

NEW ISSUE—BOOK-ENTRY ONLY

RATINGS: Moody's: "___" (Insured)
 "___" (Enhanced)
 "___" (Underlying)
 (See Ratings herein)

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, interest on the Bonds is excluded from gross income for federal income tax purposes. Bond Counsel is also of the opinion that interest on the Bonds is not a specific item of tax preference under §57 of the Internal Revenue Code of 1986, as amended (the "Code") for purposes of Federal individual or corporate alternative minimum taxes. The Bonds and interest income therefrom, are free from taxation for purposes of personal income, corporate net income and personal property taxes within the Commonwealth of Pennsylvania.

The Bonds are "qualified tax-exempt obligations" for the purposes and effect contemplated by Section 265 of the Internal Revenue Code of 1986, as amended (regarding interest expenses related to tax-exempt income of certain financial institutions).

For further information concerning federal and state tax matters relating to the Bonds, see "Tax Exemption" herein.

\$6,825,000*

Northern Cambria School District

Cambria County, Pennsylvania

General Obligation Bonds, Series of 2012

Dated: March 27, 2012

Principal Due: September 1, as shown on inside cover

Interest Due: March 1 and September 1

First Interest Payment: September 1, 2012

The General Obligation Bonds, Series of 2012 (the "Bonds") in the aggregate principal amount of \$6,825,000* will be issued in book-entry only form in denominations of \$5,000 or any integral multiple thereof. The Bonds will be registered in the name of Cede & Co., as the registered owner and nominee of The Depository Trust Company ("DTC"), New York, New York. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or any integral multiple thereof only under the book-entry only system maintained by DTC through its brokers and dealers who are, or act through, DTC Participants. The purchasers of the Bonds will not receive physical delivery of the Bonds. For so long as any purchaser is the beneficial owner of a Bond, that purchaser must maintain an account with a broker or a dealer who is, or acts through, a DTC Participant to receive payment of principal of and interest on the Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein. If, under the circumstances described herein, Bonds are ever issued in certificated form, the Bonds will be subject to registration of transfer, exchange and payment as described herein.

The Bonds are general obligations of the Northern Cambria School District, Cambria County, Pennsylvania (the "School District"), payable from its tax and other general revenues. The School District has covenanted that it will provide in its budget in each year, and will appropriate from its general revenues in each such year, the amount of the debt service on the Bonds for such year and will duly and punctually pay or cause to be paid from the sinking fund established under the Resolution, hereinafter defined, or from any other of its revenues or funds, the principal of every Bond and the interest thereon on the dates, at the place and in the manner stated in the Bonds, and for such budgeting, appropriation and payment the School District irrevocably has pledged its full, credit and available taxing power. (See "Security" and "Taxing Powers of the School District" *infra*).

Interest on each of the Bonds is payable initially on September 1, 2012, and thereafter semiannually on March 1 and September 1 of each year until the maturity date of such Bond. The School District has appointed _____ (the "Paying Agent"), as paying agent, registrar and sinking fund depository for the Bonds. So long as Cede & Co., as nominee for DTC, is the registered owner of the Bonds, payments of the principal of, redemption premium, if any, and interest on the Bonds, when due for payment, will be made directly to DTC by the Paying Agent, and DTC will in turn remit such payments to DTC Participants for subsequent disbursement to the Beneficial Owners of the Bonds. If the use of the Book-Entry Only System for the Bonds is ever discontinued, the principal of and redemption premium, if any, on each of the Bonds will be payable, when due, upon surrender of such Bond to the Paying Agent at its corporate trust office in _____, Pennsylvania (or any successor paying agent at its designated office(s)) and interest on such Bond will be payable by check and mailed to the person(s) in whose name(s) such Bond is registered as of the Record Date with respect to the particular interest payment date (See "THE BONDS," *infra*).

The Bonds are subject to optional redemption prior to maturity.

Proceeds of the Bonds will be used for: (1) the current refunding of the School District's General Obligation Bonds, Series of 2006; (2) the current refunding of the School District's General Obligation Bonds, Series of 2007; and (3) paying the costs and expenses related to the issuance of the Bonds.

The Bonds are an authorized investment for fiduciaries in the Commonwealth pursuant to the Pennsylvania Probate, Estate and Fiduciaries Code, Act of June 30, 1972, No. 164, P.L. 508, as amended and supplemented.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by _____.

MATURITIES, AMOUNTS, RATES AND PRICES/YIELDS

As Shown on Inside Front Cover

The Bonds are offered when, as and if issued, subject to withdrawal or modification of the offer without notice, and subject to the approving legal opinion of Dinsmore & Shohl LLP, of Pittsburgh, Pennsylvania, Bond Counsel, to be furnished upon delivery of the Bonds. Certain other legal matters will be passed upon for the School District by Gary A. Jubas, Esquire, of Ebensburg, Pennsylvania, School District Solicitor. Public Financial Management, Inc., Harrisburg, Pennsylvania, serves as Financial Advisor to the School District in connection with the issuance of the Bonds. It is expected that the Bonds will be available for delivery through DTC in New York, New York on or about March 27, 2012.

Public Financial Management, Inc.
 Financial Advisor to the School District

Dated:

*Estimated, subject to change

This Preliminary Official Statement and the information contained herein are subject to completion, amendment or other change without notice. The Bonds may not be sold nor may offers to buy be accepted prior to the time the Preliminary Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the applicable securities laws of any such jurisdiction.

\$6,825,000*
Northern Cambria School District
Cambria County, Pennsylvania
General Obligation Bonds, Series of 2012

Dated: March 27, 2012

Interest Due: March 1 and September 1

Principal Due: September 1, as shown below

First Interest Payment: September 1, 2012

MATURITIES, AMOUNTS, RATES AND PRICES/YIELDS

Year of Maturity (Sept. 1)	Principal Maturity Amount	Interest Rate	Initial Offering Yields	Initial Offering Prices
2013				
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				

(A portion of the Bonds may be structured as Term Bonds. See "Invitation to Bid".)

*Estimated, subject to change.

NORTHERN CAMBRIA SCHOOL DISTRICT
Cambria County, Pennsylvania

BOARD OF SCHOOL DIRECTORS

Robert Tomallo.....	President
Brian Tibbott	Vice President
John Sedlock.....	Treasurer
David Atkins.....	Member
Sherry Atkins.....	Member
Delvin Lockard.....	Member
Roland Paronish	Member
Dennis Pawlikowski	Member
Frank Frontino	Member

SUPERINTENDENT

DR. JOHN A. JUBAS, ED.D.

FINANCE DIRECTOR

JENNIE L. IVORY

SCHOOL DISTRICT SOLICITOR

GARY A. JUBAS, ESQUIRE
Ebensburg, Pennsylvania

BOND COUNSEL

DINSMORE & SHOHL LLP
Pittsburgh, Pennsylvania

FINANCIAL ADVISOR

PUBLIC FINANCIAL MANAGEMENT, INC.
Harrisburg, Pennsylvania

PAYING AGENT

_____, Pennsylvania

SCHOOL DISTRICT ADDRESS

601 Joseph Street
Northern Cambria, PA 15714

No dealer, broker, salesman or other person has been authorized by the School District to give information or to make any representations, other than those contained in this Preliminary Official Statement, and if given or made, such other information or representations must not be relied upon. This Preliminary Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. The information set forth herein has been obtained from the School District and from other sources which are believed to be reliable but the School District does not guarantee the accuracy or completeness of information from sources other than the School District. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Preliminary Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in any of the information set forth herein since the date hereof.

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PRELIMINARY OFFICIAL STATEMENT

\$6,825,000*

Northern Cambria School District

**Cambria County, Pennsylvania
General Obligation Bonds, Series of 2012**

INTRODUCTION

This Preliminary Official Statement, including the cover and inside cover page hereof, is furnished by the Northern Cambria School District, Cambria County, Pennsylvania (the "School District") in connection with the offering of \$6,825,000*, aggregate principal amount, of its General Obligation Bonds, Series of 2012 (the "Bonds"). The Bonds are dated as of March 27, 2012 and are being issued pursuant to a Resolution of the Board of School Directors of the School District adopted on February 21, 2012 (the "Resolution"), in accordance with the Local Government Unit Debt Act 53 PA.C.S.A. Section 8001 et seq. (the "Act").

PURPOSE OF THE ISSUE

Proceeds of the Bonds will be used to: (1) currently refund the School District's General Obligation Bonds, Series of 2006, (the "2006 Bonds"), which are currently outstanding in the aggregate principal amount of \$1,990,000; (2) to currently refund the School District's General Obligation Bonds, Series of 2007 (the "2007 Bonds"), which are currently outstanding in the aggregate principal amount of \$4,645,000 and (3) to pay the costs of issuing the Bonds.

Proceeds of the Bonds, after paying the costs and expenses of issuing the Bonds will be deposited with US Bank, N.A., to redeem the 2006 Bonds and the 2007 Bonds, at a redemption price of 100% of principal amount plus accrued interest, pursuant to the optional redemption provisions applicable to the 2006 Bonds and 2007 Bonds, on or within 90 days of the issuance date of the Bonds.

Sources and Uses of Bond Proceeds

The following is a summary of the sources and uses of the proceeds from the issuance of the Bonds.

Source of Funds

Bond Proceeds.....

Net Original Issue Premium

Accrued Interest.....

Total Source of Funds

Use of Funds

Amount Required to Call the 2006 Bonds.....

Amount Required to Call the 2007 Bonds.....

Costs of Issuance⁽¹⁾

Total Use of Funds

⁽¹⁾Includes legal, financial advisor, printing, rating, total bond discount, municipal bond insurance premium, paying agent and miscellaneous costs.

*Estimated, subject to change.

THE BONDS

Description

The Bonds will be issued in fully registered form in denominations of \$5,000 and integral multiples thereof, will be in the aggregate principal amount of \$6,825,000*, will be dated as of March 27, 2012, and will bear interest at the rates and mature in the amounts and on the dates set forth on the inside front cover of this Preliminary Official Statement. Interest on the Bonds will be payable initially on September 1, 2012, and thereafter, semiannually on March 1 and September 1 of each year until the maturity date of such Bond or, if such Bond is subject to redemption prior to maturity, until the date fixed for redemption thereof, if payment of the redemption price has been duly made or provided for.

When issued, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York. Purchasers of the Bonds (the "Beneficial Owners") will not receive any physical delivery of bond certificates, and beneficial ownership of the Bonds will be evidenced only by book entries. See "BOOK – ENTRY ONLY SYSTEM" herein.

Payment of Principal and Interest

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, payments of principal of, redemption premium, if any, and interest on the Bonds, when due, are to be made to DTC and all such payments shall be valid and effective to satisfy fully and to discharge the obligations of the School District with respect to, and to the extent of, principal, redemption premium, if any, and interest so paid.

If the use of the Book-Entry Only System for the Bonds is discontinued for any reason, bond certificates will be issued to the Beneficial Owners of the Bonds and payment of principal, redemption premium, if any, and interest on the Bonds shall be made as described in the following paragraphs:

The principal of the Bonds, when due upon maturity or upon any earlier redemption, will be paid to the registered owners of the Bonds, or registered assigns, upon surrender of the Bonds to _____. (the "Paying Agent"), acting as paying agent, registrar and sinking fund depository for the Bonds, at its corporate trust office in _____, Pennsylvania (or to any successor paying agent at its designated office(s)).

Interest on the Bonds will be payable to the registered owner of a Bond from the interest payment date next preceding the date of registration and authentication of the Bond, unless: (a) such Bond is registered and authenticated as of an interest payment date, in which event such Bond shall bear interest from said interest payment date, or (b) such Bond is registered and authenticated after a Record Date (hereinafter defined) and before the next succeeding interest payment date, in which event such Bond shall bear interest from such interest payment date, or (c) such Bond is registered and authenticated on or prior to the Record Date preceding September 1, 2012, in which event such Bond shall bear interest from March 27, 2012, or (d) as shown by the records of the Paying Agent, interest on such Bond shall be in default, in which event such Bond shall bear interest from the date to which interest was last paid on such Bond. Interest on each Bond will be payable by check drawn on the Paying Agent, which shall be mailed to the registered owner whose name and address shall appear, at the close of business on the fifteenth (15) day of the calendar month (whether or not a day on which the Paying Agent is open for business) next preceding each interest payment date (the "Record Date"), on the registration books maintained by the Paying Agent, irrespective of any transfer or exchange of the Bond subsequent to such Record Date and prior to such interest payment date, unless the School District shall be in default in payment of interest due on such interest payment date. In the event of any such default, such defaulted interest shall be payable to the person in whose name the Bond is registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed by the Paying Agent to the registered owners of such Bonds not less than ten (10) days preceding such special record date.

If the date for payment of the principal of or interest on any Bonds shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the Commonwealth are authorized or required by law or executive order to close, then the date for payment of such principal or interest shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized or required to close, and payment on such date shall have the same force and effect as if made on the nominal date established for such payment.

Transfer, Exchange and Registration of Bonds

Subject to the provisions described below under "Book-Entry Only System," Bonds are transferable or exchangeable by the registered owners thereof upon surrender of Bonds to the Paying Agent, accompanied by a written instrument or instruments in form, with instructions, and with guaranty of signature satisfactory to the Paying Agent, duly executed by the registered owner of such Bond or his attorney-in-fact or legal representative. The Paying Agent shall enter any transfer of ownership of Bonds in the registration books and shall authenticate and deliver at the earliest practicable time in the name of the transferee or transferees a new fully registered bond or bonds of authorized denominations of the same series, maturity and interest rate for the aggregate principal amount which the registered owner is entitled to receive. The School District and the Paying Agent may deem and treat the registered owner of any Bond as the absolute owner thereof (whether or not a Bond shall be overdue) for the purpose of receiving payment of or on account of principal and interest and for all other purposes, and the School District and the Paying Agent shall not be affected by any notice to the contrary.

*Estimated, subject to change

Commonwealth Enforcement of Debt Service Payments

Section 633 of the Pennsylvania Public School Code of 1949, as amended by Act 154 of 1998 (the "Public School Code"), presently provides that in all cases where the board of school directors of any school district fails to pay or to provide for the payment of any indebtedness at date of maturity or date of mandatory redemption, or any interest due on such indebtedness on any interest payment date, or, in either event, upon the date of required deposits to the Sinking Fund, in accordance with the schedule under which the bonds were issued, the Secretary of Education shall notify such board of school directors of its obligation and shall withhold out of any State appropriation due such school district an amount equal to the sum of the principal amount maturing or subject to mandatory redemption and interest owing by such school district, and shall pay over the amount so withheld to the bank or other person acting as Sinking Fund Depository for such bond issue. These withholding provisions are not part of any contract with the holders of the Bonds, and may be amended or repealed by future legislation.

There can be no assurance, however, that any payments pursuant to this withholding provision will be made by the date on which such payments are due to the Bondholders.

The effectiveness of Section 633 of the Public School Code may be limited by the application of other withholding provisions contained in the Public School Code, such as provisions for withholding and paying over of appropriations for payment of unpaid teachers' salaries. Enforcement may also be limited by bankruptcy, insolvency, or other laws or equitable principles affecting the enforcement of creditors' rights generally.

Security

The Bonds will be general obligations of the School District, payable from its tax and other general revenues. The School District has covenanted that it will provide in its budget for each year, and will appropriate from its general revenues in each such year, the amount of the debt service on the Bonds for such year, and will duly and punctually pay or cause to be paid from its Sinking Fund, as hereinafter defined, or any other of its revenues or funds, the principal of each of the Bonds and the interest thereon at the dates and place and in the manner stated on the Bonds, and for such budgeting, appropriation and payment the School District irrevocably has pledged its full faith, credit and taxing power, which taxing power includes the power to levy ad valorem taxes on all taxable property within the School District within the limits provided by law (See "Taxing Powers of the School District" herein). The Act presently provides for enforcement of debt service payments as hereinafter described (see "Defaults and Remedies" herein), and the Public School Code presently provides for the withholding and application of subsidies in the event of failure to pay debt service (see "Commonwealth Enforcement of Debt Service Payments" herein).

Sinking Fund

A sinking fund for the payment of debt service on the Bonds, designated "Sinking Fund, General Obligation Bonds, Series of 2012" (the "Sinking Fund"), has been created under the Resolution and is maintained by the Paying Agent, as Sinking Fund Depository. The School District shall deposit in the Sinking Fund a sufficient sum, not later than the date when interest and/or principal is to become due on the Bonds, so that on each payment date the Sinking Fund will contain an amount which, together with any other funds available therein, is sufficient to pay, in full, interest and/or principal then due on the Bonds.

The Sinking Fund shall be held by the Paying Agent, as Sinking Fund Depository, and invested by the Paying Agent in such securities or shall be deposited in such funds or accounts as are authorized by the Act, upon direction of the School District. Such deposits and securities shall be in the name of the School District, but subject to withdrawal or collection only by the Paying Agent, as Sinking Fund Depository, and such deposits and securities, together with the interest thereon, shall be a part of the Sinking Fund.

The Paying Agent, as Sinking Fund Depository, is authorized without further order from the School District to pay from the Sinking Fund the principal of and interest on the Bonds, as and when due and payable.

