga County Claims Bureau, the District realized a higher rate of collection in delinquent and transfer taxes. During this time, expenditures were monitored and controlled as well. The District and the STESPA ratified a support staff collective bargaining agreement retroactively to July 1, 2014. As a result additional payout was made to all cafeteria employees.

Comparative Expenses by Function

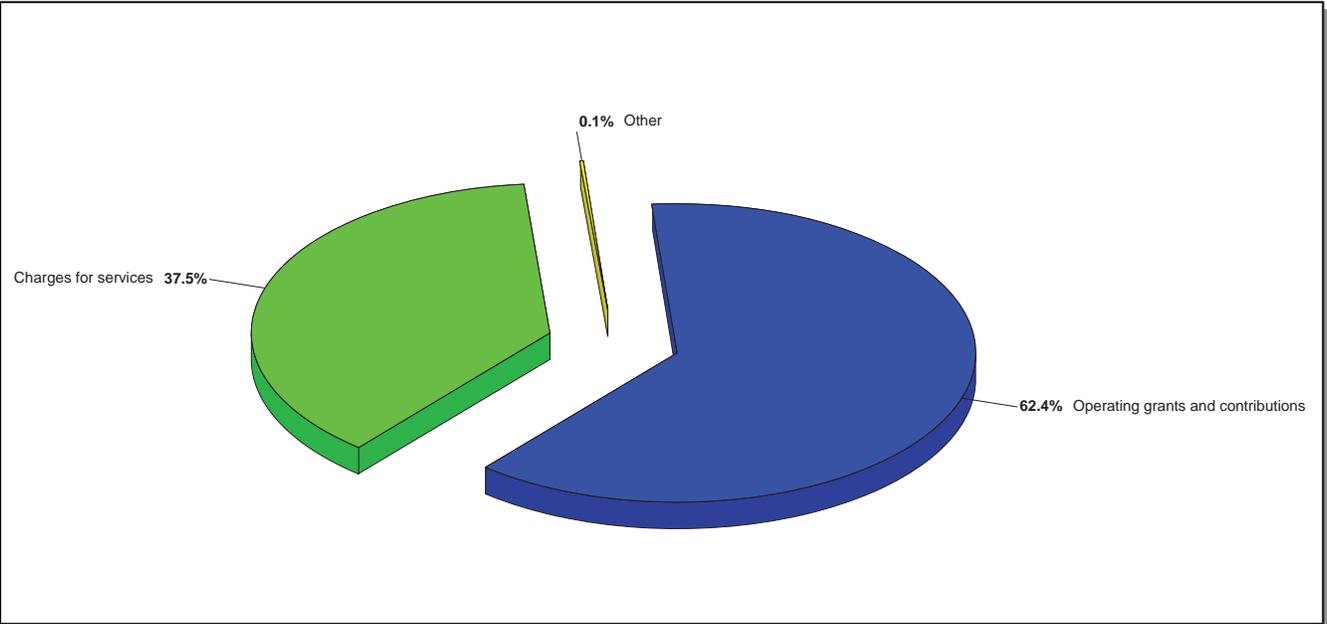


**SOUTHERN TIOGA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2015**

**Sources of Revenues for Governmental Activities
Fiscal Year 2015**



**Sources of Revenues for Business-type Activities
Fiscal Year 2015**



SOUTHERN TIOGA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2015

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.

Total Cost of Services

	<u>2015</u>	<u>Restated 2014</u>	<u>Percentage Change</u>
Instructional	\$ 18,322,185	\$ 17,557,169	4.4 %
Instructional student support	1,902,108	1,676,110	13.5 %
Administrative and financial support	3,128,262	2,519,846	24.1 %
Operation and maintenance of plant	2,078,452	2,034,086	2.2 %
Pupil transportation	1,275,871	1,198,223	6.5 %
Student activities	569,510	673,247	(15.4)%
Facilities acquisition, construction and improvement	76,372	37,328	104.6 %
Community service	26,901	19,165	40.4 %
Refund of prior year receipts	1,199	2,351	(49.0)%
Interest on long-term debt	1,293,183	1,371,163	(5.7)%
Unallocated depreciation	1,454,678	1,012,007	43.7 %
School lunch	<u>830,649</u>	<u>807,272</u>	2.9 %
Total expenses	<u>\$ 30,959,370</u>	<u>\$ 28,907,967</u>	7.1 %

Net Cost (Profit) of Services

	<u>2015</u>	<u>Restated 2014</u>	<u>Percentage Change</u>
Instructional	\$ 13,734,161	\$ 13,157,349	4.4 %
Instructional student support	1,682,859	1,560,502	7.8 %
Administrative and financial support	2,919,351	2,369,134	23.2 %
Operation and maintenance of plant	1,944,539	1,923,264	1.1 %
Pupil transportation	571,560	494,739	15.5 %
Student activities	250,780	471,722	(46.8)%
Facilities acquisition, construction and improvement	76,372	37,328	104.6 %
Community service	26,901	19,165	40.4 %
Refund of prior year receipts	1,199	2,351	(49.0)%
Interest on long-term debt	582,671	998,617	(41.7)%
Unallocated depreciation	1,454,678	1,012,007	43.7 %
School lunch	<u>20,719</u>	<u>9,672</u>	114.2 %
Total expenses	<u>\$ 23,265,790</u>	<u>\$ 22,055,850</u>	5.5 %

SOUTHERN TIOGA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2015

Capital Assets

At June 30, 2015, the District had \$45,797,500 invested in land, buildings and improvements, and furniture and equipment. Depreciation expense of \$1,492,261 has been recorded for the year ended June 30, 2015, with an ending accumulated depreciation balance of \$22,654,675. The net book value of capital assets at June 30, 2015, was \$23,142,825. The table presented below displays the fiscal 2015 and 2014 balances for the major classes of assets:

Capital Assets (Net of Depreciation)
At June 30, 2015 and 2014

	<u>2015</u>	<u>Restated 2014</u>	<u>Total Percentage Change</u>
Land	\$ 484,335	\$ 484,335	-
Buildings and improvements	20,348,580	21,199,439	(4.0)%
Furniture and equipment	<u>2,309,910</u>	<u>2,930,777</u>	(21.2)%
Total	<u>\$23,142,825</u>	<u>\$ 24,614,551</u>	(6.0)%

Additional information on the District's capital assets can be found in Notes 1, 7, and 16 on pages 28, 35, and 46, respectively, of this report.

Long-Term Obligations

At June 30, 2015 and 2014, the District had total obligations of \$79,812,735 and \$82,363,994, respectively. The District has maintained a credit rating of A2 from Moody's Investor Service for the fiscal years ended 2015 and 2014. The table presented below displays the fiscal 2015 and 2014 balances of the long-term obligations:

Long-Term Obligations
At June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>	<u>Total Percentage Change</u>
Bonds payable - net of discount	\$36,507,260	\$ 38,307,603	(4.7)%
Compensated absences	720,895	498,502	44.6 %
Other postemployment benefits liability	6,368,580	5,527,889	15.2 %
Net pension liability	<u>36,216,000</u>	<u>38,030,000</u>	(4.8)%
Total	<u>\$79,812,735</u>	<u>\$ 82,363,994</u>	(3.1)%

Additional information on the District's long-term obligations can be found in Notes 1, 8, 9 and 11 on pages 29, 36, and 38 - 44 of this report.

Governmental Fund Analysis

Fund financial statements are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$36,498,930 and \$32,128,935, and expenditures of \$35,817,247 and \$32,821,999 in 2014-2015 and 2013-2014, respectively. Overall fund balance for all governmental funds increased by \$681,683 in 2014-2015, which represents a change of approximately 2.82%. The components of the change are as follows:

- The fund balance in the general fund increased by \$1,889,968, which represents a change of approximately 37.76%.
- The fund balance in the capital reserves fund increased by \$666, which represents a change of approximately 0.10%.
- The fund balance in the capital projects fund decreased by \$1,208,951, which represents a change of approximately 6.54%.

**SOUTHERN TIOGA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2015**

General Fund Budgetary Highlights

A budgetary comparison schedule for the District's general fund is presented as required supplementary information on page 47 of these financial statements. The District's budgetary policies are described on page 51 in the notes to required supplementary information.

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 District's original budget included no amounts for tax relief for homestead/farmstead exclusions for real property tax, due to the information for the exclusion not being available at the time the preliminary budget was adopted. In addition, the Board of Education voted to apply for referendum exception. The preliminary budget reflected an increase in local real estate taxes above the District's adjusted ACT 1 index. This was subsequently adjusted which resulted in a decrease in the budgeted amount for revenues from local sources.