BOOK-ENTRY ONLY SYSTEM

The information in this section has been obtained from materials provided by DTC for such purpose. The School District (herein referred to as the "Issuer") and the Underwriter do not guaranty the accuracy or completeness of such information, and such information is not to be construed as a representation of the School District or the Underwriter.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

DTC the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants")

deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]

[Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.]

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.]

DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

NEITHER THE ISSUER NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT, INDIRECT PARTICIPANT OR BENEFICIAL OWNER OR ANY OTHER PERSON WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (4) THE DELIVERY TO ANY BENEFICIAL OWNER BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO BONDHOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

The Issuer and the Paying Agent cannot give any assurances that DTC or the Participants will distribute payments of the principal or redemption price of and interest on the Bonds paid to DTC or its nominee, as the registered owner of the Bonds, or any redemption or other notices, to the Beneficial Owners or that they will do so on a timely basis, or that DTC will serve and act in the manner described in this Preliminary Official Statement.

REDEMPTION OF BONDS

Mandatory Redemption

Bidders may elect to structure the issue to include term Bonds, which term Bonds, if selected by the bidder, will be subject to mandatory sinking fund redemptions prior to maturity, in the years and amounts as shown in the Invitation to Bid, upon payment of 100% of the principal amount of Bonds to be redeemed, together with accrued interest to the date fixed for redemption, or upon maturity, as applicable. Term bonds to be redeemed shall be selected by lot by the Paying Agent.

In lieu of such mandatory redemption, the Paying Agent, on behalf of the School District, may purchase from money in the Sinking Fund, at a price not to exceed the principal amount plus accrued interest, or the School District may tender to the Paying Agent, all or part of the Bonds subject to being drawn for redemption in any such year.

Optional Redemption

The Bonds stated to mature on or after September 1, 2017, shall be subject to redemption prior to maturity, at the option of the School District, as a whole, on, March 1, 2017, or on any date thereafter, or from time to time, in part (and if in part, of any order of maturity as selected by the School District and within a maturity by lot), in either case upon payment of a redemption price of 100% of the principal amount of such Bonds, together with accrued interest to the redemption date.

Notice of Redemption

Notice of any redemption shall be given by depositing a copy of the redemption notice by first class mail not less than thirty (30) days nor more than sixty (60) days prior to the date fixed for redemption addressed to each of the registered owners of Bonds to be redeemed, in whole or in part, at the addresses shown on the registration books; provided, however, that failure to give such notice by mailing, or any defect therein or in the mailing thereof, shall not affect the validity of any proceeding for redemption of other Bonds called for redemption as to which proper notice has been given.

On the date designated for redemption, notice having been provided as aforesaid, and money for payment of the principal and accrued interest being held by the Paying Agent, interest on the Bonds or portions thereof so called for redemption shall cease to accrue and such Bonds or portions thereof shall cease to be entitled to any benefit or security under the Resolution, and registered owners of such Bonds or portions thereof so called for redemption shall have no rights with respect to such Bonds, except to receive payment of the principal of and accrued interest on such Bonds to the date fixed for redemption.

Manner of Redemption

If a Bond is of a denomination larger than \$5,000, a portion of such Bond may be redeemed. For the purposes of redemption, a Bond shall be treated as representing that number of Bonds which is obtained by dividing the principal amount thereof by \$5,000, each \$5,000 portion of such Bond being subject to redemption. In the case of partial redemption of a Bond, payment of the redemption price shall be made only upon surrender of such Bond in exchange for Bonds of authorized denominations in an aggregate principal amount equal to the unredeemed portion of the principal amount thereof.

If the redemption date for any Bonds shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the Commonwealth of Pennsylvania are authorized by law or executive order to close, then the date for payment of the principal, premium, if any, and interest upon such redemption shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized to close, and payment on such date shall have the same force and effect as if made on the nominal date of redemption.

THE SCHOOL DISTRICT

Introduction

The School District is comprised of the Boroughs of Northern Cambria and the Townships of Barr and Susquehanna encompassing a land area of 63.8 square miles. The School District is located in the northwestern portion of Cambria County is approximately 35 miles north of the City of Johnstown, Pennsylvania, and 35 miles northwest of the City of Altoona, Pennsylvania. The 2010 population of the School District was 7,898.

Administration

The School District is governed by a nine-member Board of School Directors (the "School Board"), elected for four-year terms. The Superintendent is the chief administrative officer of the School District, with overall responsibility for the entire educational program. The Business Administrator, under the supervision of the Superintendent, is responsible for all fiscal and budgetary affairs. Both of these officials are appointed by the School Board.

School Facilities

The School District presently operates an elementary/middle school and a high school all as described on the following table.

TABLE 1
NORTHERN CAMBRIA SCHOOL DISTRICT FACILITIES

<u>Building</u>	<u>Original Construction Date</u>	<u>Addition Renovation Date</u>	<u>Grades</u>	<u>Number of Classrooms</u>	<u>Rated Pupil Capacity</u>	<u>2011-12 Enrollment</u>
<i>Elementary/Middle:</i>						
Northern Cambria Elementary/Middle	1975	2006	K-8	40	1400	633
<i>Secondary:</i>						
Northern Cambria High	1963	1993	9 - 12	26	853	551

Source: School District Officials.

Enrollment Trends

The following Table 2 presents recent trends in school enrollment and projections of enrollments.

TABLE 2
NORTHERN CAMBRIA SCHOOL DISTRICT ENROLLMENT TRENDS

<u>Actual Enrollments</u>				<u>Projected Enrollments</u>			
<u>School Year</u>	<u>Elementary</u>	<u>Secondary</u>	<u>Total</u>	<u>School Year</u>	<u>Elementary</u>	<u>Secondary</u>	<u>Total</u>
2007-08	613	595	1,208	2012-13	644	565	1,209
2008-09	626	575	1,201	2013-14	644	565	1,209
2009-10	624	577	1,201	2014-15	644	565	1,209
2010-11	644	565	1,209	2015-16	644	565	1,209
2011-12	633	551	1,184	2016-17	644	565	1,209

Source: School District Officials.

SCHOOL DISTRICT FINANCES

Introduction

The School District budgets and expends funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by the Superintendent and Business Administrator and submitted to the School Board for approval prior to the beginning of the fiscal year on July 1.

Financial Reporting

The School District keeps its books and prepares its financial reports according to a modified accrual basis. Major accrual items are payroll, payroll taxes and pension fund contributions payable, delinquent taxes receivable, loans receivable from other funds, and revenues receivable from other governmental units. Its financial statements are audited by an independent certified public accountant, as required by State law. Robert A. Shaffer, CPA, of Johnstown, Pennsylvania, serves as the School District's Auditor.

Budgeting Process in School Districts under the 2006 Taxpayer Relief Act

In General. School districts budget and expend funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by school district administrative officials on a uniform form furnished by such Department and submitted to the board of school directors for approval prior to the beginning of the fiscal year on July 1.

Procedures for Adoption of the Annual Budget. Under the Taxpayer Relief Act, all school districts of the first class A, second class, third class and fourth class (except as described below) must adopt a preliminary budget proposal (which must include estimated revenues and expenditures and proposed tax rates) no later than 90 days prior to the date of the election immediately preceding the fiscal year. The preliminary budget proposal must be printed and made available for public inspection at least 20 days prior to its adoption; the board of school directors may hold a public hearing on the budget; and the board must give at least 10 days' public notice of its intent to adopt the final budget.

If the adopted preliminary budget includes an increase in the rate of any tax levy, the preliminary budget must be submitted to the Pennsylvania Department of Education (PDE) no later than 85 days prior to the date of the election immediately preceding the fiscal year. PDE is to compare the proposed percentage increase in the rate of any tax with the school district's Index (*see "The Taxpayer Relief Act"* herein) and within 10 days, but not later than 75 days prior to the upcoming election, inform the school district whether the proposed percentage increase is less than or equal to the Index. If PDE determines that a proposed tax increase will exceed the Index, the school district must reduce the proposed tax increase, seek voter approval for the tax increase at the upcoming election, or seek approval to utilize one of the referendum exceptions authorized under The Taxpayer Relief Act.

With respect to the utilization of any of the Taxpayer Relief Act referendum exceptions for which PDE approval is required (*see "The Taxpayer Relief Act"* herein), the school district must publish notice of its intent to seek PDE approval not less than one week before submitting its request for approval to PDE and, if PDE determines to schedule a public hearing on the request, a notice of the date, time and place of such hearing. PDE is required by the Taxpayer Relief Act to rule on the school district's request and inform the school district of its decision no later than 55 days prior to the upcoming election so that, if PDE denies the school district's request, the school district may submit a referendum question to the local election officials at least 50 days before the upcoming election, if it so chooses.

If a school district seeks voter approval to increase taxes at a rate higher than the applicable Index, whether or not it first seeks approval to utilize one of the referendum exceptions available under the Taxpayer Relief Act, and the referendum question is not approved by a majority of the voters voting on the question, the board of school directors may not approve an increase in the tax rate greater than the applicable Index.

Simplified Procedures in Certain Cases. The above budgetary procedures will not apply to a school district if the board of school directors adopts a resolution no later than 110 days prior to the election immediately preceding the upcoming fiscal year declaring that it will not increase any tax at a rate that exceeds the Index and that a tax increase at or below the rate of the Index will be sufficient to balance its budget. In that case, the Taxpayer Relief Act requires only that the proposed annual budget be prepared at least 30 days, and made available for public inspection at least 20 days, prior to its adoption, and that at least ten (10) days' public notice be given of the board's intent to adopt the annual budget. No referendum exceptions are available to a school district adopting such a resolution.

Summary and Discussion of Financial Results

A summary of General Fund balance sheet and changes in fund balances is presented in Tables 3 and 4 which follow. Table 5 shows revenues and expenditures for the past 5 years and budgeted 2011-12 as adopted June 21, 2011. The 2011-12 budget projects revenues of \$15,142,567 and expenditures of \$15,860,000, which includes a budgetary reserve of \$100,000.

TABLE 3
NORTHERN CAMBRIA SCHOOL DISTRICT
SUMMARY OF COMPARATIVE GENERAL FUND BALANCE SHEET
(Years Ending June 30)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
ASSETS					
Cash and Cash Equivalents.....	\$1,336,233	\$1,400,316	\$1,713,680	\$1,647,055	\$2,044,989
Investments.....	313,477	327,573	331,836	664	665
Taxes Receivable.....	628,140	0	0	0	0
Due Other Gov'n'ts.....	566,907	452,777	463,764	984,290	957,737
Other Receivables.....	0	57,276	32,673	3,418	33,251
Inventories.....	15,000	15,000	15,000	15,000	15,000
TOTAL ASSETS.....	<u>\$2,859,757</u>	<u>\$2,252,942</u>	<u>\$2,556,953</u>	<u>\$2,650,427</u>	<u>\$3,051,642</u>
LIABILITIES					
Due from Other Funds.....	\$26,624	\$19,494	\$92,397	\$54,043	\$110,802
Accounts Payable.....	217,251	132,543	151,888	230,536	376,681
Accrued Salaries and Benefits.....	567,234	557,968	512,017	470,344	724,487
Payroll Deductions and Withholdings.....	628,140	64,070	12,068	875	36,257
TOTAL LIABILITIES.....	<u>\$1,439,249</u>	<u>\$774,075</u>	<u>\$768,370</u>	<u>\$755,798</u>	<u>\$1,248,227</u>
FUND EQUITIES					
Nonspendable Fund Balance.....	\$0	\$15,000	\$15,000	\$15,000	\$15,000
Unassigned Fund Balance.....	1,420,508	1,463,867	1,773,583	1,879,629	1,788,415
TOTAL FUND EQUITIES.....	<u>\$1,420,508</u>	<u>\$1,478,867</u>	<u>\$1,788,583</u>	<u>\$1,894,629</u>	<u>\$1,803,415</u>
TOTAL LIABILITIES AND FUND EQUITIES.....	<u>\$2,859,757</u>	<u>\$2,252,942</u>	<u>\$2,556,953</u>	<u>\$2,650,427</u>	<u>\$3,051,642</u>

Source: School District Annual Financial Reports.

TABLE 4
NORTHERN CAMBRIA SCHOOL DISTRICT GENERAL FUND
SUMMARY OF CHANGES IN FUND BALANCE*

	<u>Actual</u>					<u>Budget</u>
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012⁽¹⁾</u>
Beginning Fund Balance	\$1,433,431	\$1,420,507	\$1,478,866	\$1,788,583	\$1,894,630	\$1,803,416
Revenues over (under) Expenditure	(12,924)	168,031	309,717	106,048	(91,214)	(717,433)
Chg In Inv/RS Equity/Prior Year Adj.	0	(109,672)	0	0	0	0
Ending Fund Balance	<u>\$1,420,507</u>	<u>\$1,478,866</u>	<u>\$1,788,583</u>	<u>\$1,894,630</u>	<u>\$1,803,416</u>	<u>\$1,085,983</u>

*Totals may not add due to rounding.

⁽¹⁾ Budget, as of June 21, 2011.

Source: School District Annual Financial Reports and Budget.

Revenue

The School District received \$16,337,957 in revenue in 2010-11, and has projected budgeted revenue of \$15,142,567 in 2011-12. Local sources decreased as a share of total revenue in the past five years from 20.9 percent in 2006-07 to 20.1 percent in 2010-11. Revenue from Commonwealth sources decreased from 74.8 percent in 2006-07 to 66.2 percent in 2010-11. Federal sources increased as a share of total revenue from 4.4 percent to 13.7 percent during this period.

TABLE 5
NORTHERN CAMBRIA SCHOOL DISTRICT
SUMMARY OF SCHOOL DISTRICT GENERAL FUND
REVENUES AND EXPENDITURES*
(Years Ending June 30)

REVENUE:	Actual					Budget
	2007	2008	2009	2010	2011	2012⁽¹⁾
Local Sources:						
Real Estate.....	\$1,856,309	\$2,000,509	\$1,794,336	\$1,807,570	\$2,043,788	\$2,041,074
Total Act 511 Taxes	550,644	562,244	510,223	646,289	599,907	580,000
Per Capita	20,007	20,247	19,573	19,231	19,786	23,000
Public Utility Taxes	4,129	3,905	3,507	3,917	3,632	3,632
Payment in Lieu of Taxes	116	116	116	116	116	116
Delinquent Taxes	195,004	199,980	208,670	197,888	253,148	228,000
Earnings from Investments	69,282	74,677	28,947	3,900	9,743	24,550
State Rev.Rec'd-Other Intermediary Srcs.	15,032	29,047	52,113	0	0	0
Fed. Rev.Rec'd-Other PA Schs.	225,167	237,748	224,412	410,074	284,834	232,000
Tuition	95,182	77,111	40,365	76,515	7,375	38,000
Rentals	0	653	0	487	0	0
Revenue from Community Services	0	10,000	10,000	0	0	0
All Other Local Sources Not Specified.....	0	415	13,334	300	43,854	0
Refund of Prior Years' Expenditures	0	11,166	12,383	323	9,731	0
Other Sources	15,201	5,826	7,145	7,818	400	68,067
Total Local.....	\$3,046,072	\$3,233,645	\$2,925,126	\$3,174,428	\$3,276,313	\$3,238,439
State Sources:						
Instructional Subsidy	\$7,923,203	\$8,127,215	\$8,370,612	\$7,634,544	\$7,239,330	\$7,947,745
Charter Schools	10,341	7,722	24,715	37,249	38,684	0
Alternative Education	0	2,109	0	1,713	0	0
Special Education	703,554	726,691	742,064	804,768	829,076	747,682
Transportation	913,631	974,978	1,013,039	1,009,763	1,009,792	1,034,187
Rentals and Sinking Fund Payments	439,851	319,688	572,460	436,944	436,916	437,206
Health Services	23,892	25,328	25,284	24,979	24,909	24,797
State Property Tax Reduction Allocation	0	0	313,912	314,447	314,898	314,408
Homebound instruction	1,576	536	491	0	0	0
Extra grants.....	1,803	0	1,705	0	0	0
PA Accountability Grant	246,193	258,003	254,649	254,649	238,795	0
Revenue for Social Security.....	276,506	285,899	291,408	301,283	295,312	281,950
Revenue for Retirement.....	338,745	202,882	209,767	203,769	244,778	314,993
Pre-K Counts	0	0	117,000	117,000	117,000	117,000
Additional Grants Not Listed Elsewhere	0	0	9,000	0	0	0
Other	0	0	0	0	0	35,000
Education Assistance Program	33,613	33,613	24,882	29,926	30,378	20,000
Total State Sources.....	\$10,912,908	\$10,964,664	\$11,970,988	\$11,171,035	\$10,819,869	\$11,274,968
Federal Sources:						
Total Federal Sources	\$630,340	\$657,786	\$635,151	\$1,985,739	\$2,241,775	\$629,160
Other Sources:						
Total Other Sources.....	\$5,005	\$5,000	\$0	\$0	\$0	\$0
TOTAL REVENUE.....	\$14,594,325	\$14,861,095	\$15,531,265	\$16,331,202	\$16,337,957	\$15,142,567
EXPENDITURES:						
Instruction.....	\$8,744,899	\$8,814,450	\$9,373,428	\$9,792,240	\$9,975,155	\$9,464,312
Pupil Personnel.....	474,598	432,758	490,945	508,487	568,398	536,073
Instructional Staff	343,950	361,199	363,629	578,931	489,053	362,254
Administration.....	748,387	767,448	678,019	719,302	866,684	768,616
Pupil Health	191,772	205,274	215,022	220,619	234,969	230,146
Business.....	184,303	189,340	204,764	228,458	207,232	235,281
Operation and Maintenance of Plant Services ...	1,162,281	1,204,848	1,256,430	1,396,395	1,329,110	1,364,589
Student Transportation	1,093,158	1,104,877	1,094,104	1,108,566	1,181,217	1,146,210
Central	243,455	232,446	239,162	218,475	158,991	297,957
Other Support Services	2,168	2,166	2,141	2,546	3,029	0
Operation of Noninstructional Services	329,888	341,833	334,628	380,585	344,108	460,666
Debt Service	982,490	997,601	957,376	959,628	960,772	793,896
Refund of Prior Year Receipts.....	81,927	2,629	11,900	10,922	7,453	0
Fund Transfers.....	23,973	35,000	0	100,000	103,000	100,000
Short Term Borrowing -- Interests and Costs	0	1,195	0	0	0	0
Budgetary Reserve.....	0	0	0	0	0	100,000
TOTAL EXPENDITURES	\$14,607,249	\$14,693,064	\$15,221,548	\$16,225,154	\$16,429,171	\$15,860,000
SURPLUS OF REVENUES OVER						
(UNDER) EXPENDITURES	(\$12,924)	\$168,031	\$309,717	\$106,048	(\$91,214)	(\$717,433)

*Totals may not add due to rounding.