	<u>Original</u>		<u>Amended</u>		<u>Variance</u>
Revenues and Other Sources					
Local sources	\$ 14,030,369	\$	12,870,356	\$	(1,160,013)
State sources	\$ 13,818,006	\$	14,669,339	\$	851,333
Expenditures and Other Uses					
Regular programs	\$ 14,732,131	\$	13,271,664	\$	1,460,467
Administration support services	\$ 1,351,436	\$	1,597,861	\$	(246,425)

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.

Collections of earned income tax for the District are made by the Tioga County Tax Collection Committee and remitted to the District. The Tioga County Tax Collection committee hires a third party to collect earned income tax revenues. Collections from earned income tax revenues have increased as a result of this transition. The District's budget included conservative estimates in local sources for real estate and earned income tax collections, as a result, actual real estate, delinquent real estate taxes, transfer taxes and earn income taxes all exceeded budgeted amounts. IDEA funds were reclassified from federal sources to the local sources as per the Pennsylvania Department of Education's manual of accounting. Regular program expenditures did not meet budgeted amount due to retirements, and expenditure reductions throughout the budget year. Additional expense was incurred in administrative support services due to unanticipated circumstances.

**SOUTHERN TIOGA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2015**

	<u>Amended</u>		<u>Actual</u>		<u>Variance</u>
Revenues					
Local sources	\$ 12,870,356	\$	13,904,687	\$	1,034,331
Federal sources	\$ 1,136,420	\$	731,697	\$	(404,723)
Expenditures					
Regular programs	\$ 13,271,664	\$	11,789,426	\$	1,482,238
Special programs	\$ 4,063,878	\$	3,863,016	\$	200,862
Administration support services	\$ 1,597,861	\$	1,370,362	\$	227,499
Debt service	\$ 3,098,125	\$	-	\$	3,098,125
Interfund transfers out	\$ -	\$	3,098,125	\$	(3,098,125)

Economic Factors and Next Year's Budget

Seventy percentage of the District's expenditures is directly related to salaries and benefits. Cost increase drivers include but are not limited to salaries, PSERS and healthcare. The 2014-2015 PSERS employer's contribution rate was 21.40%. The liability resulted in a 26% increase over the prior year. The employer's share continues to increase over 30% in the next coming years. A portion of the District's retirement obligation is offset by a subsidy from the Commonwealth of Pennsylvania. In the 2014-2015 the District's healthcare premium increased by 11.03% and 7.3% in 2015-2016 school year. At the time of this audit, the District is projecting an increase for healthcare premium to be set at 8% for 2016-2017. Overall, the District's property tax levy will remain stable, increasing less than 3% overall.

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:

Southern Tioga School District
Attn: Ms. Kathy Ciaciulli, Business Manager
241 Main Street
Blossburg, Pennsylvania 16912

BASIC FINANCIAL STATEMENTS

SOUTHERN TIOGA SCHOOL DISTRICT
Statement of Net Position
June 30, 2015

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current Assets			
Cash and cash equivalents	\$ 9,798,588	\$ 335,201	\$ 10,133,789
Investments	16,938,561	-	16,938,561
Taxes receivable	943,985	-	943,985
Due from other governments	559,938	67,300	627,238
Other receivables	32,172	-	32,172
Inventories	-	16,329	16,329
Internal balances	478	-	478
Total current assets	<u>28,273,722</u>	<u>418,830</u>	<u>28,692,552</u>
Noncurrent Assets			
Capital assets - net	23,006,856	135,969	23,142,825
Other postemployment benefits asset	-	26,205	26,205
Total noncurrent assets	<u>23,006,856</u>	<u>162,174</u>	<u>23,169,030</u>
Total Assets	<u>51,280,578</u>	<u>581,004</u>	<u>51,861,582</u>
Deferred Outflows of Resources			
Deferred refunding proceeds - net	180,568	-	180,568
Deferred outflows of resources - pensions	2,170,002	38,807	2,208,809
Total deferred outflows of resources	<u>2,350,570</u>	<u>38,807</u>	<u>2,389,377</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 53,631,148</u>	<u>\$ 619,811</u>	<u>\$ 54,250,959</u>
Current Liabilities			
Accounts payable	\$ 540,168	\$ 1,027	\$ 541,195
Payroll accruals and withholdings	1,821,590	3,005	1,824,595
Internal balances	-	478	478
Accrued interest	340,488	-	340,488
Bonds payable - current portion - net of discount and premium	1,821,343	-	1,821,343
Compensated absences - current portion	286,748	-	286,748
Total current liabilities	<u>4,810,337</u>	<u>4,510</u>	<u>4,814,847</u>
Long-Term Liabilities			
Compensated absences - net of current portion	424,100	10,047	434,147
Bonds payable - net of current portion, discount and premium	34,685,917	-	34,685,917
Other postemployment benefits liability	6,394,785	-	6,394,785
Net pension liability - proportionate share	35,636,544	579,456	36,216,000
Total long-term liabilities	<u>77,141,346</u>	<u>589,503</u>	<u>77,730,849</u>
Total Liabilities	<u>81,951,683</u>	<u>594,013</u>	<u>82,545,696</u>
Deferred Inflows of Resources			
Deferred inflows of resources - pensions	3,002,184	48,816	3,051,000
Advances on future period revenues	-	8,622	8,622
Total deferred inflows of resources	<u>3,002,184</u>	<u>57,438</u>	<u>3,059,622</u>
Net Position			
Net investment in capital assets	3,456,985	135,969	3,592,954
Restricted			
Restricted for athletics	231	-	231
Unrestricted	(34,779,935)	(167,609)	(34,947,544)
Total net position	<u>(31,322,719)</u>	<u>(31,640)</u>	<u>(31,354,359)</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 53,631,148</u>	<u>\$ 619,811</u>	<u>\$ 54,250,959</u>

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

SOUTHERN TIOGA SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2015

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expenses) Revenues and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		<u>Total</u>
					<u>Governmental Activities</u>	<u>Business-type Activities</u>	
Governmental activities							
Instructional	\$ 18,322,185	\$ 52,502	\$ 4,535,522	\$ -	\$ (13,734,161)	\$ -	\$ (13,734,161)
Instructional student support	1,902,108	-	219,249	-	(1,682,859)	-	(1,682,859)
Administrative and financial support	3,128,262	-	208,911	-	(2,919,351)	-	(2,919,351)
Operation and maintenance of plant	2,078,452	18,569	115,344	-	(1,944,539)	-	(1,944,539)
Pupil transportation	1,275,871	-	704,311	-	(571,560)	-	(571,560)
Student activities	569,510	26,981	291,749	-	(250,780)	-	(250,780)
Facilities acquisition, construction and improvement	76,372	-	-	-	(76,372)	-	(76,372)
Community service	26,901	-	-	-	(26,901)	-	(26,901)
Refund of prior year receipts	1,199	-	-	-	(1,199)	-	(1,199)
Interest on long-term debt	1,293,183	-	-	710,512	(582,671)	-	(582,671)
Unallocated depreciation	<u>1,454,678</u>	-	-	-	<u>(1,454,678)</u>	-	<u>(1,454,678)</u>
Total governmental activities	30,128,721	98,052	6,075,086	710,512	(23,245,071)	-	(23,245,071)
Business-type activities							
School lunch fund	<u>830,649</u>	<u>304,135</u>	<u>505,795</u>	-	-	(20,719)	(20,719)
Total primary government	<u>\$ 30,959,370</u>	<u>\$ 402,187</u>	<u>\$ 6,580,881</u>	<u>\$ 710,512</u>	<u>(23,245,071)</u>	<u>(20,719)</u>	<u>(23,265,790)</u>
General Revenues							
Property taxes and related items					13,233,447	-	13,233,447
General purpose grants, subsidies and contributions					9,080,379	-	9,080,379
Earnings on investments					44,661	157	44,818
Miscellaneous income					94,941	-	94,941
Refund of prior year expenditures					<u>65,071</u>	-	<u>65,071</u>
Total general revenues					<u>22,518,499</u>	<u>157</u>	<u>22,518,656</u>
Changes in Net Position					<u>(726,572)</u>	<u>(20,562)</u>	<u>(747,134)</u>
Net Position - Beginning, as Previously Stated					4,787,337	481,357	5,268,694
Restatement - Note 16					<u>(35,383,484)</u>	<u>(492,435)</u>	<u>(35,875,919)</u>
Net Position - Beginning, as Restated					<u>(30,596,147)</u>	<u>(11,078)</u>	<u>(30,607,225)</u>
Net Position - Ending					<u>\$ (31,322,719)</u>	<u>\$ (31,640)</u>	<u>\$ (31,354,359)</u>