⁽¹⁾ Budget, as of June 21, 2011.

Source: School District Annual Financial Reports and Budget.

TAXING POWERS OF THE SCHOOL DISTRICT

Subject to certain limitations imposed by the Taxpayer Relief Act, Act No. 1 of the Special Session of 2006, as amended (see “The Taxpayer Relief Act (Act 1)” herein), the School District is empowered by the School Code and other statutes to levy the following taxes:

1. A basic annual tax on all real property taxable for school purposes, not to exceed 25 mills on each dollar of assessed valuation, to be used for general school purposes.
2. An unlimited ad valorem tax on the property taxable for school purposes to provide funds:
 - a. for minimum salaries and increments of the teaching and supervisory staff;
 - b. to pay rentals due any municipality authority or non-profit corporation or due the State Public School Building Authority;
 - c. to pay interest and principal on any indebtedness incurred pursuant to the Local Government Unit Debt Act, or any prior or subsequent act governing the incurrence of indebtedness of the school district; and
 - d. to pay for the amortization of a bond or note issue which provided a school building prior to the first Monday of July, 1959.
3. An annual per capita tax on each resident or inhabitant over 18 years of age of not less than \$1.00 and not more than \$10.00.
4. Additional taxes subject to division with other political subdivisions authorized to levy similar taxes on the same person, subject, business, transaction or privilege, under Act No. 511, enacted December 31, 1965, as amended (“The Local Tax Enabling Act”). These taxes, which may include, among others, an additional per capita tax, a wage and other earned income tax, a real estate transfer tax, a gross receipts tax, a local services tax and an occupation tax, shall not exceed, in the aggregate, an amount equal to the product of the market valuation of real estate in the School District (as certified by the State Tax Equalization Board of the Commonwealth – “STEB”) multiplied by twelve mills. All local taxing authorities are required by the Local Tax Enabling Act to exempt disabled veterans and members of the armed forces reserve who are called to active duty at any time during the tax year from any local services tax and to exempt from any local services tax levied at a rate in excess of \$10 those persons whose total income and net profits from all sources within the political subdivision is less than \$12,000 for the tax year. The Local Tax Enabling Act also authorizes, but does not require, taxing authorities to exempt from per capita, occupation, and earned income taxes and any local services tax levied at a rate of \$10 or less per year, any person whose total income from all sources is less than \$12,000 per year.

The Taxpayer Relief Act (Act 1)

Under Pennsylvania Act No. 1 of the Special Session of 2006, as amended by Act 25 of 2011 (“The Taxpayer Tax Relief Act” or “Act 1”), a school district may not, in fiscal year 2007-2008 or in any subsequent fiscal year, levy any tax for the support of the public schools which was not levied in the 2006-2007 fiscal year, raise the rate of any earned income and net profits tax if already imposed under the authority of the Local Tax Enabling Act (Act 511), or increase the rate of any tax for school purposes by more than the Index (defined below), unless in each case either (a) such increase is approved by the voters in the school district at a public referendum or (b) one of the exceptions summarized below is applicable and the use of such exception is approved by the Pennsylvania Department of Education (PDE):

1. to pay interest and principal on indebtedness incurred (i) prior to September 4, 2004, in the case of a school district which had elected to become subject to the provisions of the prior Homeowner Tax Relief Act, Act 72 of 2004, or (ii) prior to June 27, 2006, in the case of a school district which had not elected to become subject to Act 72 of 2004; to pay interest and principal on any indebtedness approved by the voters at referendum (electoral debt); and to pay interest and principal on debt refunding or refinancing debt for which one of the above exceptions is permitted, as long as the refunding or refinancing incurs no additional debt other than for costs and expenses related to the refunding or refinancing and the funding of appropriate debt service reserves;
2. to pay costs incurred in providing special education programs and services to students with disabilities, under specified circumstances; and
3. to make payments into the State Public School Employees’ Retirement System when the increase in the estimated payments between the current year and the upcoming year is greater than the Index, as determined by PDE in accordance with the provisions of Act 1.

Any revenue derived from an increase in the rate of any tax allowed under the exception numbered 1 above may not exceed the anticipated dollar amount of the expenditure, and any revenue derived from an increase in the rate of any tax allowed pursuant to any other exception enumerated above may not exceed the rate increase required, as determined by PDE. If a school district’s petition or request to increase taxes by more than the Index pursuant to one or more of the allowable exceptions is not approved, the school district may submit the proposed tax increase to a referendum.

The Index (to be determined and reported by PDE by September of each year for application to the following fiscal year) is the average of the percentage increase in the statewide average weekly wage, as determined by the State Department of Labor and Industry for the preceding

calendar year, and the employment cost index for elementary and secondary schools, as reported by the federal Bureau of Labor Statistics for the preceding 12-month period beginning July 1 and ending June 30. If and when a school district has a Market Value/Income Aid Ratio greater than 0.40 for the prior school year, however, the Index is adjusted upward by multiplying the unadjusted Index by the sum of 0.75 and such Aid Ratio.

The Act 1 Index applicable to the School District in the current and prior fiscal years are as follows:

<u>Fiscal Year</u>	<u>Index</u>
2008-09	6.6%
2009-10	6.2%
2010-11	4.4%
2011-12	2.1%
2012-13	2.6%

In accordance with Act 1, the School District put a referendum question on the ballot at the May, 15, 2007, primary election seeking voter approval to levy (or increase the rate of) an earned income and net profits tax (“EIT”) or a personal income tax (“PIT”) and use the proceeds to reduce local real estate taxes by a homestead and farmstead exclusion. The referendum was **NOT** approved by the voters.

A board of school directors may submit, but is not required to submit, a referendum question to the voters at the municipal election seeking approval to levy or increase the rate of an EIT or impose PIT for the purpose of funding homestead and farmstead exclusions, but the proposed rate of the EIT or PIT shall not exceed the rate that is required to provide the maximum homestead and farmstead exclusions allowable under law.

Act 24 of 2001

Act 24 of 2001 of the Commonwealth of Pennsylvania, which became law on June 22, 2001, authorizes a Board of School Directors to schedule a public hearing and conduct a ballot referendum on replacing the school district’s occupation tax with an increase in the local earned income tax. Currently, school districts in Pennsylvania share a 1.0% tax on the annual amount of residents’ wages and other earned income (which excludes unearned or investment income), with the resident municipality. Under the new law, this tax could be increased by the percentage necessary to generate revenue equal to what was collected during the preceding year on the occupation tax. The occupation tax is a flat amount for all employed individuals, or assessed by various trade, occupation and professional titles, regardless of income. The restructured tax is designed to be revenue neutral to the school district.

Pursuant to statutory authorization and procedure, the School District received voter approval in the November 2002 election to eliminate the occupation tax and increase the earned income tax rate to cover the revenue shortfall. The School District’s occupation tax was eliminated and the earned income tax rate increased to 1.6% beginning in the 2003-04 fiscal year.

Legislation Limiting Unreserved Fund Balances

Pennsylvania Act No. 2003-48 (enacted December 23, 2003) prohibits a school district from increasing real property taxes for the school year 2005-2006 or any subsequent school year, unless the school district has adopted a budget for such school year that includes an estimated ending unreserved undesignated fund balance which is not more than a specified percentage of the total budgeted expenditures, as set forth below:

<u>Total Budgeted Expenditures</u>	<u>Estimated Ending Unreserved Undesignated Fund Balance as a Percentage of Total Budgeted Expenditures</u>
Less than or equal to \$11,999,999	12.0%
Between \$12,000,000 and \$12,999,999	11.5%
Between \$13,000,000 and \$13,999,999	11.0%
Between \$14,000,000 and \$14,999,999	10.5%
Between \$15,000,000 and \$15,999,999	10.0%
Between \$16,000,000 and \$16,999,999	9.5%
Between \$17,000,000 and \$17,999,999	9.0%
Between \$18,000,000 and \$18,999,999	8.5%
Greater than or equal to \$19,000,000	8.0%

“Estimated ending unreserved fund balance” is defined in Act 2003-48 as that portion of the fund balance which is appropriable for expenditure or not legally or otherwise segregated for a specific or tentative future use, projected for the close of the school year for which a school district’s budget was adopted and held in the general fund accounts of the school district.

Tax Levy Trends

Table 6 shows the recent trend of tax rates levied by the School District. Table 7 shows the comparative trend of real property tax rates for the School District, the County and the municipalities within the School District.

TABLE 6

NORTHERN CAMBRIA SCHOOL DISTRICT TAX RATES

	Real Estate (mills)	Per Capita⁽¹⁾ (\$)	Real Estate Transfer (%)	Local Services Tax (\$)	Wage and Income (%)
2007-08	43.00	10.0	0.5	5.00	0.5
2008-09	43.00	10.0	0.5	5.00	0.5
2009-10	47.00	10.0	0.5	5.00	0.5
2010-11	47.00	10.0	0.5	5.00	0.5
2011-12	47.00	10.0	0.5	5.00	0.5

⁽¹⁾ Includes School Code and Act 511 taxes.

Source: Department of Community and Economic Development- Municipal Statistics

TABLE 7

NORTHERN CAMBRIA SCHOOL DISTRICT COMPARATIVE REAL PROPERTY TAX RATES (Mills on Assessed Value)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<i>School District</i>	43.00	43.00	47.00	47.00	47.00
Barr Township	2.00	2.00	2.00	2.00	2.00
Northern Cambria Borough	15.00	13.00	14.25	15.47	15.48
Susquehanna Township	10.00	10.00	10.00	10.00	10.00
Cambria County	23.25	26.90	26.90	29.50	29.50

Source: Department of Community and Economic Development- Municipal Statistics

Real Property Tax

The real property tax (excluding delinquent collections) produced \$2,043,788 in 2010-11, approximately 12.5 percent of revenues. The tax is levied on July 1 of each year. Taxpayers who remit within 60 days receive a 2 percent discount, and those who remit subsequent to 120 days after July 1 are assessed a 10 percent penalty.

The following tables summarize recent trends of assessed and market valuations of real property and real property tax collection data.

TABLE 8
NORTHERN CAMBRIA SCHOOL DISTRICT
REAL PROPERTY ASSESSMENT DATA

Year	Market Value	Assessed Value	Ratio
2006-07	\$172,349,900	\$53,475,100	31.03%
2007-08	174,238,300	53,932,920	30.95%
2008-09*	188,700,473	54,152,020	28.70%
2009-10*	190,942,523	54,690,350	28.64%
2010-11	200,858,389	55,318,570	27.54%
Compound Average Annual Percentage Change	3.11%	0.68%	

*Market Value recertified August 22, 2011 - STEB replaced its computer system used to calculate market values.

Source: Pennsylvania State Tax Equalization Board.

TABLE 9
NORTHERN CAMBRIA SCHOOL DISTRICT
REAL PROPERTY ASSESSMENT DATA BY MUNICIPALITY

	2009 Market Value*	2009 Assessed Value	2010 Market Value	2010 Assessed Value
<i>School District</i>	\$190,942,523	\$54,690,350	\$200,858,389	\$55,318,570
Barr Township	66,869,232	16,821,330	71,826,270	17,073,840
Northern Cambria Borough	75,418,782	24,870,720	76,312,979	25,066,010
Susquehanna Township	48,654,509	12,998,300	52,719,140	13,178,720
Cambria County	4,448,515,640	1,169,897,954	4,657,472,705	1,209,892,370

*Market Value recertified August 22, 2011 - STEB replaced its computer system used to calculate market values.

Source: Pennsylvania State Tax Equalization Board.

TABLE 10
NORTHERN CAMBRIA SCHOOL DISTRICT
ASSESSMENT BY LAND USE

	2006	2007	2008	2009	2010
Residential	\$37,947,690	\$38,218,310	\$38,510,640	\$38,858,030	\$39,115,020
Lots	21,900	23,550	70,020	83,420	90,860
Industrial	922,840	948,490	948,490	948,450	948,430
Commercial	7,812,240	7,858,450	7,617,160	7,843,150	8,113,960
Agriculture	6,431,330	6,511,510	6,544,580	6,565,970	6,629,320
Land	2,900	5,750	8,760	29,330	41,690
Mineral	336,200	366,860	452,370	362,000	379,290
Total	\$53,475,100	\$53,932,920	\$54,152,020	\$54,690,350	\$55,318,570

Source: Pennsylvania State Tax Equalization Board.

TABLE 11

**NORTHERN CAMBRIA SCHOOL DISTRICT
REAL PROPERTY TAX COLLECTION DATA**

Year	Flat Billing⁽¹⁾	Current Year Collections (July-June)	Total Collections as Percent of Total Adjusted Flat Billing	Total Current Plus Delinquent Collections⁽²⁾	Total Collections as Percent of Total Adjusted Flat Billing
2006-07	\$2,084,434	\$1,856,309	89.06%	\$2,044,209	98.07%
2007-08	2,210,513	2,000,509	90.50%	2,194,291	99.27%
2008-09 ⁽³⁾	2,016,122	1,794,336	89.00%	1,996,791	99.04%
2009-10	2,037,238	1,807,570	88.73%	2,002,771	98.31%
2010-11	2,282,345	2,043,788	89.55%	2,290,116	100.34%

Source: School District officials.

⁽¹⁾Flat billing plus penalties, less discounts and exonerations.

⁽²⁾Includes delinquent real estate only.

⁽³⁾Beginning in 2008-09 the amount of the Adjusted Flat Billing is reduced by the amount of Homestead/Farmstead Exemptions. The Adjusted Flat Billing shown excludes the amount payable from the Property Tax and Rent Rebate Program funded pursuant to Act 1 of the Commonwealth.

The ten largest real property taxpayers, together with 2011-12 assessed values, are shown in Table 12. The aggregate assessed value of these ten taxpayers totals approximately 3.7 percent of total assessed value.

TABLE 12

**NORTHERN CAMBRIA SCHOOL DISTRICT
TEN LARGEST REAL PROPERTY TAXPAYERS, 2011-12**

Owner	Property	2011-12 Assessed Value
Inter power/Ahlcon	Co-generation Facility	486,960
Maple Coal Company	Coal Mining	249,670
KRZ Associates - Giant Eagle	Grocery Store	196,440
First Natl Bank of Spangler	Bank	192,010
Northern Cambria LLC - retail	Sheetz retail store	177,150
Marsico Michelle & Previte William J & J. Dennis	Bi-Lo grocery store	169,800
Previte Anthony c/o Penn Traffic	Bi-Lo grocery store	169,780
NCSD c/o Crawford Commons	Apartment Complex	150,140
Louis Monborne	Transportation Company	140,100
Indiana Hospital	Medical services	134,980
Total		\$2,067,030

Source: School District officials.

Other Taxes

Under Act 511, the School District collected \$599,907 in other taxes in 2010-11. Among the taxes authorized by Act 511, the Per Capita Tax, Local Services Tax, Wage and Income Tax, and the Real Estate Transfer Tax are levied by the School District. The Act 511 limit, equal to 12 mills on the market value of real property, was \$2,410,301.

Per Capita Taxes. A tax of \$10.00 (\$5.00 under Act 511 and \$5.00 under the School Code) on each resident or inhabitant over 18 years old. In 2010-11 the collected portion of this tax was \$19,786, or less than one percent of total revenue.

Local Services Tax. A tax of \$5.00 is levied on occupations. In 2010-11, the collected portion of this tax yielded \$7,342, or less than one percent of total revenue.

Wage and Income Tax. A tax of 0.5 percent is levied on the earned income of school district residents. In 2010-11 the collected portion of this tax was \$551,485, or 3.4 percent of total revenue.

Real Estate Transfer. The School District levies a tax of 0.5 percent of the value of real estate transfers. In 2010-11 the collected portion of this tax yielded \$21,294, or less than one percent of total revenue.