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

SOUTHERN TIOGA SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2015

	<u>General Fund</u>	<u>Capital Reserves Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 8,758,608	\$ 666,351	\$ 373,629	\$ -	\$ 9,798,588
Investments	-	-	16,938,561	-	16,938,561
Taxes receivable	943,985	-	-	-	943,985
Due from other funds	478	-	-	-	478
Due from other governments	559,938	-	-	-	559,938
Other receivables	<u>32,172</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,172</u>
Total Assets	<u>\$ 10,295,181</u>	<u>\$ 666,351</u>	<u>\$ 17,312,190</u>	<u>\$ -</u>	<u>\$ 28,273,722</u>
Liabilities					
Accounts payable	\$ 513,086	\$ -	\$ 27,082	\$ -	\$ 540,168
Payroll accruals and withholdings	1,821,590	-	-	-	1,821,590
Compensated absences	<u>286,748</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>286,748</u>
Total liabilities	<u>2,621,424</u>	<u>-</u>	<u>27,082</u>	<u>-</u>	<u>2,648,506</u>
Deferred Inflows of Resources					
Unavailable revenues - property taxes	<u>777,950</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>777,950</u>
Fund Balances					
Restricted					
Reserve for unspent bond proceeds	-	-	16,938,561	-	16,938,561
Reserve for athletics	231	-	-	-	231
Committed					
Reserve for PSERS	1,847,168	-	-	-	1,847,168
Reserve for health insurance premiums	500,000	-	-	-	500,000
Assigned					
Reserve for capital	-	666,351	346,547	-	1,012,898
Unassigned	<u>4,548,408</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,548,408</u>
Total fund balances	<u>6,895,807</u>	<u>666,351</u>	<u>17,285,108</u>	<u>-</u>	<u>24,847,266</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 10,295,181</u>	<u>\$ 666,351</u>	<u>\$ 17,312,190</u>	<u>\$ -</u>	<u>\$ 28,273,722</u>

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

SOUTHERN TIOGA SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2015

Total Governmental Fund Balances		\$ 24,847,266
<p>Amounts reported for governmental activities in the statement of net position are different because:</p> <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of the following:</p>		
Capital assets - not depreciated		
Land	\$ 484,335	
Construction in progress	<u>-</u>	
Total capital assets - not depreciated		484,335
Capital assets - net of depreciation		
Buildings and improvements	39,167,408	
Furniture and equipment	<u>5,550,015</u>	
Total depreciable assets	44,717,423	
Less, accumulated depreciation	<u>(22,194,902)</u>	
Total capital assets - net of depreciation		22,522,521
<p>Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consisted of the following:</p>		
Bonds payable - net of discount	(36,507,260)	
Compensated absences - net of current portion	(424,100)	
Other postemployment benefits liability	(6,394,785)	
Accrued interest	<u>(340,488)</u>	
Total liabilities		(43,666,633)
Property taxes receivable not considered available for current operations are deferred inflows in the government funds but recognized as revenue in the statement of activities.		777,950
<p>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:</p>		
Deferred outflows of resources - pensions	2,170,002	
Deferred inflows of resources - pensions	(3,002,184)	
Net pension liability - proportionate share	<u>(35,636,544)</u>	
Total pension related items		(36,468,726)
Other differences:		
Deferred refunding proceeds - net		<u>180,568</u>
Net Position of Governmental Activities		\$ <u>(31,322,719)</u>

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

SOUTHERN TIOGA SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

	<u>General Fund</u>	<u>Capital Reserves Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Revenues					
Local sources	\$ 13,904,687	\$ 666	\$ 37,532	\$ -	\$ 13,942,885
State sources	14,679,651	-	-	-	14,679,651
Federal sources	731,697	-	-	-	731,697
Total revenues	<u>29,316,035</u>	<u>666</u>	<u>37,532</u>	<u>-</u>	<u>29,354,233</u>
Other Financing Sources					
Proceeds from refunding of bonds	-	-	-	4,044,000	4,044,000
Interfund transfers in	-	-	2,572	3,098,125	3,100,697
Total revenues and other financing sources	<u>29,316,035</u>	<u>666</u>	<u>40,104</u>	<u>7,142,125</u>	<u>36,498,930</u>
Expenditures					
Instructional	16,427,727	-	610,850	-	17,038,577
Instructional student support	1,753,134	-	-	-	1,753,134
Administrative and financial support	2,409,895	-	463,973	58,328	2,932,196
Operation and maintenance of plant	1,878,472	-	91,725	-	1,970,197
Pupil transportation	1,275,871	-	-	-	1,275,871
Student activities	569,510	-	-	-	569,510
Facilities acquisition, construction and improvement	-	-	82,507	-	82,507
Community service	12,134	-	-	-	12,134
Refund of prior year receipts	1,199	-	-	-	1,199
Debt service	-	-	-	3,098,125	3,098,125
Total expenditures	<u>24,327,942</u>	<u>-</u>	<u>1,249,055</u>	<u>3,156,453</u>	<u>28,733,450</u>
Other Financing Uses					
Debt service - refunded bonds	-	-	-	3,985,672	3,985,672
Interfund transfers out	3,098,125	-	-	-	3,098,125
Total expenditures and other financing uses	<u>27,426,067</u>	<u>-</u>	<u>1,249,055</u>	<u>7,142,125</u>	<u>35,817,247</u>
Changes in Fund Balances	<u>1,889,968</u>	<u>666</u>	<u>(1,208,951)</u>	<u>-</u>	<u>681,683</u>
Fund Balances - Beginning, as Previously Stated	4,900,384	665,685	18,494,059	-	24,060,128
Restatement	<u>105,455</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>105,455</u>
Fund Balances - Beginning, as Restated	<u>5,005,839</u>	<u>665,685</u>	<u>18,494,059</u>	<u>-</u>	<u>24,165,583</u>
Fund Balances - Ending	<u>\$ 6,895,807</u>	<u>\$ 666,351</u>	<u>\$ 17,285,108</u>	<u>\$ -</u>	<u>\$ 24,847,266</u>

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

SOUTHERN TIOGA SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2015

Net Change in Fund Balances - Total Governmental Funds	\$	681,683
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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:</p>		
Capital outlay	\$ 20,535	
Depreciation expense	<u>(1,454,678)</u>	
Excess of depreciation over capital outlay		(1,434,143)
<p>Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term debt in the statement of net position. In the current period, these amounts are the following:</p>		
Debt repayments - principal		1,865,000
<p>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 funds. In the current period, these amounts are the following:</p>		
Change in compensated absences - net of current portion		(71,962)
Change in other postemployment benefits liability		(853,070)
<p>Proceeds from the refunding of debt are reported as an other financing source on the governmental fund statements. Similarly, repayment from the refunding of debt is an other financing use on the governmental fund statements. These items are long-term liabilities on the statement of net position.</p>		
Proceeds from the refunding of debt	(4,044,000)	
Repayment of refunded debt	<u>3,985,000</u>	(59,000)
<p>Property taxes receivable not considered available for current operations are deferred in the government fund financial statements but recognized as revenues in the statement of activities. Deferred tax revenue increased this year.</p>		
		45,344
<p>Interest expense is recognized as an expenditure in the governmental funds when paid but is recognized in the statement of activities when incurred. Accrued interest decreased by this amount this year.</p>		
		33,478
<p>Deferred refunding proceeds are expensed in the governmental funds but capitalized and amortized in the statement of net position:</p>		
Amortization of deferred refunding proceeds		(87,207)
<p>Debt premiums and discounts are expensed in the governmental funds but shown net in bonds payable and amortized in the statement of net position:</p>		
Amortization - premiums and discounts on bonds payable		(5,657)
<p>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:</p>		
Pension expense		<u>(841,038)</u>
Change in Net Position of Governmental Activities	\$	<u><u>(726,572)</u></u>

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

SOUTHERN TIOGA SCHOOL DISTRICT
Statement of Net Position
Proprietary Fund
June 30, 2015