Commonwealth Aid to School Districts

Pennsylvania school districts receive financial assistance from the Commonwealth in a number of forms, all subject to statutory provisions and annual appropriation by the Pennsylvania General Assembly.

The largest subsidy, basic instructional subsidy, is allocated to all school districts based on factors such as: (1) the per pupil market value of assessable real property in the school district; (2) the per pupil earned income in the school district; (3) the school district's tax effort, as compared with the tax effort of other school districts in the Commonwealth; and (4) student count. School districts also receive subsidies for special education, pupil transportation, health service and debt service.

Commonwealth law presently provides that the School District will receive reimbursement from the Commonwealth for a portion of debt service on the Bonds upon final approval of the Department of Education. Commonwealth reimbursement is based on the "Reimbursable Percentage" assigned to the Bonds and the School District's Aid Ratio. The School District officials have estimated that the "Reimbursable Percentage" of the Bonds will be a maximum of 61.47 percent. The School District Aid Ratio for the 2011-12 school year is currently 81.31 percent. The product of these two factors is 49.98 percent which is the percentage of debt service which will be reimbursed by the Commonwealth. In future years, this percentage may change as the School District's Aid Ratio changes, or as a result of future legislation. Aid Ratio is a function of the market value per weighted average daily membership of the School District relative to that of other school districts of the Commonwealth.

DEBT AND DEBT LIMITS

Debt Statement

Table 13 which follows shows the principal amount of debt of the School District as of January 26, 2012, including the issuance of the Bonds.

TABLE 13
NORTHERN CAMBRIA SCHOOL DISTRICT
DEBT STATEMENT*
(As of January 26, 2012)

	Gross Outstanding
NONELECTORAL DEBT	
General Obligation Bonds, Series of 2012 (last maturity 2031).....	\$6,825,000
General Obligation Bonds, Series of 2011 (last maturity 2027).....	5,545,000
TOTAL NONELECTORAL DEBT	\$12,370,000
 LEASE RENTAL DEBT	
TOTAL LEASE RENTAL DEBT	\$0
 TOTAL PRINCIPAL OF DIRECT DEBT	\$12,370,000

*Includes the estimated Bonds offered through this Preliminary Official Statement. Does not include the 2006 Bonds and the 2007 Bonds being refunded herein.

Table 14 presents the overlapping indebtedness and debt ratios of the School District. After issuance of the Bonds, the principal of direct debt of the School District will total \$12,370,000. After adjustment for available funds and estimated Commonwealth Aid, the local effort of direct debt will total \$6,187,319.

TABLE 14
NORTHERN CAMBRIA SCHOOL DISTRICT
BONDED INDEBTEDNESS AND DEBT RATIOS*
(As of January 26, 2012)

	Gross Outstanding	Local Effort or Net of Available Funds and Estimated State Aid⁽¹⁾
<u>DIRECT DEBT</u>		
Nonelectoral Debt.....	\$12,370,000	\$6,187,319
Lease Rental Debt.....	0	0
<i>TOTAL DIRECT DEBT</i>	<u>\$12,370,000</u>	<u>\$6,187,319</u>
 <u>OVERLAPPING DEBT</u>		
Cambria County, General Obligation ⁽²⁾	2,229,366	2,229,366
Municipal Debt	<u>11,931,647</u>	<u>11,931,647</u>
<i>TOTAL OVERLAPPING DEBT</i>	<u>\$14,161,013</u>	<u>\$14,161,013</u>
 <i>TOTAL DIRECT AND OVERLAPPING DEBT</i>	<u><u>\$26,531,013</u></u>	<u><u>\$20,348,331</u></u>
 <u>DEBT RATIOS</u>		
Per Capita (2010)	\$3,359.21	\$2,576.39
Percent 2009-10 Assessed Value.....	47.96%	36.78%
Percent 2009-10 Market Value.....	13.21%	10.13%

*Includes the estimated Bonds offered through this Preliminary Official Statement. Does not include the 2006 Bonds and the 2007 Bonds being refunded herein.

⁽¹⁾Gives effect to current appropriations for payment of debt service and expected future Commonwealth Reimbursement of School District sinking fund payments based on current Aid Ratio. See "Commonwealth Aid to School Districts". The School District may, at any time, claim a credit against the gross principal of debt outstanding equal to the amount.

⁽²⁾Pro rata 4.31 percent share of \$51,694,185 principal outstanding.

TABLE 15

**NORTHERN CAMBRIA SCHOOL DISTRICT
DEBT SERVICE REQUIREMENTS***

Year	Other Outstanding General Obligation Debt	Series of 2012			Total Outstanding
		Principal	Interest	Subtotal	
2011-12	\$200,460				
2012-13	450,503				
2013-14	449,953				
2014-15	452,803				
2015-16	453,953				
2016-17	449,878				
2017-18	456,783				
2018-19	454,038				
2019-20	454,788				
2020-21	449,493				
2021-22	453,365				
2022-23	451,211				
2023-24	453,075				
2024-25	453,829				
2025-26	453,223				
2026-27	451,523				
2027-28	454,011				
2028-29	0				
2029-30	0				
2030-31	0				
2031-32	0				
Total	\$7,442,884				

*Totals may not add due to rounding.

TABLE 16

**NORTHERN CAMBRIA SCHOOL DISTRICT
COVERAGE OF DEBT SERVICE AND LEASE RENTAL***

2010-11 Commonwealth Aid Received.....	\$10,819,869
2010-11 Debt Service Requirements	\$960,772
Maximum Future Debt Service Requirements after Issuance of Bonds.....	
Coverage of 2010-11 Debt Service Requirements.....	11.26 times
Coverage of Maximum Future Debt Service Requirements after Issuance of Bonds	

*Assumes current Commonwealth Aid Ratio.

Debt Limit and Remaining Borrowing Capacity

The statutory borrowing limit of the School District under the Act is computed as a percentage of the School District's "Borrowing Base". The "Borrowing Base" is defined as the annual arithmetic average of "Total Revenues" (as defined by the Act), for the three full fiscal years ended next preceding the date of incurring debt. The School District calculates its present borrowing base and borrowing capacity as follows:

Total Revenues for 2008-09.....	\$ 14,958,805
Total Revenues for 2009-10	15,894,257
Total Revenues for 2010-11	<u>15,901,040</u>
Total	\$ 46,754,103
Annual Arithmetic Average (Borrowing Base)	\$ 15,584,701

Under the Act as presently in effect, new lease rental debt or new nonelectoral debt may not be incurred if the net amount of such new debt plus all outstanding net nonelectoral debt and net lease rental debt would cause the total net nonelectoral plus net lease rental debt to exceed 225% of the Borrowing Base. The application of the aforesaid percentage to the School District's Borrowing Base produces the following product:

	<u>Legal Limit</u>	<u>Net Debt Outstanding*</u>	<u>Remaining Borrowing Capacity</u>
Net Nonelectoral and Lease Rental Debt Limit:			
225% of Borrowing Base.....	\$35,065,577	\$12,370,000	\$22,695,577

*Includes the estimated Bonds described herein, does not reflect credits against gross indebtedness that may be claimed for a portion of principal of debt estimated to be reimbursed by Commonwealth Aid. Does not include the 2006 Bonds and 2007 Bonds being refunded herein.

Debt Service Requirements

Table 16 presents data on the extent to which Commonwealth Aid provides coverage for debt service and lease rental requirements.

The School District has never defaulted on the payment of debt service.

Future Financing

The School District does not anticipate issuing additional long-term debt in the near future.

LABOR RELATIONS

School District Employees

There are presently 167 permanent employees of the School District, including 98 teachers and administrators and 67 support personnel, including secretaries, maintenance employees and teacher's aides.

The School District's teachers are represented by the Northern Cambria Education Association, an affiliate of the Pennsylvania State Education Association, under a contract with the School District, which expires on June 30, 2013. The support staff are represented by the Support Personnel Association PSEA/NEA under a contract, which expires June 30, 2012.

Pension Program

School districts in Pennsylvania are required to participate in a statewide pension program administered by the State Public School Employees Retirement Board (the "Retirement Board"). All of the School District full-time employees, part-time employees who work more than 80 days in a school year, and hourly employees who work over 500 hours a year are required to participate in the program.

Beginning July 1, 1976, certain revisions were made in the pension program. The Retirement Board, previously under the Department of Education of the Commonwealth, became an independent agency. However, the program is still guaranteed by the Commonwealth. Currently, each party to the program contributes a fixed percentage of the employee's salary. Employees belonging to the Public School Employees Retirement System ("PSERS") prior to July 22, 1983 contribute 5.25% of their salary, and employees who joined the PSERS on or after July 22, 1983 contribute 6.25% of their salary. On February 17, 2002, Governor Ridge signed Act 9 which created a new membership class that sets the employee contribution rate at 7.50% of the employee's salary for those employees hired on or after July 1, 2001. Act 9 also provides an option for those employees hired prior to July 1, 2001 to elect a contribution rate of 6.50%, if they were hired before July 22, 1983, or 7.50% if they were hired on or after July 22, 1983. Act 120 of 2010 was passed by the General Assembly on November 15 and signed by Governor Rendell on November 23, 2010. The benefit reductions contained in this legislation will only impact individuals who become new members of PSERS on or after July 1, 2011. New members will have the option of selecting one of 2 new classes. The members selecting class T-E will contribute a base rate of 7.5% with "shared risk" contribution levels between 7.5% and 9.5% and a pension multiplier of 2.0%. Members selecting class T-F will contribute a base rate of 10.3% with shared risk contribution levels between 10.3% and 12.3% and a pension multiplier of 2.5%. The PSERS Board certified the employer rate, to be paid by the School District, of 8.22% for the 2010-11 fiscal year (In accordance with Senate Bill 1042 enacted on July 6, 2010, this rate was recertified at 5.64% for 2010-11 fiscal year). The PSERS Board certified a new employer rate, to be paid by the School District, of 8.65% for the 2011-12 fiscal year and 12.36% for the 2012-13 fiscal year. According to Act 120 of 2010 the employer contribution rate is suppressed for future years by using rate caps to keep the rate from rising too high, too fast. The rate caps limit amount the pension component of the employer contribution rate can increase over the prior year's rate as follows: FY 2011-12 – not more than 3.0% plus the premium assistance contribution rate; FY 2012-13 – not more than 3.5% plus the premium assistance contribution rates; and FY 2013-15 – not more than 4.5% plus the premium assistance contribution rate and thereafter at not more than 4.5%. Both the School District and the Commonwealth are responsible for paying a portion of the employer's share. School entities are responsible for paying 100% of the employer share of contributions to PSERS. The Commonwealth reimburses the employer for one-half the payment for employees. The School District contributions are made on a quarterly basis and employee contributions are deducted bi-weekly for each paycheck and remitted monthly. Recent School District pension contributions to PSERS have been as follows:

2006-07	\$ 312,599
2007-08	\$ 506,556
2008-09	\$ 356,832
2009-10	\$ 382,124
2010-11	\$ 425,181
2011-12 (Budgeted)	\$ 616,140

The School District is current in all payments. PSERS is the 17th largest defined benefit pension fund in the nation. PSERS is primarily responsible for administering a defined benefit pension plan for public school employees in the Commonwealth of Pennsylvania. In the fall of 2010, the PSERS completed its process of publishing financial statements for the year ended June 30, 2010, in compliance with reporting standards established by the Government Accounting Standards Board's Statement No. 25 and Statement No. 26. PSERS' total plan net assets increased by \$2.6 billion from \$43.2 billion at June 30, 2009 to \$45.8 billion at June 30, 2010. This increase was due to net investment income plus member and employer contributions exceeding the deductions for benefits and administrative expenses. However, despite the increase during the 2010 fiscal year of PSERS, total plan net assets from June 30, 2008 to June 30, 2009 fell in the amount of \$19.5 billion, from \$62.7 billion at June 30, 2008 to \$43.2 billion. This decrease was due to net investment loss and payment of pension benefits and administrative expenses which, when combined, exceeded member and employer contributions. The Fund's complete report is available on the PSERS website on the Internet: www.psers.state.pa.us.

Source: PSERS Website.

Other Post-Employment Benefits

Effective July 1, 2008, the School District adopted the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post Retirement Benefits Other Than Pensions*. The financial statements reflect a long-term liability and related expenses of \$1,546,566 in total liabilities resulting from the adoption. The School District maintains a single employer defined benefit plan to provide post retirement healthcare benefits to School District employees who have retired with 30 years of PSERS service or upon superannuation retirement. Such benefits are available to retiree dependents until the retired employee reaches age 65, provided the retired employee provides payment equal to the premium determined for the purpose of COBRA. For a full description of the School District's Postemployment Healthcare Plan, please refer to Appendix C – Audited Financial Statements – Note 9 herein.

LITIGATION

At the time of settlement, the School Board and the Solicitor will deliver a certificate stating that there is no litigation pending with respect to the Bonds, the Resolution or the right of the School District to issue said Bonds.

DEFAULTS AND REMEDIES

In the event of failure of the School District to pay or cause to be paid the interest on or principal of the Bonds, as the same becomes due and payable, the holders of the Bonds shall be entitled to certain remedies provided by the Act. Among the remedies, if the failure to pay shall continue for 30 days, holders of the Bonds shall have the right to recover the amount due by bringing an action in assumpsit in the Court of Common Pleas of the county in which the School District is located. The Act provides any judgment shall have an appropriate priority upon the funds next coming into the treasury of the School District. The Act also provides that upon a default of at least 30 days, holders of at least 25 percent of the Bonds may appoint a trustee to represent them. The Act provides certain other remedies in the event of default, and further qualifies the remedies hereinbefore described.

TAX MATTERS

State Tax Matters

In the opinion of Bond Counsel, the Bonds, and the interest income therefrom, are free from taxation for purposes of personal income, corporate net income and personal property taxes within the Commonwealth of Pennsylvania.

The residence of a holder of a Bond in a state other than Pennsylvania, or being subject to tax in a state other than Pennsylvania, may result in income or other tax liabilities being imposed by such other state or its political subdivisions based on the interest or other income from the Bonds.

Federal Income Tax Matters

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, interest on the Bonds (including, in the case of Bonds sold at an original issue discount, the difference between the initial offering price and par) is excluded from gross income for Federal income tax purposes. Bond Counsel is also of the opinion that interest on the Bonds is not a specific item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended (the "Code") for purposes of Federal individual or corporate alternative minimum taxes.

Original Issue Discount

The Bonds that mature on _____ through and including _____ (collectively, the "Tax-Exempt Discount Bonds") are being offered and sold to the public at an original issue discount ("OID") from the amounts payable at their maturity. OID is the excess of the stated redemption price of a bond at maturity (par) over the price to the public at which a substantial amount of bonds of the same maturity are sold pursuant to the initial offering. Under the Code, OID on each Tax-Exempt Discount Bond will accrue over its term and the amount of accretion will be based on the yield to maturity, compounded semi-annually. The amount of OID that accrues during each semi-annual period will do so ratably within that period on a daily basis. With respect to an initial purchaser of a Tax-Exempt Discount Bond at its initial offering price, the portion of OID that accrues during the period that such purchaser owns such Bond is added to the purchaser's tax basis for purposes of determining gain or loss at the maturity, redemption, sale, or other disposition of that Tax-Exempt Discount Bond and thus, in practical effect, is treated as stated interest, which is excludable from gross income for federal income tax purposes.

Holders of Tax-Exempt Discount Bonds should consult their own tax advisors as to the effect of OID with respect to their federal tax liability.

Original Issue Premium

The Bonds that mature on _____ (the "Premium Bonds") were sold at an original issue premium ("OIP"). Under the Code, OIP is an adjustment to basis and must be amortized. The method of amortization may be the method regularly employed by the taxpayer if such method is reasonable, or, in all other cases, must be the method prescribed by applicable Treasury Regulations, which provide that the amortizable bond premium is an amount which bears the same ratio to the OIP as the number of months in the taxable year during which the bond was held by the taxpayer bears to the number of months from the beginning of the taxable year (or, if the Premium Bond was acquired in the taxable year, from the date of acquisition) to the date of maturity. The basis of the Premium Bond is reduced by the amount of the amortizable bond premium. The amortized bond premium is treated as a reduction in the tax-exempt interest received on the Premium Bond. No deduction is allowed on account of OIP.

Holders of Premium Bonds should consult their own tax advisors as to the effect of such OIP with respect to their federal tax liability.

Interest Expense Deductions for Financial Institutions

Under Section 265 of the Code, financial institutions are denied any deduction for interest expenses that are allocable, by a formula, to tax-exempt obligations acquired after August 7, 1986. An exception, which permits a deduction for 80% of such interest expenses, is provided in respect of certain tax-exempt obligations issued by a qualified issuer that specifically designates such obligations as "qualified tax-exempt obligations" under Section 265 of the Code.

The School District is a qualified issuer and the School District has designated the Bonds as "qualified tax-exempt obligations" for the purposes and effect contemplated by Section 265 of the Code.

Financial institutions intending to purchase Bonds should consult their own tax advisors to determine the effect of the interest expense deduction on their federal tax liability.