	School Lunch Fund
Current Assets	
Cash and cash equivalents	\$ 335,201
Due from other governments	67,300
Inventories	<u>16,329</u>
Total current assets	418,830
Capital Assets - Net	135,969
Other Postemployment Benefits Asset	<u>26,205</u>
Total Assets	<u>581,004</u>
Deferred Outflows of Resources	
Deferred outflows of resources - pensions	<u>38,807</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 619,811</u>
Current Liabilities	
Accounts payable	\$ 1,027
Payroll accruals and withholdings	3,005
Due to other funds	<u>478</u>
Total current liabilities	4,510
Long-Term Liabilities	
Compensated Absences	10,047
Net pension liability - proportionate share	<u>579,456</u>
Total long-term liabilities	<u>589,503</u>
Total Liabilities	<u>594,013</u>
Deferred Inflows of Resources	
Advances on future period revenues	8,622
Deferred inflows of resources - pensions	<u>48,816</u>
Total deferred inflows of resources	<u>57,438</u>
Net Position	
Net investment in capital assets	135,969
Unrestricted	<u>(167,609)</u>
Total net position	<u>(31,640)</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 619,811</u>

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

SOUTHERN TIOGA SCHOOL DISTRICT
Statement of Revenues, Expenses and Change in Net Position
Proprietary Fund
For the Year Ended June 30, 2015

	School Lunch Fund
Operating Revenues	
Food service revenues	\$ 304,020
Miscellaneous	115
Total operating revenues	<u>304,135</u>
Operating Expenses	
Salaries	187,945
Employee benefits	143,299
Purchased professional and technical services	89,982
Purchased property services	13,540
Other purchased services	11,043
Supplies	310,295
Depreciation	37,583
Other operating expenses	<u>36,962</u>
Total operating expenses	<u>830,649</u>
Operating Loss	<u>(526,514)</u>
Nonoperating Revenues	
State sources	54,673
Federal sources	451,122
Earnings on investments	157
Total nonoperating revenues	<u>505,952</u>
Change in Net Position	<u>(20,562)</u>
Net Position - Beginning, as Previously Stated	481,357
Restatement - Note 16	<u>(492,435)</u>
Net Position - Beginning, as Restated	<u>(11,078)</u>
Net Position - Ending	<u>\$ (31,640)</u>

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

SOUTHERN TIOGA SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2015

	School Lunch Fund
Cash Flows from Operating Activities	
Cash received from users	\$ 307,835
Cash paid to suppliers for goods and services	(421,855)
Cash paid to employees for services	(397,823)
Cash paid for other operating expenses	(36,962)
Net cash flows from operating activities	<u>(548,805)</u>
Cash Flows from Noncapital Financing Activities	
State sources	49,504
Federal sources	414,045
Net cash flows from noncapital financing activities	<u>463,549</u>
Cash Flows from Investing Activities	
Earnings on investments	<u>157</u>
Change in Cash and Cash Equivalents	(85,099)
Cash and Cash Equivalents - Beginning	<u>420,300</u>
Cash and Cash Equivalents - Ending	<u>\$ 335,201</u>
Reconciliation of Operating Loss to Net Cash Flows from Operating Activities	
Operating loss	\$ (526,514)
Adjustments	
Depreciation expense	37,583
Changes in assets and liabilities	
Inventories	11,498
Accounts payable	(8,493)
Payroll accruals and withholdings	(1,964)
Advances on future period revenues	3,700
Due to other funds	(67,942)
Other noncurrent liabilities	3,327
Net Cash Flows from Operating Activities	<u>\$ (548,805)</u>

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

SOUTHERN TIOGA SCHOOL DISTRICT
Statement of Net Position
Fiduciary Funds
June 30, 2015

	<u>Private- Purpose Trust</u>	<u>Agency Fund</u>
Assets		
Cash and cash equivalents - restricted	\$ <u>97,325</u>	\$ <u>148,305</u>
Total Assets	\$ <u>97,325</u>	\$ <u>148,305</u>
Liabilities		
Accounts payable	\$ -	\$ 3,859
Student activities balances	<u>-</u>	<u>144,446</u>
Total liabilities	<u>-</u>	<u>\$ 148,305</u>
Net Position		
Restricted		
Held in trust for benefit of scholarships	<u>97,325</u>	
Total Liabilities and Net Position	\$ <u>97,325</u>	

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

SOUTHERN TIOGA SCHOOL DISTRICT
Statement of Change in Net Position
Fiduciary Funds
For the Year Ended June 30, 2015

	<u>Private- Purpose Trust</u>
Additions	
Contributions and donations	\$ 47,418
Earnings on investments	<u>22</u>
Total additions	47,440
Deductions	
Awards and donations	<u>33,983</u>
Change in Net Position	13,457
Net Position - Beginning	<u>83,868</u>
Net Position - Ending	<u>\$ 97,325</u>

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

SOUTHERN TIOGA SCHOOL DISTRICT
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

District Overview

The Southern Tioga School District (the "District") is a public school district located on the Route 15 corridor in north-central Pennsylvania. The District's boundaries encompass 485 square miles in south-eastern Tioga County and north-eastern Lycoming County. An eleven member elected school board (the "Board") is responsible for the governance of the District.

Financial Reporting Entity

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

- ◆ BLaST Intermediate Unit # 17
- ◆ Northern Tier Insurance Consortium
- ◆ Tioga County Tax Collection Committee

There were no situations in which the District designates management of an entity or where the District was able to significantly influence operations of an entity. The District does not fund deficits or receive the surplus funds of any other entity. There is no outstanding debt that is an obligation of the District, and the District does not contribute to a significant part of any other entity's revenues. Based on the above criteria, the District has not included any of the entities listed above in the District's annual financial statements. These entities are considered separate legal entities and are responsible for their own independent audits.

Separately issued financial statements of these entities can be obtained from their respective administrative offices:

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

Northern Tier Insurance Consortium
33 Springbrook Drive
Canton, Pennsylvania 17724

Tioga County Tax Collection Committee
241 Main Street
Blossburg, Pennsylvania 16912

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 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.

SOUTHERN TIOGA SCHOOL DISTRICT
Notes to Financial Statements

The District's basic financial statements consist of the government-wide financial statements, including the statement of net position the statement of activities and the 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 taxes and government subsidies, 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 and other municipalities 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 property taxes and related tax items, general purpose grants, subsidies and contributions, and other revenues not specifically identifiable with a particular program or function of the District.

Fund Financial Statements

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

Governmental Funds - Governmental funds are funds through which most governmental functions are financed. The major governmental funds of the District are the general fund, the capital projects fund, the capital reserves fund and debt service fund. The general fund is the principal operating fund and includes all operations not required to be recorded in other funds. All major construction projects are recorded in the capital projects 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 the bond refunding.

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

SOUTHERN TIOGA SCHOOL DISTRICT
Notes to Financial Statements

Fiduciary Funds - These are funds that account for the assets held by the District as a trustee or agent for individuals, private organizations and governmental units. These assets are not available to support the District's programs. The fiduciary funds of the District include the private-purpose trust fund and 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.

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

The GASB has issued Statement No. 72, *"Fair Value Measurement and Application,"* effective for periods beginning after June 15, 2015.

GASB has issued Statement No. 73, *"Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68."* Effective for fiscal years beginning after June 15, 2016.

GASB has issued Statement No. 74, *"Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,"* effective for periods beginning after June 15, 2016.

SOUTHERN TIOGA SCHOOL DISTRICT
Notes to Financial Statements

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. 76, *"The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,"* effective for periods beginning after June 15, 2015.

GASB has issued Statement No. 77, *"Tax Abatement Disclosures,"* effective for periods beginning after December 15, 2015.

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 cash accounts and all highly liquid debt instruments purchased with an original maturity of three months or less in cash and cash equivalents. The District may invest excess cash in certificates of deposit with high credit quality financial institutions.

Investments

Investments held by the District are reported at their fair market value based on quoted prices in actively traded markets as of year end. The District's investment policy and the Pennsylvania School Code establish criteria for the type of investments that can be held by the District. Investment income and changes in the fair value of investments are recorded as earnings on investments in the government-wide statement of activities and included in local sources on the statement of revenues, expenditures and changes in fund balances.

Taxes Receivable

Taxes receivable consisted of uncollected earned income and property taxes as of the year end. Uncollected property taxes consist of uncollected property taxes for the current property tax levy and any previous years property tax levy. Taxes receivable also consists of other taxes that met recognition requirements. Management has determined that realization losses on taxes receivable at year end will be immaterial, therefore, no allowance has been recorded.

Due from Other Governments

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

SOUTHERN TIOGA SCHOOL DISTRICT
Notes to Financial Statements

Inventories

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

Internal Balances

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

Capital Assets

Capital assets are reported in the governmental activities column on 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. 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. All capital assets are depreciated, with the exception of construction in progress and land. 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.

	Capitalization Threshold	Years
Land	All assets	N/A
Construction in progress	All assets	N/A
Building and improvements	\$1,500	15-40
Furniture and equipment	\$1,500	5-10

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.

SOUTHERN TIOGA SCHOOL DISTRICT
Notes to Financial Statements

Long-Term Obligations

In the government-wide statement of net position 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. 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.

Accounting and Financial Reporting for Pensions

In fiscal year ended June 30, 2015, the District implemented 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 a liability its portion of the collective pension 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 liability and difference during the measurement period between the District's contributions and its proportion 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 Notes 11 and 16 for the financial statement impact of implementation of the 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 qualify for reporting in this category. The first item is related to refunding proceeds of debt. The second is the District's contributions to the pension system (PSERS) subsequent to the measurement date.

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 a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in the 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 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 second item is related to advances on future period revenues. This represents amounts already received for future school lunch sales.

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 governmental activities are accrued in the government-wide financial statements as they are earned by the employees and accrued when payable from current financial resources in the governmental fund financial statements. 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

SOUTHERN TIOGA SCHOOL DISTRICT
Notes to Financial Statements

sick days for each employee based on an agreed-upon amount of \$30 per day, including the District's share of applicable payroll taxes and benefits. Certain employees are also entitled to payment for all earned vacation days at termination or retirement at each employee's current rate.

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 premiums/discounts, less both the accumulated depreciation and the outstanding balance of debt, excluding unspent bond proceeds, that is directly attributable to the acquisition, construction or improvement of capital assets. This amounted to \$3,592,954 for the primary government as of June 30, 2015.

Restricted - The component of net position that reports amounts restricted for the use of student athletics. Restricted net position amounted to \$231 for the primary government as of June 30, 2015.

Unrestricted - The difference between the assets, deferred outflows of resources, liabilities and deferred inflows that is not reported as restricted or net investment in capital assets. This amounted to a deficit of \$34,947,544 for the primary government as of June 30, 2015.

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

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

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

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

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

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

For the classification of governmental fund balances, the District considers an expenditure to be made from the budgetary appropriations first when more than one classification is available. The District establishes and modifies fund balance commitments by a passage of a resolution in meetings of the Board of Education. Assigned fund balance is established by the District through adoption or amendment of the budget as intended for specific purposes (such as the purchase of capital assets, construction, debt service or for other purposes). The District's Business Manager is responsible for all the purchasing activities of the District and

SOUTHERN TIOGA SCHOOL DISTRICT
Notes to Financial Statements

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 balance). 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, 2015:

Restricted

Reserve for Unspent Bond Proceeds - Reserve for unspent bond proceed consists of unspent bond proceeds from the Series 2010A issuance. These unspent bond proceeds amounted to \$16,938,561 for all governmental funds as of June 30, 2015.

Restricted for Athletics - Reserve for athletics is used to account for the specific funds that are restricted for student athletic purposes. The balance at June 30, 2015 was \$231.

Committed

Reserve for PSERS - On June 24, 2013 the District's Board of Education passed a resolution to commit funds to finance the employer portion of future retirement payments for the District. This amounted to \$1,847,168 for all governmental funds as of June 30, 2015.

Reserve for Health Insurance Premiums - On June 24, 2013 the District's Board of Education passed a resolution to commit funds to finance future health insurance premium payments for the District. This amounted to \$500,000 for all governmental funds as of June 30, 2015.

Assigned

Reserve for Capital - Reserve for capital represents amounts in the capital projects fund and capital reserves fund to be used to finance various future capital improvements. This amounted to \$1,012,898 for all governmental funds as of June 30, 2015.

Unassigned

Unassigned Fund Balance - 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 \$4,548,408 for all governmental funds as of June 30, 2015.

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 Counties in which the District resides. The District levies the tax each July 1, the discount period ends August 31, face period ends October 31 and the penalty period ends December 31. Uncollected taxes at December 31 are turned over to the applicable County for collection and liens are placed against the property by the County.

SOUTHERN TIOGA SCHOOL DISTRICT
Notes to Financial Statements

Interfund Transfers

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

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

Note 2. Cash and Cash Equivalents

Carrying amounts of cash and cash equivalents as of June 30, 2015, appear in the financial statements as summarized below:

Cash and cash equivalents - governmental funds, balance sheet	\$	9,798,588
Cash and cash equivalents - school lunch fund, statement of net position		335,201
Cash and cash equivalents - fiduciary funds, statement of net position		<u>245,630</u>
Total cash and cash equivalents	\$	<u>10,379,419</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, 2015, the bank balance of deposits held was \$10,505,501. 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, 2015.

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

The District's investment policy is governed by Pennsylvania School Code. The District records all investments at fair market value based on quoted prices in actively traded markets. As of June 30, 2015, the District held the following investments:

<u>Description</u>	<u>Fair Market Value</u>	<u>Cost</u>
U.S. government money market funds	\$ 4,893	\$ 4,893
U.S. government agency notes	<u>16,933,668</u>	<u>16,924,641</u>
Total investments	<u>\$ 16,938,561</u>	<u>\$ 16,929,534</u>

SOUTHERN TIOGA SCHOOL DISTRICT
Notes to Financial Statements

Interest Rate Risk - In accordance with its investment policy, the District manages its exposure to interest rate risk by requiring the individual responsible for the investments to report monthly on the following:

1. Amount of funds invested
2. Interest earned and received to date.
3. Types and amounts of each investment and the interest rate of each.
4. Names of the institutions where investments are placed
5. Current market value of the funds invested.
6. Other information required by the Board of Education.

Credit Risk - The District's investment policy states that the District is to only invest in authorized instruments that are backed by the "full faith and credit" of the federal or state government and those that are limited to investments with the highest credit rating available for such instruments issued by a recognized organization. If, after purchase, the rating of any instrument is reduced and is no longer in compliance with this policy, the individual responsible for the District's investments shall advise the Board of Education at the earliest opportunity of such action and make recommendations for altering investments.

Concentration of Credit Risk - The District's investment policy places no limit on the amount the District may invest in any one issuer. However, the District's investment policy calls for portfolio diversification. The Board of Education is to receive notification upon any concentration of investments. The District's portfolio consisted of 99.97% U.S. government agency notes and 0.03% U.S. government money market funds at June 30, 2015.

Section 440.01 of the Pennsylvania School Code authorizes the District 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 school 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*.

SOUTHERN TIOGA SCHOOL DISTRICT
Notes to Financial Statements

Note 4. Taxes Receivable

Taxes receivable consisted of the following at June 30, 2015:

<u>Description</u>	<u>Amount</u>
Property taxes receivable	\$ 896,849
Earned income taxes receivable	36,033
Other receivables	11,103
Total	<u>\$ 943,985</u>

Note 5. Due from Other Governments

The District reports amounts as due from other governments, which consisted of funds claimed but not received by 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 June 30, 2015:

<u>Description</u>	<u>Amount</u>
State receivables	\$ 452,439
Federal receivables	150,413
Other receivables	24,386
Total	<u>\$ 627,238</u>

Note 6. Internal Balances

Internal balances for each fund of the primary government were comprised of the following at June 30, 2015:

	<u>Due From</u>	<u>Due To</u>
General fund	\$ 478	\$ -
School lunch fund	-	478
Total	<u>\$ 478</u>	<u>\$ 478</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.

SOUTHERN TIOGA SCHOOL DISTRICT
Notes to Financial Statements

Note 7. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	<u>Restated Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets Not Depreciated				
Land	\$ 484,335	\$ -	\$ -	\$ 484,335
Capital Assets Depreciated				
Buildings and improvements	39,161,273	6,135	-	39,167,408
Furniture and equipment	5,535,615	14,400	-	5,550,015
Total capital assets depreciated	<u>44,696,888</u>	<u>20,535</u>	<u>-</u>	<u>44,717,423</u>
Less, Accumulated Depreciation				
Buildings and improvements	17,961,834	856,994	-	18,818,828
Furniture and equipment	2,778,390	597,684	-	3,376,074
Total accumulated depreciation	<u>20,740,224</u>	<u>1,454,678</u>	<u>-</u>	<u>22,194,902</u>
Total capital assets depreciated - net	<u>23,956,664</u>	<u>(1,434,143)</u>	<u>-</u>	<u>22,522,521</u>
Governmental Activities Capital Assets - Net	<u>\$ 24,440,999</u>	<u>\$ (1,434,143)</u>	<u>\$ -</u>	<u>\$ 23,006,856</u>