Continuing Compliance

The Code imposes various terms, restrictions, conditions and requirements relating to the exclusion from gross income for Federal income tax purposes of interest on obligations such as the Bonds. The School District has covenanted to comply with all such requirements, including non-arbitrage requirements under Section 148 of the Code, that are necessary to ensure that interest on the Bonds will not be includable in gross income for Federal income tax purposes. Failure to comply with these covenants could result in interest on the Bonds being includable in gross income for Federal income tax purposes and such inclusion could be required retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel assumes compliance with the aforesaid covenants. Moreover, Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the tax-exempt status of the interest on the Bonds.

Certain requirements and procedures contained or referred to in the Resolution and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Such changes or actions could constitute an exchange or other tax event with respect to the Bonds, which could result in gain or loss to the holder of a Bond, and a consequent tax liability.

Pursuant to its continuing disclosure obligations made pursuant to SEC Rule 15c2-12 (see "Continuing Disclosure Undertaking" herein), the School District may be required to provide notice of such changes or actions, as Material Events under said Rule. However, holders of the Bonds should consult their own tax advisors as to the effect of such changes or actions with respect to their federal tax liability.

Collateral Tax Liabilities

Although Bond Counsel has rendered an opinion that interest on the Bonds is excludable from gross income for Federal and Pennsylvania income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may result in other collateral effects on a Bondholder's Federal, state or local tax liabilities. The nature and extent of these other tax consequences may depend upon the particular tax status of the Bondholder or the Bondholder's other items of income or deduction. Bond Counsel expresses no opinions regarding any tax consequences other than what is set forth in its opinion; each Bondholder or potential Bondholder is urged to consult with its own tax advisors with respect to the effects of purchasing, holding or disposing of the Bonds on its tax liabilities.

For example, corporations are required to include all tax-exempt interest in determining "adjusted current earnings" under Section 56(c) of the Code, which may increase the amount of any alternative minimum tax owed. Other tax consequences for certain taxpayers include, without limitation, increasing the federal tax liability of certain foreign corporations subject to the branch profits tax imposed by Section 884 of the Code, increasing the federal tax liability of certain insurance companies under Section 832 of the Code, increasing the federal tax liability of certain S corporations subject to Sections 1362 and 1375 of the Code, increasing the federal tax liability of certain individual recipients of social security or railroad retirement benefits under Section 86 of the Code, limiting the use of the Earned Income Credit under Section 32 of the Code, and denying an interest expense deduction to certain financial institutions under Section 265 of the Code (unless, and in the circumstance when, the Bonds have been designated by the issuer as "qualified tax-exempt obligations").

Change in Law; Adverse Determinations

From time to time, certain legislative proposals may be introduced, or are pending, in the Congress of the United States, including some that carry retroactive effective dates, that, if, enacted, could alter or amend the federal tax matters described above or affect the market value of the Bonds. No prediction can be made whether or in what form any such proposal or proposals might be enacted into law or whether, if enacted, the same would apply to bonds issued prior to enactment. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the "Service") regularly audits tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. No prediction can be made whether or not the Service will commence an audit of the Bonds. If an audit is commenced, under current procedures, the Service may treat the School District as a taxpayer and the Bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until such time as the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax-exempt obligations, such as the Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Bondholder who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or to any Bondholder who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns.

Circular 230

This Official Statement contains tax advice written to assist the marketing, distribution, sale and placement of the Bonds. Whether authored by Bond Counsel, the School District, the Underwriter, counsel to either of the foregoing, or any other tax practitioner, such advice is not intended to be used, and may not be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer.

THE FOREGOING IS NOT INTENDED AS AN EXHAUSTIVE LIST OF THE PROVISIONS OF FEDERAL, STATE AND LOCAL TAX LAWS WHICH MAY HAVE AN EFFECT ON INDIVIDUALS AND CORPORATIONS HOLDING THE BONDS OR RECEIVING INTEREST THEREON. PROSPECTIVE PURCHASERS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS REGARDING THE EFFECT ON THEIR FEDERAL, STATE OR LOCAL TAX LIABILITY AND GENERAL FINANCIAL AFFAIRS OF HOLDING THE BONDS OR RECEIVING INTEREST THEREON.

CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirements of the Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission (the "SEC"), the School District (being an "obligated person" with respect to \$10,000,000 or more of outstanding securities, including the Bonds, within the meaning of the Rule), will agree to provide the following to the Municipal Securities Rulemaking Board (the "MSRB") in an electronic format as prescribed by the MSRB, either directly or indirectly through a designated agent:

- (A) Annually, not later than 180 days following the end of each fiscal year, beginning with the fiscal year ending June 30, 2012, the following financial information and operating information for the School District:
- the financial statements for the most recent fiscal year, prepared in accordance with generally accepted accounting principles for local government units and audited in accordance with generally accepted auditing standards
 - a summary of the budget for the current fiscal year
 - the assessed value and market value of all taxable real estate for the current fiscal year
 - the taxes and millage rates imposed for the current fiscal year
 - the real property tax collection results for the most recent fiscal year, including (1) the real estate levy imposed (expressed both as a millage rate and an aggregate dollar amount), (2) the dollar amount of real estate taxes collected that represented current collections (expressed both as a percentage of such fiscal year's levy and as an aggregate dollar amount), (3) the amount of real estate taxes collected that represented taxes levied in prior years (expressed as an aggregate dollar amount), and (4) the total amount of real estate taxes collected (expressed both as a percentage of the current year's levy and as an aggregate dollar amount)
 - a list of the ten (10) largest real estate taxpayers and, for each, the total assessed value of real estate for the current fiscal year
 - pupil enrollment figures, including enrollment at the end of the most recent fiscal year, current enrollment and projected enrollment for the beginning of the next fiscal year, including a breakdown between elementary and secondary enrollment (to the extent reasonably feasible);
- (B) If not submitted as part of the annual financial information, then when and if available, audited financial statements for the School District;
- (C) In a timely manner not in excess of ten (10) business days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax-exempt status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the School District; (13) the consummation of a merger, consolidation, or acquisition involving the School District or the sale of all or substantially all of the assets of the School District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; and
- (D) in a timely manner, notice of a failure of the School District to provide the required annual financial information specified above, on or before the date specified above.

With respect to the filing of annual financial and operating information, the School District reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information to the extent necessary or appropriate as a result of a change in legal requirements or a change in the nature of the School District or its operations or financial reporting, but the School District will agree that any such modification will be done in a manner consistent with the Rule.

The events listed in (C) above are those specified in the Rule, not all of which may be relevant to the Bonds. The School District may from time to time choose to file notice of the occurrence of other events, in addition to the events listed in (C) above, but the School District does not commit to provide notice of the occurrence of any events except those specifically listed in (C) above.

The School District acknowledges that its undertaking pursuant to the Rule described herein is intended to be for the benefit of the holders and beneficial owners of the Bonds and shall be enforceable by the holders and beneficial owners of the Bonds,

but the right of the holders and beneficial owners of the Bonds to enforce the provisions of the School District's continuing disclosure undertaking shall be limited to a right to obtain specific enforcement, and any failure by the School District to comply with the provisions of the undertaking shall not be an event of default with respect to the Bonds.

The School District's obligations with respect to continuing disclosure described herein shall terminate upon the prior redemption or payment in full of all of the Bonds or if and when the School District is no longer an "obligated person" with respect to the Bonds, within the meaning of the Rule.

The MSRB has been designated by the SEC to be the central and sole repository for continuing disclosure information filed by issuers of municipal securities since July 1, 2009. Information and notices filed by municipal issuers (and other "obligated persons" with respect to municipal securities issues) are made available through the MSRB's Electronic Municipal Market Access (EMMA) System, which may be accessed on the internet at <http://www.emma.msrb.org>.

During the past five (5) years, the School District has been in compliance with respect to all prior written undertakings under the Rule to provide continuing disclosure with respect to its outstanding securities, with the following exception(s): The School District failed to file in a timely manner the required annual financial and operating information for fiscal year ending June 30, 2009 and June 30, 2010; however, as of the date of this Preliminary Official Statement the School District has submitted such information to the MSRB and the same is now available through the MSRB's EMMA System. The School District has implemented procedures to ensure that all future filings required by its continuing disclosure undertakings will be made in a timely manner.

RATING

Moody's Investors Service is expected to assign its municipal Bond rating of "____" to this issue of Bonds with the understanding that upon delivery of the Bonds, a policy insuring the payment when due of principal of and interest on the Bonds will be issued by _____. Moody's Investors Service is expected to assign its enhanced rating of "____" based upon the additional security provided by the Commonwealth of Pennsylvania's Act 150 School District Intercept Program, and an underlying municipal Bond rating of "____" to this issue of Bonds. Such rating reflects only the view of such organization and any desired explanation of the significance of such rating should be obtained from the rating agency furnishing the same, at the following address: Moody's Investors Service, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency, if circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

UNDERWRITING

The Underwriter has agreed to purchase the Bonds from the School District, subject to certain conditions precedent, and will purchase all of the Bonds if any of such Bonds are purchased. The Bonds will be purchased by the Underwriter for a purchase price of \$_____, equal to the par value of the Bonds less an underwriters' discount of \$_____, plus a net original issue premium of \$_____.

LEGAL OPINION

The Bonds are offered with the approving legal opinion of Dinsmore & Shohl LLP, Bond Counsel, of Pittsburgh, Pennsylvania. Certain legal matters will be passed upon for the School District by Gary A. Jubas, Esquire, of Ebensburg, Pennsylvania, School District Solicitor.

FINANCIAL ADVISOR

The School District has retained Public Financial Management, Inc., Harrisburg, Pennsylvania, as financial advisor (the "Financial Advisor") in connection with the preparation, authorization and issuance of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Preliminary Official Statement. Public Financial Management, Inc. is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

MISCELLANEOUS

This Preliminary Official Statement has been prepared under the direction of the School District by Public Financial Management, Inc., Harrisburg, Pennsylvania, in its capacity as Financial Advisor to the School District. The information set forth in this Preliminary Official Statement has been obtained from the School District and from other sources believed to be reliable. Insofar as any statement herein includes matters of opinion or estimates about future conditions, it is not intended as representation of fact, and there is no guarantee that it is, or will be, realized. Summaries or descriptions of provisions of the Bonds, the Resolution, and all references to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof. Reference is hereby made to the complete documents, copies of which will be furnished by the School District or the Financial Advisor upon request. The information assembled in this Preliminary Official Statement is not to be construed as a contract with holders of the Bonds.

The School District has authorized the distribution of this Preliminary Official Statement.

NORTHERN CAMBRIA SCHOOL DISTRICT
Cambria County, Pennsylvania

By: _____
Robert Tomallo
President, Board of School Directors

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APPENDIX A
Demographic and Economic Information
Relating to the Northern Cambria School District

Population

Table A-1 shows population trends for the School District, Cambria County and the Commonwealth of Pennsylvania. The School District's population decreased between 2000 and 2010. Table A-2 shows 2010 age composition in Cambria County and for the Commonwealth.

**TABLE A-1
POPULATION TRENDS**

<u>Area</u>	<u>2000</u>	<u>2010</u>	Compound Average Annual Percentage Change <u>2000-2010</u>
School District	8,752	7,898	-1.02%
Cambria County	152,598	143,679	-0.60%
Pennsylvania	12,281,054	12,702,379	0.34%

Source: U.S. Bureau of the Census, Decennial Census and Pennsylvania State Data Center, 2000 & 2010 General Population and Housing Characteristics: Pennsylvania.

**TABLE A-2
AGE COMPOSITION**

	0-17	18-64	65+
	<u>Years</u>	<u>Years</u>	<u>Years</u>
Cambria County.	19.7%	61.5%	18.8%
Pennsylvania	22.0%	62.6%	15.4%

Source: U.S. Bureau of the Census, 2010 Census, Summary File 1.

Employment

Overall NonFarm data are not compiled for the School District or municipalities within it, but such data are compiled for the Johnstown Metropolitan Statistical Area for November 2011.

**TABLE A-3
NONFARM JOBS
(Johnstown Metropolitan Statistical Area)**

<i>ESTABLISHMENT DATA</i>	<u>Industry Employment</u>				Net Change From:	
	Nov 2011	Oct 2011	Sept 2011	Nov 2010	Oct 2011	Nov 2010
Total Nonfarm	62,100	61,900	60,900	61,100	200	1,000
Total Private	52,800	52,700	51,900	51,500	100	1,300
Goods Producing	6,700	6,700	6,700	6,800	0	-100
Manufacturing	4,600	4,600	4,600	4,500	0	100
Service-Providing	55,400	55,200	54,200	54,300	200	1,100
PRIVATE SERVICE-PROVIDING	46,100	46,000	45,200	44,700	100	1,400
Trade, Transportation, and Utilities	11,800	11,600	11,500	11,600	200	200
Retail trade	7,200	7,000	6,900	7,200	200	0
Professional and Business Services	5,600	5,600	5,600	5,600	0	0
Educational and Health Services	16,600	16,500	15,800	16,000	100	600
Leisure and Hospitality	4,700	4,900	5,000	4,600	-200	100
Government	9,300	9,200	9,000	9,600	100	-300
Federal Government	1,100	1,200	1,200	1,300	-100	-200
State Government	2,200	2,100	2,100	2,300	100	-100
Local Government	6,000	5,900	5,700	6,000	100	0
Data benchmarked to March 2010 ***Data changes of 100 may be due to rounding***						

Source: Workforce Information News Release

Table A-4 shows recent trends in employment and unemployment for the County and the Commonwealth. The unemployment rate for the County has been higher than that for the Commonwealth during the period shown.

TABLE A-4

RECENT TRENDS IN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT*

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011⁽¹⁾</u>	<u>Rate</u>
<i>Cambria County</i>							
Civilian Labor Force (000)	68.0	68.2	69.5	69.4	68.4	68.7	0.15%
Employment (000)	64.4	64.6	65.2	63.4	61.9	62.9	-0.53%
Unemployment (000)	3.6	3.6	4.3	6.0	6.5	5.8	10.01%
Unemployment Rate	5.3	5.2	6.2	8.6	9.4	8.4	
<i>Pennsylvania</i>							
Civilian Labor Force (000)	6,309.0	6,330.0	6,441.0	6,414.0	6,358.0	6353.0	0.07%
Employment (000)	6,022.0	6,055.0	6,099.0	5,895.0	5,819.0	5854.0	-0.67%
Unemployment (000)	286.0	275.0	342.0	519.0	538.0	499.0	12.66%
Unemployment Rate	4.5	4.3	5.3	8.1	8.5	7.9	

*Residence Data.

⁽¹⁾As of November 2011

Major employers in the County include:

Conemaugh Valley Memorial Hospital	Health Care and Social Assistance
Cambria County	Public Administration
Wal-Mart Associates Inc	Retail Trade
Concurrent Technologies Corporation	Professional and Technical Services
St Francis College	Educational Services
American Red Cross Blood Services	Health Care and Social Assistance
Laurel Technologies	Manufacturing
University of Pittsburgh	Educational Services
Greater Johnstown School District Inc	Educational Services
Sheetz Inc	Retail Trade

Source: Center for Workforce Information & Analysis – 1st Quarter 2011 – Final.

Income

Table A-5 shows trends in per capita income for the School District, Cambria County and Pennsylvania over the 2000-2010 period. Per capita income in the School District and the County is lower than per capita income in the Commonwealth.

TABLE A-5

TRENDS IN PER CAPITA INCOME*

			Compound Average Annual Percentage Change
	<u>2000</u>	<u>2010</u>	<u>2000-2010</u>
<i>School District</i>	\$13,144	\$20,321	4.45%
<i>Cambria County</i>	16,058	21,278	0.66%
<i>Pennsylvania</i>	20,880	27,049	2.62%

*Income is defined by the Bureau of the Census as the sum of wage and salary income, non-farm self-employment income, net self-employment income, Social Security and Railroad retirement income, public assistance income, interest, dividends, pensions, etc. before deductions for personal income taxes, Social Security, etc. School District income is the population-weighted average for political subdivisions.

Source: Pennsylvania State Data Center and U.S. Census Bureau, 2006-2010 American Community Survey.

Commercial Activity

Table A-6 shows trends for retail sales in the MSA and the Commonwealth.

TABLE A-6

TOTAL RETAIL SALES (Millions of Dollars)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<i>MSA</i>	\$1,845,289	\$1,822,130	\$1,774,293	\$1,791,762	\$2,003,965
<i>Pennsylvania</i>	195,558,005	NR	180,948,327	174,483,292	188,193,104

NR: Not Reported.

Source: Sales and Marketing Management Magazine

Educational Facilities

While there are no institutions of higher education located within the School District, the following institutions of higher education are within commuting distance, Saint Francis University, located in Loretto; Mt. Aloysius College, Cresson; the University of Pittsburgh at Johnstown, Johnstown; and Indiana University of Pennsylvania; Indiana; Pennsylvania State University, State College; the Altoona Campus of the Pennsylvania State University, Altoona; and the Penn Highlands College.

Medical

Conemaugh Memorial Health Center, Johnstown; Altoona Hospital, Altoona; Somerset Hospital, Somerset; Windber Hospital, Windber; and Miners Hospital, Hastings, Pennsylvania provide medical care to residents of the School District.