	<u>Restated Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities				
Capital Assets Depreciated				
Furniture and equipment	\$ 595,742	\$ -	\$ -	\$ 595,742
Less, Accumulated Depreciation				
Furniture and equipment	422,190	37,583	-	459,773
Business-type Activities Capital Assets - Net	<u>\$ 173,552</u>	<u>\$ (37,583)</u>	<u>\$ -</u>	<u>\$ 135,969</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
Unallocated depreciation	\$ <u>1,454,678</u>
Business-type Activities	
School lunch fund	\$ <u>37,583</u>

SOUTHERN TIOGA SCHOOL DISTRICT
Notes to Financial Statements

Note 8. Long-Term Obligations

Summary of Long-Term Obligations

A summary of government-wide long-term obligations is detailed in the following schedule as of June 30, 2015:

	<u>Restated Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
Bonds payable	\$ 38,475,000	\$ 4,044,000	\$ 5,850,000	\$ 36,669,000	\$ 1,827,000
Less, bond discounts	(167,397)	-	(5,657)	(161,740)	(5,657)
Compensated absences	498,502	222,393	-	720,895	286,748
Other postemployment benefits liability	5,527,889	840,691	-	6,368,580	-
Net pension liability	<u>38,030,000</u>	<u>-</u>	<u>1,814,000</u>	<u>36,216,000</u>	<u>-</u>
Total	<u>\$ 82,363,994</u>	<u>\$ 5,107,084</u>	<u>\$ 7,658,343</u>	<u>\$ 79,812,735</u>	<u>\$ 2,108,091</u>

Bonds Payable

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

The District had the following bonds outstanding as of June 30, 2015:

<u>Purpose</u>	<u>Due Date</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Serial Bonds, Series 2009A	03/2019	2.00-4.00%	\$ 4,730,000	\$ -	\$ 4,730,000	\$ -
Serial Bonds, Series 2010	04/2023	2.00-3.35%	10,115,000	-	210,000	9,905,000
Serial Bonds, Series 2010A	03/2030	3.30-4.00%	19,445,000	-	5,000	19,440,000
Serial Bonds, Series 2013	09/2019	0.65-2.00%	4,185,000	-	905,000	3,280,000
Serial Bonds, Series 2015	09/2018	1.10%	-	4,044,000	-	4,044,000
Less bond discounts and premiums			<u>(167,397)</u>	<u>-</u>	<u>(5,657)</u>	<u>(161,740)</u>
Total bonds payable - net of discounts and premium			<u>\$ 38,307,603</u>	<u>\$ 4,044,000</u>	<u>\$ 5,844,343</u>	<u>\$ 36,507,260</u>

Maturities of Bonds Payable

The annual aggregate maturities for bonds payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,827,000	\$ 1,115,601	\$ 2,942,601
2017	2,043,000	1,091,548	3,134,548
2018	2,075,000	1,056,819	3,131,819
2019	2,114,000	1,024,532	3,138,532
2020	2,395,000	1,003,938	3,398,938
2021 - 2025	12,455,000	3,860,813	16,315,813
2026 - 2030	<u>13,760,000</u>	<u>1,620,060</u>	<u>15,380,060</u>
Total	<u>\$ 36,669,000</u>	<u>\$ 10,773,311</u>	<u>\$ 47,442,311</u>

SOUTHERN TIOGA SCHOOL DISTRICT
Notes to Financial Statements

General Obligation Series of 2009A - On September 15, 2009, the District issued General Obligation Bonds, Series of 2009A in the amount of \$8,035,000. Proceeds were used to provide funds to currently refund the District's outstanding General Obligation Bonds, Series 2003A and to pay the cost of issuing the bonds. During the current fiscal year ended June 30, 2015, General Obligation Bonds, Series 2009A, was currently refunded by General Obligation Bonds, Series 2015.

General Obligation Series of 2010 - On September 1, 2010, the District issued General Obligation Bonds, Series of 2010 in the amount of \$10,535,000. Proceeds were used to provide funds to advance refund the District's outstanding General Obligation Bonds, Series 2006 and to pay the cost of issuing the bonds. This security was deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. Interest is payable on April 1 and October 1 of each year, with the principal payments due on April 1. The bonds are subject to redemption, at the option of the District, in whole or in part, on or after October 1, 2015, at 100% of the principal amount with accrued interest to the date fixed for redemption. Defeased debt resulting from the advanced refunding was redeemed in whole on April 1, 2011.

General Obligation Series of 2010A - On October 4, 2010, the District issued General Obligation Bonds, Series of 2010A in the amount of \$19,465,000. Proceeds will be used to finance additions, renovations, alterations, and improvements to the North Penn High School and Blossburg Elementary School buildings and to pay issuance costs of the bonds. Interest is payable on March 1 and September 1 of each year, with the principal payments due on March 1. The Bonds are subject to redemption, at the option of the District, in whole or in part, on or after March 1, 2016, at 100% of the principal amount with accrued interest to the date fixed for redemption.

General Obligation Series of 2013 - On December 17, 2013, the District issued General Obligation Bonds, Series of 2013 in the amount of \$4,185,000. Proceeds were used to provide funds to currently refund the District's outstanding General Obligation Bonds, Series 2009 and to pay the cost of issuing the bonds. Interest is payable on March 15 and September 15 of each year, with the principal payments due on September 15. The bonds are not subject to redemption prior to maturity. The refunding resulted in an economic gain of \$86,494. The cash flow difference is the difference between the cash flow required to service old debt and the cash flow required to service new debt. The cash flow difference from the refunding was \$89,323. Defeased debt resulting from the refunding was redeemed in whole on March 15, 2014.

General Obligation Series of 2015 - On February 9, 2015, the District issued General Obligation Bonds, Series of 2015 in the amount of \$4,044,000. Proceeds were used to provide funds to currently refund the District's outstanding General Obligation Bonds, Series 2009A and to pay the cost of issuing the bonds. Interest is payable on March 1 and September 1 of each year, with the principal payments due on September 1. The bonds are not subject to redemption prior to maturity. The refunding resulted in an economic gain of \$151,290. The cash flow difference is the difference between the cash flow required to service old debt and the cash flow required to service new debt. The cash flow difference from the refunding was a negative \$59,000. Defeased debt resulting from the refunding was redeemed in whole on February 9, 2015.

Interest Expense

For the year ended June 30, 2015, the components of interest expense include the following:

Interest paid	\$ 1,233,125
Less: interest accrued in the prior year	(373,966)
Add: interest accrued in the current year	340,488
Add: amortization of deferred refunding, bond discounts and premium	92,864
Add: accrued interest paid in refunding	<u>672</u>
Total interest expense	<u>\$ 1,293,183</u>

SOUTHERN TIOGA SCHOOL DISTRICT
Notes to Financial Statements

Note 9. Other Postemployment Benefits Liability

Plan Description

The Southern Tioga 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 a portion of these expenses and the reimbursed amount is allocated against this expense.

Actuarial Methods and Assumptions

Actuarial valuations for other postemployment 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 (the "ARC") for the Plan was determined as a part of the July 1, 2014 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%.

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%.

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.

SOUTHERN TIOGA SCHOOL DISTRICT
Notes to Financial Statements

Mortality

Separate rates are assumed pre-retirement and post-retirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation

Disability

No disability was assumed.

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

100% of employees eligible for a district subsidy and 50% of employees not eligible for a district subsidy are assumed to elect coverage. Vested former members are assumed to elect coverage at age 62. No surviving spouses are assumed to elect coverage if the member dies prior to age 55.

Percent Married at Retirement

It was assumed that 75% 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 husbands.

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 6.5% in 2014, decreasing by 0.5% per year to 5.5% in 2016. Rates gradually decrease from 5.3% in 2017 to 4.2% in 2089 and later, based on the Society of Actuaries Long-Run Medical Cost Trend Model.

Life Insurance

It is assumed that the annual cost to provide life insurance varies by age and gender. The assumed cost is equal to the amount of coverage times the applicable mortality factor contained in the valuation mortality table issued by PSERS. Retiree contributions are \$1.32 per year per \$1,000 of coverage.

Per Capita Claims Cost

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

**Medical and Prescription
Drug Combined**

<u>Age</u>	<u>Males</u>	<u>Females</u>
45-49	\$5,247	\$7,578
50-54	\$6,949	\$8,564
55-59	\$8,464	\$8,961
60-64	\$11,045	\$10,295
65+	\$14,142	\$13,177

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As of July 1, 2014, the most recent actuarial valuation date, the plan had an unfunded accrued liability of \$10,837,742. 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:

	<u>General Fund</u>	<u>School Lunch Fund</u>	<u>Total</u>
Annual required contribution	\$ 1,682,844	\$ 2,993	\$ 1,685,837
Interest on net OPEB obligation	249,376	(622)	248,754
Adjustment to annual required contribution	<u>(607,737)</u>	<u>1,516</u>	<u>(606,221)</u>
Annual OPEB cost (expense)	1,324,483	3,887	1,328,370
Contributions made	<u>(471,413)</u>	<u>(16,266)</u>	<u>(487,679)</u>
Increase in OPEB obligation - net	853,070	(12,379)	840,691
Net OPEB obligation - beginning	<u>5,541,715</u>	<u>(13,826)</u>	<u>5,527,889</u>
Net OPEB obligation - ending	<u>\$ 6,394,785</u>	<u>\$ (26,205)</u>	<u>\$ 6,368,580</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2015 fiscal year and preceding two fiscal years is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2015	\$ 1,324,483	35.6%	\$ 6,394,785
6/30/2014	\$ 1,266,516	37.0%	\$ 5,541,715
6/30/2013	\$ 1,314,051	25.0%	\$ 4,733,271

Note 10. 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, 2015:

Taxes receivable	\$ 943,985
Less, collections, measurable and available	<u>(166,035)</u>
Total unavailable revenues from property taxes	<u>\$ 777,950</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.

SOUTHERN TIOGA SCHOOL DISTRICT
Notes to Financial Statements

Note 11. Defined Benefit Pension 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 of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

Benefits Provided

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

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% 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.

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 TC) 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 TC) or at 7.50% (Membership T-D) of the member's qualifying compensation. Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected

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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, 2015 was 20.50% 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 \$2,205,809 for the year ended June 30, 2015.

GASB Statement No. 68

The District adopted GASB No. 68 and GASB No. 71 as of June 30, 2015. 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 will recognize their proportionate share of the collective pension amounts for all benefits provided through the plan based on an allocation method.

At June 30, 2015, the District reported a liability of \$36,216,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2013, 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, 2013 to June 30, 2014. 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, 2013, the District's proportion was 0.0915%, which was an decrease of 0.0014% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$3,060,000. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	PSERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,589,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	462,000
Employer contributions subsequent to the measurement date	<u>2,208,809</u>	<u>-</u>
Total	<u>\$ 2,208,809</u>	<u>\$ 3,051,000</u>

SOUTHERN TIOGA SCHOOL DISTRICT
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\$2,208,809 reported as deferred outflows of resources related to pensions resulted from District contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2015. 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:

	<u>PSERS</u>
2016	\$ (759,000)
2017	(759,000)
2018	(759,000)
2019	(759,000)
2020	(17,000)
Total	<u>\$ (3,053,000)</u>

Actuarial Assumptions

The total pension liability as of June 30, 2014 was determined by rolling forward the System's total pension liability as of the June 30, 2013 actuarial valuation to June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

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

The actuarial assumptions used in the June 30, 2013 valuation were based on the experience study that was performed for the five-year period ending June 30, 2010. The recommended assumption changes based on this experience study were adopted by the Board at its March 11, 2011 Board meeting, and were effective beginning with the June 30, 2011 actuarial valuation.

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.

SOUTHERN TIOGA SCHOOL DISTRICT
Notes to Financial Statements

<u>Asset Type</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate</u>
Public markets global equity	19%	5.0%
Private markets (equity)	21%	6.5%
Private real estate	13%	4.7%
Global fixed income	8%	2.0%
U.S. long treasuries	3%	1.4%
TIPS	12%	1.2%
High yield bonds	6%	1.7%
Cash	3%	0.9%
Absolute return	10%	4.8%
Risk parity	5%	3.9%
MLPs/Infrastructure	3%	5.3%
Commodities	6%	3.3%
Financing (LIBOR)	<u>(9)%</u>	1.1%
	<u>100%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2014.

Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2014 was 7.5%. 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate 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, 2014 using the discount rate of 7.5% 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 (6.5%), or 1% point higher (8.5%) than the current rate:

	1% Decrease <u>(6.5%)</u>	Current Discount <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
Southern Tioga School District's proportionate share of the PSERS Net Pension Liability	\$ 45,175,000	\$ 36,216,000	\$ 28,568,000

Pension Plan Fiduciary Net Position

The components of the current year net pension liability of the employers as of June 30, 2013 were as follows:

	<u>PSERS</u>
Valuation date	6/30/2013
Employers' total pension liability	\$ 92,560,832,000
Plan fiduciary net position	<u>(52,980,115,000)</u>
Employers' net pension liability	<u>\$ 39,580,717,000</u>
Ratio of plan net position to the employers' total pension liability	57.2 %

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

SOUTHERN TIOGA SCHOOL DISTRICT
Notes to Financial Statements

Note 12. Related Parties

Joint Ventures

Tioga County Tax Collection Committee - The Tioga County Tax Collection Committee is the Tax Collection Committee representing all taxing jurisdictions within Tioga 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 Tioga County Tax Collection Committee amounted to \$2,649,132, for the year ended June 30, 2015.

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 institutions. 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 \$3,586,576 for the year ended June 30, 2015. The Consortium self funds all claims and utilizes a third party to manage the claims.

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 19 member districts. Included in the District's accounts payable is \$210,580 owed to BLaST Intermediate Unit #17 as of June 30, 2015.

Note 13. Risk Management

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

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

Note 14. Federal and State Funded Programs

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

Note 15. Stewardship, Compliance, Accountability

Expenditures exceeding the budget by material margins are explained as follows:

Interfund Transfers Out

The District's interfund transfers out exceeded budgeted amounts due to transfers made to the debt service fund to properly record debt refunding amounts as well as debt service payments for the current year.

SOUTHERN TIOGA SCHOOL DISTRICT
Notes to Financial Statements

Note 16. Restatements of Net Position

For the fiscal year ended June 30, 2015, the District implemented 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 implementation of Statement No. 68 and No. 71 resulted in the reporting of a deferred outflow of resources, liability and deferred inflow of resources related to the District's participation in the Public School Employees' Retirement System.

The statement of net position has also been restated to reflect the recording of accounts payable in the correct period. The capital assets were also restated on the statement of net position to reflect the balances reported by the asset appraisal report obtained for the current year.

The District's net position has been restated as follows:

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Net position beginning of year - as previously stated	\$ 4,787,337	\$ 481,357	\$ 5,268,694
GASB Statement No. 68 implementation	<u>(35,627,688)</u>	<u>(579,312)</u>	<u>(36,207,000)</u>
Net position beginning of year - as restated - for pensions	(30,840,351)	(97,955)	(30,938,306)
Payable restatement - to record expenses in the proper period	105,455	-	105,455
Capital Assets - to adjust fixed assets and associated accumulated depreciation	<u>138,749</u>	<u>86,877</u>	<u>225,626</u>
Net position beginning of year - as restated	<u>\$ (30,596,147)</u>	<u>\$ (11,078)</u>	<u>\$ (30,607,225)</u>

The governmental fund statement of revenues, expenditures and changes in fund balance has also been restated to reflect the above payable restatement, resulting in an increase of \$105,455 to beginning fund balance.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTHERN TIOGA SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Local sources	\$ 14,030,369	\$ 12,870,356	\$ 13,904,687	\$ 1,034,331
State sources	13,818,006	14,669,339	14,679,651	10,312
Federal sources	<u>1,083,763</u>	<u>1,136,420</u>	<u>731,697</u>	<u>(404,723)</u>
Total revenues	<u>28,932,138</u>	<u>28,676,115</u>	<u>29,316,035</u>	<u>639,920</u>
Expenditures				
Regular programs	14,732,131	13,271,664	11,789,426	1,482,238
Special programs	3,934,297	4,063,878	3,863,016	200,862
Vocational education	-	-	1,386	(1,386)
Other instructional programs	104,250	104,250	104,414	(164)
Instructional programs for pre-kindergarten	676,817	649,047	669,484	(20,437)
Student support services	622,650	697,862	660,632	37,230
Instructional staff support services	682,247	751,814	844,791	(92,977)
Administration support services	1,351,436	1,597,861	1,370,362	227,499
Pupil health support services	203,277	163,566	247,712	(84,146)
Business support services	353,926	392,846	406,939	(14,093)
Operation and maintenance of plant services	1,897,824	1,936,635	1,878,472	58,163
Student transportation services	1,158,221	1,252,961	1,275,871	(22,910)
Central support services	522,065	480,004	632,594	(152,590)
Student activities	630,463	626,379	569,510	56,869
Community service	14,500	14,500	12,134	2,366
Debt service	3,133,829	3,098,125	-	3,098,125
Refund of prior year receipts	-	-	1,199	(1,199)
Total expenditures	<u>30,017,933</u>	<u>29,101,392</u>	<u>24,327,942</u>	<u>4,773,450</u>
Other Financing Uses				
Interfund transfers out	-	-	3,098,125	(3,098,125)
Total expenditures and other financing uses	<u>30,017,933</u>	<u>29,101,392</u>	<u>27,426,067</u>	<u>1,675,325</u>
Net Change in Fund Balance	(1,085,795)	(425,277)	1,889,968	2,315,245
Fund Balances - Beginning - as Previously Stated	4,900,384	4,900,384	4,900,384	-
Restatement	<u>105,455</u>	<u>105,455</u>	<u>105,455</u>	<u>-</u>
Fund Balance - Beginning, as Restated	<u>5,005,839</u>	<u>5,005,839</u>	<u>5,005,839</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 3,920,044</u>	<u>\$ 4,580,562</u>	<u>\$ 6,895,807</u>	<u>\$ 2,315,245</u>

See accompanying notes to required supplementary information.