Transportation

Pennsylvania Route 553 travels in an east/west direction through the School District, and U.S. Route 219, also passes through the School District linking the School District to major east-west and north-south arteries. U.S. Route 219 connects to the Pennsylvania Turnpike (Interstate 76) with U.S. Routes 30 and 22, and to the north providing access to Interstate 80

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**APPENDIX B –
Form of Bond Counsel Opinion**

OPINION OF BOND COUNSEL

The form of the approving legal opinion of Dinsmore & Shohl LLP, Bond Counsel, is set forth below. The actual opinion will be delivered on the date of delivery of the Bonds and may vary from the form set forth to reflect circumstances both factual and legal at the time of such delivery. Recirculation of this Official Statement shall create no implication that Dinsmore & Shohl LLP has reviewed any of the matters set forth in such opinion subsequent to the date thereof.

We have served as Bond Counsel to Northern Cambria School District (Cambria County, Pennsylvania) (the "Local Government Unit") and do hereby undertake to advise you in connection with the issuance, sale and delivery of its \$_____, aggregate principal amount, General Obligation Bonds, Series of 2012 (the "Bonds"), issued in fully registered form, dated and bearing interest from _____, 2012, maturing on various annual dates ending _____, ____.

In that capacity, we have examined the Constitution of the Commonwealth of Pennsylvania; the Public School Code of 1949, Act of March 10, 1949, P.L. 30, No. 14, as amended (the "School Code"); the Local Government Unit Debt Act, 53 Pa.C.S.A. §8001 et seq., as amended (the "Debt Act"); the formal action of the Governing Body of the Local Government Unit authorizing the incurrence of nonelectoral debt evidenced by the Bonds (the "Debt Ordinance"); the corresponding Certificate of Approval of the Department of Community and Economic Development; the Internal Revenue Code of 1986, as amended (the "Tax Code"); the Federal Income Tax Certificate of an authorized officer; and such other certificates, proceedings and law as we deemed necessary in order to render this opinion. Unless separately noted, we have not independently verified factual certifications made to us by the Local Government Unit, its officers and agents during the course of our engagement.

Both principal of and interest on the Bonds are payable at the designated corporate trust office of _____, _____, Pennsylvania, as Paying Agent for the Local Government Unit; the bank has additionally been appointed Registrar and Sinking Fund Depository for the Bonds.

These proceedings demonstrate that, absent any meritoriously-based action in a governmental or judicial forum affecting the validity of the Bonds, the same have been delivered upon full payment.

Based on the foregoing, we are of the opinion on this date as follows:

1. The Bonds are valid and binding general obligations of the Local Government Unit.
 - (a) The Bonds are issued for a valid purpose under the School Code.
 - (b) The Bonds, and all other outstanding debt of the Local Government Unit, are within constitutional and statutory limitations.
 - (c) The Debt Ordinance authorizing the Bonds was duly and properly enacted and is in full force and effect.

(d) The Bonds conform, in all substantial respects, to the form provided in the Debt Ordinance.

2. The Bonds are secured by a pledge of the full faith, credit and taxing power of the Local Government Unit. The Local Government Unit has effectively covenanted in the Debt Ordinance to include the amount of debt service on this issue, in each fiscal year for which such sums are due, in its budget for that year; to appropriate such amounts to the payment of such debt service; and to pay or cause to be paid, from time to time as and when due, the principal of the Bonds and the interest thereon on the dates, at the place and in the manner stated in the Bonds.

3. Presently included among the general revenues of the Local Government Unit available for the payment of the Bonds are ad valorem real estate taxes, whose levy upon all taxable real property situate within the corporate limits of the Local Government Unit is subject to the limitations of Pennsylvania Act No. 1 of Special Session 2006 ("Act 1"), which became effective June 27, 2006.

4. The Bonds are payable and enforceable according to their own terms, those of the Debt Ordinance and all provisions of the Debt Act; however, any such payment and enforcement could be restrained by a court of proper jurisdiction operating under the authority of bankruptcy, receivership and other similar laws of accommodation and adjustment of creditors' rights, as then applicable.

5. The Bonds, having all the qualities and incidents of securities under Article 8 of the Uniform Commercial Code, are negotiable instruments.

6. The Bonds are an authorized investment, under the Probate, Estates and Fiduciaries Code, as amended, for fiduciaries and personal representatives (as such terms are therein defined) within the Commonwealth of Pennsylvania.

7. Under the laws, regulations, rulings and judicial decisions in effect as of the date hereof, interest on the Bonds is excludable from gross income for Federal income tax purposes, pursuant to the Tax Code. Furthermore, interest on the Bonds will not be treated as a specific item of tax preference, under Section 57(a)(5) of the Tax Code, in computing the alternative minimum tax for individuals and corporations. Due to the designation of the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code, certain financial institutions may be able to deduct 80% of the interest expense incurred in purchasing or carrying the Bonds. In rendering the opinions in this paragraph, we have assumed continuing compliance with certain covenants designed to meet the requirements of Section 103 of the Tax Code. We express no opinion as to any other Federal income tax consequence arising from ownership of the Bonds.

8. The Bonds, and interest income therefrom, are free from taxation for purposes of personal income, corporate net income and personal property taxes within the Commonwealth of Pennsylvania.

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**APPENDIX C –
Audited Financial Statements**

NORTHERN CAMBRIA SCHOOL DISTRICT

AUDITOR'S REPORT

**FOR THE YEAR ENDED
JUNE 30, 2011**

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CERTIFIED PUBLIC ACCOUNTANT
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PHONE (814) 536-6625
FAX (814) 536-3435

INDEPENDENT AUDITOR'S REPORT

To the Board of School Directors
Northern Cambria School District
Northern Cambria, Pennsylvania

November 21, 2011

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Northern Cambria School District** as of and for the year ended June 30, 2011, which collectively comprise **Northern Cambria School District's** basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of **Northern Cambria School District's** management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **Northern Cambria School District** as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes 2 and 11 to the financial statements, the School District adopted the provisions of GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", in 2011.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 21, 2011, on my consideration of **Northern Cambria School District's** internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages M-1 through M-10, and budgetary comparison information on page 30 and the schedules of OPEB plan fund progress and employer contributions on pages 31 and 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries. The basic

NORTHERN CAMBRIA SCHOOL DISTRICT**Northern Cambria, Pennsylvania**

The District does not expect significant growth in the near future given the residential nature of the local economy within the District.

The revenue budget for the 2011-12 year is \$1,056,896 less than the original budget for 2010-2011. This represents a 6.5% decrease in budgeted revenues. The expenditure budget for the 2011-2012 year is \$1,209,855 less than the original budget for 2010-2011, or a 7.1% decrease. The District increased property taxes 4 mills during the 2010-2011 year.

The comparison of revenue and expenditure categories is as follows:

Table A-7

BUDGETED REVENUES

	2011-2012	2010-2011
Local	21%	21%
State	75%	74%
Federal/Other	4%	5%

BUDGETED EXPENDITURES

	2011-2012	2010-2011
Instruction	60%	62%
Support Services	31%	29%
Non-Instruction/Community	3%	3%
Fund Transfers/Debt	6%	6%

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Jennie L. Ivory, Director of Finance, at Northern Cambria School District, 601 Joseph Street, Northern Cambria, PA 15714, (814) 948-5481.

**NORTHERN CAMBRIA SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$2,379,478	\$100	\$2,379,578
Investments	2,251	0	2,251
Due from Other Governments	957,737	9,756	967,493
Other Receivables	33,251	27,011	60,262
Inventories	15,000	14,164	29,164
Total Current Assets	\$3,387,717	\$51,031	\$3,438,748
Noncurrent Assets:			
Land	\$38,834	\$0	\$38,834
Site Improvements	886,038	0	886,038
Building and Building Improvements	22,717,099	0	22,717,099
Furniture and Equipment	2,797,890	393,939	3,191,829
Less Accumulated Depreciation	(12,610,088)	(248,697)	(12,858,785)
Deferred Bond Costs, Net	82,425	0	82,425
Total Noncurrent Assets	\$13,912,198	\$145,242	\$14,057,440
TOTAL ASSETS	\$17,299,915	\$196,273	\$17,496,188
LIABILITIES			
Current Liabilities:			
Internal Balances	\$110,802	(\$110,802)	\$0
Accounts Payable	396,691	25,892	422,583
Current Portion of Long-Term Debt	230,000	0	230,000
Accrued Salaries and Benefits	724,487	514	725,001
Payroll Deductions and Withholdings	36,257	0	36,257
Accrued Interest	115,598	0	115,598
Deferred Revenues	0	4,344	4,344
Total Current Liabilities	\$1,613,835	(\$80,052)	\$1,533,783
Noncurrent Liabilities:			
Bonds Payable	\$12,180,000	\$0	\$12,180,000
Compensated Absences	252,907	23,300	276,207
Other Postemployment Benefits	1,546,566	0	1,546,566
Total Noncurrent Liabilities	\$13,979,473	\$23,300	\$14,002,773
TOTAL LIABILITIES	\$15,593,308	(\$56,752)	\$15,536,556
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	\$1,419,773	\$145,242	\$1,565,015
Unrestricted	286,834	107,783	394,617
TOTAL NET ASSETS	\$1,706,607	\$253,025	\$1,959,632
TOTAL LIABILITIES AND NET ASSETS	\$17,299,915	\$196,273	\$17,496,188

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

NORTHERN CAMBRIA SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Function/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities
Governmental Activities:						
Unallocated Depreciation	\$536,426	\$0	\$0	\$0	(\$536,426)	\$0
Instruction	10,196,204	7,375	4,530,616	0	(5,658,213)	0
Instructional Student Support	1,291,985	0	70,005	0	(1,221,980)	0
Administrative and Financial Support Services	1,199,247	0	50,833	0	(1,148,414)	0
Operation and Maintenance of Plant Services	1,365,668	0	30,608	0	(1,335,060)	0
Pupil Transportation	1,190,093	0	1,009,792	0	(180,301)	0
Student Activities	364,540	23,805	10,321	0	(330,414)	0
Community Services	10,800	0	0	0	(10,800)	0
Interest on Long-Term Debt	548,552	0	0	436,916	(111,636)	0
Total Governmental Activities	\$16,703,515	\$31,180	\$5,702,175	\$436,916	(\$10,533,244)	\$0
Business-Type Activities:						
Food Services	\$648,152	\$279,066	\$361,773	\$0	\$0	(\$7,513)
Total Primary Government	\$17,351,667	\$310,246	\$6,063,948	\$436,916	(\$10,533,244)	(\$7,513)
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes, Net					52,043,788	\$0
Earned Income, Per Capita and Other Taxes Levied for General Purposes					876,589	0
Net Grants, Subsidies, and Contributions Not Restricted					7,239,330	0
Investment Earnings					9,821	0
Miscellaneous Income					14,588	0
Total General Revenues					\$10,184,116	\$0
Change in Net Assets					(\$349,128)	(\$7,513)
Net Assets - July 1, 2010					2,055,735	260,538
Net Assets - June 30, 2011					\$1,706,607	\$253,025

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

**NORTHERN CAMBRJA SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	General Fund	Capital Projects Funds	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$2,046,233	\$333,245	\$2,379,478
Investments	665	1,586	2,251
Due from Other Governments	957,737	0	957,737
Other Receivables	33,251	0	33,251
Inventories	15,000	0	15,000
TOTAL ASSETS	\$3,052,886	\$334,831	\$3,387,717
LIABILITIES AND FUND BALANCES:			
LIABILITIES			
Due To Other Funds	\$110,802	\$0	\$110,802
Accounts Payable	376,681	20,010	396,691
Accrued Salaries and Benefits	724,487	0	724,487
Payroll Deductions and Withholdings	36,257	0	36,257
TOTAL LIABILITIES	\$1,248,227	\$20,010	\$1,268,237
FUND BALANCES			
Nonspendable - Inventories	\$15,000	\$0	\$15,000
Assigned for Capital Projects	0	314,821	314,821
Unassigned	1,789,659	0	1,789,659
TOTAL FUND BALANCES	\$1,804,659	\$314,821	\$2,119,480
TOTAL LIABILITIES AND FUND BALANCES	\$3,052,886	\$334,831	\$3,387,717

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

**NORTHERN CAMBRIA SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011**

Total Fund Balances - Governmental Funds **\$2,119,480**

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

Capital Assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$ 26,439,861 and the accumulated depreciation is \$12,610,088. 13,829,773

Bond issue costs are recorded as expenditures in the year of the bond issue in the funds, but represent an asset on the Statement of Net Assets that is amortized to expense over the life of the debt. 82,425

Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds.

Long-term liabilities at year end consist of:

Bonds payable	(\$12,410,000)	
Accrued interest on the bonds	(115,598)	
Compensated absences	(252,907)	
Other postemployment benefits	<u>(1,546,566)</u>	<u>(14,325,071)</u>

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES **\$1,706,607**

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

**NORTHERN CAMBRIA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Major Funds</u>		
	<u>General Fund</u>	<u>Capital Projects Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Local Sources	\$3,300,118	\$78	\$3,300,196
State Sources	10,819,869	0	10,819,869
Federal Sources	2,241,775	0	2,241,775
TOTAL REVENUES	<u>\$16,361,762</u>	<u>\$78</u>	<u>\$16,361,840</u>
EXPENDITURES			
Instruction	\$9,975,154	\$0	\$9,975,154
Support Services	5,038,684	0	5,038,684
Operation of Noninstructional Services	374,689	0	374,689
Facilities Acquisition, Construction and Improvement Services	0	145,615	145,615
Debt Services	960,772	0	960,772
Refund of Prior Year Receipts	7,453	0	7,453
TOTAL EXPENDITURES	<u>\$16,356,752</u>	<u>\$145,615</u>	<u>\$16,502,367</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$5,010</u>	<u>(\$145,537)</u>	<u>(\$140,527)</u>
OTHER FINANCING SOURCES (USES)			
Interfund Transfers In (Out) (Net)	<u>(\$100,000)</u>	<u>\$100,000</u>	<u>\$0</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(\$100,000)</u>	<u>\$100,000</u>	<u>\$0</u>
Net Change in Fund Balances	<u>(\$94,990)</u>	<u>(\$45,537)</u>	<u>(\$140,527)</u>
Fund Balance - July 1, 2010, as restated	<u>1,899,649</u>	<u>360,358</u>	<u>2,260,007</u>
Fund Balance - June 30, 2011	<u>\$1,804,659</u>	<u>\$314,821</u>	<u>\$2,119,480</u>

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

**NORTHERN CAMBRIA SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

Total net change in fund balance - governmental funds **(\$140,527)**

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

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

Depreciation expense (\$ 608,419)	(457,304)
Capital outlays \$ 151,115	

Repayment of bond principal \$365,000 and the repayment of lease purchase obligations principal \$64,792 are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the Statement of Net Assets.

429,792

In the statement of activities certain operating expenses - compensated absences decreased by \$239,645 and other postemployment benefits (OPEB) increased by (\$403,162) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference.

(163,517)

Net (increase) in accrued interest expense on bonds payable

(17,572)

Change in net assets of governmental activities

(\$349,128)

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

**NORTHERN CAMBRIA SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2011**

	<u>Food Service</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$100
Due From Other Funds	110,802
Due From Other Governments	9,756
Inventories	14,164
Other Receivables	<u>27,011</u>
Total Current Assets	<u>\$161,833</u>
Noncurrent Assets:	
Furniture and Equipment (Net of Accumulated Depreciation)	<u>\$145,242</u>
Total Noncurrent Assets	<u>\$145,242</u>
TOTAL ASSETS	<u><u>\$307,075</u></u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	\$25,892
Accrued Salaries and Benefits	514
Deferred Revenues	<u>4,344</u>
Total Current Liabilities	<u>\$30,750</u>
Noncurrent Liabilities:	
Compensated Absences	<u>\$23,300</u>
TOTAL LIABILITIES	<u>\$54,050</u>
NET ASSETS	
Investment in Capital Assets, Net of Related Debt	\$145,242
Unrestricted	<u>107,783</u>
TOTAL NET ASSETS	<u>\$253,025</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$307,075</u></u>

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

**NORTHERN CAMBRIA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Food Service</u>
OPERATING REVENUES:	
Food Service Revenue	<u>\$279,066</u>
TOTAL OPERATING REVENUES:	<u>\$279,066</u>
OPERATING EXPENSES:	
Salaries	\$190,766
Employee Benefits	70,739
Purchased Professional and Technical Services	77,224
Purchased Property Service	17,759
Other Operating Expenses	4,137
Supplies	266,591
Depreciation	<u>21,136</u>
TOTAL OPERATING EXPENSES	<u>\$648,352</u>
OPERATING INCOME/(LOSS)	<u>(\$369,286)</u>
NONOPERATING REVENUES (EXPENSES)	
State Sources	\$37,859
Federal Sources	<u>323,914</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>\$361,773</u>
CHANGE IN NET ASSETS	(\$7,513)
TOTAL NET ASSETS - JULY 1, 2010	<u>260,538</u>
TOTAL NET ASSETS - JUNE 30, 2011	<u>\$253,025</u>

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

**NORTHERN CAMBRIA SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Food Service</u>
Cash Flows from Operating Activities	
Cash Received from Users	\$284,604
Cash Payments for Other Operating Expenses	(227,089)
Cash Payments to Employees for Services	(186,240)
Cash Payments to Suppliers for Goods and Services	<u>(213,964)</u>
Net Cash (Used for) Operating Activities	<u>(\$342,689)</u>
Cash Flows from Noncapital Financing Activities	
State Sources	\$37,698
Federal Sources	<u>285,915</u>
Net Cash Provided by Noncapital Financing Activities	<u>\$323,613</u>
Net (Decrease) in Cash and Cash Equivalents	(\$19,076)
Cash and Cash Equivalents Beginning of Year	<u>19,176</u>
Cash and Cash Equivalents End of Year	<u><u>\$100</u></u>
Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities:	
Operating Income (Loss)	<u>(\$369,286)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:	
Depreciation	\$21,136
(Increase) in Accounts and Interfund Receivables	(48,769)
(Increase) in Inventories	(144)
Decrease in Prepaid Expenses	3,708
Increase in Accounts Payable	17,091
(Decrease) in Accrued Salaries/Benefits	(471)
(Decrease) in Deferred Revenue	(2,452)
Donated Commodities Used	35,680
Increase in Compensated Absences	<u>818</u>
Total Adjustments	<u>\$26,597</u>
Net Cash (Used for) Operating Activities	<u><u>(\$342,689)</u></u>

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

**NORTHERN CAMBRIA SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2011**

	<u>Student Activities</u>
ASSETS	
Cash and Cash Equivalents	<u>\$89,347</u>
 TOTAL ASSETS	 <u><u>\$89,347</u></u>
LIABILITIES	
Due to Student Groups	<u>\$89,347</u>
 TOTAL LIABILITIES	 <u>\$89,347</u>
 NET ASSETS	 <u>0</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$89,347</u></u>

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

**NORTHERN CAMBRIA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 1: DEFINITION OF REPORTING ENTITY:

Northern Cambria School District is a third class school district operating under the regulations of the Pennsylvania Department of Education. Northern Cambria School District encompasses the Borough of Northern Cambria and the Townships of Barr and Susquehanna located in the County of Cambria, Pennsylvania. The School District maintains classes from kindergarten through the twelfth grade for residents of those municipalities.