SOUTHERN TIoga SCHOOL DISTRICT
Schedule of Funding Progress for Other Postemployment Benefits Obligation
For the Year Ended June 30, 2015

Actuarial Valuation Date	Actuarial Valuation of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
07/01/2014	\$	- \$ 10,837,742	\$ 10,837,742	-%	\$ 10,522,396	103.0%
07/01/2012	\$	- \$ 9,714,186	\$ 9,714,186	-%	\$ 10,550,995	92.1%
07/01/2010	\$	- \$ 8,871,929	\$ 8,871,929	-%	\$ 11,986,109	74.0%

See accompanying notes to required supplementary information.

SOUTHERN TIOGA SCHOOL DISTRICT
Schedule of District's Proportionate Share of the Net Pension Liability - PSERS
For the Year Ended June 30, 2015

	<u>2015</u>	<u>2014</u>
The District's proportion of the net pension liability	0.091500 %	0.092900 %
The District's proportionate share of the net pension liability	36,216,000	38,030,000
The District's covered employee payroll	12,598,072	11,966,821
The District's proportionate share of the net pension liability as a percentage of covered employee payroll	287.47 %	317.80 %
Plan fiduciary net position as a percentage of the total pension liability	57.20 %	54.49 %

See accompanying notes to required supplementary information.

SOUTHERN TIOGA SCHOOL DISTRICT
Schedule of Employer's Contributions for PSERS
For the Year Ended June 30, 2015

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually required contribution	\$2,205,809	\$1,935,178	\$1,437,302	\$1,060,567	\$ 734,228	\$ 622,098	\$ 559,712	\$ 149,801	Not Available	Not Available
Contribution in relation to the contractually required contribution	<u>2,205,809</u>	<u>1,935,178</u>	<u>1,437,302</u>	<u>1,060,567</u>	<u>734,228</u>	<u>622,098</u>	<u>559,712</u>	<u>149,801</u>	<u>Not Available</u>	<u>Not Available</u>
Contribution deficiency (excess)	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -
Contribution as a percentage of covered employee payroll	17.51 %	16.17 %	11.82 %	8.46 %	5.54 %	4.64 %	4.17 %	1.15 %	Not Available	Not Available

See accompanying notes to required supplementary information.

SOUTHERN TIOGA SCHOOL DISTRICT
Notes to Required Supplementary Information
June 30, 2015

Note 1. Budgetary Comparison Schedule and Budgetary Basis Reporting

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

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

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

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

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

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

Note 2. Schedule of Funding Progress for Other Postemployment Benefit Obligations

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

Note 3. 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 audited Commonwealth of Pennsylvania Public School Employers' Retirement System Plan. Additional information for the pension schedules can be found in the notes to the financial statements.

SINGLE AUDIT REPORTS

SOUTHERN TIOGA SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

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 6/30/14	Revenue Recognized	Federal Expenditures	Accrued (Deferred) Revenue at 6/30/15
U.S. Department of Agriculture										
Passed through the Pennsylvania Department of Education										
Child Nutrition Cluster:										
National School Lunch Hi/Low Program	I	10.555	362-0000	13-14	N/A	\$ 18,179	\$ 18,179	\$ -	\$ -	\$ -
National School Lunch Hi/Low Program	I	10.555	362-0000	14-15	N/A	287,584	-	324,004	324,004	36,420
Severe Needs Breakfast Program	I	10.553	367-0000	13-14	N/A	4,899	4,899	-	-	-
Severe Needs Breakfast Program	I	10.553	367-0000	14-15	N/A	<u>66,237</u>	<u>-</u>	<u>89,972</u>	<u>89,972</u>	<u>23,735</u>
Total passed through the Pennsylvania Department of Education						376,899	23,078	413,976	413,976	60,155
Passed through the Pennsylvania Department of Agriculture										
Child Nutrition Cluster:										
National School Lunch - USDA Commodities	I	10.555	N/A	14-15	N/A	<u>37,146</u>	<u>-</u>	<u>37,146</u>	<u>37,146</u>	<u>-</u>
Total U.S. Department of Agriculture - Child Nutrition Cluster						<u>414,045</u>	<u>23,078</u>	<u>451,122</u>	<u>451,122</u>	<u>60,155</u>
U.S. Department of Education										
Passed through the Pennsylvania Department of Education										
Title I - Improving Programs	I	84.010	013-140408	13-14	567,710	60,491	60,491	-	-	-
Title I - Improving Programs	I	84.010	013-150408	14-15	543,836	489,896	-	537,415	537,415	47,519
Total Title I						<u>550,387</u>	<u>60,491</u>	<u>537,415</u>	<u>537,415</u>	<u>47,519</u>
Title II - Improving Teacher Quality	I	84.367	020-140408	13-14	118,624	13,416	13,416	-	-	-
Title II - Improving Teacher Quality	I	84.367	020-150408	14-15	118,074	80,931	-	120,289	120,289	39,358
Total Title II						94,347	13,416	120,289	120,289	39,358
Rural and Low Income Schools	I	84.358	007-150408	14-15	-	10,142	-	13,523	13,523	3,381
Total passed through the Pennsylvania Department of Education						<u>654,876</u>	<u>73,907</u>	<u>671,227</u>	<u>671,227</u>	<u>90,258</u>
Passed through BLAST IU #17 - Special Education Cluster										
Special Education Grants to States (IDEA)	I	84.027	N/A	13-14	439,392	439,392	439,392	-	-	-
Special Education Grants to States (IDEA)	I	84.027	N/A	14-15	422,620	400,000	-	422,620	422,620	22,620
IDEA part B, Section 619	I	84.173	N/A	14-15	4,614	4,614	-	4,614	4,614	-
Total passed through BLAST IU #17 - Special Education Cluster						<u>844,006</u>	<u>439,392</u>	<u>427,234</u>	<u>427,234</u>	<u>22,620</u>
Total U.S. Department of Education						<u>1,498,882</u>	<u>513,299</u>	<u>1,098,461</u>	<u>1,098,461</u>	<u>112,878</u>
Total Expenditures of Federal Awards						<u>\$ 1,912,927</u>	<u>\$ 536,377</u>	<u>\$ 1,549,583</u>	<u>\$ 1,549,583</u>	<u>\$ 173,033</u>

See accompanying notes to schedule of expenditures of federal awards.

SOUTHERN TIOGA SCHOOL DISTRICT
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

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

Note 2. Source Codes

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

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

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

To the Board of Education
Southern Tioga School District
Blossburg, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Southern Tioga School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Southern Tioga School District's basic financial statements, and have issued our report thereon dated December 15, 2015.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Southern Tioga School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

EFP Rotenberg, LLP

EFP Rotenberg, LLP
Corning, New York
December 15, 2015

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Education
Southern Tioga School District
Blossburg, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited the Southern Tioga School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Southern Tioga School District's major federal programs for the year ended June 30, 2015. The Southern Tioga School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Southern Tioga School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

EFP Rotenberg, LLP

EFP Rotenberg, LLP
Corning, New York
December 15, 2015

SOUTHERN TIOGA SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

SUMMARY OF AUDITORS' RESULTS:

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

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

Program Name

Child Nutrition Cluster
Special Education Cluster

CFDA Federal Number

CFDA No 10.553 & 10.555
CFDA No 84.027 & 84.173

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

FINDINGS - FINANCIAL STATEMENT AUDIT

NONE

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

NONE

**SOUTHERN TIOGA SCHOOL DISTRICT
Summary Schedule of Prior Year Findings
For the Year Ended June 30, 2015**

FINDINGS - FINANCIAL STATEMENT AUDIT

NONE

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

NONE