Government Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity" as amended by (GASB) Statement No. 39, "Determining Whether Certain Organizations Are Component Units", establishes the criteria for determining the activities, organizations and functions of government to be included in the financial statements of the reporting entity. The criteria used in determining whether such organizations should be included in the School District's financial reporting entity are financial interdependency, selection of governing authority, designation of management, ability to significantly influence operation, accountability for fiscal matters, scope of public service and special financing relationships. The School District has evaluated its relationship with other entities to determine if their financial information should be included in these financial statements. Based on this evaluation, no entity has been included as a component unit of the District's reporting entity because of the limited oversight responsibility and limited accountability for fiscal matters. Accordingly, the District has no component units.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Northern Cambria School District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by Northern Cambria School District are discussed below.

**NORTHERN CAMBRIA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No.34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Certain of the significant changes in the Statement include the following:

The financial statements include:

- * A Management Discussion and Analysis (MD&A) section providing an analysis of Northern Cambria School District's overall financial position and results of operations.
- * Financial statements prepared using full accrual accounting for all of Northern Cambria School District's activities.
- * A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

(A) BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

**NORTHERN CAMBRIA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- (1) Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- (2) Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund - The General Fund is the primary operating fund of Northern Cambria School District and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Capital Projects Funds - Accounts for transfers from other funds and related investment earnings for capital outlays not accounted for in another fund.

Proprietary Funds

Enterprise Funds -- Food Service Fund - Enterprise funds are used to account for business-like activities. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. Northern Cambria School District's only enterprise fund is the food service fund.

**NORTHERN CAMBRIA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Fiduciary Fund Types (not included in government-wide statements)

Agency Funds - Agency funds account for assets held by Northern Cambria School District in a purely custodial capacity. Northern Cambria School District's only agency fund are the accounts for activities of student groups.

Major and Nonmajor Funds

The funds are further classified as major or non major as follows:

Major:

General Fund, Capital Projects Funds and Proprietary Fund (Food Service).

Nonmajor:

None

(B) MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item two (2) below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- (1) All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balances as their measure of available spendable financial resources at the end of the period.

NORTHERN CAMBRIA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

- (2) The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.
- (3) Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Assets and the Statement of Activities, both governmental and businesslike activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

NORTHERN CAMBRIA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

- **Budgets**

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the General Fund. All annual appropriations lapse at fiscal year end. Budget revisions are made by the School District during the year after approval by the Board of School Directors.

- **Use of Estimates**

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

- **Interfund Transactions**

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

- **Cash and Temporary Investments**

Cash and temporary investments consist of cash, certificates of deposit and liquid asset funds.

Cash and temporary investments as reflected on the balance sheets total \$2,471,276 at June 30, 2011. All deposits and investments are covered by federal depository insurance and excess balances (over \$250,000) are collateralized with governmental securities in accordance with state requirements. All funds were properly secured at all times during the fiscal school year.

- **Inventories**

Inventories in the Food Service Fund are presented at estimated cost.

- **Fund Balance**

In the year ending June 30, 2011, the School District implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Statement No. 54 changes the terminology and classification of fund balance to reflect spending constraints on resources, rather than availability for appropriation. This approach is intended to provide users more consistent and understandable information about a fund's net resources.

**NORTHERN CAMBRIA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2011

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Constraints are broken into five classifications: nonspendable, restricted, committed, assigned, and unassigned. These classifications serve to inform readers of the financial statements of the extent to which the government is bound to honor any constraints on specific purposes for which resources in a fund can be spent.

❖ **Nonspendable**

Consists of assets inherently nonspendable in the current period either because of their form or because they must be maintained intact; including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and endowment principal

❖ **Restricted**

Consists of amounts subject to legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and enforced externally; or through constitutional provisions or enabling legislation.

❖ **Committed**

Consists of amounts subject to a purpose constraint imposed by formal action of the government's highest level of decision-making authority prior to the end of the fiscal year, which requires the same level of formal action to remove said constraint.

❖ **Assigned**

Consists of amounts subject to a purpose constraint representing an intended use established by the government's highest level of decision-making authority, or their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund. In funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.

❖ **Unassigned**

Represents the residual classification of the government's General Fund, and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification should only be used to report a deficit balance resulting from overspending amounts restricted, committed, or assigned for specific purposes.

▪ **Total Columns**

The total columns on the Financial Statements are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Such data is not comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NORTHERN CAMBRIA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 3: PROPERTY TAXES:

Northern Cambria School District assesses a real property tax on real estate in three municipalities located in the County of Cambria. Taxable assessed values for each of the municipal areas is determined by the assessment office of the County of Cambria. The following is the basis for determination of current real estate taxes for the school year ended June 30, 2011.

	Taxable Assessed Value
Township of Barr	\$15,242,681
Borough of Northern Cambria	22,039,917
Township of Susquehanna	<u>11,335,182</u>
Total Taxable Assessed Value	<u>\$48,617,780</u>
Number of mills levied	47
Total tax levy collectible	<u>\$ 2,285,036</u>
Total tax levy collected (Net) 89.44%	<u>\$ 2,043,788</u>

The District levies the real estate tax as follows:

July 1	- Levy Date
July 1 – August 31	- 2% Discount Period
September 1 – October 31	- Full Payment Period
November 1 – December 15	- 10% Penalty Period
December 16	- Lien Date

**NORTHERN CAMBRIA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 4: CASH AND INVESTMENTS

Cash and investments as of June 30, 2011 consist of the following:

Cash on Hand	\$ 500
Deposits with financial institution-	
First National Bank	2,468,524
Pennsylvania Local Government	
Investment Trust (PLGIT)	<u>2,252</u>
Total Cash and Investments:	<u>\$2,471,276</u>

Deposits were with a contracted depository bank in interest bearing accounts which were secured at the balance sheet date by FDIC coverage and by pledged securities.

The District invests in the Pennsylvania Local Government Investment Trust (PLGIT) was organized under an instrument of trust on February 1, 1981. The Trust is a non-taxable investment fund established for local governments in Pennsylvania under provisions of the Pennsylvania Intergovernmental Cooperation Act and related statutes. The Trust invests in two basic types of federal securities: obligations backed by the full faith and credit of the United States Government, and short-term obligations of the United States Government or its agencies or instrumentalities (which may or may not be backed by the full faith and credit of the United States Government). The Trust also utilizes repurchase agreements in investing in these federal securities. The Trust enters into repurchase agreements only with dealers in U.S. Government securities who are recognized as "primary dealers" by the Federal Reserve System or with commercial banks having assets in excess of \$1 billion. The securities being purchased must have a market value at least equal to the amount of the repurchase agreement investment plus the accrued yield on the investment. This market value is checked daily and the seller is required to provide additional securities or money if the value of the securities declines below the amount required under the repurchase agreement. All of the securities are delivered to an account of the Trust at the Trust's custodian or at another custodian agreed to be the Trust and the seller. The Trust does not engage in "reverse" repurchase agreements and does not invest in any exotic derivatives. The Trust is authorized to invest in full faith and credit obligations of the Commonwealth of Pennsylvania and its agencies, instrumentalities and political subdivisions. The Trust is also authorized to invest in certificates of deposit which are insured by the Federal Deposit Insurance Corporation or which are collateralized as provided by law.

The Trust may invest in certain investment companies registered under the investment Company Act of 1940, provided the only investments of that company are in instruments which are authorized investments of the Trust, the investment company is managed to maintain a constant net asset value and the investment company is rated in the highest category by a nationally recognized rating agency.

NORTHERN CAMBRIA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 4: CASH AND INVESTMENTS (continued)

Interest Rate Risk

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

Credit Risk

The District has no investment policy that would limit its investment choices to certain credit ratings.

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral security that are in possession of an outside party. The District believes it has no investment subject to custodial credit risk.

NOTE 5: CAPITAL ASSETS:

The accounting treatment over property, plant, and equipment (capital assets) depends on whether - the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets, if any, which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 2003. The minimum capitalization threshold is any individual item with a total cost equal to or greater than \$5,000.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

- Buildings and Improvements	20-50 years
- Site Improvements	20 years
- Fixtures and Equipment	5-20 years
- Library and Textbooks	6 years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

NORTHERN CAMBRIA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 6: CHANGES IN CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$38,834	\$0	\$0	\$38,834
Total Capital Assets Not Being Depreciated	\$38,834	\$0	\$0	\$38,834
Capital Assets Being Depreciated				
Site Improvements	\$886,038	\$0	\$0	\$886,038
Buildings	22,571,484	145,615	0	22,717,099
Equipment	1,722,572	5,500	0	1,728,072
Library and Textbooks	992,709	0	0	992,709
Vehicles	77,109	0	0	77,109
Total Assets Being Depreciated	\$26,249,912	\$151,115	\$0	\$26,401,027
Less Accumulated Depreciation For:				
Site Improvements	\$696,313	\$16,651	\$0	\$712,964
Buildings	8,868,056	519,775	0	9,387,831
Equipment	1,403,618	51,565	0	1,455,183
Library and Textbooks	978,170	14,539	0	992,709
Vehicles	55,512	5,889	0	61,401
Total Accumulated Depreciation	\$12,001,669	\$608,419	\$0	\$12,610,088
Total Capital Assets, Being Depreciated, Net	\$14,248,243	(\$457,304)	\$0	\$13,790,939
Governmental Activities, Capital Assets, Net	\$14,287,077	(\$457,304)	\$0	\$13,829,773
Business-Type Activities				
Capital Assets Being Depreciated				
Equipment	\$393,939	\$0	\$0	\$393,939
Total Capital Assets, Being Depreciated	\$393,939	\$0	\$0	\$393,939
Less Accumulated Depreciation	\$227,561	\$21,136	\$0	\$248,697
Total Capital Assets Being Depreciated, Net	\$166,378	\$21,136	\$0	\$145,242
Business-Type Activities Capital Assets, Net	\$166,378	\$21,136	\$0	\$145,242

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

Governmental Activities:	
Instruction	\$60,821
Support Service	841
Administration	804
Student Transportation	8,876
Student Activities	651
Unallocated	536,426
Total Depreciation Expense-Governmental Activities	\$608,419
Business-Type Activities	
Cafeteria	\$21,136
Total Depreciation Expense-Business-Type Activities	\$21,136

NORTHERN CAMBRIA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 20101

NOTE 7: PENSIONS:

A. Plan Description

Substantially all full-time and qualifying employees of the School District are eligible to participate in the Pennsylvania Public School Employees' Retirement System (PSERS), a governmental cost-sharing multiple-employer defined benefit plan that provides retirement allowances and other benefits to members. Membership in PSERS is mandatory for substantially all full-time public school employees in the Commonwealth of Pennsylvania (Commonwealth).

The contribution policy is established by the authority of the Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended) (24 Pa. C.S. 8101-8535) (the Code).

Under the provisions of the Code, 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. In addition to regular retirement benefits, PSERS also provides for disability retirement benefits, legislative mandated *ad hoc* cost-of-living adjustments and a health insurance premium assistance program to qualifying annuitants.

PSERS issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Public School Employees' Retirement System, P.O. Box 125, Harrisburg, PA 17108-0125.

B. Funding Policy

The contribution policy is established by the Code and requires contributions by active members, employers, and the Commonwealth.

Active members contribute at 5.25% (membership class TC) or at 6.50% (membership Class TD) of the members compensation. Members joining 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 class TD). Members who joined the system after June 30, 2001 contribute at 7.50% (automatic membership class TD). For all new hires and for members who elected Class TD membership, the higher contribution rates began with service rendered on or after January 1, 2002. Contributions required of employer's are based upon actuarial valuation. For the fiscal year ended June 30, 2011 the rate of employer contribution was 5.64 percent of covered payroll.

C. Annual Pension Cost

The School District's contributions to PSERS for the years ended June 30, 2011, 2010, and 2009, were \$404,865, \$352,242, and \$356,832, respectively. Those amounts are equal to the required contribution for each year.

NORTHERN CAMBRIA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 8: LONG-TERM DEBT:

During the year ended June 30, 2011, long-term debt changed as follows:

	Bonds Payable	Lease Purchase Obligation	Compensated Absences	OPEB Obligation	Total Long-Term Debt
Beginning of year	\$12,615,000	\$64,792	\$492,552	\$1,143,404	\$14,315,748
New Issues	\$5,625,000	\$0	\$0	\$0	\$5,625,000
Retirements and Principal Payments	(5,830,000)	(64,792)	0	0	(5,894,792)
Decrease in Compensated Absences	0	0	(239,645)	0	(239,645)
Increase in OPEB Obligation	0	0	0	403,162	403,162
End of Year	\$12,410,000	\$0	\$252,907	\$1,546,566	\$14,209,473
Less: Current Portion	(230,000)	0	0	0	(230,000)
Long-term liabilities	\$12,180,000	\$0	\$252,907	\$1,546,566	\$13,979,473

The payments of long-term debt are to be funded by the General Fund.

The future annual payments required to amortize the outstanding bonds payable as of June 30, 2011, including total interest payments are as follows:

Year Ended June 30,	Bonds Payable		Total
	Principal	Interest	
2012	\$230,000	\$312,298	\$542,298
2013	430,000	361,774	791,774
2014	440,000	350,435	790,435
2015	460,000	337,138	797,138
2016	475,000	321,821	796,821
2017-2021	2,605,000	1,370,804	3,975,804
2022-2026	3,105,000	870,430	3,975,430
2027-2031	3,800,000	440,069	4,240,069
2032	865,000	19,044	884,044
TOTAL	\$12,410,000	\$4,383,813	\$16,793,813

**NORTHERN CAMBRIA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 8: LONG-TERM DEBT: (continued)

On June 28, 2011, the School District issued General Obligation Bonds of 2011, in the principal amount of \$5,625,000. The purpose of the bond issues was to currently refund a portion of the General Obligation Bonds of 2006 and pay the costs of issuing the 2011 bonds. The principal balance of Series 2006 redeemed on June 28, 2011 was \$5,465,000.

At June 30, 2011, Northern Cambria School District had three outstanding bond issues with a total balance of \$12,410,000. The bond issues were as follows:

Series of 2006, General Obligation Bonds in the original principal amount of \$8,330,000, dated August 1, 2006, carrying varying interest rates from 3.60% to 4.50%, due serially with final maturity on September 1, 2031.

Balance Outstanding June 30, 2011	\$ 1,990,000
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Series of 2007, General Obligation Bonds in the original principal amount of \$5,410,000 dated February 15, 2007, carrying varying interest rates from 3.45% to 4.25%, due serially with final maturity on September 1, 2031.

Balance Outstanding June 30, 2011	\$ 4,795,000
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Series of 2011, General Obligation Bonds in the original principal amount of \$5,625,000 dated June 28, 2011, carrying interest rates from 1.00% to 4.05%. due serially with final maturity on September 1, 2027.

Balance Outstanding June 30, 2011	<u>\$ 5,625,000</u>
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Total Bonds Payable June 30, 2011	<u>\$12,410,000</u>
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LEASE PURCHASE OBLIGATION:

On May 30, 2001, the School District entered into a Lease Purchase Agreement with Old National Bank Leasing in the principal amount of \$511,062 for the purpose of acquiring various energy saving lighting equipment at the Elementary School, Middle School and the High School. Payments are to be made in twenty (20) semi-annual amounts of \$33,860 each, which includes principal and interest, due on the first semi-annual month beginning September 13, 2001. The term of the Agreement is ten (10) years with final payment scheduled for March 13, 2011. The lease is paid off as of June 30, 2011.

**NORTHERN CAMBRIA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 8: LONG-TERM DEBT: (continued)

ACCUMULATED COMPENSATED ABSENCES:

Compensated absences consist of future vacation, sick and other leave benefits, which represent an accrued liability to the District. At June 30, 2011 the District had accumulated compensation absences in the amount of \$252,907 which is presented as a long-term liability in the Statement of Net Asset.

NOTE 9: POST-EMPLOYMENT HEALTH CARE BENEFITS

Description

Effective July 1, 2008, the School District adopted the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post Retirement Benefits Other Than Pensions*. In addition to the relevant disclosures within this note related to the implementation of GASB Statement No. 45, the financial statements reflect a long-term liability and related expenses of \$1,546,566 in total liabilities resulting from the adoption. The School District maintains a single employer defined benefit plan to provide post retirement healthcare benefits to School District employees who have retire with 30 years of PSERS service or upon superannuation retirement. Such benefits are available to retiree dependents until the retired employee reaches age 65, provided the retired employee provides payment equal to the premium determined for the purpose of COBRA.

Funding Policy

The School District has elected to finance post employment benefits on a pay-as-you-go basis. The School District recognizes expenditures for post employment group insurance when payments are made to the Plan Administrator. These financial statements assume that pay-as-you-go funding will continue.

Annual OPEB Cost and Net OPEB Obligation

The School District's annual cost for other post employment retirement benefits (OPEB) is calculated based on the annual required contribution (ARC) of the School District, an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of 9 years. The following illustrates the components of the School District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the School District's net OPEB obligations:

Annual Required Contribution	\$803,994
Interest on OPEB Obligation	51,454
Adjustment to Annual Required Contribution	<u>(157,304)</u>
Annual OPEB Cost	698,144
Contributions Made	<u>(294,982)</u>
Estimated Increase in Net OPEB Obligation	403,162
Net OPEB Obligation-Beginning of Year	<u>1,143,404</u>
Net OPEB Obligation-End of Year	<u>\$1,546,566</u>

**NORTHERN CAMBRIA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 9: POST-EMPLOYMENT HEALTH CARE BENEFITS (continued)

The School District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB OPEB Cost Contributed	Net OPEB Obligation- End of Year
06/30/2011	\$698,144	42.2%	\$1,546,566
06/30/2010	747,972	28.4%	1,143,404
06/30/2009	803,994	24.7%	605,164

Funding Status and Funding Progress

As of July 1, 2008, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits equaled \$4,342,460, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,342,460. The covered payroll (annual payroll of active employees covered by the Plan) equaled \$6,563,665, and the ratio of the UAAL to the covered payroll equaled 66.16%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about the future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as RSI following the notes to the financial statements, is to present multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. However, because the School District maintains no Plan assets, information relative to Plan asset required disclosures is not applicable.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the School District and Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the School District and Plan members to that point. There are no legal or contractual funding limitations that would potentially affect the projection of benefits for financial accounting purposes. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

NORTHERN CAMBRIA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 9: POST-EMPLOYMENT HEALTH CARE BENEFITS (continued)

In the actuarial valuation dated July 1, 2008, the entry age normal cost method was used. Because the School District funds its OPEB on a pay-as-you-go basis, the Plan has no assets (investment) legally held exclusively for paying the post-retirement medical benefits. Actuarial assumptions included an interest rate of 4.5% per annum, medical inflation of 8.5% in the first year gradually decreasing by 0.5% per year to an ultimate rate of 5% in 2015 and later.

NOTE 10: CONTINGENT LIABILITIES:

Grant Programs

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

NOTE 11: FUND BALANCE RECLASSIFICATION

Beginning July 1, 2010, the District adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which redefined the definition of a special revenue fund. As a result, the athletic activities are now included in the general fund rather than a separate fund. Also, the capital reserve fund is now included in the capital projects fund. The reclassification of the beginning fund balance is as follows:

	<u>General Fund</u>	<u>Capital Project Fund</u>
Fund Balance, as previously stated	\$1,894,629	\$147,150
Adoption of GASB 54	5,020	213,208
	<hr/>	<hr/>
Fund balance, as restated	\$1,899,649	\$360,358
	<hr/>	<hr/>

NORTHERN CAMBRIA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL.
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance With
	Original	Final	Budgetary	Final Budget
			Basis	Positive
				(Negative)
Total Local Sources				
Local Sources	\$3,153,216	\$3,153,216	\$3,300,118	\$146,902
State Sources	12,228,946	12,228,946	10,819,869	(1,409,077)
Federal Sources	820,843	820,843	2,241,775	1,420,932
TOTAL REVENUES	\$16,203,005	\$16,203,005	\$16,361,762	\$158,757
EXPENDITURES				
Regular Programs	\$7,871,920	\$7,450,138	\$7,436,400	\$13,738
Special Programs	1,828,398	2,098,947	2,025,830	73,117
Vocational Programs	410,190	362,856	277,638	85,218
Other Instructional Programs	97,128	160,896	112,803	48,093
Pre-Kindergarten	124,243	127,630	122,484	5,146
Pupil Personnel Services	539,833	574,296	568,398	5,898
Instructional Staff Services	373,199	489,658	489,053	605
Administrative Services	870,971	917,095	866,684	50,411
Pupil Health	237,926	234,969	234,969	0
Business Services	234,256	207,301	207,232	69
Operation and Maintenance of Plant Services	1,243,554	1,333,046	1,329,110	3,936
Student Transportation Services	1,111,087	1,181,217	1,181,217	0
Central and Other Support Services	295,076	258,994	158,991	100,003
Other Support Services	2,500	3,029	3,029	0
Student Activities	425,201	333,308	363,889	(30,581)
Community Services	0	10,800	10,800	0
Debt Service	956,847	967,696	960,772	6,924
Refund of Prior Year Receipts	0	7,453	7,453	0
TOTAL EXPENDITURES	\$16,622,339	\$16,719,329	\$16,356,752	\$362,577
EXCESS (DEFICIENCY) OF REVENUES				
OVER EXPENDITURES	(\$419,324)	(\$516,324)	\$5,010	\$521,334
OTHER FINANCING SOURCES (USED)				
Interfund Transfers In	\$0	\$0	\$0	\$0
Interfund Transfers Out	(100,000)	(103,000)	(100,000)	3,000
Budgetary Reserve	(100,000)	0	0	0
TOTAL OTHER FINANCING				
SOURCES (USES)	(\$200,000)	(\$103,000)	(\$100,000)	\$3,000
Net Change in Fund Balance	(\$619,324)	(\$619,324)	(\$94,990)	\$524,334
Fund Balance - July 1, 2010, as restated	1,899,649	1,899,649	1,899,649	0
Fund Balance - June 30, 2011	\$1,280,325	\$1,280,325	\$1,804,659	\$524,334

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

**NORTHERN CAMBRIA SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS –
OTHER POSTEMPLOYMENT BENEFITS (OPEB) –
POST-RETIREMENT HEALTH CARE BENEFITS PLAN
Unaudited**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)
07/01/2008	-0-	\$4,342,460	\$4,342,460	0.0%

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

**NORTHERN CAMBRIA SCHOOL DISTRICT
SCHEDULE OF EMPLOYER CONTRIBUTIONS --
OTHER POSTEMPLOYMENT BENEFITS (OPEB) --
POST-RETIREMENT HEALTH CARE BENEFITS PLAN
Unaudited**

Employer Contributions

Fiscal Year Ended	Annual Required Contribution	Contributions From Employer	Percentage Contributed
06/30/2011	\$698,144	\$294,983	42.2%
06/30/2010	747,972	209,732	28.4%
06/30/2009	803,994	198,830	24.7%

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

**NORTHERN CAMBRIA SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -
OTHER POSTEMPLOYMENT BENEFITS (OPEB) -
POST-RETIREMENT HEALTH CARE BENEFITS PLAN
Unaudited**

The information presented on the required supplementary schedules on page 31 and 32 was determined as part of the actuarial valuation at the date indicated. In future periods, the schedule will present multi-year trend information about whether the unfunded actuarial accrued liability is increasing or decreasing. Additional information as of the latest actuarial valuation is as follows:

Valuation Date	07/01/2008	
Actuarial Cost Method	Entry Age Normal Cost Method	
Amortization Method	Level Dollar Method	
Remaining Amortization Period	9 Years	
Asset Valuation Method	Not Applicable (the Plan is Unfunded)	
Health Care Cost Trend	2010	7.5%
	2011	7.0%
	2012	6.5%
	2013	6.0%
	2014	5.5%
	2015 and Thereafter	5.0%
Actuarial Assumptions:		
Discount Rate	4.5%	
Pre-Retirement Mortality	Assumed Rates used in the PSERS Defined Benefit Plan Actuarial Valuation	
Post-Retirement Mortality	Assumed Rates used in the PSERS Defined Benefit Plan Actuarial Valuation	

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Accordingly, actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective, and, consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities. Actuarial calculations are based on the types of benefits provided under the terms of the plan at the time of the valuations, and on the pattern of cost-sharing between the employer and plan members at that point.

NORTHERN CAMBRIA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR/ PROJECT TITLE	SOURCE CODE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	GRANT PERIOD BEGINNING/ ENDING DATES	PROGRAM OR AWARD AMOUNT	TOTAL RECEIVED FOR YEAR	ACCRUED OR DEFERRED REVENUE RECOGNIZED	EXPENDITURES ACCRUED OR DEFERRED
						07/01/10		06/30/11
U.S. Dept. of Education received through the PA Department of Education:								
Title I - Part A Cluster:								
Title I - Improving Basic Programs	1	84.010	013-100297	07/01/09 - 06/30/10	\$451,840	\$61,433	\$0	\$0
Title I - Improving Basic Programs	1	84.010	013-110297	07/01/10 - 06/30/11	446,728	357,382	446,728	89,346
Title I - Academic Achievement	1	84.010	277-100297	07/01/09 - 06/30/10	1,800	1,440	0	0
ARRA-Title I Part A Grant	1	84.389	127-100297	07/01/09 - 06/30/10	247,373	43,763	0	0
Total Title I-Part A Cluster					464,018	105,636	446,728	89,346
Total Title I-Part A Cluster								
Drug Free Schools	1	84.186	100-100297	07/01/10 - 06/30/11	2,820	1,128	2,820	1,692
Title II - Education Technology	1	84.318	055-100297	07/01/09 - 06/30/10	55,000	44,000	0	0
Title II - Improving Teacher Quality	1	84.367	055-110297	07/01/10 - 06/30/11	125,932	125,932	125,932	0
ARRA-Fiscal Stabilization-Basic Ed	1	84.394	126-100297	07/01/09 - 06/30/10	1,026,144	171,024	0	0
ARRA-Fiscal Stabilization-Basic Ed	1	84.394	126-110297	07/01/10 - 06/30/11	1,001,311	1,001,311	1,001,311	0
ARRA-Education Tech Fund	1	84.410	140-158850	08/10/10 - 06/30/11	593,260	593,260	593,260	0
passed through the Appalachia Intermediate Unit 8:								
Special Education Cluster (IDEA):								
IDEA - Part B	1	84.027	N/A	07/01/09 - 06/30/10	221,696	221,696	0	0
IDEA - Part B	1	84.027	N/A	07/01/10 - 06/30/11	213,986	0	213,986	213,986
ARRA-IDEA -Part B	1	84.391A	N/A	02/17/09 - 06/30/11	244,620	174,278	66,348	66,348
Total Special Education (IDEA) Cluster					195,974	395,974	280,334	280,334
Total Special Education (IDEA) Cluster								
Title II, Part B	1	84.368B	N/A	07/01/09 - 06/30/10	13,750	6,750	0	0
Title II, Part B	1	84.368B	N/A	07/01/10 - 06/30/11	4,500	0	4,500	4,500
TOTAL U.S. DEPT. OF EDUCATION					1,803,397	724,384	2,454,885	375,872

NORTHERN CAMBRIA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR/ PROJECT TITLE	SOURCE CODE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	GRANT PERIOD BEGINNING/ ENDING DATES	PROGRAM OR AWARD AMOUNT	TOTAL RECEIVED FOR YEAR	ACCRUED OR (DEFERRED) 07/01/10	REVENUE RECOGNIZED	EXPENDITURES ACCRUED OR (DEFERRED) 06/30/11
<u>U.S. Dept. of Agriculture passed through the PA Department of Education:</u>									
Child Nutrition Cluster:	I	10.555	N/A	N/A	N/A	231,748	5,593	233,530	7,373
National School Lunch Program	I	10.553	N/A	N/A	N/A	34,166	1,175	34,703	1,712
National School Breakfast Program									
Total Child Nutrition Cluster						285,914	6,768	288,233	9,087
<u>passed through the PA Department of Agriculture:</u>									
U.S.D.A. Commodities	I	10.550	N/A	07/01/10 - 06/30/11	N/A	(a) 35,680	(b) (9,513)	(c) 37,217	(d) (6,976)
TOTAL U.S. DEPT. OF AGRICULTURE						321,594	(1,745)	325,450	2,111
<u>U.S. Dept. of Health and Human Services passed through the PA Department of Public Welfare:</u>									
Medical Assistance Reimbursement for Administration	I	93.778	N/A	07/01/10 - 06/30/11	N/A	12,621	0	12,621	0
TOTAL U.S. DEPT. OF HEALTH & HUMAN SERVICES						912,621	\$0	\$12,621	\$0
TOTAL EXPENDITURES OF FEDERAL AWARDS						\$3,137,612	\$722,639	\$2,792,956	\$377,983

Source Codes:

I - Indirect Funding

* - Major Program

See Notes to Schedule of Expenditures of Federal Awards

NORTHERN CAMBRIA SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2011

NOTE 1: BASIS OF PRESENTATION

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

NOTE 2: DONATED COMMODITIES

Non-monetary assistance is reported in the schedule at fair market value of the commodities received and subsequently used. At June 30, 2011, the district had food commodities totaling \$6,976 in inventory.

- a) Total amount of commodities received from the Department of Agriculture.
- b) Beginning inventory at July 1, 2010.
- c) Total amount of commodities used.
- d) Ending inventory at June 30, 2011.

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**Independent Auditor's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

To the Board of School Directors
Northern Cambria School District
Northern Cambria, Pennsylvania

November 21, 2011

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Northern Cambria School District as of and for the year ended June 30, 2011, which collectively comprise Northern Cambria School District's basic financial statements and have issued my report dated November 21, 2011. I conducted my 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.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Northern Cambria School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Northern Cambria School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Northern Cambria School District's internal control over financial reporting.

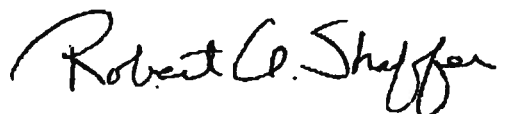
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination 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.

My consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northern Cambria School District's financial statements are free of material misstatement, I 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 these provisions was not an objective of my audit and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the School Board of Directors, management, the Pennsylvania Department of Education, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Robert C. Shaffer". The signature is written in a cursive style with a large, stylized "R" and "S".

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**Independent Auditor's Report On Compliance With Requirements
That Could Have a Direct and Material Effect on Each Major Program
and on Internal Control Over Compliance in Accordance
with OMB Circular A-133**

To the Board of School Directors
Northern Cambria School District
Northern Cambria, Pennsylvania

November 21, 2011

Compliance

I have audited Northern Cambria School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Northern Cambria School District's major federal programs for the year ended June 30, 2011. Northern Cambria School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Northern Cambria School District's management. My responsibility is to express an opinion on Northern Cambria School District's compliance based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Northern Cambria School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Northern Cambria School District's compliance with those requirements.

In my opinion, Northern Cambria School District complied, in all material respects, with the 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, 2011.

Internal Control Over Compliance

Management of Northern Cambria School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered Northern Cambria School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, 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, I do not express an opinion on the effectiveness of Northern Cambria 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.

My 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 deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the School Board of Directors, management, the Pennsylvania Department of Education, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than specified parties.

A handwritten signature in black ink, appearing to read "Robert Shaffer". The signature is written in a cursive, flowing style with a large initial "R".

NORTHERN CAMBRIA SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: **UNQUALIFIED**

Internal control over financial reporting:

Material weakness(es) identified?

___ Yes X No

Significant Deficiencies(s) identified

___ Yes X None reported

Not considered to be material weakness(es)?

Noncompliance material to financial statements noted?

___ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

___ Yes X No

Significant Deficiencies(s) identified

___ Yes X None reported

Not considered to be material weakness(es)?

Type of auditor's report issued on compliance

For major programs:

UNQUALIFIED

Any audit findings disclosed that are required

To be reported in accordance with

Circular A-133, Section .510(a)?

___ Yes X No

Programs tested as major programs include:

CFDA Number(s)

Name of Federal Program or Cluster

84.394

84.410

84.027

84.391A

ARRA - Fiscal Stabilization-Basic Ed

ARRA-Education Jobs Fund

Special Education (IDEA) Cluster

IDEA - Part B

ARRA - IDEA - Part B

Dollars threshold used to distinguish

Between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

X Yes ___ No

Section II - Financial Statement Findings No Findings

Section III - Federal Award Findings and Questioned Costs No Findings or Questioned Costs